



**ELECTRIC UTILITY COMMISSION  
REGULAR MEETING MINUTES – Approved 11/14/2011  
OCTOBER 17, 2011**

**The Electric Utility Commission (EUC) convened in a regular meeting in the Shudde Fath Conference Room at 721 Barton Springs Road in Austin, Texas. The regular business portion of the meeting occurred from 5:00-6:00 p.m., followed by a discussion of the redesign of electric rates from 6:00-10:00 p.m.**

1. **CALL TO ORDER** – Phillip Schmandt, Chair, called the meeting to order at 5:00 p.m.  
Commissioners in attendance: Phillip Schmandt, Chair; Linda Shaw, Vice Chair; Gary ‘Bernie’ Bernfeld, Barbara Day, and Stephen Smaha. Shudde Fath and Dr. Michael E. Webber were not present at the Call to Order, but arrived shortly thereafter.  
Staff in attendance: Larry Weis, Cheryl Mele, Elaine Hart, J.J. Gutierrez, Karl Rábago, Mark Dreyfus, Ann Little, Steve Machicek, Elaine Kelly-Diaz, Kerri Davis, Rusty Maenius, David Kutach, David Wood, Drusilla Saenz, Jackie Sargent, Pat Alba, Kerry Overton, Fred Yebra, Scott Jarman, Paul Rodriguez, Patricia Alofsin, Alicia Loving, Beverly Bonevac, Jeff Vice, Chris Smith, Michael Osborne, and Toye Goodson of Austin Energy; and Rosemary Ledesma of the Purchasing Department.
2. **APPROVAL OF MINUTES** - Approve minutes of the October 3, 2011 special-called meeting.  
**Motion to approve minutes by Commissioner Bernfeld, seconded by Commissioner Smaha, passed on a vote of 5-0.**
3. **CITIZEN COMMUNICATIONS** – There were no speakers at this time.  
Commissioners Fath and Webber arrived following approval of consent items (Items 5-9 and 11).

**NEW BUSINESS**

4. Recommend authorization to award, negotiate and execute a 36-month requirements service contract with ORCOM SOLUTIONS LLC, D/B/A VERTEX GROUP, Richardson, TX for the purchase of an Electronic-Customer Information System (E-CIS) archive access database with associated hosting services, maintenance and support for Austin Energy, in an estimated amount not to exceed \$952,920 with two 12-month extension options in an estimated amount not to exceed \$317,640 per extension option, for a total estimated contract amount not to exceed \$1,588,200. **Motion to approve by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 7-0.**
5. Recommend authorization to award, negotiate and execute an 11-month contract with MICROSTRATEGY SERVICES CORPORATION, Vienna, VA, for the purchase of software support and maintenance for MicroStrategy business intelligence software in an amount not to exceed \$212,047.65, with four 12-month extension options in an amount not to exceed \$247,703.50 per extension option, for a total contract amount not to exceed \$1,202,861.65. (AE’s portion is \$113,816.55.) **Motion to approve on consent by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 5-0.**
6. Recommend authorization to award and execute Amendment No 6 to a requirements service contract with IRON MOUNTAIN, Austin, TX for records storage services for Austin Energy to extend the fourth and final 12-month extension option in an estimated amount not to exceed \$28,000, for a revised total estimated contract amount not to exceed \$192,000. **Motion to approve on consent by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 5-0.**
7. Recommend authorization to award and execute Amendment No.4 to a 36-month requirements contract with JOSCO PRODUCTS, Austin, TX, for wiping rags used by various city departments in an estimated amount not to exceed \$12,216.50 for a total \$58,128.37 with two

extension option in the amount of \$12,216.50 per extension option, for a total contract amount not to exceed \$82,561.37. (AE's portion is \$21,779.75.) **Motion to approve on consent by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 5-0.**

8. Recommend authorization to award, negotiate, and execute a contract with INVENSYS SYSTEMS, INC., Houston, TX for the purchase of a control system upgrade at Austin Energy's Sand Hill Energy Center in an estimated amount not to exceed \$962,430. **Motion to approve on consent by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 5-0.**
9. Recommend ratification of Amendment No. 13 to the 12-month requirements service contract with ASPLUNDH TREE EXPERT CO, Corpus Christi, TX for transmission utility line clearance services for Austin Energy to increase the current amount of the contract in an estimated amount not to exceed \$290,000, for a revised estimated contract amount not to exceed \$7,872,229. **Motion to approve on consent by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 5-0.**
10. Recommend authorization to award and execute a contract through THE COOPERATIVE PURCHASING NETWORK (TCPN) with KELLOGG BROWN & ROOT, INC., Austin, TX, for the installation of a solar photovoltaic system at the City of Austin's George Washington Carver Museum and Library in an estimated amount not to exceed \$346,410. **Motion to approve by Commissioner Webber, seconded by Commissioner Fath, passed on a vote of 5-2 with Commissioners Day and Smaha voting no.**
11. Recommend authorization to award and execute Amendment No. 1 to a contract with FLINTCO INC., Austin, TX, to increase the contract amount for foundation redesign services of a thermal energy storage tank in an amount not to exceed \$107,584, for a revised total estimated contract amount not to exceed \$644,584. **Motion to approve on consent by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 5-0.**
12. Recommend approval of a resolution authorizing negotiation and execution of state legislative representative services contracts for a total combined amount not to exceed \$678,028. (AE's portion is \$90,000.) **Motion to approve by Chair Schmandt, seconded by Commissioner Smaha, passed on a vote of 6-1 with Commissioner Day voting no.**

## **OLD BUSINESS**

13. **Discussion and Possible Action regarding Austin Energy solar generation planning in reference to City Council Resolution No. 20110804-027.** Cyrus Reed, representing the Sierra Club, addressed the Commission. Michael Osborne, Special Assistant to the General Manager, received input from the Commission for Austin Energy's report to City Council on strategies to achieve 200 MW of solar energy by 2020. Chair Schmandt requested additional time to discuss this issue at their November 14 meeting. Mr. Osborne noted the November 2 deadline for staff to report back to Council; however, he stated it might be possible to contact the sponsor to discuss the deadline.

## **STAFF REPORTS AND BRIEFINGS**

14. **Monthly Financial Report** – due to time constraints, a written report was submitted.
15. **Deferred Payment Arrangements and Disconnections Report** – a written report was submitted.
16. **FUTURE AGENDA ITEMS** – Request agenda items including information related to the Upcoming Procurements Report. Chair Schmandt requested that the discussion on solar generation planning continue at their November meeting.

17. **ELECTION OF OFFICERS** – Election of Chair and Vice Chair. The Bylaws include a term limit provision of three consecutive one-year terms for officers, but allow the Commission to override the provision by an affirmative vote of two-thirds of authorized members (or five members). Since both Chair Schmandt and Vice Chair Shaw were elected to their positions in 2008 and re-elected every subsequent year, the provision applied. **Motion by Commissioner Smaha to re-elect Phillip Schmandt and Linda Shaw as Chair and Vice Chair, respectively, seconded by Commissioner Webber, passed on a vote of 6-0-1 with Commissioner Day abstaining.** Terms begin November 1, 2011.
18. **RECESS** – At 5:58 p.m., Chair Schmandt announced a two-minute recess prior to the Rates discussion at 6:00 p.m.

### **Development of Electric Rate Recommendations for submission to City Council – 6:00 PM**

19. **Citizen Communications** – The following persons addressed the Commission on the subject of the rate redesign: Micah Jasuta (Solar Austin), John Orin, Susan Moffat, Vernagene Mott (Pflugerville ISD), Dick Kallerman (Sierra Club), Carla Penny (AARP), Flavia dela Fuente (Sierra Club), Lanetta Cooper (TLSC), Ben Wollam, Julie Hart, Carol Biedrzycki (Texas ROSE), Cyrus Reed (Sierra Club), Jared Pessetto, Stathis Tompaidis, Paul Robbins (with donated time from Scott Johnson), Mary McAllister, Kathleen Hetrick, Brad Rockwell (small business owner), John Kingman, Dr. Craig Nazor, and Brian Jackson (T.A. Brown Elementary School Teacher).
20. **Update by the Independent Residential Rate Advisor on revenue requirement** – Gary Goble, Independent Residential Rate Advisor, presented an update to Commissioners, followed by Q&A with Mr. Goble and discussion.
21. **Discussion and Q&A with Austin Energy** – Commissioners discussed and asked questions regarding off-system sales, revenue requirements, reserve funds, and financial policies.
22. **Discussion and Possible Action regarding the Decision Point List**  
Issue 1. Achieve Revenue Requirement. Motion by Chair Schmandt that the EUC recommendation be to “Concur, subject to removing the following from revenue requirement: 1. EGRSO and climate protection plan, i.e. departments where employee salaries are paid by AE but the employees do not report to AE (See annual EUC resolutions since 2007); 2. Any portion of the General Fund transfer based on fuel revenues (See annual EUC resolutions since 2007); and 3. An additional reduction of the revenue requirement by \$13.6 million.” Seconded by Commissioner Smaha. **Motion passed on a vote of 6-1 with Commissioner Day voting no.** Motion by Commissioner Day that the CIP be adjusted by \$32.7 million consistent with Data Foundry’s recommendation and that the revenue from off system sales in the test year, in the amount of \$44.7 million, be reflected in test year revenues. Commissioner Fath corrected the off system sales amount to \$35 million and Commissioner Day agreed. Commissioner Day added to her motion that the reserve account be decreased by \$22.7 million. Following discussion, Commissioner Day withdrew her motion. Motion by Commissioner Day to adopt Data Foundry’s CIP expense adjustment in the amount of \$33 million. Seconded by Commissioner Webber. **Motion failed on a vote of 2-5 with Commissioners Bernfeld, Schmandt, Shaw, Smaha, and Webber voting no.** Motion by Commissioner Day that the off system sales revenue and the weather adjustment to revenue be restored to the test year level representing a change of \$44.7 million. Seconded by Commissioner Webber. Following discussion, Commissioner Day withdrew

the motion. Motion by Commissioner Day to reject AE's normalization for weather and adjust the revenue requirement by \$9.7 million. Seconded by Commissioner Fath. **Motion failed on a vote of 2-5 with Commissioners Bernfeld, Schmandt, Shaw, Smaha, and Webber voting no.** Motion by Commissioner Day that off system sales revenue from the test year in the amount of \$35 million be recognized in calculating the revenue requirement. Seconded by Commissioner Webber. **Motion failed on a vote of 1-6 with Commissioners Bernfeld, Fath, Schmandt, Shaw, Smaha, and Webber voting no.**

Issue 2. Align Rates by Customer Class with Cost of Service (minimize subsidies across customer classes). Motion by Commissioner Webber that the EUC recommendation be to "Concur, but as 95% and 105% are arbitrary, consider adjusting and expanding, to perhaps 92.5% and 107.5% as means to alleviate impact on lowest income customers and alleviate impact of selecting AED cost allocation method over BIP. Also, to remain consistent with AE's rate-making principle of "no interclass subsidies," remove (a) economic development, if any, (b) bad debt and (c) implicit subsidy to special contract customers (\$20.75 million in 2009), from residential fixed costs and allocate them to (a) Commercial and Industrial only, (b) all customer classes, and (c) commercial and industrial customers only." Seconded by Commissioner Smaha. **Motion passed on vote of 4-0-3 with Commissioners Day, Fath, and Shaw abstaining.** [Commissioner Day later requested her vote be reflected as no.]

Issue 3. Set Policy Bounds on Customer Class Alignment with Cost of Service. Motion by Commissioner Smaha to accept language as proposed in the DPL document, "See 2 above; Open question: why is lighting at 95% and not 100%." Seconded by Commissioner Webber. **Motion passed on a vote of 7-0.** [Commissioner Day later requested her vote be reflected as no.]

Issue 4. Mitigate Impacts Within Customer Classes. Motion by Commissioner Webber to concur with Austin Energy staff that "(a) No residential customer electric bill below 1,500 kWh should increase by more than \$20 a month on average; and (b) Transition non-demand secondary commercial customers to demand rates." Seconded by Commissioner Smaha. **Motion passed on a vote of 6-1 with Commissioner Day voting no.**

Issue 5. Select a Production Demand Cost Allocation Method. Motion by Commissioner Fath to recommend the selection of the BIP method. Seconded by Commissioner Day. **Motion failed on a vote of 3-4 with Commissioners Bernfeld, Schmandt, Smaha, and Webber voting no.** Motion by Commissioner Bernfeld to concur with AE's recommendation to "Apply the Average and Excess Demand Method to 1) recognize that customers benefit from both capacity and energy produced from generation assets; 2) to reward high load factor and energy efficient customers; 3) to be consistent with methodologies commonly used in Texas and around the country" subject to the adjustments made in recommendation on Issue 2 above. Seconded by Commissioner Smaha. **Motion passed on a vote of 5-2 with Commissioners Day and Fath voting no.** [Vice Chair Shaw later requested her vote be reflected as no.]

Issue 6. Consolidate Customer Classes. Commissioners postponed taking action on this issue to the next meeting on October 20.

23. **Discussion and Possible Action on Recommendations for Austin Energy's Rate Redesign –**  
No discussion.

24. **Discussion of the upcoming special-called meeting at 5:00 p.m. on Thursday, October 20 at Town Lake Center, including processes and information requests from Commissioners –**  
No discussion.
25. **Adjourn** – Chair Schmandt adjourned the meeting at 9:59 p.m. without objection.