

WHEREAS, the City Council is committed to maintaining the long-term financial strength of Austin Energy as well as maintaining affordability for residents; and

WHEREAS, Austin Energy's base electric rates were last adjusted in 1994, and since then Austin Energy has experienced significant system growth, program expansion, and increases in the costs of materials and labor; and

WHEREAS, Austin Energy has proposed significant changes to its cost of service and to its rate design, resulting in material shifts in proposed rates to customer classes and to individual ratepayers within the customer classes; and

WHEREAS, Austin Energy's proposed rate structure (as revised on February 2, 2012) would represent a dramatic increase for most ratepayers, with particular impact on residents, small businesses, schools, and the faith community; and

WHEREAS, key financial policies and assumptions underlie the Austin Energy proposed rate increase, including elements of the revenue requirement, the cost allocation methodology, and the rate design; and

WHEREAS, some members of the Electric Utility Commission and many members of the community have voiced strenuous objection to the assumptions and financial policies embedded in the proposed rate design; and

WHEREAS, the Residential Rate Advisor hired by Austin Energy suggested on January 17, 2012, the following, along with other options, for Council to consider:

- applying a short-term, across-the-board rate hike;

- directing Austin Energy to review its line extension policy prior to completion of the rate filing; and

- instructing Austin Energy to redo the rates using 2011 revenue and expense data;

WHEREAS, it is the responsibility of the City Council to set policy and goals for Austin Energy; and

WHEREAS, the City Council needs more time to evaluate the complex assumptions underlying the rate proposal and to make informed policy decisions that will enable the utility to craft rates equitable to all customer classes; and

WHEREAS, Austin Energy has proposed to implement a rate increase before the 2012 summer months to ensure that the utility remains financially secure and sound;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

That the City Manager is directed to prepare an ordinance that would implement an effective annual system-wide revenue increase of \$35 million and to bring that ordinance to Council for consideration at its May 24 regular meeting. The increase shall be applied to the existing rate structure and uniformly across customer classes, to the extent not inconsistent with an existing service contract; provided that no customer class shall receive a percentage increase exceeding that proposed in the December 14 staff rate proposal. The proposed rate increase should take effect no sooner than June 1, 2012.

That the City Council adopts the schedule described in Attachment A.

That the City Manager engage an independent consumer advocate to represent the interests of residential, low income, and small business consumers (as described in Attachment B) and to consult with the Council and City Manager during the work plan process.

That the City Manager, in all deliberate haste, develop and bring to Council for consideration a revised final rate proposal that reflects the policy direction determined by Council during the work-plan process and is based on 2011 revenue data.

That the City Manager shall ensure Austin Energy's billing system is corrected and operating properly prior to implementing a final rate structure.