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AUSTIN LETTER

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Dear Client:

Get ready. New, higher, residential and commercial/industrial Austin area electric bills will hit your wallet and company expenses in early 2012. By 2020, your bill could be 35% higher.

It will more than likely be September before you know how much the electric bills will rise. But the City of Austin's Austin Energy is way down the road toward restructuring electric rates. And no matter how they slice it and dice it, **the bottom line is the 2012 monthly bill you receive from Austin Energy will be higher than before, maybe by as much as 12%.**

Austin Energy makes the argument it needs to better **recover the fixed cost of providing electricity to you – regardless of how much electricity you consume.** Power plants, power lines, substations, meters and basic customer services, such as billing, are fixed costs.

A \$6 monthly Customer Charge is the only fixed charge — so labeled — paid by residential customers. But Austin Energy claims its analysis shows that the **actual fixed cost of providing basic service totals about \$33 a month.** So, Austin Energy says that huge difference is recovered in the price you are charged for the actual electricity you use.

Austin Energy is considering **moving from a 2-tier to a 3-tier or 5-tier pricing structure so those who use more electricity pay more.** This, it says, will encourage energy efficiency. Others argue that **during extremely hot days the user is penalized for trying to stay comfortable,** because a user (no matter how conservation minded) may be pushed up a tier or two in pricing.

In addition, the city-owned utility is considering **slapping line item fees on your bills – such as pass-through charges on what it pays for fuel for power plants.** For instance, if the Austin City Council wants to pay huge amounts for wind or solar generation – more than what it currently pays for coal-fired or nuclear-generated power – it can simply pass that higher cost on to you.

While your bill is being restructured to reflect costs of operation, it is important for you to keep in mind that the **City of Austin siphons large amounts of money from its electric utility to pay for other non-related city budget items** – instead of keeping that money in Austin Energy to keep your bills lower.

While on the topic of utilities, what about water? With temperatures bouncing around 100-degrees already, are restrictions on the use of water in Austin looming?

Actually, water restrictions are already in effect. All those who get water from the City of Austin (including several outlying areas that contract for Austin water) are under what is called Stage 1 water restrictions. **Stage 1 restrictions require all residential and commercial customers adhere to a two-day-a-week lawn watering schedule.**

Also, all outdoor watering must be done before 10 a.m. and after 7 p.m.

Residential customers with addresses ending in an *even* number can water on **Thursday and Sunday** and those whose addresses end in an *odd* number can water on **Wednesday and Saturday**. Commercial and multifamily customers can water on Tuesday and Friday. You can get more details on Stage 1 restrictions at www.waterwiseaustin.org.

What has to happen to move to Stage 2 water restrictions? Peak day usage for Austin must reach 270 million gallons a day in one day. So far, the peak was only 182 million gallons used on one day in May. Another trigger would be the usage of 260 million gallons per day for three days.

There is also a **lake-level trigger** that would push water users into Stage 2 water restrictions. The two flood-control lakes, Buchanan and Travis, must reach a **combined level of 900,000 acre feet**. The combined levels of Lake Buchanan and Lake Travis are currently just below 1.4 million acre feet.

Without rain, the Lower Colorado River Authority predicts the lakes could fall below 900,000 acre feet this fall.

Stage 2 restrictions are obviously more severe. For instance, **outdoor watering is restricted to once a week** on a designated watering day. Other limitations: car washing, running outdoor fountains and **not serving water at restaurants, unless requested by a customer.**

During times of severe drought, it now appears that water shortages in San Antonio may have a direct impact on Barton Springs.

San Antonio gets the bulk of its water from the Edwards Aquifer. And it has long been thought that there was an underground divide that kept the Edwards Aquifer separate from the San Marcos Springs that is **connected to Barton Springs**.

A new study of underground water during 2009's drought shows there is an interconnection. In other words, pumping limits put on those that tap into the Edwards Aquifer could have an **impact of what happens at Barton Springs, especially as drought conditions worsen.**

It's interesting to watch – and, better yet, participate in – one of the Austin area's little economic indicators. We're talking about air travel.

Business and leisure travelers at Austin-Bergstrom International Airport (ABIA) present a **monthly barometer than can be used to gauge economic activity**. Business travel is obvious. If business travel is on the upswing, then business itself is doing better. Actually, it's the same for leisure travel because an increase in flying for leisure indicates discretionary income is on the rise. It's a good thing the two go in tandem because the passenger travel totals at ABIA are lumped together.

Those totals are showing positive trend lines, albeit a bit wobbly. In recent years, 2007 and 2008 were the peak years for Austin passenger travel. However, **December 2010 saw a dramatic uptick** in passenger travel, surpassing the previous years. **It turned out to be a blip, but since then the trends look okay.**

January was similar to January 2010 before dropping back in February and then jumping up to peak in March. April saw a slight dip again. **This is what we mean by wobbly. But the wobbles are near the peak compared to years past.** In fact, through April 2011, total passenger traffic is up 7% compared to last year. April itself was up 5%. All in all, a good sign.

Some other tidbits gleaned from analyzing April's travel figures (the latest available): **Southwest Airlines continues its dominance, carrying 36.9% of all ABIA passengers**, though it was up only 1.5% in April. **American Airlines, at 21%, is ABIA's #2** and was up 4% in April. The big gainer was Delta Air Lines – up 26% in April. **Air cargo? FedEx is the gorilla, with 77.3% of the business in April**, compared to UPS with 17.4%.

Speaking of growing, what was once the little ole Austin Better Business Bureau has expanded to where the former Austin BBB now covers 79 Texas counties.

The most recent expansion from Austin reached all the way across West Texas to merge with the Permian Basin's BBB. With this addition, the BBB headquartered here in Austin now offers services to **more than 6 million consumers, spanning 79 counties and more than a third of the state of Texas**. The area also encompasses seven media markets.

So what do you call this expanded BBB? Prior to the Permian Basin merger, it was called The BBB serving Central, Coastal and Southwest Texas. Now it is **The BBB serving Central, Coastal, Southwest Texas and the Permian Basin**.

With more than 10,000 Accredited Business members, this new BBB now encompasses Austin, San Antonio, Corpus Christi, Waco, etc. Quite an impressive jurisdiction and operation.

This weekend, the rolling thunder of the largest biker rally in Texas will rumble through the Austin area. It's a rare, roaring show all by itself. But, next June, racket-making of another sort may join the biker bombast to peg June 2012's Austin metro decibel level over the top.

By now, most Austin area residents are familiar with the Republic of Texas (ROT) Biker rally that draws more than **50,000 participants and 200,000 spectators to the downtown area**, as this year's ROT Biker Rally kicks off Friday night, 6.10.11 with a motorcycle parade.

Throughout this weekend, the colorfully-garbed bikers will roll through the entire area – especially **testing the curves in the Hill Country west of Austin**. Then they return in the evening to the Travis County Expo Center on the eastern edge of Travis County for some **entertainment and, uh, “unusual” activities**.

The entertainment features **Eddie Money** performing Friday night and the **Doobie Brothers** taking the main stage Saturday night. The other “activities” include a Tattoo Exposition, the **American Hellriders Wall of Death**, etc. (“**It's understood that motorcycles and tattoos share the same allure: enjoyment of the extreme**” reads a ROT brochure.) In past years, there have been reports of **articles of clothing falling by the wayside** – due to the hot temps, we presume.

If the ROT Rally takes place during June next year, it will pose an interesting juxtaposition with another event spectacle, also based in eastern Travis County. It has been announced that the **huge speed-focused worldwide event – the Formula One races – will take place 6.17.12**.

Imagine the contrast between tattooed bikers roaring along the Central Texas roadways and the wealthy international jet setters flying their private aircraft to the Austin area to participate in their particular dose of noisy high speed racing. Only in Austin. It oughta be a sight to see next year.

Dr. Louis Overholster wisely observes that most motorcycle problems are caused by the nut that connects the handlebars to the saddle!

Sincerely



Editor/Publisher