

**CITIZENS COMMUNICATION OF CAROL BIEDRZYCKI
AUSTIN ENERGY UTILITY OVERSIGHT COMMITTEE MEETING
March 28, 2016**

The Residential Service Pilot Programs you approved as a part of the 2016 budget are experimental rates based on time of use, prepaid service, and electrical vehicle charging. See copy attached.

If I had known about this tariff during the budget process I would have asked you not to approve it. Leading consumer organizations, including the National Consumer Law Center have opposed prepaid electricity service. See Executive Summary of "Rethinking Utility Service" attached. I also would have recommended that a public discussion be held about all three of the pilot projects before any decision was made to move forward. These pilot rates may be bad products or need to be thought through to a greater extent to assure the rate would benefit and not cause harm to residential and low and low moderate income customers.

I submitted a public information request to research the process by which the tariff was reviewed by boards and commissions before it was included in the budget. I am awaiting a response. This tariff would have been under development by Austin Energy when the Low-Income Consumer Advisory Task Force was meeting and may have been of interest to the Resource Management Commission, Electric Utility Commission and the City Council Committees that oversee public utilities and Austin Energy. I am unaware of any submission for approval outside of the budget process where it would be easy to lose sight of a new experimental tariff amidst all the detail that makes up the city's budget.

Customers who are involved in the time-of-use rate pilot must enroll for at least 12 months and if they want to leave early they could be charged a \$250 termination fee. Customers should be free to leave the program at any time if they find the time of use rate schedule is costing them more than standard rates.

My greatest concern is the proposed prepaid service pilot. Prepaid service is bad public policy. It creates a second class of residential customers who can be disconnected anytime their prepaid account balance runs low. The disconnection can occur after a notice provide by cell phone text or email. If a customer's account runs low on Wednesday and the customer doesn't get paid until Friday disconnection may be the customer's only option.

Many aspects of the prepaid pilot deserve a more thorough review. These include:

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- Impacts on non-CAP low income customers and low moderate income customers. Please note that CAP customers are ineligible for prepaid service.
- Disconnection procedures and fees,
- How customers will volunteer for the pilot,
- Metering issues,
- How a prepaid customers would transition back to postpaid service

In the rate case, Austin Energy provided a discovery response explaining that "[t]he Prepaid Working Committee is currently reviewing best practices about fees and other aspects of the programs."¹ See copy attached. Yet Austin Energy also claims it is ready to begin the pilot on April 1st. This kind of pilot program can have far reaching and long-lasting implications. It should be designed, planned for and carried out in an open public process. I am asking you to prevent this pilot program from beginning on April 1st and fully vetting the many issues and aspects of the tariffs that could harm residential and low and low moderate income customers served by Austin Energy.

Thank you for this opportunity to speak to you about this important issue.

¹ Austin Energy's Response to Austin Energy's Low-Income Customer's 2nd RFI, AELIC 2-12.

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

January 25, 2016



Residential Service Pilot Programs

Application:

These pilot programs' rate schedules apply to electric service for domestic purposes in each individual metered residence, apartment unit, mobile home, or other dwelling unit whose point of delivery is located within the limits of Austin Energy's service territory. The appropriate General Service schedules applies where a portion of the dwelling unit is used for either: a) conducting a business or other non-domestic purposes, unless such use qualifies as a home occupation pursuant to City Code Chapter 25-2-900; or b) for separately-metered uses at the same premises, including, but not limited to: water wells, gates, barns, garages, boat docks, pools, and lighting. These rates apply to secondary voltage less than 12,470 volts nominal line to line.

Each rate schedule will be limited to a participation of 100 individual meters on a first-come, first-served basis, unless stated otherwise on their applicable rate schedule. Austin Energy may administratively suspend availability of these pilot programs at any time or append full participation.

Character of Service:

Service is provided under these rate schedules pursuant to City Code Chapter 15-9 (*Utility Service Regulations*) and the City of Austin Utility Criteria Manual, as both may be amended from time to time, and such other rules and regulations as may be prescribed by the City of Austin. Electric service of one standard character will be delivered to one point of service on the customer's premises and measured through one meter unless, at Austin Energy's sole discretion, additional metering is required. In case of a conflict, the terms and conditions for each of the pilot programs as laid out in their appropriate rate schedules govern.

Terms and Conditions:

Customers shall permit Austin Energy to install all equipment necessary for metering and permit reasonable access to all electric service facilities installed by Austin Energy for inspection, maintenance, repair, removal, or data recording purposes. All non-kilowatt-hour charges under these rate schedules shall remain unaffected by the application of a rider(s).

Pilot programs availability is contingent upon Austin Energy's operational feasibility, system configuration, availability of appropriate meters, and the customer's premise. Customers selecting these rate options are not eligible to participate in levelized billing. The rate tables below reflect rates with an effective date of October 1, 2016. For information on rates (*i.e.*, power supply adjustment, community benefit, and regulatory) prior to this effective date, please see corresponding schedules in this tariff (if applicable). For definition of charges listed below, see "Glossary of Terms" at the back of this tariff.

Customers are advised to conduct their own independent research before making any decisions because of the availability of these temporary pilot programs. If a customer elects to participation in any of the programs, the customer also agrees to participate in Austin Energy's load research efforts by allowing the customer's data to be collected. Austin Energy's use of such load research data will be strictly limited to the provision of electric service. Austin Energy will not disclose, share, rent, lease, or sell such data to any third party or affiliate for any other purpose, without the customer's express written consent. Customers selecting this option are not eligible to participate in levelized billing.

Discounts:

Residential customers who receive, or who reside with a household member who receives, assistance from the Comprehensive Energy Assistance Program (CEAP), Travis County Hospital District Medical Assistance Program (MAP), Supplemental Security Income Program (SSI), Medicaid, Veterans Affairs

Supportive Housing (VASH), the Supplemental Nutritional Assistance Program (SNAP), the Children's Health Insurance Program (CHIP), or the Telephone Lifeline Program are eligible for a discount under the Customer Assistance Program (CAP). The priority for program funding is CEAP, MAP, SSI, Medicaid, VASH, and SNAP followed by CHIP and then Telephone Lifeline recipients. Eligible residential customers will be automatically enrolled in the discount program through a third-party matching process, with self-enrollment also available directly through Austin Energy.

Customers enrolled in the discount program are exempt from the monthly Customer Charge and the CAP component of the Community Benefit Charge and shall receive a 10 percent bill reduction on kilowatt-hour-based charges, unless stated otherwise on their applicable rate schedule. Customers in the discount program, as well as other low income and disadvantaged residential customers, may be eligible for bill payment assistance through Plus 1 and for free weatherization assistance.

Rider Schedules:

Services under these rate schedules are eligible for application of GreenChoice Energy (Rider) and Value-Of-Solar (Rider), unless stated otherwise on their applicable rate schedule. Application of GreenChoice® Energy (Rider) will be applied to all energy consumption in addition to applicable power and fuel charges.

Time-Of-Use Rates

In lieu of the Standard Rates under the Residential Service rate schedule, customers receiving service under this rate schedule may choose the following time-of-use charges to be applied for a term of no less than twelve (12) consecutive billing cycles, otherwise, an early termination fee of \$250.00 will be applied; at Austin Energy's sole discretion the fee could be waived.

Fuel Periods:

| Weekdays | |
|-----------------|---|
| <i>Off-Peak</i> | 10:00 P.M. – 7:00 A.M. |
| <i>Mid-Peak</i> | 7:00 A.M. – 3:00 P.M., 6:00 P.M. – 10:00 P.M. |
| <i>On-Peak</i> | 3:00 P.M. – 6:00 P.M. |
| Weekends | |
| <i>Off-Peak</i> | Entire Day |

Time-Of-Use Charges

| | Summer (June through September) | Non-Summer (October through May) |
|---------------------------------|---|--|
| Basic Charges (\$/month) | | |
| <i>Customer</i> | \$10.00 | \$10.00 |
| <i>Delivery</i> | \$0.00 | \$0.00 |
| Fuel Charges (\$/kWh) | | |
| <i>Weekdays</i> | | |
| <i>Off-Peak</i> | \$0.02586 | \$0.02393 |

| | | | |
|---|--|-----------|-----------|
| | <i>Mid-Peak</i> | \$0.03078 | \$0.03097 |
| | <i>On-Peak</i> | \$0.11894 | \$0.03139 |
| <i>Weekends</i> | | | |
| | <i>Off-Peak</i> | \$0.02586 | \$0.02393 |
| Energy Charges (\$/kWh) | | | |
| | <i>0 – 500 kWh</i> | \$0.03300 | \$0.03300 |
| | <i>501 – 1,000 kWh</i> | \$0.05600 | \$0.05600 |
| | <i>1,001 – 1,500 kWh</i> | \$0.07595 | \$0.07595 |
| | <i>1,501 – 2,500 kWh</i> | \$0.09100 | \$0.09100 |
| | <i>Over 2,500 kWh</i> | \$0.10595 | \$0.10595 |
| Community Benefit Charges (\$/kWh) | | | |
| | <i>Energy Efficiency Services</i> | \$0.00246 | \$0.00246 |
| | <i>Customer Assistance Program</i> | | |
| | <i> Inside City Limits</i> | \$0.00172 | \$0.00172 |
| | <i> Outside City Limits</i> | \$0.00118 | \$0.00118 |
| | <i>Service Area Lighting</i> | \$0.00145 | \$0.00145 |
| | <i>(Only applies to Inside City Limits Accounts)</i> | | |
| *Regulatory Charge (\$/kWh) | | | |
| | <i>Regulatory</i> | \$0.01159 | \$0.01159 |

Prepayment Rates

In lieu of the Residential Standard Rates, the prepayment rate schedule is available on a voluntary basis to customers within Austin Energy service territory who receive their electric service from Austin Energy but their water and wastewater service from a non-City of Austin provider. The prepayment pilot program is available for a term of no more than 9 consecutive billing cycles. Participation will be limited to 300 individual meters on a first-come, first-served basis. Participants in the program shall receive service pursuant to the terms set forth in this Prepayment Rates Schedule and City Code Chapter 15-9. In the event of a conflict between the Prepayment Rates Schedule and the City Code, the Prepayment Rate Schedule shall govern.

Terms and Conditions:

In order to enroll, the customer must establish a prepayment credit balance. Security deposits are not required. Deposits previously paid to Austin Energy shall be returned to the customer or may be applied to the prepayment balance at the customer's request. Outstanding balances must either be paid prior to enrollment or will be placed on a deferred payment plan with a fixed percentage of all future payments applied to the outstanding balance. Prepayment participants are not eligible for new payment arrangements or credit extensions.

Energy usage will be charged on a daily basis; Council approved customer charges, miscellaneous charges, taxes and fees will be prorated. Participants in the prepayment pilot program will receive a 'true-up' paper or electronic monthly bill. Account balances may be checked through the prepayment web portal 24 hours a day, 7 days a week.

Prepayment pilot customers will receive notifications and alerts about their account. Upon enrollment, the prepayment customer will determine by which method they will receive communications: text (which may incur phone carrier charges), email or phone call. The prepayment customer must select at least one Austin Energy-approved notification method. Austin Energy will not be responsible for any termination of service or other damages resulting from the account holder's failure to update alert settings and contact information.

The prepayment customer is responsible for maintaining a credit balance in order to maintain electric service. Austin Energy will notify program participants when the prepayment account balance is at or below a predetermined threshold. Austin Energy may disconnect a customer's utility service without notice if the account reaches a zero or negative balance. Prepayment pilot program customers will no longer receive a written notice of disconnection. Service will be reconnected upon receipt of payment for the outstanding balance plus a payment amount to be credited towards future energy use. There are no disconnections during weather moratoriums; however, customers are liable for the payment of energy usage which occurs during this time.

Prepayment customers will have access to existing Austin Energy payment options. It is the customer's responsibility to allow enough time for payment processing. Any charges incurred by Austin Energy as a result of insufficient fund checks/electronic fund transfers, returned credit card payments, and the like shall be applied immediately to the account balance and may result in the disconnection of service if the account balance becomes zero or negative. Austin Energy reserves the right to disconnect electric service immediately without prior notice for specific reasons per City Code Chapter 15-9, Article 7. Austin Energy will close any prepayment account that has a zero or negative balance for a period of thirty (30) days; any account disconnected for such reason must reestablish service pursuant to City Code Chapter 15-9.

Electric customers or members of the household who are dependent upon electrical devices for health-related reasons, including life-sustaining equipment, or have Lifeline status are ineligible to participate in the program. Customers who receive benefits from City of Austin Utilities' Customer Assistance Program are ineligible for this rate schedule. Value-Of-Solar (Rider) is not applicable to this rate schedule.

Prepayment Daily Charges

| | Inside City Limits | Outside City Limits |
|--|--------------------|---------------------|
| Basic Charges (\$/day) | | |
| <i>Customer</i> | \$0.33 | \$0.33 |
| <i>Delivery</i> | \$0.00 | \$0.00 |
| Energy Charges (\$/kWh/day) | | |
| <i>0 – 16 kWh</i> | \$0.03300 | \$0.03800 |
| <i>16 – 33 kWh</i> | \$0.05600 | \$0.05600 |
| <i>33 – 49 kWh</i> | \$0.07595 | \$0.07815 |
| <i>49 – 82 kWh</i> | \$0.09100 | \$0.07815 |
| <i>Over 82 kWh</i> | \$0.10595 | \$0.07815 |
| Power Supply Adjustment Charge (\$/kWh) | | |
| <i>Summer Power Supply (June – Sept)</i> | \$0.03148 | \$0.03148 |
| <i>Non-Summer Power Supply (Oct – May)</i> | \$0.03124 | \$0.03124 |
| Community Benefit Charges (\$/kWh) | | |

| | | |
|------------------------------------|-----------|-----------|
| <i>Customer Assistance Program</i> | \$0.00172 | \$0.00118 |
| <i>Service Area Lighting</i> | \$0.00145 | \$0.00000 |
| <i>Energy Efficiency Services</i> | \$0.00246 | \$0.00246 |
| Regulatory Charge (\$/kWh) | | |
| <i>Regulatory</i> | \$0.01159 | \$0.01159 |

Plug-In Electric Vehicle Charging Rates

Application:

For a separate residential meter circuit (installed at the customer's expense) attached to an in-home electric vehicle level 1, or higher, charging station for charging a plug-in electric vehicle (PEV). Customers receiving service under this rate schedule may choose the following electric vehicle charges to be applied for a term of no less than 12 consecutive billing cycles. If the customer elects to terminate participation in the program, the customer must pay an early termination fee of \$200.00. Austin Energy may, in its sole discretion, elect to waive this termination fee. This rate schedule includes unlimited customer access to public electric vehicle charging station under the Electric Vehicle Public Charging rate schedule.

Terms and Conditions:

These charges are in addition to any other services the premise might be receiving; customers served under this rate schedule will be provided separate primary meter billing amounts and PEV meter billing amounts in their electric bill(s). The customer's primary metered usage is billed according to the primary rate schedule selected by the customer. The customer's PEV usage is billed according to this residential PEV schedule. The PEV meter billed amount will be based upon data delivered to Austin Energy.

In-home electric vehicle charging must be during off-peak periods, otherwise, all energy consumption will be multiplied at on-peak Fuel Charges; this applies when energy consumption outside of off-peak periods is greater than 10 percent of total monthly energy consumption. A one-time enrollment payment of \$150 will be applied.

Customers receiving PEV charging station service are not eligible for any discounts and the Value-Of-Solar (Rider) rate schedule (if the customer has Value-Of-Solar it would be attached to the residential primary meter account, not the PEV meter account), under this rate schedule. Application of GreenChoice® Energy (Rider) will be applied to all energy consumption from the PEV meter in addition to Fuel Charges.

Time Periods:

| | |
|-----------------|-----------------------|
| Weekdays | |
| <i>Off-Peak</i> | 7:00 P.M. – 2:00 P.M. |
| <i>On-Peak</i> | 2:00 P.M. – 7:00 P.M. |
| Weekends | |
| <i>Off-Peak</i> | Entire Day |

PEV Charging Station Charges

| | Summer | Non-Summer |
|--|---------------|-------------------|
|--|---------------|-------------------|

| | | (June through September) | (October through May) |
|---|----------------------------|--------------------------|-----------------------|
| Basic Charges (\$/month) | | | |
| <i>Delivery</i> | | | |
| | <i>Demand (< 10 kW)</i> | \$30.00 | \$30.00 |
| | <i>Demand (≥ 10 kW)</i> | \$50.00 | \$50.00 |
| Fuel Charges (\$/kWh) – Only applies if greater than 10 percent of total monthly energy consumption is used outside of “Off-Peak” periods, then these charges are applied to all energy consumption at on-peak fuel charges. | | | |
| <i>Weekdays</i> | | | |
| | <i>Off-Peak</i> | \$0.00000 | \$0.00000 |
| | <i>On-Peak</i> | \$0.40000 | \$0.14000 |
| <i>Weekends</i> | | | |
| | <i>Off-Peak</i> | \$0.00000 | \$0.00000 |

RETHINKING PREPAID UTILITY SERVICE

CUSTOMERS AT RISK



June 2012

NCLC
NATIONAL
CONSUMER
LAW
CENTER®

EXECUTIVE SUMMARY

Electric and natural gas utilities in numerous states have sought to replace traditional “credit-based service” with “prepaid service” delivered through prepayment meters or advanced, digital meters with remote disconnection and reconnection capabilities. (See map of the United States on page 6 identifying currently-operating prepaid service programs.) Traditionally in the U.S., electric and natural gas service has been billed on a post-paid basis where a utility company tracks a customer’s usage during the previous monthly or quarterly period and then mails a bill to the customer based on that usage. The customer is then required to make payment within a predetermined time frame or face disconnection procedures. In most states a utility must offer a customer facing disconnection a payment plan to pay down an arrearage over a period of months while retaining access to service.

Prepaid service, as the name implies, requires customers to pay in advance for their service with prepaid account balances decreasing as service is delivered. In most instances, service is automatically suspended when account balances are depleted. While consumers using prepaid service may receive electronic notification that billing credits are running low, there is no obligation on the part of the utility to deliver shutoff notification securely through the mail, to continue providing service for some period of time (e.g., days or weeks) after credits are exhausted, or to work with payment-challenged customers by offering reasonable payment plans or other means of retaining access to basic utility service.

The movement to prepayment allows companies to sidestep critical consumer protections that have evolved over decades while altering the utility’s incentives to interact creatively and constructively with payment-troubled customers. State legislators and utility regulators have long recognized that utility service is a necessity of modern life and that loss of service poses a threat to health and safety. Toward this end, they have adopted important utility consumer protections regarding bill payment timeframes, and secure, reliable notification by mail prior to disconnection of service. Many states help to ensure utility bill affordability through discounted rate structures and “arrearage management” programs. In some states, consumer protections include prohibitions or limitations on residential customer late payment fees and security deposits. The movement to prepayment effectively guts these important consumer protections.

Experience in the United Kingdom and the United States demonstrates that prepaid metering and billing is targeted toward and concentrated among low- or moderate-income consumers, particularly those who are facing unaffordable security deposit requirements or disconnection for nonpayment under traditional service. In the largest prepayment program operating in the United States (Arizona’s Salt River Project’s M-Power program), prepaid electric service is increasingly concentrated among racial minorities. Additionally, prepayment results in more frequent service disconnections or interruptions (a 1997 customer service survey conducted by Centre for Sustainable Energy National Right to Fuel Campaign found that 28 percent of prepayment

customers in Great Britain were disconnected from service over the past year). Also, customers sometimes pay higher rates than they would under traditional credit-based service. Low-income customers using prepaid utility service tend to make numerous, small payments on a monthly basis to retain electricity or natural gas service, often incurring transaction fees that add to the customer's total cost for basic service.

Households with the least means are trapped under prepayment, often paying higher costs and transaction fees while experiencing more frequent, disruptive, and dangerous loss of service. Such a system creates a two-tiered system, favoring wealthier, credit-paying households.

Increased disconnections of gas and electric service that come with prepayment threaten the health and safety of customers, particularly the elderly, disabled, and low-income families with children. Disconnecting natural gas or electric service has caused house fires and extreme indoor temperatures, which can result in illness and death. Implementing prepaid utility service, with the increased rates of service disconnection that result, increases the risk that such tragedies will occur.

With prepaid utility service, low-income customers who struggle to pay their bills often end up paying more for second-class utility service. Access to essential service, delivered by regulated, franchised monopoly utility companies, should not be compromised by a service model that leads to the forfeiture of regulatory consumer protections. **Rather, payment issues related to the inability of some households to afford a basic level of uninterrupted utility service should be addressed through delivery of comprehensive, effective low-income energy efficiency programs, bill payment assistance and "arrearage management" programs, reductions of burdensome late payment fees and security deposits, and implementation of deferred payment agreements that are truly reasonable and based on a household's actual income and expense circumstances.**

The advent of advanced metering infrastructure (AMI) and digital meters, commonly called "smart meters," dramatically increases the potential for new utility prepayment programs. Advanced meters—which include remote disconnection and real-time communication capabilities—obviate the need for utility companies to invest in "standalone" prepayment meters, and reduce the related upfront capital investment required to implement a new prepayment program. The recommendations that follow are based in large measure on provisions of a resolution adopted by the National Association of State Utility Consumer Advocates on June 11, 2011.

Recommendations

The National Consumer Law Center opposes prepaid electric and gas services. However, if a company is allowed to implement prepaid service, state regulatory commissions should require each of the following provisions.

1. **Regulatory consumer protections and programs should be maintained or enhanced.** These include existing limitations or prohibitions on disconnection of service, advance notice of disconnection, availability of payment plans, availability of bill payment assistance or arrearage forgiveness, and the right to dispute bills.
2. **Health and safety risks must be reduced.** When the billing credits of a customer receiving prepaid residential electric or natural gas service are exhausted, the customer must be given a five-day disconnection grace period, after which the customer must be restored to traditional, credit-based service, subject to all rules and customer protections applicable to such service. Prepayment customers should be allowed to return to credit-based service at no higher cost than the cost at which new customers can obtain service.
3. **Vulnerable populations must be protected.** Prepayment service should not be offered to low-income households or households that include any person who is elderly, disabled, or who has a serious illness. Households with young children should also not be eligible to enroll in prepayment service.
4. **Marketing of service should be voluntary.** Prepaid service should only be marketed as a voluntary service and should not be marketed to customers facing disconnection for non-payment. Conditioning service on the method of payment is not marketing—it's coercion.
5. **Payment assistance and arrearage management programs must be adopted or maintained.** Utilities offering prepaid service to low-income customers must also offer effective bill payment assistance and arrearage management programs to those customers.
6. **Rates for prepaid service should be lower than rates for comparable credit-based service.** This lower rate reflects the lower costs associated with reduced carrying costs, collection costs, uncollectible accounts, and shareholder risk.
7. **Costs should be transparent.** Prior to implementation, utilities should demonstrate the cost effectiveness of any proposed prepaid service program and reveal how costs will be allocated among various classes of customers.
8. **Transaction and other junk fees should be eliminated.** Prepayment customers should not pay security deposits or additional fees that traditional customers are not required to pay. Examples of such fees include initiation fees, equipment charges, or transaction fees to purchase billing credits, or frequent payment fees.
9. **Initiate "on demand" service.** Utilities must ensure there are readily available means for prepayment customers to purchase service credits on a 24-hour a day, seven-day a week basis to prevent potential health and safety risks.

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10. **Tracking and reporting should be monitored and disclosed.** Prepaid service programs should be monitored to ensure there is not an increased rate of service disconnections for non-payment. Utilities implementing prepaid service programs should track and report to the state regulatory commission on a monthly basis the following data *separately for credit-based and prepayment residential customers*:
- Number of customers
 - Number of customers with arrears of 30 days or more
 - Dollar value of arrears
 - Number of disconnection notices sent
 - Number of service disconnections for non-payment
 - Number of service reconnections after disconnection for non-payment
 - Number of new payment agreements entered
 - Number of payment agreements successfully completed
 - Number of failed payment agreements
11. **States should proactively plan for customer protections in case of company default.** States must have adequate financial mechanisms to guarantee that funds prepaid by customers are returned to customers if a company becomes insolvent, goes out of business or is otherwise unable to provide the services for which the funds were prepaid.

Conclusion

In service territories where prepaid service is already implemented, the implementing utility should answer a series of customer service questions on an annual basis. A list of those questions may be found in Appendix A (page 27).

With prepaid utility service as it currently operates, low-income customers who struggle the most to pay bills often end up paying the most while receiving second-class utility service. Access to essential life-supporting service, delivered by regulated, franchised monopoly utility companies, *should not* be compromised by a service model that allows companies to sidestep important consumer protections that were implemented for health and safety reasons. Instead, payment issues should be addressed through delivery of comprehensive, effective programs and policies that account for a household's actual income and expenses, rather than a punitive prepaid program.

If a utility company is allowed to roll out a prepayment program, it is critical that state governing bodies enact provisions that will not put customers' lives at risk and avoid setting up a two-tiered system which targets low-income and minority customers.

AUSTIN ENERGY'S TARIFF PACKAGE: §
2015 COST OF SERVICE §
STUDY AND PROPOSAL TO CHANGE §
BASE ELECTRIC RATES §

BEFORE THE CITY OF AUSTIN
IMPARTIAL HEARING EXAMINER

**AUSTIN ENERGY'S RESPONSE TO AE LOW INCOME CUSTOMERS'
SECOND REQUEST FOR INFORMATION**

Austin Energy ("AE") files this Response to AE Low Income Customers' ("AELIC")
Second Request for Information submitted on February 25, 2016. Pursuant to an agreement of
the parties, this Response is timely filed.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE &
TOWNSEND, P.C.**

816 Congress Avenue, Suite 1900

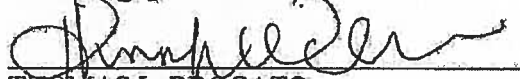
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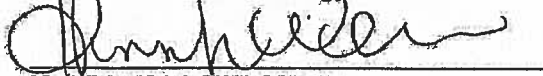
HANNAH M. WILCHAR

State Bar No. 24088631

ATTORNEYS FOR AUSTIN ENERGY

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this pleading has been served on all parties
and the Impartial Hearing Examiner on this 10th day of March, 2016, in accordance with the
City of Austin Procedural Rules for the Initial Review of Austin Energy's Rates.



HANNAH M. WILCHAR

AUSTIN ENERGY
2016 MAR 10 PM 12:35

AELIC 2-1. According to the tariff language, the prepayment rate schedule will be available on a voluntary basis. Please explain how customers will volunteer. In your explanation please address the following:

- A.** How will customers be informed of the opportunity to volunteer?
- B.** Describe the process for development of consumer education and consumer information materials.
- C.** When will the opportunity to volunteer for the pilot open?
- D.** When will the opportunity to volunteer close?

ANSWER:

- A.** Volunteers will be notified via a marketing campaign developed by Customer Care in collaboration with Austin Energy's Corporate Communications business unit. This campaign is currently being developed. How the marketing campaign will be disseminated is not yet determined.
- B.** Consumer education and consumer information materials will be created by using lessons learned and samples obtained from other utilities with a prepaid program and the vendors who are participating.
- C.** Enrollment is slated to begin April 1, 2016.
- D.** Due to the brevity of the pilot, enrollment will end April 30, 2016 depending upon if the maximum number of participants of 300 is reached.

Prepared by: RM
Sponsored by: Kerry Overton

AELIC 2-2. The tariff language restricts eligibility to residential customers who “receive water and wastewater service from a non-City of Austin provider.” Please explain why the pilot is targeted to this subset of customers. In your explanation please provide the total number of residential customers, both inside and outside the city, who would be eligible to participate in the pilot.

ANSWER:

During the pilot, AE anticipates being able to use electric two-way meters installed in the recent Advanced Metering Infrastructure implementation which will allow for remote disconnect/reconnect capability. Currently, Austin Water Utility does not have meters with this remote feature so the pilot is not open to City of Austin water and wastewater customers at this time. Customer participation targets are currently being developed by AE Customer Care in collaboration with the AE Data Analytics & Business Intelligence workgroup (DABI). Therefore, the total number of eligible residential customers is yet to be determined.

Prepared by: RM
Sponsored by: Kerry Overton

AELIC 2-3. The tariff language does not restrict eligibility to residential customers who receive solid waste services from a non-City of Austin provider. Please explain why this restriction on eligibility was not included in the tariff but that a non-City water and wastewater service restriction was included. In your explanation please address how billing and collection for solid services will occur for residential customers who volunteer to take service under the prepayment tariff and who also are solid waste customers of the City of Austin.

ANSWER:

The pilot is not open to City of Austin water and wastewater customers for the reasons provided in AE's Response to AELIC 2-2. This issue does exist for City of Austin solid waste customers because solid waste service is not metered.

Non-metered City of Austin services, including solid waste service, will be prorated for prepaid participants.

Prepared by: RM
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AELIC 2-4. Please explain why the pilot prepayment tariff will only be available “for a term of no more than 9 consecutive billing cycles.” In your explanation, please address the following:

- A.** Why was a 9 month period chosen?
- B.** What 9 months of AE's FY will cover the pilot period?
- C.** Why does the pilot last less than one year?
- D.** If the pilot begins after approval and implementation of the rates, the start date is likely to be in the fall of 2016, and end prior to the peak usage months of summer in 2017, correct?
- E.** What happens to the volunteers at the end of the 9 month period? In your explanation include whether they will return to post-paid service. Also address volunteers who at the end of the 9 month period have not completed the payment arrangement for past due bills and still have an amount owing to AE at the end of the 9 month period.

ANSWER:

- A.** The Prepaid Rates schedule was created in July 2015. At that time, the pilot was not slated to go live until January 2016, which would have allowed 9 months of consecutive billing cycles ending with the end of the fiscal year on September 30, 2016.
- B.** The pilot is scheduled to run from May to September 2016 (5 months).
- C.** In researching other utility prepaid programs, pilots were as brief as 60 days and up to one year. Based on its research, AE determined, a 4-6 month pilot would be sufficient to gather the knowledge needed to decide whether to move to full deployment.
- D.** No, governed by the Prepaid Rate Schedule in effect since November 1, 2015, the anticipated go-live is May 1, 2016. The pilot will be active during the peak usage months of summer 2016.
- E.** Volunteers will be converted back to postpaid service at pilot end. Customers with a pre-existing debt balance when enrolled in the pilot will be part of a debt recovery feature in which a percentage of each payment will go towards their past due balance. Upon the close of the pilot, customers who enrolled with past due balances will be converted to a payment arrangement based on the current Payment Arrangement Policy.

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RM
Kerry Overton

AELIC 2-5. Please explain what happens to a volunteer's electric service when the volunteer fails to pay his/her solid waste service bill. In your explanation please address how, if at all, this failure to pay would affect the volunteer's transition to post-paid electric service from AE.

ANSWER:

This scenario is not possible because customers do not have the option to pay for one service or a subset of services; customers' payments are applied against the entire bill. Non-metered charges are prorated in the prepaid solution and would be included as a part of daily charges and the amount due at any particular time during the month. Upon the close of the pilot, customers who enrolled with past due balances will be converted to a payment arrangement based on the current Payment Arrangement Policy.

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AELIC 2-6. Should a volunteer want to withdraw from the pilot project, what steps will the volunteer need to take to transition to AE's post-paid electric service? In your explanation, please address whether the volunteer will be required to pay a deposit; and if so, how much; and whether a deposit would be required even if the volunteer has been timely paying for his/her service for a combination of months with the pilot project and with previous AE post-paid service equal to or greater than twelve months at the time the transition is sought.

ANSWER:

The steps a volunteer will need to take to transition to AE's post-paid electric service have not yet been determined. AE Customer Care is currently working with the Prepaid Executive Steering Committee on this matter as well as conducting research to determine best practices.

Prepared by: RM
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AELIC 2-7. The prepaid tariff states that “[p]articipation will be limited to 300 individuals on a first-come, first served basis.” Please explain why the number 300 was chosen for the pilot participants. In your explanation, please explain how the 300 pilot participants will be representative of the eligible customer base.

ANSWER:

The number of participants is based upon feedback from other utilities as to the optimal number of customers that is manageable during a manual pilot program. AE Customer Care is working in collaboration with the Data and Business Intelligence workgroup regarding the selection of the subset of customers for the pilot.

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AELIC 2-8. Under the prepayment tariff, a participant will be required to establish a prepayment credit balance. Please explain how AE will calculate that prepayment credit for the participant. In your explanation please address whether the prepayment credit will vary depending upon characteristics of the volunteer participant such as the participant's usage histories or his/her payment histories. How will the level of a prepayment credit compare to the level of the deposit required in AE's post-paid residential retail service for the AE customer who decides to be a prepayment volunteer.

ANSWER:

How AE will calculate a participant's prepayment credit has not yet been determined. AE Customer Care is currently reviewing minimum credit balances for other prepaid programs across the nation to determine the best practice. AE Customer Care is working with the Prepaid Working Committee on this matter.

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AELIC 2-9. The prepayment tariff states, "[d]eposits previously paid to Austin Energy shall be returned to the customer or may be applied to the permanent balance at the customer's request." Will a pilot customer who returns to post-paid service be required to supply another deposit to AE?

ANSWER:

Whether a pilot customer who returns to post-paid service will be required to supply another deposit to AE has not yet been determined. AE Customer Care is currently working with the Prepaid Executive Steering Committee to review best practices across the country and determine the process for the prepaid pilot.

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AELIC 2-10. According to the prepayment tariff, "[o]utstanding balances must either be paid prior to enrollment or will be placed on a deferred payment plan with a fixed percentage of all future payments applied to the outstanding balance." Please describe in detail how the "fixed percentage of all future payments" will be calculated. Please describe how the payment on the deferred payment plan will be applied in relation to the pilot participant's billing charges. In your description of the level of payments, please address whether: AE will take into consideration the customer's ability to pay; the amount of the outstanding balance; the payment timelines under a deferred payment plan as a pilot participant versus the payment timelines as an AE post-paid service customer for a comparable post-paid outstanding balance.

ANSWER:

The fixed percentage is currently being determined by the Prepaid Working Committee. The Prepaid Vendor offers a debt recovery module which will take a percentage of each payment and apply it towards the past due balance.

Outstanding debt will be aggregated with the current charges of the prepaid program and billed to the customer as one total amount due. Payments against that total amount due will be applied according to a fixed percentage basis that will be established at the outset of the program.

One of the major benefits of a prepaid account is that it empowers the customer to pay what he/she can when they can to ensure payments are being made towards the customer's bill. It allows the customer to make payments based upon their schedule and at intervals when the customer has an income stream available.

AE Customer Care is currently working with the Prepaid Working Committee to determine whether we will require a capped debt balance when enrolling.

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AELIC 2-11. The prepayment tariff states, "[p]repayment participants are not eligible for new payment arrangements or credit extensions." Why are prepayment tariff participants limited in their ability to re-negotiate their payment arrangements or credit extensions? In your explanation please address whether AE will provide prepayment tariff participants a grace period like the grace period AE provides for post-paid participants, and if not, why not. Also please address in your explanation why a prepayment tariff participant cannot have the same customer protection rights to renegotiate a deferred payment plan as post-paid customers (see Utility Code, §15-9-144).

ANSWER:

Prepaid participants who are on a payment arrangement will have to release their current payment arrangement in order to participate in the pilot. So by releasing the payment arrangement there is no need to renegotiate.

Prepaid pilot participants would not be on a payment arrangement at the same time they are participating. Our current grace period is only applicable to active payment arrangements.

Payment arrangements are inconsistent with the underlying concept of a prepaid program because pilot participants are expected to pay for service in advance and cannot use more than what for which they have already paid. As such, there is no functionality for payment arrangements included in the vendor's prepaid program software.

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AELIC 2-12. According to the prepayment tariff, AE intends to apply the City Utility Code (Chapter 15-9) unless in conflict with the prepayment tariff. Please identify each section and subsection, if relevant, of the City utility code that AE will apply to the prepayment tariff participants. For instance, will AE charge the prepayment tariff participants late fees or reconnection fees, or will AE not disconnect service on a prepayment tariff service at a time when personnel are not available to restore service.

ANSWER:

The Prepaid Working Committee is currently reviewing best practices about fees and other aspects of the programs. AE cannot currently identify specific sections of the Code that will be applied to pre-payment participants. However, Austin Energy does not conduct normal business during weekend and holiday hours. Any account activity, including payments for prepaid accounts, will be processed normally once regular operations commence as is in the postpaid environment.

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AELIC 2-13. Will a prepayment tariff participant with a deferred payment arrangement be able to transition to post-paid service before the deferred payment arrangement is completed; and if so, will the transitioned post-paid service customer be able to renegotiate his/her deferred payment arrangement?

ANSWER:

Yes, a prepaid tariff participant with a deferred payment arrangement will be able to transition to post-paid service before the deferred payment arrangement is completed.

In a postpaid environment, there are limited instances in which a customer is able to renegotiate a deferred payment arrangement. Typically, deferred payment arrangements are renegotiated if there has been a credit to the account balance which the customer wishes to apply to a debt balance. In terms of "resetting" a payment arrangement, it would depend upon what their payment arrangement status was upon enrollment based on our current policy. A customer going back to postpaid will still have the same payment arrangement available as they did prior to enrollment in the prepaid program.

**Prepared by: RM
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AELIC 2-14. The prepayment tariff provides participants a "true-up" paper or electronic monthly bill. Please describe how the billings or "true-up" paper will look and how its appearance will compare with comparable post-paid customer billings. Also address whether the bills will show the daily usage and identify all payments made.

ANSWER:

During the prepaid pilot, the customer will receive an identical monthly statement to the monthly statement currently received by all postpaid customers. Bills will not show daily usage or identify all payments made. However, see AE's Response to AELIC 2-15 for how customers can view their daily account balances.

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AELIC 2-15. The prepayment tariff states that account balances will be able to be checked through a prepayment web portal 24 hours a day. Please describe how this process will be set up. In your description address how often the account balances will be updated (hourly? daily?) and also address the usability of the web portal for customers who are low income and/or with little education and/or with visual disabilities and/or whose primary language is not English. Please also include what alternative to internet access-based monitoring of usage will be available. In other words, how will AE provide customers usage/account balance information who do not have access to the internet?

ANSWER:

AE is currently designing the web portal with the identified vendors and has not determined all aspects of the process. As of now, account balances will be updated every 24 hours. AE intends to design the web portal so that it is accessible to all customers. AE provides assistance to non-English speaking customers through its translation service.

Customers who do not have access to the internet will be able to receive alerts regarding their usage and account balance by telephone or text message. Each customer with a prepaid account creates an alert profile that specifies the types of alerts the customer wishes to receive, including a low balance alert at a threshold set by the customer. Customers may choose their preferred alert delivery method and the time of day the customer wants to receive the alert. Customers may choose to receive alerts in English or Spanish via an automated telephone call, SMS text message, or email. During the account creation process, the service representative will assist the customer in selecting the desired alerts, delivery methods and delivery times. Customers will be required to maintain their own alert profile, but an authorized AE representative may do it for them if they have a disability. These details will be explained as part of the customer's education process.

Prepared by: RM
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AELIC 2-16. Will a prepayment tariff participant have access to payment assistance programs from AE? If so, please explain how it will work.

ANSWER:

Customers receiving a discount on their bill pursuant to enrollment in the Customer Assistance Program at the time of prepaid program enrollment will not be eligible to participate in the prepaid pilot. However, customers receiving Plus 1 financial assistance will be able to participate in the prepaid program. Ability to participate in the Plus 1 program will not be changed or impacted by participation in the prepaid program.

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AELIC 2-17. Does AE know if a prepayment tariff participant will have access to payment assistance programs from community or government agencies? If so will the payment assistance provided be adapted to a prepaid program? If AE does not know, please explain what steps AE took to determine whether a prepayment tariff customer would be able to obtain payment assistance from community or governmental agencies.

ANSWER:

Customers receiving a discount on their bill pursuant to enrollment in the Customer Assistance Program at the time of prepaid program enrollment will not be eligible to participate in the prepaid pilot. However, customers receiving external governmental financial assistance will be able to participate in the prepaid program. Ability to receive external governmental financial assistance will not be changed or impacted by participation in the prepaid program.

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AELIC 2-18. The prepayment tariff states, "[p]repayment pilot customers will receive notifications and alerts about their account." Please describe in detail the types of alerts and notifications that would be provided. In your description, please address the timing and number of the alerts AE will provide. Please also address once AE realizes the AE customer no longer has phone or internet service, what steps will the utility take such as second contact information to ensure prepaid tariff customer receives the alerts and notifications. Please include how AE will provide alerts to customers with disabilities, and/or with little education, and/or whose primary language is not English.

ANSWER:

AE may customize alerts as needed for high usage, negative balance, upcoming rate changes, etc. Alerts will be configured to contain hyperlinks to take the customer to a payment site. Customers may choose to receive alerts in English or Spanish via an automated telephone call, SMS text message, or email. AE provides assistance to non-English speaking customers through its translation service. If an alert of any type is scheduled for delivery and the trigger for that alert type changes, any pending alert is cancelled based on the outcome of the transaction. Austin Energy will be able to monitor bounce back notifications. However the customer will be responsible for updating AE with any changes to their account status as is the case with postpaid customers now. This issue will be part of the final evaluation to determine how to handle these customers in a full functioning prepaid environment.

Prepared by: RM
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AELIC 2-19. According to the prepayment tariff, "Austin Energy will notify program participants when the prepayment account balance is at or below a predetermined threshold." Please explain how that threshold is calculated and how notice will be provided. In your explanation, please address whether the customer or Austin Energy determines the threshold and whether the customer will receive one notice or more than one notice. Please address how and when the notice(s) will be provided, including addressing how AE will notify customers with disabilities and/or with little education or whose primary language is not English.

ANSWER:

The customer will have the option to determine the threshold and how often they wish to be notified. Notification will be through their selected alert method as discussed in Austin Energy's Responses to AELIC 2-15 and AELIC 2-18.

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