

Viewpoints

Monday, June 18, 2012

A10

TWO VIEWS UTILITY

Is the energy rate hike fair?

DICK BROWN

Tier structure masks big disadvantages

Austin City Council members were in a celebratory mood after passing the biggest rate increase in the history of Austin Energy. To paraphrase U.S. Rep. Nancy Pelosi, now that the rate package has passed, we can see what's in it.

City officials have portrayed the increase in soothing terms, implying that most residential customers would be minimally affected – e.g., the “average” monthly increase for an “average” customer would be a mere \$8.

But Austin Energy's own numbers tell a different story. Actually, the new consumption-based rates will increase the summer bills of 182,000 residential customers – half of the customer base – by a whopping 15 to 21 percent. Another 33,000 homeowners will be hit with eye-popping hikes of 24 to 33 percent.

Added to previous increases of 15 percent (hidden in customers' “fuel charges”) most summer residential bills will be an astounding 30 to 48 percent higher than five years ago, while rates across Texas have declined by 15 percent.

Rates will now follow a five-tier, graduated rate structure, like the federal income tax. The rate per kilowatt hour in each higher tier will increase with consumption.

Because of the California-style tiers, homeowners using more than 1,000 kilowatts per month will pay summer rates that are 20 percent to 70 percent higher than the rates charged by investor-owned utilities in nearby Round Rock. Austin Energy is a protected monopoly, so having the highest marginal rates in Central Texas is not a competitive concern.

None of the other 171 electric utilities in Texas uses a five-tier structure, so the Austin oddity will attract unwanted attention.

The City Council's theory is that exorbitant tiered rates will force “energy hogs”

Two views

The American-Statesman steps back and allows two parties to present their points of view on an issue that affects our readership.

To join the conversation, go to facebook.com/statesman or email letters@statesman.com.

to reduce their costs by installing insulation and solar panels.

As with most social engineering schemes, this one is flawed.

Tens of thousands of Austin Energy customers are low- and middle-income families whose homes are poorly insulated. Their rates will rise sharply under the tiered system, but they don't have the money to make energy-saving improvements. Their only option for those families will be to raise the thermostat and sweat. Conversely, many other ratepayers, who could afford to do so, already have implemented conservation measures.

Most small business owners probably are unaware that their electric rates just got raised by 18 percent. Though phased in, high rates may be fatal for some. Operating on small margins in a faltering economy, many cannot absorb a further financial burden.

Austin Energy spends about \$10 million per year (in ratepayer dollars) to promote economic development. How many small entrepreneurs would swap the City of Austin's “help” for a break in their electric bills?

City officials have been noticeably mum about the biggest utility cost driver of all: the Austin Energy piggy bank. Year after year, the City Council has spent \$150 million of Austin Energy's revenues on city services, as well as City Council travel, fes-

tivals, parades and other things unrelated to electricity.

The stated purpose of this practice is “to keep city taxes low.” However, the council is simply taking an extra \$400 per year from a different pocket of the average ratepayer, while adding \$150 million per year to Austin Energy's operating costs.

Since 2007, the council has spent \$500 million of Austin Energy's funds on non-utility items, and depleted the utility's operating funds. Were it not for these council “takings,” Austin Energy would have a nice surplus and no 2012 rate increase would have been necessary.

The council's profligacy also has hidden costs, including the probability that Austin Energy's bond rating will be downgraded. Moreover, the council failed to extricate the city from its imprudent \$2.3 billion contract with the infamous log-burning generator in East Texas that will belch carbon emissions.

For me and other captive Austin Energy customers outside the city, the new rate plan is disappointing.

We opposed tiered rates. Also, we asked for a rate offset against the 15 percent rate surcharge we are forced to pay to subsidize the City of Austin's budget (taxation without representation). The council's response to our requests was, in effect, “drop dead.”

The new rates will be appealed to the Texas Public Utility Commission by out-of-city ratepayers. All ratepayers, not just those outside the city, will win if the commission decides that the rates need to be changed to make them more rational and equitable.

Brown lives in West Lake Hills and chairs Homeowners United For Rate Fairness (hurf.org) an out-of-city ratepayer group opposed to the Austin Energy rate increase.