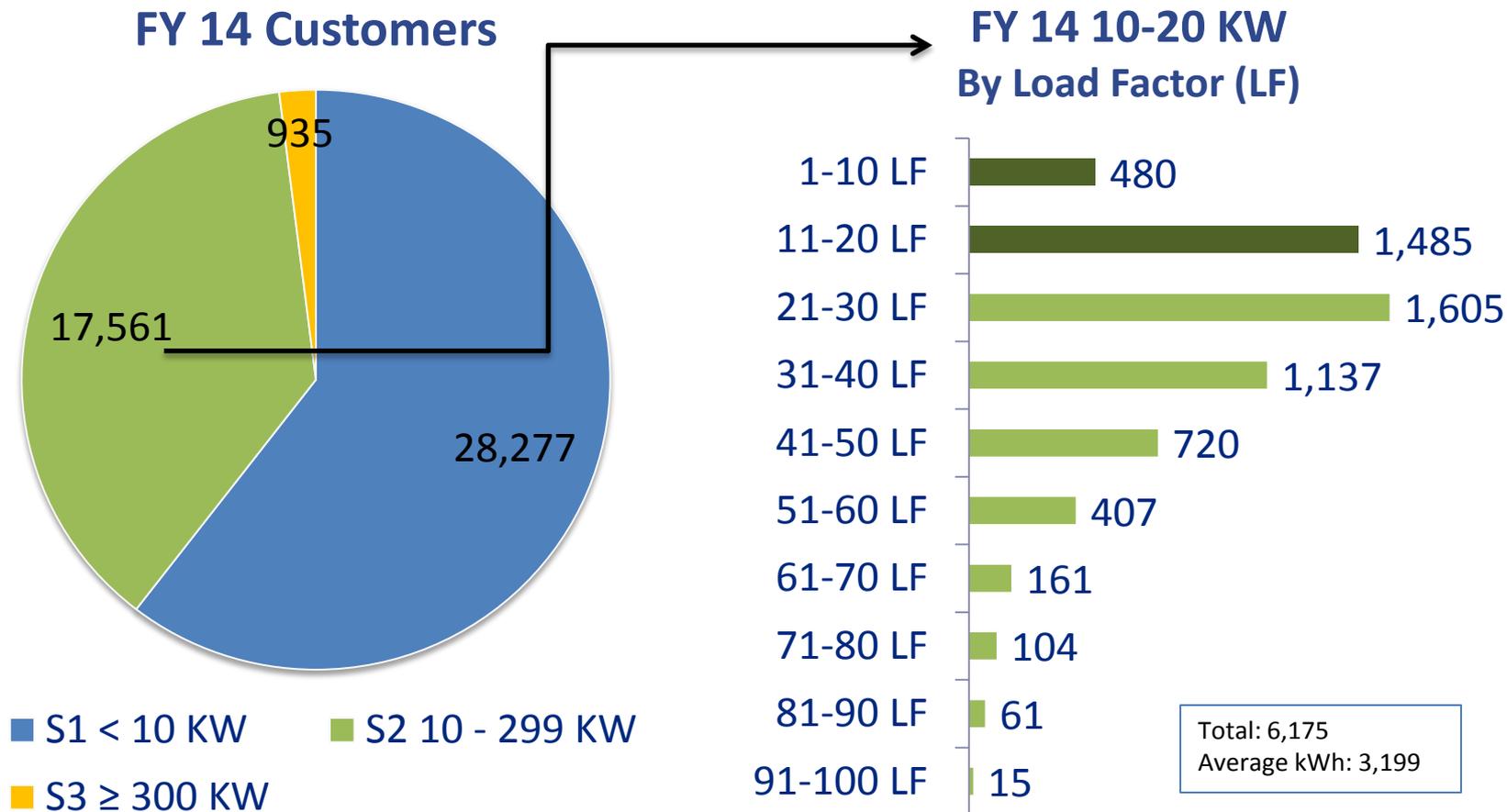


10-20kW Customer Class Discussion March 2017





Secondary Customer Classes





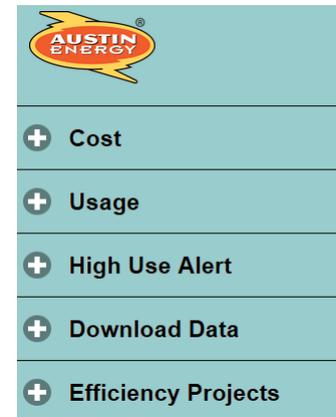
Steps to Assist Small Demand Customers

- Changed class assignment policy from highest summer peak to average peak of four summer months in FY16
- This means a customer won't get a demand charge due to one high peak
 - Shifted ~1300 customers from S2 to S1
- 20% load factor floor
 - Annually reduces bills of low load factor customers by approximately \$7 million
 - Benefit to all low load factor customers



Steps to Assist Small Demand Customers (cont.)

- Outreach through the Austin Independent Business Alliance, the City of Austin Small Business Office, the Chamber and other COA departments
- Free Austin Energy usage app
- Energy efficiency programs designed specifically for these customers
- To date there have been no escalations
Austin Energy Customer Care





Load Factor Floor Example

City of Austin Electric - Secondary Voltage >10kW<300 kW			
Customer Charge		\$ 27.50	
Electric Delivery Charge	17.60 kW @ 4.50 per kW	79.20	
Demand Charge	17.60 kW @ 4.19 per kW	73.74	
Energy Charge	1,400kWh @ .02421 / kWh	33.89	
Community Benefit Charges		6.35	
Regulatory Charges	17.60 kW @ 3.75 per kW	66.00	
Power Supply Adj	1,400kWh @ .02727 / kWh	<u>38.18</u>	
Total before Load Factor Adjustment		\$ 324.86	
Load Factor Adjustment		<u>-108.97</u>	-33.5%
Total Bill		<u>\$ 215.89</u>	



Targeted Energy Management Programs

- Two dedicated representatives from the Key Accounts department assigned to serve as Energy Advisors providing the following:
 - Conduct free on-site assessment of building's electric energy equipment and coach customer on ways to minimize the impact of the demand charge, e.g. cycling air conditioning equipment
 - Provide electric bill line item explanation and analysis
 - Promote Austin Energy commercial energy programs including:
 - Small Business Lighting program – 200 customers in last year, \$860K rebates, 1.5 MW annual savings
 - Power Partner Thermostat program
 - Home Performance for Energy Star converted for business (~1,000 customers)

New

New



Austin Energy's Small Business Lighting Program typically provides <2 year return on investment



Lessons Learned in Working with Small Commercial Customers

- Large and varied market segment that can be difficult to reach (busy running their business)
- Majority are renters and don't have the incentive to maintain and/or purchase capital equipment like air conditioning units
 - The Small Business Lighting and Power Partner Thermostat programs are lower cost programs that can have a significant and immediate impact on energy usage
 - Launched the Home Performance with Energy Star for small business
 - Developing an AC diagnostic and tune-up program for small businesses – FY18



Lessons Learned in Working with Small Commercial Customers (cont.)

- Appreciate staff's help understanding bill components
 - The rollout of the Energy Advisor program is intended to help small commercial customers understand their electric bill AND implement strategies to lower demand and energy usage
- Don't have visibility into their energy usage
 - The app and the ongoing upgrade of all smart meters will help customers have better visibility of how their facilities use energy, thereby giving them the tools they need to make adjustments



Scenarios Examined

Scenario 1: New Class

- Create new 10-20 kW rate class
- Increase the energy rates for that class to recover revenue lost from lack of demand charge
- No change to the 0-10 kW rate class
- No change to the 20-300 kW rate class

Scenario 2: Combine Classes

- Combine 0-10 kW and 10-20 kW customers into one new rate class
- Increase energy rates for new rate class to recover revenue lost from lack of demand charge
- No change to 20-300 kW rate class



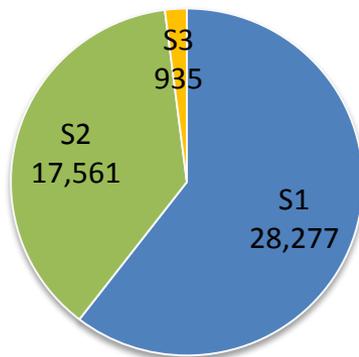
Scenario Customer Impact:

Scenario 1: New Class

- Under scenario 1, ~65% of the customers in the 10-20 kW rate class would have a higher rate (~4,000 accounts)
- Customers with a 10% load factor would save ~0.7¢ per kWh
- Customers with a 50% load factor would pay ~3.0¢ more per kWh
- Over 4,000 customers would see a rate increase and 2,200 customers would see a decrease
- Should go through rate review process

Note - ~ 8% of the customers in S2 have seen rates decrease by nearly 6¢ per kWh as a result of the load factor floor

FY 14 Secondary Customers



Scenario 2: Combine Classes

- Under scenario 2 most S1 customers (~25,000) would see a rate increase
- 10-20 kW customers with a 28% load factor or less would receive a rate discount (~3,600 accounts)
- 10-20 kW customers with a 25% load factor or greater would receive a rate increase (~2,600 accounts)
- 27,600 customers would see a rate increase, 3,600 customers would see a decrease
- Should go through rate review process

Note – Current S2 customers with a load factor of 48% or more pay LESS per kWh than S1 with the same kWh



Conclusion and Recommendation

- **Staff recommendation - leave the rates as is for the following reasons:**
 - Staff has not received inbound customer complaints to support a change
 - Either scenario would benefit a very small group of customers while penalizing a much larger group
 - Either scenario would discourage conservation pricing signals and shift costs on to most consistent users of system
 - Either scenario should go through a rate review process; would need to examine all Secondary customers



Conclusion and Recommendation (cont.)

- **Staff recommendation - leave the rates as is for the following reasons (cont.):**
 - The load factor floor discount is already having a positive impact, saving customers nearly \$7M per year
 - Customer feedback has been very positive
 - Adoption of using average summer peak demand to assign customers to a rate class has shifted 1,300 customers from S2 to S1



Conclusion and Recommendation (cont.)

- **Staff recommendation - leave the rates as is for the following reasons (cont.):**
 - Austin Energy has dedicated staff from the Key Accounts Department that provide assistance in understanding the electric bill and provide strategies to minimize the demand charge/total bill
 - Austin Energy has many programs specifically designed for Small Businesses that help lower their electric bills