

## **Austinites for Action**

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**[www.AustinitesForAction.org](http://www.AustinitesForAction.org)**

Austinites For Action (AFA) is a 501(c)(4) Texas non-profit, non-partisan citizen organization with a primary mission of increasing voter awareness and turnout in local elections from all persons and sectors of the community. We have publicly criticized the recently adopted Austin Energy Climate Protection Plan that the group estimates will cost the utility \$5 billion and result in a 57% increase in utility bills. The plan, passed last April over objections about its impact on ratepayers, will dramatically expand the utility's reliance on alternative forms of energy to service customers. It is clear to any rational observer that Austin Energy is in no financial condition to set such draconian energy goals under such a reckless timeline. The plan could accelerate the utility's trajectory toward insolvency and likewise expose ratepayers to radical upswings in utility bills.

It is clear that Austin Energy is still facing a crisis. Last November, former General Manager Roger Duncan proclaimed that without a new business model the utility could go "bankrupt." And this past spring, former General Manager Robert Goode referred to "raising red flags" and "sizeable" increases in utility rates on the horizon. It is encouraging that Austin City Manager Mark Ott announced he would seek an audit. However, in order to restore public trust and insert a healthy dose of accountability and transparency, it is critical that a truly independent assessment be conducted on the utility, as we are still awaiting his results. And time is of the essence.

Our volunteers, with expertise in financing and energy markets, conducted an independent analysis, previously submitted to this committee, which shows, using data and reports provided by the utility, that the plan could cost as much as \$5 billion and increase rates by as much as 57%. The city council, in response, promised to develop an "affordability matrix" which would provide consumer protections against any excessive rate increases.

Austinites for Action has participated in numerous meetings and presentations related to the development of this “matrix”, yet we seem to be no closer to actually having any kind of dependable guidance on how Austin Energy will make its purchasing decisions, and the Council-imposed deadline draws ever closer. All the analysis and benchmarking studies that have been or could be done will be of no use if customers have no predictable information as to the upper limits on how high their rates could go due to the Utility’s generation purchasing decisions. Austin Energy still seems to have no idea what affordability means in terms of reliable, definitive guidance for its generation purchases.

Austin needs, now more than ever, an independent assessment of the adopted Climate Protection Plan—one that is completely removed from local politics and interest groups on all sides. This community needs to know about how the plan will ultimately impact the utility, the city’s budget, and utility rates, particularly in the context of the current financial crisis, which is unrelated to the plan that was adopted in April.

That plan calls for Austin Energy to double the amount of wind power in its portfolio by the year 2020, while adding 200 megawatts of solar power and 150 megawatts of biomass capacity. Full implementation of the Climate Protection Plan would **cost Austin Energy ratepayers more than five billion dollars (\$5,000,000,000)**. To pay for the CPP, Austin Energy’s **residential rates would be increased by 57%**.

Austin Energy is restocking its energy portfolio with high-priced sources of green power, which accounts for the enormous cost of the CPP. The new \$250 million solar plant, for example, will add a mere 1% to Austin Energy’s generation capacity, while the \$2.3 billion biomass plant will add 4%. Solar power costs 50 to 100 percent more than coal or gas power. (Austin Energy has not revealed the unit cost of biomass power.) The utility’s prediction that federal laws will “reduce solar and wind costs in the future” is conjecture, seeming less and less likely as time passes.

The Climate Protection Plan would waste hundreds of millions of dollars on electricity that Austin Energy does not need. The utility’s own forecasts show that demand for power will be virtually flat for the next ten years. Nevertheless, under The Plan, Austin Energy will continue to acquire much more biomass, solar and wind energy that the utility can economically utilize.

Austinites For Action recommends the following specific reform measures for the Texas Legislature to consider to increase transparency and accountability while protecting ratepayers. These recommendations are:

- ✓ Establish an independently appointed, qualified, and geographically representative Board of Trustees to manage utility operations separate and apart from the Austin City Council. This could be patterned after the City Public Service management structure. Only the mayor serves on that 5-member board which includes geographic representation for the utility's service area.
- ✓ Require an annual independent audit of Austin Energy by an outside auditor.
- ✓ Direct an independent review of Austin Energy's operations and finances by the Sunset Commission on a regular cycle, similar to the sunset legislation directed at Capital Metro.
- ✓ Require an independent review of Austin Energy's Climate Protection Plan by the Texas Public Utility Commission, with a focus on the utility's ability to finance the plan in relation to current budget constraints.

We are offering common-sense recommendations aimed at protecting the long-term viability of our utility company and shield ratepayers from dramatic increases in their bills. Our leaders ignored the warning signs of Capital Metro's fiscal meltdown—we are in a position to learn from those mistakes and prevent a very similar problem at our publicly owned utility.