

AUSTIN ENERGY’S TARIFF PACKAGE: §
2022 § BEFORE THE CITY OF AUSTIN
PROPOSAL TO CHANGE BASE § IMPARTIAL HEARING EXAMINER
ELECTRIC RATES §

BRIEF OF HOMEOWNERS UNITED FOR RATE FAIRNESS

COMES NOW, HOMEOWNERS UNITED FOR RATE FAIRNESS (“HURF”), and files this, its Brief in the captioned proceeding.

HURF is a non-profit organization of residential ratepayers living outside the City of Austin that was originally formed to appeal the City of Austin’s rate ordinance, initially passed on June 7, 2012, and amended during the city’s budget process in September 2012. HURF was re-formed in 2022 to participate in this rate making proceeding, with its principal purpose now being to protect the fundamentals of the settlement of the 2012 rate appeal to the Public Utility Commission. HURF addresses only the issue of out of city rates in its brief.

Section V. Rate Design
A. Residential Rate Design
4. Outside City Customers

Summary of Position

HURF’s position is based upon both the settlement of PUC docket 40627 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 to AE’s customers outside the City through base rates and the Community Benefit Charge (“CBC”) should be reduced, and the 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 located outside of the City of Austin and did not affect rates charged to customers inside the City of Austin. The provisions of that original agreement became effective on June 1, 2013. HURF asserts that the reasons for that agreement have not fundamentally changed, and it should therefore remain in effect.

That agreement was consistent with the public interest because the original \$5,751,893 reduction to the revenue requirement for customers outside the City of Austin recognized that those customers do not receive the benefit of the utility's revenues transferred to the City's general fund and thus protected them from discriminatory and excessive electric rates, used to pay for City of Austin services they do not receive. The reduction to the revenue requirement was also spread across the residential customer class as well as the commercial classes that had previously been above cost of service.

The HURF Discount Is and Was Based on Public Policy, Not Cost of Service

HURF's 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 HURF customers.

In 2016, Austin Energy witness Dombroski then stated that Austin Energy was attempting to maintain the spirit of the 2013 settlement. June 1, 2016, TR. At 615. In his rebuttal testimony, Austin Energy witness Mark Dreyfus said much the same thing, and also stated that a primary reason for the discount was not a difference in cost of service but was based on risk mitigation due to litigation uncertainty. Austin Energy Exhibit 9 at 9 (2016 rate case). Dombroski also asserted that the differential is not cost, but policy based, and it is due to potential for litigation expense. June 1, 2016, TR. at 645.

In this case, Mr. Dombroskii affirmed that the city had itself proposed differential rates in 2016, and those were adopted by the City Council. July 13, TR. at 34. He confirmed that the city in 2016 was attempting to maintain the same rate differential for out of city customers as in 2013. July 15, TR at 16. Mr. Dombroski also affirmed that the city's general fund transfer money does not go toward providing any electric service to anyone. July 13, TR. at 34. Mr. Dombroski conceded that there has been no change in ordinance or policy toward outside of city customers initiated by the City Council since 2016. July 15, TR at 16. Finally, he provided no evidence to support the idea that outside city customers derive any benefit whatsoever from the city's expenditures from the general fund. Id.

HURF asserts that a similar reduction must be incorporated into the new rate proposal for the same reasons as previously litigated and incorporated into the PUC docket 40627 settlement. HURF requests a reduction of its proportionate share of the General Fund Transfer to the City of Austin in the total amount of \$121 million. As in previous cases, customers outside the City do not derive any benefits from the City of Austin's expenditure of those funds.

General Fund Transfer Removed from Out of City Rates

Due to the City's new proposed rate structure, HURF's proposed remedy is to use Austin Energy's provided Excel spreadsheet, as modified (Exhibit A) and to delete the allocated expenses for the General Fund Transfer on Schedule G-1, cells O178, P178, Q178, and R178 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.

Since the rates designed are not completely cost based in this application, HURF proposes to reduce the rates for outside of City customers by the difference in allocated expenses without the General Fund Transfer.

As an example (Exhibit A, WP H-5.1, cell M 13), the residential revenue for outside city customers would be reduced from \$141,490,099 to \$123,163,539 and the resulting monthly minimum rate (customer charge) would be reduced from \$25.00 to \$21.47. Similarly, the cost per kWh would be reduced from \$.0228 to \$.01927 or a reduction of \$.00353 from the proposed rates as follows.

0-300 kWh \$.03756 less \$.00353 equals \$.03403

301-1200 kWh \$.04256 less \$.00353 equals \$.03903

Over 1200 kWh \$.04756 less \$.00353 equals \$.04403

(See Exhibit B)

Revenue Requirement Reductions

HURF is aware that other parties have recommended reductions in the overall revenue requirement. To the extent any such recommendations are adopted by the Impartial Hearings Examiner and the Council, HURF requests 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.

Conclusion

HURF asserts that the original reduction to the revenue requirement for customers outside

the City of Austin was reached through a compromise, which implicitly recognized that those customers do not receive the benefit of the utility's revenues transferred to the City's general fund (proposed to be \$121 million), used to pay for City of Austin services they do not receive. This rate reduction is easily justifiable based upon the lack of any city services received by these customers and should be recognized and maintained.

Respectfully submitted,

/s/ Roger B. Borgelt

Roger B. Borgelt

Borgelt Law

State Bar No. 02667960

614 S. Capital of Texas Hwy.

Austin, Texas 78746

Tel: 512/600-3467

E-mail: roger@borgeltlaw.com

July 28, 2022