

Sierra Club, Public Citizen, and Solar United Neighbors
Summary of Testimony – Austin Energy Base Rate Case

Karl R. Rábago

Karl R. Rábago is the Principal and sole employee at Rábago Energy LLC, a Colorado Limited Liability Company. Mr. provides consulting, advisory, and expert witness services to a wide range of clients in the electric utility regulatory field. An expert in electric utility regulation, planning, investment, operations, and rate making, Mr. Rábago has more than 30 years of experience in electric and gas utility operations, investment, and regulation. Mr. Rábago was vice president for distributed energy services for Austin Energy and led the effort to develop the Value of Solar Tariff (“VOST”) during that time.

In this proceeding Mr. Rábago finds that the Austin Energy VOST-related proposals are unjust and unreasonable and should be rejected. Austin Energy intends to terminate its VOST in almost everything but name, and to replace it with what is essentially a wholesale generation supply tariff for customer generation embedded in a buy-all-sell-all tariff structure.

The proposal also seeks to dis-integrate societal impact credits relating to avoided emissions from its VOST energy value calculation and treat such credits as unrelated to the generation, transmission, and distribution of electric energy. Coupled with its proposals to use rate redesign to encourage increased customer consumption of utility-provided electricity, it appears that Austin Energy’s VOST changes will economically disadvantage customer-generation in favor of utility generation, thereby increasing Austin Energy revenues.

Mr. Rábago recommends that Austin Energy:

- 1) Suspend almost all proposed changes to the VOST.
- 2) Evaluate how customer-sited generation rates impact solar generation investment in Austin.
- 3) Identify barriers and challenges to solar adoption by economically-disadvantaged customers and communities.
- 4) Conduct a comprehensive and transparent Value of Solar analysis using a Benefit-Cost Analysis framework developed in accordance with guidance provided in the NSPM.
- 5) Implement proxy values for reserve capacity and distribution capacity, and expand the environmental benefits credit to reflect avoided costs related to non-carbon emissions reductions. If Austin Energy is allowed to implement its proposed backward looking rate values for some avoided costs, it should add VOST credit for avoided generation capacity.
- 6) Establish a concrete and actionable plan, with specific performance metrics for achieving the Austin Energy Resource, Generation and Climate Protection Plan to 2030 objective of 200 MW of customer-sited local solar capacity.

Cyrus Reed, Ph.D.

Cyrus Reed is the Conservation Director at the Lone Star Chapter of the Sierra Club and member of the Electric Utility Commission. He also serves as a voting member of the small commercial consumer representative to the Reliability Operations Subcommittee of ERCOT and participates in several ERCOT working groups.

In this proceeding Dr. Reed testifies that the Energy Efficiency Services (“EES”) fee is not outside the current rate case, despite Austin Energy’s claims. Austin Energy has filed a proposed EES fee in its rate review package, Appendix F, and included in a very late filing a proposal to add a new category of high-load primary voltage customers who would not be charged an EES fee.

The current proposition to recover a portion of the Value of Solar credits (“VOS”) credits for residential and commercial customers through the EES fee means that the current base rate case impacts the EES fee by extension. The proposal to create a new commercial rate class exempt from paying the EES fee also has an impact as it will result in reduced funding collected through the EES fee.

The Community Benefit Fund (“CBC”) and annual EES fee provide important programs both for rate relief for low- and moderate-income customers, as well as funding for energy conservation, demand response, and onsite energy generation which is fundamental to Austin Energy’s utility operations and long-term goals.

The current proposed rate change may be inadequate to meet the ambitious local solar and energy efficiency and demand reduction goals set by the City Council through the 2030 Resource Plan. By paying for VOS through the EES rate there is a chance that it could lower revenues and commitments to other important customer programs. By raising the fixed customer charge and reducing the number of energy tiers, there is less incentive to conserve energy, add local solar generation, or reduce demand.

The public input process for setting the annual CBC-EES rate was inadequate. There should be more time for discussion of the rate and budget for these programs at the Resource Management Commission, Electric Utility Commission, and City Council.

Dr. Reed recommends that:

- 1) VOS should not be paid for through the EES/CBC.
- 2) All customer classes should be assessed an equivalent EES fee.
- 3) A more inclusive process be created to annually assess the CBC and EES.

Ezra D. Hausman, Ph.D

Dr. Hausman is an independent consultant at Ezra Hausman Consulting. He is an expert in state and regional energy, capacity, and transmission planning, regulated and restructured electricity markets, utility and climate-constrained resource planning, electric system dispatch modeling, and economic analysis of regulations in energy markets, among other energy related topics.

In this proceeding, Dr. Hausman finds that Austin Energy's proposed restructuring of its residential electric rates would be detrimental to the effectiveness of its energy efficiency programs and harmful to customers, and particularly to low-income customers. As shown in Austin Energy's own filings, the current proposals would result in a large rate increase for customers who use little energy and large rate decrease for those who use a large volume of energy. These harms outweigh the benefits identified by Austin Energy for the proposed changes, and the Austin City Council should reject these proposals.

Austin Energy's allocation of costs between fixed and variable costs is not a reasonable characterization of capacity costs. To say that the ongoing need for system investments is insensitive to usage is not only misleading, it is a counterproductive planning and ratemaking perspective that would lead to inefficient system investment and usage.

A straight fixed/variable billing scheme is not considered a best practice for electric utilities. Austin Energy should focus on rate designs that increase flexibility and help customers make beneficial energy choices. Moving toward higher fixed charges and lower variable costs disincentivizes beneficial energy use practices and increases payback times for customer investments in energy efficiency measures or distributed energy resources, because the customer sees less financial benefit for each unit of savings.

Continued expenditures on the Fayette Power Plant go against Austin Energy's own 2030 Generation Resource Plan and are incompatible with the City of Austin's Climate Equity Plan. There is little information provided on exactly what Austin Energy is spending on this plant, and why, and how such decisions are made and approved. Further, Austin Energy has not conducted any studies on the economics of the continued operation of the Fayette plant versus its retirement, or the potential costs of bringing this coal-burning plant into compliance with EPA environmental regulations. It does not make sense for Austin Energy to fail to even consider these risks just because EPA has not yet adopted a final rule.

It is also unreasonable for a utility to withhold detailed cost and compliance information in a rate case such as this one, as Austin Energy has done. Utility regulatory commissions would not allow costs to be included in customer rates without adequate justification and proof that the costs are prudent, used, and useful. The burden of proof is invariably on the utility to show that its investments are well-supported and can reasonably be included in just and reasonable rates. This kind of detailed information and analysis is routinely provided to stakeholders and their experts, and to the relevant regulatory authority, under the terms of a nondisclosure agreement to prevent any legitimately confidential information from being released to the general public. The same principles should apply to Austin Energy.

Dr. Hausman recommends that Austin Energy:

- 1) Retain existing residential base rate schedule until Austin Energy can develop and file an alternative rate plan that retains those benefits and is less harmful to customers
- 2) Introduce a time-of-use rate option to give customers further opportunities to control their own usage and costs, and to provide operational benefits to the Austin Energy system.
- 3) Oppose all life-extending capital investments at the Fayette Power Plant, including any capital investment necessary to comply with impending environmental regulations; to take all actions necessary to prepare to exit the plant, including ensuring the adequacy of its non-nuclear decommissioning fund; and to continue or redouble its efforts to close the plant permanently in favor of cleaner generation sources.