

AUSTIN ENERGY 2016 RATE REVIEW

AUSTIN ENERGY'S TARIFF
PACKAGE UPDATE OF THE 2009
COST OF SERVICE STUDY AND
PROPOSAL TO CHANGE BASE
ELECTRIC RATES

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BEFORE THE CITY OF AUSTIN
IMPARTIAL HEARINGS
EXAMINER

IMPARTIAL HEARING EXAMINER'S MEMORANDUM NO. 11: STATEMENT OF ISSUES

The Impartial Hearing Examiner convened a prehearing conference on March 4, 2016 to address among other matters, the scope of issues in this proceeding. After further review of the parties' pleadings and arguments made at the prehearing conference, pursuant to City of Austin Procedural Rule § 8.1(a), the Impartial Hearing Examiner below sets forth those issues within the scope of this proceeding as well as a limited set of issues outside the scope of this proceeding.

As the Impartial Hearing Examiner noted at the March 4th prehearing conference and alluded to in Memorandum No. 6, the Impartial Hearing Examiner believes issues stated more broadly better serve the parties' interests in addressing issues of concern to a particular party regarding Austin Energy's rates. So, instead of discrete issues delving into the minutiae of ratemaking, the Impartial Hearing Examiner instead sets forth broad statements of the issues within the scope of this proceeding. Those issues, as well as those issues the Impartial Hearing Examiner finds to be outside the scope of these proceedings, are set forth below.

ISSUES WITHIN THE SCOPE OF THE RATE REVIEW PROCESS

1. Is Austin Energy's proposed base-rate revenue just and reasonable?
2. Are Austin Energy's proposed rates just and reasonable? If not, what are the just and reasonable rates that Austin Energy should be permitted to charge?

3. What is Austin Energy's reasonable and necessary cost of providing service?
4. Are Austin Energy's costs properly functionalized?
5. Do Austin Energy's rates reflect a proper allocation of its cost of service to its customer classes? If not, what is the appropriate method to use when allocating costs?
6. Are Austin Energy's proposed modifications to the financial reserve policies reasonable? If not, what financial reserve policies are reasonable?
7. Is Austin Energy's proposal to maintain a rate differential between customers located outside of the Austin city limits and those located inside reasonable?
8. Are Austin Energy's proposed rate discounts reasonable? If not what discounts, if any, are reasonable?
9. Is Austin Energy's proposal to allocate its proposed change in revenue across the various customer classes reasonable? If not, what spread of Austin Energy's proposed change in revenue is reasonable?
10. Is Austin Energy's rate design, including maintaining a tiered rate structure for residential customers, reasonable? If not, what rate design is reasonable?
11. Is Austin Energy's proposed load factor floor reasonable? If not, what load-factor floor is reasonable?
12. Has Austin Energy adopted appropriate criteria for establishing customer classes and are the customer classes Austin Energy proposes reasonable? If not, what criteria are reasonable and what, if any, additional customer classes are reasonable to add or to eliminate?
13. Are Austin Energy's proposed changes to the method by which it calculates pass-through charges, including changes in rate design and allocation of costs associated with pass-through charges, reasonable? If not, what, if any, changes to the method by which it calculates pass-through charges, including rate design and allocation of costs associated with pass-through charges, reasonable for calculating Austin Energy's pass-through charges?
14. Are any costs related to costs recovered through Austin Energy's Power Supply Adjustment also being recovered through base rates?

15. Are any costs related to costs recovered through Austin Energy's Power Supply Adjustment more appropriately recovered through base rates?
16. Are any costs related to costs recovered through Austin Energy's Regulatory Charge also being recovered through base rates?
17. Are any costs related to costs recovered through Austin Energy's Regulatory Charge more appropriately recovered through base rates?
18. Should costs related to costs recovered through Austin Energy's Community Benefit Charge be recovered through Austin Energy's rates? If so, how should such costs be allocated to the customer classes?
19. Are any costs recovered through Austin Energy's Community Benefit Charge also being recovered through base rates?
20. Are any costs related to costs recovered through Austin Energy's Community Benefit Charge more appropriately recovered through base rates?
21. Has Austin Energy excluded all costs related to the On-site Energy Resources ("OSER") system from its proposed revenue?
22. What costs, if any, related to the OSER should be recovered through Austin Energy's rates?
23. Are any costs related to Austin Energy's Transmission Cost of Service also being recovered through base rates?
24. Beyond the General Fund Transfer, what, if any, non-utility costs are being recovered through Austin Energy's rates? If any such costs are being recovered through Austin Energy's rates, what are those non-utility costs and should such costs be included or excluded from recovery through Austin Energy's rates?

ISSUES OUTSIDE THE SCOPE OF THE RATE REVIEW PROCESS

1. Except as noted above in Issue Nos. 14 and 15 regarding Austin Energy's Power Supply Adjustment, the prudence of Austin Energy's fuel and power supply contracts is outside the scope of this proceeding.
2. Except as noted above in Issue Nos. 16 and 17 regarding Austin Energy's Regulatory Charge, level of the Regulatory Charges is outside the scope of this proceeding.

3. Except as noted above in Issue No. 23 regarding Austin Energy's Transmission Cost of Service, the reasonableness of Austin Energy's Transmission Cost of Service ("TCOS") is outside the scope of this proceeding.
4. Austin Energy's decision to utilize a cash flow basis to determine just and reasonable base rates in lieu of debt service coverage is outside the scope of this proceeding.
5. The prudence of any invested capital investment that was used and useful prior to end of the City's 2009 Fiscal Year is outside the scope of this proceeding.

Lastly, while the Independent Consumer Advocate attended the prehearing conference on March 4, 2016 and generally agreed with most, if not all, of the concerns regarding the scope of issues in this proceeding that were raised by the other intervenors, because the agreed-to procedural schedules allows the Independent Consumer Advocate to submit that office's Statement of Issues by no later than March 17, 2016, the Impartial Hearing Examiner expressly notes that the list of issues in this Memorandum No. 11 may change depending on the list of issues submitted by the Independent Consumer Advocate.

Alfred R. Herrera by permission
Alfred R. Herrera
Impartial Hearing Examiner

DATE: MARCH 11, 2016

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