Overall, I agree that low-income subsidies are more a matter of public policy rather than rate-design in the strict sense. As such, matters of public policy are most likely far more complex and thus necessitate more extensive consideration than what lies within the scope of this committee's responsibility. Also, please keep that distinction in mind as I give input as a representative from the commercial class.

I suppose the question of whether or not to even provide low-income subsidies is a moot point right now, because not providing them does not appear to be an option. I agree passionately that “the concept of a low-income discount violates cost-of-service equity by design.” The further we move away from going strictly by consumption as measured by a meter, the further we move away from equity and fairness—real or perceived.

1. What is the best method for providing a subsidy to low-income customers?

I disagree with the Consultant's recommendation to waive the fixed charges for low-income customers. Rather, I think the better alternative is the current AWU methodology of providing a discounted rate for consumption in blocks 1 and 2. My reasons are the following:

A) The current AWU methodology reflects objective benchmarks, which in turn directly affects intraclass equity and therefore the perception of fairness. If everyone is bound to the same standard caps for the blocks, then their bill is based mostly (if not entirely) on consumption. It's very easy to defend a number registered on an objective meter than it is to defend a "low-income" status reported by a person.

B) The current AWU methodology encourages conservation and supports accountability for conservation. Accountability is an important factor in the sustainability of a standard or a process. For example, if one is charged strictly for how much one uses (according to whichever rate, peak or nonpeak), then one would be more motivated to use less if the goal is to spend less money. Income should not be a factor in conservation, it would behoove us for everyone—low-income or not, to get on board with this agenda. Conservation is a mindset, not a dollar amount; the pricing signal is just a practical and effective strategy way to encourage conservation.

C) We do not have an assessment of the quality of the current process implemented by Austin Energy, so we can not speak to the effectiveness of this method of confirming low-income status. Again, I reiterate that any decisions we make now should be the result of careful consideration that shows we are thinking long term and as far into the future as possible given current resources. We should avoid “reinventing the wheel” whenever possible but at the same time, we should not continue a process just because it is the existing one.

2. How should AWU recover a subsidy to low-income customers?
I disagree with the Consultant's recommendation to recover the subsidy from all classes. Rather, I think the better alternative—between the only two options considered—is the current AWU methodology of recovering the subsidy within the residential class. My reasons are the following:

A) The current AWU methodology lessens the already decreased equity and decreased fairness resulting from a low-income subsidy, whereas the recommended methodology would increase interclass inequity. At least with the current AWU methodology, we somewhat contain the inequity instead of spreading it to other classes.

B) The current AWU methodology better supports accountability within and between classes. This in turn will be a boon to the perception of fairness.

3. Should AWU introduce a fifth block for single-family residential customers?

I agree with the Consultant’s recommendation to revise the four-block structure currently used by AWU, to achieve greater conservation. I further agree with the Consultant’s recommendation that the conservation impact model be developed to support a five-block rate analysis.

4. What conservation incentives should exist for wholesale customers?

I disagree with the Consultant’s recommendation to use the current AWU methodology of uniform rates by wholesale class. Rather, I think the better alternative—between the only three options considered—is the use of seasonal rates. My reasons are the following:

A) Seasonal rates support cost-of-service equity.

B) Seasonal rates support conservation.

Again, thank you for the opportunity to provide input!

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Dan Wilcox, Spansion, (On behalf of both Industrial PIC members and Large Volume Customer Group LVCG)
Submitted: 03/11/2008

RE: PIC ISSUE PAPER NUMBER FIVE

ISSUE 1: WHAT IS THE BEST METHOD FOR PROVIDING A SUBSIDY TO LOW-INCOME CUSTOMERS?

The LVCG supports the consultants’ recommendation that the fixed monthly charge be waived as the method for providing subsidy for low-income residential customers.

ISSUE 2: HOW SHOULD AWU RECOVER THE SUBSIDY TO LOW-INCOME CUSTOMERS?

The LVIG agrees with the consultants’ recommendation that the amounts of low-income subsidies be shared by all retail customer classes. We do however, expect that the rate design process will fairly and equitably pass the costs across all of the customer classes.

ISSUE 3: SHOULD AWU INTRODUCE A FIFTH BLOCK FOR SINGLE FAMILY RESIDENTIAL CUSTOMERS?
The LVCG agrees with the consultants’ recommendation to revise the 4-block residential rate structure instead of creating a 5th block.

**ISSUE 4: WHAT CONSERVATION INCENTIVES SHOULD EXIST FOR WHOLESALE CUSTOMERS?**

The LVCG agrees with the consultants’ recommendation to maintain the current uniform rate policy for the wholesale class. Seasonal peaking is factored in the cost allocation for wholesale rate calculation; therefore the incentive to conserve water is already built into the model. The wholesale customers can invoke conservation policies with their constituents to promote conservation. This would further benefit those wholesale customers that aggressively engage in water conservation and compound the incentive. This policy would similarly increase conservation efforts during peak season for large volume customers if disaggregated.

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END OF PUBLIC COMMENTS FROM MARCH 3rd PIC MEETING.