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

**AUSTIN ENERGY'S REPLY TO INTERVENOR RESPONSES TO IMPARTIAL
HEARING EXAMINER'S MEMORANDUM NO. 6**

In accordance with the Impartial Hearing Examiner's ("IHE") Memorandum No. 6, Austin Energy ("AE") submits this reply to the filings made by NXP Semiconductors and Samsung Austin Semiconductors, LLC (collectively "NXP/Samsung"), Public Citizen, AE Low Income Customers, Seton Family of Hospitals, and Homeowners United for Rate Fairness. These filings seek to include the following issues within the scope of this proceeding: (1) AE's pass-through charges or riders and their various components; (2) the on-site energy resources program ("OSER"); (3) the method used to determine AE's revenue requirement; (4) the availability of discounts to various customers, specifically to hospitals; and (5) AE's transmission cost of service ("TCOS"). Additionally, in their filing, Public Citizen urged the IHE to consider the issues that Public Citizen had previously identified.

As discussed below, while some of the issues raised by Seton and Public Citizen are properly within the scope of this proceeding, the remainder of the issues raised should be excluded.

I. Pass-Through Charges.¹

Several parties have urged the IHE to include in this base rate proceeding an unfettered examination of the power supply adjustment charge ("PSA"), the regulatory charge, and the

¹ AE does not object to the inclusion of issues related to AE's other riders, including but not limited to the value of solar tariff and the thermal storage tariff, in this proceeding.

community benefit charge and its three distinct components² (collectively “pass-through charges”). While this proceeding is not the proper place to address the pass-through charges, it is important to note that AE is not attempting to preclude a full and robust examination of these costs or to minimize the size or importance of the pass-through charges. Instead, AE simply believes that the separate, City Council-driven budget process is the more appropriate venue for these discussions. Specifically, the Austin City Council has taken definitive action to separate these pass-through charges out of base rates. Additionally, as part of the settlement agreement in PUC Docket No. 40627, parties agreed that a PSA change, if any³, must be considered as part of the City’s annual budgeting process after a public hearing is conducted.

In recognition of this requirement, and as was reiterated throughout the Tariff Package, AE is not proposing any numerical changes to the pass-through charges in this proceeding. This is due, in part, to AE not finalizing these numbers until later this year. However, AE did include its estimates of pass-through charges because Austin Energy recognizes that base rates are only one component of bills and that customers, the IHE, and City Council are all interested in seeing the impact of the proposed base rate changes and the estimates on overall bills. These numbers are simply projections. The final numbers will likely change and will be appropriately addressed in the budget. Including bill estimates in the Tariff Package as examples does not somehow automatically place these topics at issue in this proceeding.

Excluding discussion of the pass-through charges from this proceeding appropriately mimics the process that has been adopted by the Public Utility Commission (“PUC”) under

² Service Area Lighting, Energy Efficiency Services, and Customer Assistance Program.

³ No Council action is required if AE seeks to adjust the PSA to eliminate any over- or under-recovery if the balance of the PSA costs is more than 110% or less than 90% of PSA costs actually incurred.

which base rates are treated separately from fuel cost recovery.⁴ AE acknowledges that this particular proceeding does not mirror exactly the process utilized by the PUC for contested rate cases, however it is informed by those processes, and as such it is appropriate to exclude the pass-through charges.

Notwithstanding the foregoing, the structural adjustments that AE has proposed to the pass-through charges are properly within the scope of this proceeding.⁵ All other aspects of the charges should be excluded.

II. OSER Program.

The IHE should exclude issues related to OSER from this proceeding as no costs or revenues from the OSER program are included Austin Energy's rates.

III. Cash Flow v. Debt Service.

NXP/Samsung argues that Austin Energy's decision to utilize the cash flow method to establish its revenue requirement should be considered as part of this proceeding. AE strongly disagrees. The selection of the appropriate financial methodology for AE to utilize is a fundamental decision with significant structural implications that are not appropriate to address in the current base rate proceeding. AE, as a department of the City, is required to utilize the same methodology, the cash flow method, as the rest of the City. Moreover, under the cash flow method, the general fund transfer, the shared services expenses, and the transfers for the economic growth and redevelopment services office are considered firm requirements. AE makes these payments pursuant to specific Council directives. Changing to the debt service coverage or some other methodology would negatively impact AE's ability to treat these

⁴ See e.g. Tex. Utilities Code §36.203 and 16 TAC §25.235.

⁵ See e.g. p. 6-32 ("While AE is not proposing any changes to the costs recovered through the pass-through charges, Austin Energy recommends changing each charge's structure.")

mandatory costs as firm requirements. Because of the overarching, City-wide ramifications of this issue, it should not be included in the statement of issues.

IV. Discounts.

AE does not object to Seton's request to address the appropriateness of a discount for hospital systems.

V. TCOS.

The IHE should exclude examination of AE's TCOS from this city-driven review proceeding because the Texas Legislature has given the Public Utility Commission the authority to regulate the wholesale transmission rates and service of municipally-owned utilities.⁶ Accordingly, neither the IHE nor Council possesses the legal authority to adjust AE's TCOS rates in this proceeding. Additionally, AE did not conduct a cost of service study on its TCOS as part of this rate proceeding. As such, there is insufficient data to examine or address these issues.

VI. Public Citizen Issues.

In its Response to the IHE's Memorandum No. 6, Public Citizen outlines eight items that it believes should be included within on the statement of issues. AE does not object to the inclusion of issue numbers 1, 2, 3, 5⁷, 6, 7, or 8.

With respect to Issue #4, AE is willing to stipulate that there are no monies in the non-nuclear decommissioning fund for any debt payments for any plants. Additionally, Austin Energy does not object to including the "proposed fiscal policy in general and non-nuclear decommissioning fund in particular, including obligations on bonds owed for the pollution

⁶ See Tex. Utilities Code, §40.004.

⁷ As addressed herein, while AE does not object to addressing the various riders proposed in the Tariff Package, including the Value of Solar, this does not imply that reviewing the pass-through charges is appropriate.

control equipment at the Fayette Power Project” on the statement of issues. However, AE finds the balance of Issue #4 to be unreasonably speculative and, therefore, should be excluded.

Austin Energy requests that the IHE adopt a Statement of Issues which does not include the pass-through charges, the cash-flow v. debt service issues, OSER, or TCOS. Austin Energy does not object to the inclusion of issues related to the remaining riders and the availability of discounts.

Respectfully submitted,



Andrea D. Rose

24081615

State Bar Number

2/26/15

(Date Submitted)

CERTIFICATION 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, in accordance with the Procedural Rules, on the 26th day of February, 2016.



Andrea D. Rose