Judge Herrera and Interveners:

I am Paul Robbins, an Austin Energy residential ratepayer living in the city limits of Austin. I have 4 separate issues in the 2016 Austin Energy rate case, and am here to give a short statement of position on each of them.

Issue 1: Imprudence Due to Misuse of Property

The City of Austin mismanaged Austin Energy property by giving it to the City of Austin General Fund, either without compensation, or without adequate compensation. I have discussed 12 properties that fall into these categories. While some are small vacant lots, others are worth over $10 million.

The amount of imprudence should be quantified, and the General Fund should reimburse the utility for its misuse of property. This will allow Austin Energy to lower its rates below what it is expecting to in these proceedings.

On page 7 of his testimony, Austin Energy's Greg Canally commented several times that the land in question was sold in accordance with City policy. Just because the sale followed policy did not mean the policy was prudent and to the benefit of Austin Energy ratepayers. In furtherance of various City Council goals, including downtown development, various assets have literally been given away or greatly undervalued.

Nor did Mr. Canally deal with the conflicting legal opinion from the Austin City Attorney stating that municipal utilities must be compensated by General Fund departments for their assets.

I realize that Judge Herrera has reduced the scope of this issue to only those properties that have had their ownership transferred after the test year of last rate case. These were marked as "Disputed Properties." I want to point out two things for the record though.

First, there was no evidentiary hearing allowing me or others to bring these Disputed Properties up in the last rate case. Second, specifically regarding one of these Disputed Properties, Austin Energy has gone on record stating that the transfer of the Seaholm substation did not occur until at least 2013, after the last test year. I ask the Judge to reverse his ruling and allow this

property to be considered "Undisputed."

Regarding AE's other protests, I have the following comments on Greg Canally's rebuttal.

Page 10 & 11

AE maintains that the use of property was proper because it retains the easements. There are easements on my house too. Easements do not establish ownership, and should not be an excuse for transfer without compensation.

Page 12

Regarding the Seaholm Power Plant, the City's General Fund did not even receive most of the money the land was assessed for, even in nominal dollars. Austin Energy literally received nothing.

Page 18 and 19

AE contends that since it stopped operating Holly in 2007, it is not germane to the rate case. I believe that Judge has already ruled that it is.

AE contends that Holly was transferred via a City Council resolution in 1985. If one reads the resolution, it states the transfer is ordered to occur when the plant is no longer used. Since it has not been fully decommissioned, it has never been transferred to the Parks Department, and is relevant to this rate case.

Issue 2: Rate Breaks to Outside City Ratepayers

The concept of having two separate rates for Austin Energy, one for inside the city limits and one for outside, is not cost based. Given the great pains Austin Energy has taken in presenting evidence justifying its rate proposal, this omission of rate-based justification is glaring.

I am aware of only one other utility in the state that has separate rates for inside and outside of its city limits: Bryan Texas Utilities. To my knowledge, this is based on cost of service, whereas Austin's dual rate structure is not. Currently, Bryan's Rural rate is higher than its City rate,

though in some years it is lower.

Austin Energy has criticized my testimony by saying that I based it on patterns of growth, which the utility does not track. This is only partially accurate. I also based my testimony on assumptions of energy density. It is common sense to assume that if you need power lines to cover a distance, and there are fewer customers to serve over that distance, the fixed cost of the power lines will be higher to serve those customers.

Austin Energy also contends that it does not track its assets on whether they are inside of outside the city limits. While this is likely true, nothing prevents them from creating a system to do so.

Austin Energy states that it wants to continue this disputed discount, even though it is not based on evidence, because it lowers the risk of litigation. This rate break amounts to about $6 million a year. This is too expensive. Moreover, if we ran our utility entirely on risk mitigation measures such as this, its finances would never break even.

Interestingly, Mark Dreyfus of Austin Energy, in his rebuttal testimony, uses lack of evidence to criticize Public Citizen and Sierra Club's position on whether the out-of-city discount is fair, but overlooks the lack of evidence for his own contention.

Ratepayers outside the City Limits take issue with the fact that Austin's profit from its utility investment goes to fund Austin's city services. Some of these people are represented by one of the interveners in this case, Homeowners United for Rate Fairness, or HURF.

So I ask you to look at this question in context. I do not see these same people asking for a different rate for Texas Gas Service or the cable companies that serve their area. If HURF were to confront these private companies and ask for a special discount because they made a profit, they would not be taken seriously.

Going further, if Austin were to sell its out-of-city distribution system to a private company, this new company would find the notion of a rate discount not based on cost of service similarly unrealistic. This is not to mention the fact that a private utility has a higher cost of capital, and would charge higher distribution rates because of that.

The one concession I can grant to Austin Energy and HURF is that I support a cost of service study to determine the real price of serving customers inside and outside Austin's city limits. This can be used in the next rate case to adjust the cost of service based on something more than convenience. I hope the Judge will recommend this.

Issue 3: Imprudence in Customer Assistance Program Spending

Utility imprudence usually applies to things such as unjustified cost overruns or frivolous budget expenditures. In this unfortunate case, it applies to money earmarked for the poor that is being misapplied.

In September of 2014, I first alerted Austin Energy that I had discovered that some of the people receiving money for its Customer Assistance Program were living in high-end homes. Almost 21 months later, this is still occurring. There are easily hundreds of participants that are not low income that are still receiving the CAP discount.

To give one example of just how bad the problem still is, as of April 2016, the owner of 2921 Westlake Cove, an 8,100 square-foot mansion on Lake Austin appraised at $4 million in 2015 was still receiving CAP subsidies. The home has its own indoor movie theatre and elevator. The CAP participant also owned another 17 properties appraised at $5.8 million in 2015, which apparently included part of a steel mill.

Kerry Overton's argument over low response rates from Austin Energy letters asking people to self enroll is irrelevant. I have surveyed other utilities that do income-verified customer assistance programs, including Sacramento Municipal Utility District and City Public Service in San Antonio. They have very robust participation rates, and the cost to income verify participants is quite low. I included a comparative survey of how customers are selected in other utility discount programs in my original testimony.

Overton's argument against income verification because it is a duplication of effort is also off kilter. He mentioned 4 social programs whose participants are automatically enrolled in the Austin program are already income verified through these social programs. However, Austin's automatic enrollment program draws from 8 social programs, not 4. And there are anomalies even

in the 4 that are verified.

For instance, the Children's Health Insurance Program is offered to all foster children, even ones who live in wealthy homes that received CAP.

Sacramento Municipal Utility District's assistance program is entirely income verified, had 3 times the participation of Austin in 2015, and only required 3 to 4 staff to administer. Austin's program has 11 staff people as well as an expensive computer firm.

I am asking the Judge to recommend that Austin adjust its CAP program to assure that the money is spent prudently by going to recipients that need it.

Issue 4: Under Spending for South Texas Nuclear Project

It is not prudent business practice to pay for a capital asset after its retirement. It is analogous to paying the note on a house after you no longer own it. I know of no bank that will lend money under this circumstance, and the utility should not operate in this manner.

Russell Maenius of Austin Energy has justified the STNP payout to 2041 by saying that the Nuclear Regulatory Commission may extend the license of the plant, and this could add 20 years to its life. But NRC has not ruled yet. And if it does approve the license extension, it may add requirements that are fiscally or procedurally onerous.

I contend that, at least until the plant receives a license extension, it should return to a fiscally prudent payment schedule of having its debt retired by the end of its currently scheduled life in 2028.