

RESOLUTION NO. 20120301-046

WHEREAS, the City Council is committed to maintaining the long-term financial strength of Austin Energy as well as maintaining affordability for residents; and

WHEREAS, Austin Energy's base electric rates were last adjusted in 1994, and since then Austin Energy has experienced significant system growth, program expansion, and increases in the costs of materials and labor; and

WHEREAS, Austin Energy has proposed significant changes to its cost of service and to its rate design, resulting in material shifts in proposed rates to customer classes and to individual ratepayers within the customer classes; and

WHEREAS, Austin Energy's proposed rate structure (as revised on February 2, 2012) would represent a dramatic increase for most ratepayers, with particular impact on residents, small businesses, schools, and the faith community; and

WHEREAS, key financial policies and assumptions underlie the Austin Energy proposed rate increase, including elements of the revenue requirement, the cost allocation methodology, and the rate design; and

WHEREAS, some members of the Electric Utility Commission and many members of the community have voiced strenuous objection to the assumptions and financial policies embedded in the proposed rate design; and

WHEREAS, the Residential Rate Advisor hired by Austin Energy suggested on January 17, 2012, the following, along with other options, for Council to consider:

applying an interim, across-the-board rate hike;

directing Austin Energy to review its line extension policy prior to completion of the rate filing; and

instructing Austin Energy to redo the rates using 2011 revenue and expense data;

WHEREAS, it is the responsibility of the City Council to set policy and goals for Austin Energy; and

WHEREAS, the City Council needs more time to evaluate the complex assumptions underlying the rate proposal and to make informed policy decisions that will enable the utility to craft rates equitable to all customer classes; and

WHEREAS, Austin Energy has proposed to implement a rate increase before the 2012 summer months to ensure that the utility remains financially secure and sound; and

WHEREAS, the City Auditor is evaluating the revenue requirement needed by Austin Energy and will not complete this work until approximately late April; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

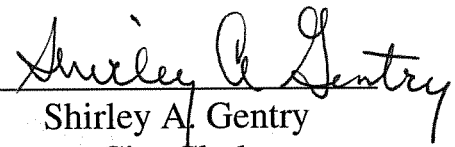
That the City Council adopts the schedule described in Attachment A, leading to projected Council action on a final rate design on May 24, 2012.

That the City Manager engage an independent consumer advocate to represent the interests of residential, low income, and small business consumers (as described in Attachment B) and to consult with the Council and City Manager during the work plan process.

That the City Manager, in all deliberate haste, develop and bring to Council for consideration a revised final rate proposal that reflects the policy direction determined by Council during the work-plan process and is based on 2011 revenue data.

That the City Manager shall ensure Austin Energy's billing system is corrected and operating properly prior to implementing a final rate structure.

ADOPTED: March 1, 2012

ATTEST: 
Shirley A. Gentry
City Clerk

**Proposed City Council Work Plan
Council Members Morrison, Tovo and Martinez
(adopted Wednesday February 22, 2012)
Exhibit A.**

The schedule below represents a logical progression through the major decision points underlying the rate proposal. The schedule divides the policy decisions into three broad categories: the revenue requirement, cost of service, and rate design. Each category has been further divided into the key topics that should be evaluated when arriving at policy decisions.

Council would take preliminary action throughout the decision-making process, with final policy direction scheduled for September. As soon after as feasible, staff would return to Council with a rate proposal that reflects those directives and uses 2011 financial data for its test year.

Revenue Requirement Issues

Session 1

Debt Service Coverage
CIP Debt-Equity Ratio
Reserve Funds (Number/Scope of Funds, Funding Levels, Replenishment Rates)
Consideration of Interim Financial Revenue Options as Presented by Austin Energy

Session 2

General Fund Transfer (Amounts, Options for Calculating)
Additional Transfers (EGRSO, Corporate Services, Other)

Session 3

Distributed Solar Goals
Energy Efficiency Goals
Customer Assistance Program Goals (Depth and Breadth of Program)

Session 4

Potential Preliminary Council Action on Issues from Sessions 1 - 3

AE Budget Reduction Recommendations
Line Extension/New Service Cost Study
(Dis)connection Fees and Charges

Session 5

Other Related Issues
Review Austin Energy 2011 Audited Finances
Off-system Sales in a Nodal Market
Consideration of Auditor's Report

Cost of Service

Session 6

Cost of Service Methodologies (AED, BIP, 4CP, Other Alternatives)

Rate Design

Session 7

Potential Preliminary Council Action Issues from Sessions 4-6

Fixed Charges and Alternatives

Inverted Block Structure

Bundled Plan for Low-Use Customers

Fuel Charge (Components and Calculations)

Session 8

Consideration of Rates for Specific Types of Customers
(Faith Community/Nonprofit Organizations, School Districts, Industrial Users)

Distributed Solar Goals

Energy Efficiency Goals

Customer Assistance Program Goals (Depth and Breadth)

Session 9

Consideration of Rates for Specific Types of Customers
(Out-of-City Ratepayers)

Session 10

Potential Preliminary Council Action from Sessions 7-8

Review of Rate Case Elements

Phasing Options for Rate Increases

Final Policy Direction

Session 11

Potential Rate Impacts from the Generation Plan Update
Council Action on Policies Related to Revenue
Requirement, Cost of Service Methodologies, and Rate
Design

DRAFT (Exhibit A)

Schedule for Council Work Sessions on Austin Energy Rates

For detail on work session topics, please see work plan adopted on February 22, 2012

| | | |
|---|---------------------------|---|
| March 5-9, 2012 <i>Council Week</i> | Session 1 | Wednesday, March 7: 1-4 p.m. <i>B&C Room</i> |
| March 12-16 | SPRING BREAK | |
| March 19-23 <i>Council Week</i> | Sessions 2 and 3 | Monday, March 19: 1-4 p.m. <i>Council Chambers</i> Friday, March 23: 1-4 p.m. <i>B&C Room</i> |
| March 26-30 | Session 4 | Tuesday, March 27: 2-5 p.m. <i>Council Chambers</i> |
| April 2-6 <i>Council Week</i> | Session 5 | Tuesday, April 3: 2-4 p.m. <i>B&C Room</i> |
| April 9-13 <i>Council Week</i> | Session 6 | Wednesday, April 11: 2-5 p.m. <i>Council Chambers</i> |
| April 14 | Session 9 | TBD |
| April 16-20 | Sessions 7 and 8 | Tuesday, April 17: 9 a.m.-12 p.m. <i>Council Chambers</i> Thursday, April 19: 10 a.m.-1 p.m. <i>Council Chambers</i> |
| April 23-27 | Sessions 10 and 11 | Monday, April 23: 9 a.m.-12 p.m. <i>Council Chambers</i> |

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|-----------------------|-----------------------|---|
| | | Tuesday, April 24: 2-4 p.m. <i>Council Chambers</i> |
| April 30-May 4 | Extra Sessions | |
| May 7-May 11 | Extra Sessions | |

Proposed Revision 3/1/2012

Exhibit B

Council Member Laura Morrison

Underlined text reflects modifications

Attachment B

New Language:

The Austin Energy rate process will include a Consumer Advocate to represent residential and low-income customers, small businesses, nonprofit organizations and houses of worship.

The Consumer Advocate will have the following minimum qualifications:

- Be knowledgeable in rate-making concepts and have demonstrated experience in state utility rate-making proceedings representing residential, low-income, and small business customers;
- Be knowledgeable in rate design and low-income assistance, energy efficiency, and renewable energy programs;
- Work in collaboration with consumer experts and advocates in the rate review process;
- Diligently represent in the rate review process the interests of residential, low-income, and small business customers.

Old Language: