

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 SEVENTH REQUEST FOR INFORMATION**

Austin Energy ("AE") files this Response to The Independent Consumer Advocate's ("ICA") Seventh Request for Information submitted on April 18, 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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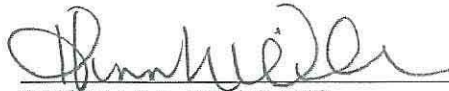
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CERTIFICATE OF SERVICE

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 28th day of April, 2016, in accordance with the City of Austin Procedural Rules for the Initial Review of Austin Energy's Rates.



HANNAH M. WILCHAR

AUSTIN ENERGY
2016 APR 28 PM 1:21

ICA 7-1 Are the voltage level losses utilized in the class cost of service study consistent with the losses utilized for Austin Energy in ERCOT settlements? Please compare electrical losses for ERCOT purposes with the percentage losses shown on WP-F-6.1.2.1.

ANSWER:

Voltage level losses utilized in the class cost of service are consistent with the losses experienced in ERCOT. Please refer to table below for line loss by voltage level.

	Normalized WP F-6.1	Transmission WP F-6.1	Primary WP F-6.1	Secondary WP F-6.1
Annual Net-to-System Energy (MWh)	13,156,355	255,191	2,594,499	10,306,666
Annual Energy Sales (MWh)	(12,560,549)	(251,110)	(2,520,374)	(9,789,065)
ANNUAL SYSTEM LOSSES (MWh)	595,806	4,081	74,125	517,601
PERCENT SYSTEM LOSSES	4.53%	1.60%	2.86%	5.02%

The ERCOT Transmission Loss Factors for 2015 (as of November 24, 2014) were as follows:

AEN NOIE Average Seasonal On-Peak Loss Factor: 1.67%
AEN NOIE Average Seasonal Off-Peak Loss Factor: 1.30%

Primary and Secondary loss factors utilized for the cost of service are comparable to loss factors experienced by other TDSP (Transmission, Distribution Service Providers) in the ERCOT market. Please refer to table below for 2014 Distribution Loss Factors.

ERCOT	Primary	Secondary
AEP TCC	2.80%	5.92%
AEP TNC	1.56%	5.39%
CenterPoint	1.22%	3.76%
Nueces EC	3.88%	6.02%
Sharyland SU	6.06%	6.06%
TNMP Urban	5.60%	5.60%
Oncor	1.36%	3.77%
Average	3.21%	5.22%

Prepared by: JL
Sponsored by: Mark Dombroski

ICA 7-2 Re: WP-F-4.1. Please provide a narrative explanation as to why network 15 Kva is less costly per foot than lower voltage network costs.

ANSWER:

By agreement of the parties, Austin Energy is responding to this request regarding 35 kV network costs instead of 15 Kva network costs.

Upon review of the supporting documentation, it has been found that the cost for a 35 kV network circuit is \$39.95 per foot and the cost for a 12.47 kV network circuit is \$37.41 per foot. The 35 kV circuit is not less costly than the lower voltage circuit.

Prepared by: KW
Sponsored by: Elaina Ball

ICA 7-3 Re: WP-E-5.1. Please explain why new service connection revenues are classified distribution rather than customer. Does this fee recover incremental costs for new meters and service drops?

ANSWER:

The New Service Connections fee on WP E-5.1 are fees collected for initiating service and reconnecting after failure to pay. Because this service is associated with the distribution of power to the customer it has been functionalized to the distribution function. These fees do not recover the incremental cost for new meters and service drops. Please reference section 5.2.3 of Austin Energy's report to council, starting on Bates stamp 111, for a discussion on the distribution function.

Prepared by: MM
Sponsored by: Mark Dombroski

ICA 7-4 The following request is based on Supplemental Response to ICA 4-9.

- A. Please provide evidence that Austin Energy has a specific and definite plan to install solar facilities on the Western Coal Generating property PHFU. Identify a specific planned in-service date.
- B. Please provide evidence that Austin Energy has a specific and definite plan to install solar facilities on the Toyah property PHFU. Identify a specific planned in-service date.
- C. The answer states that CWIP debt service is shown at WP-C-3.1, line 4. Does this mean that commercial paper is used to finance CWIP? Please state the principal and interest amount for the debt service applicable to CWIP.

ANSWER:

Austin Energy's *Resource, Generation, and Climate Protection Plan to 2025* (*Resource Plan to 2025*) requires Austin Energy to achieve at least 950 MW of solar capacity by 2025, of which 200 MW must be locally sited. Of the 200 MW, at least 100 MW must be customer-sited; the other 100 MW may be at distributed or utility scale. As of December 2015, Austin Energy has built, purchased, or contracted for 450 MW of utility-scale, 29 MW of customer-sited, and 30 MW of locally-sited solar capacity.

- A. The 30 MW Webberville solar farm is located on the Western Coal Generating property and is considered to meet the locally-sited requirements of the *Resource Plan to 2025*. There is additional available land on this property on which a second locally-sited, utility scale solar plant can be built. Austin Energy plans to use its owned resources to maximize the value of future resource additions to its customers as it meets its strategic objective of adding at least 140 MW more locally-sited solar by 2025.
- B. The Toyah property is located in west Texas, an area of the state with high concentrations of solar irradiation. Austin Energy plans to use its owned resources to maximize the value of future resources additions to its customers as it meets its strategic objective of adding at least 450 MW more solar capacity by 2025. Please see Attachment 1 for a site plan developed for the Toyah property.
- C. Yes, commercial paper is used to finance CWIP. Debt service on commercial paper for the test year is \$118,415.

Prepared by: BE
Sponsored by: Debbie Kimberly and Elaina Ball



ICA 7-5 With respect to WP-H-5.4, please explain why Services are omitted from the customer charge calculated by the cost of service method.

ANSWER:

The costs associated with service drops are related to the size of the demand requirements for a customer and, therefore, are classified as being demand related. Under the Cost of Service method, demand related costs are not typically included in the customer charge.

Prepared by: GR
Sponsored by: Mark Dombroski

ICA 7-6 With respect to WP-H-5.4, please explain the full rationale for recovering economic development costs through the customer charge.

ANSWER:

The Economic Development program benefits all customers of all sizes and energy usage characteristics. As this program's benefit is not necessarily tied to usage characteristics, it was classified as being customer related and allocated to classes based on a key accounts allocator. Costs identified as customer related are included in the customer charge calculation under the cost of service method shown on Schedule H-5.4.

Prepared by: MM/GR
Sponsored by: Mark Dombroski

ICA 7-7 With respect to WP-H-5.4, please identify the amount of A&G expense included in each customer charge component (customer accounting, etc.) for the residential and S1 classes.

ANSWER:

A&G expenses related to the customer charge can be found on Schedule G-5 lines 155 – 166 in the RFP. The allocation of these costs by customer class can be found on Schedule G-6 lines 57-62 in the RFP.

Prepared by: MM
Sponsored by: Mark Dombroski

ICA 7-8 With respect to WP-H-5.4, please identify the amount of general fund transfer included in each customer charge component for the residential and S1 classes.

ANSWER:

General fund transfer related to the customer charge can be found on Schedule G-5 line 189 in the RFP. The allocation of these costs by customer class can be found on Schedule G-6 lines 57–62 in the RFP.

Prepared by: MM
Sponsored by: Mark Dombroski

ICA 7-9 Please explain why test year Services is a negative number.

ANSWER:

The component costs which net to a negative number for Services are found in Schedule G-4, column F in the RFP.

Prepared by: MM
Sponsored by: Mark Dombroski

ICA 7-10 With respect to WP-H-5.4, please identify the revenue items on WP-E-5.1 which are deducted from the calculation of the customer charge.

ANSWER:

The following revenues on WP E-5.1 offset the cost of service based on customer charge, as shown on Schedule H-5.4.

• Late Payment Penalties on Line 2	\$6,966,405
• Banners on Line 7	\$634,473
• Meter Damages/Breakage on Line 8	\$12,282
• Electric Meter Damage on Line 10	\$136,487
• Broken Seal Fee on Line 11	\$23,638
• Labor & Support on Line 12	\$54,853
• ACCTS REC-ADJUSTMENTS on Line 19	(\$568,804)
• Sales-Metering:Install Only on Line 21	\$128,165
• Sales-Reoccur Monthly Charge on Line 22	\$79,001
• After Hours Turn/On on Line 34	(\$1,556)
• Apt Mgr Initiation Fee on Line 36	\$238,300
• Returned Check Fee on Line 42	\$178,724
• ACCT RESEARCH FEE on Line 43	\$1,484
• Cash Over/Short on Line 46	\$3
• Sales Tax Discount on Line 47	\$155,725
• Other allocated Distribution (see note below)*	\$69,411

* A portion of the total \$7,511,793 functionalized to Distribution on Line 59 of WP E-5.1, based on the amount that was not otherwise classified and, thus, was allocated based on the 'N-DPLT' allocator as shown on Schedule F-4.

Prepared by: GR
Sponsored by: Mark Dombroski

ICA 7-11 Is it correct that Austin Energy's cost of service consultant, SAIC, previously recommended the use of Base-Intermediate-Peak production demand method in its report prepared for the public involvement process preceding the last rate case?

ANSWER:

Yes, Austin Energy's cost of service consultant recommended the use of the Base-Intermediate-Peak (BIP) production demand allocation method in the 2011 public involvement committee (PIC) process.

In the document *Austin Energy Rate Review White Paper #3: Revenue Requirement and Cost of Service (White Paper #3)*, prepared for AE and the PIC on February 23, 2011, R.W. Beck — the predecessor company to SAIC — wrote, "R.W. Beck is recommending the BIP method in lieu of the [Probability of Dispatch] method due to changes in the ERCOT market making the POD method inadequate for production cost allocation. Given this recommendation, R.W. Beck believes that a transition to the BIP method for production cost allocation warrants further discussion."

Previously in 1997, the Austin City Council established a policy that directed AE to use the POD method for allocating production costs in future rate proposals before the City of Austin, though not necessarily in those before the Public Utility Commission of Texas. (Resolution No. 971204-36) *White Paper #3* acknowledged the City's policy established in the 1997 POD resolution and noted that since the deregulation of the ERCOT market in 2002 and the subsequent introduction of the Nodal market in 2010, the relevance of the POD method was a less effective way to allocate production costs. R.W. Beck concluded that, in order for Austin Energy to stay consistent with the intent of the 1997 policy, AE consider using the BIP method as it mirrored the POD method by maintaining a link between resource dispatch and load requirements but in a manner that was more consistent with the ERCOT Nodal market design.

Three months after *White Paper #3* was released, the City Council rescinded Council Resolution 971204-36. (Resolution No. 20110526-002) Subsequently, Austin Energy published a preliminary draft of its Rates Analysis and Recommendations Report (RARR) on August 29, 2011, which included a full discussion of AE's assessment of different production cost allocation methodologies. No longer bound to the POD method by the intent of the 1997 POD Resolution, AE ultimately recommended use of the Average and Excess Demand production cost allocation methodology as a more appropriate way to allocate its 2009 test year costs.

Prepared by: MKD
Sponsored by: Mark Dreyfus