

MINUTES OF THE CITY COUNCIL
CITY OF AUSTIN, TEXAS
Special Called Council Meeting

February 1, 1980
10:00 A.M.

Council Chambers
301 West Second Street

The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Councilmembers Cooke, Himmelblau, Mayor Pro Tem Mullen, Councilmember Trevino

Absent: Councilmembers Goodman, Snell

Mayor McClellan opened the meeting scheduled for 10:00 A.M., stating that this was a Special Called Meeting of the City Council for the purpose of considering adoption of items relating to the Electric Rate Structure.

R. L. Hancock, Director, Electric Utility Department, underscored the need for a decision today, if possible, with respect to policy matters as they related to rates, because those rates should be implemented by April 1, 1980. Minimum changes in policies and rate forms would take the staff about 10 weeks to complete implementation and get it into the next billing. He then introduced Mr. Jorge Carrasco who reviewed the schedule and action items needed.

Mr. Carrasco through the use of slides indicated that the following action was requested of the Council:

1. Adoption of system revenue requirements by customer group or classification, which would set the rate of return for each of the different customer classifications and the relationship of that return to the system rate of return.
2. Adoption of cost allocation methods, which were the same methods used in the last rate study.
3. Adoption of recommended customer classifications (Currently 13 different classifications)
4. Adoption of any desired rate design policies.

Design and testing of tariffs would require about 6 weeks while programming and testing required to place the tariffs into the billing system would take about 4 weeks, for a total of 10 weeks from Council action.

Mayor McClellan stated that she basically was in concurrence with the City's Electric Utility Commission with the exception that the State capitol complex be placed in the 1.2 differential, rather than the 1.4 grouping.

Councilwoman Himmelblau agreed with the Mayor and stated that stability was all important.

Councilman Cooke also concurred with Mayor McClellan regarding the State capitol complex differential. He recommended a 1.3 differential for the Large Customer class and that the All-Electric Rate be phased out over the next 5 years. He felt that the Lifeline Rate merited consideration, but did not feel that the Electric Department had provided the Council sufficient information for a decision. Otherwise he concurred with the recommendations of the Electric Utility Commission.

Motion - Died for Lack of Second

Councilman Cooke moved the Council adopt a 1.3 differential for the State capitol complex, a 1.3 differential for the Large Customer class and that the All-Electric Rate Class be phased out in 5 years. The motion died for lack of a second.

Mayor McClellan asked whether it was correct or incorrect that the Public Utility Commission had rejected the Lifeline Rate.

R. L. Hancock stated that as a policy matter PUC had suggested that the merits of Lifeline be accomplished through welfare programs as opposed to being accomplished through rates. There was one test area in the State in the Gulf State Utilities area where a form of lifeline was being used in a residential sector. A subcommittee of the City's Electric Utility Commission, composed of Dr. Neal Kocurek, Peck Young, Rich Ellmer and Sam Graham, was examining the lifeline matter.

Mayor McClellan stated that those people who could not pay their utility bills should be helped, but not through the rate structure.

There was discussion between Councilman Trevino and Mayor McClellan as to how people would be helped. Councilman Trevino felt that more City money should be given to Human Services. Mayor McClellan felt that all possible sources should be examined and priorities set.

Regarding the phaseout of the All-Electric Rate, Mayor McClellan said that she did not want to give a break to all-electric users and she did not want all-electric users to pay more than the cost of service.

Responding to Mayor McClellan's question, R. L. Hancock said that it was cheaper to serve the all-electric customer primarily because of his improved utilization of the capacity allocated to that particular class of customer.

Current and proposed rates were based on cost of service for residential multiple fuel and single fuel. If the two rates were combined to produce only one rate, then one class of customer would effectively subsidize the other class of customer. There was not a lot of dollars difference to the two rate payers, but from a cost of service point of view and a future change in cost of service point of view Mr. Hancock felt that the two classifications should be kept separate because there were distinct differences in the characteristics of the two classes.

Councilman Cooke felt that the City was encouraging the use of electricity with all-electric customers.

Mr. Hancock did not believe that the present rate structure encouraged the use of electricity, and differed from the former rate structure which promoted the all-electric approach.

Responding to Mayor McClellan's question on the rate of return differential for Texas Power & Light, Mr. Carrasco said that he did not have the current figure, which formerly had been 1.39, and cited the following figures for other utilities:

Dallas Power & Light - 1.16 (implemented October, 1979)
 Houston Lighting & Power - 1.08 (as of November, 1979)
 El Paso Electric Company - 1.071 (as of November 1979)
 Central Power & Light - 1.066 (as of January, 1980)

Councilman Cooke recommended that the Council look at rates of return around the State and try to be in concert with those rates.

Mr. Hancock gave the following figures from the Touche-Ross Report which was essentially the same as the relative position of the all-electric and residential mixed fuels rates now:

For 1,000 KWH - <u>All-Electric (winter)</u>	<u>Mixed Fuels (winter)</u>
\$34.76	\$34.86
For 500 KWH - \$19.13	\$18.93

Mr. Carrasco presented the following figures and their effect on residential rates in terms of percentage increases:

<u>Rate of Return Differential Large Primary Service</u>	<u>Effect on All-Electric</u>	<u>Effect on Mixed Fuels</u>
1.2	5.3	7.4
1.3	5.0	7.0
1.4	4.6	6.6

The difference between a 1.2 and 1.4 differential would be about \$3.00/year for mixed fuels and \$5.00/year for single fuel (all-electric).

Mayor McClellan felt that since the Capitol complex had different characteristics there should be a different differential from other large primary service customers. She asked what would be the effect on residential users of setting a 1.3 differential for large primary service and a 1.1 differential for the Capitol complex.

Mr. Carrasco indicated that the effect would be less than a tenth of one per cent.

Motion

Councilman Cooke moved that the Council adopt a 1.1 rate of return differential for the State Capitol Complex and a 1.3 rate of return differential for Large Primary Service customers. The motion, seconded by Mayor Pro Tem Mullen, carried by the following vote:

Ayes: Councilmembers Cooke, Himmelblau, Mayor Pro Tem Mullen, Councilmember Trevino, Mayor McClellan

Noes: None

Absent: Councilmembers Goodman, Snell

Motion

Councilman Cooke moved that the Council phase out over a 5-year period commencing with this electric rate structure the all-electric classification. The motion, seconded by Councilman Trevino, FAILED to carry by the following vote:

Ayes: Councilmembers Trevino, Cooke

Noes: Mayor McClellan, Mayor Pro Tem Mullen, Councilmember Himmelblau

Absent: Councilmembers Goodman, Snell

Motion

Councilwoman Himmelblau moved that the Council adopt the following items relating to the Electric Rate Structure, as amended by the Council today:

- a. Methodology used to allocate plant costs and operating expenses;
- b. customer classifications;
- c. system revenue requirements by customer classification; and
- d. rate design policies.

The motion was seconded by Mayor Pro Tem Mullen.

RECESS

The Council recessed its meeting at 11:30 a.m. until 1:00 p.m.

MEETING RESUMED

At 1:25 p.m. Mayor McClellan called the recessed meeting to order and noted that Councilmen Snell and Goodman were now present.

Councilman Cooke and Mayor McClellan reviewed their respective positions on phasing out the all-electric classification.

Councilwoman Himmelblau asked Mr. Hancock if things continued the way they were would the all-electric rate encourage capital outlay for more all-electric homes.

Mr. Hancock replied that as far as capital investment to serve all-electric customers was concerned, the City's costs were keyed to what happened in the summer. The only difference during the summer between an all-electric and a mixed fuel customer was the water heating load. It was a relatively small investment in capacity because of the cumulative diversification between the water heating load. The generation area was the predominant area of investment.

Substitute Motion

Councilman Goodman offered a substitute motion that the Council adopt the following items relating to the Electric Rate Structure, as amended by the Council today, with the all-electric rate for industrial and residential customers to be phased out within 3 years:

- a. methodology used to allocate plant costs and operating expenses;
- b. customer classifications;
- c. system revenue requirements by customer classification; and
- d. rate design policies

The motion, seconded by Councilman Snell, carried by the following vote:

Ayes: Councilmembers Snell, Trevino, Cooke, Goodman
Noes: Mayor Pro Tem Mullen, Mayor McClellan, Councilmember Himmelblau

In response to Mayor McClellan's question, Mr. Hancock stated that the new rates would be reflected on the April 1st utility bills, even though it would be a difficult task to implement.

Regarding the phaseout of the all-electric rate, Councilman Goodman asked Mr. Hancock to make recommendations as to how it should be phased out or eliminated at the end of 3 years.

Mr. Hancock stated that he would proceed and get an interim report to the Council.

Mayor McClellan emphasized that she wanted the reduction, even though slight, reflected on the April 1st residential utility bills.

Councilman Goodman stated that the intent of his motion was that over some period of time there would be those incremental reductions to finally equalize and eliminate the all-electric rate.

Councilman Cooke stated that it was his intention also.

Councilman Goodman stated that he was still waiting for a report on a life-line rate impact for users of between 250 and 500 KWH. He had requested the re-

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port from the Electric Utility Department. He felt that it was another issue which he would like to see discussed within the next 60 days.

Mr. Hancock stated that he would get the information.

Mayor McClellan asked for the impact on those customers who would have to pick it up also. She felt that there would be large families with low income who would not benefit from a lifeline rate.

ADJOURNMENT

The Council adjourned its meeting at 1:45 P.M.

APPROVED


Mayor

ATTEST:


City Clerk