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>> Mayor Leffingwell: Good afternoon, I am austin mayor lee leffingwell. A quorum is present so I will call a special austin city council meeting to order on thursday, december 5, 2013 at 1:33 p.M. We are meeting in the austin city chambers, austin city hall, 301 west second street, austin, texas. So we have a number of briefings to go through and one action item which is actually less, and we have a time certain to stop at 4:30. I am sure people have other obligations. We will go through the agenda. If it appears that we are falling behind on the time schedule, we may want to discuss moving the action item up in the schedule so that we can make sure that we address that today. Council member tovo. >> Tovo: Mayor, thank you for raising that, the action item that is posted follows very naturally from the two discussion items earlier in the agenda so I would ask that we actually take up the action item at the time we are taking that item so we don't have to tread the same ground as we take the action. So with if we move item 7-up to -- up to, -- move 7 up to the consideration of 2 and 3, so 2, 3, 7. After we talk about customer assistance program, repayment plan and repayment plan -- >> Mayor Leffingwell: Without objection, that's what we will do. >> Tovo: Appreciate that. Thank you. >> Mayor Leffingwell: Let's go ahead with item number one. >> Good afternoon, council, larry weiss, general manager at a.J. And we also have others here and we will go on with the briefing of the generation plan. >> Good afternoon -- I will turn my mic on.

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Good afternoon. Today's briefing is going to -- >> today's briefing is going to cover a little bit of our generate resource program update process and talk about the study regarding the fayette power project and cover the next steps. As you are all probably aware, a.J. Has agreed that every two years we would pro -- austin energy would provide update and public input opportunity on generation resource plan. Since the time the last time we did that, 2012, the next issue and the update of the resource plan will be due in 2014. You have seen in slide before, it is the original resource plan -- it was don'ted with the climate and resource plan and it has been kept current with the updates we have done and the additions we have made to the renewable portfolio especially. A couple of things that we got on this slide is updates of the 40 megawatts of solar and also that there is an r.F.P. Year utility scale solar additions and the r.F.P. Closed on tuesday so we are in the process of trying to summarize apget our arms around what kinds of responses we did get and since this just closed we are quite that are away of being able report anything specific on that. You can expect any actions that come from that proposal to be brought forward to you sometime in 2014. The other things to note on this slide is that we made the addition of 800-megawatts of natural gas generation, on the update that we provided in 2012, we didn't really provide any specifics on what that would be or the exact timing, although we put a placeholder in here. But during this study period, I suspect we will spend a lot more time

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talking about what kind of resource it would be, where it will be and why and when we would be adding that resource. The next slide is the same information presented in a slightly different view and the thickening to note on the slide is we are on target to reaching 35% renewable goal in 2013 with the additions we made. This show it is additional wind contracts made by council in june of 2013 and it shows meeting that 35% renewable energy goal in 2015-16 time frame. One of the things I wanted to provide an update on today is the fact that while you did authorize us to seek out new end contracts in -- wind contracts in june, we successfully entered agreements with duke on two 2 of the contracts for 400-megawatts of wind and were unsuccessful on a contract with ion. They cited tax issues they ran into on negotiating the terms on they offered, and so since we thought we had really got proposals when we out on this solicitation, we asked those who had participated and responded to provide refreshedata on what offers they would be willing to extend to us, and based on their responses back, we think that we have found another offer that meets similar pricing, overall pricing and energy opportunity and we will be bringing that forward to you probably in the january time frame for your consideration. So with that approval and hopefully a successful negotiation with that offer, we would still be on target to meet those renewable energy goals by 2016. So that's a picture of where we are in terms of the current resource plan and the progress to date on the program.

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I want to talk a little bit now about the things that we need to think about as we enter into this latest update period. Certainly these three items up here are things that we are familiar with as well. We have affordability objective for our customers. We have financial stability goals for the utility, to maintain good financial help at the utility and we certainly have to strive to meet our climate protection and renewable energy goals. That's a tough balancing act and we have to be very careful in our planning, in our analysis and picking the right path forward from here to make sure that we can keep all of those things in balance and be successful in all of those areas. So part of the effort that we will be going there, we will certainly be looking at how we compare to others in terms of price, what our financial health is looking like and has the benefit of seeing what the new rates have done and failed for austin energy and as we continue making progress on the climate protection goals. We do need to be careful in balancing the transition and carefully monitoring near term costs in comparison to our long-term goals. In addition to our own internal goals, there is a lot of external influences that need to be taken into consideration as we begin updating the resource plan. Common one that we all think about is regulatory uncertainties.

We know that there are new rules already established by the epa that govern new power plants but we don't yet have any information provided to us on what the rules would be for existing plants. We are expecting to have some information on that in mid 2014, but right now we don't know exactly what those are going to look like. Similarly will have been discussion for quite some time on update of the care rules and this would impact potentially the ozone standards that apply to austin and other parts of the country. Similarly, we are expecting an update on that sometime

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in 2014. A more certain rule we are aware of is the mercury air toxic rules that are in place and we are working towards implementing the right tools down to fayette project to make sure we are compliant with that in 2015. Other things that are really important that influence us from the external side are market conditions. What are the ercot reserves, what is the market price for energy, what is the forecast for natural gas? That's a still big driver in terms of the overall market cost of market power and what is going to be the design to be imposed upon or remain in place for the ercot market in the near future? Certainly supply and demand is something that we are always keeping an eye on. We know that there is a lot of difference and remitted in those graphs gives you kind of an image of the types of various we have on the load on a daily basis, as well as the volatility of natural gas and so both of those things are things we have to continue to take into account as we provide analytic review of the best path forward for austin energy. Other market exposures and opportunities. One thing we are aware is the market caps established by the utility public commission continue to be on path of increase. While that creates great opportunity when you are selling into that market, it also creates a great risk when you are purchasing for the load in that market. If you recall, back in august of 2011, ai saw $20 million in additional costs that we incurred during times of peak pricing -- ae -- as a result of having some units that weren't reliable. As the market caps increase, thanks posure also decreases. In looking at similar 2015, a similar outage could cost range of $16 million so in managing risks we have to

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take that into consideration, having adequate resources on hand to be able to respond during difficult and high price periods. The capacity market is also something that's under consideration for the ercot market. There is a lot of opinions and a lot of discussion going on at state government and the public utility commission on that topic and what the benefits of that are. Right now austin energy feels we have a fairly good balance of load and supply so we don't view it is a high risk for us but it certainly warrants further discussion and thought. We also know that there is difference in the types of resources that may or may not be successful in participating in that capacity market and something else we will be evaluating and studying and trying to frame during our generation update this year. Demand response in areas of other opportunity. While we do have short of resource in the market and have a hard time getting new resources into the marketplace, demand response is something that ercot probably has not tapped enough yet and provides some opportunity to both manage volatile prices and create opportunities perhaps for some of our customers. So with those external things, I think the other thing to consider is just how much resource planning has changed. In the past, austin energy was its own balancing authority and we provided generation to meet load. We generally were looking at the least cost comparison and just trying to make sure that we were providing good, predictable costs for the long-term for our customers. With the change in the market, today's generators are dispatched by ercot to yield the lowest cost. Ercot is also responsible for reliability. So what that means is that we, austin energy, are no longer individually responsible for the reliability of serving the load. We can go to and rely upon the market to do that. But under the new model, I think it is important to

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know, also, that there is opportunity if you have highly efficient generation available in your portfolio to earn additional revenues for your customers. And so now it's really a financial decision as to what types of resources we should build. They provide a hedge and can provide stability and predictable outcomes in terms of costs. So what that means now that there is a financial consideration, also, is that we need to look at the financial implications of the investments that we make but we also need to make sure that we are on track to meet our renewable energy goals and our climate protection goals. As the slide says competitive generation portfolio creates predictable costs, certains a hedge against market volatility and the hedge is a function of capabilities of the economics of the assets that we have. The most sufficient economic and flexible resources dispatched first and have the most revenue potential. New investments might have a short-term impact on customers by increasing the base rates, but they also offer an opportunity to reduce the total bill to customers by providing revenue that helps offset the power supply adjustment. This is a slide as well that you have seen before. This is where you can go through and look at a what I have been as we look at how generation assets can contribute favorably to power supply bill. For the most part, power supply charge which is similar to fuel charge represents one-third of one half of the bill so it is a big component of the bill. So starting on the left-hand side on of this side, you can see the load zone cost -- that's how much it costs to provide customer load when we buy it from the ercot market. We have two represented here, one being red,

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august 2011 to august 2012 period and the second being august 2012 to july 2013. As you sees, there is a variation year to year in what it does cost. The next bars that are below the line actually represent the revenues that earned by our current power plants. Those are our thermal power plants, stp, decke fayette and sand hill. They actually help reduce the cost of serving the load. The next bar represents the cost of our renewable generation contracts. And so this is netted of what they earn from the ercot market against the costs that we actually paid to our purchase power partners. The third bar is the green choice revenue, so, again, that helps reduce the cost of the psa overall for the customers who have opted into purchasing 100% renewable energy. The next two smaller bars are bilateral purchases outside of the renewables but other purchase that we make in the marketplace and incremental cost of price certainty in the hedging costs. In the end, what we see is that the biggest bar there is the opportunity to reduce the cost of load by selling and generating revenue from our thermal assets and the last bar represents what our customers actually pay after the benefit of the thermal assets after the benefits of purchasing the renewable and settling out the other items. So it is an important slide to see the dynamics of how power supply works for the customers. The other part of how it works is what has been the trend for customers. What you see in this slide is the impact of having the austin energy's benefit from the ownership of generation. The blue line indicates the cost of load. Just looking at the ercot costs. And the red line represents what the customers have to

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pay. The two peaks represent two time periods where we had extreme weather events that actually greatly impacted the reliability of the grid and consequently, the price offered in the grid. So because we were both able -- because we were able to sell into the market, at the same time that we were buying out of it, our customers saw a damp in impact in those extremes. It is good, I think, for the customers to have that kind of opportunity and for austin energy to continue to be in an ownership position with generation to make sure we have that kind of predictable cost for our customers. I think something else important to notice is that -- or to note is how quickly austin energy has to pay for these types of excursions and that goes back to the financial viability of austin energy because typically we have to turn around and make payments to ercot within a week but there is additional discussions going on right now that would say austin energy might have to make those payments within three days. So when you are looking at a 20 million-dollar or v0 million-dollar hit that could occur, having the right reserves and the ability for austin energy to respond and to make the payments and make in good credit standing with ercot is important as well. Now, switching from all of those things that we have to think about and switching over to the process. Obviously when we go through and we do a resource plan update, there is going to be many things that we need to look at. We look at the types of resources we already have, the types of resources we think fit into the mix long-term. The load forecast, fuel cost forecast, what our renewable energy goals are and how close we are and how much more we need to add and certainly the council and community input. We are going to throw all of those scenarios in and it could be hundreds of scenarios that we will end up looking at. At the bottom of the funnel hopefully comes out comparison of alternatives and, you know, comparing what if we went with 100% renewables for any future additions, what if we did

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get rid of fayette and what if we got rid of decker. We will look at scenarios and come back with recommendations and say we think this is a great path forth forward, this produces a right roadmap and prediction for the customers so as we do that we will bring it back to you, but it will ta a lot of work from staff to do a lot of analytic work. As I have been discussing, you know, deciding what the right amount of portfolio -- what the right amount of generation to have in our portfolio, to help us manage this type of load swing is important. This represents the typical customer demand. It is laid on top of the portfolio that we own today. And so it gives you a sense of how an we use types -- or what types of resources are available or what types of demand that we have over the course of a year. Key things to note about this certainly is that while we have about 2300-megawatts of generation, 200-megawatts of that is reliable or predictable renewables, on peak anyhow. We have much more than that on contract. So that's why the number on the bottom for wind looks much smaller than what we have on contract, for this case we are looking at, what if the contribution -- would if the contribution were during peak period. It also shows, just with those slim black lines that are over 2500 have few hours of the year, we really have very high demand. And it's actually only about half a percent to one percent of the year that we are talking about really pushing the limits on the capacity that we have, and it's about 48 hours. A similar view of that is just where we are in terms of taking that on peak capacity and lining it up against our load and looking

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at what our peak shortage is, because the peak shortage is certainly -- although a few hours, it is important for us to look at and understand where our exposure is in terms of the pact place. You can see on the bottom, something of order of 149 to 277-megawatts is peak shortage with the current portfolio that we have and with the additions that we have already planned. And, again, the -- while in our earlier slides we showed we had a lot more wind than that, this is looking at on peak so it is a smaller component when we look at it that way. The other thing I have been alluding to is you have to have resources that can compete. In this slide, while it is a little bit busy, I think it is important to note that this is how we compete. This slide represents all of the generators in ercot and so everything to the left side of that slide are the things that are the most efficient. They are below the ae lnp, that's the ae load zone, the load prices, and so those units below the black line have been the ones that have been successful dispatching into the market the past three years, each of the years, right know we see stp, austin energy asset, sand hill and stp have all been competitive in the market for the past few years because orange line and blue line are '13 and '12 consider '13 and 11, so '11 through '13 are represented there. You also see black turbine slightly above the black line and they have been positioned to be competitive and as you move to the right-hand side of that, you start to eso some of the assets -- to see some of the assets we should be focused on in this period and that is the decker gas during turbines

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and team turbines and during this planning period we are probably going to try to get our arms around what is the right thing to be thinking about doing with those types of assets. They aren't going to over the long term generate really good returns to our customers and we need to look at the plan to be replacing them with something more efficient. And on that slide, somebody might ask why isn't wind and soldlar showing up and that's because these are the assets that will be dispatched, wind and solar will be dispatched in the market at the euro price although they are there and with the kress lines being completed, wind is in the mix, with little curtailment of the wind, now that we have it in there, so they aren't represented in there in that they have a slightly different character. We can't dispatch it there but they dispatch at 0 and when they produce, they get paid. This is the proposed timeline in update process, fours quarter of 2013, we intend to hold briefings and stakeholder input meetings. Hoping to be able to share with the stakeholders what austin energy intends to study during this study period and go much more in depth at some of the information that I've briefed you on today. From the impact meetings, we would hope then to craft up the final scenarios to be studied and bring that to this committee or the commissions, depending on what direction we take in that, but bring that back for kind of final approval before we dig deep into our analysis in running the scenarios. Then we go back and run them during the second quarter and hopefully be ready to deliver preliminary results, get some review and feedback and then present the final update to the plan in the third quarter of 2014. What can stakeholders expect? They can certainly expect to get our view of the marketplace, our view of

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regulations, our view of what is going on, and hopefully be in a position to also give us good feedback and ideas and see if there are some additional things that they think we should be considering. With regards -- that will be the process, we will just be looking for input and sharing ideas and make sure that we cover all of the scenarios that we intend to study. One specific thing I did want to talk about today is the resolution that was passed by city council back in june regarding the fayette power project and wanting to get some updates on the options to move forward, either faster or in a different path perhaps than what is already adopted in the climate protection plan for the fayette power project. One of the things I would suggest is to make sure our generation planning process is successful and that we get a very good and big picture of the best options to take forward is that we roll this study into the larger generation resource planning study. I think that in the absence of putting it in context with all of our other goals, it might not bring us back the best options so that's something I certainly want to throw out there for you to consider. I certainly understand that you may have a different ask than that. So as we have been thinking about that resolution that you did pass, I think that it's also important that we understand the strategy as we've adopted it today and today what austin energy intends to do is ramp down the u.T. Output of fayette power project in order to meet the carbon goals in the climate protection plan and we will continue to monitor regular and market conditions. As you notice on the slide that had all of the ercot generators, while fayette is comfortable position, it continues to earn good revenue for the customers and is effective in meeting low demand for the customers. It is in the middle of the pack. It is not the best

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performing unit in ercot and that is really just a reflection of its age and so it does have some economic point in the future where it probably isn't going to be the most viable asset that we have, either but some of the other scenarios, rather than ramping down the output, I think one of the things -- the thing that I read in the resolution that should be considered would be to implement something sooner. Right now our plan is to ramp down starting in 2020 to make sure that we meet that goal. One of the scenarios that we would throw out that we could include in the study would be to look at what is the cost of beginning to do that now or beginning to do it in 2014, as opposed to waiting for 2020 and how would that impact the customer cost and establishing perhaps a schedule for rampdown, instead of taking it as a sudden change in 2020. The other options I think that I saw were to sell a share of austin energy's -- sell the share of austin energy's fayette assets, but I am not clear as to whether that really helps us meet our carbon goals. I think it's an option but I don't know if it's really an option where austin energy and the city of austin want to have coal off our books or we want to look at the perspective to see reduction in carbon really happen. And the other option certainly would be to continue negotiating with lcra to see if there is an opportunity to perhaps retire ae share sooner rather than at the point where it becomes an economically based decision. So I think those are the things that you would ask us to look at. But I really do want some feedback on the selling piece, because we don't want to spend a lot of time evaluating options if they really aren't meeting your objectives. This really brings us back to kind of the summary I am hoping you took away from sot only discussion or some of my briefing today, is that generation first planning has changed. It is not longer making sure

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we absolutely match our generation to our load and that we do it in the cheapest way. Because we have to recognize that we've got additional goals that may go beyond just the cheapest solution and that's typically what wasone in the past. Also, I want to make sure that everybody thinks carefully about how we approach removing some of the assets from our portfolio that we are no longer as happy with as perhaps when we entered into those. I think it's important that we look at the right timing to replacing assets and that we are careful in making sure we have a plan for what we are replacing things with before we get rid of them. Because with the capacity market being discussed and volatile prices in our future with regard to the market caps, it is important that we protect the hers' interest and predict long-term predictable prices for the customers by doing good planning and having a steady path forward as opposed to getting too far ahead of ourselves and leaving ourselves exposed and also I think we need to be willing to -- that short term rate increases that could hopefully be offset by revenues earned by newer, more efficient gas-type resources would be a good thing form our customers because having a strong and proficient portfolio over the long term will serve customers well by creating predictable costs and help offset costs of our portfolio from revenues we can earn in the ercot market just the same as anybody who would otherwise purchase the energy from the ercot market later on and I think maintaining that position for our customers is very important. People are having a hard time making a decision to build new assets right now but some people don't have load that they have to serve so I think we do have a little bit position and history and participating as a generator is an important long-term strategy for austin energy in terms of offsetting energy costs of the renewable portfolio that we are building. So the next step, certainly we are going to be back to talk with you.

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This is a little bit dated since we have been canceled a couple of times on this but we did receive responses back on the solar r.F.P. We know we received about 37 different offers and in the range from 10-megawatts to 100-megawatts but that's about the depth of the information that we have available at this time. So we will be back in 2014 if any of those opportunities look like something we would recommend. Shortly after the first of the year, we would also hope we will be issuing an r.F.P. For community solar, and we will be also updating during this generation resource plan update the original chart to show we have gotten direction back to have about 100-megawatts of solar changed locally and so that is a change you will see definitely this period and start to see some of the stakeholder input meetings in january or february of 2014 to make sure we get all of the input we need from the community and then certainly we will be back in the customer and fall to give you the refreshed view of what we think the generation resource plan will be moving forward. I will be happy to take any questions that you might have. >> Mayor Leffingwell: I have several. Hopefully they will be quick. First of all, it had to do with the lead up of revising generation plan as we all know, an important part of that is cost containment, affordability, and I am sort of been led over if last months to believe that we need to be a little more detailed, a little more specific. For example, the 2% average that you spoke of, that could be -- has a potential to be really huge, as we saw from the last -- prior to the last increase that we had last year, there was a 14 year period. That would mean that we would have a 28% increase and that would be within our cost containment rule, so I don't know what the answer to that is, but at some point, I want to address and more clearly define what that 2% means and how it

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affects affordability. The other thing is the other part of the affordability is remaining in the bottom 50% of the rate structure, for all utilities in the state of texas, public and private. Before we adopted that policy, we were -- it was stated that we were in the bottom 40%. I don't know where we are now, but we decided to go with 50 to give ourselves a little bit of flexibility, but I would like to see periodic updates on where we are, what percentile we are in, in relation to our competitors, and we all recall that the reason for having this part of the affordability -- this cost containment measure being in a certain percentile was because there is a possible scenario that electric rates would go down, that our competitor rates would go down. In which case, we wouldn't be talking about 2% up, we would be talking about actually lowering rates to meet that criteria. So the other thing that has to do with staying in the bottom 50% -- I have yet to see -- maybe you have it internally -- any projections -- for example, you sent out the r.F.P. For the solar component that's coming back to us on december the 3rd. Is there going to be a projection on where that puts us with regard to both of those affordability goals? Because if we go back and try to address that in retrospect before we adopt, before we make a purchase, it may be too late. So I would like to see as a part of that r.F.P. Response, where does that put us, where does that project us to be if we approve one of those r.F.P.S. >> If I could answer that, I guess. >> Mayor Leffingwell: Yes. >> The last item, the power supply adjustment mechanism is very sensitive to the

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injection of higher cost resources and also sensitive to the injection of lower cost based resources that we have now. So as sheryl went through, as we can move into base resources that are very low cost that, unables us to add solar and other costs that may be a little higher than that to try to control it. What we keep our eye on strategically with the new rate structure and everything is keep the new power supply adjtments charge down and keep it competitive because that's what drives the rates overall. The rate structure itself, in today's rates, the ways the designed today, the rate structure itself is really connected to the operating and maintenance costs of the utility, not the fuel so much, so that's what we are watching and the other item you brought up before that, the benchmarking and the quarterly reports which we, I believe, are going to be delivering on paper now, rather than separate meetings or we could do it here. I know there is -- a couple of different ways to do it, but our belief right now we are going stoned it out. In the last quarterly report, I believe there is benchmarking in there, I will go back and double check to make sure but we are routinely keeping track of where we stay competitively. I will say after all of the work that we all did -- going through the rates work and the affordability goals, I will be curious to watch the market in texas and watch what's happening. I believe that we are in a good position, and a better position, as I anticipate other utilities having to raise their rates in the way they have to react to the market, which is what sheryl was talking about, particularly in the next couple of years, if there is a capacity component, no matter whether it is a true capacity market or whether somebody has to bring reserves to the table, those are add additional costs utilities have to bear but austin energy is in a great position because we have

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made our customers and the city has made substantial investment in resources that will protect our consumers. So I hope that helps. >> Mayor Leffingwell: Well, yeah, but just to make it simple for everybody, I think that ought to be part of your presentation when you bring a proposal forward. This is how we expect this to affect our rate structure. >> Okay. >> Mayor Leffingwell: Because we are doing a whole lot of things and it's not -- not just generation contracts, but also things like on the agenda today, a plan to help accommodate people who aren't going to be able to afford to have the electricity on, how is that going to cost? And as we articulated in the last work session, we don't know then how much it is going to cost. I hope we know how much it's going to cost today when we get down to considering the particular item. But moving on to one more item, basically what you finished up with is the fayette and describing the various options. It seems to me, listening to your presentation, you would sort of be led to believe that we control our own fate as to these options in the details of each individual option. I don't believe that is the case. Correct me if I am wrong. I mean, we can say we are going to ramp down. Ercot could say something else, not to mention the fact that we are not the manager of fayette. We own -- there are three generating units and we own half of two of them. It seems to me that lcra, you know, certainly could keep at least half of all three units running all the time if they wanted to. Whether or not they could increase into our half, that's a question that you would have to answer. I don't have the answer of that question. But it seems to me like the rampdown scenario is very uncertain to say the very least since we don't really manage that plant and we own only a small part of it, so

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the sale part to me sounds like it might be a little more certain, at least we know what the factors are that lcra has the right of first refusal and then we can possibly sell it to somebody else. We might have a little more control over our future if that proves to be feasible, but the retirement scenario also seems to me like it has a cost component. I mean, it is -- it's like buying a new plant, or buying a new source of generation, because that is going to have to be replaced, so we will have to consider the cost effect of retirement. Whereas in the sales scenario, you wouldn't necessarily have to have that. You couldn't do -- you could do a one for one or maybe come out to the good in that scenario. >> Around the country, our industry, the utilities that have been going through this very issue like us -- as new regulations come out, epa regulations, and there is a lot of serious discussion about them right now, some of these new regulations, in fact, make these plants uneconomic because of the amount of capital that it has to put in them to clean them up. I think that's what sheryl has talked about, is at some point in time, there may be a spend at fayette that is not practical to keep the plant competitive and that will trigger not only ae looking but also lcra looking at it as well. The cleanest option would be for lcra to effectively buy us out of the plant, but I think the more broad policy question that we have mentioned and would like answered is whether or not we want the co2 to be completely gone or whether we just want it gone from our portfolio. That's a policy question that we are not really sure what direction we have on that, if you follow me. So that's -- >> I am following you, but I

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just don't think there is a clear path to achieving that goal under either sale or rampdown, either one. >> Uh-huh. >> Mayor Leffingwell: Because in the -- in the rampdown scenario, as I said, my understanding is we don't really control that. We have some influence on it but we don't have ultimal control over it. >> We do control our share, so when we talk about the rampdown, when we talk about the last part of the generation resource plan, what we put down at the chart -- if we go back to that -- is the equivalent capacity factor, and we would manage that in the appropriate times of the year. There are times -- you saw the position that fayette sits in, in terms of the ercot stack. There are times of the year, with subtle adjustments done to offer adjustments everyone if you maintain protocol compliance. >> Mayor Leffingwell: Even in the best case scenario, you still have exposure to two-thirds of the output of fayette, right? Two-thirds we don't control are our own. >> We control our own portion which is the current goal of doing rampdown schedule as long as we be in compliance with ercot protocols. That's who we currently have in the plan. >> Mayor Leffingwell: I want everybody to understand it's not as simple as it sounds. We don't necessarily criminal our fate or all aspects when we need it. >> Yes, retiring when you need it or sale, tho are very complicated discussions. We can frame them up in terms of what they think costs, but whether we can execute them, yes, you are right, is an absolutely different question. >> Mayor Leffingwell: The last quick question, and I have been giving an understanding from what I read in the papers basically is you are in favor moffett capacity market -- that austin energy favors capacity market. But I thought that was a done deal. I thought they already voted. >> Well, the devil is in the details and they are working it out now. Markets across the country

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have solved capacity issue in one of two ways. There is probably other solutions but one of two ways. One is they pay the owner of the generator based on megawatts it can produce on peak, so they get constant payment for capacity. That would be good for austin energy because we have the capacity we need to serve all of our customers and we've invested in it. The city a customers have all invested in that. On the other side, the reserve approach is to require all load serving entities which we are to have sufficient reserves above its load to supply the market and that also favors our customers very well. It does not favor utilities that may not own any generation. It may not -- so that's where the debate will be -- >> Mayor Leffingwell: You are -- there are co-ops and -- >> there are a few. We are trying not to get into a spat with our peer group but we are making it clear effectively -- we could have come out staying neutral but we happen to serve the state capitol. We have a lot of visibility as you know and I think we needed to take a position that, it's true, that austin energy is in a position not to be, I guess, strong supporter and proactive with the issue but that the capacity markets do not hurt these -- these capacity markets would not hurt us. >> Mayor Leffingwell: You are ambivalent? >> Yes, I am being a politician about it. [Laughter] >> Mayor Leffingwell: All right. Thank you. Mayor pro tem. >> I just have some follow-up questions related to fayette and the coal plant. You specifically asked us for policy direction in connection with that. I know that we passed a resolution that asks you to present us with some options, and I really can't make -- give you any policy direction, absent those

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options and cost analysis. I don't noticely that if we -- I don't know necessarily that if we fail we will end up in the positive, as have been suggested by the mayor, but I would like to know that, and I don't necessarily know what range of payout that we would be looking at the we negotiate with the lcra. As you mentioned, larry, that there are federal guidelines in play which is going to make -- am I understanding you right -- keeping any part of fayette more costly and how that impacts the decision. So -- am I understanding that correctly? >> Right. It effect -- as there is a new devices created to add on to the facility, to clean the air even further, those have large capital costs as we did when we put the scrubbers in. At some point in time the capital expenditures make the project uneconomic, and there are several utilities around the country that have already gotten to that point, where they said, it is not cost effective to make the capital investment and therefore, we will shut down the plant and convert the require -- that site to a natural gas fire facility, in many cases. >> Cole: I would like to see those options presented in terms of costs of the -- the capital costs if we actually negotiate with lcra or if we retire our interests, and all the implications, it is hard to get that direction. But I would love to but I don't have the information, I don't think, to try to make a decision on that. >> I might not have been too clear but the general policy direction we are curious about is whether or not we want the projects emissions to be gone from the

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atmosphere, or do we want to just be -- have it out of our portfolio? Those are two different paths. If we go to lcra and ask them to buy us out, which we have, and we haven't -- we have had no respons then that's one -- that's one approach, but the plant is still there and it will still operate. The other approach is we close down our piece and it never operates again. That's a different path. The economics that we would analyze depends on which path we take. >> Cole: So you can't analyze the economics absence the past decisions, is that what you are telling us? >> That's correct. It is very difficult for us to make projections based on -- we can projection path or the other. I think the path of it not being around any more comes from the path of it become uneconomic -- it being uneconomic to operate and it we don't want to do that anymore and that's a price we can take and we can analyze that. >> Cole: Well, I would like to see that because if we haven't heard from lcra and we don't anticipate it, that's another thing but if you have some idea of what the market would hold or what kind of numbers you would expect to have them from them, I think that will help, also. >> Martinez: Mayor. >> That is something we discussed in 2012. When we did that analysis of ramp it down as planned, or sell it, or look for opportunities to sell it, that's what we looked at and that's when we came back, to me, affordability targets and to leave ourselves in a good financial position, it was probably better to sell it than to try to retire it. While we haven't put anything in writing to lcra, I do know lcra is in the process of updating their own resource plan and do know lcra has sufficient amounts of coal in their portfolio, not that they are eager to get their hands on austin energy hands towards fayette because they are

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weighted with coal already. And with the down warped trend in natural gas prices, that's not necessarily where they will be looking for their next investment. It is not like there are lots of people out there really wanting to buy our coal assets. If it is sold it probably won't be any great premium, beyond what we owe, if we are able to get that much. >> Cole: I tend to be in faire of achieving our climate protection goal in taking that route but I don't want to land there and not know the cost implications. >> Taking the route of -- >> Cole: Yes, I want you to know that would be where I would be headed but I don't want to say that without understanding the cost implications. You mentioned natural gas and you added to the natural resource plan the 800. I am trying to understand why you did that and how that will affect the affordability matrix. >> As we do the generation plan and the schedule that sheryl outlined, we would intend to roll that out and to have those numbers as apart of that review. But let me just say that the natural gas generation market is defined the price of ercot. Basically the price that. The wholesale price of power in ercot market is the morrison competitive price, the most efficient -- highly efficient newest technology gas generation, so any time we are looking at our base load resources -- in other words, we -- you know, we have a lot of load we have serve around the clock and those base load resources are important because we are a growing utility, and we need a certain supply of that. If we build our own gas supply generation supply of that, not only are we taking care of our future risks of costs but we are also

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entering into the ability to dispatch units in the ercot market and make wholesale revenue which holds down rates for our customers. >> I understand. >> And, and on top of that, the fuel power supply adjustment charge, trying to get a handle of that is a combination of strategically adding low cost resources and at the same time, we know we are adding higher cost resources in to achieve our renewables so it is kind of that balance that we have to go after. And so what we did in our generation plan, north to demonstrate where the additional base load capacity could come from, that's the current technology and the best science and the best practice is to do it there. If we were to enter numbers like data equivalent and solar or something else like that, it is not a starter economically. >> Cole: But it hasn't been adopted. You just did it as placeholder -- you made that recommendation -- >> right. As a forecast. As a forecast. >> Okay. >> Cole: Thank you, mayor. >> Mayor Leffingwell: Just quickly, I really would like to see both paths analyzed financially. You said you need to know a path here before you know the numbers. I think we need the numbers on both paths. >> We will analyze both paths. >> Mayor Leffingwell: Council member martinez. >> Martinez: I appreciate the last point you made mayor, because for me it has been very clear the policy direction we have been given, and that is, give us all of the options. The number one option for me is climate protection, not just the climate around austin. So that means eliminating co2, period. Not just from our portfolio, not just from our local area. It's climate protection so that to me has always been a clear policy direction since 2007 when we adopted the climate protection plan so, like the mayor, I agree. This is extremely difficult and delicate negotiations

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but we have to start somewhere and we have to get to the table and start having the tough conversations and negotiations and we have to cost it out. Eliminating it from the environment completely, there is a cost and we may not be able to stomach that cost. Eliminating it from our portfolio is a cost, and that may be more palatable to us but I thought it was clear by the resolution, we gave you policy direction of give us every option that is out there and what they may cost so we can get further direction and work on in budget cycles and generation plan discussions. >> And that's great and I think that what -- that's the path that we will take. What we are -- our is is, rather than independently have fayette out here, what we will do is roll it out for the generational planning because there has to be other costs there and alternatives but what we are doing today is what the council approved in 2007, which is using fayette less to achieve our climate goals so we are on track to get our climate goals met. That's the way we are doing it and were approved to do it but we are continuing to be pressured by stakeholders and others to do more and to take the plant entirely out and that's where some of the pressure is coming from, as you know. And on the other side, is what are the paths and what are the costs and so I -- but I want you to know that we are -- we are following the path that was approved in 2007. >> Martinez: And I appreciate it. You guys have done some great work in that regard. So the concern is we continued the resolution months ago, with the anticipation of getting the resolution this december and now pushing it off to q3 of

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t-2014 and even then once these options are presented, we notice going to take a year, maybe two years of negotiations with lcra just to get it accomplished. We are just pushing this further and further down. I don't see why we can't be presented information this summer and then roll it into the generation plan. It keeps being pushed and pushed. >> We can do that. Again, I wanted to make sure you wanted to see the whole scenarios. If that's the direction, certainly by the end of the month we can present that. In absence of doing it with the full plan, it will be difficult for us to say, let's make this one decision and not on thinking of how it affects the other things on the update of the plan. >> Martinez: I think you can do it this december and as you work on the jan plan, lay it on top of us and tell us it will cost this much more with the generation of the plant. I don't understand why we can't get the information we asked for. Just present it to us. Doesn't mean we will act on it but we can't give you -- >> we can frame the scenarios. The plan if we sold it -- it is a refresher of what we did last year, we presidedded that in 2012. We have the work underway. We felt it is a complete picture to get the entire package and that's why we wanted to move forward and get direction on that and we can provide that by memo at the end of the month and provide future discussions and perhaps give us insight into the path of the inputs and what we can expect from you as we update the entire plant if that's the number one priority because it will largely impact the cost. >> I wanted to make a comment to our friends at lcra and all of that, we have made the effort as much

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as three years ago or more with lcra to have them express an interest in working with us to achieve our goal, and, you know, I respect their professionalism and their organization and all of the issues that they have. But we have -- I mean, we can't negotiate for them so what they have done -- there is an -- there is an expectation that they will be able to do something with us. I have had no traction with that, with the past management and now they are going through a change and I don't know that that will change but there isn't any, I guess, doesn't seem to be any large need on the part of the lcra to negotiate with us and try to do anything. And as sheryl said, they have enough coal in their portfolio right now, so I think -- they are answering our phone calls but put it to you, they are not -- they are not getting into a negotiating piece. [One moment, please, for change in captioners] >> Mayor Leffingwell: Councilmember spelman?

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>> Spelman: Thank you, mayor. I think we've dispatched the fayette issue, but I just want to weigh in at some point by the end of september when we do get a list of options I will not be favoring any option that involves our selling the plant to somebody who could actually ramp it back up again and produce more greenhouse gases. I think there may be a difference of opinion among the folks on this council and we'll probably end up having to take a vote on the some point, probably when we get to the generation plan of the third quarter of next year. It seems our responsibility at this point is to maintain the greenhouse gas total portfolio whether it's under our control or whether we sell it off to somebody else below the current level. And selling it off and washing our hands of it doesn't accomplish that goal at all. I may differ from the majority of council on this and I'll have a chance to formally weigh in on the subject and I think it provides the options available and we can chew over what those costs are going to be. On slide 3 as mayor pro tem cole mentioned, you've added 800 megawatts of gas production. Have there been any other changes in the generation plan -- are you recommending other changes from the generation plant from the 800 megawatts? >> There probably be modifications on our wind and solar numbers as we go because we've been adding -- we're still on target. Wind is an incredible good resource and solar as well. I would expect the numbers to change. The coal number we have the projection based on the actual amount of numbers we dispatch at fayette to reflect the actual capacity change. So that's where I anticipate the largest movement would be in the wind and solar, the actual numbers that we have installed. >> Spelman: I notice we

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have 200 megawatts of solar t the council has recommended a larger number. And there's no net increase in wind after 2015. You lose some from expired contracts, we gain a little bit, it evens out and we're not talking about purchasing any net increase in wind after 2015 in this plan. But as you said we're buying it at what we would have thought a few years ago would be ridiculously low rates. So it seems to make sense for us to focus more energy in that direction. >> That's a good point on the wind especially. The timing is on the tax credits and the financial incentives by the wind industry. There was a timing this year where these projects needed to get -- that's why we did what we did this year to get those in sync. Now we've have to see what the congress does on the next round of tax credits. Should they approve we'll project a path forward based on that. The same thing happens with solar. Those tax credits end in 16. But they may be renewed as well. I think that makes it really difficult on the wind and solar to project what the future might be because those tax credits really are a big driver to the economics of developers especially. At some point in time, for example, it may be there isn't any tax credits. There are no tax credits, production tax credits or investment tax credits for wind. And it may be the time that austin energy invests in the actual project itself rather than buying energy. So the strategy would change at that time. So that's what we're doing. We're keeping an eye on what congress does with respect to wind and that will probably come up in the next congress after this year. >> Spelman: If you could give me a rough cut sense for the effect of the tax credits. If we were purchasing wind, to pick a really round number, at something like 50 bucks a megawatt hour and

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the tax credits -- that's with tax credits, but then the tax credits expire, they're no longer available to wind producers, what could happen to that 50 bucks? >> I'm just going to take a wild guess. I know this isn't exactly right. If we're buying it for three cents, it would be four cents. So it's in that ballpark there. It isn't 50% or anything like that. And it depends -- the reason I say it's ballpark is because the organizations that we're dealing with when we're buying that product, they're very sophisticated in how they deal with their tax credits and that is unknown to us, frankly, but generally speaking on the production tax credit side that's kind of how it works. And since we pay no federal income taxes, that's -- >> Spelman: We're not in that business. >> We're not in that business, that's correct. >> Spelman: Something in the neighborhood of a 30, 35% increase is about what we should expect? >> Right. It's relative to the cost. The lower the cost the higher the value of the tax credit because the federal has a production tax credit amount that they publish. Then there's an investment tax credit as well. So it depends on path that they take and the wind industry there are those two paths that they can take. >> Spelman: When do you think the shoe will drop on that? >> I think the congress after this one. >> Spelman: Okay. So sometime in 2014? >> Yeah, 14-2015 time period- because they'll expire in 16. What they'll typically do is lay out a road map for a couple of years and they made an administrative ruling of when the machines had to be operating which effectively gave the developers another year because it was going to be compressed. And as sheryl pointed out, we had eon, a german company, I believe, I think so, and they lost some of their tax incentives in the county that they were going to develop in so they had to drop out. We're hurrying up and

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negotiating the next piece of that. All with that timing in mind. >> Spelman: It's unlikely the obama administration would be able to issue another administrative on order and give more time. They've stretched that as far as it can go. >> I think that's correct. >> Spelman: Okay. I've got a couple more. On your slide seven, apropos of rules we expect from legislatures, we -- there is a final -- there's a current proposal for new coal. And that's -- it's been promulgated, hasn't been adopted. We expect it to be adopted sometime in 2014, is that correct? >> On greenhouse gas. Spell on greenhouse gas emissions, that's right. So we have a proposal for rule for old coal yet? Do we know what they're talking about? >> That's what's under discussion now. I know larry has been paying attention to that, but we don't really have a clear picture of exactly what that will be at this time. That's something we would like to see that will certainly be insightful information if we can get that while doing this update. >> Spelman: When do you suppose that shoe will drop, sometime in the next few months? >> Well, the new e.P.A. Administrator in a timeline that I understand, they've accelerated it, so I would think certainly by sometimes mid next year there should be some good rule making out on it. Let me point out that austin energy is a member of the clean energy group. It's a group of utilities around the country, investor owned and public, that share the policy values that the city of austin, austin energy have. And what -- we have sat down with actually the administrator, gina mccarthy. I met with her and a group of others about over a year ago. And what we've asked for is yes, we want to see e.P.A. Establish these rules and move this forward to achieve

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climate protection, but what we also want to see is a glide slope so that we can predict when that's going to happen and when. And that's what -- that's what the industry is scared about. They're scared about you're going to implement a rule and 90 days from now you need to do something. But the way our industry is, we think out 15, 20 years. And so we need to have that. So that's what -- our clean energy group is doing. We're very engaged with that organization and they represent the same values and views that you've adopted for us to carry out. >> Spelman: I'm happy we're involved in that group. Sometime in the middle of 2014 we'll have a proposal. It probably won't be adopted until later on, but at least that will be available in time to inform our -- thinking about the generation plan. >> Under current expected schedule it will be. By mid 2014. As larry said we have staff who has the opportunity to sit in with e.P.A. And energy group and tceq and hopefully try to influence sides in a way that will meet the objectives that we do have, but also take into consideration where many utilities are. >> Spelman: Yes. Tell me a little bit about what we've done already or what we're in process of doing on mercury. >> The mercury project is actually underway at this point down at fayette. That has to be in place I believe by 2015. And we have a project underway for units one and two at a total cost of around $12 million. So half of that would be austin energy's share, about six million dollars. And we're on schedule@ to meet that compliance date. >> Spelman: What's the compliance date on that? >> It's 2015. >> Spelman: Sometime in 2015 we'll have to -- >> I can get back to you on the specific date if you would like. >> Spelman: If you could, that would be great. But we're on target for that? >> Right. >> Spelman: Tell me about the capacity market. There's been a lot of speculation in -- among a variety of stakeholders that

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if either way ercot decides to go to a capacity market it will cost us money and therefore cost our ratepayers money. But larry you're saying a few minutes ago that actually it's good for us at least in the sense of reliability. I understand that completely. What are the rate effects of the capacity market likely to be? >> Well, I don't have a crystal ball so I don't see how the p.U.C. And the rule making is going to come out but I can tell you what other markets have adopted. So ercot does do a lot of things like other markets and this -- this issue has come up in other markets. The texas market has prided itself on being different than other markets. But on this issue it's very similar. When the 15% or so, for example, I'll just throw that number out, 15% reserves need to be carried by every load serving entity, the answer to us is we have it. So the cost to us is that we get to utilize our existing, paid for equipment or paying for equipment that we have through the savings we have by being in the capacity market. Where the push-back of the market is going on right now is those utilities and organizations that are consumer driven that see their costs going up. And we don't -- we're in the in that argument because we're not in that particular situation. What we're in a situation of is we see our assets finally being paid for like we were when we ran our own balancing authority or control area prior to the formation of ercot. And again if that's too technical, that's how the world was then and then we got into ercot and then we have all these machines that are used in different scenarios depending on the climate. In a capacity market, it's

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good for developers of power plants because the know they will get a payment for it and the same thing goes for us. We have, for example, deck certify a really good example. Deckers a pretty high heat rate plant. That means it's expensive. So in order for it to be dispatched we have to wait until the market is expensive and then we run it and we help ourselves with it. In a capacity market it would get paid for whether it runs or not. >> Spelman: Available when we need it. >> Correct. So that's the difference. And it's going to be played out over a couple of years. There's a lot of things that are very complicated that ercot will have to wrestle with and we're involved primarily because we're a large public power and we're in austin where ercot it and a lot of discussion going on. >> Spelman: If ercot continues to pursue the reserves approach for a capacity market and we're currently meeting the 15%, 15.1, whatever it is percent reserve, we'll have to ramp up our capacity in order to stay at that reserve number over time. But at least for now we're right there. So there would not be any increase in costs at least immediately associated with capacity market if they did it that way. >> I will just say that there isn't any appreciable increase in cost. I mean, there's some -- there's probably some labor and some more work we'll have to do and probably some pieces that we don't know about that are going to be, but relative to the significance of going out and buying the new power contract, relative to the significance of going in to debtor things like that to do it, no. I don't foresee that we would have to do that in the near future. And that's where that 800 megawatts of gas and other stuff come in to play is that we have to recognize that we are growing and our forecast right now is at one

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and a half percent and that's high for utilities, one and a half percent doesn't sound like much, but it's a significant amount of energy growth that we're seeing. So anyway, back to the pa isty market. That's the way we see it right now. >> Spelman: Okay. So right now not an appreciable short-term effect, but over the long haul because we're growing, we'll have to grow our capacity along with our own growth and maybe a little bit faster because of that additional reserve. >> That is possible. That is possible. Where the confusion comes in is there's a lot of public around the state, large consumers, consumer groups. The deregulated market, particularly customers that are in that market that's a different issue for them because there's an additional cost that will have to be passed on to consumers. And since we're a consumer-owned utility we kind of get in a little bit of a conflict between the what's good for our customers versus what's better as a whole. That gets a little confusing regarding policy. So we've taken a rather owe we've had to state how they affect us, but at the same time we're not out pushing one way or the other. >> >> Spelman: Gotcha. Mayor, I have just a couple more questions. I don't want to spend too much time, but I just have a couple more. >> Mayor Leffingwell: Well, we have about an hour's worth of public testimony signed up right now and we have two more briefings to go before we get to a discussion on that vote. But go ahead. >> Spelman: Real briefly, just be sure I understand slide 11. What you're basically saying is that thermal generation is subsidizing renewable generation based on the historical record. That's -- those lower bars meaning we're making money off the thermal and costing more money off of the renewable relative to our base load, our load zone costs. >> What they're showing is the net effect of that.

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That's correct. >> To go below we made money on the net and then the far left is kind of a hypothetical. In other words, it says if we didn't own any generation at all, if we were just buying all of our resources off the market, that's what it would look like. So in 2011 we saved our customers $157 million by owning the generation portfolio we have. That's what this says. >> Spelman: If we were a purely retail utility we would be on the fareft because we're not, we're on the far right. >> That's correct. >> Spelman: Why is it that we net -- is this because of the net costs associated with therm national generation relative to renewable generation. How much is this affected by the fact that a lot of the genes on sale happened just a -- gains on sale happened in a couple of months in 2012? And it was thermal generation that we were selling during those months. >> Right. The way it works in the markets is the renewable energy is not dispatched the same way because you can't press a button and start it. It's dispatched differently and as sheryl said it has really zero price. It just gets netted -- we just net it against us. We don't have to buy the energy because we're getting it. And that's the way that it settles out. >> The difference between what it earns in the market and our purchase contract. So because it's not dispatched, as larry says, it's entered in and we offer it in at zero dollars so that it always dispatches. >> Spelman: If we produce it it's out there. >> So it's producing, but what we get paid by ercot is less than what we owe our counter parties. So that repsents that difference. So when it's there on peak, it's great. It's probably in the money in those cases, but, you know, this evening at 9:00 it may not be in the money, but it's still coming. So it's really the net

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difference between what ercot is paying fisher house that energy and what it's costing us to buy it through our purchase power agreement. 2012, if you look at the data, 2012-2013, we were about six million dollars off, six million dollars to the better having everything in the market. I think that's where we want to be. We don't want to be overforecasting wholesale revenue. That got a lot of utilities in trouble in the early 2000s with the markets and everything. In fact, it became very difficult for public systems like us to forecast that wholesale revenue because you have really good years and then you think well, I'm going to keep having those. But I think that 2012 is really a good year going forward to us to look at the performance of the system and how it really worked. >> Spelman: A fairly ordinary year. >> Yeah. However you define ordinary. >> Spelman: We define it differently now than we used to. Last question on slide 16. This is -- first a quick question. You mentioned what all of these plans were except nac and I'm just blanking on what that is. >> Nacogdoches. That's the bio mass facility. >> Spelman: Okay. >> And you can see that in 2012 l and p means locational marginal pricing and that's the node, if you will, that we transact at. And that it was okay in that particular case in 2011. But so is decker. To give you an idea, decker, we made wholesale about $40 million that year in decker, but in 2012 it probably cost us 22 million in our portfolio. So it's up and down. And I expect at nacogdoches it will be challenged at the top end of that. >> Spelman: It looks like it's challenge under our current prices. >> Correct. >> Spelman: Just a suggestion.

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Since we are bidding our solar and wind at our marginal cost of zero, then if we were to put that on this graph it would be way over on the left at zero, wouldn't it? That's our marginal cost. That's where we're bidding it at. Everything we get back for that. >> No, it would not. In fact -- in fact, it would be really hard to do because it doesn't get dispatched in the same ways that these do. I think that sheryl stepped in and -- sheryl step in here and hit me if I say something the wrong way w he did have that ask, maybe we ought to put it in here. And it just is so hard to do. Webberville, as an example, the power costs of webberville is, what, about 16 and a half cents a kilowatt hour. And it's more expensive than nacogdoches. However, it has a different set of values that come with it too. And so recognizing all of that the best way we can do it is frankly because it's not dispatched in ercot, we felt like we really can't put it on here because it's not a fair measure of its value. Depending on -- >> Spelman: At some point downstream I'm going to ask you probably privately so explain that to me in greater detail but I don't want to take the time with the council. >> It will take somebody wiser with me. >> Spelman: You can bring that wiser person with you. Thank you, larry. >> Will do. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: I will try to make it quick. I know we have a lot more to do. I want to go just briefly to a couple of things. One on the current resource plan. I know we've talked about the 800 for the gas and as I understand it, you've suggested that in your estimation that is sort of how we have to adjust it to be where we are today. Is that correct? So it's not been adopted by council. >> Right. >> Morrison: So my ask to you is if staff feels the need to make adjustments or

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propose or just sort of do a calibration between the ones -- between the times that we adopt a generation plan, if you could mark them as such explicitly because we've had a whole lot of questions about that so you might present the current -- this is not the current generation, the resource plan. To me -- isn't it. >> Actually, we did bring that forward in the 2012 update. So it was presented to council during the 2000 plan update. >> Morson: You were saying we voted on it and adopted it.>> I don't know during the 2000 plan update that we voted on it and adopted it. We didn't really spend a lot of time after we brought that forward. But it was part of the recommendation in the plan. >> You're correct that it was not officially adopted. The last time the generation plan was officially adopted was my chris ening here I think through the affordability stuff in the 2010. The council did not want the plan adopted until the affordability issue was addressed, which was addressed in the fall and I think that automatically adopted the plan that you had adopted earlier in the year and it did not have the 800 in there, you're right. And we footnoted that that it's a potential. >> Morrison: I think that we really need to be able to distinguish what has been adopted by council and explicitly and what has not. And we will be adopting a new one explicitly next year. >> That's right. ,. >> Morrison: And I think just for transparency sake and so everybody knows what starting page we're on for the discussion of the scenarios, that would be real helpful. And then I want to weigh in briefly also on the issue of fayette, my main goal is taking the pollutants out of the air. The only thing that I can really support is making sure that we get to a point where we can do that.

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And then we will be talking about the value of solar and this is a question that's sort of a bridge between the two topics when we see on the slides that the plans increase in the capacity and the maximum charges in ercot, how do those kinds of increases then get folded in to get folded into the value of fuller because maximum peak costs can start -- will be more. That means the value of solar, which performs at peak, will be higher. >> First of all, there's very few hours, there's very few hours in the market where these market caps get to. So yes, there's a lot of value to having energy available from any source when you get to those hours, but those hours are very, very few. And we're just making a point that the market caps have been rising and the strategy for the market caps has been to try to stimulate additional generation being constructed -- constructing in the state, but the issue is it's not working and they need to figure out another market way to get at it. >> Morrison: Are you telling me that increasing the caps is not really going to affect our bills? It looks really scary. >> The market caps are what we trade at. That's what we trade in the market a so those caps have been -- have been raised and I'll let sheryl. >> I think the easiest answer is to say inasmuch as the market caps influence the overall energy market cost in the years that they're increased, the value of solar would recognize that increase. It won't be a direct that every hour of the year, is

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what larry was saying, is not going to be at $9,000 per megawatt hour, but inasmuch as the caps going up influenced the entire ercot wholesale energy market up they would be reflected in the value of solar as it relates to the cost of energy. >> Morrison: Okay. And last comment is -- and I realize this is another comment about the generational plan. We did adopt a resolution not changing the solar goal, but sort of refining our expectation of the solar goal. It does seem to me it would be appropriate to put a footnote on. >> That would be part of the update. >> Morrison: Good, thank you. >> Morrison: Councilmember riley. >> Riley: Thanks, mayor. Larry, just a few questions. Starting off with resource plans shown on slide 4. I want to confirm what I think I heard from sheryl. That is that the amount of renewables will be subject to discussion and the course of the plan update that we will be embarking on at the beginning of the coming year. So right now the resource plan shows us hitting 35% renewables somewhere around 2015, 2016 and remaining flat out until 2022. And you're not here to say that we're locked into that plan from austin energy's perspective. You understand that will be subject to discussion and you fully expect that there will likely be great interest in seeing what we can do to increase our renewables beyond that goal that we've previously set. Is that fair? >> That's fair. We've based this forecast on the information we know today. >> Right, right. I understand that and appreciate that and I kind of salute you for having worked towards hitting that goal, the 2020 goal four or five years early and look forward to seeing what we can do to go beyond that. I want to make sure we're

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all -- we all have the understanding that we're not here saying we expect to remain at that level of renewables for the foreseeable future. In fact, we expect that will be up for discussion in the coming year, is that right? >> We have forecasted it out as maintaining that goal to 2022, but we will run scenarios that would offer an opportunity to look at what the cost is of going beyond that for consideration during this resource plan update. If you would like to see those scenarios, then yes, we will bring those forward for consideration. I'll and over on slide 15 where we have demand and resource capacity, I notice that energy efficiency ant listed as one of the ways that we can meet nan, but it's simply reflected at a footnote at the bottom saying that demand is net of energy efficiency and conservation program impacts. So I just want to get some understanding of what assumptions are going in to that? Are we making any particular assumptions with regard to our level of investment in energy efficiency programs and the amount of savings that we expect from those investments? >> Yes. We have the 800 megawatts of coincidental peak reduction that would happen due to our energy efficiency programs and that is in the plan. >> Riley: It seems like since that is an investment that we are making that has an impact on this chart, it seems like there might be -- it might be helpful to figure out a way to convey that on the chart so we understand that that is one way of meeting our future needs given that the cheapest form of meeting our needs is by avoiding the need for that energy in the first place through energy efficiency. And that way of addressing the need is not really effectively conveyed in this chart. If there's another chart I should be looking at I appreciate that, but I just want us to keep energy efficiency on the front burner as one way of meeting

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future needs, and this chart doesn't do a very good job of that. >> It's in the load forecast and continued out through the period, so I think you're saying how do we extract and show the value of it? So the reduction is built into the load forecast and then we continue it out at the same right as equivalent to the 800-megawatt goal. That's something that certainly could be stretched and analyzed as well during this study period. >> Riley: That reflects a decision about amount of investment we are making in energy efficiency and that there could berent it judgments about the amount of energy we make and that could have different ramifications in terms of the savings we could achieve. Energy efficient sit should be seen as one way we can meet future needs just as these other options are. >> Showing what it would have been and could have been and the cost of that improvement. That's good information that we'll make sure is available at stakeholder meetings. >> Riley: And the level of investment that we expect to see going forward. >> That's a good point. We can certainly change the graphics to reflect that. That in fact is the way that we do do that forecast. We net that. It's like negative energy sales or load, if you will. If affects our forecasts. So it is definitely in our forecast. But we can put it on a graph like this too. >> Riley: That would be helpful. On the proposed timeline, the very first step is targeted briefings and stakeholder input meetings. I want to make sure we're on the same page. On the next slide you mention that you expect that the shareholders can expect austin energy to provide the scenarios that austin energy proposes for study. I think when you're saying is that would mean that first round of targeted briefings and stakeholder meetings that you would present the draft scenarios for feedback so that -- >> we'll provide the scenarios that we think are relevant to be studied and certainly be looking are there some that we haven't thought of? Are we going to get people who would say can you do everything with renewables? That would probably be one of our scenarios is study.

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That's one of the things that people are interested in and we want that input. We'll share everything that we have on our list. >> Riley: That brings me to our last point about fayette. I want to join in my colleagues' comments about interested in seeing information about options in regards to fayette sooner rather than later. Since we'll be getting into the proposed options in the beginning of the year anyway then it seems like that we're not really -- it shouldn't be asking that much to lay out some of those scenarios in some detail by the end of this year because we're going to need to be preparing the scenarios anyway. It would be helpful to flesh some of those out. What are the options for -- do we have any more information about the role -- about how ercot or lcra would view our ramp down of fayette? Are there any realistic scenarios of our conversion to natural gas at fayette. We've asked for the whole range of options and I hope I can see those by the end of the year? I think that would be helpful. I'll just join in the comments of expects and morrison in saying that my preference, strong refuse preference would be to figure out how we can ramp down fayette, the carbon emissions from fayette completely as opposed to just selling it off to someone else who would ramp it back up. Thanks for your presentation. >> Mayor Leffingwell: Okay. Before we take up items 2 and 3, we do have a lot of folks signed up to speak. Everybody is in favor except for one person who is neutral, whatever that means. If there's no objection, council, I would like to suggest that we limit public testimony to 30 minutes, which would be 10 speakers. Is there any objection to that? Okay. >> Tovo: No, I do expect. >> Mayor Leffingwell: I just want to say that you may not have a full council here if we go ahead. Certainly there has to be time for the briefing and

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discussion among council and trying to allow for that possibility. >> Tovo: I know the briefings are important and we've delayed them several times but I know we have a good number of people here who wanted to attend or did attend the council meeting, but because they sensed it would be postponed didn't talk at that setting. I know we have one out of town expert here to speak to that issue and I think it is an issue that has generated a lot of interest in the community so I would ask the council to, with all due respect, to hear the folks who would like to speak and then we could ask those of you who are here to say nothing more than I support it, perhaps you could keep your comments very short to allow for those who have other items to offer to go into more depth. >> Mayor Leffingwell: Other objections? We'll go ahead and hear everyone with the knowledge that we may not have a full council here for the vote. So go ahead with the briefings on items 2 and 3. >> Good afternoon, everyone, jj gutierrez, vice-president of customer care services. And I'll be briefing you on item 2, customer assistance program update.

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I'll start with the customer update. You've seen this chart before and so I will kind of go through the changes between the old program and the new and highlight some of the key points. And really the key point on this slide is that the old tariff really had a limited view or limited set of eligibility criteria and the new tariff broadened and enhanced the criteria allowing many more customers to be eligible for the program. On the next slide it's an update on the enrollment during the past year, during fy 2013 and into the beginning of fy '14. Automatic enrollment began in september of last year, of 2013, and you see a significant increase in the enrollment numbers. Even more significant is the increase that we saw in october and we're expecting in november and december. We're expecting to hit our 30,000 target mark this month, so that's a key point. The next slide simply describes the value received by the number of -- the amount of discounts received by customers each fiscal year and how it's grown since the inception of the program with a culmination of $5.1 million received in 2013. The next slide actually talks about how that fell short of our expectation. We collected in our customer assistance community benefit fund $10.4 million. And while we expended 2.9 for discount customers,

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15,000 for weatherization, we saw a reserve of $7.4 million. So what we plan to do about that is really the bullet from the top of this slide, 2014 action plan. We plan to increase the enrollment which had been capped at 25,000 customers, to about 30,000 customers, and we feel keeping a higher level of 30,000 customers through the whole -- through the whole fiscal year will use up or will pretty much equal the amount that was not spent in the previous year. In addition to that, we plan to increase the financial assistance funding, and we call this program plus 1 and that's the one time donation that customers received from 600,000 in fy 2013 to one million in 2014 and then we plan to increase the number of homes weatherized. Again to use up or to sort of increase the amount to take care of the underspending from 2013. Moving right along, these charts simply provide you some context with what the average customer would receive as far as benefits. In 2013 you can see that's increased quite a bit from the past years. In the next slide, automatic enrollment timeline, this answers the question how do we get to the point where in september we finally launched that automatic enrollment program. And really, down the first column are all the tasks that had to be completed in order to launch that program.

And you can see that the bulk of the tasks that took the longest that included contract negotiations and

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contract renegotiations with our partner agencies. On slides 8 and 9, we described the part of the program that our discounts steering committee really focused on. And this is -- now that we broadened the number of eligible participants, how do you allocate amongst the benefit categories? So the discount committee did an extensive study and did an allocation based on what they knew the participant levels were in each of these programs and then subsequently the number of slots or allocated funding this allocation schema allows us to make sure that everyone in each of these eligibility criterias gets enrolled proportionately in the program. So we don't have medicaid taking up all the slots and no one else, m.A.P., Chip recipients, receiving the ability to join the program. This makes sure that everyone gets an opportunity to be on the cap discount program. The next slide describes how we've implemented that the recipients on the benefit types are on a wait list because their allocation has been used up. So on medicaid we've enrolled 14,879. And that maxed out their allocation amount. So we have 2,224 that receive medicaid that are on a wait list. These numbers will change as

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we enroll up to our 30,000 so I'll provide you an updated wait list as I receive our november and december numbers. The next slides deal with the plus one program and again, as I described it's a one-time financial support program for customers that have an emergency with regard to their finances. The most salient thing about the plus one program is that it utilizes a pledge process and the pledge process is one that we've discussed in the past where agencies can pledge an amount towards the customer's unpaid balance. And sometimes austin energy may match that pledge amount, but it helps the customer in that need, in that state of emergency pay down the account. So I've described the plus process for you on the slides, but I'll move on to talk about how we have managed through that process in 2013 and you see we've served a few more homes and households in 2013 than we did in 2012. That's because we've increased the funding. And on slide 13, really it shows that although we served more homes, there are many more homes that were in need. So that's what slide 13 shows. Slide 14 is an outreach that we've purchased in 2013 and it shows the things that alerts or notifies the community as to what there is out there to help them. Including resource fare. And finally slide 15 really summarizes kind of the salient points. We've implemented the program changes, we're

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enrolling all across the criteria, all of the benefit categories aing served. We've got an allocation process that helps ensure that all categories are included. And we will be increasing the 2014o account for the 2013 shortage. Are there any questions? >> Tovo: Mayor, I have a few. Thanks very much. I'm really pleased to seethe expansion of the program and that it's reaching more people. I really want to ask you about the reserves. We had a -- some pretty lengthy discussions about reserve funds during the rate case. I guess the one area I hoped not to see a reserve fund was in a cap program which we should be spending it. So can you help me understand why we underspent in terms of the disbursements by seven million dollars by more than 10 million when we have 9300 households who aren't able to be assisted? I assume it has something to do with the allocations, but it seems to me those are really in my opinion largely out of balance if we have 9300 households that have requested assistance that can't receive it. And we have seven million dollars sitting in a reserve fund that could be helping those customers, especially if we get to a period of time where it's freezing outside. So I have a few other questions, but that's my top one for the moment. >> The it's a good question and important for everybody to understand that we started the program with this new line item and of the source of revenue for these programs. And so the revenue was coming in constantly, but the sign-up of new -- of people for the program

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lagged that. So what's going to happen is they're both going to meet what time out here in the future. 2014. >> In 2014. So it's really a function of the start-up of the program. So I really wouldn't call it reserves. It's just that the revenues started coming in from the bills and the sign-up was going on and there's a gap between the revenue that we had coming in and when we fully allocated it to the consumers. So it's probably not a good use of words to call it reserves. It's really revenues for the program. As jj has talked about we think that if we keep it at the 30,000 mark, we'll be able to fully exercise that, those funds. I hope that helps. >> Tovo: Yes, it does. So there's not a goal to have any kind of reserve funding? >> none whatsoever. By going to 30,000, we think we could be a little bit above it and try to get as close to it as possible. That's what we're trying to do. >> Tovo: Could we talk for a minute about the allocation? I was in touch, and my staff were in touch with representatives over the last couple of weeks about a potential individual who it's my understanding is now on the wait list for the customer assistance program, qualifies, but is on the wait list. If we're encountering customers who seem to really need to be enrolled in the program, but they're being told that they're on a wait list for it, does that mean they're falling into one of the categories that has already met its allocation? >> That is correct. >> Tovo: So I hope that the discount steering committee is also really looking carefully at those allocations to see if that really matches the profile of people who are in need. Are they revisiting that allocation pretty regularly. I see it on their agenda. >> They are revisiting that allocation and now that we have actual data they will be revising for the fy 14

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year. >> Tovo: How soon do you think they might make revisions to that allocation? >> I don't know the answer to that. I know again it's on the agenda and they meet once a month in and the next meeting is in december. It's on slide nine and it -- this was a snapshot for the november meeting and it includes the october numbers. So I will have to update it for november. And provide that to the discount steering committee, but this was a snapshot based on the end of month october. >> Tovo: So there are about 17,000 people on the waiting list. >> Correct. >> Tovo: And there's more capacity within cap, but they don't fall within those allocations. >> Correct. >> Tovo: Okay. I think that's it for me right now. Thank you. >> I guess given the time of these briefings I'm going to try to use at least one sentence per slide as the pace we'll go with one big semi colon in the middle. In regards to the collections overview, this is just simply our recommendation as it has been brought to our attention about the need to develop administrative rules to further help those customers in our cap and low income area. While refer to them as repayment arrangements.

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This third slide, you've seen this before, this is our collections process. We're talking about those that come into the process after the bill due date. I want to emphasize that the process is highly automated so a we make these changes that's something that has to be taken into consideration. How does one get disconnected? It's really the period past the due dates, but we also have continued communications with our customers. And as you can see, when you think about 300, we have about 480,000 accounts. If you take out commercial, we're dealing with approximately about 360,000 customers. The charts on this slide tells you that if you look at the 74% or -- total, I'm sorry. The 39, 390, if you add that up as an entire is about 50,000 customers. That means of the 360,000, 310 never really come into this process at all. About 39,000 even after we send a notice actually take no action based on our contacts with them. The next slide -- the next circle gives you an indication that even when we go beyond that notification and do a 24-hour door hanger, only 514 customers, on average 500 customers, even go beyond that process. The point of the slide is generally the discussions that we're having around payment of plans and arrangements, we're really talking about a very, very small narrow ghroup of individuals. The next slide even further defines that. When you look at customers throughout our entire negotiations who actually get disconnected at some point in time, you're looking -- if you look at the 2010 comparison to 2013 is roughly the same. And what you will see is it's really about .46 --

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.46% of our customers who really [indiscernible] the process. And when you look at those customers of ours who have the highest need, the percentage is even smaller. So whate've done throughout these -- these discussions on this next slide is we have put forth -- given that we have suspended our disconnection policy as a result of us putting in a new billing system, some of our customers did experience a much higher bills during that time period. So what we have done since june of 2012, we've suspended our normal regular process and added a bunch of special provisions that we've extended our payment repayment plans. We've also allowed an addition from one payment plan three. And we also as recently as our discussions with council added a fourth payment arrangement that also suspends the 50% down payment if you were disconnected. Basically the next slide is a summary of practice. Even the additional interim policy that we have put in place. We don't disagree that we should be helping our customers. We believe we should and we take that responsibility with a great deal of sensitivity and we do. We've looked across the country and we believe that we have some of the best policies across the country in regards to utilities. When we look at the population that we really are talking about, we're talking about 5,000 customers who may go beyond the three payment

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arrangement policy. And when you look at that number, those who actually break those arrangements where you look at the last column where it says one, two and three and then the very last column it says broken, broken, broken, we really are having negotiations and special provisions for about 1200 customers. So when we look at the policies, our concerns as you give us guidance on the ordinance or the provisions that you've already asked us to work with the special advocacy groups is that we find policies and discussions around really helping those who have the greatest need, but as we mention, there's a great deal of our customers who never really come into this process and as we look at the rules, we just want to have some precaution that we don't create some unintended consequences and some impacts that cause customers to have greater bills and debt than they would have at the present. We have charts to demonstrate that basically if you look at the red basically what it shows is the additional payment plans that we offer, the longer they go, the more debt the customer owes back to us. Wick talk more about that in the question and answer. And the last slide is a demonstration of accuse taking an account a little -- taking an account a little before the summary. We took one specific account and showed how it would work if a customer had a specific amount they owed. They went partially through that plan, rolled it back into debt, paid a smaller amount on that dollar amount and as you see in the red line before a very short period of time in six to nine months the customer actually owes much more than

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they started out with. So we want to work with these customers. We want to continue to build the policies that bring the kind of assistance that helps. But again, we just want to caution against the unintended consequences. And so our recommendation is that you tablet direct us in as we work with the community advocacy groups to develop the administrative policies to work with the particular customer class a little bit more narrowly defined and what provisions that achieve that objective and also achieves our fiduciary responsibility to good debt management. [One moment, please, for change in captioners] >>... Substitute repossession. Not good. Number 2, let me tell you this much, mr. Mayor and please, please, listen to what I say. I know sometimes y'all cop an attitude, that's okay. So will i. Rental lease agreements, it states here, tenant [indiscernible] will not

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allow electricity to be disconnected due to non-payment. What does that do if you fall behind? If you are disconnected you are evicted so guess what, more homeless people in the streets. Families, kids, not acceptable. We need to do a better job, provide more better services for people that can qualify for this payment assistance. That is very essential. We veterans, military veterans, served in the war, some veterans did. We're here to tell you, we're meeting on these issues, we have met specifically on these issues, he want to thank the city manager, jj and mr. Overton for providing help for some of the people that needed help. But we need to do a better job of that. Ladies and gentlemen I'm going to cut it short because you have a lot of speakers. But we have better do a darned better job of providing services to the people. This is cold weather. It said on the slide something like 38 degrees or whatever. Should be

40 degrees, also, because senior citizens are hurting and they do suffer when they don't have heating because they don't have utility -- their utilities are disconnected. I'll leave it at that. Councilmembers please vote for this. Both of you, I heard two of you are not voting for it, but this is a good issue that you should be supporting. In and for the best interests of the public and the taxpayers. Thank you very much. John [indiscernible] donating time donetta cooper, shirley johnson. I see you shirley, karen miller, liz [indiscernible]. You have up to 15 minutes. >> Okay, I will try to be less than that. Thank you very much, john howe national consumer law center, I certainly appreciate the opportunity to speak on this issue. Before you today. I have worked at national

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consumer law center which is law and policy advocacy group based in boston with an office in washington d.C. I work at nclc exclusively on energy and utility issues, advocating primarily for programs, regulatory policies that help ensure a home energy security that many customers across the country don't have today. The ways in which we really focus on that home energy security are through program designs, dealing with affordable payments, an austin energy representative talked a little bit about their program and earlier, a few minutes ago, we were very much involved across the country with design of repair funded programs in that regard. We also focus on regulatory consumer protections such as the proposed ordinance here before you today. We work on payment agreements as well as notification processes, dispute resolution processes, shut off protections for elders and other vulnerable customers, weather-related protections and then the third piece of the home energy security that we really focus on has to do with energy efficiency in the home. It's -- it's an important cornerstone of that security as well. I handed out some talking points. I hope to speak to those in the next five minutes but before that I would like to mix up the order that you see here a little bit and talk about the elephant that's always in the room

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with a proposal like this and that's cost. The issue has already been raised in discussing the previous matter before the council. In discussing costs, I would like to back up for a moment and think about what a deferred payment agreement is. What we are dealing with is customers who have already accumulated some debt at some level. Before anyone has offered a payment plan, obviously there's a back bill. So we're dealing with some costs that have already accrued or some potential costs to the extent that those can be written off by a utility as uncollectible accounts or bad debt and then absorbed by the rest of the utility system. Those are real costs. When a payment plan doesn't work, those real costs become actual. Those potential costs I beg your pardon. So yes there is a cost consideration here, but the extent to which we're talking about new costs that did not -- that weren't on the table previously is a matter of -- of debate in my view, well, if working across the country on this matter with the design of deferred payment agreements, it's become clear there are a couple of essential components if we want them to work. By working that they actually help customers retire their debt, that the -- that that debt is paid in full after a certain period of time and they work -- if a utility customer who had a debt remains connected to the

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system, a system that provides an essential service. As I'm sure we're going to hear more about in the afternoon. But in order to -- to have a plan work, payment -- repayment has to be on reasonable terms. And with respect to lower income households, that means the -- the actual income and expense circumstances of that house hold have to be accounted for in some meaningful way in that repayment term. If we want and expect these payment plans to fail, then make a repayment term that's not reasonable and that's not affordable. And I think, if you look at -- I don't -- I didn't see it on the slides, we just looked at, but I had seen a graph distributed by the utility at some previous date that shows the payment plans they've offered over the past several months and we see that the proportion of those payment plans that are offered, only a tiny proportion of them are successfully completed. So we know something isn't working. I would suggest that that reasonableness component has something to do with that. In addition to reasonableness, I think it's important to -- to bear in mind, if I may, to suggest that at least for low income households, income and expense circumstances are fragile and they change. A lot more rapidly than often is the case in households with higher income. If you are working and supporting a child with a -- with an hourly wage job that doesn't include any -- any time off benefits, any paid leave benefits, doesn't

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include health insurance and you have a sick child, well, you can see where loss of hours and loss of income would occur. There's greater mobility in lower income households. These households tend to be subject to a greater extent to rising rent costs that austin is experiencing right now. So -- so if we -- if we go along with the assumption that the -- that the stability and security of household income is more fragile than lower income households, then I t we need to take a good look at the renegotiation, initial payment of agreement occurs if we want them to succeed. Now, the ordinance before you has provisions for renegotiation which in my view make a lot of sense and this is why. They do not allow for continual renegotiation, time after time, and allow for a customer to just kick the can down the road while accruing more and more debt. I think there was -- I'm not certain who the drafter of this proposed ordinance was, but I think it was well done in that -- in that it states that the customer has to clearly demonstrate a change in circumstances and really a profound change in circumstances before a renegotiation has to be allowed. So there can be -- you know, initially, if we initially establish a reasonable payment agreement of I believe 24 months is described in this proposed ordinance, and have reasonable renegotiation terms, then the likelihood

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of success increases. I wanted to -- to touch on another aspect of -- of success. In my view, transparency and consistency of minimum terms is required as well. And the need to communicate to customers in arrears about the availability of a workable plan, rather than communicaing either a plan that's unworkable or not making customers available of payment agreements at all, that -- that clear communication and transparency is required and it is more the rule than the exception in states and other jurisdictions across the country that there is indeed codification and transparency of the minimum payment plan terms and other payment plan design features. So codification of provisions like this is not at all unusual. You would not be breaking any new ground and it does assure or at least provider greater assurance that a customer in some sort of financial distress who is facing a loss of utility service has very clear information about what the rules are, what the expectations are, and -- and that those minimum expectations are communicated to everyone who comes through the door and not just those customers who are fortunate enough to get a customer service rep who -- who might be able to support better terms than the customer service rep to their left. And I -- I don't mean that in any disparaging way

[09:42:30]

toward this utility or to suggest that they -- that there's anything other than good service going -- being provided there. There is more on this one pager I handed out, but in the interest of time, I -- I'll stop there for now. But -- but would certainly welcome any -- any questions or discussion now or at any point in the future. >> Mayor Leffingwell: Okay. Ruby roth. >> Tovo: Mayor, I do have questions. First of all I want to thank you from coming all the way from bros stop to speak to this resolution and ordinance change to offer our hope that our unseasonably cold weather doesn't prevent you from returning home any time soon. Thank you for your expertise that you have offered. Can you talk for a little bit about the payment arrangements. You have hit on one point that has been a point of controversy in discussing this issue. That is the idea that the ordinance before us would permit endless renegotiations of payment plans. I believe I heard you say that's not really in anybody's interest, either the utility or the customer. >> Yes. >> Tovo: But that you felt the language in our ordinance really limits that to some very profound changes of circumstances. I'll credit ms. [Indiscernible] for helping us work out what some of those bullet points would be. She's the drafter of that portion, I think she did do a very good job of isolating them to just really unusual circumstances. >> Uh-huh, right. Subsection f of the proposed ordinance very clearly states that there will be renegotiation and I would quote, "if the customer can then demonstrate a bona fide need for payment relief arising during the term of

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the agreement." And then there's a list of -- of examples of the sorts of circumstances that would be required. To suggest that there would -- a customer could simply game the system and load increasing amounts of debt for devious or irresponsible reason on to an existing bill, under -- under the language right here, I -- I would suggest, in my lay reading, not being an attorney, I would suggested that wouldn't be allowed here. I would add this really is intended to get at the vast majority of -- of those lower income consumers that experienced utility bill payment troubles. I'm sure there's a few we might identify anecdoally who might game the system. This is samed at the vast majority of -- aimed at the vast majority of late paying customers who are experiencing economic difficult tees and I think -- difficulties and I think we have solid evidence that goes beyond anecdotal, that we have empirical evidence regarding the increasing number of households in austin and certainly the rest of the state with income that's insufficient to meet the costs of basic necessities.

[09:46:34]

I think look knowledge at the ordinance from this perspective, that there are those whose income simply is insufficient to pay for the kids' clothes, your housing, your medical costs, transportation and other -- other necessities. I know there can be an argument about what's necessary transportation, counselor, but -- but anyway. The point is that there is an income expense grab that's growing, if we want these sorts of structures to work, they have to be designed with that recognition in mind. >> So it sounds like you would agree that having an infinite number of renegotiations isn't -- isn't in anybody's interest. But this does not create that ability to have endless renegotiations with those customers. >> Yeah. I -- there -- there needs to be a -- a serious and good faith effort made by all households, irrespective of income, to remain current on their bills and to -- to do what's in their power to make timely payments. And it appears to me that -- in the way this is crafted, that -- that there's not an allowance for, you know, this isn't just a give away. And -- and to that extent it's not an addition of costs. In fact, if we have continued lack of success with deferred payment agreements, utility system costs will be -- will continue to grow. And -- and a well-designed system can mitigate the bad debt costs and some of the working capital costs that a utility faces when -- when bad debt increases and customer arrears increase. >> Tovo: So I assume that increase in system costs happens when you have an

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increasing number of customers who have a broken or unsuccessful payment arrangement and then there is debt that the utility then has to write off. >> That's correct. Call it bad debt, uncollectable accounts. But when the deferred payment agreement system doesn't work or you don't have a programmatic structure, some people refer to it as an arrearage management program that's a little bit beyond the scope of this particular ordinance, but without such a mechanism, if you don't deal with customers with real actual payment difficulties, with their back bills, then they end up as bad debt. And I think there's plenty of evidence around the country to confirm that. And we know that bad debt is absorbed by, particularly with the municipal utility system, by the remaining ratepayers. >> Tovo: I think is this the chart that you were referring to earlier that shows the different -- >> yes, I think so. I take what you are saying, this was on page 6 of the memo we received from austin energy on november [indiscernible] it shows the number of people who have active payment plans and -- and the number of those, the red shows the broken payment plans and the green shows the successful payment plans. >> That's correct. >> And they're -- if I understand your point, there's -- there's not a lot of green. We have a lot of red. Indicating broken payment arrangements, but not a lot of green. >> That's correct. >> So I guess the point would be that we need to look at our payment arrangement system and figure out how to make those customers be more successful in keeping their payment

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arrangement. >> Right. What are the ways to extend the green on that chart to take up more of total height of those bars. >> I guess I have one last question for you. So we put forward an ordinance that has a series of provisions in it, austin energy has responded and said that, you know, that one of those provisions at least one of those will become their administrative rule, that's the removal of the 50% requirement for customers who are disconnected. I wonder if you could just speak to a point that I believe I heard youddress in your discussion about the benefits of having -- having provisions, customer provisions for deferred payment agreements and related issues. Having those codified rather than in administrative processes. And if you could kind of link that to your work around the country and how you see what are some practices you see at different utilities. >> Sure. Well, I would reiterate that codifying reasonableness standards and provisions as well as minimum payment terms, eligibility requirements, negotiation and renegotiation requirements, are -- are codified. In states across the country. Further suggest that the vast majority of all utility systems in this country offer some sort of deferred payment agreement but the terms and conditions are indeed codified in many states. As well as in other municipal systems. Certainly I would be happy to -- to -- since at nclc we track these provisions pretty carefully across the country. I'm happy to share this

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information with councilmembers and anyone else who may have an interest. [Indiscernible] also a more informed customer base so it's transparency and -- and -- if it merely is putting into the law, the -- the practice that -- that currently exists at a company, then one would think there would be no objection. I'm, you know, we're already doing this, so go ahead, make it the law. You know? But -- but if -- if additional provisions or modified provisions are being proposed, it makes sense to codify them so everyone, the public, ratepayers, program administrators, advocates that may represent consumers, that everyone really has start from the same base and knows what the rules of the game are. >> Morrison: Thank you, I really appreciate your points and just have one question for you. What stuck out to me in your comments, especially, was we need to make it possible for these payment plans to be successful. Otherwise why would we expect otherwise. And there's one element of the proposed ordinance that I don't -- I apologize if I missed you commenting on it. But it's in part 3, section e, where it actually defines what a reasonable monthly payment would be month someone that's on the customer assistance program so economically vulnerable may be at that already. I realized that we don't

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want to get our utility into the business of having to go out and check everybody's income. But I could imagine that it could be at the election of initiated by the customer if they wanted to go forward, come forward and say, look, this proves my income level and I would think that they would have that available because to be in our cap you have to be eligible for a program that already requires that you do that. Could you speak to that in terms of do you think that makes sense, do you see this kind of thing around the country? >> Absolutely. This speaks to that whole reasonableness concept and affordability. My reading of this proposal is that what you are proposing here is that rather than looking household by household at the actual income and expense circumstances of house hold, which really requires a -- a large administrative effort, what this does is -- well, if you -- if you participate in the cap and in my view I'm not familiar enough with the -- with other means tested benefit programs that are available in austin and in texas and I apologize for that. But if there are other programs with similar eligibility, income eligibility guidelines and a customer could demonstrate eligibility or participation in one of those or the cap program, then that should -- that should be sufficient evidence of -- of qualification to receive these payment plan terms. >> Morrison: Right. In fact I think that I got a

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little askew there, you are absolutelyight. This just says if you are in the cap program, then we know that you're in another program because that's what it takes to get into the cap program. So I would think that that really helps to define reasonable and could lead to more success. >> I agree and certainly the 5% of the payment that doesn't exceed 5% of the monthly poverty guideline would -- I would argue this might read more accurately that -- that the monthly payment that exceeds 5% of the us hhs monthly poverty guideline, just as a clarification, for a single person household would make a lot of sense. But administratively so much more simple. >> Morrison: Simple, right. >> In new york, for example, a great deal of utility personnel is devoted to working out payment agreements because for each household that comes in, a review of that house hold's specific income household budget changes, the potential for changes in income, what the arrearage was previously, I -- many of these factors are reviewed separately and one of the elegant components of this proposal, I think, is that it cuts back on that administrative complexity by providing a kind of a proxy for -- for determination of need. >> Right. Great. Thank you very much, I appreciate your being here. >> Thanks for the question. >> Ruby roth.

[09:58:47]

>> Is -- so you have up to six minutes. My name is ruby roha, a member of austin interfaith, a member of the ladies of charity, a catholic organization and we serve the poor. I'm here today to ask you to please pass this ordinance. We get daily phone calls. We make weekly visits to -- to people's homes that are not able to pay their utility bills, the rent, we provide -- we try to provide within our budget resources to help these people. I'm not here today just to complain about, you know, austin energy. Yes, I think they can do a better job, mr. Mayor. I think what we need at austin energy is better communication. We need the customer service reps to be trained better. To be a little -- to have a little empathy, a little compassion. And to care about the citizens of this city. You know, I know that most of you know that I work there 27 years ago, and I see one of the attorneys here, ms. Rojo, she can tell you that I was probably one of the most energetic people to go out and get the dead beats. But what -- we're not talking about deadbeats here. We're talking about poor, working families. We're talking about people like you and I that maybe, you know, they've gotten sick. And they've had some big

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catastrophic emergency and they're not able to pay these utility bills and when we call austin energy, we're not getting anywhere. And I think that you each -- each councilmember knows that because we're reaching out to you to help us get through austin energy and many times that has not happened. If the councilmembers cannot get through austin energy and help your constituents, who will? That's why I'm here today. It's that to -- to -- to ask us to please pass this ordinance. Because we need your help. Our people need your help. I was in a meeting with carry overton, he says well, ruby, you know in the past 14 years things have changed at austin energy. Well, I know that. But one thing that should not ever change is how we treat people that we treat 'em basic manners, respect, and maybe we need to give them some training on civility. And that's where there's -- there's lacking the communication. You know? Training. So I urge each and every one of you to please, you know, do some soul searching here for those of you that are on the borderline of not supporting this (o) because we, our citizens need this ordinance. Thank you very much. [Applause]

[10:02:56]

>> [indiscernible] whiteside. >> Good afternoon, my name is cora white side. I'm an austin energy customer. Not so long ago my lights were turned out. Before they turned them out I told them that I'm going to be a little late with my payment, can they allow me to wait and make that payment? They didn't give me an answer. But they turned out my lights. I am a senior citizen. And I cannot continue to pay that large bill that tey keep adding on. If I asked you to let me pay it next week, you should give me a chance to pay that next week. Okay? My son called. And -- and he told the -- he told them that he's going to help me out, but they told him "your mother have 24 hours to get out and take her oxygen machine with her. And he said he fought this war in iraq for the united states and they told that to my son. Why was he fighting? He don't know. And -- and -- okay. Okay. >> I am originally from new

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york city and I never -- never ever went to this with con edison, that's what they are called in new york. And like john was saying, the way they treat us in new york as an individual, but they do help. But it's not the same way because we don't have the same problems. This is where we get our help. I never, as long as I lived in new york, have any lights shut off. So anyway, they were for the people. And that's what we need here. I am a senior citizen. I don't have the -- I don't have the cap program. I'm not in the cap program. And I am not qualified as a senior citizen to get help from the light company. They need to work with us. They need to work with the senior citizens. You don't have to have medicaid, all of that. I just get social security. You tell me oh, you're not qualify. After they done took my taxes for many, many years, I'm not qualified. So with the -- what the energy company need to do is help the senior citizens, too. We paid our price in life. So we need [buzzer sounding] we need that help. >> Thank you, ma'am. >> Thank you. >> Mayor Leffingwell: Kathy murphy. >> [Indiscernible]. >> Carol [indiscernible]. Yes? Somebody just donated three minutes to you, so you have up to six minutes. >> There were more on there, okay. >> Good afternoon. Mr. Mayor, councilmembers, I'm happy that we're finally getting to the point where

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we're taking this matter up, item no.7. This ordinance on deferred payment plans and reconnection of utility service because a lot of us WERE HERE ON OCTOBER 31st. ON NOVEMBER 21st, AT THE Council meeting, we were on our way here when you decided to defer it until today. So if -- some people will not be able to be here with us. The point that actually I do have something that I was going to give you. The point that I would like to make to you today is that we have a time sensitive issue here where we have people who are losing service, who have had their disconnection, their service disconnected. Some of them are here today. You will probably hear from more of them before the day is over. Mrs. Whiteside is one of the people that we intervened on her behalf to get her utilities restored. And at the november 21st meeting, you passed a resolution to look at the -- to look at the possible arrangements that might be out there, to put a working group together, to explore alternatives for handling these circumstances in the long run. That's a great idea. But that is not going to produce any results for, you know, some period of time. I don't know. I don't like to predict because things hpen pretty slowly in this process that we're in. The handout that I passed out to you is an email that is actually from austin energy. And it was when we sent an email asking some questions about what resulted from a

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meeting that we had with them to discuss some issues. And I have -- I have highlighted for you the targeted response -- the target response date and -- and you can see that -- that some of these issues that we're talking about now, like how do we help low income customers who don't meet ciep criteria. How do we provide like relevant information to our customers about the policies on deferred payment arrangements. We're told that the target response date is january the 2014, which is when they're going to tell us, I guess, when and how they're going to do this and in the meantime we have people in a crisis situation now. So my request is that I do think that it's a great idea for you to -- to adopt this ordinance today. This ordinance does not necessarily have to be in effect for a million years. Let's see how it works. Let's look at the data that we can look at from the payment arrangements that are in place now. And use that as -- as a resource for planning for the future. I -- I don't think that there are -- there are not many people out there who actually, you know, like understand these systems. I myself, my organization is an advocacy organization. I don't help individual customers. But I have, you know, from time to time over the last couple of months because we've had so many requests and it is -- you know, in many ways like out of control. You've heard testimony from john howitt, he has made the point that this is not an unusual program. This is something that is consistent with policies that have been established in other jurisdictions.

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I am most concerned about the fact that when austin energy asks a person for money that they don't have, this is where they owe auto back bill -- owe a back bill, with he know there was no collections process in place for a time period, so we have to expect that there will be some residual debt that's going to result from that because we wouldn't have the collection process designed the way it is if that's not kind like what people need in order to keep them on track. If -- if austin energy asks somebody for an amount of money that they don't have, this is what's been happening, they have been asking people for $600, $800, we have people that they nave given them the money like they've asked them for and they said they wanted more before they would reconnect their services. We need some rules that are established so that people know what they need to do. One of my concerns is somebody asks, you know, like, you know, a single mother who is laid off from a job or who waits table and has to wait until saturday night, you know, to get tips or something like that for, you know, 5 or $600 to put the -- to reconnect the utility service and they want it in a lump system, where is that money going to come from? And i, you know, people go to friends and family. Do they actually have that money or are they going to do the same thing that the, you know, that the individual customer might do? I -- I am horrified at the thought of people going to payday lenders or title loan companies to get these sums of money, which they do. And like heaven forbid that somebody would actually, you know, knock off a convenience store or do something that's illegal in order to get a wad of cash that they can take to austin energy to pay their bill. So I think that we are a public utility and we need to set things up so that people can manage their payments. I hope that you will vote for this.

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>> Mayor Leffingwell: Joseph moore. >> Mayor leffingwell, council, I'm speaking to you as a leader of interfaith and pastor of presbyterian church and the percent that austin energy mentioned earlier. My church is located a few blocks from the arch and salvation army. It's a church just a few hours ago nearly 100 homeless people gathered for a little bit of food and assistance with things like id's and utility help. A scene that plays out in faith communities all over town each and every day. A core belief is the dignity and sacred words of all individuals and to that end our congregations work tirelessly to support and assist folks who live in austin. And who are struggling to make ends meet. Among other direct services we oftentimes help with utilities. It's not unusual for seniors on fixed incomes or for other low income people to get several hundred dollars behind on their utility bill and to have their service disconnected. It's an unfortunate reality that desperation austin to keep the lights on drives people to pay day loan schemes and other forms of predatory lending. So we applaud austin energy's recent commitment to eliminate the huge down payment required before a customer can be reconnected. But anecdotal reports indicate while up front costs may have been lowered somewhat, the proposed payment plans are still unachievable for struggling customers. The end result of the prior arrangement in austin energy's new arrangement are the same. Struggling customers cannot

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get reconnected and austin energy cannot collect revenues that are rightly owed to them. There are no winners. The congregations also lose. We are often not able to help families because the up front payments are simply beyond our resources. If the payments were much smaller, this would allow congregations to help many more families to make their payments and to keep the lights on. As a side benefit, austin energy would collect revenues that again are rightly owed them. Therefore the clergy of austin interfaith support the resolution by the austin city council that would eliminate the large up front payments and institute manageable ongoing repayment terms, allowing families to successfully pay off their balance and keep their utilities. I remind you the city has declared tonight a cold weather shelter. Congregations all offer the city will open their doors so men and women will have a warm place to sleep. In passing this resolution, you will make it more likely that at least some of those people can stay warm in their own homes this winter. I hope you will take this [buzzer sounding] good, just and right step. Thank you. >> Mayor Leffingwell: Thank you, paul lemon. No paul le monday, bob batlin. Is there some indication that paul is here or not. >> Bob. >> Bob is here. >> Karen hadden. You have three minutes. >> I'm bob batlynn from austin interfaith and a member of temple beth shalom. Austin interfaith would like

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two fundamental things to happen. Those in need have uninterrupted utility services and austin energy to be able to collect moneys due to them and decrease the need to write off bad debts. The current system, including recent adjustments, does not accomplish either of those goals. Proposed ordinance better accomplishes both. This is a situation kind of rare where what is good for austin energy is also good for customers in need. We are confident that approving the proposed ordinance under consideration helps austin energy as much as it helps those in need. We stand ready to craft an even better solution. On this cold day, hanukkah, the jewish festival of lights is ending. Seems appropriate to take this action to keep the lights on for the most vulnerable in austin. Thank you. >> Mayor Leffingwell: Thank you. Matt weldon. And donating time is dale beulah. You have up to six minutes. >> I wanted to make a comment about we have heard about payday loan institutions in texas, I wanted to share some factoids regarding that. Texas is the leading state in payday loan lenders in the nation. We lead the next state by 25%, it's a billion dollar industry in the state and that's really what we are competing it. It's been brought up several times. I think it's worthwhile to institute a program in a compete was payday lender that are effectively charging 400% interest rates. I think it would be

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beneficial for the city and consumers to carve something out for the is it he. >> Thank you, randy chapman? >> Good afternoon, mayor, members of city council, I'm executive director of texas legal services center. I just want to briefly repeat a couple of things. We've been asking austin energy for over five years to review their repayment plans. And -- and austin energy has had low income advisory task force, different groups, brought us together over there on barton spri road. We've tacked and we've talked and we've talked and nothing has happened until most recently when city council got involved and now we see a repayment plan for those people who are disconnected. We -- I received the emails. It's -- I've talked to a couple of councilmembers about the situation. Where on a discretionary service like taking an airplane fli you get -- you call an agent and they give you a sky high rate or say they're going to charge a fee for changing your ticket and then you get upset. You hang up, you call back in five or 10 minutes, you get a different agents who says no we're not going to charge that fee. It happens all the time with any customer service group. As part of a governmental entity, that should not be going on. It should not be the luck of the draw. There should not be any room for arbitrary or capricious decisions. You should not have to know the secret handshake of calling a carol [indiscernible] or member of council who then forwards an

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email to jj or kerry or somebody else and says would you please look into this and then all of a sudden they get a 48 month or 28 month repayment agreement because it's deemed exceptional. When the regular person, that same person calls directly, they get connected, they say well, how much time do you need? And they are told I'm authorized to give you 60 days, I'm authorized -- they say can you do it in 60 days? And they say 60 days, 90 days, the customer, the front line customer care staff doesn't say you need or inform the customer that there's a secret handshake. That if you know somebody you get special care. That's not the way government works, not how social security works, that's not how medicaid works and that subjects the utility to -- to greater -- to greater possible scrutiny. We need fair standards. As kerry overton said, this is a very -- people in cap who are struggling, this is a very small number. [Buzzer sounding] this ordinance helps. Thank you. >> Gary lock. That's all of the speakers that I have signed up that wish to speak. So -- I will entertain a discussion or a motion from council. >> Tovo: Mayor, I am distributing an ordinance or a slightly revised ordinance that I believe responds to some of the concerns that we've heard in the most recent austin energy memo. And I would like to move approval of this ordinance. I would be glad to discuss the changes and while that's being distributed I want to thank austin energy both for

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their -- all of the work that I've been on the phone with several austin energy representatives, I know my staff have. I know that my colleagues up here have worked with you over the last several weeks on behalf of many, many ratepayers as well. So I want to thank you, number 1, for all the work that you do day in and day out to work with our customers. But secondly I want to thank you for responding to the ordinance that we put forward and adopting, making -- making that 50% down payment requirement, removing the 50% down payment requirement without waiting for this ordinance to come back before council. I think that is very responsive to the -- to some of the issues that we've heard. So I would be glad to walk through some of the changes. >> Mayor Leffingwell: Let me see if we have a second. Seconded by councilmember morrison. Councilmember tovo? >> In 159144 deferred payment agreement, in d we have clarified the language so that in one it explains that the equal payment, the default plan that would be available to all customers would be equal payment installments over a period of 24 months. Now, we heard some concerns from austin energy that that -- that that may tie their hands, limit their ability to be flexible with customers. To acknowledge that concern we've provided in g that the deferred payment terms and conditions set forth in this section are minimum standards to protect residential customers and this section does not prohibit the utility from providing diffeent repayment terms if the customer consents to those terms. That also allows for customers who maybe have a $40 remaining debt so that that debt doesn't have to be

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spread out over 24 months. They could in conversation with our customer service representatives come up with something that makes better sense again as long as the customer agrees to it, no one, either the utility or the customer should feel obligated to have a 24 month plan. That just is available to them if they choose it. That has not been the case in the past. I believe that's the major change. I think we should incorporate the amendment that was suggested earlier in e. In 159144 e. And add in the word monthly before poverty guideline. Just to make it clear that we're talking about 5% of the monthly poverty guide line rather than 5% of the annual poverty guideline which would be a much higher figure. And, you know, I believe we spoke -- I spoke to this in the past to the need for it. I think we've had a lot of testimony here today speaking to the need for a consistent and transparent policy and while I appreciate what austin energy has done to adjust its administrative rules, I believe there are provisions in the ordinance before you that are not contained within the changes austin energy has made in last week that are critical. One is e, talking about the cap for excuse me the highest payment for participants in our cap program. And I think that is a key provision that we want to include and also again making it very clear that the default will be a 24 plan. I think that I will leave it there for a moment and see what comments that you all have or what questions that I can answer. >> Mayor Leffingwell: I have questions for staff. Austin energy staff.

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I'm going to presume that you've had an opportunity to study these changes to the changes that were just made and passed out. >> We were not aware of those changes. We don't have a copy of it. >> Well, let me see if we can get you one. >> Mayor Leffingwell: I understand the payments. I think the big one is here in 15941 d 1. Where -- where -- well, not necessarily the big one. Equal payment installments over a period of 24 months. But -- but we have still got paragraph -- says except as provided by subsection e, paragraph e, which basically puts the limit of -- of 5% on there, which I think in many cases puts us right back where we started. I don't see how that's a -- that's a huge change to this. If a customer has -- has a very, very low income, this -- we can still have -- have a payment extensions in perpetuity. That's the way I read. I would like to know if you agree. >> Yes. The way we read it is that you, number 1, d 1 of this does not provide, excuse me does not provide a provision if the 24 months are breached. If there is a -- does that then roll back in and so the way it usually plays out with our interactions with the particular customer would be it would be a perpetual debt rebuilding process. And the other item that we would speak to, mayor, is

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that part 2, although it has been presented in previous cases, we have not specifically agreed or disagreed with any one particular line item, but it look, appears that we're coming to a vote that part 2 d also sets the same requirement not just for those that are in caps, but it broadens it to the broader population that we presented in our slides today. That our customers who are way beyond the focal point that we've had this evening. Which means there's an appearance there, unlimited dba or no requirements for any down payments or also no ending point when the provisions are not capped. We need better clarity and what would we do as the next step. [One moment please for change in captioners] >> Mayor Leffingwell: This was the question that came up in the work session and as discussed then, your attendance that question was no, there is no way to estimate the -- your answer was to the question was no, there is no way to estimate the cost. Does this put you in a position where you could estimate the cost of it? >> We could not. >> Tovo: Mayor? I'd like to just respond to

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a couple of the issues that the mayor addressed. Number one, part 2-d is very clear it does not open it to all residential customers. It says a customer who participants in or meets the qualification for the customer assistance program. So that's not all customers, but a limited universe of them. >> Mayor Leffingwell: I did not bring that up. The staff brought that up. >> Tovo: Excuse me if I misspoke. I'm responding to a comment that you asked our staff and our staff responded that it does open it up to all customers. >> I was looking at part 3 d 2. That section starts out in d referring to residential customers who make a reasonable payment. It does not narrow it down to what the other provisions provide. >> Tovo: Can you explain the last thing? >> If you look at 15944 I'm reading under the deferred payment arrangement. One you could make an assumption that because that section is subsequent to the first part that they are included, but the language only specifies residential customers, it does not make specific reference to those that are part of the caps program. >> Tovo: We work closely with the legal staff and I wonder if they might shed some light on this. Clearly the intent is not to have people on unlimited payment arrangements. Our existing rules provide for three. Last week austin energy changed it to four. The intent of this ordinance -- we haven't gone in and adjusted each piece of the administrative rule so the ones we haven't adjusted would stay in effect. Currently again at the time of drafting this it was three payment arrangements. And we provided in section f, we provided for an additional one if the customer met these bona fide

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circumstances that required a -- required another payment plan. Now you've adjusted it to four and so again this would allow beyond that current requirement the austin energy -- a customer could be able to do another payment arrangement if they met these bona fide circumstances. So mr. Purney, maybe you could weigh in on any of the issues or clarify any of the issues that have been addressed. Does this provide for an unlimited number of deferred payment arrangements for all customers? >> I don't think -- I think was the original discussion about whether or not paragraph e applied to all customers or just to the cap's customers. I'm not sure I picked up on the first part of that conversation. The e, the five percent cap, would only apply to capital metro's customers. Capital metro's cap's customers and d would apply to the general population. The one comment I would make about that is I'm not sure the ordinance could be read to provide for unlimited dpa's, but I would agree that the ordinance is a bit unclear as to how austin energy would handle a default. For instance, how would the 24 month period apply if there was a default during that 24 month period with the five percent captain to apply to defaulted amounts? There's there's a bit of a lack of clarity in the ordinance about how staff would handle that once they did reach the three -- owe the three dpa defaults. I suppose they could reach a point where they could say there's no further dpa's for the customer, but it's not clear that the ordinance allows them to at that point perhaps make steeper payment demands or something like that as a condition for going past that three dpa's. >> Tovo: At this point it is four dpa's, right? Four is the operating procedur for austin energy.

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To the extent that there are procedural steps that will need to be ironed out, those typically do happen in a rules process. There are rules governing this. We're trying to codify some particular standards and minimum -- some minimum requirements so in terms of filling in any gaps that could be something that could be done in ction with our discount steering committee. And again, this is intended as a stopgap measure while that committee is meeting and really ironing out what is going to be our -- what is going to be our program going forward in terms of an arrears management plan, which some people have talked about today, or deferred payment agreement. What is the bigger plan here? How can we really come up with something that better reflects some of the best practices around the country? But in the meantime, how can we prevent what we all know is going on because we receive emails about it, which are people, families who are in a position of having their utilities disconnected and then in jeopardy of losing their houses, losing their housing rather. And I could name three examples of that that we've all received in the last couple of weeks of people who are either displaced or threatened with displacement because their utilities are discount steering connected. How can we help them be protect and get provisions in place to help them be successful to chip away at that debt and helping the utility do what several of our speakers have said is their obligation to collect the debt that's owed to them. >> Mayor Leffingwell: I would jusay I think we're all sensitive to the hardship aspect of it, but as -- so far I don't see any -- any attempt even to estimate what the cost of this might be. And I just heard from a councilmember who made the motion to approve this that this is intendeds to a

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stopgap measure, but I don't see any termination date on the ordinance. If this ordinance were effective for 60 days maybe that would make more sense to me, but it's in effect until it's rescinded. Can we still have the difficulty of trying to know what's going on -- and in addition to that, I'm going to say I do think that the staff has made a very effective effort, made some% dramatic changes in their administrative guidelines to prevent abuses and hardships from recurring. I would expect that would continue, that process would continue. Councilmember spelman. >> Spelman: Mayor, I would like to address that if I could. It would be my preference for any regulations of our deferred payment plans or anything toll do with collecting arrears to be made by administrative order rather than by ordinance. Largely because you guys have the information in front of you. We don't. We can get it, but you guys already have it. The administrative order at least in theory can be changed much more quickly. You can train your staff needly to do what you need to do in a few days. You can start doing things differently. We would have to post an item, talk about it before we could actually change the ordinance. Under ordinary circumstances I would prefer to do it that way. Given that this is on the table for to us consider and it seems to me like a very reasonable idea, if we wanted to ensure the same quick feedback loops to be certain that we're actually doing the right thing, we're on the right track, how would we -- what information could you guys collect and provide us on a regular basis for us to monitor the effects of this ordinance so that we could be sure that this is the right ordinance, it doesn't have to be adjusted downstream? >> Well, we can possibly try to track the individual

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customers as they move away from our standard policies to those that are adopted here. I will share with you, though, all of our documentation of it will be a manual process. We'll have to pull and try to tag certain customer accounts and activities, but we could at our best put a manual report together because right now the policies and procedures that we have offered to you, they've been hard coded, automated into our system. So we'll just have to sort of manually keep up with those customers that go beyond three, go beyond four dpa's. >> Spelman: I think something simpler than that. We know how many people we cut off. We know how long they're cut off for before they come back on again. That's something which is relatively -- it's automated, fairly easy to collect, isn't that right? >> We do, but in this provision you could -- one could make a case that they would not be cut off until 24 months regardless of what happens on the account. >> Spelman: You could make that case. I think you could make a bunch of other cases as well. In fact, I would question your reading of the ordinance in that way. I suspect councilmember tovo, who wrote it, would question that as al w he don't have to get into that right now. At some point we can measure the people who get off off and how long they're cut off for and how many people actually pay back money. We can measure the people who are in arrears at some point and get some kind of notification. How much of the amount of the arrears is paid back. And we can compare all that to where you are right now, can't we? >> Yes. >> Spelman: It seems to me that mr. Batlynn offered -- there was a lot of good stuff that came out of the public testimony a few minutes ago, but the one that will stick with me is his comment that we're in a position right now where nobody is happy. We're cutting people off and those little tiny green lines are completely

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dominated by the great big red lines. People are breaking agreements all the time, we're getting a small percentage of those arrears back now. And if we can increase the size of those green lines we'll be better off and the customers will be much better off because they're not going get can you cut off t seems we need to be able to test that assumption that it won't be that difficult to test that assumption. I am peerly in something -- I am peericly in something like six months or a year. Let me ask the follow-up question. If we wanted to give this a fair trial, how long would the fair trial be? Would it be three months, six months, a year? How long before you think we need to revisit this? >> We're huddles over here and thinking about the cycle that we're in and the timing. And probably six months would be some data, I think, that we would have, we would be able to track that for six months. Do you think that's fair enough? Before we get into the next billing cycle. Because remember the unique circumstance we have here, what you need to keep in mind when we're being compared to other utilities around the country or whenever, we bill for water too. This is a water bill and an electric bill, not just an electric bill. >> Spelman: Right. >> So that makes it particularly different. But I think do we agree that six months, six months -- we could do that? >> Spelman: I'm not sure what kind of information could be sufficient to suggest to you or to suggest to any of us that something would need to be changed after six months. I could imagine we would need a longer period of time before we would want to make some changes in this. It depends on what it is that we find out. Seems like that might be the most earliest reasonable period when we ought to review this and take another look at it and make sure we're on the right track.

I have one very small technical question as well. And we don't need to include this in the ordinance. This is just something that we can direct you to do and

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be sure that you're going to get back to us in six months. Is that accurate? We don't need to change the ordinance. >> I'm for that. >> Spelman: Good. A technical question. If we're holding the cap customers to a maximum payment of $48, which is what this does here, and the assumption is a 24 month maximum deferred payment agreement length, that works out to about $1,150. Do we have cap customers who are in arrears by greater than 1150? >> We do. And I think the amendment that councilmember tovo made allowed us to go longer than 24 months. So in that case that five percent would take precedence and we would allow a longer repayment period, if I'm understanding correctly. >> Spelman: I wanted to be sure if we had somebody with 1500 dollars' worth of debt we'll be able to write something up which is going to allow them to pay back the 1500 dollars' worth of debt. Thank you. >> Cole: Mayor? >> Mayor Leffingwell: Councilmember cole. >> Ce: I have one follow-up question. I was disturbed about the over seven million dollars in reserves and you explained that that is going to be somewhat of a catch up between when we actually instituted the cap program and then customers needing that. I would like to ask that consistent with what councilmember spelman is saying, I am really interested in this reserve amount. And if it somehow goes upside down because of this program, I don't believe that it will. And I think that because it is so high we have almost an obligation to implement the program to try to help people who we've heard testimony from today, but numerous people who have called our office about this issue. So I will be supporting the motion. I think it's good policy for a city that is on the cutting edge in so many

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areas, environmental areas, economic development, that we should be taking steps toward helping our low income community. And I congratulate councilmember tovo for her great work. >> Mayor Leffingwell: And I believe you described earlier that was not a reserve fund. >> Let me repeat that. It is not a reserve fund. When we changed rates we have a line item now that connects to our public benefits charge part of the cap funding. And that funding immediately started kicking in when the new rates werehanged. Then we implemented our new program to enroll customers into the program. The funds got ahead of the customers signing up and eventually they'll catch up to each other. About when, jj? Probably early next year? >> We're hoping early in the second quarter of 2014. >> So second quarter of '14 there will be no more -- I wouldn't characterize it as reserve. It's a mismatch between the revenue coming in and the discounts being applied. >> Mayor Leffingwell: It's used up all the money. >> That's correct. >> Cole: And I'm simply asking -- >> Mayor Leffingwell: Nobody gets the benefit unless we come back for a budget amendment. >> Cole: I'm simply asking for a report on that issue. >> Okay. That will be easy to do. In fact, in the tab in the report that jj did today, a lot of what councilmember spelman talked about and this issue is in there. It shows that catch-up of when that will happen. >> Mayor Leffingwell: Just to clarify that point, you indicate you have the potential to catch the gap sooner and -- cap sooner and when you catch the cap you're out of the program, is that correct? >> No. So the estimate -- so we're estimating when a new

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enrollment occurs we're estimating the cost of that enrollment for a full year. Actually4 the enrollment eligibilities -- the new participant stays for 12 months on the program once they enroll. So we know what that cost is and we can estimate that. And so we're forecasting the cost of the number of enrollments we have, and that forecast is helping us understand how soon we can use up or meet the funding that we've received. So it's an estimate that allows us to -- for a full year that allows us to determine where we'll meet that line. >> I'll add, so the funding will be there. The only difference is is it 31,000 customers or 32,000 on the program? And then the next year we'll have the funding that comes in as part of the fund itself and we'll just manage the -- the dollar amount will remain the same, but the number of people receiving the benefit will vary and we're trying to forecast that. >> Mayor Leffingwell: Is that the case of the number of people being served by the program could be less? Because of this? >> Well, we feel that we're -- we sort of capped it at 25,000 when we first started the program on the estimates, but with the timing lag we actually had a little bit more money, so we believe that it would get between 25,000 and 30,000. And the hopes are that it would not be less. That we'll be able to sustain that as a regular program. >> As a reminder, we set that charge up as a part of the budget process. So when we come back for budget in the next fiscal year, we would be targeting and forecasting exactly how much would be in there based on the rates. So that rate today is set based on what gary just talked about is that 25,000, but what we're figuring out is if we go to 30, we're still going to be in the target of the funds and be able to accommodate more customers.

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I hope that makes sense. >> Mayor Leffingwell: Well, a little bit, but I think what I'm still trying to clarify is that you have a certain amount of money budgeted for this, based on criteria for your program for assistance. Am I right so far? >> That's correct. >> Mayor Leffingwell: Then you change the criteria and it seems like that would change something. It would change the amount, change the number of people. >> We did. The criteria changed so what it did is more -- the way it acted is more customers are eligible for that discount. However, we've already -- we are several months into the fiscal year budget so what we're doing is just making sure that we increase the number of participants in the program, forecasting out for the the remaining months so that we use all of the funds available. And so 25,000 is no longer the focus. It's the focus of how much money is available that it all get utilized to 100% participation. So what's changing is making sure that we move the toggle, so to speak, from 25,000 up to some number above 25,000 so that all the funds are used. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: First of all, I want to thank staff and on this very topic I do want to acknowledge that we talked about that the seven million did show up when we were doing the budget and we talked about this. It's sort of the hanging question for me is when you say okay, so it looks like because we have seven million extra we can take the number as to 30,000 instead of 25,000, but at some point that seven million is going to run out. So are you expecting eventually it will go back down to 25,000? >> We don't know that, but

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that's a good question. I I think that's also what the mayor was trying to address. As we're getting closer to the end and getting closer and thinking in the forecast we might miss our target, each month there are also individuals who roll off the program. >> Morrison: Exactly. I think that's the missing link in this conversation. There's a lot of flux. So you have the ability to decrease the total number. >> That would be correct. >> Once you're at 30,000 you will never go down. So I think that makes sense of all this. And yeah, I want to thank everybody and especially the community for really helping us understand what the situation is for some folks that are in real need here. And I think the staff who has really worked on changing your own guidelines, but I do think it's appropriate to put this into an ordinance and I'm particularly interested in making sure that we have -- that we are setting people up for success. And I think that five percent limit is going to be real key in that. And seeing the reports that we're going to get will be very interesting to see if we're making progress. >> Mayor Leffingwell: Any other comments? I guess I'm probably the only one, but I still think we're flying blind here and I'm not comfortable with that so I'm not going to support the motion. All in favor say aye? Opposed say no? It passes on a vote of six-one. [Applause]. So I'll entertain a motion to postpone the remaining items on the agenda until

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the next meeting of this committee. So moved by councilmember cole, seconded by councilmember morrison. Councilmember morrison. >> Morrison: I know that there's one issue about value of solar that actually is going to -- there's a change that's going to be implemented before the next meeting that there was interest in discussing. So actually that does I think raise some issues about -- is there any way -- >> Mayor Leffingwell: There's a motion on the table to postpone. >> Morrison: I might be withdrawing -- >> Mayor Leffingwell: Okay. Councilmember morrison withdraws her second. >> Morrison: Yeah. >> Mayor Leffingwell: Is there another second? >> I'll second for purposes of discussion. >> Morrison: Right, I would like to discuss that. >> Mayor Leffingwell: Go ahead. >> Morrison: I would like to ask staff if they have any thoughts, is there any way to postpone the implementation considering all the discussion that we haven't had a discussion at the council level to postpone the implementation of the changes of the value of solar until after our next meeting? >> I will address it in general and then let debbie fill in the details. The quick answer is no and here's the reason. First of all, the value of solar we are the only utility in the country that is running it. You need to understand that. This is not a universally tried on product. It is similar to a feed-in tariff, which is another way to do it. And net meeterring is the most popular way to do it. There's a lot of uniqueness to this program. It will take a real thorough review to get into the guts of the policy and everything, but it resets -- there's tax issues, legal issues for our customers, there are all kinds of issues here if we do not move forward and make this

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change. It has to change with the tax year every year. That's the way this works so I think you've probably received a memo from the city attorney, from andy purney in particular on the opinions on that. So that's why we have to make that change at the very first of the year. >> Morrison: I must have missed that memo. Sorry. >> Basically it works like this. Is that we we are buying energy from the customers and offsetting it against the bill f a customer is just receiving a payment for the energy they produce, it becomes a real big tax issue and you have to get the attorneys up here to talk about it. And that was -- in the design of the program when it was presented, that was presented as one of the biggest problems about how we would administer it. The most significant piece of this going forward, the most challenging piece that I've run into and I've talked to a few customers about is some customers put in pretty large systems compared to the relative size of their house and the energy they use, and so at the end of the year, they have not -- they don't have enough energy bill to credit their usage back to so their puzzle is where's my money? The reality is there's a huge legal issue looming if that continues out. And they may have a different opinion about that, but there's also a liability on the part of us in the utility on that issue. >> Morrison: But the issue is about the change in the the value of solar. Are you suggesting if we don't decrease it we're going to be giving away -- >> no, there are two issues. One is the decrease has to do with the change in the market prices and the value that it represents to the utility a as a power supply. That's one issue. The other issue is that there's this issue of the -- you asked about when it has to change. >> Mayor Leffingwell: The motion on the table is a motion to postpone. And if you're tying this to why we can't postpone or why

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we shouldn't postpone, let's don't get into an in-depth discussion of the item until we make that decision. Councilmember tovo. >> Tovo: So what are our options for really discussing this issue before we make that change if we postpone it here today? >> The tariff language requires that the credit be reset administratively effective january 1 every year. And that will be january 1 billing cycle. Steps have already been taken to adjust our billings such that the tariff will reset to 10.7 cents effective with the january billing cycle and furthermore any excess credits will be swept from customers who happen to have an excess. I will tell you that as of currently there are probably about 11% of all residential solar customers who have an excess. And most of those are fairly small, under $100. There are, however, about 100 customers who have produced more energy than they have consumed. >> Mayor Leffingwell: Is this bearing on why we shouldn't postpone? >> This is exactly bearing on why we shouldn't postpone. Because number one, the billing system has already been modified. There are inserts and letters that are going out to customers effective today, starting today that advise them of the credit reset both for customers who currently have solar systems and those who have submitted letters of intent. Contractors who act as our sales force have been advised both in the months of october and november that the value of solar will be reset per the tariff based on prices. And as you saw from the memo that larry weed sent yesterday we have seen

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continued heavy activity with our solar program to the point where not only with the reduction in the vos -- >> Mayor Leffingwell: So you need some direction? Because we're not posted for action. This is just a discussion of it. So how -- >> we are frankly at the point where actions have been taken such that the vos has been reset according -- is being reset per the tariff and the credits will be swept per the tariff. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: I get that it's very complicated. And if we wanted to change any of this it would be changing the tariff, which we can do because that's part of the rate. So it looks to me if somebody wants to suggest otherwise it looks to me that there's nothing we can do about it for what's going to happen on january 1, no matter if we meet six days between now and JANUARY 1st. So what I would like to suggest is that we unfortunately have got on this too late and that we accept it and that we have a discussion about do we need to have a broader discussion about changing the tariff in our emerging technology. We could have that in emerging technology, but I don't see that there's anything we can do right now. Thank you. >> Mayor Leffingwell: That's kind of been my point for the last five minutes. >> Morrison: Some of us are just a little slower to catch on, mayor. >> Mayor Leffingwell: Some of us, yeah. All in favor of the motion to postpone the rest of the items, say aye? Opposed say no? It passes on a vote of seven to zero. So without objection we're adjourned 5:01 p.M. ,,

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