

**Position Statement of Paul Robbins**  
**2022 Austin Energy Rate Case**  
**June 22, 2022**

TO: Parties in 2022 Austin Energy Rate Case

FROM: Paul Robbins, Intervener  
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SUBJECT: Official Position Statement

I am entering my position statement into the record.

However, I do this with reticence and protest. As of June 20, Austin Energy had not answered my 3<sup>rd</sup> and 4<sup>th</sup> discovery requests. I am expected to offer a statement without all the information available to back it up. Given that my requests were timely filed, it is the responsibility of the utility to provide answers in an equally timely fashion. It is my opinion that the attitude conveyed by the utility is one of dismissiveness towards its challengers.

### **Issue 1: Radical Restructuring of Residential Rate Structure**

Austin Energy proposes an almost-total restructuring of Residential rates, increasing the base monthly cost from \$10 to \$25 a month, and drastic lowering of the price of tiers. According to the utilities rate filing, these more regressive rates will raise bills for most Residential customers. This includes:

- 92% of In-City Standard Customers;
- 60% of Out of City Standard Customers;
- More than 50% of In-City Customer Assistance Program (low-income discount) Participants;
- 11% for Out of City Customer Assistance Program Participants.

If CAP participants were not provided a 73% increase in bill discounts as part of this rate proposal, 99% of In-City CAP recipients and 90% of Out-of-City CAP recipients would experience rate increases.

My comments and criticisms follow.

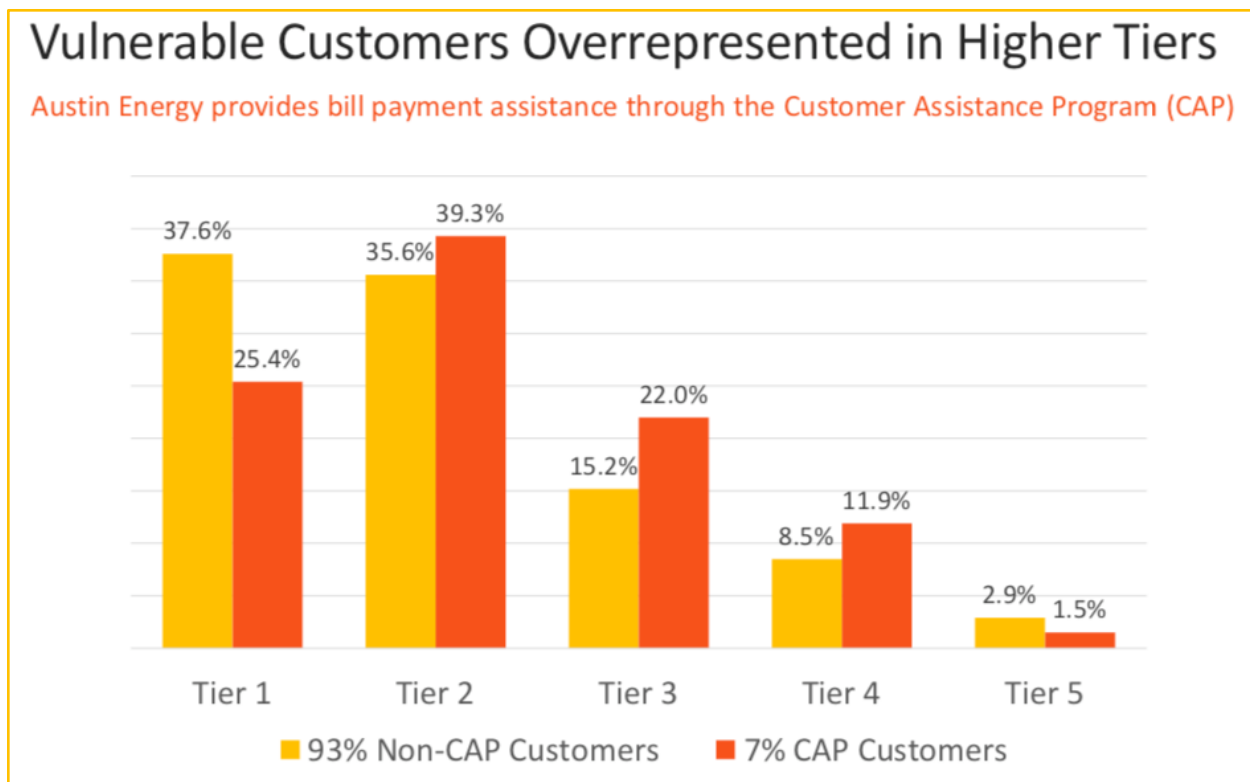
#### **1.1 Austin Energy Exaggerates Benefits on Low-Income Ratepayers**

Austin Energy states that its rate restructuring would help, not hurt, low-income customers.

Austin Energy has stated that since Customer Assistance Program participants have been measured as using slightly more electricity than customers who do not receive CAP discounts,

then low-income customers will do generally do better under the more regressive rate structure it is proposing than average customers.

Below is a chart the utility has used to demonstrate this.



Austin Energy has provided no explanation for this occurrence, and it is upsetting that after so many years of conducting the Customer Assistance Program, the utility has never conducted a study of demographics and building structures the participants live in to better understand customer profiles.

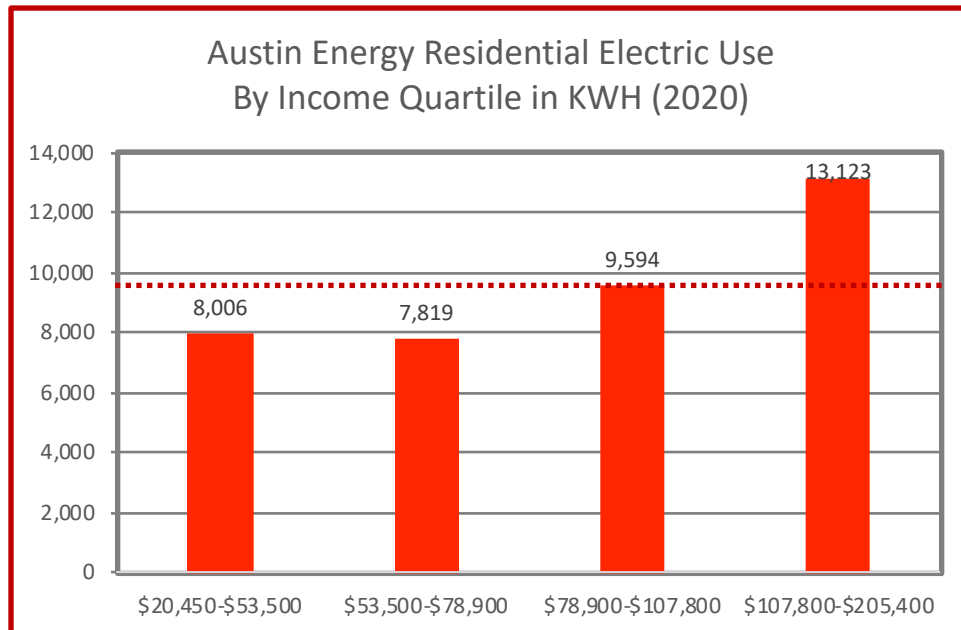
It is my deduction that the largest reason for the slightly higher consumption of CAP customers is that 67% of the (2021) participants live in multifamily units. According to U.S. Census American Community Survey statistics for 2020, rented units in Travis County are much more likely to be all-electrically heated than owner-occupied units.<sup>1</sup>

However, the much larger flaw in the utility's argument is that it assumes the 7% of customers that receive CAP benefits are representative of the consumption patterns of all poor people in the service territory, which is not the case.

In discovery, Austin Energy provided me with data that quantifies how much electricity is consumed per zip code by house type (single family, multiunit housing, and apartments) *for all Residential customers in 2020*. Matching this consumption to income data in the American

<sup>1</sup> U.S. Census American Community Survey, Table B25117.

Community Survey of the U.S. Census proves an entirely different outcome: consumption tracks income.



## 1.2 Continuing CAP Enrollment Problems

Due to a history of problematic enrollment, some of the people who are enrolled in CAP are not poor. Between 2014 and 2020, I have repeatedly proven that some wealthy customers are being enrolled in a program meant to serve customers at or below 200% of the poverty level.

I would have gathered evidence specific to this rate case. However, the City of Austin supported a state law that passed in 2021 restricting the flow of information that was formerly provided to me, so it is currently not possible to search out further waste.

Suffice to say that if large, wealthier homes are averaged into the CAP roles, consumption will be higher, and Austin Energy figures showing CAP enrollees as consuming more energy will not be completely reflective of low-income consumption.

Austin Energy, to my knowledge, has never done its own study of potentially undeserving customers, instead responding (usually defensively) my criticism.

Below is a photo of the home owned by a customer receiving the CAP discount in 2020 at another property that they own.



### 1.3 Austin Energy Using Misleading Benchmarks

In the original Rate Base Filing Package, Austin Energy showed a (supposed) peer group of utilities which have high customer charges similar to the one it proposes. This is an attempt to normalize its extreme position.

Table 10-A: Residential Fixed Charges	
Utility	Amount
	<i>\$ / month</i>
Pedernales Coop	22.50
Bluebonnet Coop	22.50
City of Georgetown	24.80
Austin Energy - Proposed	25.00
Austin Energy - Current	10.00

However, Austin Energy’s real peer group is Texas municipal utilities. While the City of Georgetown meets this criteria, its high monthly fees are used to cover take-or-pay power purchases unique to the utility. Also note that Georgetown has not generated its own electricity since W.W.II.

All of the other larger Texas municipal utilities prioritize universal access to Residential electric service, and have much lower customer charges. The chart below lists monthly charges for them as of June 20, 2022. As compared, Austin is very close to the average.

Monthly Customer Charge of Large Texas Municipal Utilities	
<b>Austin Energy Current</b>	<b>\$10.00</b>
Brownsville PUB	\$6.94
Bryan Texas Utilities	\$11.00
College Station	\$7.00
Denton Municipal Electric	\$8.67
Garland Power & Light	\$5.34
Greenville Electric	\$11.25
Lubbock	\$8.07
New Braunfels Utilities	\$15.51
San Antonio CPS Energy	\$9.10
<u>Seguin</u>	<u>\$14.50</u>
Average	\$9.76
<b>Austin Energy Proposed</b>	<b>\$25.00</b>

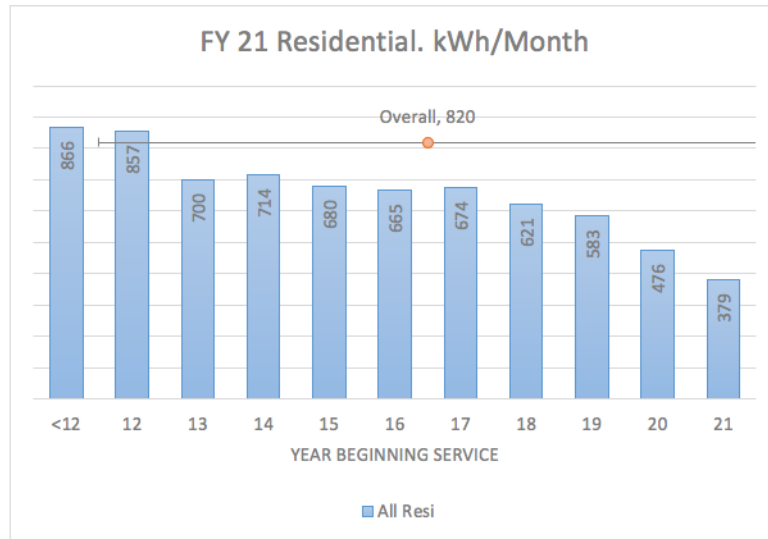
#### 1.4 Austin Energy is Increasing CAP Subsidy to Compensate for Radical Rate Restructuring

The utility proposes a \$6.1 million, 73% increase in the overall program discount given to them. This will increase pass-through costs of the Community Benefit Fund by \$11.35 per year per customer *on top of the rate increase already proposed* for the 93% of Residential customers who will pay for it.

Many customers absorbing this CAP increase are, ironically, also low- or moderate-income. Only about 7 to 7.5% of Residential customers are receiving CAP (including the wealthy customers previously discussed), but the percentage of households in Travis County under 200% of poverty is close to 28%.

#### 1.5 Austin Energy Uses Faulty Analysis to Justify Radical Rate Restructuring

By using an analysis that show an astounding trend of new efficiency in newer Residential customers, Austin Energy attempts to justify the need to create a much more regressive rate structure in order to collect adequate revenue.



There are several problems with this analysis, however.

- A. The analysis does not account for customers who have their HVAC needs met with a central system, such as downtown condos.
- B. The study does not consider that customers in older dwellings will also become more efficient over time. While a new home has its appliances (e.g., HVAC, refrigerators) immediately installed to national appliance standards, older homes will install appliances with higher standards when their older machines are replaced.
- C. Austin Energy has not discussed how consumption in rental units in the study might be influenced by consumption through the customers enrolled in the Continuous Service Program.

**Position on Issue 1:** It is the position of this intervener that any Residential rate increase ultimately determined to be necessary be apportioned on the same basis as the current rate.

As example, the customer charge covered about 23% of Austin Energy’s base Residential revenue in 2021. So if a 5% increase in rates is decided upon, it would raise the monthly customer charge proportionally to maintain this percentage ( $\$10 \text{ customer charge} \times 1.05 = \$10.50$ ).

Each of the 5 current tiers should be raised proportionally as well if an increase is required.

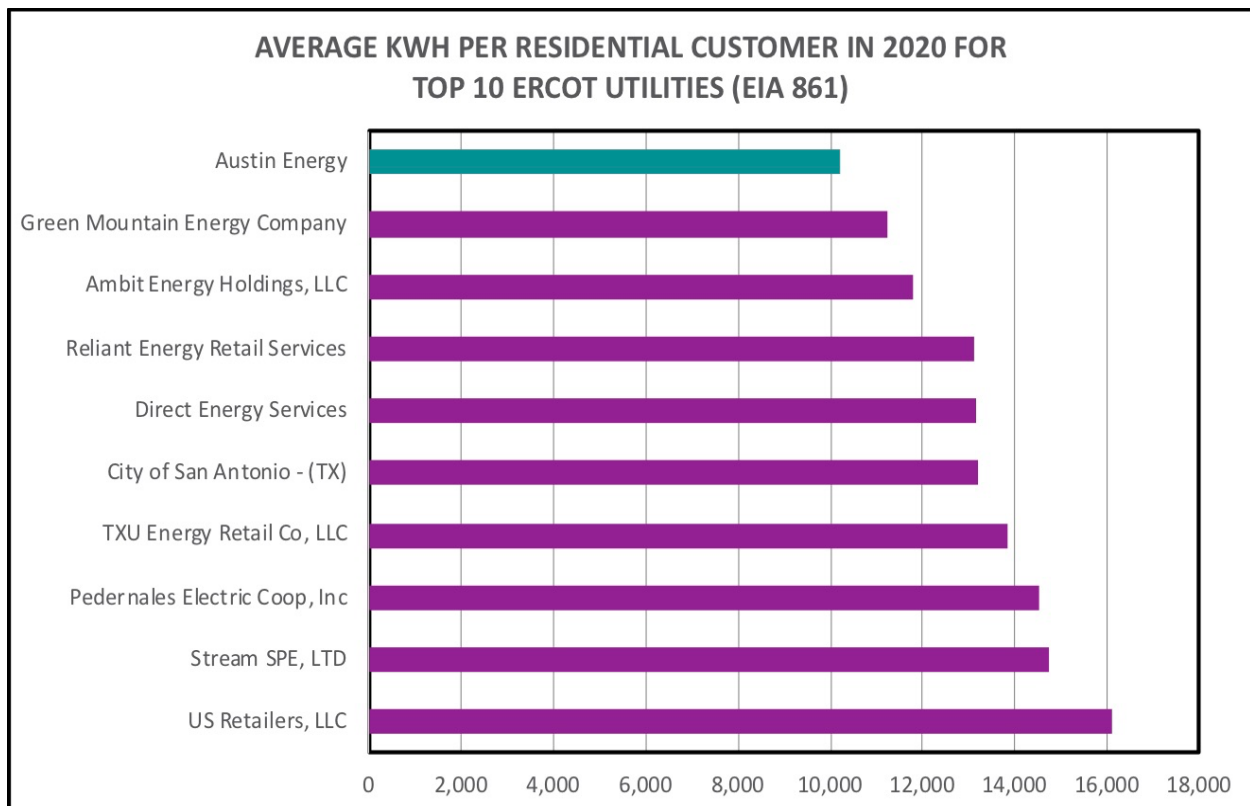
## Issue 2: Austin Energy’s Proposed Rates, Charges, and Policies Discourage Energy Conservation

The City of Austin has encouraged a culture of energy conservation since the 1970s. Between 1982 and 1997, a separate City department was in charge of programs related to energy efficiency retrofits, the energy building code, and the green builder program. In 1997, these programs were merged into Austin Energy.

These programs, combined with progressive electric rates that discourage use, have resulted in the lowest Residential consumption of any major utility in ERCOT. However, recent positions and actions by the utility question its commitment to energy efficiency.

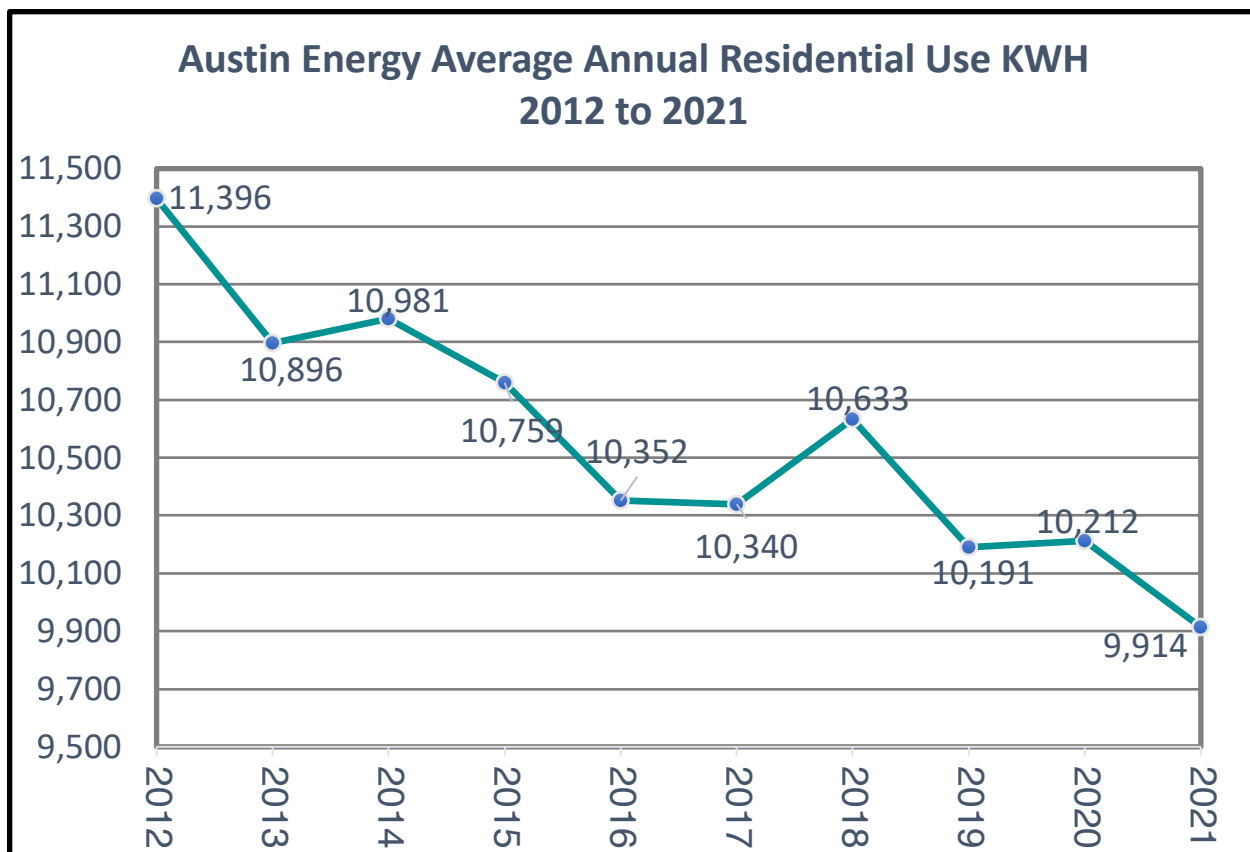
## 2.1 Austin Energy Seeks to Eliminate Its Progressive Residential Rates

According to the annual Energy Information Agency 861 report, in 2020, Austin Energy's average consumption of 10,212 Kwh was 25% lower than the ERCOT average. Only 1% of ERCOT's 9.6 million Residential customers had lower average consumption than Austin.



While Austin Energy has had some type of progressive Residential rate structure since 1981, it began its steeply progressive 5-tier system in 2013. Since then, there has been a profound drop in consumption of 13%. (This is not weather normalized.)





While some amount of this can be attributed to the three other programs previously cited, or attributed to increase efficiency of federal appliance standards, some of it can be attributed to price elasticity of electric costs that drive consumption down.

Eliminating the progressive rate structure that Austin Energy currently employs will discourage energy conservation.

## **2.2 Austin Energy Seeks to Eliminate Conservation Participation in New Commercial Rate Class**

The utility proposes to create a new rate for commercial customers – PRI-2 HLF. These customers use primary voltage that draw equal to or more than 3 MW and less than 20 MW at their highest point and whose monthly load factor over the course of a year meets or exceeds 85%.

If created, the rate would charge a monthly fee, a demand charge per KW, and a fuel charge. But customers would not be charged a kwh fee for energy, nor would they be charged for energy efficiency.

The lack of an energy charge is a tacit encouragement of waste. The lack of an efficiency charge exempts another large swath of consumption Austin Energy consumption from contributing to clean energy through the Energy Efficiency Service surcharge.



There is already a similar rate for high-load factor customers over 20 MW, PRI-1 HLF, which represented 12% of total Austin Energy consumption in 2021, exempted from kwh fees for energy as well as energy-efficiency charges. This new rate will only reenforce the pattern.

Commercial customers allowed to eliminate participation in energy efficiency charges are being subsidized by customers that continue to participate. All Austin Energy customers receive the benefits of reduced ERCOT Regulatory charges and less expensive power purchased on the open ERCOT market because of decreased consumption, though some of its larger customers do not pay for these benefits.

The proposed rate also reenforces the direction of rate regressiveness that Austin Energy seeks to apply to the Residential sector.

### **2.3 Austin Energy Is Not Adequately Funding the Green Building Program**

The Austin Energy Green Building program, among its other responsibilities, is expected to encourage energy efficiency in new construction. However, over time, it has been being asked to assume increasing responsibilities and workloads without an increase in staff levels. This is likely to decrease the program's value and effectiveness over time.

**Position on Issue 2:** As stated in Issue 1, the utility should retain its progressive rate structures. The new Residential and PRI-2 HLF should not be implemented. Customers on Rate PRI-1 HLF should start paying their share of energy-efficiency services again.

An increase in staff levels on the Austin Energy Green Building program should occur in order to maintain and increase its contributions to savings to the utility.

### **Issue 3: Customer Assistance Program (CAP)**

Austin Energy has experienced chronic and long-standing problems with its discount program for the poor since it was implemented in 2013. Some ratepayer money is being misspent by awarding discounts to the wrong customers.

#### **3.1 Austin Energy is Enrolling Some of the Wrong Customers in Its Low-Income Bill Discount Program**

Austin Energy has run a bill discount program for low- and moderate-income Residential customers since 2013 that enrolls participants automatically. If someone residing in a residence is on one of several social service programs, the customer who pays the bill is enrolled, even if the customer themselves is not poor. This has repeatedly led to documented and embarrassing revelations of Austin Energy customers with documented high-property wealth being on the CAP roles.

This has been extensively documented in two reports/complaints that I have written for people who want further background.

### Misguided Charity

#### Complaint to City of Austin Auditor's Office Regarding Austin's Customer Assistance Program

Austin Energy has tried to frame the CAP issue as extraneous to this rate proceeding, claiming that CAP is funded with a pass-through surcharge and not relevant. And the utility has not answered all my information requests on this subject because of this pretense.

However, the deficiency in this argument is that the staff who administer CAP are funded through the rate base and not a pass-through charge.

I suspect CAP of imprudent expenditures. If this suspicion is borne out, I intend to ask that Austin Energy reimburse ratepayers for imprudence through a deduction from its profits (General Fund Transfer).

### **3.2 Austin Energy is Giving Excessive Discounts to Some CAP Participants**

Austin Energy provides a 10% discount on rates regardless of how much consumption occurs. This results in some participants receiving excessively high discounts. In effect, this practice diverts money from the program that could provide higher discounts to CAP participants that use lower amounts of electricity. And it discourages conservation by encouraging profligate consumption.

**Position on Issue 3:** Austin Energy should not continue CAP without changing its enrollment procedures to income-qualify participants. The public utilities in San Antonio and Sacramento have robust participation in their low-income discount programs while using income qualification for enrollment.

In order to scrutinize imprudence, I request that the Impartial Hearings Examiner allow me to access the files of CAP participants to gather further evidence of imprudent expenditures. I am willing to sign a Non-Disclosure Agreement to protect privacy-related information.

Austin Energy should cease giving discounts to participants who consume more than 1,500 kwh per month (the 3<sup>rd</sup> tier of consumption). This money should instead be redistributed to all participants in CAP in the form of increased discounts to the lower tiers of consumption.

### **Issue 4: Biomass Plant**

In order to decrease the onerous costs of a purchased-power contract for electricity from Nacogdoches wood-burning generation plant, Austin Energy has assumed ownership of the plant. However, there is no consideration in the rate case on how to lower the plant's costs.

The costs for debt and (non-discretionary) Operation & Maintenance must still be paid. This rate case may decide to place these costs in the rate base instead of the fuel cost portion of the bill.

If this direction is chosen, all recommendations for lowering the cost need to be analyzed.

#### **4.1 Austin Energy is Not Analyzing All Options to Lower the Cost of Biomass Generation**

Such options include a longer debt repayment schedule, and lowering the cost that Austin Energy pays to local governments where the plant is located (since Austin Energy is tax exempt).

**Position on Issue 4:** Since the issue of whether the Biomass plant is placed in the rate base is undetermined, all issues to decrease the cost of this generation source should be included in this rate case.

#### **Issue 5: Growth and Increased Cost**

In 2014, the Austin City Council passed an ordinance mandating that Austin Energy collect 100% of its costs for serving new customers. This ordinance actually led to a rate decrease a few years later.

However, Austin Energy is partially justifying its rate increase because of increased expenditures for growth to the system.

**Position on Issue 5:** If I am understanding the issue in context, this rate case should immediately deal with remedial action and policies to follow the intent of Council to have growth pay for itself.

Such action may eliminate the rate increase, or at least mitigate the size of it.