
**Independent Consumer Advocate's
Party Position Statement**

The Independent Consumer Advocate (“ICA”) hereby submits its initial Position Statement regarding this review of Austin Energy’s (“AE’s”) base electric rates. The ICA was retained by the City of Austin to represent the interests of residential and small business customers in this review process.

The ICA’s specific positions and recommendations in this matter are contained within the attached presentations of Mr. Clarence Johnson and Mr. David J. Effron, both of which are provided in Q&A testimony format. Each of these expert witnesses have several decades of experience in reviewing electric utility accounting and rates. Both experts support technical adjustments that would significantly reduce the overall revenue requirement increase requested by Austin Energy. Mr. Johnson also supports the ICA’s adjustments to AE’s class cost allocations and proposes an alternate rate design for the residential customer class.

Austin Energy proposes to increase its overall base rate revenue (revenue requirement) by \$48.2 million or **7.6%**. The ICA concludes that the overall necessary increase in base rate revenue should be significantly less--approximately \$6.5 million, or **1.0 %**.

Austin Energy's proposal for the residential class is higher, at \$52.3 million or **17.6%**. The revenue that AE wishes to collect from residential households alone is thus actually \$4.1 million *more than* the AE total system base revenue increase. In contrast, the ICA concludes that the comparable residential class base revenue increase should be \$3.6 million or **1.2%**. ICA also adjusted AE's cost study. As a result, ICA disagrees with AE's contention that the residential class is subsidized by large industry rates.

Breaking down the AE proposal location-wise, the utility is proposing a **26%** base revenue increase for Residential In-City (Non-CAP) customers and a **-7.6** base revenue decrease for Residential Outside-City (Non-CAP) customers. The contrast between the outside city revenue *reduction* and the inside city revenue *increase* is due to AE's proposed changes in the residential rate structure, which would indirectly shift revenue responsibility among residential customers.

The ICA recommends leaving the Residential Outside-City (Non-CAP) rates the same and continuing separate rates for outside city residential customers. Outside city customers consume much higher levels of electricity. Due to differences in the energy use characteristics of inside and outside city customers, imposition of a uniform rate structure is likely to cause excessive customer impacts for both sets of residential customers, depending on rate structure changes. AE should develop load research data for outside city customers in the next rate case, so that an appropriate cost benchmark is available to set rates for those customers.

Within the residential customer class, one of AE's more radical and unreasonable proposals would be to increase the fixed monthly residential customer charge by 150% (\$25 proposed; \$10 current). An unavoidable fixed charge of \$25.00 would be far outside

the range of residential fixed rates currently charged by the other two largest municipal electric utilities in Texas (San Antonio and Lubbock). Moreover, AE's proposed residential customer charge would be more than 2.7 times higher than the average of customer charges for Texas investor-owned electric utilities.

The ICA estimates that the basic residential customer costs are \$6.11 per month, far lower than the proposed \$25.00 per month. Given this basic cost allocations, the current customer charge of \$10.00 is reasonable and does not need to be increased. However, if the City of Austin does decide to increase the customer charge, such increase should be commensurate with the overall revenue increase percentage. Under no circumstances should the residential customer charge exceed \$13.00 in this case. An increase scaled to ICA's overall revenue recommendation results in a \$10.20 customer charge.

AE overstates the role of the residential rate structure as a claimed cause of the proposed system revenue increase. AE's current residential rate structure was implemented with the goal of promoting energy conservation. AE's objection to the current residential rate structure is essentially that it has been too effective at promoting energy conservation. Furthermore, the AE position ignores any potential long run reductions in utility cost which would accompany reductions in energy consumption. AE's changes to the overall rate structure (including the customer charge) would be likely to weaken price signals that suppress excessive and wasteful use of electricity.

The ICA further concludes that AE's proposed rate structure would produce wildly divergent customer impacts, as well as be mis-aligned with energy conservation

objectives. The ICA proposes revisions to the residential rate structure that would address AE’s concerns regarding increased revenue stability, but without producing the customer impacts and divergence from energy conservation objectives associated with AE’s three tier proposal. The ICA recommends reducing the current five tier structure to four tiers. The first two tiers would be 0-500 and 500-1300 kWh, which encompasses, on average, almost 90% of customer bills. The tiers at higher levels of consumption prevent the rate reductions for high electricity users.

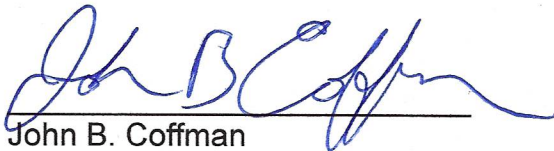
Below is a comparison of the bill impacts of the AE and ICA proposals at different usage levels:

kWh	ICA- 1		AE Filed	
	Increase	Percent	Increase	Percent
375	\$ 0.59	1.56%	19.16	50.75%
625	\$ 1.24	2.07%	19.15	31.90%
875	\$ 2.30	2.67%	\$ 15.34	17.81%
1,625	\$ 0.88	0.49%	(8.20)	-4.59%
3,250	\$ 4.34	1.04%	(92.63)	-22.2%

In these times of rising inflation and cost of living concerns for residents of the City of Austin, the ICA recommends that its proposals be seriously considered, and that the final decision in this matter be mindful of avoiding unintended or dramatic rate impacts for

any segment of the ratepaying customer base. The ICA believes that its proposals in this matter are just and reasonable, and carefully designed to minimize disparate rate changes among customers.

Respectfully submitted,

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

John B. Coffman
Independent Consumer Advocate

Date filed: June 22, 2022

Certificate of Service

I, John B. Coffman, hereby certify that a copy of this document was served on all parties of record in this proceeding on this 22nd day of June, 2022 by electronic mail, facsimile, and/or First Class, U.S. Mail.

/s/ John B. Coffman
