

AUSTIN ENERGY'S TARIFF PACKAGE: §
2015 COST OF SERVICE § BEFORE THE CITY OF AUSTIN
STUDY AND PROPOSAL TO CHANGE § IMPARTIAL HEARING EXAMINER
BASE ELECTRIC RATES §

**AUSTIN ENERGY'S RESPONSE TO THE INDEPENDENT CONSUMER
ADVOCATE'S FOURTH REQUEST FOR INFORMATION**

Austin Energy ("AE") files this Response to The Independent Consumer Advocate's ("ICA") Fourth Request for Information submitted on March 28, 2016. Pursuant to the City of Austin Procedural Rules for the Initial Review of Austin Energy's Rates § 7.3(c)(1), this Response is timely filed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this pleading has been served on all parties and the Impartial Hearing Examiner on this 7th day of April, 2016, in accordance with the City of Austin Procedural Rules for the Initial Review of Austin Energy's Rates.

THOMAS L. BROCATO

AUSTIN ENERGY
2016 APR -7 AM 11:46

- ICA 4-1 For purposes of functionalizing structure square footage (WP-F-1.6 and 1.6.1):
- A. Please provide a more thorough description of "energy services" and explain why it is considered distribution.
 - B. Identify the structures labeled as RLC, TLC, and SCC.
 - C. Please provide an explanation for why no energy control center space is assigned to production.

ANSWER:

- A. Energy services is an aggregation of services including electric service delivery (trouble shooters and their direct support), customer energy programs, portions of fleet services and inventory and system control center. It is considered distribution because the majority of services are related to the distribution function.
- B. RLC = Rutherford Lane Campus
 TLC = Town Lake Center
 SCC = System Control Center
- C. The production function associated with energy control was split from SCADA and is housed in TLC.

Prepared by: RM
Sponsored by: Mark Dombroski

ICA 4-2 With respect to WP-6.1, what is "customer-months," and how is it derived? Also, explain how customer-months is utilized in other allocation factor calculations.

ANSWER:

"Customer-months" is the sum total of the premise count by customer class. The premise count is derived from a count of customer bills at year end. For the purpose of the cost of service, the unique customer identification number is the premise ID.

The customer-month is utilized in the allocation factors located on Schedule F-6 for line numbers 35 through 40 and 50.

Prepared by: CM/JL
Sponsored by: Mark Dombroski

ICA 4-3 Re: Answer to NXP-Samsung 3-12. With respect to debt which is directly assignable to functions (production, transmission, distribution), please explain whether interest rate differentials exist based on the function financed by the debt? Provide examples of comparable debt issuances.

ANSWER:

Since the response to NXP-Samsung 3-12 addresses separate lien bonds, Austin Energy's response assumes "respect to debt" refers to bond obligations. Austin Energy's bonds are secured by system net revenues. Consequently, no interest rate differentials exist on bonds based on the function (i.e. production, transmission, distribution) financed by the debt.

Prepared by: RM
Sponsored by: Mark Dombroski

ICA 4-4 Re: Answer to Public Citizen/Sierra Club 1-4 and 1-5. Please provide attachment 1 to both requests in machine readable excel format.

ANSWER:

See Attachment 1 and Attachment 2.

Prepared by: JL
Sponsored by: Mark Dombroski

ICA 4-5 Provide average monthly kWh consumption for residential structures which utilize three phase service.

ANSWER:

The average monthly kWh consumption for a residential account receiving three-phase service is 1,216 kWh.

Prepared by: BK
Sponsored by: Elaina Ball

ICA 4-6 With respect to the non-nuclear decommissioning cost study:

- A. For each generating facility, what is the amount of contingency, expressed in both dollars and percentages?
- B. Explain the calculation of the percentage contingency applied to each facility decommissioning estimate. Show the line items upon which the percentage is based, and the amount of the sub-total which is multiplied by the contingency percentage.
- C. Is the contingency percentage applied to salvage value and recycling?
- D. Did the study consider the possibility of selling operating components (e.g., generators, black start equipment, pumps cranes, etc.) to buyers who can refurbish or re-install the equipment in other plants? If no, why was it not considered? If yes, what were the assumed sales proceeds, and what was the basis for the amounts?
- E. Will Austin Energy consider selling the land associated with the facility after decommissioning? How is the real estate value of the land considered as an offset in the decommissioning study?
- F. How are any water rights associated with the facility taken into account in the decommissioning study?
- G. For each facility, what is the percentage net salvage value based on the depreciable plant cost excluding water rights and land rights?

ANSWER:

- A. The table below lists the contingency for each facility included in the non-nuclear decommissioning study. The Contingency Adder reflects the percent applied to the total of the primary demolition tasks (1 – 9), excluding recycling and salvage (Task 8). The primary demolition tasks are discussed in the report appendices starting on Bates number 535.

For the Sand Hill and Fayette estimates, the Contingency Adder was used to calculate the Contingency dollar amount. For the Decker Creek estimate, the Contingency dollar amount was the result of a risk register analysis (listed in the appendix starting on Bates number 558).

Facility	Sub-Total Tasks (\$) ⁽¹⁾	Contingency (\$)	Contingency Adder (%)
Sand Hill (low range estimate)	6,520,000	1,956,000	30
Sand Hill (high range estimate)	11,240,000	3,372,000	30
Fayette (low range estimate) ⁽²⁾	19,600,000	5,880,000	30
Fayette (high range estimate) ⁽²⁾	33,590,000	10,080,000	30
Decker Creek Units 1 & 2 (low range estimate)	14,397,832	1,542,686	10.7 ⁽³⁾
Decker Creek Units 1 & 2 (high range estimate)	14,397,832	1,542,686	10.7 ⁽³⁾

Notes:

- (1) Sub-total for demolition tasks 1 – 9, excluding recycling and salvage (Task 8)
- (2) The dollar amount listed is for the entire facility (not AE's ownership share)
- (3) Calculated percentage based on the Contingency dollar amount developed via risk register analysis. The contingency for Decker Creek Units 1 & 2 is primarily related to hazardous materials.

- B. See response to subpart A above
- C. For Sand Hill and Fayette the contingency was not applied to recycling and salvage (Task 8). The contingency for Decker Creek Units 1 & 2 was based on a risk register analysis, rather than a general contingency percentage, and the risk register did include the opportunity to obtain more revenue if materials markets improve.
- D. Yes, the study considered the possibility of selling operating components (e.g., turbine transformers). However, this opportunity was considered too uncertain to quantify in the decommissioning cost estimates at this time. It is expected this would represent a small savings in comparison to the overall decommissioning costs.
- E. The eventual use of the lands at SHEC and FPP is uncertain and no sales proceeds were assumed as an offset to the decommissioning cost estimates. The Decker Creek site will continue to have operating generation units and associated facilities after Units 1 & 2 are decommissioned.
- F. Water rights were not considered as a source of offsetting revenues in the decommissioning cost estimates.

- G. The table below lists the recycling and salvage amounts as compared with gross depreciable plant costs (original cost).

Facility	Recycling and Salvage (\$)	Original Cost (\$) ⁽¹⁾	Salvage / Original Cost (%)
Sand Hill (low range estimate)	2,760,000	352,211,427	0.8%
Sand Hill (high range estimate)	4,230,000	352,211,427	1.2%
Fayette (low range estimate) ⁽²⁾	5,330,000	N/A	N/A
Fayette (high range estimate) ⁽²⁾	9,410,000	N/A	N/A
Fayette (low range estimate) ⁽³⁾	2,254,000	518,683,656	0.4%
Fayette (high range estimate) ⁽³⁾	4,061,000	518,683,656	0.8%
Decker Creek Units 1 & 2	4,809,144	63,014,585	7.6%

Notes:

- ⁽¹⁾ Excludes land, land rights and water rights
- ⁽²⁾ The recycling and salvage dollar amount listed is for the entire facility (not AE's ownership share)
- ⁽³⁾ The recycling and salvage amount is an estimated pro-rata share attributable to AE's ownership share based on AE's share of the overall decommissioning cost estimate (rounded to the nearest \$1,000)

Prepared by: GR/JW
Sponsored by: Elaina Ball

ICA 4-7 With respect to Austin Energy Generation and Climate Protection Plan through 2025, provide the expected or estimated cost per kw-year acquisition or construction cost for the following options discussed in the plan:

- (i.) highly efficient combined cycle gas units;
- (ii.) storage connected to distribution;
- (iii.) large scale storage;
- (iv.) demand response programs;
- (v.) wind generation;
- (vi.) solar generation.

If AE does not have internal estimates for these options, this answer can refer to representative costs incurred by other entities or published reference material.

ANSWER:

This request is subject to a pending objection.

Prepared by: -
Sponsored by: -

ICA 4-8 What was the actual net of salvage value minus decommissioning cost for the Holly Power Plant? What percentage of Holly total gross plant did this represent?

ANSWER:

This request is subject to a pending objection.

Prepared by: -
Sponsored by: -

ICA 4-9

- A. Does the cost of service include debt service and principal associated with construction work in progress and plant held for future use?
- B. If yes, please provide the rationale and basis for including the cost, given that CWIP and PHFU are not used and useful.
- C. If yes, what annual amount of the debt cost would be allocated to CWIP and PHFU if the same allocation method applied to functionalized plant in service had been applied to CWIP and PHFU.

ANSWER:

By agreement of the parties, Austin Energy will respond to ICA RFI No. 4-9 on April 11, 2016.

Prepared by: -
Sponsored by: -

ICA 4-10

- A. With respect to 311 reimbursement (NXP/Samsung 3-6) provide any cost analyses which support the "value of backup" of \$2.208 million.
- B. Does the 4-year transition to an allocation based on number of service requests involve a reduction of the \$2.208 million direct charge to Austin Energy? Why or why not?
- C. What is the class allocation factor applicable to the 311 reimbursement charge for Austin Energy?

ANSWER:

- A. Austin 311 provides Austin Energy's customers to uncomplicated access to information. This is accomplished by providing after hours phone support for power outage related calls and by being the initial responders for Incident Command activations. In addition, we provide Austin Energy with a 100 seat disaster recovery center. Our center is available to Austin Energy at any given time and is built with network connectivity from both the City of Austin and Austin Energy. Our computers are loaded with the appropriate software needed for Austin Energy to maintain their Customer Care organization. Our telephony system is designed and configured to service Austin Energy's customers during to normal operations or disaster recovery periods. The center has its own generator in case of a power outage event. Below are the cost estimates.

Power Outage/Incident Command Support (After hours, weekends and holidays) = \$466,000

- Seven employees total with three employees on each shift and one supervisor

Disaster Recovery Center (Hot Site)= \$1,900,000

- Trunk Lines = \$250,000
- Telephony System (Recordings, ACD, WFM) = \$1,500,000
- Computer Equipment with Software = ~\$150,000

- B. The change in the 311 Call Center allocation methodology will not result in a reduction of the \$2.2 million direct charge to Austin Energy. That charge represents the value to Austin Energy for serving as a backup call center in the event of an emergency. The allocation change only applies to the residual 75% costs of the call center.
- C. The 311 Call Center is functionalized to Customer Related cost. The cost is allocated to customer class based on the "No. Cust Mo. – Metered", "Uncollectible" and "Key Acct" allocators. Please refer to Schedule G-5, line 178 and Schedule G-6, lines 57-61.

Prepared by: DK/JJ
Sponsored by: Mark Dombroski

ICA 4-11 Please identify the class allocation factor(s) used for the deposits and interest on deposits (NXP/Samsung 1-70) and the revenues shown on NXP/Samsung 1-71.

ANSWER:

See Austin Energy's Response to NXP/Samsung's RFI No. 1-70 for the class allocation factors used.

For the Test Year revenues shown on Austin Energy's Response to NXP/Samsung RFI No. 1-71, the allocation factors can be found within 'AE RFP' model under WP E-5.1 and Schedule G-1 through G-5.

Prepared by: CM
Sponsored by: Mark Dombroski

ICA 4-12 Do any of the pass-through charges have uncollectible rates or sales tax charges included in the calculation? If yes, provide the rates and charges for the test year.

ANSWER:

No.

Prepared by: CM
Sponsored by: Mark Dombroski