



TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT 17

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December 8, 2011

Mayor Lee Leffingwell and
City Council
City of Austin
P O Box 1088
Austin Texas 78767

Re: Protest of Proposed Austin Energy Rate Increases

Mayor Leffingwell and Council Members,

Travis County Water Control and Improvement District No. 17 (the "District") is a non-profit public utility and political subdivision of the State. The District has been an electric customer of the City of Austin (the "City") for over 50 years, currently has over 100 accounts with Austin Energy and is a participant in the "Green Choice" program. As one of Austin Energy's largest customers, the District is highly concerned and troubled about the timing and the sheer magnitude of the proposed electric rate increases and the restructuring of customer classes. While the District understands need for some increased revenue, we believe the proposed increases are excessive. Austin Energy is proposing an overall average increase of 23 percent in residential rates in an economic environment where many customers are struggling to pay their current bills.

In addition, rate increases proposed for out-of-city water and wastewater utilities coupled with the power factor surcharge, already recently imposed in November, will drive the District's electric bills up hundreds of thousands of dollars.

Water utilities, because of the nature of their operations, can not always control or predict when pumps or other electric equipment will be called for or shift their usage to off peak hours. Installing banks of capacitors on all demand loads under the required power factor as Austin Energy blandly suggests would cost hundreds of thousands of dollars of public money and take months. Changing out motor controllers for these loads to variable frequency drives is also not an affordable or realistic option.

District 17 respectfully but vehemently protests these proposed rate increases for the following reasons:

- 1) Austin Energy is a monopoly according to state law; customers have no option to pursue more cost effective service elsewhere.

- 2) Fifteen (15) percent of monthly bills paid by out-of-city rate payers, including District 17, is spent by the City on non-utility services which are not provided to out-of-city residents. This practice is effectively a double taxation because out-of-city residents must also pay for their own services.
- 3) Franchise fees returned to cities by Austin Energy do not translate into savings for electric customers, only windfalls for cities, and those customers outside cities do not benefit, so Austin Energy is essentially establishing a special rate for those cities' customers to the detriment of those located out-of-city boundaries.
- 4) Austin Energy's costs are likely overstated because they have not included all revenue from sales to the grid. Accordingly, the calculated cost of service is likely overstated.
- 5) Austin Energy claims they have not raised rates since 1994; however, they have raised fuel charges by 28 percent. By their own admission, Austin Energy has been negligent in seeking gradual reasonable increases over the last 17 years. Now it appears they will attempt to make this deficit up all at once. This practice sets a bad precedent, is clearly unfair, and is bad public policy.
- 6) Austin Energy's proposed accelerated purchase schedule of solar and wind energy, which cost two to three times more than conventional sources, will drive electric prices up to levels customers cannot pay in a time of depressed economy.
- 7) The proposed rates not only represent huge rate increases for commercial and residential customers, but the increases to water and wastewater utilities will force out-of-city water and wastewater rates to rise as well, now setting multiple burdens on our customers.
 - a) 23 – 50 percent electric rate increase;
 - b) paying double for local services;
 - c) increased water rates; and
 - d) increased wastewater rates.

For many years the City of Austin charged its own water and wastewater utility a special (EO₃) highly advantageous flat electric rate, while District 17 and other out-of-city utilities pay from 36-350 percent more. Large commercial customers have also been allowed to negotiate contracts for favorable electric rates over the years. District 17 and other public utilities have protested these unfair practices to Austin Energy and asked for previously established state rates, school district rates, or a negotiated rate. Each time the electric utility has refused even to discuss these requests because they know the customers have no recourse.

District 17 strongly urges the City Council to reject Austin Energy's request for rate increases as proposed, and to consider the following recommendations:

- 1) Cease the practice of taking out-of-city customers' electric fees and using them for City services not provided out-of-city, or allow customers to choose their electric provider.
- 2) Base electric rates on actual cost of service. Conduct a review of Austin Energy's stated costs and expenses by an objective outside expert.
- 3) Establish a separate lower uniform utility rate for non-profit municipal water and wastewater utilities providing essential life services and fire protection similar to the one Austin charged its own water utility for the past 17 years.
- 4.) Recognize that school districts and other taxing authorities should be in a separate rate class to avoid double charging.
- 5) Consider slowing down the conversion to costly green energy sources until the economy can support such change.

Again, the need for a rate increase is evident; however, Austin Energy's current proposed increases should not be passed as presented. Should these rate increases be approved, District 17 will join its customers in filing a protest with the Public Utilities Commission.

Sincerely,



Deborah S. Gernes
General Manger

cc: Board of Directors
Lauren Kalisek, Lloyd Gosselink Rochelle & Townsend, P.C.
Austin Energy