

**RESOLUTION NO. 20160204-037**

**WHEREAS**, the City Council is committed to maintaining the long-term financial strength and sustainability of Austin Energy as well as maintaining affordability for residents; and

**WHEREAS**, the City Council has the responsibility to set policy and adopt rates for Austin Energy; and

**WHEREAS**, a comprehensive understanding of key concepts and assumptions of cost of service analysis is necessary for sound ratemaking; and

**WHEREAS**, a process allowing the City Council ample opportunity to evaluate the complex assumptions underlying the rate proposal and to make informed policy decisions will enhance the Council's ability to ensure that the rates adopted are equitable to all customer classes; and

**WHEREAS**, prior to 2012 Austin Energy's base electric rates had not been adjusted since 1994; and

**WHEREAS**, prior to rate adoption in 2012, the City Council held more than 10 work sessions on discussion topics that supported the development of sound rate-making; and

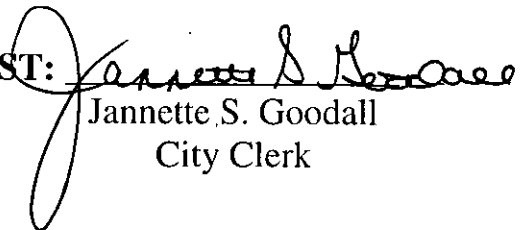
**WHEREAS**, the City Council wishes to adopt a work plan to review and discuss key components related to the upcoming electric rate adjustment proposal;  
**NOW THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

The City Manager is directed to schedule three, 90-minute work sessions within already scheduled meetings of the full Council on the topics described in Attachment A.

**ADOPTED:** February 4, 2016

**ATTEST:**

  
Jannette S. Goodall  
City Clerk

## Schedule and Topics for Council Work Sessions on Austin Energy Rates

### Session 1: **Overview and Revenue Requirement**

#### Overview

- Public vs Private Power
- ERCOT Market

*Potential Resources: Mark Bruce, Paul Hudson*

#### **Revenue Requirement Elements**

- Test Year (non-recurring, unreasonable, and known and measurable expenses)
- Debt Service Coverage
- CIP Debt-Service Equity Ratio
- Reserve Funds (Number/Scope of Funds, Funding Levels, Replenishment Rates)
- General Fund Transfer
- Additional Transfers

*Potential Resources: Elaine Hart, June Dively or Janet Simpson, OPUC)*

### Session 2: Cost of Service

- Customer Classification
- Cost Allocation Methods (Average and Excess Demand (AED), Base-Intermediate-Peak (BIP), Coincident Peak (3CP, 4CP, 12CP) Other and Hybrid Alternatives

*Potential Resource: Jim Lazar, Regulatory Assistance Project (RAP)*

*RAP is a non-profit team of experts providing assistance to government officials on a broad range of energy and environmental issues.*

### Session 3: **Rate Design**

#### Fixed Charges and Alternatives

- Decoupling
- Inverted Block Structure
- Demand Charges

#### Pass-through Charges

- Fuel Charge (Components and Calculations)
- Regulatory Charge and Power Supply Adjustment
- Consideration of Rates for Specific Types of Customers (Faith Community/Nonprofit Organizations, School Districts, Industrial Users, Out of City Ratepayers)
- Community Benefit Charge

*Potential Resource: Gary Goebel (2012 Residential Rate Advisor)*