

AUSTIN ENERGY'S TARIFF PACKAGE: §
2015 COST OF SERVICE STUDY §
AND PROPOSAL TO CHANGE BASE §
ELECTRIC RATES §

AUSTIN ENERGY
2015 MAY -3 PM 1:21
BEFORE THE CITY OF AUSTIN
IMPARTIAL HEARING EXAMINER

BETHANY UNITED METHODIST CHURCH'S INITIAL PARTY PRESENTATION

This Initial Party Presentation is filed in accordance with Section 6.1(b) of the City of Austin Procedural Rules for The Initial Review of Austin Energy's Rates and revised procedural schedule established in the Impartial Hearings Examiner's Memorandum No. 10: Setting Procedural schedule.

Introduction:

I am Cliff Wells the Administrative Executive for Bethany United Methodist Church in Northwest Austin. In this position I am responsible for the financial, administration, and facilities for the church. I have been active in effecting energy savings for over 10 years; have worked with Austin Energy using Load Profilers and other tools. I also spoke before the City Council in 2012 when the last Rate Case was considered. At Bethany we currently have six buildings and one lighting account. One 12,563 square foot Sanctuary building is on the House of Worship (HOW) Discount and we are constructing a new Worship Center. In 2015 we paid \$121,383 for electricity. We have buildings on the current S2 and S3 Rates and one Residential account.

I am intimately familiar with Austin Energy bills, their makeup and rates. I have analyzed Bethany's bills and, in connection with AE's proposed rate change, I have reached out to other churches and analyzed the bills for 16 other churches of all sizes, facility configurations and rates. I have found that many churches will be adversely affected by dropping the HOW Discount. Some, mostly larger churches with sanctuaries combined into large buildings, will not be. The ones most severely affected will be the hundreds of small single or two building churches. For some the increased costs from discontinuing the HOW Discount will necessitate making hard choices and is likely to result in cut backs in personnel or services to the community.

The 2012 rate increase, which resulted in adding the Demand charges to bills for HOW's means that demand-related charges now make up a significant percentage of the bills, and it is much more difficult for HOW customers to reduce or control their energy costs. This is especially true of the smaller HOWs where kWh usage is low, especially in the winter. I also found almost all HOWs I contacted had no knowledge that Austin Energy had proposed an increase of 20% to 25% on their electric bill, which is typically the largest bill the church has after personnel related expenses. Perhaps Austin Energy could have done better on getting the word out, but part of the problem is it is difficult to get churches' attention, especially with the smaller churches where the staff is very small. I am representing Bethany UMC, but I have worked with a group of people from a number of Austin HOWs, and my recommendations are intended to benefit all of the other 440 plus HOWs that are receiving the current

HOW Discount Rate. I will address the common problems of these HOWs and recommend fair and just remedies.

The Issues: 1. Should Austin Energy's proposal to change the Rates that are applicable to Houses of Worship (HOW) be retained, rejected or modified. 2. Are Austin Energy's proposed rates just and reasonable? If not, what are the just and reasonable rates that Austin Energy should be permitted to charge?

The Position: For the next rate cycle, the current HOW Discount and the waiver of Demand billing for Off Peak Demand (Saturday and Sunday) should be retained. The current discount is calculated by applying a rate cap on the total HOW "Summary of Current Charges" divided by the kWh's used for the billing period. The City Council adopted these special rate calculations for HOWs, in part to alleviate the rate shock resulting from the new demand rates and higher rates adopted in 2012. The Council did not define the length of the transition period, and four years is not long enough to solve the rate shock issue. The increase was too much. Past communication, education and tools to help HOWs deal with the double digit increases have been insufficient to help HOWs find ways to address the significantly higher bills. A continuation of the HOW discount and a more focused effort to help HOWs find solutions to the issue of high energy costs are needed, and I believe that a joint AE and HOW energy team partnership could be more effective in addressing this issue than past effort.

The Background:

Rate Shock: The change in Austin Energy's rates that occurred in 2012 included a rate increase, a restructuring of rates, and the transfer of HOWs to Commercial rates. For the first time, HOWs received demand charges. The impact of these changes, for many HOWs was a significant rate increase, with some HOWs facing a rate increase of 80% or more. For Bethany it was 54%. The City Council recognized the important role the HOWs play in the life of the city and the devastating impact that the rate increases would have on them. The City Council modified the rates proposed by AE in two ways, calculating the rate on the basis of an HOWs highest demand during peak demand hours and adopting a rate cap or limiter of about \$0.0125/kWh. This cap has increased to \$0.013051/kWh (winter) and \$0.013353 (summer). In the current proceeding, AE proposes to revise the demand billings for HOWs, so that they would be billed on the highest monthly demand whether it occurs during an on-peak or off-peak demand period, and it proposes to eliminate the rate cap.

With the adoption of Demand related charges (Electric Delivery Charge, Demand Charge and Regulatory Charges) they became 50% to 65% of the bill, especially in small HOWs and in the winter time when Energy Use (kWh's) is low. Demand is semi-fixed and takes planning and sometimes capital investment to change. In the years since the last rate change there has been lots of work on improved efficiency through the lighting and HVAC upgrades promoted by Austin Energy, but lighting changes typically have minimal impact on peak demand, and HVAC improvements are typically expensive. As a result, the demand charges remain a significant issue for HOWs. The rate shock from the rate changes in 2012 is too much to absorb in a period of only four years. The AE bill (Electric, Water, Drainage and Services) is the largest bill (other than personnel related) any church receives each month. Most, but not all, HOWs will be affected by the dropped discount rate, but small churches will be hurt the most, and many do not know this is coming.

Cost Increase: AE estimates 20 – 25% annual increase in HOW bills. I have analyzed over 16 HOWs, summer and winter, by using the actual 2015 usage kWh, KW demand and power factor values to calculate charges applying the new rates. These are based on selected single months, mostly July and December 2015.

Comparison of Charges by Season With and Without the Discount Noting % Increase or Decrease

HOW Analyzed	Winter Charges with Discount and Old Rates	Winter Charges w/o Discount with New Rates	% Incr./ Decrease	Summer Charges with Discount and Old Rates	Summer Charges w/o Discount with New Rates	% Incr./ Decrease
Large UMC	\$1889	\$2544	+35.1%	\$2600	\$2253	-13.4%
Large Independent	\$7268	\$6876	-5.4%	Not analyzed		
Large Baptist	\$3158	\$3438	+8.9%	\$3552	\$3734	+5.1%
Large Episcopal	\$2245	\$2501	+11.4%	\$3614	\$3179	-12%
Small Christian	\$668	\$1090	+63.2%	\$1068	\$1137	+6.3%
Small UMC	\$512	\$992	+93.9%	\$684	\$1148	+67.9%
Small Episcopal	\$345	\$667	+93.6%	\$641	\$1032	+60.9%
Small UMC	\$183	\$266	+45.8%	\$1058	\$1272	+20.3%
Medium Baptist	\$1514	\$1746	+15.3%	\$3435	\$3692	+7.5%

Most HOWs will see cost increases, particularly in the winter when Energy Usage is lower. Very Large HOWs with combined Sanctuary and other purposes in their buildings will see little effect. These facilities have a higher load factor, and the loss of the discount is less significant for them. Smaller churches where kWh usage was low were hurt, especially when on the S2 10KW<50KW rates. I have attached letters from some small churches, included above, who logged all their 2015 charges paid AE and the discounts received and calculated their increase if the discounts were added to the current charges. They note some possible consequences. Churches with multiple buildings see some offset of costs because the costs for other buildings would be reduced due to the lower demand rate AE has proposed.

Demographics' and Communication: Below is a chart with data from AE's response to Bethany Church RFI 2-2 showing estimated customers in each rate class, their kWh usage, Total Revenue from them and the Discount amounts given to them. What compounds the Rate Shock is that most of the HOW's (500+ to 450 based on different sources) are very small with 13.1% in S1, 54.5% in S2, 31.3% in S3 and 1.1% in the 200KW to 300KW group. The S1 & S2 rate classes make up 67.6% of the customers and 21.7% of the revenue and 34.7% of the discount provided in FY2015. The S3 Rate Class provided 32.5% of the customers, 78.1% of the revenue and 65.3% of the discount given. The Rate classes S1 & S2 will suffer the greatest by discontinuing the HOW Discount. They are the hardest to communicate with, small staff's and limited ability to work on energy reduction projects.

Number of HOWs by Rate Class with Usage (kWh) and Revenues and Discounts Provided

FY: 2015 Description by Rate Class	Current Rate Class	Est. Cust- omers	% of Total Cust- omers	kWh Used	% kWh	Total Revenue	% Reve- nue	Discounts (minus \$)	% Dis- Counts
Secondary Voltage <10KW	S1 Rate	58	13.1%	188,557	0.7%	\$24,634	0.7%	\$9,932	0.9%
Secondary Voltage >10KW<50KW	S2 Rate	240	54.5%	5,781,933	21.0%	\$792,268	21.3%	\$377,543	33.8%
Secondary Voltage >50KW	S3 Rate	138	31.3%	19,605,047	71.1%	\$2,637,220	70.9%	\$694,003	62.0%
Secondary Voltage >50KW 200-300KW	S3 Rate	5	1.1%	1,994,700	7.2%	\$267,624	7.2%	\$37,134	3.3%
Grand Totals		441	100%	27,570,237	100%	\$3,721,746	100%	\$1,118,612	100%

Large churches like Bethany have difficulty dealing with the Demand related charges, even though we attended AE classes and received help and have effected changes to improve. Almost all HOWs I contacted did not know that there was a proposal to eliminate their discount. The communications from AE did not get through. I recommend that a joint AE and HOWs effort should be made to get the word out, before the discount is eliminated or changed. I also recommend that the HOWs obtain more targeted assistance from AE on demand reducing recommendations and tactics, partnering with HOWs and groups like the Faith Energy Action Team (FEAT) to communicate with the HOWs about demand reduction strategies. We did not see much outreach to HOWs by survey or inquiry since 2012. Another major change in rates for HOWs should not be adopted without a better effort to educate customers about demand billing, providing effective programs to reduce or control demand, and more effective notification of rate changes. Bethany UMC, other HOWs within denominational groups and FEAT are willing to partner with AE in these efforts.

Understanding Demand: The "Demand" Charge is unrecognized and not very well understood among HOW customers. This is true even for larger HOWs like Bethany. The bills mingle together the Demand and Energy charges plus the Fixed and Mixed charges like the Customer Charge & Community Benefit Charges. Perhaps rearranging the bill or better labeling would help. Those that have studied the "Demand" problem know that it is all about minimizing high spikes or peaks in demand. When you look at a load profile curve, these short bursts are very evident. But even a profile with a very ragged set of peaks is not evident from the bill unless you compute the ratio of the average demand to the highest peak demand (measured in KW).

Short of actually publishing a Load Profile graph with the bill, I recommend publishing the associated Load Factor. This is a standard industry measure that could be published on the bill. The Load Factor number is not complete enough information for troubleshooting, but it will flag when deeper investigation is appropriate. It is a good measure to track improvement. As you minimize your peaks, this number will move closer to 1.0 which there would be no more peaks or perfectly flat constant usage. This is not a goal you can expect to achieve, but it is one to work toward. The peak Demand

charge is reduced as you minimize the peaks. It would also be helpful if Tools and Training could be provided to help customers understand how their energy consumption results in demand, and how it affects their bills.

Affordability: The City is concerned about the well-being of its residents, businesses and non-profit organizations, including their ability to afford living and operating in Austin. This discussion has arisen at the Council level in connection with taxes and utility rates, in particular. AE should be concerned about these issues, as well. The affordability policy that the City Council has adopted focuses on overall revenue increases, but it also requires a consideration of how AE's rates compare to rates in other areas. Changes in rates over time are also important and utilities are rightly concerned about abrupt changes in rates. Large changes in rates are difficult for all customers, whether they are managing a household, a business, or a non-profit organization. Utilities should use tools like the transition rate that the City Council approved in 2012 to minimize rate shock. Proportionality of rate changes to the changes that other customers experience is also a relevant factor. In this case, AE is proposing to reduce rates for commercial and industrial customers, but changes in the rate design will result in rate increases for some residential customers. The loss of the HOW Discount, if adopted, would result in significant increases in rates for HOW customers. In the context of the rate reduction that AE has proposed for commercial customers, an abrupt increase in rates for HOW's is disproportionate and unfair. The transition rate approved in 2012 should be continued.

Outreach Services: HOW's provide considerable outreach services and play a key role in the life of the city. They share the concerns of the heart that the City Council expresses with many of its programs.

Fifteen of the forty community organizations assisting AE in the "Financial Support Plus 1 Program" helping customers of AE having financial difficulties paying utility bills are HOWs. Two others are church related. A list from two churches included the following places where its congregants supported "others" in the community: Benevolence – financial assistance for utilities and rent; Hands on Housing; Backpack Food Ministry; Food banks and food drives; Court Appointed Special Advocates; Foster / Adopt Support Group; Kairos Prison Ministry; Feed My People; Job Seeker Support Group; Alzheimer's Caregiver Support Group; House of Friends Respite Care; Souper Bowl of Caring; Interfaith Hospitality Network; GriefCare ; ReWyre (Divorce Recovery); Drive-A-Senior; Samaritan Health Ministries; Special Needs Community; Habitat for Humanity; Mentors for Elementary Schools; Alcoholics Anonymous; Austin Children's Shelter; Austin Pets Alive; Provide Bus Tickets and HEB Cash Cards for Gas; Girl & Boy Scouts; Debtors Anonymous; Meals on Wheels Meal Delivery and Montopolis Community Friendship Center Programs; Nutrition Classes; Parenting classes; Rachel Cooke Project (totes/ blankets for Law enforcement to use at CPS family crisis); Recycling and Hazardous Waste programs; Refugee Support; Voice of Tamar (teenage and family disruptions); Yard Work with Neighbors in Need of Help; and many other programs that are unique to the HOWs neighborhood and local needs. These are unpaid and unflagging services as they act as the hands and feet for the good of the community. More money spent on utilities will put pressure on and decrease highly leveraged dollars spent on these outreach services.

Recommendations:

1. Extend the Rate Transition by Retaining the HOW Discount , both
 - a. The Waiver of Demand - Off Peak (Saturdays and Sundays) and charge for On Peak Demand only
 - b. The Cap Rate – applying the Cap Rate to the total Summary of Charges divided by Energy Usage (kWh)
2. Improve communication to HOW customers, partnering with HOW groups, like FEAT and denominational affiliation groups to raise awareness and effect demand reduction and energy savings, our common goal. Help the customers to reduce demand and improve and save energy.
3. AE should provide a tool that addresses Demand and provides clearer understanding of how demand affects their bills and provides some action steps that can be used by any size customer.
4. With these same customer partners, establish metrics and measure results at the two year mark to determine progress in reducing the cost impact to HOWs and the revenue increase impact to AE.
5. I respectfully request on behalf of the HOWs that HOWs utility bills (and probably all commercial S1, S2 & S3 rate bills), be redesigned to an improved version that is easily understood by the customer and usable for energy management, efficiency and cost control. For example group Demand Related Charges (Electric Delivery, Demand Charge & Regulatory Charges), Usage Related (Energy Charge & Power Supply Adjustment) and fixed and Mixed (Customer Charge & Community Benefit Charges) and as needed Power Factor Adjustment below 90% and Sanctuary Discount.
6. The bills are complex with many variables and it is difficult to project future costs for planning and goal setting. There are currently differences in projections of cost impact. On behalf of the HOWs, I respectfully request the IHE appoint an outside review of the billing analysis I have done for the several HOWs with the billing projections done by AE for some of these same HOWs. Let the result of this independent review be available to the IHE for the hearing process commencing at the end of May.

Reservation of Right to Amend and Supplement Party Presentation:

Bethany United Methodist Church reserves the right to adopt other party presentations, and to amend and supplement this initial Party Presentation upon review of the evidence presented in this case and in response to other Party Presentations. Silence on issues not addressed in this Party Presentations, should not be regarded as stating a position on those issues.

Copies of this Party Presentation are being served on parties listed on the City clerk's service list as of the date of this filing.

Attachments: Letters to the IHE & Austin City Council

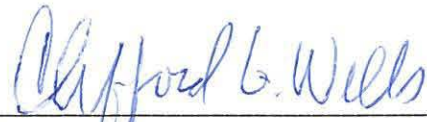
St. John's Episcopal Church

St. Peter's United Methodist Church

United Christian Church

Crestview United Methodist Church

Respectfully Submitted,



Clifford G. Wells

Administrative Executive

Bethany United Methodist Church

10100 Anderson Mill Rd

Austin, Texas 78750-2199

512-258-6017 512-997-8917(cell)

Submitted this date: May 3, 2016

St. John's Episcopal Church
11201 Parkfield Drive at Braker Lane
Austin, Texas 78758-4264

The Reverend Dr. Matthew T. Seddon
Rector



May 2, 2016

The City of Austin Impartial Hearing Examiner
Austin City Council

RE: Austin Energy's Tariff Package: 2015 Cost of Service Study and Proposal to Change
Base Electric Rates

To Whom It May Concern:

I write on behalf of St. John's Episcopal Church in the matter of Austin Energy's Tariff
Package 2015 Cost of Service Study and Proposal to Change Base Electric Rates.

We have conducted a study of how the proposed changes to rates – particularly the
elimination of the Sanctuary Discount would affect our budget, operations, and outreach. The
information on this study is on the attached spreadsheet.

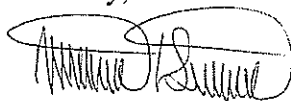
The proposed elimination of the Sanctuary Discount would have a drastic and negative effect
on our ability to provide the kind of community outreach that St. John's undertakes. The
column that states "Sanctuary Discount" for our two buildings (A and B) is the potential
increase if the Sanctuary Discount were eliminated. In the case of building A, based on 2015
usage, we would see an increase of nearly \$1,000.00 over our current charges of
approximately \$3,000.00; or, a nearly 30% increase. In the case of building B, the amount of
increase (again based on 2015 rates) would be nearly \$5,500.00 over current charges of
approximately \$5,900.00; or, nearly a 100% increase.

The total amount of increase, again based on 2015 usage, would potentially be \$6,000.00.
That amount exceeds the amount we have for our community outreach (support of the
Capital Area Food Bank, the St. John's Community Center, North Austin Drive-a-Senior,
and our ministry to refugees assisting Refugee Services of Texas.

The impact of such a rate change would be severe and would potentially eliminate our ability
to serve our community and neighbors. We urge Austin Energy to reconsider eliminating the
Sanctuary Discount.

Thank you for your assistance.

Sincerely,



The Rev. Dr. Matthew T. Seddon, Rector



St. Peter's United Methodist Church
4509 Springdale Road - Austin, Texas 78723
512 926-1686 Office 512 929-7281 FAX
stpetersaustintx@att.net
Rev. Dr. Jack C. Gause, D. Min., Pastor

May 2, 2016

TO: The City of Austin Impartial Hearing Examiner and the Austin City Council

FROM: Jack Gause

RE: Austin Energy's Tariff Package: 2015 Cost of Service Study and Proposal to Change Base Electric Rates

Dear Council Members and Hearing Examiner,

For over 150 years our congregation has been an integral part of the fabric of the Austin community and we are looking forward to being here for another 150 years. It has come to our attention that there is a proposal to discontinue the HOW (Houses of Worship) Discount currently applied to our electric bill. In reviewing this proposal with a colleague at a sister church, it has been estimated that we could expect to see up to a 94% increase of our utility costs.

Our congregation is a small to medium fellowship and such an increase would negatively impact our ministry capacity almost immediately. Therefore, on behalf of the officers, leaders and members we strongly request that the HOW (Houses of Worship) discount be extended at this time.

We are looking forward to participating in future dialogue concerning this matter and hope that you all would continue to see us and other Houses of Worship as partners in serving this wonderful community of Austin. May God bless and keep you as we serve together. If you have any questions please don't hesitate to call me at (512) 608-8582 cell or email me at pastorgause@att.net.

Sincerely,

Jack C. Gause

Pastor Jack C. Gause, D. Min.



3500 West Parmer Lane
Austin, Texas 78727

(512) 218-8110
www.uccaustin.org

May 2, 2016

To: City of Austin Impartial Hearing Examiner and Austin City Council

RE: Austin energy's Tariff Package: 2015 Cost of Service Study and Proposal to Change Bake Electric Rates

The current proposed changes to the sanctuary discount and extension of the peak rate calculation to include weekends would be devastating to small churches like mine. Small churches operate under very tight budgets and changes like the ones in the 2015 Cost of Service Proposal will result in changes in the way we operate. Our facility is all electric and we use heat pumps to heat in the winter. Our winter electric bills will see approximate 62% increases if all rate proposals are accepted by the council.

The rate proposals will affect us in two ways. Just the elimination of the Sanctuary Discount will cost us an additional \$2600 a year. Extension of the peak rate calculations to include weekends will be the biggest problem for us. As you can imagine, our peak electric use occurs on Sunday when all parts of our building are being used at the same time and heating and air conditioning are set for the comfort of our children and the elderly in our community. Calculation of peak rates based on our Sunday usage would cause huge increases in our bills.

The prospect of this proposal being carried out will cause us to reevaluate our staffing. We have a small staff as it is with mostly part-time people who do a lot of work for salaries which are smaller than if they did the same job in the non-religious workforce. We only have three full time people. By carrying out these proposed changes, two of our full time people (one associate pastor and one business administrator) probably will have to have their hours reduced to part-time. Our associate pastor is also a licensed social worker and provides free counseling service to our congregation and community members as part of her work here. If her position becomes part-time, she will have no incentive to remain with our church and our ability to provide counseling would go away. We may even have to eliminate another part-time position (our youth director). We have a thriving youth program which not only serves the youth of our church and youth in the community, but also benefits the community with their extensive service to others who are hungry, need shelter repairs, and more. These staff losses would be a significant blow to our ability to function above a minimal level for our congregation.

Additionally, we may have to postpone repairs and modifications to our building which will make it friendlier to differently abled people. This not only results in the less service to our congregation, but extends to lost jobs or contracts to those in the community who would be providing us the equipment and construction expertise to complete the jobs.

Rev. John MacIver Gage, Senior Minister
Rev. Nikki Stahl, Associate Pastor
Emily Guerrero, Children's Ministries Coordinator

Meghan Trout, Youth Ministries Coordinator
Rev. Tom Mitchell, Music Director
Diane Baker, Church Administrator

We serve the surrounding community by providing space for AA meetings, neighborhood and condo association meetings, Lifetime Learning classes for seniors, a space for recitals and preschool graduations, interfaith meetings, and more. We would have to re-evaluate if we could afford to continue this policy.

Our church is an open and affirming church, and because of that we are a safe congregation for members of the LGBTQ community and their families, for children with learning differences and their families, for differently-abled people and their families, and those of all races and ethnicities. We wish to continue being a place in the community that provides inclusion and service to all.

I urge you to consider the effects the 2015 rate proposal would have on small churches like ours and make changes in the proposal to continue the sanctuary discount and to have peak rate calculations remain as they are.

Sincerely,

Diane Baker, CCA

Diane Baker, CCA
Church Administrator
United Christian Church of Austin

Rev. John MacIver Gage, Senior Minister
Rev. Nikki Stahl, Associate Pastor
Emily Guerrero, Children's Ministries Coordinator

Meghan Trout, Youth Ministries Coordinator
Rev. Tom Mitchell, Music Director
Diane Baker, Church Administrator



May 2, 2016

TO: City of Austin Impartial Hearing Examiner and
Austin City Council

**SUBJECT: AUSTIN ENERGY'S TARIFF PACKAGE: 2015 COST
OF SERVICE STUDY AND PROPOSAL TO CHANGE
BASE ELECTRIC RATES**

With the elimination of the current House of Worship (HOW) Sanctuary Discounts, it appears that our electric rates will increase about 59.6% in 2017. We are a relatively small church of approximately 200 members. This type of increase is a significant hit to our finances and will certainly impact the outreach activities we have in supporting the Crestview community. We request our situation be included in your preparation for setting new rates and allowing HOW discounts to continue.

Sincerely,

A handwritten signature in cursive script that reads "Linda Elford".

Rev. Linda Elford
Pastor, Crestview United Methodist Church