

VILLAGE OF



Late Backup

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April 14, 2012

Honorable Mayor Lee Leffingwell  
Austin City Council Members  
City of Austin  
P.O. Box 1088  
Austin, Texas 78767

Honorable Mayor Dave DeOme  
Lakeway City Council Members  
City of Lakeway  
1102 Lohmans Crossing  
Lakeway, Texas 78734

Dear Mayors Leffingwell and DeOme:

Thank you for holding this combined City of Austin and City of Lakeway City Council meeting for the purpose of receiving public comments on the proposed Austin Energy rate increases. As Mayor of the Village of The Hills ("The Hills") I have been authorized by The Hills Board of Aldermen to present this letter representing the residents of The Hills who are customers of Austin Energy

Austin Energy provides electrical power to about 50% of the homes in The Hills. The other homes receive their electrical service from Pedernales Electric Cooperative ("PEC"). I find it difficult to compare rates between the two entities, but based on a small sampling I believe they are currently about the same. Our residents who receive their electrical service from Austin Energy are very concerned about the large proposed rate increase. Comments concerning the rate increase are summarized below.

Many of The Hills residents do understand the need for rate increases to cover the costs of operating the utility and providing for capital expenditures. Some also believe it is fair for the

City of Austin to make a profit for operating the utility. The difficulty they have is in the large amount of the proposed rate increase and the amount of the profit being transferred from Austin Energy to the City of Austin. They believe the rates of Austin Energy customers who do not live in the City of Austin should be adjusted to reflect the profit transfer the City of Austin receives. They also believe that Austin Energy rates need to be competitive with other energy companies including PEC.

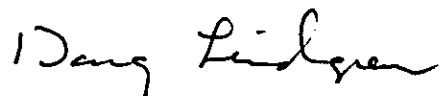
The question needs to be addressed on why Austin Energy cannot remain competitive with other electrical utilities without a large rate increase. In The Hills if the rate increase is implemented there will be cost inequity between residents being served their electrical service by Austin Energy versus PEC. This will cause a negative financial impact on those residents being serviced by Austin Energy, without any elected representation on the governing body.

Another concern of the residents is the proposed increases being much larger for residential customers versus commercial customers. Even if some adjustment is needed in the rate relationship, it does not seem to be appropriate to make a major change in policy in one year which significantly penalizes residential customers.

As mentioned before, the residents also believe that since they live outside of the City of Austin and do not benefit from the profits transferred from Austin Energy to the City of Austin the non-residents rate should be adjusted to give consideration to the benefits not received.

The Board of Aldermen appreciates your taking the time to hear these public comments. We thank you for your consideration of these ideas.

Sincerely,

A handwritten signature in black ink that reads "Doug Lindgren". The signature is written in a cursive, flowing style.

Doug Lindgren  
Mayor, Village of The Hills