

Austin Energy Utility Oversight Committee (AEUOC)

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[10:04:45 AM]

Then I'm Leslie pool chair of the Austin energy utility oversight committee. Today is Wednesday, November nine. It's 10 05 in the morning, and we are city hall chambers on this fine, foggy morning. I wanted to start

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with congratulations to our two colleagues who prevailed and their reelection efforts last night congratulations to council member harper-madison. In district one and council member Paige Ellis in district faith. We're really happy that you guys are going to be continuing on the diaspora. Congratulations. Um I want to remind everybody that Friday November 11th is veterans day and I personally want to appreciate and celebrate the veterans. I don't I don't talk about my family much, but I tell you a little bit about my father. He served in the European theater. In World War two um, in a third army infantry division under general Mccollough. It was from 1944 to 45. His battalion landed on a beach in normandy. They marched from France across the alps into Germany. And in 1945, he

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participated in freeing. Um a concentration camp. Like so many of his generation. My dad didn't talk. Much at all about his war service. And there are many stories like his out there. And so what? I would say. Because of not a lot of veterans talk about their experiences that when they do, we should listen. And there are many, many ways to appreciate veterans this year, so I want to name just a few here in Austin. This Friday. There's a parade honoring veterans that will run down congress avenue, starting at

nine A.M. At social Chavez and congress. The Austin veterans art fest returns this year with a number of activities going on around the central Texas area, and you can find out more at a V a fest .org. And lastly, please let veterans you know. How much you appreciate. So thank you,

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everyone for being here as we move through the rape case for us to the energy in particular, I want to thank all the participants who have joined the process. We appreciate you. Thank you. Madam chair. Yes quick announcement before you absolutely colleagues with respect to the council meeting the intent as the chair posted. I think it's do the testimony of the parties this morning. We'll do the executive session remotely. During lunch, come out and convene the city council meeting. We'll do that executive session remotely during that regular session during the meeting. And then pick up the Austin energy meeting at two o'clock. For the for the questions. And I appreciate the chairs, accommodations. It's I'll be leaving and going to the airport to go to cop 27 so I could go early in the best, and I will abide by my five minutes

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time. I want staff to give me short answers to the questions I have so I can make by three questions in my five minutes. I would also like to just really quickly. Note. Two people that were important to this community just passed away. Public lander. Passed away. He was. The chair of our visit, Austin. If I'm doing it. Was that it just a really crucial time for of the city. So much of a cultural arts that we have in our CVS funded by the hot tax revenue. And really, that found really kicked into gear. During his his leadership. So our thoughts. I go to his wife jam is two sons, Jeremy and then just also to

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note that Kim white passed away this weekend. Ah! She was Abbott. Music organizer and havoc it it's supporter in our community. And just one of those people that never with a formal position. Has has made huge contributions to the to the city. John thank you. Mayor could I just quickly? I just want to remind folks because you may have not had a chance to notice this. But the executive session today. Um has to do with , um I forget exactly how it's posted. But the executive session has to do with real estate matters related to, um the shelters for homelessness. And so I just wanted to give people a heads up about that. Thank you all. Okay let me talk

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a little bit about the agenda today and what to expect. We have scheduled presentations from invited presenters this morning. That will likely take us right up to the lunch hour and as the mayor indicated, we will, uh be also holding an executive session that's unrelated to Austin energy. There was a request to get to grant one presenter more time. But in the interest of fairness, all main presenters are given 10 minutes each. In Alaska are our staff here to put on the timer for those and with the 14 additional participants each get five minutes. I also considered a suggestion that participants donate time to the main presenters, but I think we're served. Well to hear directly from each participant with their own specific issues that are not addressed by the I. C a and we can certainly hear more from any presenter or individual participants during the council question time. That will be the

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opportunity to dig in more deeply on the report's proposals and the presentations. I understand a new proposal was submitted yesterday it is posted on the city clerks website. Posted yesterday around noon. I have posted the link on the message board for ease of access. As I understand it, not all parties have had a chance to review it and respond. I myself received the document from one of the parties this morning. Just a little bit of, uh, after nine o'clock about an hour ago. So we'll break around noon and I'll recess our meeting turn the meeting over to the mayor who will convene the special college council meeting and executive session. We'll also have lunch during that time frame and plan to return to the diocese. Two o'clock for the council questions that the presenters and participants and a discussion portion of our meeting at the mayor's request. I'll take his questions first as he will have to depart shortly after that. Yes I have a quick

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question. This proposal that we just received that is on the dais will be during as part of the briefings or the presentations. Will they cover this proposal in detail? I would imagine that they will certainly do that. Okay? Will plan to return to somebody else. Yes to this is Kathy tovo entertainer? Yes dark hair, so I think the proposal you were referring to is one that several of the designated speakers have indicated they would donate their time to the independent consumer advocate. I think that's what you're referring to. And I certainly would favor that approach. Um for one thing, they independent consumer advocate is really an outside consultant that the city has hired. So you know, I regard that individual as as a consultant, and if we don't if we don't have time to really probe with that independent consumer advocate today, then I would like to suggest that we schedule more

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time for that presentation and for that back and forth in a future session because again I regard that person is really serving as a consultant to the city of Boston into the city council and Austin energy. And so I think we need we need more time for that. I appreciate I really appreciate that. And I'll note that the bulk of our time this morning is with the participants who are not the independent, um hearing exam. The. That the hearing examiner or Austin energy, and I thank you for that. And we will certainly uh, look at additional time in the future. Um we have a finished going through what the process here today is I think you'll see that there is additional time available F all these conversations. Um so we'll come back to council questions of the presenters and participants and any focus that you want to have on the new proposal, which is which is brand spanking new and I think we're all interested in that. Um

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I'd like to conduct the questions portion today in the congressional style will have a round robin format. In which in which each council member will have five minutes to ask a question or two and get the response. We can go around as many times as necessary. Just keep in mind that with 11 of us on the diets 10 after the mayor departs at five minutes each. This may take each round may take an hour. So any other questions about the proposed schedule or format? Mayor pro tem good morning. Um I was just wondering, I'm not sure whether the executsession that's going to take for two hours between 12 and two. So I just would like us to leave open the possibility of coming back before too. Um to continue the conversation that sounds like a good plan. We can be flexible on it. Two o'clock and those of you who are looking for us to return to stay alert. So may I ask you a council member kitchen? Yeah I

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think that realistically, when we break we have to go get food, so we're probably not going to start executive session, the closer to 12 30, hopefully sooner. So I expect executive session to take at least an hour so we'll see how that goes. I think we've allocated a good period of time and if we are able to come back sooner than two o'clock, then then that's great, but we'll have to see how things were allowed at that point. I understand. We have two speakers signed up for today. One remote and one in person. Let's take the remote speaker first. Uh Phil Oakey. Mr. Okay. Are you online? Yes I am. Great thank you, Mr. Okay you have three minutes if the staff will run the timer, please for three minutes. Okay thank you very much. And good morning. This year, I learned that I survived cancer for the third time and so I am dedicating the rest of my life to celebrating my family and good friends and doing the

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very best that I can to help the community. With my 39 years of experience in reviewing Austin energy rate cases. This time I have done the most extensive research and into any public issue in my entire

lifetime. And what I want to say to you this morning is that the compromise proposal is not the best approach that you should take. What you should do is you should carefully consider every single. Revenue and cost saving recommendation by each one of the rape case participants and use those cost saving measures to completely wipe out the base rate increase this space rate increase on top of the double right shock from the regulatory charging the customer charged, uh, would be devastating for the community and you have the opportunity to wipe out the right in decrease completely. The second thing I want to say,

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is that on my blog, Austin affordability .com. I have detailed explanations for why Austin energy cannot continue to raise rates to compensate for loss of energy cells. They need a new business model. And on my blog, I have the national conference of state legislatures . Major 2019 report. New business strategies for electric utilities across the united States. That report is something that you need to review and you need to consult with national experts on how to move off the energy into a new business model, so that taking they can raise our climate change goals by selling left carbon generated electricity and not attempting to cover those lost sales. Several base rate increases and reductions to, uh, solar benefits customers. I think you will find that the approach that

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I'm recommending is in the best long term interests of both of Austin energy in the city of Boston, and the last thing I want to say, is that Austin energy needs a near term midterm and long term plan to transition to a new business model that won't meet Austin climate change goals. And ensure the financial stability of the electric utility. If they continue to raise rates, they will chase away customers faster than ever . And that that is the wrong approach. We don't need to go back towards the past traditional bottles. We need to go forward with innovative new business models that are already being used in Europe. And all the already being used in other parts of the United States. So please study often affordability dot com very carefully remarked on giving this morning or being sent to all of your offices with the length in there to help guide you towards this. This new can you inevitable future and

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it's not just the city of Austin . Mr okay. Thank you so much. I appreciate your input. Um our in person speaker this morning is peck young, Mr young. Been a long time. Welcome you have three minutes. Mr young and our staff will run the timer. When you begin speaking. Stand up and talk to you, but I don't have a need that doesn't work very well anymore. It's a pleasure to be with you today. For just a moment before I talk about the details. I want to remind some of y'all why I'm talking about electric

rates because that's not something most of you probably think I know anything about. Uh my history includes working from 1975 per 77. With then mayor

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Friedman to create the mayor's commission on electric rates. After that, I worked to create the electric utility commission starting in 1977. 77 to 85. I served on that commission and was chair from 82 to 85. Uh, I helped pay us ah, both auctions Progressive electric raid in 81 our energy efficient program in 82. And I have not lost touch with the utility. And the time that has passed since I since the end of my service. So I know something about electric rates along with some of the other issues. I've dealt with the city. For over 40 years we have had a rate structure that has been both um, stimulating conservation and promoting energy efficiency. That history is now in jeopardy. Proposal with the utility is put forward. The utility. Wouldn't move the burden. Um, just would shift the burden. To the smallest

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customers with a questionable radio increase that they are now proposing. And lower rates for the large commercial users. But this is both unfair and counterproductive to any hope for stimulating conservation by removing an incentive to conserve from the large users and simply penalizing small users from not being able to conserve more than they already do so they can pay their bills. I believe the proposed compromise what you indicate you just received retains the conservation. System and also continues to concert, too. To create fair utility rights. I'm curious why in San Antonio. After the same hot summer that we reckon we went through. Uh is managing the lower his cause to its consumers because of the windfall and funds at that utility received while we at the same time or asking to gouge our

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customers and owners afterwards , the same windfall if they that we should have had if they did I'm concerned that this utility picked its own hearing examiner. I'm concerned that they met and had private conversations with the bond counsel. When I served on the electric utility commission, it was standard process process process. For us to meet with bond council in public meetings and it was standard process for the city council to meet with bond council in public and public meetings and received their input on the record in private conversations that were not available to the citizens. I urge you to adopt the proposal that has been put forward by the by the interveners as a more fair electric great proposal. Thank you very much for your time. Thank you so much, Mr young. Thanks for being here today. Um I'd like to now give Austin energy general manager jacky sergeant. Um a minute or two to set the stage for us. In

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terms of where we are in the process, and then we'll move to the first presenter. Who is Travis Vickery, the impartial hearing examiner. Who in this process is a neutral party with a judicial role. Mr Brocado is going to make the presentation. Okay very good. Thank you so much. Thanks for being here, Mr Bo kata. Birth. My name is Thomas brocado and I represent the city in this base rate review. In this space rate review. Ah! Although there are many important issues in this case, my time is short. So I focus on three specific issues revenue requirement. The residential tier structure and the residential customer charge. Now, with respect to the revenue requirement. Utilities financial health has been deteriorating due to increases in O and M costs associated with providing electric service. Specifically often energy is proposing to increase based rates by \$35.7

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million to account for a higher cost of materials, goods and labors. In addition, often energy is lost a combined \$90 million over the past two years . The current financial condition has resul in less than 100 and 50 days of cash on hand, which is in violation of the city's financial policies. This summer to rating agencies downgraded Austin energy notably these downgrades assume that the utilities original proposed increase of \$48 million is approved. In order to preserve off energy. Financial health utility must recover the requested increase to the revenue requirement. And this need is supported in a firm by the recommendations of the I, G. Secondly often energy needs to revise its rate designed, especially for residential customers. In order to stabilize revenues and more equitably recover its cost. The current rate structure has contributed to the deteriorating financial position. Changes to the current rate structures are not only

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warranted but necessary in order to stabilize utilities financial position and allow utility to continue to deliver affble, reliable electric service to our community. As such off energy proposes to reduce the number of residential tears from 5 to 3. And to flatten the tears. Currently revenue requirement is hampered by existing right designs that rely too heavily on energy sales. It is outdated because consumption patterns continue to change in the 2012 right case, for example, the average monthly residential consumption was about 1100 kwh per month. In 2016, it had fallen to 900 kwh. Today it is approximately 825 kwh per month and also energy is proud of that accomplishment, but it comes at a price. Most residential customers are built on a steep five tier structure, with each tier being prized progressively higher. The 1st and 2nd tiers, however, a price below cost and are subsidized by the 4th and 5th tears. Significantly more

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than 40% of residential customers are being subsidized by other residential customers that that's not even to mention commercial customers. Moreover, there simply are not enough. Customers in the higher tiers to make up the revenue deficit from the lower tiers under recovery. You don't want the utility to be financially solvent only of customers use a high level of consumption. Accordingly often energy proposals to move these classes closer to cost of service. But despite these imbalances, the utility is mindful of rate impact and the need for gradualism. And it is for that reason that the utility proposes moving the residents of class 50% to cost rather than eliminating the entire subsidy as part of this case. Thus the proposed tier structure better reflect current customer consumption, while continuing to send efficiency signals. The proposal also reduces intra and inter class subsidies enhances revenue stability as I mentioned and reduces customer bill

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volatility. And I should know that the evidence demonstrated that five tiers do not send price signals that customers have responded to moreover, the tiers are not driving energy efficiency expenditures. Furthermore, also energy is not proposing eliminating the price signal. Each tier's rate will continue to be higher than the previous one. It will simply be at a flat level. Thirdly often energy proposed to increase the customer charge in order to better recover fixed costs by relying less on energy sales. The proposal will increase the charge from \$10 to \$25 per month. The higher customer charge will decouple fixed cost recovery of that kWh cells, which are insufficient to recover fixed costs for the utility. And just to be clear when you increase the customer charge your decreasing the energy charged by an equivalent amount. Additionally the most vulnerable customers are not impacted by the customer charge increase because often energy waves the customer charge capped customers. That's the

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higher the customer charged. The more cap customers benefit. Lastly I'd like to talk for a moment about the process following the 2012 rate case, city council directed a to create a PC type process that included the selection of an IG and an independent consumer advocate. This process was followed in 2016, and in the current case after months of discovery, a hearing and briefing the IT issued his report. Some parties, however, have gone beyond this process. This morning, and if I may just have another half a minute finish this morning. You met you received a new joint alternative proposal from a group of participants. You will know, but don't hear more about that momentarily. I should let you know that often energy was not informed of this proposal in advance in the filing, believes it is simply certain

parties in the face of the I G S report making arbitrary public concessions to their direct case in order to achieve a more favorable outcome. I will wait

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till my concluding remarks. To address the proposal more directly, but for now, I would request that council adhere to the process that established and not engage in negotiations from the diet. Thank you for your thoughtful consideration of this important matter to the utility and to our community. Thank you so much, Mr Brucato. And into that point today, we are not actually having any negotiations on the diocese will be taking no action today with is to hear from all of the participants about their reports and proposals and to see the presentations chair. Yes council member tovo. Mr Ricardo. Thank you very much. I wanted to just clarify what you said. Did anyone did any of the parties who pulled together this alternative proposal reach out to Austin energy, too? Request time to review it. No. Okay? All right. Thank you. D D they submitted to Austin energy? We received it yesterday by email. Thank you, but it didn't. It

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wasn't accompanied by a request to discuss no. Oy thank you. I will say. In fairness, there have been some settlement discussions. Uh, earlier in the well in October and then light September, I believe as well. But okay. Thank you. Thanks Mr broke art. Now we're going to hear from the, um impartial hearing examiner Travis Vickery. Mr Vickery is going to present his report again. He was he acted in a judicial capacity here. Mr Vickery, you have 10 minutes. Thank you very much. I was wondering if we could go ahead and put up the first slide. Um. I I think we're going to have plenty of time to get in once again up, Travis victory I was retained by the city of Austin Austin energy to be clear. As an independent hearing examiner. I'll get into my background in just a minute, but I thought what we could start with is just some fundamentals there. M folks watching this

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proceeding who don't know that ch about the basics and actually this slide that we have up right here? Yeah, figure one the thing I like about this slide, is that it? Ally as simple as it is, it illustrates a lot for various arguments of the parties. So first of all, obviously on the left. You have your generation assets that solar wind and of course, your standard power factories, power plants. Next. You have the bulk transmission. And for folks who aren't that familiar with it, you see bulk transmission cutting through the countryside . It's all those big power lines are pretty obvious. You might have them in Austin, but you just don't see them as clearly. Those uh, bring in trans, uh, electricity from the power plants and big it's a it's a it's a big pipeline. Then it gets stepped down to the final step of distribution. And distribution,

of course, is what we're talking about here today. We are not talking about transmission that's governed by arkady. The what's called the postage stamp, right? And back

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when the legislature Texas legislature deregulated. The energy market in market, which covers about 90% of the state, including Austin energy. When they deregulated generation for investor on utilities was separated out so that a vertically integrated utility that went from generation to distribution suddenly doesn't have generation assets anymore. And I think the idea behind that was they're going to get a robust generation market robust market for generators in any event. Uh, um, the interesting thing about that. And remember, we're just talking about in this rape case, the distribution assets um is outside of our kat . You actually do have fully integrated investor owned utilities. Austin energy is not there certain capabilities for the public utility commission of Texas to review some of Boston energies. Uh if you get a rate increase, but but basically they're not regulated so that Austin energy actually has all

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three types of assets. Generation transmission distribution. They look and they are they look like and they are a vertically integrated. Our utility, and so what you had were arguments from parties saying, look, they look just like an iou. And I'm gonna get into what an iou isn't just a second. They look just like an iou outside of ercot. That isn't necessarily true. At least not in my opinion, um can we go. To before we gotta figure to let me go ahead and talk about the types of electric utilities. There are three basic types of the electric utilities out there . You have investors on utilities. They are for profit entities. They go after the bottom line. There are also regulated by the public utility commission. Next you have been municipally owned utilities, which is what Austin energy is CPS for San Antonio. They are not for profit. And although some would argue with argue with me about this regarding the gft , an mou is basically trying to operate at cost. Third type of electric utilities electric

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cooperatives. Electric cooperatives are the folks who basically they're not for profits, and they are trying to provide electric en out in the countryside where you have a lot of infrastructure per customer, low customer density, so they struggle with their own issues. But basically and I O U is for profit. They are set up differently in how they run their finances from a not for profit like an mou Austin energy or an electric cooperative. There may be a few parallels between a coop and an mou based on how much money they're having to spend on infrastructure versus their energy charge. We'll talk about that later. All right. Uh let's go to the, um, figure to real quick, please. Figured to is basically the what we just looked at. You got your generation units, your transmission lines. Then you have this step down to

that substation where everything divides out. And if you look down at the lower left, you'll see that there is a what appears to be industrial units. And there's nothing in between the

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substation and that industrial unit now Austin energy has a few industrial customers like that. I think it's three um but those industrials asked for a separate rate because the substation rate primary substation rate and I agreed that they should get that because the goal of this rate case is important to valid goal is to try to get everyone to cost of service. And so if you're going to cost of service, and everyone should think about this basic principle the industrials are saying, if all if there's no other customer between us and that substation why are we paying for the rest of that distribution that wraps all the way around to the houses and such so that's just a basic concept. Something to keep in mind. Final thing line loss. Really, isn't it? I don't think it's a major league contested issue, but it is a concept to keep in mind line loss just means as you move power through a system. You're going to lose some energy and you lose it every time you step down as

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well. So those houses at the tail end of that distribution network, they suffer the most line losses. And so there was. There were some issues that the industrials brought him about that all right? Let's move on to basically the process. You can go to the third slide you don't have to. But maybe if folks want to want to see I'm not going to go through all of that stuff when I have time for it, but I just want to get a few major issues. Um I am an independent hearing examiner. Um I was an administrative law judge and I mentioned this at work session on November one, which I attended. I was administrative law judge at the state office of administrative hearings, which is known as so, uh, state agency handles all types of cases within the executive branch, including cases for the PUC. I was hired into and re and stayed in the electric energy practice group. The entire time was backup team leader so I have some experience in electric energy. Um I tried to run this proceeding is close to associate cases possible. And also I am impartial. I'm in Austin energy,

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you know, industrial customer I don't care. My job was to be impartial and independent and really think about what was going on here and give you my recommendations and that's all they are. Take them or leave them their recommendations. Finally no expert take communications. I want everyone who's listening to understand something about that. Ex parte day. Um is Latin for those who don't speak Latin, and I don't speak Latin except what they taught me in law school reluctantly. Um expert expert. I basically means that if you're a judge or hearings, examiner, you should not be talking to anyone. Family

members included. About what's going on in the case. Unless it's a public filing on the city of Boston filing system where it's done in open court for an open hearing. I haven't received any information other than what was filed in this case, what we received at the through the hearings process. I have not looked at one online article about this case. I have not listened to

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anything on the radio. I've been told. There's talk radio going on. I don't care. I didn't listen to any of that. I don't care what's going on on TV. I did my job and my job is to basically put blinders on and not listen to anything else. I wasn't aware, of course of the new proposal. Alright final thing regarding the hearing the typical legal river because the administrative procedures act, which you use for most administrative cases that didn't apply here. The rules of evidence did apply, but witnesses were not sworn in. I think it's just because there was no legal mechanism for me to have the authority to actually swearing witnesses. So I considered this hearing to be quasi evidentiary. It doesn't mean people were getting on the stand and telling stories. But it was quasi evidentiary because those folks weren't sworn in. So there are a lot of things that flow from that. Um finally, and I mentioned this that the work session there was no number running. What I mean is we made recommendations out into the ether. We don't know what the impact of those recommendations were, and that's fine because you're going to deal with that

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right now. I think it's perfectly fine to do it like that. Just real quick getting to the summary recommendations. Page two. I'm just gonna hit on 12 and four real quick. These are the three big ones in any rate case, you've got revenue requirement. Could you Paige too available. You've got revenue requirement, which is basically your cost. You're just figuring out which costs should actually be part of what the utilities able to recover, then you have cost allocation number two cost allocation to sell you take those costs and you assign them to customers. It's a it's a three or it seems like even four step process sometimes but you're basically figuring out who is responsible for what costs or how you share those costs among your customers and then final years rate design. Number four rate design, which is the big issue here, and I agree rate design should be a big issue. Great design my law partner, Andrew edge who is here with me today actually did the original draft on that, but a lot of thought into it. We were we worked together all the way

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through are reviewed and edited everything that came out in the final report. But he's here and he has a actually has a court hearing around noon today, and hopefully you can be back in time. If you have

questions on rate design. I'll feel them. But I'd like to have drew here if he can be here. Let me just say a couple of things about the revenue requirement. Um mostly agree with awesome energy. As everyone knows, I disagreed on the general fund transport calculation. Um and we could talk about that. And I thought with revenue and building determinants. I had a problem with that because I wasn't sure what impact winter storm Yuri had had and whether they take that into account, but let me let me point out what was significant for me. As an attorney and a former judge who's who's just looked at utilities. We represent electric cooperatives in my law firm. Almost exclusively. We don't represent investor owned utilities. One thing. Austin energy sought originally just real quick \$48 million increase. And even with that, and note the new proposal is 12 million. Again I'm independent. If that's if that's how it shakes out

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there, touch six up, but my great concern was that they saw a \$48 million increase, and Fitch, an independent ratings agency, downgraded Austin energy. When I was at the work session. I think I learned and I didn't ask any questions about this or look it up because I'm not going to do that. But I think I learned that there's been a second downgrade. That's that's our credit score. And so every time you get a downgrade, the folks who pay the rates have to pay for additional interest on things that they wouldn't otherwise. So I just think financial integrity when I hear a utility talk about financial integrity. I um I take a close look at what they want for their revenue requirement. Thank you, Mr Vickery. Thank you. Yes, council member. Clinton's sorry. Okay yes, ma'am. We have on the screen is that it made available. I didn't see in the backup. Can we have a coffee of that? Yeah sure. That's why I created it. I mean, I didn't go through everything on there because I thought folks might want to see a bit about that's actually the least to me. That's

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the I mean, you can look at E final report and seal that and we'll have that included in the backup for sure you can have it . That was my intern. Thank you so much. Vice chair, toba. Did you have that? Okay? Thank you so much question. I was just looking for that outline. I think we all were. Thanks, Mr Vickery. Um uh, your associate could I have drew's last name. I missed it. Edge. Thank you so much. Um, our next chair. I apologize, but before we move on from that, I think it might helpful as we do our questions to have that document, so I don't know if ctm is able to forward it so we can put it out. Thank you. Great and you're right. I mean, all of those issues are discussed in the report, but that's a really handy checklist. Thank you. John Kaufman is our independent consumer advocate. Good morning , Mr Kaufman. He's here to present his report. And, um I

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assume the update Mr Kaufman has 10 minutes if the staff will keep track of the time. Please. Great. 10 10 minutes on the clock, please. Mr Kaufman, the floor is yours. Yes good morning. Um my name is John Kaufman. Excuse me. I was selected by the city to serve as the representative of the residential and small business interests as a whole. Uh, I appreciate being here. Um I live in St Louis, Missouri. I but I do this for a living. I have, um participated in rape cases and write reviews in 27 different states and I also have a very experienced technical team that worked with me clearance. Johnson who's here today is a long time Austin resident who is probably participated in more electric utility rate cases in Texas than anyone I know. Ah David Efron was our revenue requirement. Expert. Next slide, please. Um I think the. The

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hearing examiner kind of went through these steps here, a I just want to make sure we're clear on the steps that, um, we have gone through over the last eight months. We've had arguments about the overall size of the increase. And that's uh um something I'm gonna focus on . In my discussion, the allocation of costs of different customer classes, you know, sort of takes the pie or whatever the overall increase you think is justified and then slices that dice is that between the various customer classes and then spreads those of the customer classes, then, finally within each of those customer classes. Once you've divided up those costs and allocated those you have to design them, and that's the you know, the very controversial issue of you know how much of that costs a for residential customers is in an unavoidable fixed fee. How much of it is based on usage? And how are those tears designed um let me just say that, um we have worked really hard over the last eight months done a lot of discovery, an audit investigation. And as with all

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the parties, we've all been looking at the same cost information the same books and records of the utility and we have come different conclusions. And so I think it's important and I think this is important throughout this discussion when you hear anyone , including me or Austin energy, say. We need to move to cost of service or these customers are subsidizing these other customers. That's all in the eye of the beholder. Their professional judgments about exactly where these costs go, and they're all reasonable to a certain extent and most utility decision makers most of the public utility commission of Texas, for instance, will take those and generally considered them in a range of reasonable results. And these are there those are you know, and then and then pick a result within that range, and I think that's where we're at at this point. Unlike last time in 16 4017 when, uh, my team was also playing the role of the independent consumer advocate. We were able to reach an agreement with Austin energy and we brought everyone together , and I believe unanimous agreement. This time not so much

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and it wasn't for trying. We have spent days talking to Austin energy and the rest of the parties and there have been offers and counter offers going back. We cannot discuss those confidential settlement discussions, but except to say that the last counter offer is in Austin energy's lab, the other parties made an offer and we have not heard back. For a long time. And so, uh, we spent the last few weeks amongst ourselves the other public interest minded parties and consumer groups and seeing if we couldn't bridge the differences between ourselves and so this joint consumer alternative is an effort to move the case forward, make it easier for you to understand. And to try to find the middle ground. I mean, there were there were differences between my team's perspective on things and the large industrial customers who you'll also hear from today we have reached an agreement with them about how the allocation of customer classes she'll be done, and we also reached an agreement with

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environmental customer. Interest the Sierra club public citizen, the solar representatives here and so, um, this was not done behind Austin energy's back because we didn't we didn't want to include that. We wish that they would come and closer to our perspective. But if you go to the next slide, I think this will kind of explain why it's been so difficult this time around to reach. Uh conclusion so um in deciding the overall pie. The overall increase Austin energy is currently at over \$35 million, and it's important to note that of that 35 million. They're wanting to recover 43 million of that from residential customers, and that's because they want to shift those cars. They want to charge residential customers to lower the rates of other customers. So it's a very aggressive proposal. Uh after our audit investigation and some compromise on a few issues, the CIA has recommended a \$6.5

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million increase. So we are recommending a rate increase, just not one as high as Austin energy desires. Then after much discussion with other consumer groups and trying to find something that would be hopefully, more appealing to Austin energy. We have come up to \$12 million and I can explain more of that. If you go to the next slide, I can show you these numbers. Uh give you an idea, and I don't have time to go into all of the different findings that we made and the adjustments that we're recommending, but this kind of this shows the difference between our \$6.5 million recommendation and the \$35 million that Austin energy wants on an annual basis. Ah the cate issues roughly fall into three categories. One I would say is the some of the big items are what not what we consider known and measurable. So from our opinion, they did not reach the evidentiary standard that they know that these are these costs are going to incur the 311 call center. They have not filled certain positions or it is not. They

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were not sufficient assurances that there would be as many positions or as much as uh, cost as they I believe they would have I don't believe that the psc would allow such an increase . Heavy equipment leases are similar. It is not. This is not a contract, but just a agreement to potentially lease vehicle equipment at certain at a certain rate. Those are not certain costs. Um the test your data is the second category. These these are issues that relate to the test year. We look when we're looking at the data. We look at the texture, which is a 12 month period recent period that we kind of audit and look at to see if it's representative, the representative period that was used in this case included some of the height of the pandemic. It included winter storm, Yuri. And so there is some question about whether this is the best data to use and whether it's representative of what awesome energy is going to have in the

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in the coming years. In these cases, we recommended adjustments or recommended normalization or averages of the cost over time. And the last category there is intergenerational equity, which generally means that the that when you're designing rates, you want the charges the cost to kind of follow the benefit over time. You don't want to charge you know one all the costs in one year if the benefit or the activity is going to be spread out over time. Um I'm just going to move on and interest of time. You can ask me questions about these later we could get into more detail. Uh um. The next slide. I think, just discusses the distribution of cost to the industrial commercial. Small business residential rates. Um we had a great deal of disagreement, and after much work, we have reached an agreement with those big customers. We think we have a fair compromise as to how those

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rates could be divided amongst the different customers. It involves a rate decrease for the big customers. And a rate increase to the residential customers just not as severe as what Austin energy or some of the other industrials had requested. And that you could see that in, um the attachment one, which is the back of this joint consumer alternative. Next slide, please. Ah so I whatever time I have left, I want to talk about this because this is in our opinion is a very drastic proposal on the fixed customer charge, increasing it from \$10 to \$25 from the and flattening the tiers. Austin energy's intent stated intent is to flatten the inclining usage. Austin energy was very Progressive in one of the first utilities to kind of go to an inclining block, which encourages conservation and energy efficiency, and I would disagree with the statement that it hasn't worked exactly or I heard that maybe it works too well or it doesn't work well enough. There isn't evidence

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that at each of the five tier breaking points, there isn't evidence that consumers react to each one of those breaking points. But I think the evidence is clear that customers do react to the overall slope of the increase, and we are we think that the proposal to flatten that is too radical. We could agree to some increase in the charge. We would prefer to keep it at \$10, and I'll get into why that is. But, um generally would not like to see that fixed charge, which is an unavoidable charge to everyone before you even switch on the light. We'd prefer that not to go up any more than the overall rate increase itself. System increase. Um Clarence Johnson worked tirelessly to design a rate increase. That wasn't as impactful we would have a great design that is at a four tiers. So we're somewhat in between the current and Austin energy's proposal. The joint consumer alternative would adopt our I see a rate design. Next slide, please. Uh um. I would note that

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we did do a cost analysis of the customer charge and our approaches the traditional basic customer chart basic customer method, which is you look at meters. Customer service, billing the line to the house, only the costs that vary by customer and when we did that cost analysis, we believe that the cost that should be in that fixed customer charges more like \$6. We also um if I could just wrap up here. The. The average Texas customer charges \$7.44 San Antonio's fixed charge is at \$9.10, Lubbock. These are the two best comparables. Other large municipals. Lubbock has an \$8 customer charge. So if I could just one more thing, just go to the last slide. And look at that, um the last one next one. That on the right hand side shows the rate impacts at

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different usage levels. They're at the 875 is about the average usage, but you are looking at about half of the customers receiving somewhere between 25% 45% rate increase that is, by definition rate shock. It is not publicly acceptable is not gradualism. And the on the left hand side is what our original recommendation is. If you look at the next last page of this joint consumer alternative you'll see uh, what? What the what we have now supporting, which is something that would range between four and 12. And much more moderate does not socket to any particular subgroup of customers, Mr Kaufman have you provided this document to our clerk so that it's in the back up? Because I know that my colleagues here on the diocese would like to get a copy of it, and we'd like to make it public as I believe so we've tried to. We've emailed it to the city council. We've also

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it's posted on the interchange of city council website, which which has 256 documents. And so what we'll do is all of the presentations and the documents that are coming in today, which we really appreciate will make sure that everything is also posted on the message board, which is an easy spot for people to look at the Austin energy site, and certainly the city clerk, side and in backup. Thank you, minister Kaufman. Thank you invite your questions later. Thank you. We will move now to, um, hearing from. Each of the 14 invited participants. And first up. We will be hearing from representatives of the Sierra club and public citizen if you could come and give your name and um, here, staff. If you could put the timer on, these will be five minutes. Speaking. Increments. And, sir, if you could introduce presentation if you could introduce yourself and I can acknowledge you. Yes good morning. I'm James, Brazil. I'm

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appearing on behalf of the Sierra club, public citizen and solo united neighbors this morning. You should have a copy of my slides so that you can refer to them later on. Welcome, Mr Brazeal. Um first slide as first Sierra club public citizen's son support the joint consumer alternative proposal filed yesterday. In this proceeding. The proposal is a fair and reasonable compromise for Austin energy's 2022 base rate review for three main reasons. First it provides Austin energy with generous increased in revenue, which it needs. Securing its financial stability while protecting consumers from rate shock and continuing to advance energy efficiency signals and conservation goals through strategic rht design. Secondly the compromise adopts in the face of serious concerns. Austin energy's value of solar credit but ensures fair allocation of costs among great classes, stability for customers cited generation and a transparent process. For periodically

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reevaluating the video S credit in the future and third. The compromise establishes a transparent stakeholder process for a comprehensive update of Austin energy's resource plan to review the economies of the fate Cole plant and the timeline for retirement. Issue number one in that through part discussion is the residential right design, which you've heard about already . The proposed residential rate design is bad policy. It increases fixed charges by 150% and eliminates the city's five current Progressive tears. This increases energy costs for low energy users causes rate shock. Undermines the city's energy conservation and solar goals eliminates price signals for conservation and prevents consumers from reducing energy bills through conservation. The joint proposal addresses these it provides a E with a \$12 million revenue increase addressing the financial integrity pro, it also increases the customer charged to \$12. Increasing the fixed

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costs, but only by \$2 not by \$15 . And it changes the current five tier design to a four tier design. The one proposed by the independent consumer advocate, simplifying the design while preserving price signals for energy efficiency and solar next slide. With regard to the value of solar tariff. This is one of the cities of Austin's jewels. But Austin energy proposals to change its highly successful value of solar tariff from a forward looking credit THA captures the full cost to consumers of, uh above in installing such facilities to a backward looking market based avoided energy market cost analysis. This abandons the success. This tariff has, uh, had in the current and for rooftop solar the proposed structure treats homeowners and small businesses like wholesale generators and ignores the unique problems of their

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determinations of whether to invest. It also excludes significant costs recognized in the current methodology , contrary to the cities, cities solar goals, we oppose it. The joint proposal, however, adopts a compromise it adopts a ease value of solar methodology promoting stability, but continues to recover societal benefits from all customers that use the system. It requires the credit to be set on a five year rolling average every three years, and it requires Austin energy to engage in a transparent, collaborative stakeholder process to periodically review the methodology. And the amount of the value solar credit. This is a compromise we can live with. Next slide. This is our final issue. Issue number three is the fate. Cole plant issue. Austin energy is spending millions my millions in capital and O and M at the fayette plant that Austin energy 2030 resource plan established a policy that the city would exit the plant by the year end of 2022. Even so,

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Austin energy included no evidence in its rate filing. On the prudence of its continued investment in the plant past year in 2022 that was antithetical to the city's goals to exit by the end of 2022 antithetical to the city's carbon goals in the 2030 plan. It also ignores the recent passage of the inflation reduction act, which offers tax credits and direct payments that could lower the cost of renewables. And battery alternatives by as much as 50% thereby providing a way to help Austin the exit the plant. The joint proposal addresses this. It adopts a compromise that allows Austin energy to recover its current expenses at fayette but requires Austin energy to initiate and conclude in 2023 2024 with the E. U. C and stakeholder input input a transparent and comprehensive update of Austin energy's resource plan. To reevaluate the economics of fake it. And to

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make changes to the to the date for retirement. Uh in conclusion for the reasons we've discussed, we opposed various portions of the Austin energy proposed rate based increase. We support the consumer alternative proposal as a reasonable compromise. Be happy to answer any questions now or when you come back to questions later taking questions later. Thank you. Thank you, chairman. Just make one comment before we go to the next pretend I just want to let my colleagues know that regardless of what we do, um, the rate proposal that I have a I have see that I'm working on two and initiated comprehensive update of the next gen. Plan in the second half of the year next year. So if you're interested I think we've reached out to a couple offices. But if you're interested in joining us in that, let us know that's great. Thank you. Mayor pro tem. Our next speaker for presentation is the solar and storage coalition. And we have.

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He's actually fisher here to talkith us today. Welcome, miss fisher. Thank you. Good morning, mayor, mayor pretend and cancel members. I'm Ashley fisher and I'm here representing the solar and storage coalition. The solar and storage coalition is made up of solar and storage installers and a real estate developer interested in micro grids. This group is an intervener in the right case. SSC member companies. Operate maintain and installed batteries throughout the United States and the world, including within the Austin energy area. They share the goal to expand the ability to use storage, inition to solar to offer flexibility to its customers. The SSC intervened for the specific issue of potential new rates related to storage. The solar stores coalition has signed on to support the joint consumer alternative proposal that you have today. But also throughout the right case process. Also, energy has held the position that our issues that were related to storage are outside the scope of the red case. So we were happy to say that we're in conversations with council member pools office about advancing these issues via

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separate council resolution. We look forward to continue collaboration with her office and all of you about possible future council action regarding solar and storage. But just some quick background while we're here today. The companies within the solar and storage coalition share the goal to expand the ability to use storage, in addition to solar to offer flexibility for customers. This benefits Austin energy Austin residents and the fight against climate change. While our proposal in the right case did not propose exact rates for this , SSC had asked Austin energy to commit to, including storage in the ongoing value of solar discussions or concurrently with those discussions. We know that Austin residents are interested in resilience, especially after what was warm, Yuri. We know that Austin residents are eager to adopt adopt technology that has environmental and Brazilians benefits. And that many also, energy customers are already installing storage systems. We know that battery storage can benefit both Austin

energy and customer energy customers and also energy as a whole and how they operate within the iccat

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grid. And the public utility commission is actively working on this and we don't want to be left behind. Therefore it would make sense for us energy to pursue ways to better utilize storage within their system. There are ways to design programs that benefit both the individual customers that have storage as well as a utility as a whole. SSC made several requests during the right case proceedings and these included expanding the value of solar tariff to include solar plus storage and expanding the use of the value of solar solar tariffs for micro grids and multi families. The rates and programs could include things like rebates for storage installations and programs that compensate for storage discharged at the request of Austin energy during peak times. Energy claimed our request for outside the scope. We made the case is irrelevant. But because energy continues to disagree, we plan to pursue these three different paths. So as you mentioned, we look forward to working with counsel on a separate resolution regarding these issues in the future. Thank you. Thank you so much. Mr fisher. Is anyone here for solar

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united neighbors? I did not have a name, so I just wanted to check. Um to wr is the next group. But if you could introduce yourself, I will. Good morning, your honor, and well, your honor is not here right now , but rather members of the council. My name is Lynetta. Cooper and I'm here on behalf of two women raped pairs. Neither of one, which comes anywhere near qualifying for cap, but we do share the concern and spirit that's expressed in a line from a Carrie newcomer song. It says there's room at the table for everyone. Good morning, miss cooper. We're really happy to see you again. Thank you. Please proceed. You will have after all we've suffered through. Absolutely you will have five minutes if our staff could run the time. Thank you. Thank you. We're here today to support the what I call is a partial stipulation, which is what it's

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called at the P. You see, it's a remarkable stipulation, given that the parties involved because it's a broadband. It's like the polar opposites. Of the Earth in terms of our our interest. And while it's not what we had hoped we would get in the right case. It is a fair settlement, given the divergence of these issues. And we have prepared for you all today, and I think it's been handed out a brief response to Austin energies on rape design, which is our most important issue. Uh, and we hope that this response will explain why the current rate design is not the bogeyman that Austin energy makes it out to be. And I'd like to first start with the most important part in the one that Austin energy just this morning started

with and that's revenue insufficiency. And if you turn to page what I mean attachment one which is on excuse me. Page seven. You'll see the graph and it's not a graph that you're unfamiliar with. It's one that

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you have seen over and over again and presentations before y'all and financial meetings. And this is one that was included in the rape case. And what this is supposed to show is that you're going to have economic armageddon because of the right design. But what it really shows is that from 2014 to 2020 and 2021, y'all have had surpluses under the current rate design, and this is a surplus, which in the private investor on utility would be considered excess profits. But when it becomes costly is in 2020 and 2021, but what occurred we all know what occurred in 2020 and 2021 that truly was economic armageddon, but it was not caused by rate design it was caused by the pandemic. It was caused by winter storm Yuri. It was also caused by Austin energy making a decision. Maybe they thought this would be a good time financially to do it. To transfer to purchase and become the owner of the nacogdoches

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facility, which here before was we bought power from with the purchase power contract. So we became the owner and not the recipient of a contract. But those costs rps a cost. They are now considered a psa cost in 2022. But in 2020 and 2021, they were put in base rates and that was a \$49 million debt service coverage. And that was an additional \$16 million and operating expenses that is a significant wop. Of costs. So what? You can see if you kind of exclude all of these costs that were caused by the pandemic and by the winter storm. Excuse me. I mean reduced revenues as well as the cost. That this line this cute this gap that they keep pointing out to you get smaller and smaller and may even turn out to be revenue surplus in and of itself. Now I'm not saying there may need to be a rate increase because of the

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inflation that we're currently experiencing, but it is not caused by the rate design. It is caused by these catastrophic events. And to use that use these catastrophic expense as an excuse. To fundamentally drastically change rate design and really harm low income and moderate income families. Is disingenuous at best. And, uh, I can go on. I mean, lay out all the reasons the certain things that caused the decreased revenues we had and the increased cost so I want to talk a little bit. If I have time. The argument that big users subsidized small users. And that's not necessarily true because the evidence that has been presented before you all it's not factual. It's hypotheticals and hypotheticals always remind me of the old economist joke. Two guys marooned on the island. Canada beans rolls up. One guy says,

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oh, my god, I can't open it. But, the economist says don't worry, we can assume a can opener. So hypotheticals don't necessarily reflect the reality of the case. And what? Actually there is evidence and attachment to will show you that energy efficiency. Decreases demand. Which is according to us in energy 76% of the joint operating cost of Austin energy. So when you decrease demand decreased cost you decrease costs to get allocated to residential customers and energy efficiency was used by us in energy in the red case to show that we are having smaller and smaller average usage patterns. It's not bad to have a smaller usage pattern. If it's coupled with this even larger, smaller demand cost, so thank you so much for seeing us, uh I would just recommend that y'all talk

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to and I want to give a shout out. To Mr Kaufman and Mr hallmark. Who both worked tirelessly to help make T settlement and they are probably the best folks for y'all to call on on that. Tnk you so much. Thank you so much. Ms. Cooper really was pleasure to see you again. Thanks for being here. The next speaker for five minutes. Homeowners united for rate fairness. Good morning, sir. If you could give us your name. Good morning. My name is Lamar Johnson. I'm one three volunteer board members for the herff organizations. Welcome Mr Johnson. Thank you. Thank you for being here and you will have five minutes on the nonprofit organization of residential ratepayers living outside the city of Austin that was originally formed to appeal the city of Austin's rate ordinance in 2012. Perp was reformed in 2022 to participate in the rate making proceedings. With its principal purpose now being to

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protect the fundamentals of the settlement of the 2020 2012 great appeal to the PUC. Perhaps position is based upon the settlement of pcu docket 406 to 7 in 2013. In which the public utility commission approved a settlement in which the signatories agreed that relative to the rates within the city the revenue requirement to be charged a east customers outside the city. Through base rates and the community benefit charge should be reduced and public policy that out of city customers receive no benefit. From the general fund transfer, and it should therefore be removed from their cost of service. The terms of the original agreement applied only to rates charged by Austin energy to customers whose points of delivery are outside the city of Austin and did not affect rates charged to customers inside the city of Boston. Perfect asserts that the reasons for that agreement have not fundamentally changed and it should therefore remain in effect. That agreement was

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consistent with the public interest because the original \$5.8 billion or excuse me million dollar reduction to the revenue requirement. For customers outside the city of Austin recognized that those customers do not fully received the benefit of utilities revenues transferred to the city's general fund. Hearst discount is and was based on public policy, not cost of service. First primary policy argument for the discount has always been that its customers receive no direct city services , so the general fund transfer provides no direct benefit to her customers. Purpose hurts ththat a similar reduction must be incorporated into the new rate proposal for the same reasons previously litigated and incorporated into PUC docket 406 to 7. Perfect requests the reduction of its proportionate share of the general fund transfer to the city of Boston. As in previous cases, customers outside the city do not drive any benefits from the city's expenditure of those funds. Due

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to the city's new proposed rate structure, herbs proposed remedy is to delete the allocated expenses for the general fund transfer, representing the allocations to production, transmission, distribution and customer functions, respectively. No other changes are proposed to the city's claimed expenses, allocation of the expenses or the methodology used to allocate expenses or design rates. Perfect aware that other parties have recommended reductions in the overall revenue requirement. To the extent any such recommendations are adopted by the council. Her request that any associated rate reductions due to the reduced revenue requirement be applied to all customers equally, including those outside the city limits. So that the financial benefits of the 2013 rate reductions for out of city customers are still fully recognized. Purpose search that the original reduction to the revenue requirements for customers outside the city of Boston implicitly recognized that those customers do not receive the benefit of utilities revenue transferred. To the city's general fund. This rate

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reduction is easily justifiable based upon the lack of any city services received by those customers and should be recognized and maintain. Austin city councils independent hearing examiner addressed the testimony of all parties and offered comments and recommendations. The examiner did not take a position on hurt matters but deferred to city council to address as a policy issue. Examiner did say that the burden of proof on whether the outside of city residents benefit for other services was on Austin energy. A direct contradiction of Austin energy's position in the proceedings. To date, Austin energy has not provided this proof of service benefits to out of city customers. Lastly purpose is the only party with legal standing to appeal the rates council adopts to the public utility commission. As we previously did in 2013. Respectively requested the council maintain the existing recognition of rates omitting the general fund transfer for Alex city customers so that this appeal option does not have to be repeated. Thank

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you. Thank you, Mr Johnson for being here today. Appreciate it. Paul Robbins. Is up next. Welcome, Mr Robbins. You you will have five minutes to make your presentation. Council run the timer for us. Thank you. Um, can you please before you start the time with you please cue my presentation. Council I am Paul Robinson, environmental activists and consumer advocate. I have been watching Austin energy since 1977. I helped start the city's nationally recognized energy conservation programs in the 19 eighties was about 20 other people at the time. Austin energy opposed this. I and I have been on the right side of issues to stop colossal mistakes like the biomass plant and the south

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Texas nuclear project, so I know firsthand that this utility and its experts can be wrong. Slide. Ah Austin energy has the lowest average residential consumption of any major utility and air kat. It is 26% although they are cotton average only 2% of their cots. Customers had an average. Uh. Consumption that was lower in 2021 slide. Conservation has made Austin special if Austin used their cut average each residential customer would pay about \$160 more a year. In fuel and regulatory cost, and it would have required 940 mega watch of additional people demand which at today's cost for a new gas generator would be

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about \$1.2 billion. Yet consumer advocates were not allowed to enter this into evidence in the rape case. Austin energy's twisted methodology would not allow looking outside a narrow rang of costs, which excluded more than half the electric bill. And ignores many future costs. Slide. Austin's conservation program. Progress is no accident. We've been working towards the skull since 1977 before major strategies are the energy building code, the Progressive right structure, the energy efficiency programs and the green building program slide. However Austin energy proposes to eliminate the Progressive rate structure and replace it with rate that discourage conservation slide. Austin energy slide. Austin

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energy proposed a steep residential tariff increase. Uh, this is a chart. From Austin energy's rate filing. Fixed monthly charge rises from \$10 to \$25. The utility claims that this is in line with what Austin's

neighboring utilities charge. Slide. But with the exception of Georgetown, all municipal utilities in air kat have a relatively low monthly charge utility claims that this chart is not in context because most other utilities do not have tiered rates. But there is a more fundamental reason for low monthly cost, which is universal access. The average person should not have to pay \$25 to turn on a light bulb slide. Austin energy's current rates also have steep tiers to encourage conservation under the

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new rate, this would be flattened so that there would be much less incentive to invest in efficiency measures slide. Hmm. The estimated rate shock. In this radical. Regressive residential reits structure. Will be about 13% on average \$136 a year. And as you can see, the low users will see stark increases well, high users will see profound savings wide. Hmm. Austin energy claims that poor people do better than average ratepayers because under the new right poor customers use more than average. Here's a chart presented and, uh, shows that 7% of customers. Who participate in the customer systems program for the core, you slightly more than average the implication is that

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this represents all poor people slide. However Austin energy's own data proves the opposite. The utility provided me with consumption by zip code and housing type that is single family and multi family. And this was matched with us census income data, the results show consumption tracks income. Slide. Data from the energy information administration's residential energy consumption says the same thing. Last slide. Ah! So in conclusion, uh, Austin energy's new radically. Progressive rate structure, punishes in energy conservation and disproportionately raises. Bills for low income customers. Do not let them turn back 45 years of progress. Thank you, Mr

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Robbins appreciate you being here today. The next speaker is Victor Martinez and Austin energy customers. Mr Martinez here. Oh, cheer. Could I ask Mr Robbins make that preservation presentation available to us? I'm sorry. I'm not seeing it. Maybe assumption. I'm sure he will. Mr Robinson that to us already. I. Finish that presentation to last night. So um, I will. Okay thank you. Note to get it to all of you. I think everybody understands that if you have a presentation that hasn't been provided to the staff or is already in backup to please be sure to send us all all of your your backup in presentations and more so much. So Mr Martinez is Victor Martinez here? Right? Um the next speaker is for the group coalition for clean, affordable

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and reliable energy. Also. Affectionately known as C care. And gentlemen, approaching the podium. Could you please introduce yourself? Um chairperson, pull. Thank you for having us this morning. My name is Trey Salinas. Good morning, Mr Salinas. You will have five minutes. I need to step off the diocese briefly. If my vice chair could just try to keep track of things and take the chair in my brief absence. Thanks. Thank you. Um again. Thank you for the time this morning. I won't need the full five minutes. I'm not going to address the joint alternative proposal that we had before you just wanted to let you know madam vice chair and other members. At the last work session. We heard council members talk about working where we can find these documents? And so they're in the portal? We submitted it yesterday to Austin Energy. We just wanted to make sure you had a chance to review it before today. And again, I'll let others speak again. The coalition for clean, affordable and reliable energy is a

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coalition of small, medium and large businesses, including school districts, hospital semiconductors, office buildings, you name it, uh, it's before game it. The only issue that we're here really, to raise today is we want to have a discussion about freezing the general fund transfer. And the reason why we want to have that discussion with you is it has been done before. We're not here to call for a slashing of general fund transfers or anything like that at all. Just freeze it. The last time the utility was in trouble where their reserves were in trouble like they are right now. The council froze the general fund transfer for four or five years. You have the opportunity to do that again. It will lessen the blow on your right payers. Um ratepayers are about to feel a serious right shock this month. With the increase to the PSA and so you have an opportunity to lessen that blow. By considering our joint. Alternative proposal but also freezing the general fund. Bottom line is you're the

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deciders. You are the PUC. For municipally owned utility. You get to decide. Austin Energy doesn't decide we don't decide. You get to decide. And you have the opportunity to lessen the blow on your right players. And that's all we're asking you to consider. Thank you. Thank you, Mr Salinas. Um, next group up is Data Foundry. And who is here? Representing Data Foundry, please. Good morning. The name's Todd Kimbrough. I'm here today on behalf of Data Foundry, Mr Kimbrough. Welcome you'll have five minutes. Wonderful. Thank you. nk you. I found myself, um, wanting to just highlight what Mr Salinas just said a moment ago. Um I think that a foundry as with a lot of what he just said. Um that a foundry and you may also hear me use the name switch because at this point, there's somewhat interchangeable. Assume y'all are probably more familiar with the name Data Foundry, but switch, which is a nationwide data center business acquired

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data foundry about a year ago. Um so, um, as I say, I'm prone to using both names. Data foundries role in this case has actually been pretty narrow in scope. It's um for its in support of what's called P R I to hlf for high load factor as a new tariff. This is something that Austin energy included in its case. Um I guess back in may of this past year and something that we strongly advocate it's ah probably goes without saying it would be a service that data foundry anticipates using, or a tariff that he would anticipate using, and it much better aligns with the actual costs and the actual performance of the data centers and other high load factor, which is to say, very study users of electricity. You heard throughout the morning of a fair amountf discussion as to the joint consumer alternative. You will probably notice that our name is not on there. I don't read much into that one way or another. It's

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neither an endorsement nor a criticism of the alternative. But instead it just highlights the fact that we have a very narrow scope and what we're paying attention to and what we're really keen key to focus on. Which is that, er I two tariff offering. Um going back to part of what Mr Salinas was talking about a moment ago. Things worthwhile to take, maybe just a broader step back and think about the broader implications of the rates that that are at play here. Um, pr I to being a perfect example. Frankly. Austin has to compete with the rest of the state. I'm saying something that I'm sure all of, you know. One of the key inputs and the decision of whether to invest in Austin or not. For many businesses, data centers being a prime one where energy is a major cost factor. Is in fact going to be the rates that that are applied to these consumers. And that obviously has a material and unavoidable ripple effect for y'all, as you

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think about issues outside of the rates that also energy charges it could it ripples to property tax. It ripples to jobs . It ripples to the broader community that hand so, um you have a very difficult task in front of you. Um do you obviously need to make sure that Austin energy remains financially viable? Um and solid , but at the same time, it's got to be balanced against the interest of the consumers who in turn, are the taxpayers the job providers, the property owners, and so on, um because again, you're in a very, very competitive environment. Switch for example, has data centers across Texas and across the United States. And is growing and energy cost is a very key component in deciding where to grow. Um with that, I would just reiterate, but strong request and it's the best I can tell. It's an unknown, uncontested request that the rates include pr I to hlf. Thank you. Thank you, Mr Kimura. Our next group

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presenting is the Austin regional manufacturers association. And there is no representative from armagh here today. Thank you. How about national instruments? Do we have a representative from national instruments to speak to us here today? All right. Texas industrial energy consumers. T E C. Good morning, sir. Could you give us your name? Good morning, dear pool and council members. Ben hallmark for T I E. C. Welcome Mr hallmark, you'll have five minutes. Thank you. I represent T I E C, which is an association that represents the interests of industrial rate consumers and electric great proceedings. Uh T I C S participating member in this case is Samsung Austin semiconductor. As you know, Samsung has one of the most advanced semiconductor facilities in the world here in Austin. Directly employs over 3300 workers and supports over

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11,000 local jobs. Electricity is typically one of the top cost for T I C members and Samsung is certainly no exception. So managing electricity cost is also a top priority, unit impacts the ability to compete in the marketplace. And of course, we have all seen the recent increase in the P S a in the past through charges which hit all ratepayers but are particularly increased rates more for high users like Samsung , who are energy intensive and therefore a higher percentage of their bill. Is a P S a. So this just underscores again the importance of this case from our perspective and we appreciate your attention to it. We submitted testimony in this case from two of our expert witnesses that are well known throughout the industry. But we are, of course, now proud to have joined the joint consumer alternative. You've heard about the joint consumer alternative today and I won't go over all the details, but I would like to hit a few of the high points for you. On the

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revenue requirement side. We believe that a \$12 million increase is a fair resolution to this case. The I. C a was here earlier, his recommended dis allowances alone would result in Austin energy receiving only a \$6 million increase. But there are, of course, numerous other parties that have also proposed different dis allowances. For example, one of the ones that we propose that the I G, uh approved. Was to reduce the amount of the general funds transfer that's reflected in rates by 5 to 6 million to be consistent with what Austin energy actually paid to the city in the real world, rather than including a higher amount that is based on speculation the gft will grow to that extent in the future. There are also numerous other issues. In the case of the iag mentioned there are concerns about the test year, which included winter storm Yuri, where we had widespread outages and whether we have properly accounted for those outages and looking at our sales all else equal if you set rates based on

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abnormally low sales, the rates will be too high. So again, we think that the \$12 million increase in the proposal represents a fair compromise. On the cost allocation side. Our belief is that rate classes should to the extent practical pay for the cost that they cause Austin energy to incur, you'll sometimes hear that refer to as cost causation. Cost based rates that limit subsidies are critical to managing the cost of large energy consumers like Samsung. We believe the joint consumer alternative represents a positive step. Towards cost based rates and one that has been agreed to, of course, buy a broad spectrum of ratepayers, including residential and large business groups. I do want to give you some background on why we think it's a reasonable compromise. Um we submitted testimony in this case that under the cost allocation methodologies commonly used at the Texas PUC, the primary greater than 20 class would have been in line for something like a 25% rate decrease. Further as

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the iag mentioned today, he recommends approval of our primary substation rate. Which by itself. Would decrease the allocation of cost. We estimate for that primary greater than 20. Class by about \$9 million, which would have been about a 15% rate decrease. So we are willing. However we've joined with the parties and as a compromise, we've decided to join this proposal under which all the large businesses the large commercial and large industrial would be treated the same while trying to minimize the impact to the residential and we would postpone under this proposal consideration of the primary substation rate until the next rate case. Notwithstanding that the agreed with us that it should be approved. I did want to flag one thing on the primary substation rate. Um I've seen some number runs that have been produced. I know that that you all have asked for a number runs, and I want to be clear that Austin energy is opposing the primary substation rates so when they

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are providing number runs, including from what I've seen of what the I G S recommendation is, it is not including anything. For this primary substation recommendation that he made and that we support so I want I want to be clear about that. So in in some, we believe that the joint consumer alternative represents a fair approach. A lot of work went into it amongst a lot of parties that have desperate interest in at least some respects, and we'd ask that you adopted I'd be happy to take any questions. Thank you, Mr hallmark. Um our last presenter from the parties who participated in the process is from an xp semiconductor. Welcome, sir. If you could. Give us your name. Thank you. Madam chair remembers. My name is Chris Hughes and I represent an xp semiconductors. Welcome, Mr Hughes. You will have five minutes. Thank you. Um and xp has also joined the joint consumer proposal. Um and I'm

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just here to kind of guess, too. Close up shop before Austin energy comes back up, and I just want to leave you with it. A few key points. Um in my opinion. In reality, Austin energy is no different. Then other vertically integrated utilities in Texas. Um they are in business to generate cash for construction and to generate revenue for city government. As opposed to provide profits to shareholders. Um and like other utilities in Texas, it's rates should be based on generally accepted rate making principles. Typically used by the public utility commission of Texas. In the PUC process, and we've heard a lot about the comparisons between the two and the PUC process. It is the responsibility of the commission too closely scrutinized. The case presented by a utility and weigh it against the event, a evidence presented by interveners in that process. It is common practice for the PUC to reduce the revenue requirements or rate requests of Texas utilities. In

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fact, the PUC regularly approves revenue requirements and write requests significantly lower than what is requested by the YouTube by the utility, for example. In 2018. The PUC approved the revenue requirement for encore that was almost \$200 millioess than they had originally requested. In 2021. The PUC approved the revenue requirement for swept code that was \$51 million lower than they had originally requested. 2022 just last month, the PC approved a revenue requirement for el Paso electric. That was roughly \$35 million lower than they H originally requested. And in the 2016 Austin rate review, which I participated in the city council aped in that case of revenue requirement for us and energy that was \$25 million lower than they had originally requested. As stated earlier by others, and I was so I won't go into it in detail. There is substantial evidence in this record from interveners that the revenue requirement requested by Austin

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energy is not supported under commonly accepted rate making principles. In addition, Austin energy has made the claim that a lower revenue requirement the requested will somehow negatively impact their credit rating and access to capital. This claim should be rejected for the following reasons. The goal is not to have the highest credit rating possible. This would be incredibly expensive to ratepayers. It's rather strike a balance between securing access to capital and keeping customer rates low. Austin energy's rate credit rating remains very strong is currently six rungs higher than investment grade. That's what's in the evidence. Austin energy's credit rating is 3 to 5 rungs higher than most investor owned utilities in Texas, and they all have adequate act access to capital Austin energy continues to have considerable access to capital markets. Therefore claims by either lower gently lower revenue requirement will limit access to capital we believe is unfounded. Mr Selena's touched on this a bit. You make the

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decision on whether rates are Austin energy will be set in a just and reasonable manner. The standard used at the public utility commission, just as the PUC is the regular regulatory body that sets utility rates. For utilities across the state of Texas. Austin the Austin city council is the regulator body that sets rates for Austin energy. It is incumbent upon counsel to carefully weigh the evidence presented by interveners. In a manner that is objective. And not dependent on the information provided by the utility. Under rules that were created at that same utility. And I'll leave it at that and be happy to answer questions at two o'clock and we come back. Thank you, Mr Hughes. For being here. We'll take questions this afternoon. Um colleagues. Austin energy has asked for a brief break so they could prepare their closing and I propose I'm going to grant that is five minutes sufficient. For five minutes. Sufficient alright?

[11:41:37 AM]

We'll stand in recess for five minutes and come back at 11 46. Thanks. Thank you. Red state. Wow was missing Richard Nixon. Bad news. Gonna take a back seat. Dashboard. Bless my dude. Understanding that I'm like. I'm Dr.

[11:43:32 AM]

Down to trust me. Dragging me. Young. Back to bed against excited. The noise. In jail on TV to make it easy on your voluntary. In his sleep

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with. Please.

[11:45:41 AM]

And I got some red to kill anybody says this lad. The show. Afscme. Please.

[11:47:23 AM]

Used to be hungry. I feel stronger. No, this cold. Treasure. Two. Down. To was a stranger. Save enough. That used to warn V courageous. Paige. The storm. And fixing everything that's wrong. Hey, so. You did.

[11:48:33 AM]

Changing. They used to be. From the recess and they will be preparing to come up. To the podium and give 10 minutes of closing remarks. Let's see if we can get the diaspora back. It looks like everyone's coming back. All right. We are set. I will reconvene the Austin energy oversight committee. Special called hearing at 11 49. Mr Brocato, are you going to present the closing for us energy? Thank you, sir. You will have 10 minutes. And he needs

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his Michael. Do we have our staff here. I hear a door opening. Hang on. Sure, and I think. Sheryl microphone on yes , vice chair. Everyone is reconvening when the. Presentations from the coalition of Sierra club, solar and others were distributed. There were some other materials on the bottom of that that I have returned to the clerk's desk, so I'm not sure I'm not sure who was handing those out. But I think we have some other materials for you that you didn't intend to distribute. Great. Thank you for that. All right, Mr brocado, you have 10 minutes. You obviously heard a

[11:50:35 AM]

lot from the participants this morning and I'm going to address some of those points in a pretty, um, rapid kind of bullet point approach. Let me just start actually with the final speaker in xp. He made the comment that a is similar to an investor owned utility. And that is simply incorrect and I O U as a fun fiscal obligation to shareholders to maximize profits. Often energy does not have that same incentive. They have no incentive to overcharge . Customers like an iou does. And their role is certainly not to generate money for the purposes, providing city services, Mr Hughes indicated. I'll use have a return component if they don't get their full request than earnings decrease. As opposed to a general fund transfers and expense to the utility. Under Mr Hughes view, you should lower eighties request because I'll use across our state having certain instances requested more than they were found to have need, and that's not how you set rates for utility by looking at what

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other utilities may or may not have received. The role. Um. To Mr Hughes indicated that that your role was to evaluate the evidence. But I will tell you that. In numerous instances, participants have made statements at the hearing and their breathing and here today that are simply not supported by the evidence, and I would urge you again to look at the report where he reviewed the evidence that was actually presented and made recommendations based upon that evidence. Moving on now, um , the ihe mentioned that there were no number running. There was no number running done in this in this case, and I just want to, uh, clarify that that's common in right makings, and that that was done intentionally and that the reason is because it avoids results result driven desions. Um but by looking at each issue individually, as opposed to seeing what the result of all the recommendations are. It allows you to make a decision in a

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vacuum, which is again appropriate. Um the I see a addressed revenue requirement in his presentation. I want to talk about that for a little bit. Various. Participants made recommendations, proposing adjustments to Austin energy's revenue requirement. They went from a range of 11 million to 41.7 million. But I will tell you that, notably, not a single recommended disallow us was based upon a recommendation or finding that any expense was excessive or unreasonable. Not a single recommendation, said that Austin energy's proposed revenue requirement included unreasonable or excessive costs . Instead they made recommendations as Mr Kaufman indicated based upon timing. They said that the expenses that Austin energy had had proposed, including rights. Um we're not ripe yet, or weren't fully known. Couldn't cut completely be calculated. But in rebuttal testimony at the hearing of the energy explained that, for

[11:53:37 AM]

example, the call center staffing that those those staffing levels had been fulfilled and completed, so therefore they were known and measurable or the lease agreements had been approved. And we're not simply tentative. Or speculative and again. The I T S report reflects that as well. Um nuclear non nuclear decommissioning. The I T a recommended that a decrease for non nuclear decommissioning from eight million to \$2 million annually, even though his recommendation in 2016 was eight million, and since that time we now have a new power plant, nacogdoches is going to have to be decommissioned at some point. That he did not even address at all. And he didn't take into account the experience that we had with with the holly plant, which cost for in excess of what was anticipated. So um, he also talked about cost allocation methods being within the eye of the beholder. And I will tell you, yes, reasonable minds can and do differ as to how you allocate or assign cost to the various customer classes. That's

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how cost allocation witnesses make a living. Um but I will tell you that the recommendations from the I C. A were very one sided and pushing costs away from the residential class, whereas the proposals about often energy where much more neutral on those points, um and again that was recognized by the and his recommendation. He also talked about the customer charge, but when he failed to mention is that their calculation the customer charge doesn't did not include internally generated funds for, um, construction. It did not include gft. It did not include general plant it did not include a and G. It did not include non utility operations, if you include all of those additional costs, which it is appropriate to do and calculating a customer charge. Then you have a much higher customer charge that needs to be recovered rather than the 11 or \$13 recommendation that he initially presented or the \$12 that these included within the their

[11:55:39 AM]

alternative proposal. Ah Ms. Cooper mentioned the nacogdoches plant. I would just point out that that plan is not in base rates. It's not part of this great examination whatsoever. Um her made some comments and I'll address those briefly. The 2012 agreement is not binding upon the parties. That's number one number two outside city customers will be receiving a significant or most outside city customers will receive significant rate decreases under Austin energy's proposal. Third point it is appropriate to charge outside city customers, the general fund transfer his his standard of, you know the fact that they don't they may not receive direct city benefits that that is not a standard I O U's, for example, pay dividends to shareholders across the globe. Ratepayers pay those rates that include those payments, even though they obviously wouldn't get any benefit from the money that paid

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out to shareholders. And then, lastly, with respect to her, it's a it is appropriate to have system wide rights, in fact, pure specifically the public utility regulatory act. Uh it's specifically contains provisions that say that there's a preference for system moderates. Um Mr Robinson and Ms cooper both made comparisons of the customer charge proposed by 82 other utilities. And as he noted, uh, those other utilities do not he tiered rights, whereas awesome energy, obviously does. That's important , though, because they're able to collect those fixed costs. Um at all levels of consumption, whereas all synergies rights are obviously they have to collect those dollars from the higher tiers and there simply are not enough kumbh cells in those tears in order for them to get full cost recovery. It is \$25 the magic number. Perhaps not. Is there some room for discussion? Certainly there is.

[11:57:40 AM]

Has there been? Yes. Will we continue to visit with the interveners mt definitely in hopes of reaching some type of agreement. And then lastly T I C uh, pointed out that the revenue requirement of \$12 million in their opinion is fair. I would state that it's entirely um arbitrary. The I see a did put on evidence that was rejected by the ihe, saying that that the revenue requirement increase should be \$6 million. And then this morning, we get a recommendation that says 12 is appropriate without any basis whatsoever for that. As I said at the outset, it appears that it is simply a public settlement offer, perhaps, or a concession of their direct case. Um that again. We've not had a chance to fully digest. And then lastly T I C reference the primary substation, right? Um the reason it was not included in any of

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the numbers is because Austin energy is not developed that right at this time, but it will shift about \$9 million. I believe Mr hallmark indicated to other customers who will have to pick up those calls, so that's going to take some time to develop if Austin energy is required to do so. Rama comments. Thank you, Mr Brocato. Um that puts us right about 11 15 9 right about noon, which is when we had agreed we would break for lunch and I would at this point hand the chair over to mayor prothom. After I researched, recessed this meeting. And hand the gavel over to the mayor pro tem. To convene. A special coordinator. Thank you. Council member of pool.

[2:12:49 PM]

Yeah. Let's um get ourselves organized. To reconvene. The mayor has. To just real fast. Let me say the city council meeting in executive session, we concluded conversations on legal and real estate matters. Related item number one. And 2 13, then that could just in a position where we can adjourn the city council meeting. And as chair of the oversight committee. I will reconvene us from our recess. Looks like we have close to a quorum in deference to the mayor, who's going to have to head out here pretty quickly. I'm going to go ahead and start the meeting with his around of questions. Um we'll do the round robin. We'll start with the mayor for five minutes. We've got a timekeeper for the time. We'll move through each district

[2:13:50 PM]

in numerical order, beginning with district one. And I want to know if you want to pass. When your time comes up, I'll circle back around to you before ending the round and I'll be the last questioner. In the round. Great. Thank you. I have questions for Austin energy. And I have three questions and I'm going to ask all three of them. And hope that you can give me an answer to all three of them within the

five minute period of time before they moved to the next person. The first one is I look at the slides. I am having trouble seeing how it is that we change tears, or if we change the level of the flat base rate them out. We have any real impact on better getting dollars to people who are most vulnerable or most economically challenged. In other words, within the lower three tiers, it seems to be, um we have people who are are vulnerable in each of the tears. We have people who

[2:14:51 PM]

are not vulnerable in each of the tears. And if we bring benefit to anyone of the tears were just bringing benefit to one group or another of oust vulnerable. And since the flat rate, plus the variable rate has to equal the total amount we need to achieve. I'm having difficulty finding any reason to be involved in tears. Other than one the reasons that you gave with respect to volatility and not overcharging or under charging and second, whether or not the tears actually give us a price signal that people use. My second question is, if we want to actually get dollars to somebody who is most vulnerable that appears as if our best and really the only real way to do it that's been identified is to do a better job with the cap program. We're getting the 25% of the people, and I think that Austin energy ought to have as one of its goals not to work hard or to hold public hearings and manager probably part of your evaluation, too. Should be

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simply do we get 75% of the eligible people participating in cap now go figure out how to do that, because it's a program that works and that we can't do that with target those people. And then the last one is, as we struggle with trying to reduce residential rates. It's also becoming apparent that there's only one real way to reduce residential rates. And that's to charge more in the other rape cases or to lower the revenue estimates. If we're not going to lower the revenue estimates, as as because if that's the case. That it's a zero sum game. And I wantknow if it is legal for us to maintain the system that does not appropriately charge commercial and residential but their cost of service. And we'll have Austin energy come up and respond. Analysis a that, to the extent that questions cannot be answered today, or further questions come up. We will

[2:16:53 PM]

certainly will submit them to staff and ask that staff provide written responses to them. Thank you. Mayor I'll address the 2nd and 3rd question to Mr Dombrowski to address the first question that you had on the second question related to the cap program. Um this is something that came up in the work session the other day, and since that time, and even actually before that time often energy has been evaluating the cap program and in particular the issue that you just mentioned, which is whether

therarare methods ways means and, uh, to get greater. Enrollment from the eligible customers that they already has . As you noted, you know, it's on the order of 25 30% of eligible customers are actually signed up. So that's something that is, um, being explored right now. And, um and we hope to come back with something in the very near future. That that presents like specific things that has identified and its cap

[2:17:55 PM]

program that could help achieve , um greater enrollment numbers , because certainly that will help low income customers. Your final question. Addressing cost allocation methods and potentially discriminatory rights. You know, instead in doing rate making, generically, um it's appropriate to assign or allocate costs of various customer classes. Based upon cost causation principles, which means that the customers who caused an expense to be incurred should be the ones who bear those costs in the rights. Um however, um. The reality is that throughout this country's uh, history and in all 50 jurisdictions across the country. Rates are rarely if ever done entirely based on cost of service and, of course, different consultants. Different experts can differ as to what they think. The reasonable allocation is in the first place of the starting point is not even going to be the same.

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Nevertheless, um, the public utility regulatory act, which regulates the electric regime or paradigm in our state, the law that that the public utility commission, um users to base its decisions. It has language that prohibit unreasonably discriminatory rates. And that has generally been interpreted to mean that rates don't have to be entirely cost based, but they must be within some certain area range of reasonableness. There's some subjectivity. Obviously to that. Ah and you know that's not a defined term in the statute and so again, while there's a little bit of gray area there, you know, generally in setting rights, you attempt to do it in a way that is cost based. Thank you, Mr brook, Qatar. And then on your first question, I'll defer to Mr Dombrowski. Okay working. Broschi, the chief financial officer. I understand

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the correct question correctly is, can you use rates and the tears to, um provide citizens to low income customers? And what we find is that unlike taxes, utility rates are not Progressive and regressive. What we find is that around \$60,000 or less income, there's no correlation between consumption and an income. Um and so. If you think about it, every customer has sales in the first tier, regardless of income 1st 500 kwh and they're all being subsidized . So whether you make a million dollars a year or \$10,000 a year , your rights are being subsidized that you're buying in the first year. We're also being subsidized in

the second tier, regardless of income. And so what we're finding is customers who are between \$1,600,000. Are the ones who are mostly bg electricity, nose, first tears and being subsidized, so we think trying to use rates and tears as a way to implement low income programs is a blunt tool.

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We believe rates should be set to recover costs and design programs to assist our vulnerable customers respect to the actually. And I appreciate that answer. There was an exhibit that you showed us at work session. That's sad. Here's a residential area in a vulnerable community, and here's one that's not what they're being what they're paying for. My community actually had a higher bill and then um, councilor fue said, let's compare apples to apples give us both a residential area in both so we can compare and when you did that, that, in fact did lead to an adjustment where the rate being paid was was closer to being the same. It was only \$6 delta. That's correct. That's under the existing system that has multiple tiers five and it has a pretty extreme. Movement from first year, first year charged to fifth year tear charge, and then we asked you to run that exact same comparison with the more flat rate and with

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the fewer tears to see if that would change the relationship between what the vulnerable, more economically vulnerable community was paying versus the more fluent community, and it had virtually no impact dealt. There was very much the same correct and I would appreciate if you would take that that sheet that that showed that and put it into backup for this session so that people can see that okay, because if, in fact that's true and doesn't make any difference, how many tears we do. Or whether we're flat or not flat. Then we can have a conversation or rates in tears that really just focus on doesn't give us price signals that we need to use. And do we want to have a system that ah doesn't have the volatility and doesn't have us in danger of doing overpayments or underpayments. It would narrow down the conversation if the other conversation isn't relevant, so if you could include that, Paige, I think that'd be helpful. We will will. We will add that to the public's documents. Thank you. Thank you,

[2:23:02 PM]

mayor. Thank you, Mr dombrovskis. And I've asked the staff to run the timers so that we can hear it. I couldn't hear it before. Let's see district one council member harper-madison. Do you have any questions that you'd like to ask at this point? Very good. Thank you. Chair we've got thee minute timer going and, um, we'll tear up the staff. Please pursue. I thank you. The first question is for Mr coffin. Um and the question is how did you balance how did you balance rather the interests of the residential class when developing your proposed rate design? Thank you. Council member harper-madison, uh, we, um it

was quite an extensive process and, um let me say that it is it is not dealing. It's not easy Dea with these various tiers, but we have an expert in clearance. Johnson I think I might just defer to him

[2:24:02 PM]

in a second to talk about that, but um, yeah, with the tears. You have a whole you have the concern that you know if you tinker witht you are going to cause you know some some rate shock or some disruption to some group or another, whether they're low income or or whatever it's very easy to wind up with a change that really socks it to one particular subject subgroup of customers, but I think maybe it's just best letting Mr Johnson here tell you how he did it. Hello my name is Clarence Johnson. Um would I approach this? Issue. It reminded me of what great design experts. That I've seen over the years, many times say, which is that rate design. It is. More of an art than a science. And in this case, I think that's ah describes what I had to do in

[2:25:04 PM]

this case and be the, uh and the reason is an art is because there are many considerations, many policy considerations that affect ah, inappropriate right design. Um, for instance. You need to balance ah, awesome energy is concerned. Regarding. Rate volatility or rate stability. With. Ah the actual impact of the rate. On specific customers. In order to avoid rate shock in order to avoid what I would call and inequitable. Recovery. Other of a sizable rate increase within the residential class. So ah! When Austin energy uses three tiers. And also increases the customer charged by 150. The impact of that is to produce a

[2:26:05 PM]

very large percentage increases. In the lower tiers. And at the same time it produces. Rate reductions in the bills or the very highest users. And. The reason this occurs is because you've taken away the top tiers. And. Yeah it also affects. Ah, the. Price signals that are produced the Austin energy acknowledges that the current inclining block rate structure is intended. Two. Produce energy conservation. And. If you remove those top tiers. You remove those price signals at very high usage. Um, factor. Uh running counter to another policy consideration, which is energy conservation. So my approach interrupt you briefly. I'm sorry . Can you remind me your last

[2:27:05 PM]

name? It was Clarence. I'm sorry. What's your last name? Johnson. Mr Johnson, I apologize , and I certainly don't mean to seem abrupt, but I only have five minutes and I don't think we're gonna get through it with this response, so let me just out out out, have you? I'll try to help you condense and articulate my response. I think to some degree what I'm asking you for is advice on how to explain extraordinarily complicated subject matter. To lay people and my constituents. And so if they were to ask me the question about how you formulated what would be, you know, a one minute 30 seconds. I mean, I know I might be asking for the impossible in which case I would prefer that you be candid and say you can't do it quickly or easily or simply, but that's really what I was trying to extract with that question. Uh, my approach was to avoid the large rate increases in the in the first blocks. Ah and two ah ah! Eliminate the rate

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reductions in the very high blocks and try to condense. The percentage increases for all of the tears into a fairly narrow range of percentages. And to do that. I need I needed for two years. And with 40 years it is it does acknowledge to some extent, the concerns that Austin energy has regarding revenue stability. Thank you, Mr Johnson. We'll move to district to council member Fuentes. Thank you and, um, chair pool. I do wanna this. This conversation has reminded me something of what council member tovo. Shared earlier. That I just want to echo support for is that if we could have some dedicated time to have a presentation on the proposal proposed by the interveners that would be very helpful because in the testimony we heard earlier, I know there were some comments that touched on the proposal. We really haven't gotten an overview of

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what all is included and how they got to the 12 million total . I know I have some questions on that. And then the other question I have for you a chair pool before we start my time. Is on process because there are there's response is happening, and I had a question with what the mayor shared earlier. But we in my just asking any general question right now? Or can I if there's a response is given to another colleague and the question that they asked, can we build on that? Of course you can. You can build on. You have five minutes to use entirely yourself or to pitch a question and let the responder answer. Kind of like what you see in a congressional kind of a conversation. Um, I will note that this is an information seeking, um, session. We're not miming to any conclusions. And at the at the end of our conversation today, I will remind the parties that they are still in the process of negotiating and urged them to get back to the negotiation so

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that we get some recommendations and options that we can deal with. And discuss later on this month. So today we really are opening the door for each of these participants to lay out their concerns for our greater benefit, and we time between now and the end of the month and the 1st December to delve into that in a variety of different ways, both at work sessions to more public hearings and then, of course in small group or one on one conversations that you may choose to have so for today, um that's kind of a you can use your five minutes. However, however, you'd like, okay. Thank you. You bet. Okay so I will start with the question for the independent hearing examiner. This question is thank you. Okay? That's okay. Any judge doesn't know the case as well as the parties that presented it.

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It's just part of the deal, but I'll do my best. Gotcha I appreciate your candor. Um under your recommendation inside city residential customers who comprise the vast majority of au energy customers. Would receive a based revenue increase of 16.4. Which is 25 25% higher than proposed. Can you explain how you arrived at the 16.4% increase or inside the city residents? I think you're talking about rape design. Yes yeah. My law partner, Andrew edge was in a court hearing right now actually developed all of all of that, but let me say this, um we can follow up and provide you more information on it. That's not a problem. We can do it through staff or whatever you like. But that's such a specific question. I'm not sure exactly how he came up with that . But I do know I do know this. Like the ica is pointed this out real quick. Um you have a 35.

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Million dollar proposed \$35.7 million revenue requirement. Basically is what the city's talk awesome energy is talking about. And I see a pointed out that some 43 million is going to be taken other residential so that was that for me triggered a major concern. I can I can give you that. But as for the 16% it's such a specific figure. I wish that I could give you an answer right now, but we can follow up. Um okay. I know that that's fine. I'll ask Sarah with my team to also email that to you, so you have the questions. Um okay. And I think this is getting to the question that, um Catherine harper-madison just ask. But if you could also touch on this, can you explain further how the rate shock explain further that the rate shock that residential customers will experience with the proposed customer charge and tier structure. You can just elaborate on what that rate shock would entail for our residential customers. Um all right. Yes actually, the 150%

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increase in the customer charge. While I understand Austin energy, the reason why they wanted and they feel that they need to do that because they're trying to recover fixed costs and not use variable.

Um, revenue. Set up like fuel. And energy. Um I get it. But the thing is when we aren't even certain. Of. The folks who aren't covered by cap right, and I'm not talking about everyone that's eligible for cap. There are people who are eligible for cap by the way for cap I don't know. Maybe you could just put something on the bill that folks could simply say. Are you having problems paying your electric bill? Call us something like that. I don't know. Um just practical solutions. But anyway, getting back to what I think your question is cap. I mean, the customer charge created some real concerns about ra. It just did. 150% and we aren't quite sure if the low usage

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folks are the folks that are that are economically disadvantaged or the high usage folks because we've we've seen evidence of both. And what, Mr Mr edge and I both suspect and we were just discussing this is that it's a little bit of both. You might have folks who are living in, you know, uh, combined housing unit where they have actually low energy charges , but boy that customer charges going to hit them hard, and you can also have people where we had the example doing the work session. In 787. I can't remember to four. I can't remember what it was, but up on the northeast side where they already pay a lot, and they're going to have a customer charge as well. So what I'm getting at is, I'm not sure whether it's low suit, low usage or high usage. We have a feeling we suspect and this is really the province of experts, but we suspect that you're going to see it at both ends. And so there could be a really broad swath of folks who are going to be affected by this that aren't even eligible for cap and that was a knee jerk. Concern of ours from the very beginning. Let's talk about cap, you know, right

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now we know that it is auto enrolled for those who are 200% and the federal property line. Um that and even that there's 35,000 customers, so we're not really sure of all of the individuals within the service area that would be eligible to cap there. Even on the program, so it's a very it's a small subset of 25% I think is what is the figure the number that thrown around that? That's what I hear just 25% of those eligible as my understanding 25% of those eligible. Okay, question for you is you know, in your expertise. Um, how are other? Which will will take up on the next round. Thank you. Um if you would submit the question in writing, we'd we'd get back to you on it. And I'm sorry that I couldn't answer your 16% question, but we'll get an answer. Thank you. Thank you. District three council member Renteria. Yes I my question is under the same line as camp. If we. Really try to neutralize the

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choc. Uh and heard that the mayor was suggesting that we increase the your mouth of level on camp. Um. I want that. And I mean, I'm really stuck with the \$12. Base cost free. Uh, um. Bringing it up to that

extra \$2. And, uh, I would like to hear from Mr Johnson or his associates associate. That after hearing what. You know, after you talk to you. Often energy response to it. Can you give me a more clarification about exactly what that there what do you think? Yeah. The discussion here is in you feel like they might be that mutual area or or do you really feel like the \$12

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in the fourth years? Mr best way to go. Okay I'll do my best, uh , council member, Brenda ria, uh, the what, and this is, I think an answer to the original question. What we tried to do was to prevent any subset of customers from receiving a very shocking bill. You know whether they're low income or not. I tend to believe that that a majority of. Low income folks in you know in the city used less than the average. I mean, that's that's what we see nationwide. That's what we see Texas wide and we don't have. You know all the data and I'm sure there are outliers, but it seems to be an economic constant that income that income and energy usage correlated. So that leads us to believe that majority of long come customers would be affected by Austin energy's rate design. Now that's not that's not everyone. We know it's low usage. We also know that senior citizens tend to use less than the average so there's no more

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senior citizens would be impacted by Austin energy's approach and so forth. But our our approach was not to necessarily pick winners or losers. In fact, we were trying to share the pain and move in the direction that Austin energy wants, but not do it in a way that doesn't give someone a 45% rate increase. And that's that that's it in a nutshell. Now. If we do rate design, right? Ah and we make sure that all the costs are allocated either to the fi charge or to the usage charge, either to the customer charge or to the per kilowatt hour charge. Austin energy should get all the money that they deserve. Now I understand where they're coming from. They're looking at this. This usage curve and they see usage declining and they're worried that if they don't put more cost into the fixed charge that they're going to somehow have a continually deteriorating. Um uh , you know, financial picture that's not going to happen very quickly. And of course, Austin energy controls the ability to come in. If that starts

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happening, they could ask for another rate increase in in two years, or whatever. But we still believe firmly that there are many reasons, including cost reasons. We still believe that that that that the proper way to allocate costs is not to put all the fixed costs in the customer charge, but only the customer specific costs and that's why we are trying to hold that down and there's and there's a variety of reasons to do that, as we talked about, including the ENER efficiency incentive. And just the mitigation of

impacts on low usage customers, no matter what. Kind of people. They are um, so , uh and as you raise the higher you raise that customer charge, the harder it becomes to prevent the rate shock and the higher the higher the overall revenue requirement is and the more that you dumped that on the residential class, the harder it becomes, and so we have tried to take to stake out a position here that is within the zone of

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reasonableness in and we everything that you see in the joint consumer alternative. Proposal is something that has been throughout the process is something that Austin energy has seen. There's nothing new in that particular proposal, and but it is a what we believe is the middle of the road approach. Um the other thing I would say about the customer charges is no matter what overall revenue requirement you do you approve, try to keep that increase. As close to that percentages as possible. Now at \$12, you're gonna be raising the customer charge at a higher rate than the other particular tears. But as Mr Johnson was going into, you have to do a lot of tinkering to still keep that incentive in there, but not cause someone along the way to get a shocking bill and for you to get a lot of calls from people who are very upset. And your recommendation is just to go to the four tiers and that increased the base cost. Did you want to answer

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that? I'm not sure I heard it. Are your are your. All right. Are you saying that you should. We should just go with the four tiers and not the added value of the \$2 to go to 12 bucks. It's a it's a package together, and I think to do this right. You have to consider both the fixed charge and where the tears are. It's kind of a balancing act. Thank you. Thanks. Thank you. And we go to district four, which has council member of Allah. Do you have any questions? My question would be on the difference between the current um, value of solar. Policy and the proposed changes to the value or the new proposed policy. I just want to understand that a little bit better in simple terms. James

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Brazil for Sierra club in simple terms, there's a couple of ways to look at it. First of all the current the current rate. Current calculation looks forward into the future 25 years. That's to consider what we think is the right way to determine what the investor the homeowner is going to look at. The proposed rate or calculation looks backwards. In addition, the current rate looks forward and includes a suite of costs that are um. Kind of a complicated suite of costs, but includes some environmental costs that includes incapacity costs and transmission distribution costs. It includes all kinds of costs that we believe that the Austin energy people who developed it's in the past believed correctly reflect all the different kinds of

costs that are at issue. The backward looking costs under the proposal , look at just a few costs that are based on erc, a rape current

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ercot or past ercot charges for transmission distribution. Okay, that's a simple explanation from if I'm a homeowner with again. I'm just trying to understand this a little conceptually before digging too far into the details, but if I'm a homeowner with, you know, solar panels on the roof of my house, there's a certain amount of would imagine , like extra kind of, you know, capacity or extra kilowatts that are, you know, given into the system, and are we talking about what that person is credited for the electricity that is put back onto the grid. It yes, that's the calculation to determine the amount of that credit. The amount of the credit is calculated currently using the forward looking calculation 25 years forward calculation the amount of the credit is being proposed to be calculated using the new one and so in it. Will that calculation. Then give that a solar panel. Homeowner. Less

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money for the solar energy that they're generating. I believe that there is a kind of a quirk in the result. The backward looking one that is being proposed, will actually increase it under the current conditions , but that's the kind of a quirk or or an exception to what would normally happen. Our claim has been that whether it goes up or down, you still need to use the right methodology and look forward. But I believe that the proposal in this instance would actually make it go up. Make the credit go up slightly. And how long would that kind of work continue? I mean, I'm assuming that there will be another R case at some point where the methodology could be adjusted again, and we don't know for sure how long it would go on. There is a difference, because when you start looking when you look forward for 25 years, you get a pretty fixed determination when you look backwards at a cost every so often you get a very changed, you know,

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changeable rate so we don't really know how long it would stay in place. What we also what we do know is that under the joint proposal. We're proposing that it be looked at again and in the near future, so I don't have a precise answer for you, but currently it stays in place . I think more for a longer term under the current under the proposal, it could be changed. Okay so T value of solar calculation than is again functionally what we're talking about the net metering kind of value, I guess for the homeowner there. Right it is, it is a it's a credit that's provided for the to compensate them for the investment and for the power that they're using. As a result of that investment or power that they're generating as a as

a result of that investment. Um that's right now that's that's the only the only question I have. I'm happy to donate the rest of my time to anybody else. Thank you so much. And what? I'm

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what I'm gonna do, I realized, um and the city manager asked me to, um, when you ask a question, could you identify who you want to ask it of, and then we'll give people a chance to get up to the podium before we start the time. Okay so let's see. That was district for district five, which is council member kitchen. You have? Yes. Thank you. Chair. Your question of yes, thank you. Chair. I'm not certain who to ask this. This question of I am following up on some earlier questions about the cap program, and I want to ask some questions specifically about the analysis that's being done that was mentioned that will be brought back to us. So who would you suggest that I would that be Austin energy? Okay Mr Brocato. Okay Mr brocado will come up to the podium. And we can stop the time until he gets there. Thanks. And Ms cooper with him.

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Very good. All right. We can start the time again. Tammie cooper, senior vice president of regulatory, communications and compliance and just specifically some things that we had already had in the works regarding my question. Sorry my question. So thank you. Thank you very much, but I want to get very specific about the question. So, um and just as a preferences, others have said, because the customer service charge or the customer charges not uh, charge for those folks in cab. It's particularly important from my perspective to understand what we can do to make sure we're reaching more of the eligible people for cap. So what I'd like to ask is a follow up. Question is, I know that some analysis has been begun based on earlier questions. I would like to know, uh, when we went with that whenhat analysis will be made available

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to us, I'd like to have that before we make decisions on how we're going to proceed with this with this right increase. So and I would like to have as a component of that analysis. It seems to me it's important to understand. What are. What are the, um what are the approaches that you all? Um or recommending or intend to take? Uh to increase that percentage of eligible people participating. So what's the how? What's the timeline that you will take those? Um and what's the target percentage for each? How in terms of how? How much you think you can increase participation? Um and then a thorough analysis of the eligibility process. So, basically, I'm asking you for a work plan. So that when you come back and talk with us about the cap program and how you intend to get from a about 25% to closer to 100% I'd like a work plan for how that's going to be

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done. And I'd like to have that. Before we talk about the you know, before it comes back to us. Um before we are actually making our decisions in the right place, so can you speak to, um to that scope for the analysis and your timing for getting it back to us? I can't speak specifically to the scope. Um, but I can tell you that I have talked to staff members in that area and have asked them to see if they could have something to present to you next Tuesday at the next meeting, so that would certainly give you um at least a preliminary review of that work plan. Uh, we have already had some things already in the works before this discussion even came up with respect to specific marketing efforts that will be soft launching beginning December. And starting into the new year, so they can also outline that as well. But in terms of specifically meeting certain targets, and what what other activities they will be looking at, I will defer to them to

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present that to you next week. Okay can you ask them to cover that? Cover those, um, those aspects of the work plan? Absolutely. Okay yeah. I want to know specific actions on and Owen and I want to know what's what the thinking is, in terms of what you'll get out of those actions. Does that make sense? Yes. In terms of asking for yes, it does. Okay all right. Um and then, um. Related to that I would like to ask them to consider um. Considered direct outreach to individuals. Um as opposed to more broader marketing. I think marketing can be useful. But I also think in this instance that more direct conversations with individuals about the availability of the program may be necessary. So I'd like to ask them to think about what might be possible in terms of that approach. Does that make

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sense? Yes masking. We can we can have them speak to that as well. Okay I'd also like to ask them to speak to broadening the range of auto enrollment. Okay what they what they what they do for that. Um. And I also like to ask them to think in terms of an opt out as opposed to an opt in. Yeah there, there's some complexities to that. May not be possible. But I'd like him to think about that. Also. Okay? Alright I will certainly go back and talk to the responsible staff people about that. Okay and thank you. I think next Tuesday will be timely because that gives us time for an initial conversation. And then, um, I know my colleagues will probably have more questions and perhaps more ideas related to that, so that should give us time to have a conversation. Um in time to consider the gap program. Um so chair. That's all the questions I have at the moment. That's great. And you were right on

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time. District six hello? That's council member Kelly. Thank you. You have five. Do you know who you want to ask your question? I don't but I would think it would be a question, possibly for Austin energy. Alright it was mentioned earlier today about the test year happening during winter storm Yuri. And so my question was really, to what extent would be effects of the winter storm. Have had on that. Test your analysis and has it been considered as part of your calculations moving forward? Council member. This is an issue that was addressed by the I T and he asked author energy to reevaluate this and, um and in fact, he did that and addressed it, in their exceptions that were filed in September. You can

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find that discussion on pages seven through nine of their exceptions, but specifically following the issue, and so the report, we went back and looked at the actual data. Um and they presented a table that showed energy sales for February and March, which were the building and the building months were impacted by winning storm Yuri and they compared that to the 2021 budgeted energy sales amounts and then the weather normalized energy sales amounts and what they found was that actual energy sales for the month of February and March of 2021. When winter storm Yuri occurred was that they were higher than actual consumption was higher than both the budgeted amount and the weather normalized amounts would suggest that winter storm really did not have enough. A fact in terms of potentially lowering the test your billing determinants. Okay thank you so much. That's all I have for right now. Okay great. Thank you. I'm district seven

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and I'm going to go with the end, so we'll jump to district eight, which is council member, Ellis. Do you know who you want to ask a question exciting. I like jumping the line. Um I wanted to ask a question about the general fund transfer. So I think that is for Mr Salinas, who had had mentioned it. Thanks for being here with us. Can you just quickly recap? Some of your statements about the general fund transfer and the idea of potentially freezing it? Yes, ma'am. Thank you for the question, but I was raising earlier is that we would like to have a discussion. With you about freezing the general fund transfer rate again, not cutting it, not slashing it, just freezing it and there's precedent believe council member tovo was on the council. The last time they did this, and it was a similar situation where the reserves the utility was losing money, and they we having a dip into reserves and so in order to help the utility

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get healthy again. The council made the right decision and froze the transfer. We think you should consider that again. This time, I'll give you an example. The utility is Mr Dombrowski has shared with you over the last two years has lost \$90 million and that's \$90 million. They've had to pull out of reserves. But because of the way we calculate the transfer 12% of base rates in regulatory this year, you will do a \$6 million increase. From 14 to 21. That's counterintuitive that you would be increasing your general fund transfer while you're losing money. That's the example that I wanted to give while we're asking you to consider freezing the general fund transfer. I think it's 15 this year's, which adopted for fy 23. Okay that's that's really helpful. In my other question. I see. The city manager has stepped off the diocese. Maybe I'll just get this um, you know, off off the hearing, but I'm also curious about any sort of impacts to the general fund departments knowing

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that some are self sustaining, and I'm just curious that if we were to do anything with that general fund transfer that we really want to understand what impacts are happening to other departments and programs because I know that those would ultimately be really tough decisions for us. Um so I want to make sure that we're looking into that. Um I also I guess if I have extra time I have another question. I think this might be for is it Mr Purcell with the Sierra club? Um I really appreciated council member kitchen's line of questioning on expanding the cap program. Um. How how much do you think that can make up for some of the things we're trying to accomplish on the diocese here with balancing that the base rate and the tier structure? I'm not the person to answer that. That's not one of our issues. I were related, covering the value solar issues, and so I think it may be one of the other parties. Is there someone who could speak to that? I've stopped the time

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up here. Is there somebody here? Mr Kaufman, okay? Thank you. And I apologize. I know we had a meeting with Sierra club and public citizen and S U N folks. And so maybe I'm just crossing my wires on kind of where these ideas are coming from the question. We were talking about the idea of expanding the cap program to help offset some of the impacts to the ratepayers. Um is that going? Is that realistically going to be is there a potential to explained it enough to offset what we're seeing? Right? First of all, I'm very glad I was very glad to hear council member kitchen talking about that. Um um some of my clients are low income. You know, energy advocates and, uh, it has always been a frustration of mind that that's hard to get the federal lie. Heat program only reaches about 30% of folks in almost every state. And there's there since the pandemic, there's been a considerable amount of money put into that and two other funds and yet still stubbornly. It's been difficult to expand that to

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get further penetration out there, and so we, you know, so I do. I do fret when I look at this. I mean, it's a great program. We like the fact that it's auto enrollment. I see a likes this program and we want we think that there should be an effort to promoted one thing we've learned. Is that not calling these low income programs sometimes helps people have there's a stigma to that. Part of the problem with light heat is that it's an annual process you have to go through. But that being said, I am I'm pessimistic that you'll be able to get very far and getting to 75% I don't think it's realistic. And so despite those efforts, which I applaud and encourage, I think that you also have to look at the rate design and make sure that you're not doing things with the right. I think the right design has to also be a tool to protect the more vulnerable customers as well. I appreciate that, and I see Mr Robbins has his hand up. Will you come down? If I have a minute left or even 30 seconds? I just want to flag. I know you've talked about this program before and making Sacramento one

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of their techniques is to when people literally sign up for service. One of the first things they ask is oh, would you like to apply? I don't think we do that here. Okay? Thank you for that, and I'll just flag for Austin energy. I know you've been making the rounds with all of us throughout this case, but I know that Mr Robbins has identified at least one situation where potentially, um someone might be using the cat program that that may not necessarily need to qualify. And so I'll just flag that for offline. We want to make sure we're calibrating that program if we're going to be expanding it and offering it to people and that's my time. Thank you, um, council member vice chair, tovo . Thank you. District nine. Thanks there are a couple of things that I'm tracking that. I just want to flag from my colleagues. The customer charge which many of you have mentioned, I think it should be closer to, um I think the I C a has recommended 11 or \$13. I have to go back and check I'm concerned about the number of

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tears and then in looking through the international in the independent hearing, examiner document. Some of the things that I think makes sense to consider are and these are not necessarily recommendations from the independent hearing examiner , but having read that report and going back and forth, these things seem to make sense to me X, extending the collection of the rape case expenses over five years rather than three as some of the interrers have suggested. Including a \$2 million adjustment as some of the interveners have suggested for late fee revenue. And I am thinking through the general fund transfer of whether it should be set closer to the 1 15 million, which is more reflective. As some of the interveners have said of what has been actually that that dollar amount for that transfer. The other two areas that I can mention today that I'm really looking at or the storm. The storm expenses. Um I think that it does make sense, as the interveners have suggested some

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of them to remove about \$1.5 million worth of overtime and contractual labor from that. General revenue requirement and I also want to talk about the revenue. Um and I think I would like to request that Lynetta cooper speak to the revenue related to your document that you distributed today. Talks about talks about the loss of 2021 revenues caused by significant shutdown of electric consumption. Are you? Would you like to speak to that? Or do you suggest I have the independent hearing? Independent consumer advocate? Okay I know that's in your document. You've talked about a couple of different ways that the pandemic and the storm reduced revenues. And so if you could address those because I think that sounds that sounds that resonates with me that that's a common sense. You've got the document. I do want to clarify something that Mr brocado said involving the nacogdoches plant. When what and

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that's what made it a little confusing and harder to understand until after the right case, um, they have two different sets of fiscal years. The fiscal year that they used to set the rates. They made all kinds of adjustments, and one of them was the nacogdoches plant. But they they made no adjustments to the graph. That they used to as evidence to support that the current rate design is creating economic armageddon to you all. And. There are several revenue decreases that occurred because of the pandemic. And because of the storm. That. Are reflected not that are reflected in the revenues and the cost and the graph, which is attachment one page seven of my response that was in the right following package, that is not the first time you all have seen it all saw it in many financial, uh

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, presentations. You saw it as a presentation before the rape case was filed that very same graph. That graph does include nacogdoches. Why do I know that? Because that was a known and measurable adjustments they made to the test year that take those costs out of fiscal year 2021 to put him in the test year, so those were in fiscal year? 2020 and 2021. So what does that mean? That means if we adjusted those costs in the graph to take out the nacogdoches that cost line would come down so that the gap that seems so huge would be smaller. The same thing with the revenues. For instance, you all and I do, and I did commend you in the final our final brief, but I commend you all four tips for protecting customers. But you created rate discounts the waivers. You increase the cap discount. That had the effect of decreasing revenues. And what and if you took that adjustment out that would have

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the fact of increasing the revenue line. Once again minimizing the graph. And we all know people. People's businesses. Got closed down. We know restaurants. We know my favorite restaurant is closed, in part because of the pandemic. And saloons. And what does that mean? They weren't projecting revenues, frost and energy that wasn't using electricity so that economic effect was not adjusted out. And I think there's also allegations and they may be true that it wasn't even adjusted out. For the test year, but that's a different issue. I'm really only talking about what evidence did us in energy use to justify the rate design. They're put before you. Thank you. So as I understand, so it might take away from this is that um the revenues. Better reflected in the test here are not making your point is are not fully accounting for the fact that

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businesses were closed. People were home and also the council. And I think this was maybe my resolution waved, waved some of the charges and made other adjustments to help folks pay their bills during that period of time, so our revenues would have been higher and so and those aren't um those aren't well accounted for. There's two sets of books think about the ones that they give to the different taxing authorities. They used one set of revenues. I mean, you know revenues for the test year. And they adjusted those they adjusted those for the nacogdoches and they also adjusted that the weather normalized but the set of books that you saw those were the actual revenues and operating expenses that actually occurred in fiscal year fiscal 2020, and that's reflected on the graph. That wasn't part. Well it is kind of part of the test year, but it wasn't official test year. And so, but that graph is what they used. For their

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evidence to say we need to change the rate structure the design. Okay so to me, I think colleagues that we need to look both at the at the revenues with regard to the storm and also some of the costs because of the overtime and some of the testimony that was offered with regard to overtime and contractual. Expenses contractual labor related to the two that I don't know that I have time to invite the independent consumer advocate to speak to that point. I think we have exceeded the five minutes, although I haven't heard the buzzer go 13 seconds, but probably not enough for our independent consumer advocate. Okay, thanks. I'll hit it on the next round. Get another round. Let's see. And mayor pro temp district 10. Thank you. Before you start my time. I just wanted to throw out a process opportunity. I'll be chairing the meeting on November 15th when we have our public hearing that could be really useful if we could have a representative from this joint proposal presented to us at that meeting and have an opportunity for us

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and energy to digest that and present. Their view on some of the assumptions and the approaches. I'm worried that if we wait until December, 1st which would be the only other opportunity or the 29th that that will not be enough time. So I'm gonna suggest that we perceived that way and or full and I can confer a little bit. Since people are here. I thought it might save some time. If we just decided that let's let's do confirm, but generally that sounds like a good plan to me. Great thank you. And do you know who you want to ask a question? I met somebody up. Yes I would like to, um, ask, um, I see a to come on up. Um so one of our lovers, um that your proposal makes very clear. Is how much revenue we want to say we need to raise with this rape case, so 've talked a lot about tears. We've talked about customer charges, talked about cat. Um but the real game changer and

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your approach is to offer a different revenue requirement right now. Austin energy says that we need to raise 35.7 million, which is down from the original proposal, thanks to the process. Then we have the independent hearing examiner who says it's I believe 31.3, which is a reduction in the general fund transfer, and then your joint group says \$12 million. I've only had a chance to skim your proposal. But it doesn't say what you're covering with that revenue requirements. So can you tell us how you derived? 12 million and what that covers and what that doesn't cover and it can you follow up with something in writing on that? Yes. Well, I think, um um, if you have are exceptions document which is filed, um a couple months ago, and we could good. Certainly give you a copy of that goes down the various issues that we had that explain the difference between our \$6 million in the \$35 million number. And so they were about. About 87 or eight issues that we

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took that were you know several millions of dollars each, and so I didn't have time to go into much detail about it. But you we have sort of a you know, sort of a legal document that goes down and discusses each of those for a few pages. Uh and so that's what I would point you to understand it, but that they took the \$12 million is a number just within that range. The joint consumer group that we were working with that represents the majority of the other parties. We thought that we could go that high going any higher than that. Then we started creating problems for the class allocation and the rate design further down in the process, but the \$12 million number just is, I suppose, um, conceding another \$6 million from what we had in our list, but there were other parties that also had adjustments that they proposed as well. But that from from our perspective from from the icy versus Austin energy, um hopefully that that explains it, and we do have that

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in writing, and I think that would be the best document. Okay someone can make sure I have that document that be helpful. And if I could ask the I G to speak to um, what you think would what questions we should be asking in as we evaluate this revenue requirements given that you. You were comfortable with the revenue requirements as offered, except with the exception of the general front transfer yes, I think that's essentially that's essentially correct. Um I've indicated this already the um, when you look especially in my and my response to the exceptions, which was filed on Monday, um certain parties come to this with their interest that they want to protect. That would be the I. C a and I see a has done an outstanding job being very aggressive in trying to protect the interests of the folks that he represents the same thing with T I C and xp. They got the industrials and they've tried to represent their interests. Austin energy. Is a nonprofit.

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And they're trying to make sure that they have financial stability so as a starting point, and it doesn't that is not determinative of every revenue requirement issue, right? I just want to make that clear. But on things like you know when you're looking at the credit rating their concern over the credit rating, I think is valid in the industrials tried to argue with them. You know there are there other types of utilities, including and investor owned utilities that aren't so concerned about these types of things, and maybe other M O U. S. But the baseline. Was this that I felt that Austin energy's concerns were legitimate and when you look at each of their arguments, actually found them to be fairly compelling. I thought that they were reasonable arguments. You know, there's this argument about the fate power plant. And it's my understanding and Austin energy can correct me that were still under we have an agreement with that power plant. How can we withdraw from that agreement without getting sued by all C R a so there and that's a very reasonable position that Austin

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energy is taken, which is we can't simply just unilaterally. Withdrawal is something so are you asking me? No let me pivot to what are you asking me? Are there are there things that are more important in the revenue requirement issues that are more important or I guess I'm trying to understand given your expertise given their proposal versus a S proposal. What questions we should be asking to evaluate their proposal. Versus the other. I see a proposal or do you mean the joint proposal? I'm talking about the joint proposal. The joint proposal. I think you hit on it us specifically what is in there? Right what do you have in there and the icy a listed a few things. I would. If I were you, I would get a list of what's in there. And then I would compare what eight at what a requested. And for the most part, I went with a on the revenue requirement. I acknowledge this what I what I found to be appropriate and reasonable and then see what they've come up with. And I would take that

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delta. And by the way, there may be things that are missing. Entirely non nuclear decommissioning. I also went with a on that and I have no problem going with a on that issue. Look at things like that . Does it really make sense to alter or change the revenue requirement for each of these issues, so I think all you have to do is just line them up next to each other. If something's missing, why if something is in there, and they reduce the amount well, why um. You know, councilwoman tovo you mentioned that I think is 1.3 million. I heard 1.5. But I think it was 1.3 for the contractual. You know, the basically the folks who came in after Yuri contractual? Yeah did some contract work of all of those three issues that were in there? I think that one you could actually take ase. Look at, however, one last thing when you look at the numbers that Austin energy provided contractual labor costs for fiscal year 2020 or 17.6 million contract labor

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costs for 2021. 15.6 million. So that's that's what I'm saying. You have to you have to look at each issue and line them up and then see where the numbers are in and ask questions about those numbers. I that's how it should go. It's not. You know, if you look at revenue crime, it's really not that long in terms of the. The hard and fast issues as opposed to, like building determinants or something like that. Thank you, Mr Vickery. I could just, um, just respond to that. I think that for colleagues, I think that's one of things that we have to determine this. How much revenue do we think we need to raise and that should be in some sense, separate from what rate we think is reasonable or not reasonable , absolutely need that if we need to raise the revenue in our view to make it be financially stable and to cover our costs. Then we have to structure a rate that gets us the revenue. We don't have to agree with the revenue. That Austin energy is

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putting forward and there may be a lot of reason that the minimum to go down to the 31 0.3 is one step forward and there may be a lot of other things that we can take out. Um but we can play all we want with cap we can do all these other things, but if we don't figure out what we're going to agree on on the revenue requirement. Any exercise we do? On the right and structure and design is sort of not useful until we until we land on. This is what we think. Revenue requirement ought to be, and I don't have the answer to it. That ought to be, but, um I think we need to agree on a council. This is the revenue requirement that we're going to build the rate structure on it. And then and then. You know? Look at look at things through their thank you, Mary prothom better. Can I respond to the mayor of totem? That was, I think that's exactly right. I think we need to. Really there are definitely points of dispute here. Um,

about some of the revenue requirement, and I was trying to highlight kind of where in there. I agreed with

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you where a few points where I just agreed, but agreed with some of the interveners, but I do think we're going to need to figure out what process we want to use. To work through a few of those thorny issues because that's what that is really going to determine, um a lot based on where we're all where we all land with regard to the revenue requirement. Thank thank thank you. Vice chair. Yes Mr Vickery . Just one thing. Councilwoman Puentes. I think you were talking about Paige 1 27 in the final report. When you asked me that question, I think that that's what you were talking about in the I C a actually has an answer for you. But we did. We don't run calculations, we tell you what the calculations were provided by the parties. So I just want to clarify them. I just want to make that clear. Thank you, sir. Thank you. So I'll go ahead and ask us my question. It's going to be of Austin energy. And if and it's going to be on the general fund transfer. Would that be you, Mr Byrne, Cardo. But alright. Alright when he gets to the podium, please start the timer and then we'll go around one more time and do some mop up on

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any questions that haven't been completely answered another five minute round for everybody and then any closing discussion. Alright could you start the time around me, please? For five minutes. Austin energy. Can you speak to the general fund transfer projection and the proposal to change the projection 215 million versus 120 million. That's the freezing of it that I think some of our speakers today have talked about and then if there is a five million difference between the 1 15 and the 1 20 does that change the stated 35.7 million that's needed. Or is it 31.3? Million so I'm just looking for some specifics on the numbers? Sure I'm going to defer to Mr John brown ski to give you a more complete answer. Hi, Mr Dombrowski. Welcome.

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So the existing general fund transfer policy states that we will, um, used an average of three years revenue. To prior years in the current year estimate and 12% of that up to 12% of that. Um on already news except for non except for power supply in district cooling. Um the calculation we did for the test year is 12% of the revenues. Um and so the dispute was, um. Budgeted year that we're currently in and that's why 23. We had \$115 million is our general fund transfer. And that's the average of three years. Um texture is only a single year. But if you don't collect 12% you will be short of enough revenue to transfer to the city. So that's where their dispute came from. Um. In the way of our synergy does it is we calculate the 12% and then we express it to the closest

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million dollars. Um it's not always exactly a million dollars, but that's what we do. So in this case, I think the actual adjustments about four point 5,000,004 0.4 million. That's the difference between the 35.7 and 31.3. Um that's the difference in the general fund transfer, and so, um in order to get to 115 million. We would have to use a number something other than 12% and that number is 11.6. So if you take those revenues multiply it times, 11.6. You will get approximately \$115 million, but it would not be the 12% that we have historically transferred to the general fund. With some of that general fund transfer that wouldn't be married. et's just say five million just for around figures would that be considered deposit herbal into reserves so that we can build up our reserve balances? Yes, she couldn't structures.a council to use

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those funds and in some particular way, um if we reduce it. In the revenue requirement that we won't collect it from the customers so we won't have any to put into reserves. And the reserves that we're talking about are the ones that were also trying to refill because of the loss in the power supply adjustment. Correct that's that's part of the cash working capital, our power supply adjustment stability fund is also short now because it's 90 days of power supply adjustment cost and because of the cost of incurred has risen. So much of this last year and a half that we are short now in that fund as well. We don't have the cash to transfer in there. Thank you. Um and then on the cap program, I don't know. Who would want to talk about cat program. You know what? I'll hold that question for a second round and I will just stop here. And we can stop the timer. All right. Shall we

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go around one more time? We can start again. The mayor is not here with district one, and it looks like council member harper-madison has another question. And do you know who you'd like to ask your question of council member? Uh I believe so. Um, James, Brazil. Okay, Mr Brazil. Why don't you come on up to the podium and then we'll start the timer for five minutes now. Thank you. James Brazil here for Sierra club, be public citizen. Son can you say that last thing again? James Brazil for public citizen Sierra club and sun, so the united neighbors yes. So it's kind of a two parter. Um and so the question is that I'll just lay it out and you answer it as it's most appropriate. Howard Austin's energy Austin energy's proposed changes to residential rates impact that cost effectiveness of the investments, um by residential customers in energy efficiency. Um question mark and

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then as an extension of that, can you elaborate on the elements of, um, eighties revenue requirement. Um requests that you all identified as problematic. Well first of all revenue requirement was not one that Sierra club public citizen and son addressed. Um that's a regular rate making type of issue and we were focused more on the environmental and solar issues. That's a question that would be an 80 question or the independent consumer advocate your first question I didn't quite catch. Um you know, I think this is my first question might be, uh, and a question also, but I have another question that might be more appropriate for you to, um "Chito" no, that's an 80 question. Also, so my question is for a okay thanks. Thank you. I'm sorry. I'm not looking at here it is. I can't see y'all

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side of the room, so I don't know if we have Mr Brucato coming up to the podium and we'll council member restart will start the time I paused it while you were switching. Go ahead. Appreciate it. So just I was asking the question that I asked Mr Brazil about the elements of Austin energy's revenue requirement request that you are identified as problematic. I'm sorry. I don't know that I understand your question that that often energy found found was problematic. Correct. You mean the proposed adjustments? Correct the request proposed the request. I'm sorry. Um yes, alternative, presented a rebuttal testimony and did cross examination and briefed, really all of the adjustments that were made by the interveners, with the exception of a couple of items where the utility chose to concede that issues because, um uh, because they felt like it

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had mayor it was appropriate or for other reasons. For example, there was a cost allocation proposal made by the a. That also energy adopted in its rebuttal case, there was identification of a mathematical error that Austin energy, um recognized in their rebuttal testimony that brought the request down significantly. But on all the other proposed adjustments also energy, um took issue with them and presented evidence responding to it. I appreciate that. Thank you. Sure. Thank you, um, council member Fuentes district to do you have another question? You'd like to ask. Yes, thank you. And who would you like it at? Um. I'll start with the a Mr Kaufman and we will start the timer. Thank you. So, um, in the report. Essenly detailed out

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that, um that cost allocation should be based on revenues. Is that right? In some cases. Certain are you talking about the you talking about the clock cost allocations between the different customer classes or between or within the within the residential class between the different customer process. Um and can you provide detail on the recommendations you've provided regarding the cost allocation for bad debt and customer service expenses based on revenue among the different customer classes and if you can help frame that, compared to the PUC recommendations and guidelines on how debt is usually typically allocated. Okay maybe this is one for Clarence Johnson. Um of course. There's no way we are. You know, we've kind of reached a settlement with the big industrial customers as to where

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we are, but players can answer the late too. And before you start, I think I can't remember tovo. You mentioned the late fees to like to hear it in a second. What you were referencing to. Okay. Thank you. Um I if I'm understanding the question had to do with the allocation of bad debt expense and others basically two ways to do that, one of which Austin energy proposed, which is direct assignment, which is to say that it's based on the how many bad debt customers there are within each class. And the other which is which I recommended in my testimony, which is to use uh, class revenues to alloca uncollectible cost, which is the same thing as bad debt expense. And, uh, yeah, in my view that's consistent with ah, the. Ah what the Texas PUC has how they have

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allocated uncollectible expense . Uh over the last 20 years, so uh, in my view, it's justified. So if we shifted to what the PUC recommends as a way to allocate debt, how would that help us in our revenue requirement? Okay that it does not affect the revenue requirement. It only affects allocation of costs between classes, which really? I at this point I had not focused on because we had more or less. Tried to come to an agreement with the industrial customers on cost on a, you know, compromise on cost allocation, but that issue is totally um hmm. A well there is a revenue excuse me. There is a revenue requirement component to it, uh, which is that one of my recommendations was to use the three year average uncollectible expense. Prior to the pandemic because in my view ah, the years uh, during

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the pandemic and immediately subsequent to 2020 are questionable with respect to bad debt, expansive, questionable in terms of the extent to which that amount of bad debt expense is going to continue to recur at that level into the future. Thank you. And if we can have Austin energy can you speak to why the 2021 was used as the test year for the bad debt allocation. And if you could put that in the context to what was recommended here of using the three years average prior to the pandemic

instead. And while you're coming up, maybe customer toe up, you can speak to what you were mentioning earlier. Thank you. Council member and Paige 43. There's a discussion about late revenue about late fees and some of the interveners and I'm sorry. I'm not. I'm

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getting you all mixed up. I think it was um, the I. C a and the independent consumer advocate as well as. Two wr Ms cooper and others proposed adjusting the late fees. Late for your revenue upwards to because the test your amount that they that was used for the revenue requirement they felt was unnaturally low. And part of that was because there was a waiver of late fees during the pandemic. And so that seemed to me a reasonable a reasonable statement, and I think and I agree that we probably should raise it back up to 15.5, which would lower have the impact of lowering the revenue requirement. Thanks for asking. Well, I missed some of your response, but I, but I can answer your question often to use the test your bad debt amount. I think the I see a recommended that they should have used instead, the three prior years average or some sort

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. Um Austin energy did make a downward adjustment to bad debt to take into account the effects of they're being a moratorium on on light feed charges, um, during the during the pandemic, so they did make an adjustment to reflect that and it felt like it was more appropriate to use a bad debt figure that was more recent in time, which is typically what you do. By using a more recent test year altogether, so an adjustment has been made. Yes and I was looking to see you know, minus knows the exact amount. But yes, that's correct to take that into account. And how has that had an impact on our revenue requirement? Well bad debt is revenue neutral is Mr Johnson said a moment ago to the utility because, um, basically, if you have bad debt that utilities made whole by collecting that those dollars from other customers maybe I was meant to ask. How did that did it have any impact to the cost allocation between the different customer classes? Yes there was

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a dispute as to how to allocate those costs. And as I think Mr Johnson mentioned Austin energy proposing, I agreed that it was appropriate to directly assign those costs to the specific customer classes in which the bad debt arose as opposed to Mr Johnson's recommendation, which was two allocated based upon revenues, which basically would push costs outside of the away from the residential class relative to a proposal. Thank you. And let's see. Council member entry a. Do you have a question from district three? Yeah, I think this is that goes too often. Energy also is on the cap program. I heard so many conflict statement. And either people with automatically enroll. There was a gentleman there,

saying that we should both that on the bill, saying that if you haven't trouble paying the bill, please call the cap program. I'm just gonna

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heard. Another gentleman says that there's only 35% enrollment into the program, so I just want to hear what what recommendation Austin energy has and recommendations. Yes council member Renteria. Earlier I indicated that we would be able to provide that information more fully next Tuesday. Um and certainly we will do ttt and include your questions as well. A response to your questions. Thank you. I'm really concerned about that program before. Whatever we do is going to affect our people and I just got to make sure that we get our final way to make sure that everyone that's going to be hurting out there and get the information to so they can in road to this program. Thank you. Thank you. Thank you. We will

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move to food district four council member of Ella. Who? Who would you like to direct your questions? I would say to Austin energy. With regard to the alternate proposal and. I know they haven't had a lot of time to review it, but I guess they've had some time today I would imagine in just to kind of get a sense of thoughts reactions to it. Frankly, um. I

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think it's inappropriate and unprofessional and irrelevant. It's inappropriate because they went outside the bounds of the process that the city council established. It's unprofessional because a was not notified. And it contains, um, language from prior settlement offers, and it's irrelevant because it's simply a concession off their direct case. They're simply saying, you know. We can now live with \$12 million increase instead of \$6 million increase. And frankly, if from what I understand, and visiting with a in king on this case with them. \$12 million rate increases approved. You're likely to see him back very soon. And the. \$35 million rate increase that y'all are. Requesting it is. I guess

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I'm just trying to compare the two and I was listening to the kind of the line by line like you know what? I'm looking at that what the different kind of cost elements and that are rolled into their again, just kind

of thinking about the \$35 million, you know, increase. Where would those cost allocations. The majority of the cost allocations on the \$35 million increase. Where would those be kind of coming from or what it would be driving a lot of those cost increases? Well in allocating cost to the various customer classes. After you've determined the appropriate revenue requirement. You begin by what's called a functionalization. So basically you take the whole part of dollars. That utility um, needs to provide service. And then you break that part up. To the various classes or to the various functions and then you allocated to the

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various customer classes and the way that that's supposed to be done is you do it based upon what customers cause an expense to be incurred? Um as I've mentioned, and others have mentioned experts can differ as to what's the appropriate basis or allocation method. To be used to assign a particular cost. Um and indeed, there was a lot of disagreement and discussion about that during the hearing. And then turning to the. Because I know y'all are looking to flatten out the. The steps and increase as the kilowatt hour usage goes up. And there was this. I would say this that I understand that as you

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jump from tier to tier, you know you're not going to see potentially a immediate kind of reduction, or, you know a reaction, but my sense would be that there would be a reaction to the general idea. That's I think at this point because of you know, 40 years of that, that tiered increase that customers of Austin energy will understand that as a use more in any given month. There is an escalating per kilowatt hour charge and adjust their behavior accordingly. Even if it's not on a kind of a cascading basis. I mean, you don't you don't get a text alert when you know what I mean. You're you're going past that that that certain point but so in other words. Is the consumer behavior actually responding to the a tiered increase, even though it may not be triggered by kind of the specific, you know. Price

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amounts along the scale. Yeah yeah, I mean, good question and something that we certainly grappled with. I would note that all synergies had tiered rates. I believe since the 2012 rape case, it doesn't go quite as far back. You know, the question is how steep does it does do the tiers need to be in order to incentivize customers to conserve and you know Austin energy's proposal is to still have an inclining right structure, with each tier being separated by an increase of about right at a half a penny. Currently the it's more steep than that. You have a higher um increase, then a half a cent as you go from one tier to the next and you know we wish customers would respond. We wish people would you know see that? Okay they're going to the next tier and so they need to conserve. The evidence. All the evidence that we've seen has been presented by Austin energy. Uh

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and it shows that customers don't in fact, do that. And he, ma uh, I guess and this is a guess only is that people don't really know when they go from one tier to another and a particular month. You know, today's you know, the 18th day of the month. Are we in the second tier of the third tier, but what they do know is the more you consume the higher your bill is going to be and so you know, there's still you know an incentive there because they also know that the rate is going up. But there's no magic that says okay, this is exactly how steep or flat it needs to be in order to incentivize people to concern. Thank you. Sure. Thank you. Let's see. Council member kitchen. Do you have a question? I know I'm listening to other questions. I don't have any additional questions at this time. Council member Kelly. Thank you, um. This is for Austin energy. Um you all know, I like to say no to any kind of

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rate increases and that sort of thing, and as such, we've gotten a lot of emails in my office about what might happen if we don't revise the base rate. And so I was wondering if you might be able to lay it out simply for the communities that they can better understand if we don't take action on this. What some of the consequences might be. Mark Brodsky, the chief financial officer. So. We recover our ongoing current cost with ongoing current revenues, the rates and to the extent that those rights don't cover those costs, we use cash. That's what we've been doing for the last three years. And our cash is probably less and less than half of what it was a year ago. It's less than what our policies call for, and to some extent, will have to continue to use that cash until it's gone. If we don't have enough revenue, then we won't be able to pay our bills. And if we can't pay our

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bills, the bondholders will call our bonds and we'll have to pay 1.9. A billion dollars is called on debts. That's sort of an extreme case of what happens if we don't have enough revenue. I appreciate that. Thank you. And this is more for the city manager earlier we talked about perhaps if we had looked at um the general fund transfers and possibly freezing them like it's been done in the past. We just kind of spoke about it generally, I'm curious to know and I know that one of my colleagues mentioned this earlier. But what the potential impacts on future city services might be to freezing general fund transfers. And I'm not sure if you can speak to that now, but if that's something you could definitely follow up with this song, and I'd appreciate it. I will do that. And I know that we've been in conversation with our chief financial officer for the city. And so we want get you that informa so you might know the impacts of what that would have if we were to see any differences in how we look at the general fund.

Transfer going forward. Thank you. That's all I have. Great. Let's see council member Ellis district. I love it. And thank

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you for that city manager. I know you had stepped away for a moment, but we had talked about the gft and just impacts to the general fund departments and what kind of decisions if we took that approach might need to be addressed. My question is for the I C a. I would love to get your thoughts on the tier structure. I know. We just had an exchange with Austin energy about, um, the tier proposal. I would like to know your thoughts about the number of tiers and the severity of moving from tier 123 or tier 1 to 4 and what your recommendation has been well. The first thing I would say is that the you know it's not just the number of tiers. It's where you place the tiers and whether or not you have a, um, a tier at the end to prevent, you know, having to give massive rate reductions to the highest users that would be then funded by the other ratepayers. Um so it to

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me. It's an entire package you have to. You have to balance the fixed charge and the various tiers along the way. I also I mean, I agree with Austin energy in that there isn't a lot of evidence that usage changes at each of those levels. But I would agree with think the point of your question council member that the that that there is definitely evidence that customers react to the inclining block itself. If not to, you know, at every little little point. I don't think customers know exactly when they're hitting each tier. But I think they know that their overall bill goes up when they use more . So I think it is an effective tool. I appreciate that. I know that's definitely on all of our plate to be able to analyze over these next couple of weeks, but it you know, there's a conversation of is it the triggering of the tier that changes the behavior or is it just you get a big bill and you say I need to change my patterns? Because I you know, can't afford that bill and need to be turning off my lights and figuring out when to use my

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appliances. But I'll just repeat for the diess. You know, over this whole conversation. I've always wanted to make sure that folks who are doing their part to conserve energy and making sure their home is energy efficient, aren't bearing an unfair load of this adjustment that that may need to happen with the rates. So do you have any final thoughts? I thought, maybe you well, I would like to respond to Mr brick. Kedo's claimed that the alternative consumer proposal was somehow outside the proposal or somehow unprofessional and I don't even know how where to begin with that and if we were at the Texas public utility commission parties are often get together because there's so many parties as you can see here. There's so many stakeholders is such a complicated issue. Different groups of stakeholders

come together and reach partial resolution non unanimous agreements here and there and it was it was not our intent to somehow. Blindside Austin energy at all with this proposal, it took us weeks to get to get it together amongst some of the other parties are approach here. Our intent was to narrow the

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issues reduce the number of decisions that the council has to make and find some way to bring us closer and we really wish that Austin energy would come back to the negotiating table and talk to us. The last time that the other stakeholders tried to make an offer. We made a counter offer. I believe on October. And so it's been almost a month since we've heard back from them. So uh, our hope is that this partial settlement will help narrow things and bring Austin energy back into discussion with us, and maybe we can resolve this case further. Thank you. I appreciate those comments, and I appreciate when folks reach out. I know us on the diocese. We're very familiar with getting information to us all the way up until the point that we take votes, and so we want to make sure that people are feeling heard in this rape case review and so I appreciate your comments on that. And uh, vice chair. Thank you. And actually, my questions are going to be for our independent consumer advocate. Mr Kaufman. Thank you. And I just wanted to

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point out I'm quoting from the impartial hearing examiner. Quoting you talking about arguing that the rate impact on cost considerations promoting efficient behavior in public policy. Are also relevant factors. So I you know, I really support continuing to send those pricing signals and thinking through the tear the proposal regarding a two year because I think it's still an issue. But thank you for your comments about thank you for your comments about, um your work with the other groups outside of the process, and I think you know now that that hearing process is done. Um this isn't a hearing process, you know? So these are policy matters before the council and I welcome the continued conversations and I welcome the conversations with the council because there are there are just gonna be decision points and I think we're we're all well served by those continued conversations, and I would say maybe well served by talking through through that independent that additional proposal with y'all. I haven't had an opportunity to read it,

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so I can't even start to ask questions about it. But could you pick up where I left off with Lynetta cooper regarding the winter storm adjustments both in terms of revenues, but also in terms of costs and how those were accounted for in the revenue requirement. Please well , there is there is an ex. There's a revenue requirement issue involving that and where I don't think that winter storm Yuri had that big of

an impact, but certainly the pandemic did and, um, we made a more aggressive adjustment initially and then you know, after some back and forth we came to and then are exceptions. Document we came to a fallback position and one that I think ah, the hearing examiner said in his order was, you know he didn't side with us. But he said, if you were to look at the overtimes and so forth, and so I think that's a very fair, balanced away to adjust the revenue requirement there. So they went from a I don't know. \$6 million to \$3 million issue. I'm not sure I got the exact number on that. Um

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hopefully that answers your question there. But if I could respond to just generally, we'll need us. We'll need to figure out what because I know there's Mr Vickery mentioned a number. I mentioned a number of that Mr Vickery mentioned a different number. And you mentioned a different one entirely. But okay, but I think the point is, I agree with you that that there should be an adjustment there, and it seem reable to use the exclusions that the independent hearing exar said if you are, if the council goes down this path, you should probably just do it for those two. Kinds of expenses, and there's then there's some other issues that deal with, you know, cost allocations, whether you put costs on the residential class or the bigger customers and as far as our relationship with the big industrial customers, we kind of resolve that and kind of come to a middle ground there. I mean, all of this, and this is natural for us and doing these cases that you know we have different perspectives on where the costs go. And then after that, you have policy reasons and which is you know, you know, definitely a councils. Prerogative uh, the you know, we have public

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acceptability, gradualism, energy efficiency. All these things that are even once once you get to the cost, which we don't always agree on. Then you have these other factors that you have to consider. And so I think the best way to look at this is sometimes you look your study all the issues and then just realize where you know what the appropriate ranges and then find where where you in that particular zone of reasonableness as we call it. Okay. Thank you. Thank you. Um I wanted to 0.1 thing out for my colleagues make a comment for city manager and then asked him questions I think of the eight I just E. First um so I share the concerns about improving the take up of using the cap. I just want to point out, though, if we get more people using the cap, we're still going to have to fund that money. Um I think that's

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worthwhile. But but it does add to the revenue requirement and so we just have to keep that in mind as we as we as we go through that process. Um the manager. If you can get back to us about what you've

assumed, in terms of the general fund transfer in the financial forecasts if we've already assumed 120, or if you've assumed the 1 15 or what you assumed that would be great. Um so far, the independent hearing examiner I wanted to dive a little bit more into this price elasticity question. We've been talking a lot about it with respect to the short term. Impacts of like, if you know what your rate is, but um, it seems to me there's a long term impact on the investments that you make in, um, energy efficiency, which is what we're really trying to is another piece of this not just your consumption on a given day. Is it? Is it your sense that you know, having the tears um over time helps people make choices where they retrofit their house , or they invest more in energy

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efficiency, and it's not necessarily a short term measure that we're looking forward to see the impact, but it could be something that's happening over the long term. Um I think so, in terms of long term let me you know, we talked about my team. We talked about this a lot. And I I'm unfortunately under edge isn't here. But we talked about this enough that I can definitely respond to what you're asking. Um one good example is the is the bunching analysis that Austin energy referred to where as I understand it as you get closer towards breaking over to the next tier. You're supposed to become more cognizant is my understanding a bunch of analysis more cognizant that you're gonna break into the next year for that month, and so you you avoid doing so. And there is evidence that that doesn't really have but that does not mean that people and I can tell you from my own personal experience as a residential ratepayer. We do certain things to make sure that we keep our energy consumption down. Um and that that isn't just limited to

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long term investments and like, you know, you know, whatever insulation in the attic and things of that nature new windows. It can be as simple as you know, we use nests, and so we always make sure that that we turn the temperature up when we leave the house, just things of that nature. That aren't going to be reflected and weren't necessarily reflected in some of the analysis that Austin energy provided getting back to your original question. It seems to me that tears is inclining tears can have uh, impact on how folks use energy. Maybe not everyone. There are some people in this city who probably don't look at it at all. But there are people like me somewhere in the middle who definitely look at it, and I know when I was a student here. 1989 to 95. I looked at my thermostat that was one that was probably the second or third biggest expense that I had when I was in school. And I can tell you I watched it closely because it's a it's a big experience. So I think if you're asking about the tears yes, I actually think

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that the tears um, could make a difference. I'm kind of in favor of the tears, but I also am in favor of going back to the drawing board on rate design and taking a look at these issues and also conservation price signals. So the debt. Just say the last part one more time conservation price signals is what is kind of where where we've we've had a lot of discussion. And what would that be? How would that be different than the tearing uh, not different necessarily from the tearing, just making sure that folks are cognizant of the impacts of their energy usage. Okay? Thank you. And then I have a question for E. Um you have a chart? I think it's number 50 in the material that you shared with counsel. The other day that has a summary analysis of requested based rates scenarios, and there's a column in there that says bill and revenue stability. Can you explain how you're interpreting that goal? Because as I'm hearing it,

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you're saying well, we don't want there to be fluctuations, and those fluctuations largely come when there's hotter weather and I sort of think that's exactly what I want to have the price signal and the clarity to know that it matters what I'm doing. Um when energy costs the most. So can you please explain what goes into that column? Sure so what we're drawing do is measure. Um the impact of the amount of the fixed monthly charge we call it customer charge and the number of tears and the pricing of those tears and how they act in relationship to each other. Because I think there's some misnomer here, which is um Austin energy encourages, um energy conservation and energy efficiency. We want customers use less energy. We want to install solar so that we can have less power supply costs. But when a customer uses less energy we don't have like specks cost to recover. And so when you have a mild year we don't cover those costs. It doesn't mean I

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require costs are reduced over the customer uses less and conversely, when we have a really hot summer like we had this summer our cost. Don't go up on base rate cost. They stay the same, but yet we collect a lot more. So that's the instability that we're trying to measure. Um between the customer's bill and what we're collecting to cover those fixed costs. Thank you as much as I'd like the temperatures to go down. I'm not really sure that's happened, um, in my scenario number, 12. I don't think you captured it right? Because somehow my tears the tears that you created go from 0 to 300 to 301 to 2300 kilowatt hours. And I don't think that's what I intended by adjusting the brakes. I was trying to see what happened if we increase the customer charge stays 35 or \$7, and then we kept our existing rates and we might have to, you know, shifted so that the tears were in a different place, but kept some of the steepness that we have. And you just flattened it. Completely. Right so I hear

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you explain that now I understand the request was to have five tiers. So we redesigned those five tiers, but I hear your quest will go back to the numbers in that because we have other data that says if we go up a dollar and a customer charge we get 5.7 million or something like that. Approximately yeah, so if I want to get to 30 some million I go up. \$7 and keep my rate structure. I should be able to recover the revenue and I wanted to see what that that's correct and one of our impact. One of our attempts was to redesign that rates based upon and customers are using energy now, as opposed to back in 2009, so it wouldn't address that problem. And by still having five tiers, steep price pricing . You wouldn't address the bill stability so it doesn't address to the three issues were trying to fix but we can run those numbers for you represented for you. Okay I think I would still like this to see those numbers. Um thank you so much. Thank you. Okay I'm gonna ask my last

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question. And then we'll do some closing. If people have remarks that want to make and then I'll do a closing as well. My question. My last question is for Mr brocado. And I wanted you to address it's probably a pretty quick answer address, an issue that was brought up earlier about whether the hearing process is complete. Um are we outside the process now, or are we still within that? The hearing process. Specifically negotiations. Well negotiations kind of curve course at any time. And depends on what you think of. When you think of the hearing process. I think of this entire process, which includes the G portion and the hearing and the discovery and all as all part of the process, and now we're in the deliberation and decision making phase. If you will. And so in my mind, you know yeah. And if you define the

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hearing process as the evidentiary hearing and the writing of braves than that has all been concluded. Yes and what we are what I think of as being in the again the deliberation process. Um, at this point but we're still in negotiations. The parties are still negotiate. Parties are free to do so. And as Mr Kaufman said earlier, yes , the interveners made a proposal in October. 13th Austin energy has been discussing a counter proposal. Really since that time, um and because of all the other things involved in the process have not presented anything at this point, but we still um anticipate doing S so and having continuing talks in hopes of bringing you some proposal that includes the utility and perhaps even other participants, who did not sign on. Okay? All right. Thank you. Sure. Anybody want to make any final? Final comments where at four o'clock and I think it's been a pretty

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good session today. Council member Fuentes thank you. Thank you. Chair for leading today's meeting. Certainly there's a lot of information to unpack here. I do just want to acknowledge the alternative proposal that was brought forth by our community that is unique in that it brings together and industrial partners, community advocate environmental groups so certainly would like to make sure that we have enough time to consider that I appreciate mayor pretend you mentioning that would be incorporated or should be incorporated in our November 15th. Meeting. Um and, um and we'll continue working with staff on some additional follow up questions that we have. Um and you know again, I think for me to be able to support this this increase on our residents. I would like to see an expansion of the cap program to ensure that we get more people enrolled and are aware of what we have to offer. Um and we'll be working towards some amendments to that effort. Great anybody else? Yes

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vice chair, toba. Thanks I mentioned some of the things I'm looking at before. It would be helpful. Um and I'll make this request more formally, but I would be interested in looking at whether whether there's an opportunity Austin energy to shift more of the cost to those upper tiers. Um at a steeper, generally making a steeper incline there. Um to accommodate some of what I think I understood you to be describing which is that most of our that the customer base is expanding, but it's expanding at those lower to tears and so if you were able to kind of do a few proposals that would figure out that would shift some of the amount we need to recover through the residential. Increases to those two opportunity. Ears would be interested in seeing that does I say Mr avocado, shaking, shaking my head so that shaking his head? So I think I think that you understand what I'm asking. Okay. Thank you. I really appreciate it. And I am interested in figuring out kind of what process we're going to

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have to work through. Some of these issues that I think are just going to be policy decisions that we need to figure out where we all agree on. So I don't know what that process looks like. I mean, I think several of us could work on it and come back and talk about it, or we could just carve out some time end of hit. This revenue requirement this revenue required, you know. But we're gonna need to figure out how we're going to make those decisions. Mayor, pro temp thank you. Um, I want to say thank you to all of the participants. Um in this rate process, um and, uh, this is not always an easy process, and it is somewhat painful, but I think we're you know, I think this is better than the alternative and it does provide us with a lot more. Um information which which I find valuable, and I appreciate that and appreciate all the work that Austin energy is doing to try to answer. Answer our questions. I think for me, I think we have to like I'm approaching this that we need to accomplish multiple things. I don't know that I always come down where Austin

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energy landed in terms of their solution. Um in weighing those, but I want us to be achieving affordability. I want us to be achieving the financial stability of our utility, and I want us to be encouraging. Um conservation a little bit less concerned about getting to the cost of service parity. Um but I understand the need for that in that process. Um I felt pretty strongly that, um, if we want to proceed effectively, we need to land on our revenue. Requirement. Um because the whole rate structure depends on that. But I will point out if you look at this scenarios, um on that page 50. You know the current rates are 45. Um. Would have a sorry how is it? Hmm. It

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would be helpful to understand because I guess I'm not reading this right now, um, the increase in the rates for the residential impacts across, um the different scenarios. Because you had are current rate as being 45. And then the new rate is, um proposed from the rebuttal. Um it's 59 04. So it's just the difference there that we're talking about would be the change. Okay, um okay, then. My comment on this isn't relevant then, um. I think we need to understand there's not a whole lot in the in the things that have been put forward at this point, unless we play with the revenue requirement, which I don't know that I want to play with revenue requirement because we have to go to dig deeper into that. There's not a whole lot of difference. On the impact for the average residential customer. I mean, unless we go down to the I C a C original

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proposal. You know, we're within a dollar or so. Of one another without necessarily solving problems. Um and so. In last we figure out that we're real comfortable changing a revenue requirement. The potential impacts. At least with the structures that we have before us thus far, not all that different. Um and so we need to look on that revenue requirement and then we need to unpack some of this cost of service assumptions and what what's happening? Um but that I still sort of think that. I still don't understand why, if you just raised the customer charges certain amount, and you kept very similar tears, or you just adjusted those tears, so they were higher rates. Tiers three and tier four. Maybe you you broke them a little bit. Um lower. Why why you wouldn't be able to get to a to a better place. So those are some of the

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things that I'm thinking through. Um and you know once we get that revenue requirement that we can figure out the next steps. I think we have council member kitchen here wants to, um take a turn. Yes I'll

just say very quickly. I know we're tight on time. First off, thank you ch for setting up a structure like this for us to have conversations this and over the next few meetings. This is being very helpful. Emphasize again that I want to. Um I want to make improvements to our cap program. I think that's important, regardless of the case that's in front of us, but it's particularly important considering the kinds of impacts that we're talking about. So I think that that's critical and I'll be working on that. And with others on the diocese, I know a lot of us are interested in that. And second, I do think that, um you know, fundamental to how we proceed is the revenue

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as the mayor pro? Tim has been mentioning what that number is, so there's a range of other things I could speak to conversation. Conservation is also important to me, but I'll just leave it at that for now. Remember Fuentes. Thank you. I just wanted to build off some comments that mayor pretend she, uh, mentioned and some of which some of the sentiments I share about. I think it is a matter of policy. Whether or not we achieve parity on the cost of service, so I wanted to daylight. Some of the questions that I have for staff that perhaps, um, you know, you can help us with the with the responses and the questions I have is our what is a typical percentage of kilowatt that is below cost of service for residential customers for other Texas public utility with similar customer charges, and, um I think that will help us have a frame of reference of how other utilities handled their cost of service and the percentage that is, um at cost or below cost. Thank you. Thanks and I'll close by appreciating

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everybody for the hard work today. Um and that goes to everybinvolved. Um there's clearly more work to be done, and I trust that good outcomes will result from collaboration. Of all the participants to achieve that resolution. With regard to achieving resolution. I would like the parties to work together. In the weeks ahead. Between today and the end of the month to find a mutually agreeable compromise. I would like that compromise to include options and outcomes analysis so that the recommendations can be presented to the council for our careful deliberation. I do want to specifically request that the parties work toward a compromise together. Rather than one party or one party or even a small group of parties coming directly

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to the council. I'd like to ask Austin energy to come back with options for us on Tuesday. And those options should be based on what we heard today. I understand that will be possible, and next Tuesday is the 15th. On the 15th as a reminder, starting at one o'clock, we will hold a public hearing on the rape case. And we will hear recommendations from the electric utility commission. I've invited Marty

Hopkins, who's the chair of the E. U. C to come and present the commission's results. Our next work session will be on November 29. The second public hearing is set for December. 1st. We are also set for that date for discussion and, um and vote. So. There is a lot of work yet ahead for all of the parties. And I thank you all for being

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here today. Um go and do that work for us, please. And that being all of our work today we are adjourned at 4 11. Thank you.