

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

BEFORE THE CITY OF AUSTIN
IMPARTIAL HEARING EXAMINER

AUSTIN ENERGY
2015 NOV 13 AM 8:30

HOMEOWNERS UNITED FOR RATE FAIRNESS' S BRIEF

I. Introduction

COMES NOW, HOMEOWNERS UNITED FOR RATE FAIRNESS ("HURF"), and files this, its Brief in the captioned proceeding.

HURF is a non-profit organization of residential ratepayers living outside the City of Austin that was originally formed to appeal the City of Austin's rate ordinance, initially passed on June 7, 2012 and amended during the city's budget process in September 2012. HURF was re-formed in 2016 to participate in this rate making proceeding, with its principal purpose now being to protect the fundamentals of the settlement of the 2012 rate appeal to the Public Utility Commission.

II. Revenue Requirement

HURF is generally in support of the revenue requirement positions and adjustments presented by NXP/Samsung.

III. Cost Allocation – VI. Value of Solar Issues

Not briefed.

IV. Policy Issues

- A. Funding Discounts – Not briefed.
- B. Rates for Customers Inside and Outside the City Limits of Austin

The 2013 PUC settlement agreement provided for a reduction to the revenue collected from customers whose points of delivery are located outside the City of Austin in the amount of \$5,751,892. The terms of that agreement applied only to rates charged by Austin Energy to customers whose points of delivery are located outside of the City of Austin and did not affect

rates charged to customers inside the City of Austin. The provisions of that Agreement became effective on June 1, 2013.

That agreement was consistent with the public interest for reasons that include:

The \$5,751,893 reduction to the revenue requirement for customers outside the City of Austin was reached through a compromise, which implicitly recognized that those customers do not receive the benefit of the utility's revenues transferred to the City's general fund and thus protected them from discriminatory and excessive electric rates, used to pay for City of Austin services they do not receive. The reduction to the revenue requirement was also spread across the residential customer class as well as the commercial classes that had previously been paying rates above cost of service.

The Austin Energy proposal in this case keeps the outside city savings for residential customers at \$5,492,871, which is approximately equal to the savings under the 2013 settlement agreement. The proposal in this case also keeps the differentials in the rates between customer classes approximately the same as in that settlement. The \$323,338 discount proposed for commercial customers is also approximately equal to that in the 2013 settlement agreement. The rate package submitted by Austin Energy thus keeps the status quo, as well as the spirit of the 2013 settlement agreement, intact. For these reasons, HURF supports that portion of the Austin Energy rate filing package which maintains the out of city discount as filed.

The HURF Discount is Based on Public Policy, Not Cost of Service

Austin Energy witness Dombroski stated that Austin Energy was attempting to maintain the spirit of the 2013 settlement. June 1, 2016 TR. At 615. In his rebuttal testimony, Austin Energy witness Mark Dreyfus said much the same thing, and also stated that a primary reason for the discount was not a difference in cost of service, but was based on risk mitigation due to litigation uncertainty. Austin Energy Exhibit 9 at 9. Dombroski also asserted that the differential is not

cost, but policy based, and it is due to potential for litigation expense. June 1, 2016 TR. at 645.

HURF's primary policy argument for the discount has been that its customers receive no direct city services, so the General Fund Transfer provides no direct benefit to HURF customers.

Even the witnesses opposing the discount agreed with the position that no direct services are received by HURF customers. Paul Chernick, June 2, 2016 TR. at 698-699. Paul Robbins, June 1, 2016 TR. at 511. Chernick even went so far as to admit that rate reductions for out of city customers could be appropriate. June 2, 2016 TR. at 695-696.

There is No Actual Evidence That the Cost of Service Outside the City is Higher

In discussing PC-SC Exhibit 12, Dombroski stated it was his understanding that outside customers use more energy, but also stated he had not done an actual analysis of the Exhibit to confirm that. June 1, 2016 TR. at 616. SCPC witness Chernick admitted he had conducted no differential analysis of average house size or the difference in numbers of new customers for in city vs. outside city. June, 2 2016 TR. AT 699-700. Austin Energy witness Dreyfus stated that larger than average home size was a major effect on average outside city residential usage. Austin Energy Exhibit 9 at 15-16. Austin Energy witness Dombroski also alluded to the fact that over half of the utility's overall growth percentage is coming from outside the city as a factor impacting inside vs. outside consumption. Austin Energy Exhibit 2 at 45.

In the admitted absence of any meaningful data upon which to justify a higher cost of service for out of city customers, Mr. Paul Robbins invented one, and based his recommendation, he admits circumstantially, on the percentage of service territory outside the city limits (53%), without explaining how or why this relates to the cost of service to those customers. Robbins admits that his proportion of service area analysis for a difference in cost of service is circumstantial and that Austin Energy does not currently break down its budget by how much of

it is spent inside and outside the city limits. June 1, 2016 TR. at 510. Neither he nor the City have done such a cost of service study. ID. Austin Energy witness Dreyfus also contradicts Robbins on this point, and states that there is no cost study basis for his analysis. Austin Energy Exhibit 9 at 10-11.

Three Rate Tiers Sufficiently Incentivize Conservation

Public Citizen's and Sierra Club's Testimony and Statement of Position advocate for the extension of the 5 rate tiers to the out of city customers. HURF does not believe that this is necessary or that it will produce any additional significant reduction in energy use.

As Austin Energy witness Dreyfus notes, the rate proposal actually increases rates for Austin Energy customers outside the city for eight months out of the year. Austin Energy Exhibit 9 at 14-15. It is difficult to see how this will not further incentivize conservation.

Also, Dreyfus notes that while outside customers represent 13.6 % of the customer base, they represent 22% of the energy and solar rebates. Austin Energy Exhibit 9 at 16. There thus seems to be more than enough actual existing incentive for them to conserve. Even PCSC witness Chernick admitted that outside customers are still incentivized to conserve. June 2, 2016 TR. at 710. Thus, it is not fair or reasonable to say that the absence of the last two rate tiers has been a disincentive to conservation.

C. Piecemeal Ratemaking – J. Pick Your Own Due Date

Not briefed.

V. Statement of Position / Other Issues

Not briefed.

VI. Conclusion

Suburban Discount

HURF argues that the original \$5,751,893 reduction to the revenue requirement for customers outside the City of Austin was reached through a compromise, which implicitly

recognized that those customers do not receive the benefit of the utility's revenues transferred to the City's general fund (currently \$105 million), used to pay for City of Austin services they do not receive. This rate reduction represents about 5.5% of the general fund transfer, and is easily justifiable based upon the lack of any city services received by these customers.

The Austin Energy proposal in this case maintains this status quo, keeping the outside city savings for residential customers approximately the same, as well as the same differentials in the rates between customer classes. For these reasons, HURF supports that portion of the Austin Energy rate filing package which maintains the out of city discount as it has been filed.

Revenue Requirement Reductions

HURF supports NXP/Samsung's recommended reductions in the overall revenue requirement. To the extent those recommendations are adopted by the Impartial Hearings Examiner and the Council, HURF requests that those rate reductions made due to the reduced revenue requirement be applied to all customers first, including those outside the city limits, and that the financial benefits of the Austin Energy proposed rate reductions for out of city customers then be applied so that the benefits of that reduction are still fully recognized for HURF customers.

Respectfully submitted,

/s/ Roger B. Borgelt
Roger B. Borgelt
Borgelt Law
State Bar No. 02667960
614 S. Capital of Texas Hwy.
Austin, Texas 78746
Tel: 512/600-3467
E-mail: roger@borgeltlaw.com

Filed: June 10, 2016

CERTIFICATE OF SERVICE

I certify that today, June 10, 2016, I served a true copy of the foregoing Brief on all parties of record via electronic mail.

/s/Roger B. Borgelt

Roger B. Borgelt