

AUSTIN ENERGY

AUSTIN ENERGY'S TARIFF PACKAGE: §
2015 COST OF SERVICE STUDY §
AND PROPOSAL TO CHANGE BASE §
ELECTRIC RATES §

2016 FEB 22 § PM 5:11

BEFORE THE CITY OF AUSTIN
IMPARTIAL HEARING EXAMINER

**PUBLIC CITIZEN's
RESPONSE TO IMPARTIAL HEARING EXAMINER MEMORANDUM NO. 6**

1st Issue: Proposed Changes to the Community Benefit Charge, and Specifically to the Energy Efficiency Services Fee

In his Memorandum No. 6, the Impartial Hearings Examiner asks whether or not the Community Benefit Charge (CBC) should be addressed as part of this proceeding. The answer is absolutely yes, the CBC should be addressed, and specifically changes to the Service Area Lighting (SAL) and Energy Efficiency Services (EES) fees, which are part of the CBC.

Austin Energy has for decades run programs and provided incentives intended to reduce overall energy use and more specifically peak demand. In 2007, Austin City Council passed a new policy to achieve at least 700 MWs of peak demand reduction by 2020. In 2011, City Council approved a new Austin Energy Generation Resource Plan, which increase the goal of demand reduction from 700 MWs to 800 MWs, while also establishing a local solar goal of 100 MWs by 2020. Neither of these policy decisions declared, however, how to pay for these programs. During the previous rate case, however, for the first time, Austin Energy established a per-kilowatt fee known as the Community Benefit Fee composed of three separate fees, including the Energy Efficiency Services fee, the proceeds of which would be used for a variety of programs related to reducing peak reduction, including onsite solar generation.

In December of 2014, the Austin City Council approved a new 2025 Austin Energy Generation Resource and Climate Protection Plan, which maintained the 800 MW goal for demand reduction by 2020, but also established a 2025 goal of at least 900 MWs, and if budgets and technologies allowed, at least 1,000 MW. Out of this total demand reduction, demand response was identified as a specific program, and Austin Energy was directed to obtain at least 100 MWs of the total 900 MW with demand response programs. Finally, the local solar goal set to 200 MW by 2025, including customer-sited solar. Thus, it is City Council and Austin Energy policy to create programs and provide incentives for customers to reduce peak and overall energy demand to reach these minimum goals.

As stated, one of the main tools utilized by Austin Energy to achieve these goals is the money generated from the Energy Efficiency Service Fee, which is a major component of the Community Benefit Charge. Thus, the CBC is composed of Service Area Lighting (SAL), Energy Efficiency Services (EES) and the Customer Assistance Programs (CAP). The fee has been generating roughly \$25 to \$30 million per year, and supports residential, commercial and industrial programs to encourage onsite solar generation and reduce peak demand.

The 2016 Proposed Rate Case proposes to continue the EES as part of the CBC, and Public Citizen supports its continuance. However, the rate case does change the proposed level of the fee and changes the level of the fee for different customer classes. In particular, Austin Energy states that it is designing and applying the SAL and EES rates on a system basis without class distinction, which it states will maintain alignment with the actual cost of service and reduce inter-class cost shifting. Thus, while the EES, SAL, CAP and overall CBC can be changed

through the budget process and addressed by city council, the proposed 2016 Rate Tariff does change the way the EES and SAL will be assessed. We believe the issue of the CBC in general and the EES specifically should be an issue addressed as part of the hearing.

Table 1 shows the current EES rate for different customer classes and the proposed rate, as well as the “Cost of Service” that AE determined for the EES. In general, the proposed rates create a more uniform EES, though it is important to recognize that certain customers, such as High Load Factor Primary Voltage customers, would not pay the EES rate.

Existing and Proposed EES Rates

Class of Customers	Current EES Rate	Proposed EES Rate	Cost of Service Rate
Residential (both inner and outer city rates)	0.00289	0.00246	
S1	0.00337	0.00246	
S2	0.00378	0.00246	
S3	0.00198	0.00246	
P1	0.00252	0.00240	
P2	0.00049	0.00240	
T1	0.00146	0.00237	
High Load Factor Primary Voltage	None	None	
Lighting	None	None	
T2	None	None	
Closed Special Contracts (through 2017)	NA	None	

In general, we are generally supportive of the effort to “normalize” the EES to a number near \$0.00240, we question the decision to not charge an EES to High Load Factor Primary Voltage and High Load Transmission customers. Programs funded by the EES fee benefit these and all other customers by reducing the need to purchase peak power, run expensive peak power resources, and reducing the need to build additional peaker or base load power plants. In

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addition, we similarly question the decision to exclude the special contract customers from paying the EES. Some of these customers have actually utilized the programs in the past, and there is no reason they shouldn't contribute and directly take advantage of these programs.

Thus, during the rate case, Public Citizen would like to raise the issue of the CBC in general and the EES more specifically. Some of the issues we would like to raise include:

- Should high-load transmission and primary voltage companies pay the EES?
- Should all customers pay the same EES, such as \$0.00246 per KWh, or are the differences in pay justified?
- Will the proposed EES rate in 2017 be sufficient to meet AE's policy goals of reducing demand by at least 900 MW (and as budgets allow up to 1,000 MW), reduce peak demand by at least 100 MW through demand reduction, and reach a goal of 200 MW of local solar (including at least 110 MW of Customer-sited solar) by 2025?

Public Citizen intends to provide further information and recommendations on the EES in future filings.

2nd Issue: Inclusion of Other Issues Raised in Public Citizen's Motion to Intervene

Public Citizen filed its motion to intervene in the Austin Energy Rate Case on Monday, February 15, 2016. That day was a holiday for City of Austin employees, so the motion was not stamped as received by the City Clerk's office until the following morning of February 15, 2016. While some of the issues we raised in our motion to intervene were included in the Impartial Hearing

Examiner's Memorandum No. 6, presumably because they had been previously raised by other parties, many of the issues we raised were not included.

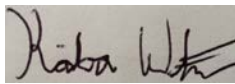
The issues that we raised that were not included are:

1. Review of cost of service to residential customers within city limits compared to residential customers outside of city limits. Review of cost of service based on housing density, particularly the cost to serve multifamily residences compared to single family residences.
2. Review of reimbursement to the City of Austin to ensure that costs are fairly allocated.
3. Examination of the impact that flattening the tiered residential rates may have on energy conservation.
4. Review of proposed reserve fiscal policy in general and non-nuclear decommissioning fund in particular, including obligations on bonds owed for the pollution control equipment at the Fayette Power Project. Can remaining debt obligations be paid from the non-nuclear decommissioning fund at the time of retirement of a plant? Is sufficient funding for decommissioning of Austin Energy's portion of the Fayette Power Project no later than 2022 and the Decker Creek Power Station no later than 2019 and payment of any remaining debt associated with Austin Energy's portion of the Fayette Power Project included in revenue requirements?
5. Review of the Value of Solar Tariff and consideration of whether the tariff should apply to commercial customers with solar. Consider creation of a new Community Value of Solar Tariff. Establishment of floor values for the Value of Solar Tariff and Community Value of Solar Tariff as per previous Council policy.

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6. Review of proposal to eliminate thermal storage tariff and consideration of alternative tariffs to incent behind-the-meter thermal and electric storage devices, with values based on technology response times and other relevant value provided to the utility.
7. Consideration of a demand response tariff.
8. Review of proposed rate discounts for certain customer classes, including AISD, state government, military bases, certain commercial customers, and residential customers located outside of Austin city limits, and consider their impact on overall rates to other customer classes.

Respectfully, we request that the issues we raised in our motion to intervene be incorporated into the list of issues distributed by the Impartial Hearing Examiner in Memorandum No. 6.



(Signature of Party or Party's Authorized Representative)

Kaiba White

(Printed Name of Party or Party's Authorized Representative)

(State Bar Number if Party or Party's Auth. Rep. is an attorney)

February 22, 2016

(Date Submitted)