AUSTIN ENERGY'S TARIFF PACKAGE: UPDATE OF THE 2009 COST OF SERVICE STUDY AND PROPOSAL TO CHANGE BASE ELECTRIC RATES	§ § § §	**BEFORE THE CITY OF AUSTIN IMPARTIAL HEARING EXAMINER**

DIRECT TESTIMONY

OF

CYRUS REED

ON BEHALF OF PUBLIC CITIZEN AND SIERRA CLUB

May 27, 2016

(Supplementing Corrected Position Statement/Presentation on the Issues: In response to AE's new position on EES fee allocation, as set out in Deborah Kimberly's Rebuttal Testimony)

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Cyrus Reed and I live at 4205 Avenue F, in Austin Texas.

Q. WHO IS YOUR CURRENT EMPLOYER AND WHAT IS YOUR POSITION?

A. I am the Conservation Director at the Lone Star Chapter of the Sierra Club. I have been Conservation Director for approximately 10 years.

Q: ON WHOSE BEHALF ARE YOU TESTIFYING?

A: I am testifying on behalf of Public Citizen and Sierra Club.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address a change that Austin Energy has proposed to the EES fee in its cross rebuttal by Deborah Kimberly.

Q: WHAT IS AUSTIN ENERGY NOW PROPOSING IN REGARD TO THE EES FEE?

A. As part of her rebuttal testimony, Deborah Kimberley proposed a change to the allocation of the EES fee. Austin Energy is now proposing to charge the residential class a significantly higher fee of $0.0047 per kilowatt hour – roughly twice the amount in its initial proposal – and other classes a much lower per-kilowatt hour EES fee – approximately half of the fee proposed in Austin Energy's initial tariff package.

Q: DO YOU SUPPORT THIS APPROACH?

A. No. We were in general support of Austin Energy's initial proposal to implement a standard EES for all customer classes. We believe all customer classes should pay the fee, and all customer classes should have access to programs to reduce demand and energy use or add renewable generation.

Q. DO YOU BELIEVE THAT AUSTIN ENERGY'S NEW PROPOSED COST ALLOCATION OF THE EES FEE IS FAIR?

A. No. Austin Energy is making an argument that the budgets for residential programs are roughly 60 percent of the demand reduction total budget. We do not believe that this is actually the case, based upon our review of the data. See Exhibit CR-1, attached. In fact, if you look at all programs - including demand response administrative expenses and green building programs - we believe there is nearly an even split between residential and commercial programs, reflecting the energy use of each sector. We believe the latest EES proposal introduced in cross-rebuttal would represent an unfair rate increase to the residential class – on the order of several million dollars per year – and an unfair rate decrease to the commercial classes.

Q. PLEASE EXPLAIN HOW THE VARIOUS PROPOSALS WOULD IMPACT THE DIFFERENT RATE CLASSES.

A. Exhibit CR-2 (attached) shows the approximate amount each class of customers would pay under AE's current EES fee rates, Austin Energy's initial EES fee proposal in its tariff package, Austin Energy's new EES fee proposal put forth in Deborah Kimberly's testimony, and our EES fee proposal. It clearly shows AE's latest proposal would significantly change the amounts different customer classes pay, singling out residential rate payers for a significant increase, while decreasing the EES fee paid by other classes. The

proposed residential rate is roughly three times the amount proposed to other customer classes. Based on our calculations, Austin Energy's new proposal would represent a $9 million increase in cost to residential customers over Austin Energy's initial proposal.

Exhibit CR-1

Two-Year Budgets for 2014-2015 By Customer Classes

	FY 2014	FY 2015	Total , 2-years	% of Total
Residential Efficiency Programs	$8,634,967	**$7,292,948**	$15,927,915	23.95%
Residential Demand Response	$1,936,083	$2,038,597	$3,974,680	5.98%
Residential Solar	$6,655,900	$7,231,070	$13,886,970	20.88%
Total Residential	**$17,226,950**	**$16,562,615**	**$33,789,565**	**50.80%**
Commercial Efficiency Programs	$11,566,165	**$14,493,299**	$26,059,464	39.18%
Commercial Demand Response	$3,172,437	$1,050,200	$4,222,637	6.35%
Commercial Solar	$781,936	$1,663,520	$2,445,456	3.68%
Total Commercial Budget	**$15,520,538**	**$17,207,019**	**$32,727,557**	**49.20%**
All Programs	$32,747,488	$33,769,634	$66,517,122	100.00%

Source: Austin Energy, Customer Energy Solutions, Program Progress Report, 2014-2015 and Austin Energy, Customer Energy Solutions, Program Progress Report, 2015-2016

Exhibit CR-2

Customer Class	Total Electric Use	Current EES Rate ($/kWh)	Total Generated Under Current EES Rate	AE Reported	AE Tariff Package Proposed EES Rate ($/kWh)	Total Generated Under AE Tariff Package Proposed Rate	AE Cross Rebuttal Proposed EES Rate ($/kWh)	Total Generated Under AE Cross Rebuttal Proposed Rate	PC/SC Proposed EES Rate ($/kWh)	Total Generated Under PC/SC Proposed Rate
Residential	4,205,282,364	0.004	$16821129.46	$17,283,174	0.00246	$10,344,994.62	0.00470	$19,764,827.11	0.0028	$11,774,790.62
S1	253,697,904	0.00466	$1182232.233	$1,419,284	0.00246	$624,096.84	0.00128	$324,733.32	0.0028	$710,354.13
S2	2,675,656,172	0.00522	$13966925.22	$4,565,093	0.00246	$6,582,114.18	0.00128	$3,424,839.90	0.0028	$7,491,837.28
S3	2,602,512,233	0.00274	$7130883.518	$10,922,906	0.00246	$6,402,180.09	0.00128	$3,331,215.66	0.0028	$7,287,034.25
P1	541,975,584	0.00349	$1891494.788	$943,556	0.0024	$1,300,741.40	0.00125	$677,469.48	0.00273	$1,479,593.34
P2	672,977,971	0.00068	$457625.0203	$0	0.0024	$1,615,147.13	0.00125	$841,222.46	0.00273	$1,837,229.86
High-Load P2	1,305,420,431	0	$0	$48,853	0.00	$0.00	0.00	$0.00	0.00273	$3,563,797.78
Transmission	22,982,900	0.00202	$46425.458	$27,013	0.00237	$54,469.47	0.00124	$28,498.80	0.0027	$62,053.83
High-Load Transmission	228,127,372	0	$0	$0	0.00	$0.00	0.00	$0.00	0.0027	$615,943.90
Totals			**$41,496,715.69**	**$35,495,263**		**$26,923,743.74**		**$28,392,806.73**		**$34,822,635.00**