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August 5, 2016

Alfred Herrera, IHE
ATTN: City Clerk
City of Austin
301 W. 2nd Street
Austin, Texas 78701

AUSTIN ENERGY
2016 AUG -5 AM 11:46

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

Dear Examiner Herrera:

On August 3, Austin Energy Low Income Customers ("AELIC") sent an email objecting to the "use of non record evidence" in Austin Energy's ("AE's") Replies to Exceptions. The purpose of this letter is to respond to AELIC's email and urge that their objection be overruled.

Initially, it should be noted that AELIC did not offer any testimony on this issue. The issue was addressed briefly in their initial statement of position but was removed from their corrected statement of position. Moreover, in AELIC's brief, they included just two sentences urging the Judge find that "AE will be recovering \$29 million in surplus."¹ They then stated that "[i]t is within the test year."² AELIC then cites to "Tr. Pp" (sic) and a few generic discovery responses as the evidentiary basis for their position. Not surprisingly, your Honor rejected AELIC's recommendation in the Report.

In their email, AELIC states AE's rates should be reduced by \$29 million because "[a]ll or a substantial part of that \$29 million will have been repaid to working capital." Ironically, no evidentiary basis is provided and there is nothing in the record to support this statement. Furthermore, the level of the Regulatory Charge is not an issue to be addressed in this case. As noted many times previously, the Regulatory Charge is set as part of the City's budget process and not in this base rate case.

Notwithstanding the foregoing, the Regulatory Charge is a "pass-through" charge. Current projections show an under-recovery of the \$29 million in deferred rate increases, but the approximate amount will not be known until November 2016. That figure will not be confirmed until the fiscal year audit is completed in the spring of 2017. Once the \$29 million is collected,

¹ Post Hearing Brief of Austin Energy Low Income Customers at 39 (June 10, 2016).

² *Id.*

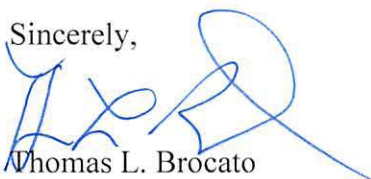
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AE will reconcile the amount and lower the Regulatory Charge accordingly in the budget process. Given that AELIC failed to include any evidence on this issue, it is ironic that they are faulting AE for explaining that their concern of over-collection is unwarranted.

For the foregoing reasons, AELIC's objection should be overruled. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'TLB', with a large, stylized flourish extending to the right.

Thomas L. Brocato

TLB:jbp

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cc: All parties