

**IN THE MATTER OF AUSTIN ENERGY BASE
RATE CASE FILING DATED APRIL 18, 2022**

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**BEFORE THE CITY OF
AUSTIN HEARING
EXAMINER**

DIRECT TESTIMONY OF CYRUS REED, Ph.D.

ON BEHALF OF

SIERRA CLUB, PUBLIC CITIZEN, AND SOLAR UNITED NEIGHBORS

June 22, 2022

TABLE OF CONTENTS

1. INTRODUCTION 1

2. SUMMARY AND RECOMMENDATIONS..... 2

3. ENERGY EFFICIENCY SERVICES (EES) FEE: THE PROGRAMS AND GOALS 3

4. AUSTIN ENERGY’S PROPOSED TREATMENT OF THE EES FEE 4

5. SIERRA CLUB’S AND PUBLIC CITIZEN’S POSITION ON AUSTIN ENERGY’S
PROPOSAL 5

6. AUSTIN ENERGY’S PROPOSED EXEMPTION OF HIGH LOAD CUSTOMERS 6

7. AUSTIN ENERGY’S PROPOSED EES FUNDING OF THE VALUE OF SOLAR
CREDITS 10

8. AUSTIN ENERGY’S LACK OF PUBLIC INPUT AND PUBLIC PROCESS 11

9. CONCLUSION..... 11

1. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Cyrus Reed and I live in a home that my wife and I own within the City of Austin and within Austin Energy's service territory.

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

A. I am employed by the Sierra Club. Currently, I serve as the Conservation Director at the Lone Star Chapter of the Sierra Club, which has offices located at 6406 North Interstate 35 Frontage Road, Austin, Texas 78752, and receives commercial service from Austin Energy. I have been serving as Conservation Director for the Lone Star (Texas) Chapter since 2008.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Public Citizen and Sierra Club, each of which are commercial customers of Austin Energy, and also have thousands of members and supporters in Travis or Williamson Counties, many of whom are residential customers of Austin Energy.

Q. WHAT IS YOUR EXPERTISE AND EXPERIENCE?

A. I earned a Master's of Science degree in Community and Regional Planning, as well as a Master's of Arts degree in Latin American Studies, from the University of Texas Austin in 1994. I earned a PhD in Geography from the University of Texas in 2007.

After receiving my Master's degrees, I worked for ten years for the Texas Center for Policy Studies, an environmental policy organization. Over the last 15 years, I have worked as both an Interim Director on three occasions and as Conservation Director of the Lone Star Chapter of the Sierra Club. As Conservation Director, for at least 13 years, I have advocated for more robust energy efficiency, demand response and local solar programs in Austin and throughout Texas. At the legislature, I was part of the stakeholder groups that advocated for, negotiated and helped pass both HB 3693 by Representative Straus in 2007 and SB 1125 by Senator Corona in 2011, both of which increased energy efficiency programs and goals for the State of Texas, as well as subsequent rulemaking at the Public Utility Commission to implement those laws. More recently, as part of the discussion following Winter Storm Uri, I have been an advocate on behalf of my organization to revisit the programs and rules involving energy efficiency and demand response programs, for increasing demand response through the Emergency Response Service at ERCOT, and for opening up rulemaking on Distributed Energy Resources (DER) like local solar and storage.

I have also been an advocate and participant in city proceedings to raise minimum energy codes in Houston, El Paso, Brownsville, Corpus Christi, Austin, San Antonio and Georgetown, among other municipalities. I first advocated for raising the minimum construction standards to the 2009 International Energy and Conservation Code (IECC), then the 2015 IECC, and most recently the 2021 IECC. I have also advocated at the legislature for raising minimum energy codes.

I am also a member of ERCOT, and serve as a voting member as part of the small commercial consumer representative to the Reliability Operations Subcommittee, as well as a participant in many working groups, including the Demand Side Working Group and the Emerging Technology Working Group. As such, I frequently review proposals and ideas to expand the role of demand response in the ERCOT market, including the Emergency Response Service (ERS), Spinning and Non-Spinning Reserves and efforts to open up the market for Demand Response (DR) and DERs.

I have also been an active participant in the efforts at Austin Energy to raise their energy efficiency and demand reduction goals. I have served as a member of the 2009 Generation Resource Planning Task Force, then as a member of the 2014 Generation Resource Planning Task Force, as well as the 2017 and 2020 Resource Planning Working Groups that led most recently to the Austin Energy Resource, Generation and Climate Protection Plan to 2030, which was approved by city council in March of 2020. I have also served on both the Resource Management Commission and the Electric Utility Commission, where I am currently a member. As such, I have familiarity with Austin Energy demand reduction, local solar and energy efficiency programs, budgets and goals. A copy of my curriculum vitae is attached as Exhibit CR-1.

2. SUMMARY AND RECOMMENDATIONS

Q. What are your observations and recommendations in this case?

A. First, I discuss Austin Energy's existing Energy Efficiency Services (EES) fee, which is a portion of the Community Benefit Charges (CBC), and the programs it encompasses. These programs are critical for lowering peak demand, reducing overall energy use, and lowering our reliance on fossil fuels, while supporting system reliability, promoting rate stability, and reducing overall system costs, and for the most part, Austin Energy's EES programs have been highly successful. Second, I describe Austin Energy's proposed rate changes and the impacts those changes would have to the EES. Third, I make recommendations, including that the VOS not be paid for through the EES/CBC, and that all customer classes be assessed an equivalent EES fee. Finally, I suggest that a better more inclusive process is needed to annually assess the CBC and EES.

3. ENERGY EFFICIENCY SERVICES (EES) FEE: THE PROGRAMS AND GOALS

Q. WHAT IS THE ENERGY EFFICIENCY SERVICES FEE?

A. The EES fee is a per kilowatt hour tariff paid by most customers of Austin Energy. The tariff is a pass-through fee that forms a portion of the Community Benefit Charges (CBC). The EES fee generates revenues that are used to fund programs to help Austin Energy customers reduce peak demand, save energy, and utilize technologies like electric vehicles and distributed solar power.

Q. WHAT GOALS DOES THE AUSTIN CITY COUNCIL REQUIRE AUSTIN ENERGY TO MEET THAT ARE IMPACTED BY THE EES FEE?

A. As per City Council resolution, Austin Energy is required to meet the goals established in the Austin Energy Resource, Generation and Climate Protection Plan to 2030 (Austin Energy's Resource Plan), at a minimum.¹ Sierra Club and Public Citizen supported and advocated for these goals both during the working group process and when it was being considered by the City Council in early 2020. The goals include:

- Achieving a total of 375 MW of local solar capacity by the end of 2030, of which 200 MW will be customer-sited (when including both in-front-of-meter and behind-the-meter installations);
- Achieving energy efficiency savings equal to at least 1% per annum of retail sales, targeting a total of at least 1,200 MW of demand side management (energy efficiency and demand response) capacity by 2030, including a target of 225 MW of economic peak demand response capacity by 2030;
- Serving at least 25,000 residential and business customer participants per year for all CES programs (Energy Efficiency, Austin Energy Green Building, Demand Response and Solar) with at least 25% of those customers being limited-income customers;
- Achieving 30 MW of local thermal storage by 2027 and 40 MW of local thermal storage by 2030;
- Allowing near real-time access to hourly energy use data for Austin Energy customers via the automated meter infrastructure, including compatibility with Green Button products and services; and

¹ See Ex. CR-2.

- Continuing to move forward on energy code and green building development, including assessing the 2021 International Energy Conservation Code, and specific solar-ready, EV- ready, electric building-ready and net-zero requirements for commercial and residential construction for possible adoption in future codes.

The EES fee funds many of the programs that Austin Energy has implemented to enable it to meet these energy efficiency savings, demand reduction and local solar goals. While not all of the goals require the use of EES fees, EES is the main tool to achieve the goals.

Q. WHY ARE DEMAND REDUCTION PROGRAMS AND GOALS IMPORTANT?

A. Austin Energy has been, and continues to be, the leading utility in Texas in terms of energy efficiency savings, advanced building codes, demand reduction, onsite solar generation and many other programs. These programs and goals are essential to our future vision of this utility, and help create jobs, innovation, new technologies, economic development, all while reducing emissions from fossil fuel generation, and promoting bill stability and affordability for Austin Energy customers, not to mention a healthier community and planet.

4. AUSTIN ENERGY'S PROPOSED TREATMENT OF THE EES FEE

Q. WHAT IS AUSTIN ENERGY PROPOSING IN REGARDS TO THE EES FEE?

A. Austin Energy is proposing to make several changes within this rate case that will directly impact the EES. First, they are proposing to recover a portion of the Value of Solar credits for residential and commercial customers through the CBC and specifically the EES fee. This means that the current base rate case impacts the EES fee by extension. Second, Austin Energy has proposed creating a new commercial rate class which would be exempt from paying the EES fee, resulting in reduced funding collected through the EES fee. Those same customers would be eligible for Value of Solar credits. Either the EES fee would need to be increased, or the programs and staff it supports would need to be decreased if these two changes go into effect.

Q. HOW HAS AUSTIN ENERGY PROPOSED TO IMPLEMENT THE EES FEE?

A. Austin Energy is claiming that the EES fee will be outside the current rate case and will be established separately. Nonetheless, Austin Energy has actually filed a proposed EES fee. In its rate review package, Appendix F, Austin Energy has proposed charging all customer classes except special contract customers, the lighting class, high-load primary voltage and transmission level customers a similar EES rate to support its programs. In addition, in a very late filing, Austin Energy has proposed adding a new category of high-load primary voltage customers that use between 3,000 and 20,000 kW of demand. According to Appendix F of the rate filing package, an EES of 0.00238 per kWh would be charged to all customer classes both inside and

outside of the city, with the exception of large general service customers, who would be charge a slightly lower rate of 0.00233, except for the few customers that are qualified to be a High Load Factor Primary Voltage (those with demand greater than or equal to 20,000 kW), who would not be charge an EES fee. Again, Austin Energy is proposing to also add customers between 3,000 and 20,000 kW that meet certain high load factors to also opt out of paying energy efficiency fees. Finally, transmission level customers would be charged a rate of 0.00230 for EES under the proposed fee, except again for high load factor customers who would not be charged an EES fee. As such, the EES fee is at issue in this case.

Q. IS AUSTIN ENERGY PROPOSING OTHER CHANGES TO THE EES FEE?

A. Yes, Austin Energy is also proposing to change the Value of Solar (VOS) tariff and partly recover those costs through the EES fee. In addition, because Austin Energy is proposing raising the fixed customer charge from \$10 to \$25 and reducing the number of energy use tiers from five to three with a flatter slope, there is less incentive to conserve energy, add local solar generation, or reduce demand. This makes the EES tariff and resulting budget and programs even more important. Moreover, under its proposal, high load large energy customers are exempted from paying the EES fee or participating in EES programs, and Austin Energy has added an additional class of customers as potential high-load customers that will further restrict revenues from the EES.

5. SIERRA CLUB'S AND PUBLIC CITIZEN'S POSITION ON AUSTIN ENERGY'S PROPOSAL

Q. SHOULD AUSTIN ENERGY FUND DEMAND REDUCTION PROGRAMS THROUGH A PER-KILOWATT-HOUR FEE?

A. Yes. This approach because it provides transparency to all customers, showing that a portion of their bill is funding these incentives and programs. These programs are part of the City of Austin's policy as part of Austin Energy's Resource Plan, and align with the goals of Austin Climate Equity Plan to help customers reduce their bills and costs. A per kilowatt-hour fee is an equitable mechanism for funding programs to achieve these established goals.

Q. SHOULD ALL CUSTOMERS PAY THE EES FEE?

A. Yes. All customer classes should share in the cost and the benefits of these programs. All customer classes should pay the EES fee, and all customer classes should have access to programs to reduce demand and energy use or add renewable generation. The EES fee should also be charged to high-load primary and secondary voltage and transmission-level customers and those classes should also have access to the programs.

Q. HOW SHOULD THE CITY ADDRESS AUSTIN ENERGY'S VALUE OF SOLAR PROPOSAL?

A. The City of Austin should reject Austin Energy’s proposal to change the Value of Solar (VOS) tariff and recover those costs through the EES fee. As noted, these changes will undermine Austin’s historical commitment to meeting annual and longer-term energy efficiency and local solar goals. Coupled with Austin Energy’s proposal to raise the fixed customer charge from \$10 to \$25 and reduce the number of energy use tiers from five to three, Austin Energy’s proposal will reduce consumers’ incentive to conserve energy, reduce demand, or invest in distributed generation. I recommend that the City of Austin direct Austin Energy to engage in a more robust and transparent public process before implementing any changes to the EES, CBC, or Value of Solar tariffs. Given the limited opportunity for the public to weigh in on the setting of the annual tariffs for the EES and CBC, and to examine actual budgets and programs, there is a significant risk that Austin Energy’s proposed rate changes will fundamentally undermine the City’s efficiency and solar goals.

6. AUSTIN ENERGY’S PROPOSED EXEMPTION OF HIGH LOAD CUSTOMERS

Q. HOW DOES AUSTIN ENERGY PROPOSE TO EXEMPT HIGH LOAD CUSTOMERS?

A. Under AE’s proposal, high load large energy customers are exempted from paying the EES fee or participating in EES programs, and Austin Energy has added an additional class of customers as potential high-load customers that will further restrict revenues from the EES.

Q. HOW MUCH MONEY DO THE EES PROGRAMS LOSE BY NOT HAVING LARGE HIGH-LOAD CUSTOMERS PAY AN EES FEE?

A. In response to discovery in this case, Austin Energy states that if all the current customers between 3 and 20 MW that meet the high-load requirements chose to receive their service this way, about \$1.4 million in EES fees would not be collected by Austin Energy.² In essence, the programs supported by the EES fee would lose \$1.4 million in revenue. This is on top of other high-load customers that are currently not paying the EES.

Specifically, Austin Energy states “The maximum revenue impact, assuming all eleven customers that currently qualify for the new proposed rate class sign contracts, is \$1.4 million in FY 2023. If fewer customers participate, the impact will be lower. Ultimately, any revenue

² See Ex. CR-3 (Austin Energy Response SCPC RFI 4-1).

shortfall will be offset by future Energy Efficiency Service Charges under-recovery adjustments.”³ That means other customers will pay more to make up for any shortfalls.

Q. WHY DOES AUSTIN ENERGY SAY IT DOESN'T CHARGE HIGH-LOAD CUSTOMERS THE EES FEE?

A. Austin Energy has adopted a policy that high-load primary and transmission-level customers do not pay the EES and do not receive any direct benefits from the program. Essentially, Austin Energy argues that such customers employ energy managers and are sophisticated users and therefore will seek to cut costs by cutting energy demand and energy use. However, Austin Energy has not exempted those customers from receiving Value of Solar credits, which it proposes to pay, in part, from EES funds.

Q. DOES AUSTIN ENERGY PROVIDE ANY PROOF THAT THESE LARGE HIGH-LOAD CUSTOMERS ACTUALLY DO REDUCE THEIR ENERGY USE?

A. No. They simply claim that as high energy use customers with energy managers, they have an incentive to watch their energy use. They offer no specific proof that these customers are actually attempting to lower their overall energy use or energy demand.

In response to a separate Request for Information, Austin Energy stated:

Austin Energy does not require submission of energy efficiency customer project information or maintain specific information on commercial customers' energy efficiency programs.

The customers in the Primary 4 and Transmission 2 rate classes are already exempt from paying the Energy Efficiency Services portion of the Community Benefit Charge and do not receive the program benefits. The proposed PRI-2 HLF rate would extend the same exemption to qualifying customers within the Primary 2 rate class.

The customers that are eligible for the PRI-2 HLF rate own and operate their facilities, employ or contract their own energy management staff, and have the capital to invest in energy efficiency projects when economic. Their energy management staff is responsible for ongoing review, evaluation, design, and implementation of energy efficiency measures for operational cost reduction. Additionally, they are specifically assigned to an Austin Energy Key Account

³ *Id.*

Manager to assist them with their energy evaluation, billing, and utility service needs.⁴

In other words, Austin Energy did not supply us with any real evidence that these customers are implementing energy efficiency programs.

Q. CAN HIGH-LOAD CUSTOMERS BE PAID A VOS (VALUE-OF-SOLAR) PAYMENT?

A. Yes, Austin Energy has responded that these customers can take advantage of the VOS payments if they generate power onsite.⁵

Q. COULD LARGE HIGH-LOAD CUSTOMERS THAT WOULD NOT PAY THE EES FEE RECEIVE GET AN EES BENEFIT UNDER THE CURRENT PROPOSAL?

A. Yes. In essence, all ratepayers paying the EES fee would be subsidizing payments to the high-load commercial entities for their solar generation, even though those customers would not pay the EES fee. This is fundamentally unfair, and counteracts could rate-making principles.

Q. DO HIGH-LOAD CUSTOMERS THAT CURRENTLY DON'T PAY THE EES FEE RECEIVE OTHER BENEFITS FROM THE PROGRAMS FUNDED BY THE EES?

A. Yes. While they are not receiving direct programs, they benefit from the reduced need to purchase power, from deferment of transmission and distribution upgrades, and from reduced fees paid to ERCOT. Austin Energy appears to agree with this assessment, stating:

In the short-term, the Customer Energy Solutions programs described reduce costs for all customers through savings from transmission cost allocation avoidance from ERCOT as a result of reduction of peak and Austin Energy's load share ratio. Additionally, customers who directly lower energy consumption experience cost reductions. In the long term, demand that would have been imposed on the system but for the demand savings from participation in energy efficiency programs would enable Austin Energy to avoid or defer certain distribution capacity investments that otherwise would have been made. Because distribution capacity costs are allocated broadly among customers, avoided or deferred capacity costs reduce costs for all customers in classes who take service

⁴ See Ex. CR-3 (Austin Energy Response to SCPC RFI 4-2)..

⁵ *Id.* (Austin Energy Response to SCPC 4-5: "As currently designed, the PRI-2 HLF rate option is eligible to receive Value of Solar credits.").

from that type of system capacity, and in this scenario many customers may benefit from the programs.⁶

Q. DO OTHER UTILITIES IN TEXAS USE A SIMILAR FEE TO FUND DEMAND REDUCTION PROGRAMS?

A. Many do. All investor-owned Transmission and Distribution Utilities in Texas are required by statute to run energy efficiency and demand reduction programs. All of these utilities set yearly budgets to meet their energy efficiency goals and through a PUC process set a yearly EECRF (Energy Efficiency Cost Recovery Fee) that is ultimately approved by the PUC. This is similar to the approach taken by Austin Energy and City Council, whereby Austin Energy proposes an annual budget for these programs, and proposes an EES. Both the budget and EES are then approved by the City Council.

Q. WHAT WOULD BE THE MOST FAIR AND EFFECTIVE WAY TO ASSESS THE EES FEE?

A. The EES fee should be assessed to each customer class evenly on a per-kilowatt-hour basis, though slightly different rates based upon distribution and transmission losses may be appropriate. In other words, it is reasonable to charge high voltage or transmission customers a slightly lower fee due to less line loss. Furthermore, customer classes that are currently exempt from the EES fee should be required to pay, including the high-load transmission and primary voltage customers, including the new proposed high-load factor industrial class between 3,000 and 20,000 kW of demand. This would ensure broader demand reduction and energy efficiency programs, so that all customer classes would have access to these clean energy options in the areas of energy efficiency, demand response, onsite solar generation and even potentially electric and thermal storage. It would also ensure that customers that benefit from the reduced peak demand that leads to lower overall costs were contributing to the revenues that lead to the reductions, which is part of fair and nondiscriminatory ratemaking.

By adopting an EES fee policy that fairly spreads the costs and benefits of the EES program across all customer classes, the City can help save customers money, keep the utility financially strong, meet both its initial and long-term climate, solar, and efficiency goals, and keep the system more reliable.

⁶ *Id.* (Austin Energy Response to SCPC RFI 4-3).

Q. WHAT DO YOU KNOW ABOUT WHETHER OR NOT LARGE COMMERCIAL AND INDUSTRIAL CUSTOMER PAY FEES TO FUND DEMAND REDUCTION PROGRAMS AT AUSTIN ENERGY AND IN THE DEREGULATED ERCOT MARKET, AND WHY ARE THOSE POLICIES IN PLACE?

A. In the competitive market, some larger customers, such as industrial users, or commercial users connected to an industrial customer do not pay fees to fund demand reduction or energy efficiency programs. And Austin Energy's current policy is not to charge high-load customers the EES fee, including the newly created class.

In the competitive market, it was lobbying efforts by the large industrial customers in recent years that caused the PUC to discontinue the EES fee for industrial customers. Previously, industrial customers did pay these fees. Austin, as a utility owned by the people of Austin, does not have to follow PUC and legislative policy.

7. AUSTIN ENERGY'S PROPOSED EES FUNDING OF THE VALUE OF SOLAR CREDITS

Q. HOW IS THE EES FEE RELEVANT TO AUSTIN ENERGY'S PROPOSALS IN THIS RATE CASE?

A. Austin Energy is proposing major changes to the VOS (Value-of-Solar). One significant concern is that the VOS would be an expense charged to the EES. Simply put, allocating VOS payments to EES would mean either there would be less money for energy efficiency, demand reduction and local solar incentives as some of the budget would be used for VOS payments, or alternatively, Austin Energy would have to raise the fee significantly. Unless Austin Energy provides a much clearer understanding of the long-term payments of VOS, the City of Austin's commitment to local energy efficiency, demand response and local solar goals could be compromised.

In answers to our RFI, Austin Energy has stated they estimate that the VOS will cost approximately \$4 million next year and would be charged to the EES. This is approximately 10 percent of the expected budget for the programs supported by the EES fee, which could result in budget cuts to these programs, unless the fee were raised.

The City should ensure that changes to the allocation of VOS payments will not undercut commitments to reach the efficiency and solar adoption goals embedded in city council policy. Either VOS should not be paid for through the EES, or if it is, there needs to be a specific public process to determine the appropriate tariff to assure that all goals can be met while supporting onsite solar payments. Such a process should include public meetings, a public survey that is robustly advertised, review by both the Resource Management Commission and the Electric Utility Commission and a public hearing.

8. AUSTIN ENERGY'S LACK OF PUBLIC INPUT AND PUBLIC PROCESS

Q. DOES AUSTIN ENERGY UTILIZE A FAIR AND TRANSPARENT PROCESS WHEN ADJUSTING THE EES FEE?

A. No. There is limited opportunity for the public to weigh in on the setting of the annual tariffs for the EES and CBC, and to examine actual budgets and programs. A more robust public process to set the annual CBC and receive input on budgets and programmatic aspects is needed.

Currently, both the EUC and the RMC – two advisory committees to the City Council – have some role in overseeing input into the budgetary and tariff setting process. Nonetheless, under the current process, the proposed budget of AE, including the energy efficiency and solar program budgets, are not available to the wider public or to the RMC and EUC until it is officially released in the middle of the summer. Thus, as an example, the budget and annual tariffs will not be released in 2022 until approximately July 15th. Because the City Council must approve the budget and final tariffs in August, effectively there is only one official meeting at which either the RMC or the EUC can ask questions and or recommend changes to the tariffs or budget. The public in general has the August meetings at the RMC and EUC and at least one public hearing at Council, most likely in late August. This process should be changed to allow for more input from the EUC, RMC and the public before budgets and tariffs are finalized.

One potential would be to have a periodic and somewhat truncated proceeding similar to the EECRF at the Public Utility Commission of Texas. Austin Energy would file its annual EES fee and other annual tariffs like the PSA, allow for public input, and allow stakeholders to actually request information and ask questions, receive answers, with the city council as the ultimate decision maker. Both the EUC and RMC could play a role in this process, as the City's citizen advisory boards which give advice to council on these matters.

9. CONCLUSION

Sierra Club and Public Citizen believe that an equivalent EES that is applied to all customer classes on a per-kilowatt basis is fair and equitable. Some variation in the tariff to account for line loss between larger and smaller customers is reasonable, but even high load primary, secondary and transmission customers should be required to pay the fee.

In its rate proceeding proposal, Austin Energy has proposed paying for Value of Solar payments through the EES. This could have the impact of lowering the amount of revenues available for important local solar and energy efficiency goals that are adopted by City Council as part of the 2030 Resource Plan adopted by City Council in 2020, or requiring a higher EES to pay for the program.

Importantly, AE in this rate case has added a new class of commercial customers who would not be charged the EES, even though those customers are able to enjoy the benefits of VOS payments. Sierra Club and Public Citizen believe that all customers should pay for the EES and all should have access for direct benefits from the programs supported by the EES.

If the Hearing Examiner and City of Austin conclude that the EES is not being considered in this rate proceeding, VOS payments should not be charged to the EES and no new rate classes should be created that would be exempt from the EES fee. Regardless, there needs to be a robust public and stakeholder process for getting input into the annual EES fee tariff going forward.

Cyrus Reed

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EDUCATION

Bachelor of Arts in Comparative Literature & Certificate in Latin American Studies, June 1987, Princeton University

Master's of Arts in Latin American Studies University of Texas at Austin, 1994

Master's of Science in Community and Regional Planning University of Texas at Austin, 1994

PhD in Geography University of Texas at Austin, 2007

EMPLOYMENT HISTORY

Staff Reporter for The Tico Times, the English-language newspaper in San José, Costa Rica, 1988-1990. Covered national and international issues for The Tico Times related to tourism, politics, agriculture, natural resources, etc.

Research Associate, Program Manager and Director, The Texas Center for Policy Studies, Austin, Texas, 1994-2005

Held a variety of positions with the Texas Center for Policy Studies, with a focus on environmental policy issues in Texas related to land use, energy and water and the US-Mexico border region.

Contract Lobbyist, The Sierra Club, Lone Star Chapter, Austin, Texas, 2005-2007

Contract lobbyist for the Lone Star Chapter of the Sierra Club on clean air and clean energy, including energy efficiency, renewable power, ozone mitigation programs and other issues during the 2005 and 2007 Texas legislative sessions.

Conservation Director, The Sierra Club, Lone Star Chapter, Austin, Texas 2007-present

Manage and direct programs and campaigns related to energy, air and water issues in Texas for Lone Star Chapter of the Sierra Club. Also chief lobbyist for Sierra Club at Texas Legislature, serve on advisory committees at Texas Commission on Environmental Quality, and am a member of ERCOT's Reliability and Operations

Subcommittee. Member of 2009 and 2014, 2017 and 2020 Austin Energy Generation Resource Planning Task Force, and former Vice-Chair of the Resource Management Commission for the City of Austin. Currently member of the Electric Utility Commission for City of Austin.

Awards & Recognitions

- 2014 Clean Air Through Energy Efficiency Conference Outstanding Non-Profit Organization
- 2015 Orrin Bonney Award Environmental Awards, Lone Star Chapter Sierra Club

Memberships & Affiliations

Boy Scouts of America

Girl Scouts of America

NASA Soccer Coach



Austin Energy Resource, Generation and Climate Protection Plan to 2030
(As Recommended for Action to Austin City Council by the EUC and RMC on March 09, 2020)

On August 12, 2019, the Electric Utility Commission (EUC) created the Resource Plan Working Group¹ (Working Group) to provide leadership and guidance to Austin Energy and the Austin City Council on technical and market issues to meet environmental, efficiency and affordability goals established by the Austin City Council.²

This Austin Energy Resource, Generation and Climate Protection Plan to 2030 (2030 Plan) outlines the Working Group's recommendations and strategic goals and represents an extensive effort of the Austin community working through the Working Group and Austin Energy staff. The 2030 Plan is based on analysis of the risks, costs and opportunities to meet future demand for electricity. The 2030 Plan is intended to be flexible and dynamic in order to respond to changing circumstances, including customer electric load, economic conditions, energy prices, and technological development, while strictly committing to firm carbon reductions.

The 2030 Plan updates and replaces the Generation and Climate Protection Plan to 2027.³ To the extent the provisions of this 2030 Plan are inconsistent with prior resource plans for Austin Energy or related City Council resolutions adopting such plans, this 2030 Plan will prevail upon its adoption by the City Council. The Working Group believes this 2030 Plan is groundbreaking in its approach and can serve as a model for others in achieving immediate, large-scale environmental benefits and reducing emissions, while maintaining affordable electricity rates.

Vision Statement

This 2030 Plan commits Austin Energy to continuing to provide affordable, dependable and safe electricity service to residents and businesses while pursuing the City of Austin's climate protection and sustainability goals⁴ and the directives set forth in the Austin Climate Emergency Resolution.⁵ As a part of its commitment, Austin Energy will maintain an energy supply portfolio sufficient to offset customer demand while eliminating carbon and other pollutant emissions from its electric generation facilities as rapidly as feasible within the limitations set by the Austin City Council. Austin Energy commits to providing access to the benefits of this 2030 Plan for limited-income communities and communities of color.

¹ The Working Group members are listed at the end of this 2030 Plan. The Resource Plan Working Group met ten times in late 2019 and early 2020.

² The Working Group Charter can be found at: <https://austinenergy.com/wcm/connect/2febfc53-8bad-4029-aabe-a9e5461fb516/EUCWG-Sep26-Agenda-Packet.pdf?MOD=AJPERES&CVID=mRKMujG> .

³ See: Austin City Council Resolution No. 20170817-061, <https://austinenergy.com/wcm/connect/6dd1c1c7-77e4-43e4-8789-838eb9f0790d/gen-res-climate-prot-plan-2027.pdf?MOD=AJPERES&CVID=mNO-55U>.

⁴ Austin Community Climate Plan, https://www.austintexas.gov/sites/default/files/files/Sustainability/FINAL_-_OOS_AustinClimatePlan_061015.pdf .

⁵ https://s29017.pcdn.co/wp-content/uploads/2019/08/document_A5987C4F-D3DF-27DD-3FFC54EBB0D1B0B.pdf . In August 2019, City Council passed Resolution No. 20190808-078 declaring a Climate Emergency and directing the City Manager to examine other objectives related to greenhouse gas emissions reduction (such as those set by the Austin Energy Resource Generation and Climate Plan) and identify the feasibility of accelerating the timelines of achieving such objectives.

Affordability

Affordability of electricity service for AE customers is an overarching goal of the 2030 Plan. Developments in the wholesale energy market in recent years have demonstrated that if Austin Energy carefully manages its portfolio it can achieve its environmental goals economically, efficiently and affordably. Austin Energy will do so with a commitment to the specific affordability metrics set by the Austin City Council.⁶

Generation Resource Objectives

As of March 2020, Austin Energy generates energy on an annualized basis equal to approximately 63% of its total customer load using carbon-free resources, 40% from renewable resources and 23% from the South Texas Project nuclear facility. As explained in more detail below, under this plan Austin Energy will eliminate its existing emissions through retirement of its carbon-emitting generation plants and will purchase additional, cost-effective, renewable energy resources.

-- No New Carbon Generating Assets

Austin Energy will no longer purchase, contract for or build long-term generation or storage resources that emit new carbon,⁷ nor any additional nuclear power generation resources.

-- Carbon Reduction Goals

86% of Austin Energy's electricity generation will be carbon-free by year-end 2025, 93% will be carbon-free by year-end 2030, and all generation resources will be carbon-free by 2035. Austin Energy commits to advance these goals more rapidly, if feasible given technological developments, affordability, and risks to Austin Energy customers.

-- Additional Renewable Generation Facilities

Austin Energy will utilize its annual RFP process to seek the best available renewable energy and electricity storage opportunities to add to Austin's generation resource portfolio as necessary to meet 2030 Plan goals and to assess market trends for future planning. With the exception of the Local Solar goals set out in this report, the 2030 Plan does not designate the components of Austin Energy's renewable energy portfolio. Austin Energy will plan for least-cost and least-risk acquisition of renewable resources and electricity storage as available in the energy market and as necessary to meet 2030 Plan goals.

⁶ Minutes of Austin City Council, February 17, 2011 at <http://www.austintexas.gov/edims/document.cfm?id=148844> . The affordability goal approved by City Council is composed of two metrics: a) control all-in (base, fuel, riders, etc.) rate increases to residential, commercial and industrial customer to 2% or less per year; and, b) maintain AE's current all-in competitive rates in the lower 50% of all Texas rates.

⁷ This will not apply to Austin Energy provisioning of emergency back-up generation for critical facilities.

Specific Actions to Achieve Generation Resource Objectives

-- *Fayette Power Project*

Austin Energy will maintain its current target to cease operation of Austin Energy's portion of the Fayette Power Project (FPP) coal plant by year-end 2022. Austin Energy will continue to recommend to the City Council the establishment of any cash reserves necessary to provide for that schedule.

-- *Decker Creek Power Station*

Austin Energy will maintain its current target to cease operations and begin retirement of existing Decker Steam gas-fired units, assuming ERCOT approval, with Steam Unit 1 ceasing operations after summer peak of 2020 and Steam Unit 2 ceasing operations after summer peak of 2021.

-- *REACH for Carbon Free by 2035*

Upon City Council approval of this 2030 Plan, Austin Energy will adopt a new market-based approach to accelerate reduction of carbon emissions by its legacy generators in the most economic manner available. This approach, known as *Reduce Emissions Affordably for Climate Health* ("REACH"), will incorporate a cost of carbon in the generation dispatch price, allowing Austin Energy to reduce generation output during low-margin periods but keep the resources available for high-margin periods. Austin Energy will apply an annual amount of approximately 2% of the prior year's PSA to implement REACH. Austin Energy will continue to adhere to the City Council affordability metrics through active portfolio management. The REACH plan is expected to reduce the utility's carbon emissions by 30% or approximately 4 million metric tons between approval of this 2030 Plan and Austin Energy's exit from FPP. Thereafter, the REACH plan is expected to reduce carbon emissions by 8% each year, while maintaining the flexibility to protect our customers' rates in periods of high prices in the wholesale market, until achieving zero carbon emissions by 2035.⁸ Austin Energy will report semi-annually to the Electric Utility Commission and the City Council the realized reduction in carbon emissions from the REACH plan's implementation.

-- *Local Solar Resources*

In addition to the large-scale energy resources discussed above, Austin Energy will:

Achieve a total of 375 MW of local solar capacity by the end of 2030, of which 200 MW will be customer-sited (when including both in-front-of-meter and behind-the-meter installations).

⁸ A graphic illustration of the REACH expectations is attached hereto as Exhibit A.

Continue a shared solar pilot program for multi-family housing and upon development of an automated electronic billing system, allow for expansion of this program.

Provide moderate and limited-income customers preferential access to community solar programs.

-- Energy Efficiency and Demand Response

In addition to the generation resources described above, Austin Energy will sponsor energy efficiency and demand response initiatives aimed to reduce overall system load and reduce peak demand as follows:

Achieve energy efficiency savings equal to at least 1% per annum of retail sales, targeting a total of at least 1,200 MW of demand side management (energy efficiency and demand response) capacity by 2030, including a target of 225 MW of economic peak demand response capacity by 2030.

Target serving at least 25,000 residential and business customer participants per year for all CES programs (Energy Efficiency, Austin Energy Green Building, Demand Response and Solar) with at least 25% of those customers being limited-income customers.

Commit to achieving 30 MW of local thermal storage by 2027 and 40 MW of local thermal storage by 2030.

Allow near real-time access to hourly energy use data for Austin Energy customers via the automated meter infrastructure, including compatibility with Green Button products and services.

Continue to move forward on energy code and green building development, including assessing the 2021 International Energy Conservation Code, and specific solar-ready, EV-ready, electric building-ready and net-zero requirements for commercial and residential construction for possible adoption in future codes.

-- Equitable Participation in Programs

Austin Energy will contract with a qualified third-party service provider to design and implement, with the co-operation of the Austin Equity Office, the convening of community meetings comprised of those living in, or serving those in limited-income communities and communities of color, and others who cannot afford or access current programs. These community meetings should identify barriers and recommend approaches, goals and outcomes to achieve more equitable energy efficiency, demand response and solar programs that reach customers currently

underserved by existing programs because of income limitations and/or other barriers (renting, language barriers, etc).

This process is intended to craft recommendations for programs to best meet community needs and should also consider the best methods for coordinated delivery and implementation of energy program offerings with other available programs of the City, such as home repair and affordable housing, when serving limited-income communities. It is the task of Austin Energy to translate these community recommendations into affordable, successful programs.

The meetings should focus on those not currently engaged and should aim to include nonprofit home repair program contractors (Austin Housing Repair Coalition), Climate Plan Climate Ambassadors, and direct service organizations such as Family Eldercare, Caritas, Foundation Communities, Ladies of Charity and the Austin Tenant's Council. Meetings should be held in the community, accessible, near public transportation, accommodate work schedules and provide for children who may be in attendance. The community meetings should not seek input from anyone with a vested interest in the outcome of the plan, such as issue advocates, trade groups and vendors.

A final report should be provided no later than one year after the retention of the service provider. The report should be made to EUC, RMC and City Council and those bodies should hold Austin Energy accountable for implementing programs that address the recommendations of the meetings. Thereafter the EUC will annually review Austin Energy's progress in achieving these goals.

-- Electric Transportation

Austin Energy will pursue the Climate Protection Plan Goals and Austin Mobility Plan and expansion of Austin Energy revenue base by:

Supporting private-public partnerships that promote, market, and provide electric vehicle support to assist in the transition to electric transportation.

Support the City of Austin Fleet Services' electrification plan.

Evaluate equitable growth of public and private charging station deployments by offering rebates, operational support, outreach, and special public charging rates that includes support for limited-income populations.

-- Transmission Study

Commencing in 2020, Austin Energy will conduct a transmission study to assess the costs, benefits, technical and asset requirements of upgrading transmission resources to allow for the retirement of Austin Energy's existing natural gas generators as early as 2027, 2030 or as per the schedule set forth in this 2030 Plan. Austin Energy will also consider the viability of large-scale

energy storage units and local solar installations within the Austin Energy load-zone to mitigate transmission requirements and exposure to peak electric market risks. Austin Energy will report its findings to the EUC and City Council.

Recommendations for Further Study

Austin Energy will seek new opportunities by engaging in the following further research:

Study the technical and economic feasibility of investing in emerging technologies, including dispatchable renewable energy, distribution-level energy storage, transmission-level storage as a non-wire alternative to transmission facilities, aggregated demand response, and Vehicle-to-Grid.

Continue to study the costs, benefits, risks and potential rate impacts of achieving 100 -200 MW of electric storage.

Assess opportunities to accelerate Plug-In Electric Vehicle (PEV)-based demand-response capabilities, including limitation of the Electric Vehicle Supply Equipment (EVSE) rebate program to smart devices that have Wi-Fi or other acceptable communication capabilities, to encourage the deployment of equipment that enables peak shaving for PEV's.

Upon completion of its automated meter infrastructure rollout, Austin Energy will assess how to monitor the demand response achieved by smaller consumers and reward responsive consumers.

Explore how to utilize new technologies, including energy storage systems and connected appliances, to increase the amount of Demand Response that can be used to control peak demand.

Continue active participation in the development and deployment of smart-grid technologies, and continue with an active and leadership role in the Pecan Street Project and other partnerships.

Take the lead with other city departments, especially Austin Water, to maximize DSM and load shifting opportunities within City of Austin operations.

Austin Energy will continue to support utility industry organizations working to develop best practices to prevent methane and hydrocarbon leaks in natural gas fields and in pipelines.

Future Process

Austin Energy will conduct an update of this 2030 Plan in advance of its cost-of-service study in approximately five years from adoption of the 2030 Plan, or sooner if significant changes in technology or market conditions warrant. At the end of 2022 the EUC will decide whether there have been sufficient changes in circumstances that an interim update would be beneficial.

Austin Energy will provide an update every two years to the EUC, RMC and City Council reporting progress towards reaching established goals.

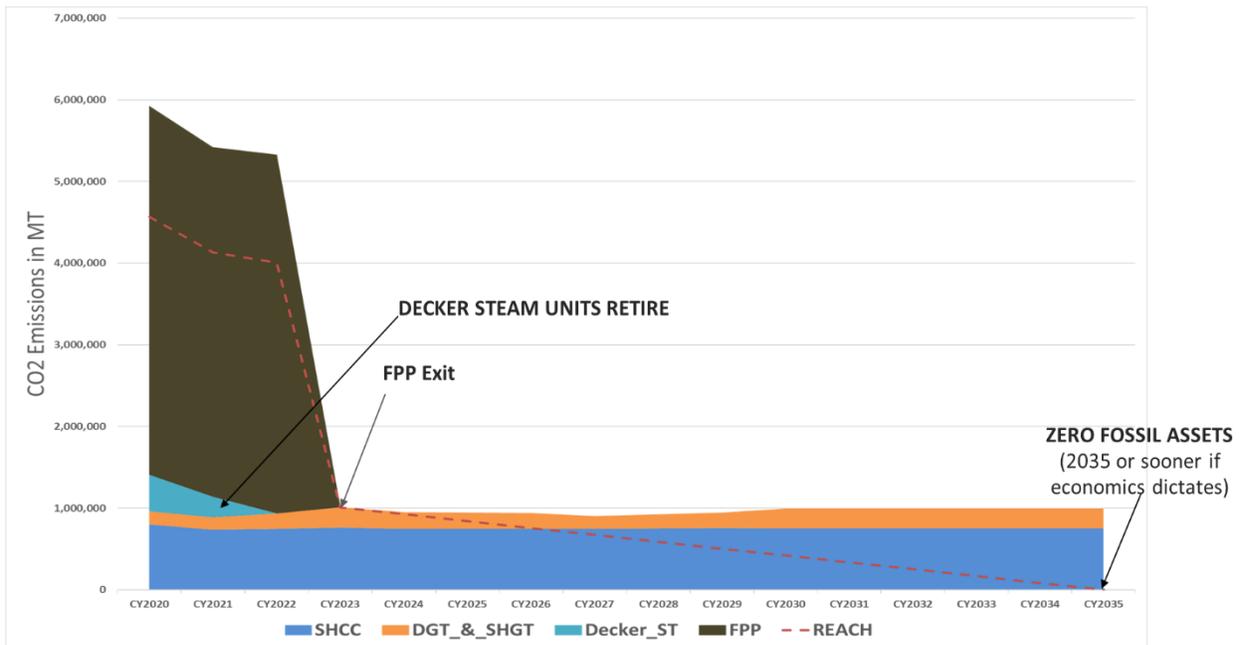
Austin Energy will work to ensure that future resource planning advisory or stakeholder groups include broad based customer representation, including representatives of residential and limited-income customer advocacy organizations and communities of color.

This 2030 Plan Was Unanimously Approved by the Members of the Austin Energy Generation Resource Working Group on March 5, 2020:

Cary Ferchill (Chair), Bob Batlan, Al Braden, Janee Briesemeister, Todd Davey, Leo Dielmann, Karen Hadden, Marty Hopkins, Ed Latson, Cyrus Reed, Ruby Roa, Luis Rodriguez, Kaiba White

Exhibit A to the 2030 Plan

Austin Energy Generation Emissions Projections*



Austin Energy Generation Emissions Projections in Metric Tonnes (MT)																
	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028	CY2029	CY2030	CY2031	CY2032	CY2033	CY2034	CY2035
Current Goals	5,928,016	5,419,359	5,328,741	1,011,916	952,147	945,250	940,819	905,102	923,256	946,587	994,288	994,288	994,288	994,288	994,288	994,288
REACH	4,570,050	4,133,072	4,008,219	1,011,274	927,001	842,729	758,456	674,183	589,910	505,637	421,364	337,091	252,819	168,546	84,273	0

*These are projections as of March 2020 and actual results for a given period may differ depending upon market conditions.

**AUSTIN ENERGY'S
2022 BASE RATE REVIEW**

§ **BEFORE THE CITY OF AUSTIN**
§
§ **IMPARTIAL HEARING EXAMINER**

**AUSTIN ENERGY'S RESPONSE TO SIERRA CLUB AND PUBLIC CITIZEN'S
FOURTH REQUEST FOR INFORMATION**

Austin Energy files this Response to Sierra Club and Public Citizen's ("SCPC") Fourth Request for Information ("RFI") submitted on June 3, 2022. Pursuant to the discovery deadlines established for Austin Energy's Amendment to the 2022 Base Rate Filing Package, filed on May 31, 2022, this Response is timely filed.¹

Respectfully submitted,

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**ATTORNEYS FOR THE CITY OF AUSTIN
D/B/A AUSTIN ENERGY**

¹ "Austin Energy will respond in writing to discovery requests related to the Amendment 7 days after the discovery request is submitted to the Rate Review Administrator." Austin Energy's Amendment to the 2022 Base Rate Filing Package (May 31, 2022).

SCPC 4-1: Please refer to Austin Energy’s May 31, 2022 Amendment to the Base Rate Filing Package. If Austin Energy’s proposed PRI-2 HLF class is approved, please explain the expected impact to revenues to the Customer Benefit Charge and Energy Efficiency Service fund, based on the proposed tariffs for CBC and EES as outlined in Appendix F of the rate package, and provide all supporting documentation.

ANSWER: The maximum revenue impact, assuming all eleven customers that currently qualify for the new proposed rate class sign contracts, is \$1.4 million in FY 2023. If fewer customers participate, the impact will be lower. Ultimately, any revenue shortfall will be offset by future Energy Efficiency Service Charges under-recovery adjustments.

Estimated EES rate*	0.00302
Qualifying PRI-2 HLF (kWh)	<u>470,100,556</u>
Total \$ reduction	<u>1,419,703.68</u>
* Includes \$4,000,000 for VoS Community Benefits in EES.	

Prepared by: JHO

Sponsored by: Brian Murphy

SCPC 4-2: Please refer to Austin Energy's May 31, 2022 Amendment to the Base Rate Filing Package at pages 3-4, which states, "larger customers generally have sophisticated energy management programs, often have corporate mandates to manage energy use, and are capable of implementing their own energy efficiency measures." Please identify the specific programs these large customers use and explain how those programs warrant exempting these large customers from the Energy Efficiency Service charge, and provide all documentation and analysis supporting that proposal.

ANSWER: Austin Energy does not require submission of energy efficiency customer project information or maintain specific information on commercial customers' energy efficiency programs.

The customers in the Primary 4 and Transmission 2 rate classes are already exempt from paying the Energy Efficiency Services portion of the Community Benefit Charge and do not receive the program benefits. The proposed PRI-2 HLF rate would extend the same exemption to qualifying customers within the Primary 2 rate class.

The customers that are eligible for the PRI-2 HLF rate own and operate their facilities, employ or contract their own energy management staff, and have the capital to invest in energy efficiency projects when economic. Their energy management staff is responsible for ongoing review, evaluation, design, and implementation of energy efficiency measures for operational cost reduction. Additionally, they are specifically assigned to an Austin Energy Key Account Manager to assist them with their energy evaluation, billing, and utility service needs.

Prepared by: RG / MD

Sponsored by: Richard Génécé

SCPC 4-3: Confirm that the efficiency measures that Austin Energy funds through the Energy Efficiency Service program, including, but not limited to, demand response, energy efficiency and onsite solar projects, reduce costs for all customers, including large customers under the PRI-2 HLF rate option. If not confirmed, provide all documentation supporting the assertion that those efficiency programs do not reduce costs for all customers.

ANSWER: In the short-term, the Customer Energy Solutions programs described reduce costs for all customers through savings from transmission cost allocation avoidance from ERCOT as a result of reduction of peak and Austin Energy's load share ratio. Additionally, customers who directly lower energy consumption experience cost reductions. In the long term, demand that would have been imposed on the system but for the demand savings from participation in energy efficiency programs would enable Austin Energy to avoid or defer certain distribution capacity investments that otherwise would have been made. Because distribution capacity costs are allocated broadly among customers, avoided or deferred capacity costs reduce costs for all customers in classes who take service from that type of system capacity, and in this scenario many customers may benefit from the programs. If Austin Energy's costs of the energy efficiency, on-site solar, etc., programs are less than the avoided system costs, then customers may benefit economically. If the accumulated costs of these programs to Austin Energy is greater than the avoided system capacity costs, then customers will be economically harmed. Any savings or additional costs are dependent on the efficiency and effectiveness of the programs.

Prepared by: JHO / RG

Sponsored by: Richard Génece

SCPC 4-5: Would customers in the PRI-2 HLF rate option be able to take advantage of value of solar payments if they added onsite solar? If not, explain whether they would be prohibited because value of solar payments are paid out of the Energy Efficiency Service charges and they do not pay those charges, and any additional reasons?

ANSWER: Yes. As currently designed, the PRI-2 HLF rate option is eligible to receive Value of Solar credits.

Prepared by: JHO

Sponsored by: Richard Génécé