

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

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



**REBUTTAL TESTIMONY**

**OF**

**RUSSELL H. MAENIUS**

**ON BEHALF OF AUSTIN ENERGY**

**JULY 7, 2022**

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## **EXHIBITS**

RHM-1	Resume
RHM-2	Austin Energy's Response to ICA RFI 4-12

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Russell H. Maenius. My business address is 4815 Mueller Blvd, Austin,  
4 Texas, 78723.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

6 A. I am employed by the City of Austin (City) as Vice President of Finance at Austin  
7 Energy.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. I am testifying on behalf of Austin Energy.

10 **Q. DID YOU PREPARE THIS TESTIMONY?**

11 A. Yes. This testimony was prepared by me or under my direct supervision.

12 **Q. PLEASE DISCUSS BRIEFLY YOUR EDUCATIONAL BACKGROUND,**  
13 **PROFESSIONAL EXPERIENCE, AND QUALIFICATIONS.**

14 A. I received a Bachelor of Science degree in Agricultural Economics from Texas Tech  
15 University, Lubbock, Texas in May 1984. I have nearly 30 years of experience in the  
16 electric utility sector. Since August 2000, when I joined Austin Energy, I have served  
17 as a Utility Regulatory Planner, Finance Director, and as Vice President of Finance.  
18 Prior to joining Austin Energy, I served in an analyst position at Pedernales Electric  
19 Cooperative from 1992 to 2000. My responsibilities there included cost of service,  
20 regulatory reporting, financial reporting, budget, and financial forecasting.

21 **Q. HAVE YOU PROVIDED AN ATTACHMENT THAT DETAILS YOUR**  
22 **EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?**

1 A. Yes. I provide this information in Exhibit RHM-1 to my testimony.

2 **II. PURPOSE**

3 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

4 A. The purpose of my rebuttal testimony is to address recommendations to adjust Austin  
5 Energy's revenue requirement for storm costs related to Winter Storm Uri made by  
6 Independent Consumer Advocate (ICA) witness Clarence Johnson, Texas Industrial  
7 Energy Consumers (TIEC) witness Jeffry Pollock, and Two Women Ratepayers  
8 (2WR). I also address changes to the methodology to impute the Value of Solar  
9 (VoS) discussed by Sierra Club, Public Citizen, and Solar United Neighbors  
10 (SCPC/SUN) witnesses Cyrus Reed and Karl Rabago, and proposals made by Solar  
11 and Storage Coalition (SSC).

12 **III. WINTER STORM URI RESTORATION COSTS**

13 **Q. DID AUSTIN ENERGY ADJUST ITS REVENUE REQUIREMENT FOR THE**  
14 **STORM COSTS ASSOCIATED WITH WINTER STORM URI?**

15 A. No.

16 **Q. DID ANY INTERVENORS RECOMMEND ADJUSTMENTS TO THE**  
17 **REVENUE REQUIREMENT FOR WINTER STORM URI?**

18 A. Yes. ICA witness Johnson recommends amortizing \$6.8 million dollars in Winter  
19 Storm Uri expense over five years and to include only one fifth of that amount, or  
20 \$1.36 million, in the test year revenue requirement.<sup>1</sup> 2WR and TIEC witness Pollock  
21 also discuss Winter Storm Uri. Witness Pollock's testimony on Winter Storm Uri

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<sup>1</sup> Initial Presentation of Clarence L. Johnson on Behalf of the Independent Consumer Advocate (ICA), at 14-15 (Jun. 22, 2022) (Johnson Presentation).

1 addresses proposed changes to test year billing determinants, which will be addressed  
2 in the rebuttal testimony of Austin Energy witness Brian Murphy. 2WR makes a  
3 recommendation concerning late payment fees associated with Winter Storm Uri,  
4 which will be addressed in the rebuttal testimony of Austin Energy witness Monica  
5 Gonzalez.

6 **Q. WHAT WAS ICA WITNESS JOHNSON'S JUSTIFICATION FOR HIS**  
7 **ADJUSTMENT?**

8 A. ICA Witness Johnson stated that Winter Storm Uri was not a routine or "normal"  
9 winter storm and should be considered abnormal for ratemaking purposes.

10 **Q. DO YOU AGREE WITH ICA WITNESS JOHNSON'S RECOMMENDATION**  
11 **TO AMORTIZE WINTER STORM URI EXPENSES OVER A FIVE-YEAR**  
12 **PERIOD?**

13 A. No. While Winter Storm Uri was an exceptional event, it does not mean that the  
14 storm costs associated with it were exceptional or abnormal. Austin Energy has  
15 storm outages every year and substantially all of the resources used in the Winter  
16 Storm Uri response would be utilized in the normal course of the year including  
17 regular storm response. The power outage associated with Winter Storm Uri lasted  
18 over an extended period of time, but that was due primarily to ERCOT-directed load  
19 shed. While Austin Energy also experienced storm-related outages, the expenses  
20 associated with those outages were not exceptional as compared to other years.

21 **Q. PLEASE DESCRIBE THE STORM COSTS ICA WITNESS JOHNSON**  
22 **PROPOSES TO AMORTIZE.**

1 A. ICA witness Johnson's recommendation is based on Austin Energy's response to ICA  
2 Request For Information (RFI) 4-12.<sup>2</sup> The \$6.8 million in expense is comprised of  
3 \$4.3 million related to labor and benefits, \$1.2 million related to overtime, and \$1.3  
4 million related to contract labor.

5 **Q. DOES AUSTIN ENERGY REGULARLY INCUR LABOR, OVERTIME AND**  
6 **CONTRACTUAL LABOR COSTS DURING THE COURSE OF THE YEAR**  
7 **INCLUDING THOSE PERIODS OF STORM RESTORATION?**

8 A. Yes.

9 **Q. PLEASE EXPLAIN.**

10 A. The \$4.3 million in labor and benefits were regular wages and benefits paid to Austin  
11 Energy employees who would have been paid during the period that Winter Storm  
12 Uri occurred regardless of whether the storm had happened or not. These costs are  
13 part of normal operations.

14 **Q. PLEASE DISCUSS THE OVERTIME COSTS INCLUDED IN ICA WITNESS**  
15 **JOHNSON'S PROPOSED ADJUSTMENT?**

16 A. Winter Storm Uri restoration costs noted above include \$1.2 million in overtime  
17 costs. Austin Energy regularly incurs overtime costs during normal operations and  
18 annual storm outages. Overtime costs incurred by Austin Energy during the test year  
19 are consistent with historical overtime trends. The table below shows all overtime  
20 expenses for Austin Energy over the last five years. While the \$10.8 million test year

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<sup>2</sup> See Exhibit RHM-2 for Austin Energy's Response to ICA Request For Information (RFI) 4-12 (Jun. 14, 2022).

1 amount is higher, it is in line with previous years, especially in light of yearly wage  
2 increases and rising job vacancies.

3 HISTORICAL OVERTIME FOR AUSTIN ENERGY

Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Overtime	\$8.3M	\$9.2M	\$9.7M	\$9.0M	\$10.8M

4 **Q. PLEASE DISCUSS THE CONTRACT LABOR INCLUDED IN ICA WITNESS**  
5 **JOHNSON’S PROPOSED ADJUSTMENT.**

6 A. Austin Energy incurred approximately \$1.3 million in contractual labor costs during  
7 the Winter Storm Uri restoration. These charges are attributed to Asplundh Tree  
8 Expert, Davey Tree Surgery, Davey Resource Group, Wright Tree Service, Mastec  
9 North America, and Pike Enterprises for their services.

10 **Q. DID WINTER STORM URI CAUSE AUSTIN ENERGY TO INCUR**  
11 **ABNORMALLY HIGHER COSTS FOR THESE VENDORS DURING THE**  
12 **TEST YEAR?**

13 A. No. Austin Energy paid less to these contractors in total during the test year than in  
14 the previous year and not abnormally more than the two prior years. Therefore, ICA  
15 witness Johnson’s proposed adjustment should be rejected.

16 CONTRACTOR COSTS BY FISCAL YEAR

Fiscal Year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Combined Contractor Costs	\$10.5M	\$14.1M	\$14.0M	\$17.6M	\$15.6M

1   **Q.    DID ICA WITNESS JOHNSON REBUT THE REASONABLENESS OF THE**  
2       **OVERALL TEST YEAR COSTS FOR LABOR, OVERTIME, AND**  
3       **CONTRACTED LABOR?**

4    A.   No. I am not aware that ICA witness Johnson has provided any testimony contesting  
5       the reasonableness of these overall test year costs.

6   **Q.    DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING ICA**  
7       **WITNESS JOHNSON’S RECOMMENDATION?**

8    A.   Yes. ICA witness Johnson’s recommendation to reduce the revenue requirement  
9       should be denied and no adjustment should be made for restoration costs associated  
10      with Winter Storm Uri. ICA witness Johnson has provided no proof that the  
11      restoration costs for Winter Storm Uri would not be recurring, and he fails to  
12      acknowledge the fact that Austin Energy routinely incurs similar storm costs on a  
13      yearly basis.  
14      ICA witness Johnson bases his recommendation on his assertion that Winter Storm  
15      Uri was not a normal storm. Although Winter Storm Uri was exceptional in many  
16      ways, its impact on Austin Energy’s labor, overtime and contract costs was similar to  
17      those experienced frequently on a yearly basis that included less extreme events.  
18      Even a cursory review of the costs shows that his recommendation is flawed when  
19      \$4.3 million of the \$6.8 million is associated with regular wages and benefits that  
20      would have been paid to Austin Energy employees regardless of whether Winter  
21      Storm Uri or any other storm would have occurred.

22   **IV.    CHANGES TO THE METHODOLOGY TO IMPUTE VALUE OF SOLAR**

23   **Q.    DID AUSTIN ENERGY ADDRESS VOS IN THIS BASE RATE**  
24       **PROCEEDING?**



1 A. Yes. Austin Energy’s proposed changes to VoS are in Chapter 9, page 138 of the  
2 Base Rate Filing Package.

3 **Q. WHY IS AUSTIN ENERGY PROPOSING THE CHANGE?**

4 A. The City of Austin Fiscal Year 2022 Electric Tariff states “The Value-of-Solar rates,  
5 methodology, and inputs will be re-assessed and updated during Austin Energy’s rate  
6 review using the calculations outlined in Appendices A, B, and C of this tariff.”<sup>3</sup>

7 **Q. DID ANY INTERVENORS OBJECT TO AUSTIN ENERGY’S VOS**  
8 **PROPOSAL?**

9 A. Yes. SCPC/SUN witnesses Cyrus Reed and Karl Rabago, as well as SSC. Please see  
10 Austin Energy witness Gécécé’s testimony.

11 **Q. WHAT WAS WITNESS RABAGO’S RECOMMENDATION?**

12 A. Witness Rabago recommends that the Austin Energy VoS proposal be suspended and  
13 the VoS program be totally reevaluated.

14 **Q. WITNESS RABAGO CLAIMS AUSTIN ENERGY IS PROPOSING “TO**  
15 **TERMINATE VALUE OF SOLAR TARIFF IN ALMOST EVERYTHING**  
16 **BUT NAME.”<sup>4</sup> IS THAT AN ACCURATE DESCRIPTION?**

17 A. No. My understanding is that the overall VoS program has not been altered other  
18 than the proposed funding and methodology changes. Austin Energy is  
19 recommending changing the funding source for VoS from being funded solely from

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<sup>3</sup> The VoS is located in the current Austin Energy tariffs at 29, <https://austinenergy.com/wcm/connect/c4f3dd41-c714-43bc-9279-e92940094731/Tariff-FY2022.pdf?MOD=AJPERES&CVID=nPpTNhX>.

<sup>4</sup> Direct Testimony of Karl R. Rabago on Behalf of Sierra Club, Public Citizen, and Solar United Neighbors (SCPC and SUN) at 5 (Jun. 22, 2022).

1 the Power Supply Adjustment (PSA) to being funded through the PSA and the  
2 Energy Efficiency Services (EES) charges. The portion being recovered through the  
3 PSA is the avoided costs of purchased power, which is appropriate. The societal  
4 benefits, which are not avoided purchased power costs, should be recovered through  
5 the EES where other similar program costs are being recovered, such as rebates and  
6 other solar incentives.

7 **Q. HOW IS THE CURRENT VOS IMPUTED?**

8 A. The current methodology used to determine the VoS rate is future-looking, calculated  
9 based on marginal cost avoidance, and includes an environmental adder in addition to  
10 avoided costs to the utility.

11 **Q. WHAT CHANGES DID AUSTIN ENERGY PROPOSE TO THE**  
12 **METHODOLOGY TO IMPUTE THE VOS?**

13 A. Austin Energy proposes separating the imputed VoS rate into three pillars: avoided  
14 costs, societal benefits, and policy driven incentives.

15 **Q. PLEASE EXPLAIN WHY AUSTIN ENERGY IS PROPOSING THESE**  
16 **CHANGES.**

17 A. Austin Energy's proposed changes (1) create transparency by making clear  
18 delineation between the values used to impute VoS; (2) align recovery with the most  
19 appropriate rate mechanism; and (3) move from a marginal cost basis to an embedded  
20 cost basis for the avoided cost component of the VoS.

21 **Q. HOW DOES AUSTIN ENERGY'S PROPOSAL CREATE TRANSPARENCY?**

1 A. Currently, VoS is an aggregated value that includes marginal costs, avoided costs,  
2 and environmental costs. Austin Energy's proposal is to disaggregate the value into  
3 the three pillars noted above.

4 **Q. HOW DOES AUSTIN ENERGY'S PROPOSAL ALIGN RECOVERY WITH**  
5 **THE MOST APPROPRIATE RATE MECHANISM?**

6 A. Austin Energy's proposal would collect the avoided cost of rooftop solar energy  
7 through the PSA, while the societal benefits and other subsidies would be collected  
8 through the EES component of the Community Benefit Charge. This would clearly  
9 differentiate the imputed avoided cost of rooftop solar power from its societal costs  
10 and other subsidies.

11 **Q. HOW DOES AUSTIN ENERGY'S PROPOSAL MOVE THE AVOIDED COST**  
12 **COMPONENT TO AN EMBEDDED COST BASIS?**

13 A. The avoided cost of rooftop solar would be calculated on an embedded historical cost  
14 basis as opposed to a marginal cost basis that relies on estimated future costs. The  
15 embedded cost basis relies on actual documented expense. This would be consistent  
16 with Austin Energy's other rates including its power supply costs that are collected  
17 through the PSA. Consequently, the avoided cost of VoS would be calculated  
18 consistent with other power supply costs.

19 **Q. DOES YOUR TESTIMONY ADDRESS THE CURRENT VOS, ANY**  
20 **AMOUNT DERIVED FROM THE CURRENT METHODOLOGY OR THE**  
21 **PROPOSED METHODOLOGY?**

22 A. No. Austin Energy's witness Richard G  nec   addresses the VoS from the current  
23 methodology and the proposed costs elements of societal costs and any other

1 subsidies or incentives. Questions regarding the avoided cost component should be  
2 directed to Austin Energy witness Scott Burnham.

3 **Q. DO YOU AGREE WITH WITNESS RABAGO'S RECOMMENDATION TO**  
4 **SUSPEND AUSTIN ENERGY'S VOS PROPOSAL?**

5 A. No, for the reasons I noted above.

6 **Q. IS AUSTIN ENERGY PROPOSING TO REDUCE THE VOS?**

7 A. No. The rate is actually increasing under Austin Energy's proposal. The proposed  
8 increases are shown in Table 9-E, page 148 of Base Rate Filing Package.

9 **Q. SSC OUTLINED SEVERAL PROPOSALS IN THEIR POSITION**  
10 **STATEMENT. WHAT ARE THOSE PROPOSALS?**

11 A. SSC made many suggestions, including: 1) the VoS should address solar plus storage;  
12 2) VoS expansion to allow and benefit microgrids and multifamily developments; 3)  
13 the update to include certain VoS rebates; 4) solar permit processing; 5) standard  
14 offer program for community solar/storage; 6) billing system updates; 7) VoS floor;  
15 8) 24x7 carbon free rate; and 9) automatic CAP enrollment based on census tract.

16 **Q. WHAT IS YOUR RESPONSE TO THESE PROPOSALS?**

17 A. I am not speaking to the substance of SSC's proposals. From a process standpoint,  
18 however, SSC's proposals are outside of the scope of this Base Rate Review  
19 proceeding. As noted in the Procedural Guidelines, only the VoS rates, methodology,  
20 and inputs—not programmatic changes—will be re-assessed and updated during this  
21 Base Rate Review.<sup>5</sup> Additionally, billing system updates will be considered by

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<sup>5</sup> Austin Energy 2022 Base Rate Review Procedural Guidelines at 2.

1 Austin Energy at the appropriate time, which again, is not during this Base Rate  
2 Review. Further, the proposed 24x7 carbon free rate is also beyond the scope of this  
3 proceeding.<sup>6</sup> Regarding the proposal for CAP enrollment by census tract, that is  
4 further addressed in the testimony of Austin Energy witness Jerry Galvan.

5 **V. CONCLUSION**

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

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<sup>6</sup> *Id.*

## EXHIBIT RHM-1

### RUSSELL H. MAENIUS

Austin Energy  
4815 Mueller Blvd.  
Austin, TX 78723

#### Public Power Finance Professional

*Nearly thirty years of electric utility finance experience with Austin Energy, the 7<sup>th</sup> largest public power utility in the nation, and Pedernales Electric Cooperative, the largest electric cooperative in the nation. Advanced expertise in public power finance.*

#### Profile

- **Leadership** – Seventeen years in senior leadership. Managed approximately 225 employees with a combined budget of nearly \$40 million. Proven leader dedicated to open communication, inclusion, and ability to apply social, racial and equity lenses. Prioritize building and investing in relationships across all skill levels and throughout the chain of command including boards of directors, city council, customers and regulators including the Public Utility Commission of Texas (PUCT). Successfully built cross-functional relationships to resolve problems, develop employees, and build environments for success. Advanced expertise in municipal electric finance making multiple complex financial presentations to both internal and external stakeholders.
- **Regulatory** – Manage the cost of service and rate making functions at Austin Energy. Interact with regulators including PUCT and City Council. Managed multiple successful municipal retail, transmission and interim transmission rate cases and costs of service studies. Filed direct and rebuttal testimony in the municipal rate setting process and with the PUCT. Oversight responsibility for regulatory filings including Earnings Monitoring Report and Form 7.
- **Budget and Forecasting** – Oversight of budget and forecasting at Austin Energy. Developed and implemented corporate level budget forecasting process at Pedernales Electric Cooperative; managed load, revenue and financial forecast; responsible for departmental operating and capital budgets.
- **Accounting** – Oversight for the accounting function at Austin Energy. Responsible for financial reporting and budget to historical comparisons; account reconciliation; unitized construction work in progress to plant; and maintained and reconciled audit lead schedules.
- **Financing** – Prepared multiple bond financing packages including management analysis, financial analysis, forecasts and rating agency presentations. Served as a liaison to attorneys, under-writers and rating agencies.
- **Financial Management** – Developed and implemented financial strategies to stabilize, enhance, and maintain financial excellence. Managed rate process to develop cash flow streams that support a well-capitalized, liquid balance sheet as well as operations that

balance affordability and credit ratings. Devised strategies to promote and maintain critical ratios such as days of cash on hand, debt to equity and debt service coverage.

### **Professional Experience**

#### **Management Position**

**Austin Energy, Austin, Texas,**

**August 2000 – Present**

- Vice President of Finance responsible for Corporate Accounting, Financial Planning and Budget, Financial Risk Management, and Rates and Financial Support.
- Finance Director from 2011 to 2021. Senior leadership position responsible for rates, forecasting and modeling. Managed the rate process including retail and transmission rate studies and effectively integrated the rate strategies into Austin Energy's long-term financial forecast. This provided a comprehensive overview of rate strategy efficacy on long-term financial viability; identified potential strengths and weakness in future financial performance; and devised effective strategies to improve financial viability, affordability and support for credit ratings. Responsible for load research, load forecasting, revenue forecasting and financial forecasting. Oversight of quality assurance program tasked with billing software implementation and bill verification.
- Managed supply chain function consisting of four warehouses with approximately \$15 million in inventory and a reclamation program. Additionally, managed the fleet function of over 700 units.
- Developed, prepared and delivered presentations to utility executive team, Electric Utility Commission, and Austin City Council.
- Managed constructive and cooperative key relationships throughout the utility and municipal infrastructure that facilitated the execution of strategic objectives at the individual, business unit and organizational levels.
- Initially joined the organization in 2000 as a Utility Regulatory Planner serving in that role until 2011 advancing to senior roles with expanding managerial and regulatory responsibilities.

#### **Financial Analyst**

**Pedernales Electric Cooperative, Inc., Johnson City, Texas**

**June 1992 – August**

**2000**

- Prepared both retail and transmission cost of service studies.
- Responsible for financial reporting to board of directors.
- Developed and implemented formal corporate budget process improving efficiency and cost management.
- Developed forecasting tool including balance sheet, income statement and cash flow for corporate management, bond issues and ratings review.
- Prepared management discussion and analysis in bond offering statements. Coordinated financings and reporting issues in accordance to bond indentures.

#### **Lender**

**TEAM Bank, Fredericksburg/Austin, TX**

**June 1984 - June 1992**

- Held multiple positions including Assistant Vice President, Loan Officer, Credit Manager and Credit Analyst.

- Responsible for credit quality on \$100 million portfolio.
- Developed, prepared, reviewed and presented technical financial information in oral and written communication to the executive team, board of directors and regulatory agencies.
- Responsible for extending and collecting credit on a multi-million dollar portfolio.

### **Education**

Bachelor of Science – Agricultural Economics, Summa Cum Laude (1984)  
Texas Tech University, Lubbock, Texas



## Austin Energy's Response to the ICA's Fourth RFI

ICA 4-12: Please quantify the amount of overtime pay and other Winter Storm Uri restoration costs during Feb. 2021, compared to February 2020 and 2019.

ANSWER: Overtime associated with Winter Storm Uri, which occurred in February 2020, was booked in March 2020. Austin Energy incurred the following major cost components related to Winter Storm Uri: \$4.3 million related to labor and benefits, \$1.2 million related to overtime, and \$1.3 million related to contract labor. No Winter Storm Uri costs were incurred in February 2020 or 2019.

Prepared by: MM

Sponsored by: Rusty Maenius