



Coalition for  
**Clean Affordable  
Reliable Energy**

January 12, 2011

Mayor Lee Leffingwell  
Austin City Council  
301 W. 2nd St. 2nd Floor  
Austin, Texas 78701

Dear Mayor Leffingwell and Austin City Council Members,

The Coalition for Clean Affordable Reliable Energy greatly appreciate your efforts to keep us involved in the rate redesign process, and we appreciate Larry Weis and Austin Energy's openness and willingness to gather public input.

One of the reasons our group was formed, more than two years ago, was to speak with one voice in support of various energy initiatives while also taking affordability into account. We are committed to ensuring that the rate plan truly reflects the community's needs and is also affordable for all customer classes. We have been participating, along with other stakeholders, in the rate redesign process and wanted to share the following with you.

1. The affordability goal passed last February was intended for ALL customer classes and the language passed by Council is very clear. The goal "calls for Austin Energy to operate in a manner that (1) limits all-in (base rate, fuel, riders, etc.) rate increases to residential, commercial, and industrial customers to two percent or less per year; and (2) keeps the utility's current all-in competitive rates in the lower 50 percent of Texas rates overall."
2. Rates haven't been adjusted since 1994. Austin Energy is facing a possible revenue shortfall of \$2 million a week in 2012 and its ability to provide reliable energy services could soon be in question. Its business model is not sustainable and that is of grave concern to many of the area's biggest employers.
3. Of the three cost allocation methods Austin Energy introduced, the 4 Coincidental Peak (4CP) model benefitted our members the most. However, we are willing to support the proposed AED (+/-5%) model because it attempts to get us closer to cost of service while also ensuring that no customer pays less than 95% or more than 105% cost of service.
4. The AED model at plus or minus 5% allows our rates to be competitive while also enabling residential rates to continue to be subsidized by the commercial class.
5. The difference between the AED at (+/- 5%) when compared to the Baseload Intermediate Peak (BIP) model for residential users, is less than one percent. A point stated, by AE's General Manager Larry Weis and the EUC.
6. Under the current AED proposal the vast majority of CCARE members will be paying more than their cost of service, as we have been for years, to help pay for the subsidy that we will ALL receive on our residential electric rates.
7. CCARE supports the 10% discount being offered to school districts, as well as supports the need for an added community benefits charge to help low-income families pay their electric bills. Again, this is a subsidy that CCARE members are willing to support because we recognize and value the benefits to the community.
8. We recognize that the proposed increase to all three customer classes will be significant and believe that the new rates should be phased in.
9. CCARE believes another review of the proposed revenue requirements should be conducted. Any reduction in the revenue requirement would reduce rates for all customer classes and that is an opportunity we believe the Council should explore.

10. CCARE also believes the utility should offer more options with regard to its proposed GreenChoice energy purchase requirement of 100%. CCARE believes that customers should be given the choice to purchase some or all renewable energy. Giving customers only one option to pay 100% could deter participation by existing GreenChoice users simply because they cannot afford a 100% participation level.
11. Lastly, under the proposed plan the power factor requirement is set to increase from 0.85 to 0.90 in just a few months. While many large users have already been subject to the 0.85 requirements, many smaller commercial customers have not. This adjustment can take up to a year and thousands to hundreds of thousands of dollars to design, procure and install. With those complicated, yet necessary steps in mind, CCARE recommends delaying the change to 0.90 by one year in order to give customers time to adjust.

Again, thank for your time and leadership on this issue. If you have any questions, we would be happy to answer them.

Sincerely



Ward Tisdale  
Chair Coalition for Clean Affordable Reliable Energy

CC: General Manager Larry Weis

#### **About CCARE:**

The Coalition for Clean Affordable and Reliable Energy (CCARE) is a grassroots coalition comprised of many of the area's largest employers, public institutions and non-profits. Collectively, we employ more than 50,000 Central Texans, many of whom are Austin Energy residential utility customers themselves. Our mission is to identify and monitor energy and regulatory issues; serve as an independent source for data; educate the general public and decision-makers about these issues; and advocate for clean, affordable and reliable energy. CCARE members are often recognized not only nationally, but globally in regard to environmental stewardship and leadership and together we purchase more than 205 million kilowatt hours of GreenChoice energy annually.