

**Austin Generation Resource Planning Task Force
Information Request Responses
October 21, 2009**

Task Force requested comments on the proposed draft recommendations submitted on 10/7/09 and 10/14/09 regarding cost and affordability goals as well as feedback on potential affordability metrics.

Response to Generation Task Force Question on Affordability Goals and Benchmarking

The Task Force asked Austin Energy (AE) to develop benchmarks against which AE's rates/costs can be measured to assess plan affordability. AE does not believe that it has access to valid, comprehensive data that can be used for such a comparison. Below, AE suggests that a limited data set available from the Texas Public Utility Commission (PUC) can be used to track general trends in rates/costs over time, but the data set is extremely limited, and thus the use of that data set to establish a benchmark is questionable. AE does not believe that it can do more than track general trend data.

Measures that Can be Used for Comparison

Rates: As noted in AE's information request response dated October 14, 2009, AE's electric "rates" or "base rates" are set by the Austin City Council. While AE is developing a plan to reexamine its rates for the 2013 fiscal year, AE's current rates have been in place since 1994. There are a couple of exceptions of note. Changes to some service fees for specific services have been adopted by the Council in some years. The Large Primary Service Special Contract Rider was adopted by the Council subsequent to the 1994 rate adoption; however, that contract lowered the rate for the commercial and industrial customers taking service under the contract rider. Fuel charges are typically adjusted annually according to a formula previously adopted by the Council. As base rates are set only occasionally, and because any rate proceeding is likely to be a public process, using a measure of the change in electric "rates" as an affordability measure may be of limited value.

Fuel Charges: While the base rate is generally fixed, the fuel charge will vary—typically on an annual basis. AE tracks fuel charges on a monthly basis. Projections of future changes in the fuel charge are reported quarterly to the Power Improvement Action Committee (PIAC). The fuel charge can be disaggregated into fuel, purchased power, and ERCOT charges, but cannot be further disaggregated without raising confidentiality concerns with fuel and purchase power contracts and pricing—pending any review of information disclosure policy. AE does not track and does not have access to fuel charges/costs of other utilities or Retail Electric Providers (REPs), and as such is unclear what benchmark could be used as a comparative measure of AE's fuel costs.

Estimated Bills: As is further discussed below, the PUC publishes a limited data set of customer "bills" for selected consumption levels of residential, commercial, and

industrial service. These bill comparisons are computed incorporating customer fixed charges, base rate charges, and fuel.

Available Benchmarking Data: With the transition to a competitive market in 2002, the availability of comparative data on retail electric costs for commercial and industrial customers has become quite limited. For selected non-competitive territories, the PUC publishes a limited set of estimated monthly bills, but for the greater part of the State that participates in retail competition, no such data is available. The powertochoose website maintained by the PUC lists current retail offers for residential customers, searchable by zip code and transmission and distribution service provider. Reviewing that website shows that there are a variety of different products offered by REPs. These products may vary by term, renewable content, deposit policy, exit fees/penalties, and escalators. The offers presented on powertochoose are available at that specific time, and may change from day-to-day—in contrast to AE’s rates that are fixed over an extended period and made available to all customers. Had AE previously benchmarked against these retail offers, we would have found that last year, AE’s rates were substantially below all the offers on the powertochoose site, as AE’s rates—including the fuel charge—have not changed over an extended period, while retail rates in competitive territories fluctuated across the board with changes in the price of natural gas. This points out a difficulty in making comparisons with retail market offers; AE’s risk management plan includes a fuel hedging program designed to maintain fuel costs on a level, predictable path. Competitive retail offers do not necessarily follow such a strategy, so it is difficult to determine the value of a benchmark between AE’s level costs and the fluctuating retail price offers in the competitive market. As well, AE maintains an obligation to serve all retail customers in its territory. In general, since 2002, AE’s residential rates have been below competitive retail offers in competitive territories, though there have been occasional offers below AE’s rates. Typically those lower offers have been for limited terms of one to several months.

For REPs operating in the competitive areas of the State, the PUC publishes monthly a limited set of comparative data, the “Monthly Retail Electric Service Bill Comparison for Residential Electric Service.” These reports can be accessed at the following website:

<http://www.puc.state.tx.us/electric/rates/RESbill.cfm>

This summary of monthly residential bills is presented from data extracted from powertochoose for REPs operating within the Electric Reliability Council of Texas (ERCOT) competitive market. Information on commercial and industrial bills is not provided.

For utilities operating in the non-competitive areas of the State, the PUC publishes monthly a limited set of comparative data, the “Residential and Commercial Bill Comparisons for Non-Competitive Markets.” These reports can be accessed at the following website:

<http://www.puc.state.tx.us/electric/rates/NCrate/index.cfm>

This summary of monthly bills is presented from survey data collected from the regulated utilities operating outside the ERCOT market and for a very small sample of municipal utilities and cooperatives operating within ERCOT. Of the ERCOT entities, the PUC

data includes Magic Valley Electric Cooperative, Upshire Rural Electric Cooperative and Victoria Electric Cooperative. For the municipal utilities, the report includes AE, CPS Energy of San Antonio (industrial data not included), and the City of San Marcos. The report does include results for selected commercial and industrial categories as well as 500 or 1,000 kilowatt-hour (kWh) levels for residential customers. For different usage levels and rate categories, the report shows that AE ranks in different relative positions among the reported companies. These reports may have limited utility for benchmarking as the sample size is extremely small and because few of the listed companies are comparably situated to AE. It is unclear whether the data for non-ERCOT companies is at all relevant to AE. And, for the ERCOT companies, only CPS Energy seems comparable to AE in terms of size, market, and customer mix. The City of San Marcos, and the two smaller cooperatives do not own any generation resources. And while the PUC report lists survey results for two sizes of commercial and six sizes of industrial customers, CPS Energy does not report results for any of the industrial classes.

General Rate/Cost Trend Tracking: Based on the limited sample size and the limited number of truly comparable utilities included in the PUC report and a lack of visibility into the methodology used to develop the rates reported, AE does not believe that these data provide a meaningful benchmark. Perhaps the best use of these data could be to track long-term trends of the bills reported for the included utilities relative to changes in AE's reported bills. AE could track month-to-month changes in the average for all reported utilities against changes for AE month-to-month. In addition, the data could be tracked for average year-over-year changes among all the reported utilities compared to year-over-year changes for AE. These comparisons would indicate general trends in the charges assessed by AE for different usage levels compared to the average charges of the reported companies. AE can similarly track and report competitive retail residential offers for a selected set of Houston, Corpus, and Dallas.

Monthly rates can be tracked on the PUC website using the following link:

<http://www.puc.state.tx.us/electric/rates/RESbill.cfm>

For comparability, those offers should be limited to fixed offers of a minimum one-year term guarantee.

Establishment of more detailed benchmarks against comparably situated customer bills for various customer classes in different locations across the State may be supported by collection of customer data from third party vendors. However, it would be necessary to understand the derivation of the rates to make a more relevant apples to apples, detailed comparison of any available third party data.