

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

AUSTIN ENERGY
2016 JUL 20 PM 4:11
BEFORE THE CITY OF AUSTIN
IMPARTIAL HEARING EXAMINER

**POSTING OF UPDATED REVENUE REQUIREMENT MODEL IN ACCORDANCE
WITH JULY 15, 2016 IMPARTIAL HEARING EXAMINER'S REPORT**

As directed by the Impartial Hearing Examiner ("IHE") in the July 15, 2016 IHE Report (the "Report"), Austin Energy ("AE") is posting concurrently with this memorandum an updated revenue requirement model ("IHE Report Model") on the AE Rate Review website, specifically on the 2016 Staff Recommendations page along with all other "Documents Available for Review". The IHE Report Model has the same functionality and provides the Intervenors and the public with the same level of information as did the previously available model.

In the IHE Report Model, AE has endeavored to implement all of the adjustments identified in the Report including the revenue requirement modifications and different allocation methods. Specifically, AE has made the following changes from the previously available model:

(1) Two revenue adjustments made to AE's January 25, 2016 Proposed Cost of Service ("AE Proposed COS") which increase the total base rate reviews reduction to \$24.5 million, see WP G-10.2:

- a. AE increased the residential revenues to reflect Customer Assistance Program ("CAP") revenues that were initially deducted from the class.
- b. An additional adjustment was made to the SEC-2 and SEC-3 rates to properly reflect the impact of the 20% load factor floor.

(2) Cost adjustments made to the AE Proposed COS based on the Report:

- a. Reduce Uncollectible expenses (FERC 904) to levels recommended by the IHE, see WP D-1.2.9.
 - b. Reduce Decommissioning Expense as recommended by the IHE, see WP D-1.2.5.
Consistent with GAAP standards, the IHE Report Model treats decommissioning as an O&M expense; however, to comply with the Report, all decommissioning expenses have been removed from the reserves calculation, see WP C-3.2.1.
 - c. Exclude the Economic Development transfer from the cost of service, see WP D-1.2.8.1.
 - d. Recover rate case expense over five years, see WP-D-1.2.10.
 - e. Use the proceeds from the sale of the ECC property to increase reserve balances, see WP C-3.2.1.
 - f. Incorporate the IHE's increase of Wholesale Transmission Revenue which results in a reduction of base retail rates, see WP E-5.1.1.
- (3) Allocation adjustments made to the AE Proposed COS based on the Report:
- a. Uncollectible expenses allocated to each class based on revenue, see Schedule G-6.
 - b. Transformers allocated based on the summer 4NCP demand allocator, see Schedule G-6. Primary and Transmissions classes have been excluded from this allocator because, by definition, customers in these classes own their own transformers.
 - c. Functionalizing the 311 Call Center as Distribution, see WP E-4.
 - d. Functionalizing the New Service Connection Fees as Customer-related, see WP E-5.1.

Respectfully submitted,

/s/Andrea D. Rose
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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 20th day of July, 2016.

/s/ Andrea D. Rose
Andrea D. Rose