

**TESTIMONY OF CAROL BIEDRZYCKI**  
**TEXAS ROSE (RATEPAYERS' ORGANIZATION TO SAVE ENERGY**  
**DISCUSSION OF RESIDENTIAL RATE RECOMMENDATIONS AND RATE OPTIONS**  
**CITY OF AUSTIN**  
**ELECTRIC UTILITY COMMISSION**  
**September 19, 2011**

**I. INTRODUCTION**

My name is Carol Biedrzycki. I am the executive director of Texas ROSE (Ratepayers' Organization to Save Energy). My organization is a statewide organization that works for affordable electricity and a healthy environment. I have been with the organization since 1992 and have served as an expert witness in electric utility rate cases, and participated in energy efficiency rule making proceedings at the Public Utility Commission of Texas (PUC). Prior to being at Texas ROSE I was employed at both the PUC and the Governor's Energy Management Center that served as the state energy office. I have been a customer of Austin Energy (AE) since 1985.

Texas ROSE has been working closely with other groups in the community and AE customers to make recommendations that will allow AE to maintain financial integrity and allow for the expansion of energy efficiency programs and services to low and moderate income residential consumers and renters. We also support the comments of the panelists on cost of service, rate design and low-income programs.

**II. PURPOSE OF TESTIMONY**

I believe there are deficiencies in AE's rate request that need to be corrected before moving forward in this proceeding. These deficiencies include a lack of information about how low and moderate income customers and renters will be provided energy efficiency services under the new rates and the absence of fiduciary processes

to monitor and reconcile the proposed energy efficiency cost pass-through. These same deficiencies conceptually apply to the Customer Assistance Program (CAP) which is being covered by the low-income program panel.

In my experience a rate case is a forum where the parties examine the way money has been spent in the past and how it will be spent in the future. The rates approved are based on past experience and future plans. In this rate case proceeding we are being given information about how much money AE is seeking to collect from ratepayers without being given a plan for how the money will be spent. When questioned regarding future plans for CAP and Low-Income Weatherization Program funding AE responded that both questions were outside of the scope of this rate review.<sup>1</sup> If this is the way the system is supposed to work, the public has no say in this process. I hope that the presentations made this evening about making electricity affordable to all customers and investing in energy efficiency for the future will convince you that there is more work to be done before this rate increase proposal is recommended to city council. I offer the following testimony on the need for more targeted energy efficiency programs and the energy efficiency cost recovery factor.

### III. ENERGY EFFICIENCY PROGRAMS

On September 12, 2011 I filed comments to the EUC documenting the need for energy efficiency programs to lower electric bills for customers with low and moderate incomes. I will not repeat the comments here but the data presented shows that 12 percent or 46,600 households have income at or below the federal poverty guideline. Those with income below 50 percent of the federal poverty guideline pay almost 40 percent of total household income for electricity compared to 2.72 percent for all

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<sup>1</sup> See responses to CB2.2 and CB2.22.

residential customers. Over a third of the population, about 120,000 households have incomes that allow them to barely scrape by and they have no discretionary income. Over half of all households live in rental property and apartments. There is little funding dedicated to the Weatherization Program serving the poorest households and no energy efficiency funding dedicated to those with moderate incomes and renters.

Energy efficiency programs also create jobs. Studies of the low-income weatherization program estimate that between 17 and 26 jobs are created for every \$1 million invested.<sup>2</sup> The program increases purchases of materials and equipment from local businesses. The money people save on their electric bills will be spent on other goods and services. Energy efficiency programs create jobs in the service area where they are most beneficial to the local community. Energy efficiency programs are economic development in addition to energy saving and carbon reduction programs.

The city's own website<sup>3</sup> confirms in an August 2011 report that there is a true need in the city for the Weatherization program and it creates jobs.

"Austin Energy has been able to process 1925 qualified applications to date and 1056 jobs have been completed and reported to TDHCA: Contractors have been assigned 1376 homes to be weatherized; 1122 of these jobs have had a final inspection. 400 jobs/homes are pending assigned to contractors to begin weatherization work. There is an estimated back log of 132 applications for homes/duplexes requesting assistance from the Weatherization Assistance Program. For the first quarter the WAP program reported 21.15 full-time equivalent positions and

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<sup>2</sup> Texas Impact, It Ain't Over Till It's Over, The Texas Legislature and the American Reinvestment and Recovery Act, March 2011.

<sup>3</sup> <http://www.ci.austin.tx.us/stimulus/weatherization.htm>

this includes AE staff, contractors, and sub-contractors. In April the program was awarded an additional \$2.1 million in funding to continue weatherization efforts. Austin Energy has until December 2011 to expend all ARRA grant funding (\$8,090,874), with the additional funding, AE's new goal is to weatherize 1500 units.

The AE Weatherization Team is working with 24 vendors to conduct initial assessments, weatherization construction measures and final inspections of eligible homes. Contractors have weatherized 70 homes, 294 homes are in progress and 87 homes have been assigned to contractors to begin weatherization work. There is a back log of 286 qualified homes for the Weatherization Assistance Program.

Job Creation: It is expected that this program will create and/or retain approximately 120 jobs.”

Despite these impressive numbers and the clear need for more resources for energy efficiency for moderate income customers and rental properties AE is seeking approval of a pass-through of energy efficiency costs without making any plan to continue the stimulus weatherization funding level and expanding programs for moderate income customers and renters. As documented in my previous comments these are recommendations approved by city council nearly two years ago in the November 2009 generation resource plan. If approved AE's rate proposal is approved as submitted, funding for the Low -Income Weatherization program will be reduced from over \$5 million to \$849,850 on January 1, 2012. A successful utility like AE should be spending more to provide energy efficiency programs to low-income customers.

I do not recommend moving forward with approving the energy efficiency proposal until we are assured that there are sufficient programs to benefit low and moderate income households and renters.

#### IV. ENERGY EFFICIENCY COST PASS-THROUGH

In this rate proposal AE is asking that specific costs no longer be collected in base rates. Instead they would be collected as a “pass-through.” Energy efficiency is one of those costs. A pass-through is not in the interests of consumers as this arrangement fails to take into account the total revenue collected by the utility as a whole and the synergy of fluctuating costs throughout the utility’s operations. Such a situation allows a utility to over-recover costs unnecessarily increasing rates. Furthermore, AE has no plan for monitoring the accounts and reconciling the revenue collected with expenditures and the program results.<sup>4</sup> AE plans for these new rates and charges to be effective on January 1, 2012. This rate increase is scheduled for approval in December 2011. Consequently, the pass-throughs will go into effect prior to AE identifying how the accounts will be managed. This is a serious deficiency in the proposal as proper monitoring requires the process and needed data to be identified prior to implementation to assure that necessary information is available when the reviews are being held. There are millions of dollars in revenue and expenditures involved in the pass-through proposals with no firm plan for oversight.

AE is relying on “precedent” set by the PUC in its energy efficiency cost recovery rules where the oversight problem exists even though the PUC rule caps the amount of

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<sup>4</sup> See response to CB2.12 in regard to the pass-through for CAP which I assume applies to the energy efficiency pass-through as well.

the annual increase allowed. In AE's proposal I see no cap or restriction on how often and how much the pass-through can increase without formal city council approval.

The rules which have been in effect for more than three years leave the PUC in the situation we are asking AE to avoid. At the PUC there is no substantive review process for energy efficiency revenue and expenditures. The PUC has initiated a rulemaking under Project No. 39674 regarding energy efficiency. One of the issues being addressed in the rule amendments is the need for a review of program operations and costs.

The new rules are necessary because the initial rule proposal was written without developing a plan for how the program expenditures and program performance would be reviewed with public input. The PUC determined that a review of the costs and programs were outside of the scope of the rate case proceeding as has AE. The industry succeeded in having a program review ruled as outside of the scope of the annual energy efficiency plans and the annual energy efficiency cost recovery filings. It is now time for the three year reconciliation proceeding. Because there are no rules or guidelines as to how these reviews should be conducted the reconciliation has been delayed for another year pending the development of rules for the conduct and content of the review.

Like the PUC AE is removing energy efficiency costs from base rates so that in the future they may pass cost increases through. The city council and the PUC are in the same position as the PUC a few years ago. Austin should learn from the PUC's experience and assure consumers that the rules of the pass-through are in place prior to making any change that permits pass-throughs. Ratepayers would benefit from the

adoption of a separate ordinance requiring an annual review of the programs and expenditures to assure that costs are not over recovered and that the funds are being spent on the most needed and most beneficial programs.

## V. SUMMARY RECOMMENDATIONS

The information provided in this rate increase proposal is deficient. There are no plans for future expenditure of energy efficiency funds indicating compliance with the generation resource plan approved in 2009. In addition, the cost pass-through proposals provide no process for amending the proposed new cost pass-through, reviewing costs and expenditures and collecting data for future reviews. Thus, the recommendation of Texas ROSE is for the EUC to advise city council to maintain the current rate design until the following steps are taken:

- a five year plan for energy efficiency is developed and approved by city council implementing the recommendations of the generation resource plan, and
- a separate ordinance is adopted defining how an energy efficiency cost pass-through would be implemented defining allowable costs and monitoring and review procedures that include public input.

I appreciate the opportunity to speak on this panel today and urge the EUC to seriously consider this testimony and look favorably on our recommendations.

Respectfully submitted by:

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**COMMENTS OF TEXAS RATEPAYERS' ORGANIZATION TO SAVE ENERGY  
TO THE CITY OF AUSTIN ELECTRIC UTILITY COMMISSION  
ON THE REQUEST FOR RATE INCREASE BY AUSTIN ENERGY  
September 12, 2011**

**INTRODUCTION**

Texas ROSE (Ratepayers' Organization to Save Energy) submits these comments to the Electric Utility Commission (EUC) in advance of the September 19<sup>th</sup> Electric Utility Commission hearing on the request of Austin Energy (AE) for a rate increase. These comments are related to the Customer Assistance Program (CAP) and energy efficiency. However, these two topic areas are not our only concerns with the proposal. Texas ROSE signed on to a letter sent to city council on August 3, 2011 and is supportive of the comments on cost of service and rate design filed by TLSC and the comments of other groups in the community that are consistent with the policies set forth in the letter.

**II. GENERAL COMMENTS**

Many groups in Austin are concerned about the effects of the rate increase on the low and moderate income population and the availability of energy efficiency programs for those who lack the income to invest in energy efficiency. Although most individuals are unfamiliar with the process of changing rates they are familiar with their electricity use and bills and what they believe is a fundamental sense of fairness in the types of services provided and how the costs are allocated to AE's customers. Over the past year AE has been aggressive in providing information about what it needs in this rate increase. However, there has been little effort by AE to introduce the ideas of its



customers into the public presentation of how the needs of the community should be met and how they should be paid for.

To provide a perspective on the income levels referenced in these comments the federal poverty guideline and income caps applied to federal programs is provided below from the LIHEAP Clearinghouse website.

## **2011/2012 HHS Poverty Guidelines**

For all states (except Alaska and Hawaii) and for the District of Columbia

<b>Size of family unit</b>	<b>100 Percent of Poverty</b>	<b>116 Percent of Poverty</b>	<b>150 Percent of Poverty</b>	<b>200 Percent of Poverty</b>
1	\$10,890	\$12,632	\$16,335	\$21,780
2	\$14,710	\$17,064	\$22,065	\$29,420
3	\$18,530	\$21,495	\$27,795	\$37,060
4	\$22,350	\$25,926	\$33,525	\$44,700
5	\$26,170	\$30,357	\$39,255	\$52,340
6	\$29,990	\$34,788	\$44,985	\$59,980
7	\$33,810	\$39,220	\$50,715	\$67,620
8	\$37,630	\$43,651	\$56,445	\$75,260

For family units with more than 8 members, add \$4,431 for each additional person at 116 percent of poverty.

Note: For optional use in FFY 2011 and mandatory use in FFY 2012

It is difficult to comment specifically on the rate increase request. We have had little time to review the proposal as it now stands and we have no additional information. We have submitted requests today for additional information. We will not receive the information from AE until the September 19<sup>th</sup> hearing. There is little time for vetting the additional information needed by the community and the proposed effective date of

January 1, 2012. This is a very short window for officially considering the viewpoints of members of the community at-large. We appreciate the opportunity to present these comments to the EUC and urge your favorable consideration.

The requested rate increase is still a “work in progress” and we have requested additional information on:

- The benefits that would be delivered to those enrolled in the customer assistance program, the size of the eligible population and how customers would be enrolled.
- The commitments being made to fund low-income weatherization and a weatherization program for customers with income between 200 and 400 percent of the federal poverty guideline.
- How accounts for surcharges added to bills for CAP and energy efficiency programs will be budgeted, monitored and reconciled to assure that the funds are used for dedicated purposes and how funds over recovered by AE would be returned to customers.

The following comments address each of these three issue areas.

### **III. Customer Assistance Program**

Based on information received outside of this rate review process we understand the following facts about the CAP.

- In 2009 the CAP program was severely under subscribed with the City having an estimated 28,000 eligible participants and under 5,000 families enrolled.
- Enrollment increased because of a direct mail campaign and the implementation of a modified automatic enrollment system that was to be used until April 2011

when the new AE billing system was scheduled to come on line but was delayed.<sup>1</sup>

- In January 2011 AE was providing CAP benefits to 9,949 customers at an annual cost of \$4.69 million with an average benefit per year of \$471.41 or \$39.29 per month.<sup>2</sup>

On page 116 of its rate increase request AE identifies two metrics for CAP.

These are:

- Increase funding by at least 100 percent to increase the numbers of customers receiving assistance.
- Provide a Customer Assistance Program discount of \$25 per month.

AE proposes to increase funding by at least 100 percent to increase the number of customers receiving assistance. We would prefer that AE begin by identifying the eligible population and base the amount spent on that need. Furthermore, a benefit of \$25 per month is inappropriate and is unjust and unreasonable. The proposed \$25 per month is substantially less than the average benefit under existing rates which we believe to be just over \$39.00 per month. In effect a reduction in CAP benefits is an additional rate increase of \$14 per month.

The reduction in CAP benefits must be added to the amount of the rate increase that will be experienced by CAP recipients. Almost surely CAP recipients will experience the highest monthly bill increases on the system as a result of the proposed changes in rates. The highest increases should not fall upon those least able to pay. To the contrary we recommend that AE increase the average dollar amount of the

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<sup>1</sup> At the August EUC meeting AE reported that the system was up and running but we have had no report that the full automatic enrollment system is in place.

<sup>2</sup> Attachment to E-mail from Ronnie Mendoza to the Customer Assistance Group dated February 2, 2011.

benefit for the CAP by a percentage that is no less than the percentage amount of the system increase.

#### **IV. ENERGY EFFICIENCY PROGRAMS**

Even though AE is highly regarded for its energy efficiency efforts we believe the utility can place a higher priority on funding cost-effective energy efficiency opportunities. AE's energy efficiency programs should do a better job of meeting the needs of low and moderate income households and renters.

According to a recent study conducted by the Economic Policy Institute a family of four in the Austin-San Marcos area must earn \$43,580 to make ends meet. Under federal guidelines (for that time period), the same families are considered to live in poverty at \$19,350. Over a third or close to 120,000 Austin households have incomes at or below \$43,580 and are scraping to make ends meet.

Increasing energy efficiency in homes and apartments is the least costly way for AE to serve the needs of its electric customers. Growth of the energy efficiency resource was the number one unanimous recommendation of the Generation Resource Planning Task Force dated November 2009 approved by City Council. Energy efficiency investment is also consistent with Austin's climate protection goals. Most importantly energy efficiency permanently reduces electricity use. It is the only resource alternative that addresses the root cause of the inability of low and moderate income consumers to pay utility bills -- old, energy-inefficient housing stock. This program also should have a positive effect on AE's collectibles. Studies have shown that weatherization decreases a utility's bad debt level.

Programs to improve the energy efficiency of low and moderate income residential consumers should be AE's highest resource priority. We hope that you will recommend that the increases in energy efficiency spending be implemented as outlined in the Generation Resource Planning Task Force Report in this rate increase proceeding.

On August 12 we submitted comments to the EUC on market metrics or policy guidelines that we believe should be followed in making decisions regarding this rate increase. Conspicuously absent from the market metrics proposed by AE is a metric regarding energy efficiency which we believe should be encouraged in the rate design and in energy efficiency program decisions as energy efficiency can profoundly impact the affordability of electricity for families and individuals living in the service territory.

The goals of achieving energy efficiency and reducing air emissions have led some AE customers to significantly change their electricity usage patterns. For some customers, this has resulted in increased usage caused by the purchases of electric cars. For other customers, the goal has resulted in substantial decreases in usage brought on by the adaption of direct generation technology into their household utility service. Rates should be designed for these two subsets of residential customers. These special rates should be designed to fully recover the cost of utility systems put in place to serve these customers. In addition, the rate should be designed to encourage off peak electricity use.

Our added policy recommendations to encourage energy efficiency are as follows:

### Encourage Energy Efficiency

1. The expected percentage increase in rates should be applied in a progressive fashion within each class, i.e. should increase with increasing consumption, so that the larger users within each class should bear a larger percentage of the increase in rates; and
2. The new rates should promote consumer choices that result in the most effective and efficient implementation of energy conservation measures by consumers and provide an incentive for above average users within each class to reduce consumption.
3. The new rates should include alternative rate designs for specific residential customers with substantial usage patterns differences (i.e., distributed generation, electric cars) within the residential customer class.

Energy efficiency is a cornerstone of making utilities affordable to all consumers. The affordability guideline established by AE neglects to recognize and promote energy efficiency as a strategy for providing affordable electricity. Thus we have recommended that this metric be amended to support the affordability goal established in the generation plan which includes energy efficiency. The goals of the generation plan are consistent with the desired outcome of reducing bill impact on those least able to pay. We recommend the guideline be amended to support funding for low-income weatherization, energy efficiency retrofit in rental housing, and energy efficiency programs for households at 200 to 400% of the federal poverty guideline.

Data provided in a study conducted by AE as a result of the Generation Task Force Report supports our position.<sup>3</sup> The study shows that 12 percent or 46,600 households have income at or below the federal poverty guideline. Those with income below 50 percent of the federal poverty guideline pay almost 40 percent of total household income for electricity compared to 2.72 percent for all residential customers.

Other findings that are significant to decisions regarding energy efficiency programs for low-income and moderate income families include the following:

- Preliminary analysis suggests that homes that participate under free weatherization achieved an average savings of about 800 kWh per year. Assuming the current residential rate structure, that would equate to a savings of roughly \$80-\$100 per year.
- While median bills tend to be lower for renter-occupied households, the percentage of their income spent on electricity tends to be higher. This effect is likely masking income effects since – all things being equal – renter-occupied households have lower average incomes than do owner-occupied households.
- Statewide, median electricity burden for single-headed households and three children is 2.5 times greater than electricity burden for households with one person.

There is a genuine long term need for energy efficiency programs for families that lack the income to pay for energy efficiency improvements. At the rate of 5,000 units per year, it would take 9.28 years to making energy efficiency available to households currently living at or below the federal poverty guideline. The

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<sup>3</sup> AUSTIN ENERGY, DISTRIBUTED ENERGY SERVICES, MARKET RESEARCH & PRODUCT DEVELOPMENT, RESIDENTIAL ELECTRICITY BURDEN AN INVESTIGATION OF AMERICAN COMMUNITY SURVEY DATA, (2006-2008), AUSTIN ENERGY, NOVEMBER 5, 2010.

weatherization program currently serves households with income up to 200 percent of the federal poverty guideline. The AE study reports that 27 percent of all households or 102,951 households fall within this income category. Thus, our recommendations are modest in comparison to the need.

The metrics proposed by AE on page 16 of the rate increase request includes metrics for controlling future rate increase and residential customer bill increases. The metrics do not, however, recognize the role that energy efficiency can play in reducing bills for consumers and decreasing load and costs on the AE system.

We are requesting that the EUC add the following energy efficiency policy guidelines and metrics to the list included on page 16.

1. Dedicate a minimum of \$2.9 million or 20 percent of the energy efficiency budget (whichever is the greater of the two amounts) to low-income weatherization.
2. Dedicate a minimum of 20 percent of the energy efficiency budget for energy efficiency retrofit in rental property, and 20 percent of the energy efficiency budget for energy efficiency retrofit for families with income at 200% to 400% of the federal poverty guideline.

## **V. SURCHARGES**

Even though AE is vague about the programs and services it is planning to provide to vulnerable customers it is clear about the need to add surcharges, referred to as pass-throughs to the bills of customers for providing those services. The use of surcharges instead of systemwide rates will have the effect of increasing bills as they do



in the telephone industry. Everyone has experienced the phenomenon seeing \$17.00 worth of telephone service turn into a \$28.00 bill.

The use of surcharges will give AE the ability to pass through increases in costs without the opportunity to review the total operations of the system. This situation would allow a surcharge for one purpose to increase when costs for other purposes have decreased. Surcharges are not in the best interests of residential and low income customers and the objective of keeping AE's rates affordable.

While AE proposes surcharges it is unclear how these funds will be monitored to assure that they are used for their intended purposes. There are no guidelines as to the specific costs that are eligible for pass through in each of the proposed surcharges. Also lacking are reconciliation proceedings to make sure the surcharges collect only the amount required to carry out the purpose. Should there be an over recovery of costs there is no procedure proposed for refunding the overcharges to the customers who paid them.

We have asked questions of AE about the surcharges and look forward to hearing the responses on September 19<sup>th</sup>.

## **VI. DECISION POINT LIST**

Because of a lack of information it is difficult to pinpoint our recommendations. The Decision Point List (DPL) was prepared by AE to organize discussion of the issues by the EUC and City Council. The DPL should be substantially revised before it becomes a working document. For example, the first point on the list is to "achieve revenue requirement." We would prefer that the first decision point to be "amount of

revenue requirement” as there is some questions as to what that number should be. Overall, the DPL could be more neutral in the presentation of the issues on the list.

Specifically, we are requesting that the EUC add issues to the DPL to assure that our issues are addressed as set forth in these comments. These issues include:

- Should the amount of the CAP benefit per household be decreased?
- Should the eligibility requirements for CAP be amended?
- How many households should be targeted to receive CAP?
- What level of funding should be provided for low-income weatherization?
- What level of funding should be provided for an energy efficiency program targeted to households with income between 200 and 400 percent of the federal poverty guideline?
- What level of funding should be provided to provide energy efficiency programs to renters?
- Is it appropriate to recover revenue from residential customers through surcharges?
- For what purposes should they be permitted?
- How will the surcharge accounts be reconciled?
- What process should be followed if and when costs are over recovered?

## **VI. SUMMARY AND CONCLUSIONS**

Texas ROSE appreciates the opportunity to file these comments. Texas ROSE also fully supports the comments filed by Texas Legal Services Center. We urge you to fully weigh our recommendations which we believe are in the best interests of AE consumers and the city. As always we are looking forward to reviewing the comments

filed by others and working together with others in the community to resolve these issues to the best advantage of residential and low-income consumers.

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# Resource Conservation Contractor's Association – Input for AE Rate Review

RCCA contains some of Austin's leading energy efficiency contractors who helped pioneer the “Whole House” approach.

# RCCA

What we support:

- Customer charge that is less than double the current one
- Energy efficiency charge
- Other bill charges to be low so volumetric rate structure rewards proactive decision making and energy efficiency purchases are incentivized.

# RCCA

We support:

- BIP Cost Allocation Method
- 5-tier rate structure
- Rate design that sends a strong signal for efficiency and conservation at the highest tier

# RCCA

Our concerns:

- The energy efficiency budget has been reduced. In our opinion, it should never be reduced even when the existing rate structure is inadequate because energy efficiency funding has multiple economic benefits (permanently lowers bills, avoided cost of power generation, rebate funding multiplies its value as spending and employment opportunities are created).

# RCCA

- Demand for energy efficiency products/services are weak. A rate increase has to be balanced to incent purchases for energy efficiency coupled with creative, new program offerings.
- AE's revenue needs may be effected by costly, existing generation assets/contracts.



# RCCA

## Question:

- Would the proposed Energy Efficiency Charge's revenue provide the same or greater funding for energy efficiency in future budgets as it does in the FY '11 budget?