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**EXCEPTIONS OF THE  
INDEPENDENT CONSUMER ADVOCATE  
TO THE IMPARTIAL HEARING EXAMINER'S REPORT**

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July 22, 2016

## I. INTRODUCTION

As the designated representative of Austin Energy's residential, small commercial, and House of Worship customers, the Independent Consumer Advocate ("ICA") submits the following Exceptions to the Impartial Hearing Examiner's ("IHE's") Report dated July 15, 2016 ("Report"). ICA commends the IHE for his thorough representation of the various parties' positions and for his careful analysis of the issues.

The Report in large measure confirms the position taken by the ICA and by other parties that Austin Energy's ("AE's") annual revenue requirement should be cut significantly more than the amount that the utility has proposed to cut. In other words, there is a substantial sum available for rate reductions to customer classes across the board. The level of revenue requirement reduction that is justified (well in excess of \$60 million annually) would allow AE's to move the electric rates that are applicable to its larger customer classes significantly towards what it views as the "cost of service" for those customers, while also providing some meaningful rate relief for nearly all of its customers.

Unfortunately, the Report does not equitably consider relief for all customers. The Report would continue to apply Austin Energy's proposed method for revenue distribution. Based on Austin Energy's recently revised model (showing the resulting changes that it believes would be compliant with the July 15, 2016 Report's recommendations), all classes *except the residential customer class* would receive a rate decrease. Excluding residential household consumers from rate relief is not justified considering the magnitude of the overall revenue reduction, nor is it equitable in relation to the dramatic rate reductions that will flow to the largest commercial and primary customers. The weight of the evidence on the record of in this rate review clearly points

towards a result that would also share some meaningful rate reduction benefit to AE's smallest customers.

Further, to the extent that the Report adopts Austin Energy's proposed residential rate design, those residential customers who use the least energy would see increased bills, compared to the larger customer classes which would share in more than \$60 million of annual savings. In its testimony and in its brief, ICA agreed with moving the goal of moving larger commercial and primary classes towards their perspective of the "cost of service", but we also believe that the record supports pursuing that goal *while also benefitting all classes* in the distribution of the revenue requirement reduction.

## **II. REVENUE REQUIREMENT**

The Report adopts, in whole or in part, the majority of the ICA's recommended revenue adjustments and with the ICA's views on the proposed Rate Stabilization Reserve fund related to the PSA, resulting in a total of approximately \$63 million in revenue reductions.

On the following revenue issues, to varying degrees, the ICA takes exception to the Report, and respectfully asks the IHE to reconsider his recommendations:

### **1. Non-Nuclear Decommissioning Expense**

The IHE's Report recommends that Austin Energy's proposed fund for decommissioning its non-nuclear production plants be reduced by \$3,792,850. The ICA continues to believe that a greater (\$9.89 million) reduction is justified.<sup>1</sup> The difference relates to the recommended

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<sup>1</sup> See pages 10-14 of the ICA's Post-Hearing Brief ("ICA Brief").

decommissioning expense associated with Decker Units 1 & 2 and the likely timing of their decommissioning.

In the Texas Public Utility Commission's ("Texas PUC's") most recent decision on net salvage value, the Commission found that a net salvage value of -2% should be applied to all production plant.<sup>2</sup> This implies that depreciation must recover 2% above gross plant cost to cover decommissioning. By comparison, AE's proposed decommissioning cost for the Decker plant is almost one-half of the plant's original gross cost.<sup>3</sup> Therefore, the ICA recommended that AE's proposed annual decommissioning expense allowance be reduced by 48%, based on the average decommissioning cost per kW approved by PUCs for the applicable type of generation plant, as set out in Table 4 of the NewGen study,<sup>4</sup> resulting in a \$9.89 million revenue requirement reduction.<sup>5</sup> The details for this adjustment can be found in Schedule CJ-1 to the direct testimony of ICA witness Clarence Johnson.<sup>6</sup> Given that AE's estimates are near the upper boundary of decommissioning costs, the ICA's recommended approach would more fairly balance AE's interest in providing an adequate amount of future decommissioning funds with the consumers' interest in containing costs recoverable through rates, while mitigating intergenerational inequity.<sup>7</sup>

The Report also fails to adequately consider the rate effect of AE's deferment of the Decker Plant retirement. AE witness Ball testified that the plan to retire Decker (both units) has been delayed a year.<sup>8</sup> This means AE has three years, not two years, to recover its decommissioning

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<sup>2</sup> *Application of Southwestern Power Co. for Change in Rates*, Docket No. 43695, Order on Rehearing, FOF No. 118-119.

<sup>3</sup> Exhibit ICA-1, p. 19.

<sup>4</sup> Appendix I to the NewGen study, page 99.

<sup>5</sup> Exhibit ICA-1, p. 20.

<sup>6</sup> Exhibit ICA-1, Schedule CJ-1.

<sup>7</sup> Exhibit ICA-1, p. 20.

<sup>8</sup> Tr. pp. 184-185.

costs before the Decker plant (both units) is retired. Also, the corresponding ERCOT time lag prior to actual decommissioning activities would likely expand recovery from two years to three years, for additional reduction of \$4,666,667 to AE's revenue requirement. Moreover, the IHE neglected to consider the ERCOT lag time between the announcement of plant retirement and actual decommissioning which is 30 to 36 months. Using the conservative 30-month increase over the three years until the Decker Plant's estimated retirement, the years that AE has to recover its expected expense before decommissioning begins on the Decker Plant increase to 5 and a half years. Recognizing this additional 2 and half years to the recovery period would reduce the Report's recommended revenue requirement by an additional \$4,242,424.

The Report erred in neglecting to make the adjustment proposed by ICA witness Johnson to AE's proposed costs of decommissioning the Decker Plant AE for purposes of setting rates. AE's proposed cost is based on the highest estimate for the costs established in a study, and it completely disregards the low estimate provided in the decommissioning cost study. The evidence of over-estimation is supported by the tables in AE's NewGen study, which show that AE's indicated decommissioning costs are higher than both the average PUC *approved* amounts and the utility average *requested* amounts.<sup>9</sup> Second, the decommissioning cost estimates contain no offsets for the value of water rights or potential sale of land. The study did not adequately consider these potential offsetting benefits associated with decommissioning.<sup>10</sup> Third, the study gave no offsetting value to selling working components because this was considered "too uncertain."<sup>11</sup> Fourth, the decommissioning estimates used contingency adders ranging from 10.7% - 30%.

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<sup>9</sup> Exhibit ICA-1, pp. 18-19.

<sup>10</sup> Exhibit ICA-1, p. 19, citing AE Answer to ICA 4-6 (e) (f).

<sup>11</sup> Exhibit ICA-1, p. 19, citing AE Response to ICA 4-6 (d).

Although the Decker contingency percent is lower than for the plants with more distant decommissioning dates, it still is unreasonable compared to PUC benchmarks, and it belies the claim that the Decker estimate should be adopted because it is based on a “site specific detailed study.” The Texas PUC does not permit contingency allowances greater than 10% for nuclear decommissioning.<sup>12</sup> The scope and tasks for nuclear facilities are much more uncertain than for fossil plants.<sup>13</sup> Including AE’s proposed 10.7% contingency for Decker fails to recognize that Decker’s decommissioning costs do not include the uncertainty and risk associated with decontaminating radioactive plant structures.

## 2. Reserve Funding

Even though the IHE’s Report recognized that AE’s proposed new financial policies would reduce AE’s positive net reserve level costs, it failed to find that, regardless of whether new financial policies are established, AE has conceded that its net reserve level of \$34 million should be reduced to \$11 million before any other adjustments should be made. The recommendation on this issue should be adjusted accordingly, because the lower level of reserves was testified to by AE as adequate and reasonable.

## 3. Internally-Generated Funds for Construction

The IHE Report rejects NXP/Samsung’s \$38.3 million adjustment on this issue, in favor of AE’s full proposed amount of \$88.3 million for cash to transfer to the CIP fund.<sup>14</sup> The ICA believes that the Report errs by failing to recognize that a normalization of these annually

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<sup>12</sup> PUC Subst. Rule 25.304(h).

<sup>13</sup> Exhibit ICA-1, p. 19.

<sup>14</sup> Exhibit NS-1, p. 19.

fluctuating construction expenditures is appropriate, and thus offers an alternative position of a \$6 million adjustment. AE rebuttal witness Mr. Dombroski testifies that the average annual construction improvement plan (“CIP”) for existing production plant has been \$21 million since FY2012.<sup>15</sup> Although this is lower than AE’s requested CIP for production plant, he did not identify any specific or extraordinary construction projects which would justify a departure from a normalized amount.<sup>16</sup> Adding the average of \$21 million in construction expenditures for existing production plant to Ms. Fox’s normalized non-production construction expenditures results in \$146 million for the CIP. Based upon the internally generated cash formula on page 18 of Mr. Dombroski’s testimony, this adjustment supports a revenue requirement reduction of \$6 million.<sup>17</sup> Therefore, the ICA respectfully asks the IHE to reconsider his analysis and adopt a position between AE and NXP/Samsung’s recommended annual allowance for internally generated funds for construction, thereby reducing AE’s annual cash requirement by \$6 million.

#### 4. Loss of Disposal

The IHE Report rejects NXP/Samsung’s recommendation that Austin Energy’s proposed amount of \$7,170,039 for loss of disposal be disallowed from the revenue requirement as not known and measurable.<sup>18</sup> ICA asks the IHE to reconsider its compromise position on this issue, which would fairly result in an \$800,000 reduction to revenue requirement. The IHE makes the point that loss on disposal is a recurring expense and an actual expenditure during the test year.<sup>19</sup>

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<sup>15</sup> Dombroski Rebuttal at 19.

<sup>16</sup> Exhibit AE-2, p. 18.

<sup>17</sup> Mr. Dombroski shows \$88 million for internal cash generation requirement as the result of the formula, and with the \$146 million CIP, the result changes to \$82 million in necessary cash generation.

<sup>18</sup> Exhibit NS-1, pp. 33-34.

<sup>19</sup> Exhibit AE-2, pp. 27-28.

ICA acknowledges that this is a recurring cost, although the amount fluctuates considerably each year. Based on the 3 years of losses entered into the record, the ICA contends that a normalized average would be most reasonable treatment:

Losses on the Disposition of Assets<sup>20</sup>:

2011	\$10,213,180
2012	8,108,821
2013	67,256

A normalization of these three years of experience would result in a \$800,000 reduction to AE's proposed loss on disposal allowance, and would more fairly balance the positions of AE and NXP/Samsung on this issue.

## 5. Customer Care

The IHE's Report sides with AE on this issue, despite finding that it is "troublesome that 100% of customer-complaint costs are allocated to electric ratepayers, even though the record is clear a number of complaints arise from services provided by other city departments". The Report errs by failing to make any adjustment to correct this troublesome and inconvenient fact that is clearly established on the record. To reasonably reflect this cost, the Report should have allocated some of these costs away from the determination of a just and reasonable cost of providing electric service. The evidence confirmed that customers contact the center seeking assistance on questions and complaints regarding services provided by other city departments<sup>21</sup>; and the Report does not

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<sup>20</sup> Exhibit NS-1, p. 34, ln 9-11, referencing AE's response to NXP/Samsung RFI 4.10.

<sup>21</sup> Tr. at 229-231.



adequately explain away why this troublesome fact should be ignored nor why it is reasonable to allocate 100% of the recommended customer care costs to Austin Energy's "cost of service".

ICA continues to recommend the allocations of this expense to other user departments, as sponsored by NXP/Samsung witness Ms. Fox, totaling a \$10,371,602 disallowance.

### **III. CLASS COST OF SERVICE**

The Report does not concur with ICA's recommended use of the "Base-Intermediate-Peak" (BIP) method of production cost allocation. As explained in ICA's Brief, the BIP is justified in the current market and shows that, from our perspective, residential ratepayers are not subsidized by other classes.

There is no dispute by any party that the South Texas Nuclear Project must be run in as many hours as possible. This is supported by nuclear safety requirements, which prevent nuclear plants from rapidly changing power levels, as well as market economics, since nuclear fuel is the cheapest power plant fuel source. Yet BIP is the only production plant allocation method in this case which reflects energy use in its allocation of the nuclear plant investment. Contrary to the IHE Report's conclusion, Mr. Johnson's testimony demonstrates that BIP is the most consistent methodology for the ERCOT nodal market. Indeed, AE's consultant previously found that BIP "represents the varying use and value of AE resources in a nodal market."<sup>22</sup>

ICA agrees that Austin Energy's "12 CP" model is more appropriate than the AED-4CP method proposed by NP/Samsung, but it does not fairly recognize the generation cost of service differences between the various customer classes. The 12 CP method should not be considered a

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<sup>22</sup> Exhibit ICA-38, Attachment, p. 60

“compromise.” 12 CP results are much closer to the Samsung/NXP position than ICA’s position. Consider the residential allocation factors, as follows: ICA’s methods (Schedule CJ-2) BIP-R 35.3%, BIP-N 35.9%, A&P-12 CP 35.3%. AE’s 12 CP method 41.9%, Samsung’s AED-4CP 44.9%. The ICA respectfully asks the IHE to reconsider its rejection of ICA’s BIP method.<sup>23</sup>

Even though the IHE Report does not adopt the ICA’s production allocation model, the Report moves the residential class significantly closer to “cost of service” by adopting several of ICA’s changes to other allocation factors. These changes cut by roughly half the perceived “under recovery” that AE first reported to the Austin City Council in January 2016. If the IHE would additionally recognize the following adjustments, it would illustrate that the residential customer class is actually subsidized by other rate classes under the recommended revenue reduction, and should clearly deserves to share in that rate reduction.

1. Labor Costs Allocator for A&G Salaries (A-920)

The IHE’s Report adopted AE’s recommended functionalization allocators for this issue. However, because none of AE’s allocators are strongly related in a causal sense to A920, the selection should focus on the extent that the allocator spreads A920 salaries and wages broadly and equitably across utility functions. Austin Energy’s top management is responsible for all aspects of the utility’s operations, and it makes sense that their salary costs are recovered broadly across functions.<sup>24</sup>

Because AE is a non-managing partner in the South Texas Project (“STP”) and Fayette Power Project (“FPP”), AE’s class cost of service study does not include labor personnel at those plants within the labor allocation factors (except for relatively minor salary expense associated

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<sup>23</sup> See ICA Brief, pp. 48-58.

<sup>24</sup> Exhibit ICA-1, p. 52.

with AE personnel who oversee the plants).<sup>25</sup> Although these two plants constitute approximately 55% of non-fuel production expense, the plants' labor expense is not included in the labor allocator. As a result, AE's proposed labor allocation will understate the magnitude of the production function. For this reason, an exception to the typical practice of using a labor allocation for A920 is justified.<sup>26</sup> The IHE's Report finds that production costs are disproportionately affected by maintenance activities and accepts AE's view that management gives less oversight to maintenance. While it is true that production facilities require significant maintenance expense, AE's attempt to downplay the importance of these costs is neither logical or intuitive. Austin ratepayers have to pay *both* operations and maintenance costs, and ratepayers have a valid expectation that management will exercise cost control over both types of expense. Even if the maintenance activity is performed by vendors or third parties, AE's management should be vigilant in its oversight. Moreover, at a broader level, it is obvious that production resource planning decisions are complex and occupy a large portion of high level executive decision makers' time and attention. The level of future O&M expense to be paid by ratepayers will depend in large part on the result of these generation planning decisions.

ICA witness Mr. Johnson allocates account A920 on the basis of non-fuel O&M expense, excluding A&G.<sup>27</sup> ICA respectfully asks the IHE to reconsider its adjustment on this issue. Also, for the same reason that the A920 functionalization method should be changed from labor to non-fuel O&M, the ICA recommends that distribution function A920 costs be sub-functionalized on

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<sup>25</sup> Exhibit ICA-1, p. 52-53.

<sup>26</sup> Exhibit ICA-1, p. 53.

<sup>27</sup> This allocator is designated "O&MxAG" in the cost of service study.

the basis of distribution O&M expense, instead of distribution payroll expense.<sup>28</sup> ICA respectfully asks the IHE to also reconsider its adjustment on this sub-issue.

## 2. Classification of Production Costs (Non-Fuel O&M Expense)

The IHE's Report adopted AE's method of classifying production costs, and did not adopt ICA method of classification as to non-fuel O&M expense. ICA urges the IHE to reconsider the recommendation of ICA witness Mr. Johnson who classified these costs based on the NARUC Cost Allocation Manual (CAM) guideline, which is sometimes called the "cost accounting classification method," and is consistent with WP F-2.4, the workpaper which AE declined to implement. The use of this cost accounting classification method is approved by the Texas PUC., and, in fact if the IHE Report is adopted, AE will be the only integrated electric utility regulated by the Texas PUC which fails to classify *any* production non-fuel expense as energy-related.

AE's argument that the NARUC CAM is inconsistent with the ERCOT nodal market is really an after-the-fact rationalization for AE's desired allocation result. AE's witness and consultant on this subject, Mr. Mancinelli, had previously *recommended* that the NARUC CAM should be applied to AE's class cost of service. (ICA Ex. 24). The fact that the recommendation was made only nine months ago belies AE's argument that the existence of the ERCOT nodal market (which has been in place since 2010) explains the decision to reject the NARUC CAM. The supposed inconsistency between the ERCOT nodal market and the CAM production O&M classification method is not supported by record evidence. There is no evidence—and no reason to believe—that the labor and material costs associated with operating and maintaining generation plants has changed due to the ERCOT nodal market. The profitability and load duration associated

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<sup>28</sup> Exhibit ICA-1, p. 55.

with particular plants may change, but not the basic expenses for labor and maintenance. Moreover, the claim that the CAM methodology is based on classifying the plants based on load duration (baseload and peak) is simply incorrect. A review of the CAM classification indicates that the separation of production expenses for classification is based on FERC accounts, i.e., steam fired operations, non-nuclear maintenance, nuclear operations, nuclear maintenance, and other power generation operations. Nuclear O&M is treated differently than other plants because the technology is completely different. For instance, nuclear plants require significant amounts of coolants and moderation fluids to control the atomic reactions which produce energy, and the Texas PUC has long concluded that all or most of these coolant costs are energy-related.

Although ICA contends that the CAM non-fuel O&M classification methodology is appropriate regardless of the chosen production demand allocation method, it is particularly important that the CAM classification should be implemented if a pure demand allocation method, like 12 CP or AED-4CP, is adopted. For instance, Mr. Mancinelli's email refers to the "wide use of the CA [CAM cost accounting] method with CP demand allocation methods like 12 CP and 4CP."<sup>29</sup> He goes on to say, "This method will apply to all demand allocation scenarios run except for BIP."<sup>30</sup> The ICA requests that the IHE reconsider his recommendation regarding production non-fuel expense classification.

### 3. Meter Expense and Meter Reading

The IHE Report recommends that Meter Expense and Meter Reading expenses be allocated to each class based on the number of metered customers as proposed by AE, allocating meter reading expense based on the basis of number of customers. The ICA proposes to allocate meter

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<sup>29</sup> ICA Ex. 24.

<sup>30</sup> Id.

reading expense based upon the weighted customer allocator applied to meters.<sup>31</sup> Meter reading expense is obviously associated with meter investment. The weighted customer allocator reflects differences in the costs of meters among the customer classes.

In addition to the complexity of billing larger customers, ICA's position is supported by the fact that large customers' meters must be read manually if the electronic transmission fails. This requires meter readers traveling to the location of the large customer and reading both demand and energy metrics, and resetting the demand meter. Furthermore, AE incurs costs for specialized software to read IDR meters which are not directly assigned to IDR customers.

#### 4. Customer Service Accounts

The IHE recommends to the Council that it adopt the AE's allocation of marketing and advertising expenses and services expenses (Accounts 908 – 910). The object of these accounts is to advise customers on the safe and efficient use of electricity, promote or retain electrical usage, or encourage conservation or environmentally beneficial activities. There is no reason to believe that the costs of achieving such general objectives will vary in proportion to the number of customers.<sup>32</sup> The expenditures represent a general cost of doing business and are more properly treated as an overhead. In addition, customer assistance and information costs are incurred to direct customers to energy efficiency programs, and such programs are not otherwise allocated on a customer basis. AE failed to adequately support its decision to allocate this costs on a customer basis, and the IHE should reconsider ICA's weighted method of allocating customer allocations for these accounts, as is encouraged by the NARUC CAM.<sup>33</sup>

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<sup>31</sup> Exhibit ICA-1, p. 66.

<sup>32</sup> Exhibit ICA-1, p. 68.

<sup>33</sup> NARUC CAM at p. 104.

The IHE Report also recommends that Service Connection fee revenue be assigned to the distribution function as proposed by AE, instead of the customer function as proposed by the ICA. However, these fees do not recover the incremental facility costs of new services and new meters.<sup>34</sup> This fee is only for ordering the initiation of new service. The revenues from the service initiation fee are more reasonably identified as customer-related. Service initiation pertains to customer access, and customer access is part of the customer function. Service initiation frequency is more likely to vary with number of customers than distribution demands.<sup>35</sup> The ICA respectfully asks the IHE to reconsider these customer service related adjustments.

#### **IV. REVENUE DISTRIBUTION**

As explained in the Introduction, the ICA contends that the revenue decrease resulting from this case should be distributed more broadly among the customer classes, more broadly than the recommendation of the IHE report recommendation to spread revenue reductions as AE had proposed. AE is publicly owned, and its excess revenues should be shared among its different types of customers. ICA witness Mr. Johnson used his CCOS study to determine the customer classes which are far below cost—in this case, the lighting classes.<sup>36</sup> For those classes, his proposal leaves the base revenues unchanged. In addition, he used the CCOS study result to assign a base revenue increase to Transmission >20 MW, 85% LF.<sup>37</sup> AE's rate filing explains that this particular class' revenues are designed to be set at cost. The customer in this class pays a fixed contract and will be unaffected. But setting the revenues at cost ensures that other customers are not subsidizing

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<sup>34</sup> Exhibit ICA-1, pp. 69-70, citing AE Response to ICA RFI 7-3.

<sup>35</sup> Exhibit ICA-1, p. 70.

<sup>36</sup> Exhibit ICA-1, p. 74.

<sup>37</sup> Exhibit ICA-1, p. 74-75.

the contract rate. Incorporating an approximate \$2 million base revenue increase for this class produces a larger revenue decrease to be distributed among the remaining classes.

ICA then proposes to allocate the revenue decrease on the basis of class shares of kWh consumption. This is a compromise allocation. The kWh methodology produces a more favorable revenue reduction for higher load factor customer classes than would an equal percentage revenue decrease. The resulting allocation will be more similar to AE's proposal, inasmuch as AE's CCOS study produces more favorable results for high load factor customer classes. Based upon the ICA's post-hearing position, a \$63,216,000 annual revenue reduction (a remarkably similar revenue requirement reduction amount compared to the revenue requirement recommendation contained in the IHE Report), these are the approximate percentage changes to each customer class:

Residential	<b>-8.7%</b>	
Small Secondary	<b>-7.1%</b>	
Medium Secondary	<b>-9.2%</b>	
Large Secondary	<b>-11.9%</b>	
Primary Classes	<b>-14.7%</b>	<b>to -20.0%</b>
Transmission (non-contract)	<b>-8.9%</b>	

Regardless of the cost of service methods adopted, the ICA urges the IHE to reconsider its decision on this important issue and to utilize the ICA allocation method for the distribution of revenue in order to ensure greater fairness and equity among the customer classes.



## **V. RESIDENTIAL RATE DESIGN**

While there is no rate increase recommended to the residential class overall, those households which use less energy will pay more, while higher usage customers would get a break under the residential rate design proposed by Austin Energy and recommended by the IHE Report. However, increasing the first residential tier rates, while “flattening” the higher rates, is also contrary to principles promoting conservation.

To the benefit of residential customers, the Report does reject Austin Energy’s late-filed change that would have doubled the Energy Efficiency Services fee on residential customers, and does serve to appropriately recognize that the goal of AE’s energy efficiency projects is to benefit customers system-wide.

### **1. Residential First Tier**

The ICA urges the IHE to correct the Report as it relates to the underlying increase to the residential first tier rates by over \$7 million, because this rate design shift was adopted without any evidence concerning the conservation effect on residential rates. This shift from high users to low users also limits the ability of all residential consumers to benefit from their efforts undertaken to control their monthly utility bills. It is also unfair and unequitable to have a group of residential customers (those customers whose usage is mostly within the first tier) experience a rate increase, while all other customers receive a rate decrease, and the utility is simultaneously experiencing surplus revenues.

The ICA takes exception to this IHE-adopted residential rate change to the first tier, and recommends that the AE’s proposed \$7 million increase to the residential first tier be rejected.

## 2. Houses of Worship Rate Cap

The Report erred in stating that the Houses of Worship (“HOW”) rate cap is purely a policy issue. The ICA provided sound ratemaking reasons for continuing the current provisions applicable to HOWs. Ratemaking principles try to avoid significant rate increases to any customer when rate or rate design is changed.

Many churches have a usage pattern that is different than other businesses (usage on the weekend for instance) that peaks at different times than the utility’s peak. Austin Energy has stated it plans to study this usage pattern, therefore it would be premature to eliminate the current HOW tariff provisions until that particular study has been completed. It is also particularly unfair for a small subset of HOWs to experience double digit rate increases when other commercial customers get a rate decrease. The unique aspects and patterns of usage indicative of HOWs need to be studied before the current tariffs relating to these customers are eliminated.


The ICA urges the IHE to correct his order to recognize that there are different usage patterns for HOW customers that should be studied *before* the currently applicable tariffs are changed. Such a study will inform the kind of tariff changes that would best employed for those HOW customers with unique or distinctive usage patterns in the next comprehensive AE rate review. In the meantime, both the cap of 13.051 cents per kWh and the practice of measuring peak usage only during weekdays should be retained for HOW customers.

## VI. CONCLUSION

Again, the ICA asks the IHE to view his Final Report as an opportunity to share the justified rate reductions more broadly among the customer classes, promoting fairness and affordability for the smallest customer classes. *Residential household customers and small business customers in the City of Austin, Texas deserve to share in the benefit of the rate reductions through lower electric rates.* Furthermore, there should be no increase to the residential first tier. And the current tariff rates that apply to the Houses of Worship should be studied further before being eliminated or changed, in order to avoid unfair and adverse impacts to certain small HOW customers.

Wherefore, the ICA respectfully requests that the IHE's Report be reconsidered in light of these Exceptions and modified accordingly.

Respectfully submitted,

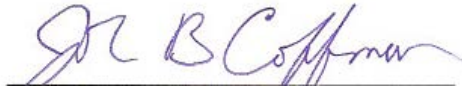
A handwritten signature in blue ink, reading "John B. Coffman", written over a horizontal line.

John B. Coffman  
Independent Consumer Advocate

Submitted this date: July 22, 2016

## **CERTIFICATE OF SERVICE**

The forgoing filing has been served upon all of the email addresses contained in the official Service List for this proceeding as found on the website for the Office of the City Clerk's website on this 22<sup>nd</sup> day of July, 2016.

A handwritten signature in blue ink, appearing to read "J B Coffman", is written over a horizontal line.