

**AUSTIN ENERGY'S  
2022 BASE RATE REVIEW PROCESS  
AND PROPOSAL TO CHANGE BASE  
ELECTRIC RATES**

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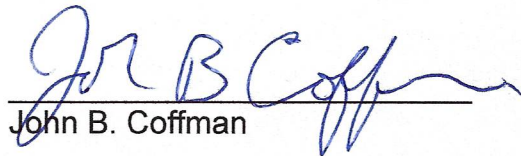
**BEFORE THE CITY OF AUSTIN  
IMPARTIAL HEARING EXAMINER**

**INDEPENDENT CONSUMER ADVOCATE'S RESPONSE TO  
AUSTIN ENERGY'S FIRST REQUEST FOR INFORMATION**

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The Independent Consumer Advocate ("ICA") hereby files its response to Austin Energy's first requests for information ("RFI") submitted to it on June 29, 2022.

Respectfully submitted,

  
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John B. Coffman

Date filed: July 1, 2022

## ICA Response to AE 1-1

1. Regarding Clarence Johnson's testimony on page 62, please provide all data, documents, and reports that support the statement that electric utility's cost structure is dominated by costs that vary with changes in demand and energy usage.

Answer: A foundational economic principle is that all costs are variable in the long run. The most important time frame for evaluating electric utility costs is the intermediate or long term periods when increments of capacity vary with changes in demand and energy use. The rate making practice of classifying costs as "demand" or "energy" is based on the premise that the underlying costs are driven by changes in demand and energy use over a period of time sufficient to replace and/or add capacity.

Austin Energy's filed cost of service confirms that the utility cost structure is dominated by demand and energy costs. The "cost drivers" for Production, Transmission, and Distribution functions are demand and energy. (Although the measures of demand and energy may vary by function, the implication remains that demand and energy use are the drivers of these costs.) Based on RFP Schedule G-8, 86% of AE's cost structure is demand or energy related. An even more appropriate comparison would exclude A&G expense and General Fund Transfer, categories of costs not directly associated with any particular function. If A&G and GFT are excluded, 93% of the cost structure is driven by demand or energy.

Please see the attached version of AE's RFP excel model which contains a sheet that develops the percentages above. The tab is captioned "Calculations" and immediately follows the Tab Schedule G-7.

As stated in Mr. Johnson's presentation, the fixed customer charge provides no economic pricing function other than rationing access. And "rationing access" to electric utility service is not consistent with the public interest. Usage charges, such as the residential energy rates, provide price signals for increasing or decreasing energy consumption, which thereby drives future long term growth in the vast majority of AE's cost structure. Minimizing costs assigned to the access rationing function, thereby assigning more costs to energy consumption pricing, is consistent with Austin's energy conservation goals and reduces undesirable societal externality costs.

Sponsored by Clarence Johnson