

Austin Energy Utility Oversight Committee Meeting Transcript – 06/25/2015

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[9:26:41 AM]

>> Gallo: Welcome, everybody. It looks like we have a quorum. I will go ahead and chair in Gallo's absence.

>> Pool: She's asked me to start off the meeting today and we'll start with approval of the minutes. I think I first need to announce that this is the Austin energy utility oversight committee and we are meeting Thursday, June 25, 2015. The time is 9:26 A.M. And we're at Austin city hall on 301 west second street, also known as Willie Nelson boulevard. I welcome everyone this morning and is there someone behold like to approve the minutes? Mayor Adler has moved to approve the minutes and councilmember Zimmerman has seconded. Colleagues, any discussion? All in favor?

>> Aye.

>> Pool: That is unanimous on the dais.

>> Mayor Adler: Dad ma'am chair, before you begin the meeting I've been asked to make one announcement. I want people who are tuning in to this because they know that the meeting has started and we may have the greatest number of people watching at this point, I want to remind everybody that on June 28th this weekend, we're having the flood aid tx event. It's supporting central Texas disaster relief efforts, our neighbors especially to the south and west in Wimberley are reeling from what's happened. And they have always been incredibly supportive of us and this city when we've gone through that same kind of similar thing, but there's an incredible concert from noon to 10:00 P.M. This Sunday. Performers donating their time include ray Benson and jack Ingraham and drew Womack and Kevin fowler and Sam wigs and Cody and Willie Braun of reckless Kelly, corrie morrow.

[9:28:45 AM]

100% of the proceeds of this event will be donated to the United Way of hays county flood relief fund and to the Austin disaster relief network flood relief efforts. And we really hope that people will swing by there on Sunday and help. It's at the palmer events center from noon to 10:00 P.M. On Sunday. Thank you.

>> Pool: Great. That sounds like a great event for an absolutely worthy cause. I wanted to note that on approval of the minutes, do I need to note who was off the dais, mayor, on approval of minutes? Off the dais were councilmember troxclair, councilmember Houston, chair Gallo and councilmember Garza. We have citizens communication and then we will take up the briefings. And the briefings are items 5, 6, 7 and 8, and I have speakers signed up for item 8. And we're taking up the briefings first while the chair is

away and she will be returning and then I'll be happy to turn the gavel back over to her and then we will take up items from council for committee consideration, which are Numbers 3 and 4. So citizens communication, eve miyer with Robert Murray next. Welcome.

>> Morning.

>> You have three minutes.

>> Thank you. Good morning, vice-chair, mayor, mayor pro tem and councilmembers. I'm glad to be able to talk to you. We're about to pull up a couple of slides, I think. I'd like to briefly touch on one element of study for the proposed gap study. I want to talk about that and a little bit about solar. All the information that you will see here is public information from ERCOT on market pricing and E.P.A. Data on when facilities from Austin actually get dispatched.

[9:30:47 AM]

Next slide, please. What I'm about to show you is that if we build a new gas plant we will lose money. The market does not bear it. Next slide. What you see here is a complicated slide, lots of information in here. This covers since the start of the -- ERCOT started market and the first year was 2011. What you see here is the average market pricing in that market in the Austin load zone. In the bottom is \$34. What you see in the blue bars is the amount of hours at which price the market was actually running. You see on the left column it goes from minus, so negative numbers to over \$130. If you look at the red line that's the cost of the new proposed gas plant, about \$55. If you match those if we had run that the last four years with maybe very similar to the next four years, we would be making money about five percent of the time to be exact 4.8. We would be losing money 95% of the time. If you add that up you combine the proposed gas plant with the proposed 77 Katie compactor you can -- capacity factor you can see how much money you would make from that. That would be \$465 million. If you combine that with cost that Austin Energy is projecting for a new gas plant, the cost would have been \$740 million. That's more than \$465 million. Next, please. So you've also heard the argument that we need capacity when the market is peaking because peak pricing is so expensive. Although there are several ways to manage peak, I cannot list them all. Lots of things, we're on a new business model that we'll be discussing hopefully soon can alleviate some of the that peak, but one way is a decision that you have in front of you as well, at least a discussion, is to add some solar capacity.

[9:32:50 AM]

Georgetown decided to use more solar than they needed, it produces on peak and they will be a net seller on peak. So we should get more solar and if we wanted to we could be a net seller on peak. When the sun doesn't shine, which doesn't happen much in west Texas in the summer, we already have 500 megawatts of peak of units so we're pretty well covered. What you see here is how we run the existing peaker units. They're two steam units, going to be retired in the next three, four years and there's a group of peaker units.

[Buzzer sounds] You go to the next slide you see that the solar curve matches the times that peaker uses peaker units.

>> Pool: If you could wrap up. Your time is up.

>> Okay. Go to the last slide.

>> [Inaudible].

>> Pool: Who was that?

>> [Inaudible].

>> Pool: Thank you. I think he was fine.

>> Contracted for 600 megawatts of solar is a good thing. If you want to do more and follow

Georgetown's example would be a better thing. I think the gap study is redundant. We know the answer. The scope of work for that study is limited. I would recommend to increase the scope to include what we need for a new business model as was proposed by the generation taskforce, the Austin energy approved generation plan from last November and the euc from last January. Thank you for your time.

>> Pool: Thank you. Are there any questions? Councilmember Zimmerman?

>> Zimmerman: Thank you. So I don't know how much you studied this, but do you put any credence in the argument that there is -- there's value on power generated locally as opposed to power that's remotely generated hundreds of miles away that has to be pumped across the ERCOT grid?

[9:35:01 AM]

>> The information I showed here is energy pricing in the Austin energy load zone. I didn't share any information on what happens if you do this somewhere else. So this is what's happening in Austin today. We have a Decker facility. It's where the new facility is being planned so it's all in a load zone. So that's the information I presented.

>> Zimmerman: You mentioned West Texas solar and the sun always shines out there, but if you produce power out there you have to push it across a grid to get it over here.

>> That's right.

>> Zimmerman: Did you study those congestion issues about the ERCOT grid?

>> Yes. The congestion rights that Georgetown has purchased for their solar contract is about 1 dollar, \$1.50 per megawatt hour and that translates to the 55 for new gas and hopefully solar PPA is around 40, \$45. So it's a cost, but it's an insignificant cost.

>> Zimmerman: Good. I'll check your math. I appreciate your numbers. I'll check on that. And if you're good, I'll ask you back.

>> Good. Looking forward to it.

>> Mayor Adler: Will you take another look at slides 3 and 4? I want to make sure I'm understanding this chart. Up in the top, greater than 130, that's the price per megawatt.

>> The \$130 would be the price in the ERCOT model verse megawatt. It's anything above \$130. In the small somewhere bar are the amount of hours in the last four years that it happened. It's a limited amount of time that actually happens, but when it does, prices go really high and the cap for this year is \$9,000. So those are expensive. For perspective we always pay electricity per cents per kilowatt hour. The average consumer pays about 10 cents per kilowatt hour.

[9:37:06 AM]

That 10 cents translates to \$100 in this graph.

>> Mayor Adler: What that's showing up for a short period of time demand goes up and at that point in time we're making money on everything that we can produce.

>> Exactly. The only -- the existing Decker units are about \$165, so they run then you would expect.

>> Mayor Adler: The next slide. What does that show at the top again?

>> It's a combination of the hours with the value that it represents. What you see is the peak hours represent about 20% of the revenue of that entire period. It's a small amount of hours, they're very expensive and basically anything you can do to mitigate that is good and there are several communities that we can do. Austin Energy is already providing some of the things we can do, they have the chiller plants at Domain at the end and downtown. There are like 40 different options. Solar is a really good one of them.

>> Mayor Adler: Thank you.

>> Pool: Any other questions. Thank you, Mr. Miyer. Next we have Robert Murray and after Mr. Murray,

Susan Lipman.

>> Mr. Murray, you have three minutes.

>> I'm bob Murray and I'd say hello to several of you. Most of you I haven't met so I would like to take care of that in the weeks to come. I ran the utility in Seattle a few years ago and we had the need for a consulting study that was actually more ambitious than this one. It was to take a look at the future of the utility business and lay out a blueprint for us to be a utility in the future. This isn't Seattle city light. It turned out no one consultant could handle the rfp is what I drafted, but what they came to us, two of the more consultants, Charles D little and Arthur Andersen, this is before the fall of Arthur Andersen, and they were very, very formidable consultants with the global business.

[9:39:18 AM]

They said if you'll allow us to bid as a team we'll do a better job for you for the city of Seattle than if one of us or the other took on the job because we have complimentary capabilities. I think that exists today. I think that the lcg consulting and and a half navigant, but I would urge you to find a way to get both of them involved. And it can work. I was told by staff at Austin energy that you can't do that. I felt kind of odd about that because we did it and it was highly successful and there were no problems. So I would think you would want to look at that. You do need some independent consulting work of your own independently of Austin energy. This would be a way to do it. In this type of study when you're in the business you know you can make about any answer you want from a consulting study depending upon which consulting firm you choose. But it is important that Austin has an absolutely pure objective independent study otherwise it's a sham. When I first saw the matrix, the story matrix, I was sort of outraged and I thought this is a crude attempt to force Austin energy's will on the city of Austin. Once I cool down I realize, no, it's not that. They just weren't sensitive to the need to avoid even the appearance of a wired study. That's the terminology that's used in the industry. So I would urge you to take a look at that. Any time you have one category with 10 points and you award on an arbitrary and incorrect basis in this case, which throws the award from one to the other, that is not R. Is not avoiding the appearance, which I think is just an appearance, but it's not avoiding the appearance of being biased. So I would urge you to take a look at this very seriously.

[9:41:23 AM]

Affordability is at stake, appearance is at stake and accountability is at stake.

>> Pool: Thank you. Any questions for Mr. Murray? Susan Litman. And after sus San, Rebecca mill sent. Good morning. You have three minutes.

>> Good morning. I want to say I agree with the previous two speakers and I want to say that your agenda item is for awarding a contract to pace global or other qualified offerer and Austin energy has designated a top three and I want to share with you that my order of choices would be navigant, lcg consulting or pace. I think we would need one to weight the fully needed strategies to the 500 megawatts of gas. Since we know Austin energy when they come here to speak they're not limited to three minutes. They have plenty of opportunity to argue their case for gas, which they've modeled out. So my first two choices are navigant or lcg because they may lean more toward traditional ways of the past of running an Austin energy company. So -- and I want to remind you that when the previous council passed the generation plan I think one of the councilmembers said it best when it said gas should be our last resort. And therefore the gap study was implemented and it clearly stated that Austin energy was to provide you with three alternatives. So there was some question about whether the local presence weightings are correct and I think we're people will talk about that. I think the rankings for local presence are not so relevant to the question of whether a company is well qualified to compare

the alternatives to a gas plant.

[9:43:25 AM]

When you think of a gas plant being 30 years gas plan that's far beyond the generation plan. That goes into a future where renewal energy will probably be the waying to long before that and I hope you take all that into consideration. Thank you.

>> Pool: Thank you. Ms. [Indiscernible] And after that is Kayla white.

>> Good morning and thank you for this morning. I am the executive director of the Austin independent business alliance. And I'm here on behalf of small local business to talk about the demand threshold. We're in support in item number 8 of moving the demand threshold back to the 20 Cal Watts where it was for years. Lowering it to the 10 kilowatts puts an undue stress on small local business. The main problems with it, Austin energy will say it's too drive businesses to take advantage of efficiency measures and they have some absolutely wonderful programs, rebates for energy efficiency. The problem is most of these businesses don't own their buildings and can't take advantage of most of these programs. Over 70% of local small business owners don't own their buildings. So it's not that they're unwilling to do these things, it's that they can't. Some of them by their lease agreement can't make these sort of changes. The other issue with it is that if you hit that peak demand of 10 kilowatts in any 15 minute increment in the summer months you're saddled with these rates and charges for a year. I've talked to so many businesses who have had a one time event, door left open, something left on by mistake one night, they hit that peak demand and they're stuck in these additional charges. And I know that Austin energy says well, your per kilowatt hour rate goes down, and it does once you hit those demand rates, but there are five other monthly charges that are added in.

[9:45:35 AM]

I believe three are flat rates and two are per kilowatt charges once you hit that 10-kilowatt threshold. There are other businesses who can't control when they use electricity. A restaurant, a car wash, a laundromat can't raise their prices at 5:00 when people get off work and go into the laundromat. So we like to see that move back to back to 20 kilowatts.

>> Pool: Thank you. Any questions? Is kieba white here?

>> Good morning, mayor, mayor pro tem, councilmembers. On behalf of public citizen I would like to comment on agenda item number 4. That one regards the hiring of a consultant to conduct a review of the Austin energy resource generation and climate protection plan. I want to call your attention to the wording of this item which states that you can approve the contractor that is listed or any other qualified offer. And this is important because when the previous council adopted the generation plan the details of how this contracting would be conducted and how this decision would be made were discussed at length. One of the decisions that was made was that three options would be brought to council and that this new council, that's you all, would make this decision. And that's a little different than what you normally do where purchasing brings you just one option. I want to call your attention to that because there is only one company listed. I hope you have all reviewed the scoring matrix so you can see what your other qualified options are. And I'm just going to focus on the top three since that's what stated in the generation plan that would be considered.

[9:47:35 AM]

So we do have concerns about the top ranked company that's been listed, that's pace global. It's not clear that this company is necessarily the one that's going to be best equipped to conduct a study that

will properly assess all of factors that were determined to be relevant and that were adopted in that basically draft scope of work by the previous council. And hopefully you all have had a chance to review that. It's quite lengthy. It goes beyond just looking at whether natural gas fired power plant will be economical or not. There are other things to be considered, cost and benefits and different options as well. Our concern primarily stems from the list of existing clients that pace global has. If you go to their website you will see this list that includes alcoa with a, Chevron, falcon gas, new month mining, pilgrims pride. These are large corporate entities and some of them frankly have shockingly terrible social and environmental records. And we can't place that burden on pace global, but we do question whether or not a company that is consulting for those entities is necessarily going to be the most experienced in conducting a more holistic consideration of the energy choices we have in Austin. We certainly are considering factors that alcoa with a would not. I'm not going to get into the details of which of the other two companies we would prefer. I think navigant or lcg would be good, qualified consultants and I encourage you to consider either one of those T I'll just note that both scored very well in the evaluation done by purchasing and that navigant's score was less than two points off from that top range of pace global company.

[9:49:40 AM]

>> Pool: Thank you. I would just note that the electric utility commission had sent us a recommendation, a resolution that we pick from among the top three, that they did not want to choose among the three. They were requested to, but did not want to. I think we have the three in front of us today.

>> Great. Good to hear that.

>> Pool: That's all we have for citizens communication. Thank you are, everybody. As mentioned earlier, we'll move staff briefings up, 5, 6, # and #. We'll start with number 5. This is briefing of Austin energy's cost of service study including engaging a consumer advocate.

>> Morning, madam chair, I'm mark Dreyfus with Austin energy. My conversation with you today is about the process for setting electric rates. We are establishing a cost of service study for the rate setting with the objective that at the end of the day assist the council in productively structuring its deliberations about electric rates. I want to start with two key points for you. That first point is well-known for you. The city council sets utility rates and policies. Utility rates and policies were governed by an extensive state of local laws and policies and long-standing sets of rate-making principles, but state law reserves for you the city council the setting of rates and policies within that structure established in state law. This cost of service process that we're presenting to you is about creating the information that you need to make these decisions guided by rate-making principles within legal and regulatory structure.

[9:51:48 AM]

This approach must be fair, transparent with robust public participation and follow established laws and policies. The second point I want to make is that we are recommending a cost of service process that is appropriate to our current time and circumstances. In 2010 to 2013 Austin energy and the council conducted a lengthy cost of service study and review. Austin energy spent two years preparing before we moved in to the formal part of the process which included five public hearings at the electric utility commission, 13 council work sessions, three council public hearings which went to very late in the evening. And numerous work sessions all over the period for a council portion of the proceeding. That extended process from 2010 to 2015 was appropriate for the time. It had been 18 years since the city had conducted its last cost of service study for the utility. However, circumstances today were different and they call for a different process. The public is more knowledgeable about rate-making. The timeline

is more compressed. And we all have a lot of experience to draw on in establishing an appropriate cost of service process. So what is a cost of service study at a very high level? When I think about it that way, I think there are three key components. The first is we will look at the costs, the entire costs of running the utility for an historic period. Running the utility for an historic period. In this case we'll look at fy 2014. And you'll note our current rates are based on 2009 costs and a lot has changed since then.

[9:53:49 AM]

The second step after we've established what the total costs are of running the utility, is to distribute those costs against different types of customers based on the underlying cost of serving each of those types of customers. So we'll divide the customer base into appropriate groups of like customers, for example, residential, mid commercial, small commercial, et cetera. And we'll assign from the total cost the costs of serving each one of those sets of customers. And that process involves quite a bit of fact finding and the application of policy judgment.

>> Renteria: Excuse me, I'm sorry. Chair, I was wondering if you could have them remove the screen there because the people -- the hearing impaired are the ones that can't read the captions when that's going on and until they get ready for the slide presentation.

>> Pool: You get. That's a great suggestion. Thank you, councilmember Renteria. That's much better.

>> I have a couple of slides, but only at the end.

>> Pool: Okay. Thank you.

>> The third step in the cost of service process is the setting of rates for each one of the classes of customers to recover the total costs assigned to that class of customers. And again that involves quite a bit of establishment of facts. And also the application of the policy objectives of the community and the council. In establishing a process for this cost of service study we have quite a bit of guidance from the council and from city policies. First is we're directed to conduct a cost of service study every five years. That is embedded in policy number 17, which requires us to conduct the cost of service study every five years, and you review those and approve those financial policies every year in the budget process.

[9:55:53 AM]

At the end of the 2012 council proceeding on electric rates we also received additional guidance from council at the end of the proceeding and looking back on how that whole proceeding went on how we should conduct the next proceeding. And the council gave us guidance again that the council should review Austin energy's rates at least every five years and that is reflected in the rate ordinance adopted by the council in 2012. We also received guidance from the council in 2012 to hire an independent consumer advocate. The engagement of the independent consumer advocate is to assure that there is representation in any cost of service and rate proceeding for residential customers and small businesses. And in 2014 council reinforced that guidance in a council resolution which gave us direction to hire an independent consumer advocate specifically for the lead up to and during process and council expanded the scope of that consumer advocate to represent the interest of residential customers, small commercial customers as well as other accounts. The council gave us guidance to engage an impartial hearings examiner, you might call it an administrative law judge, and the role of the impartial hearings examiner is to -- impartial hearings examiner is to review the review, make recommendations. Staff believes that the approach outlined in these policies adopted by the council makes sense, will help organize the information flow to council and may lessen the burden on the council for the extended process that the council went through in setting rates the last time. I want to speak for a moment about the market political and regulatory environment in which we find ourselves. We are, as I think you all know, in a sustained period of low natural gas prices.

[9:57:59 AM]

And it is those low natural gas prices which underlie the procedures we felt at the legislature this year. That is no different than when the Texas electric market was deregulated by the legislature in 1999. And by deregulation I mean the ability of customers to choose who their electric provider is. In the 19 90's we were also in a period, a sustained period of low natural gas prices. Commercial and industrial customers wanted access to those low natural gas prices. They didn't feel that they got redress from their local utilities or from the public utility commission. And so they went to the legislature so that they could get access to the low natural gas prices and I think that's kind of the same environment that we have right now. Since the '90's gas prices went way up since 2008 and they've dipped down since this then. Again, we're in a period where it appears that natural gas prices will be low for a long-term. And as long as the prices remain low we will be under pressure from our customers to keep our rates down and competitive. I think you saw this during the discussion about the extension of the long-term contracts where the need for this cost of service study received a lot of attention. As you all have made clear, affordability is a prevailing civic concern and after all, Austin energy builds its customers \$1.485 billion year, so it's fundamentally a discussion about affordability. I want to say something about the regulatory environment we operate in. We presume on staff that at the end of this cost of service process our rates will be appealed to the state public utility commission. As I said in the beginning, council has original jurisdiction to set rates and policies for the electric utility, but the state public utility commission has appellate authority. An appeal is asserted by a petition signed by five percent of the residential customers who live outside the city limits.

[10:00:04 AM]

That's about 2500 or three thousand customers. And in our last rate setting in 2012, our rates were appealed to the public utility commission. Recognizing the low bar, the low hurdle to face such an appeal, we believe that it's important to respect state law and the public utility regulatory environment in setting our cost of service process and rate setting. These factors have led us to establish a set of objectives for this proceeding, and those objectives are transparency, broad public engagement, maintaining the financial integrity of this asset, the utility, respecting established laws and policies. And in the end, getting the information that the council needs to approve the cost of service and set rates. The process that we're discussing draws heavily from the state public utility commission rate-setting process but we believe that it's consistent with the direction that we received from council in 2012 after they had been through a full rate proceeding. And this process maintains opportunities for engagement with the public, full engagement with the electric utility commission, as I will discuss through my remarks, and will serve you well. I'm ready for the slides. So I've put up on the screen a very high-level outline of the time line and some of the key steps of the process. So this summer and during the fall, the Austin energy staff and its consultants will conduct the cost of service study, the data analysis for the cost of service study. We will share that data and information with the independent consumer advocate as the cost of service study is developed.

[10:02:12 AM]

We will present the data that we develop, information and our recommendations to the electric utility commission throughout the process. And the electric utility commission will provide the public an opportunity to, in a forum, for comment and input. In the winter and in the spring, through the spring of 2016, the impartial hearings examiner will hold hearings, a more formalized proceeding. The council has

the opportunity to provide written guidance and instructions to the partial hearings examiner after receiving input from Austin energy staff, the independent consumer advocate, the electric utility commission, and members of the public. That guidance can concern the management of the rate setting and cost of service process, as well as the underlying policy direction that the council deems that the impartial hearings examiner should be guided by during the process. Austin energy will submit the cost of service study and rate recommendations to the hearings examiner, the hearings examiner will be governed by applicable rules of legal procedure, which ensures transparency and Independence, Independence from lobbying and ex parte communications. The hearings examiner accepts testimony and evidence from participating parties, allowing equal participation from all segments of the community. It's fully transparent and independent and allows the independent consumer advocate to play a formal role in representing residential and small business customers. In the late spring, the impartial hearings examiner will provide finds and recommendations to council. Those will involve establishment of the facts, what are Austin energy's costs and appropriate allocations of those costs and also the policy issues articulated in a structured way for the council to consider and recommendations on those policy issues.

[10:04:14 AM]

In the early summer, the council will have the opportunity for a more formal decision-making process, where it accepts and reviews the findings and recommendations of the impartial hearings examiner, receives input from the electric utility commission and, according to city code, will hold hearings to receive comment from the general public. I think by following this process we'll find that the information flow will be organized so that we can condense the proceeding successfully from the lengthy proceeding that we followed in 2010-2013. The summer would be the appropriate point for the council decision. That would provide input into the final budget process for 2017 and also conclude the proceeding well before the beginning of the 85th Texas legislature which begins to meet in 2017. And then in the fall of 2016, we would implement rates. In sum, this process is informed by, though not necessarily identical to, processes used by the public utility commission and other regulatory agencies for setting rates, it would be completed well ahead of the 85th legislation session. It's an accepted process that reflects longstanding law and rate making policy and principles and we believe it would be fair, transparent and ensures structured public participation. Along the way there will be a number of specific items that will come before the council, and each one of these items would as well come before the electric utility commission on a more procedural note, in August, we will bring you an item to extend funding for our cost of service consultant. Last fall, the council approved the selection of a cost of service consultant but the contract had two parts.

[10:06:20 AM]

The first part was to conduct a number of studies, one of which is posted as item 8 today, and those studies are to feed into the cost of service process. We left the funding for the cost of service phase of the consulting work to phase two of the contracts that will bring you a request for council action in August to extend the funding for the cost of service consultant who has already been selected. We'll also bring you an item to approve a contract for outside council. Throughout this process, we will work hand in hand with Mr. Pernes' team but outside council will lose a little more bench strength and greater expertise on the public utility process phase of the proceeding. In September we hope to bring you the selection of the independent consumer advocate to consider, and then a little later the selection of the impartial hearings examiner. In the fall, you will have the opportunity to consider and approve instructions to guide the impartial hearings examiner throughout the hearing and deliberative process,

and we'll also -- we're putting into the solicitation for the impartial hearings examiner that there would be a role for them to come to you in the fall and brief you on rate-making principles, processes, and the procedure milestones as we move forward. On more substantive council actions that would occur in the shorter term, in the fall, you have the opportunity to adopt policy guidelines, to give direction to the impartial hearings examiner, and then throughout the hearing process, the hearings examiner may bring to you issues on policy that request council interpretation before the hearings examiner knows how to move ahead on those policies, and so that will give you an ongoing check point during the proceeding.

[10:08:22 AM]

And, as well as well, you have the opportunity to be as informed and as engaged during the formal process as you wish. So, in sum, we've brought you an approach that is based on council's and Austin energy's experience in the prior cost of service study, incorporates existing guidance from council, and the recognition of our market, political and regulatory environment. We believe that this process will result in bringing the council the information that it will need to make informed decisions about cost of service, rates, and policies that are conducted transparently, fair to all involved, and sufficiently robust to stand up under scrutiny before the public utility commission.

>> Gallo: Thank you for your presentation. Councilmembers, are there any questions? Mayor?

>> Mayor Adler: Just a couple of quick questions. If I can get this to work. As part of the process we do the cost of service -- the cost of service study. This is what will get us to the conversation that we talked about coming out of the legislative session, is that correct?

>> Yes, sir. The cost of service study gives us the opportunity to review all the costs and policies of the utility. And you spoke with the senate committee on the changes that you and the council would be discussing and Austin energy practices related to transfers from the utility to the city. And this process is a natural place for that conversation to occur.

>> Mayor Adler: Okay. As we go through the study, just to put a marker, one of the things that I'll want to talk about is moving to a model that looks more like the cps model in San Antonio, where the owners of Austin energy, the residents, citizens of the city of Austin, get paid a dividend, as any owner of a company would, and then we look at only maintaining those transfers, which very clearly are appropriate transfers to be made, which would represent third-party expenses that Austin energy would otherwise incur and which they would incur through the city of Austin -- the balance of the city of Austin only to the degree and in the places where that was a better deal than what Austin energy could achieve on a third-party contract.

[10:11:15 AM]

So it's good to hear that that will be part of the conversation.

>> Mayor Adler: Yes. Another question, as part of the process, you're putting -- you're going to be bringing in a consumer advocate.

>> Yes.

>> Mayor Adler: And tell me, what is the -- what does that add to the process? Why do we do that?

>> Well, it's because the hearing process that we're setting up is a more formalized process, and it -- like any legal or quasi-legal proceeding it's quite structured, and so we bring in an expert in utility law and process and policy making, with deep consumer experience. And that person has the resources to participate in the hearings proceeding in a more formalized way. And a member of the public who has an interest in this, but is limited by resources and the day to day parts of life doesn't have the opportunity, necessarily, to participate in the formalized proceeding, so they can come before the electric utility commission, share their concerns, the electric utility commission can help interpret those

concerns for the independent consumer advocate but the independent consumer advocate represents the interests of those customers in the formal proceeding that is not assessable to every member of our community. An administrative proceeding -- what we'll be doing here kind of voluntarily, but trying to track in some respects, the administrative kind of hearing that occurs at the state level, third parties are allowed to intervene in certain circumstances.

>> Yes.

>> Mayor Adler: They can participate, submit testimony. Does that happen as part of this process too?

>> Yes.

>> Mayor Adler: So third parties would be able to participate. It's extensive do that, to hire a lawyer?

>> Exactly.

>> Mayor Adler: They could do it pro Se, though, so if a citizen wanted to intervene, they could do that, so long as they made the filings they could participate.

[10:13:21 AM]

Is that right?

>> That's right. I would presume that if there's a large number of parties who wasn't to participate, that the administrative law judge will align those parties into like groups and put some structure on their participation. I'd also say that in a state administrative hearings proceeding related to electric rates, there's a state office, the office of public utility counsel, who is designated to represent residential and small commercial consumers in state proceedings in just the same way that the council directed us on the independent consumer advocate.

>> Mayor Adler: You also said that one of the reasons we go through this process is not only to make sure that we come up with the best decision we can possibly make, but, also, in part because we anticipate that whatever we do is going to get appealed and the more thorough the hearing that we've had, the more views that were raised and studied and addressed, the better we are, I assume, that as we go up, having a consumer advocate or representative helps in that process as well.

>> Yes, I believe the more robust of a process that we have, following standard processes of administrative procedure, the best position we'll be in when we articulate our case before the public utility commission.

>> Mayor Adler: I'm going to ask a question that I don't need an answer for right now, it's one I want you to think about, and that's the question of whether it makes sense for us to have two consumer advocates in this process, one representing the consumers that are inside the city of Austin and one representing the consumers that are not in the city of Austin. Because it may be that their interests are not always aligned in the process and that in an ultimate appeal of the case, if there is one, may come from only one and maybe not both and if we're trying to get a robust hearing on those issues, it might be something that would be worth considering.

[10:15:34 AM]

>> Okay.

>> Mayor Adler: Thank you.

>> Gallo: Thank you. Any other questions, councilmembers? Mayor pro tem?

>> Tovo: Yeah, thank you. I'm really glad that we're having this conversation today and I'm so pleased to see our city moving forward with that consumer advocate position as Mr. Dreyfus sort of summarized, one of the things that happened with the last rate case by the time it got to council there were many community members concerned about the size of that rate increase and we were really fortunate that we had some very -- some volunteers with real expertise who could assist the council in working

through some of those issues and helping them understand what that impact would be on consumers. I would name Barbara Day on the electric utility commission as one of them, a former utility attorney. She really was instrumental in this. But I think you've really summarized well the rationale for that. That will be kind of a real assist to us, I think, in making sure that consumers understand and can interact with a very complicated body of law effectively. So I'm really pleased to move forward with that. Can you help me understand. I guess one of the things I didn't remember is that the consumer advocate is actually going to be selected by the utility staff, but I assume that will come to council for approval. Is that right?

>> Yes and no. We have issued a solicitation.

>> Tovo: I saw that.

>> To hire under contract a independent consumer advocate or a group to participate in that role. But I want to assure you that that selection is not going to be driven by Austin energy staff. We are managing the selection process, as with any solicitation, there will be a panel from the city of city staff to review the proposals and make the selection, and that panel will have one member from Austin energy staff who is guiding the process, assistant city manager Goode has agreed to serve on that panel.

[10:17:44 AM]

We will also have a member from legal services, a member from the sustainability office, from city finance, and from housing and community development. So it will be a city selection panel, but not driven by Austin energy staff. Then once the selection is made that will be funded out of Austin energy's budget, we expect that the contract will not be managed by Austin energy staff, but we've been talking with Mr. Goodhe about how we'll manage that through the process.

>> Tovo: I think what I have not heard then is what role council would have in the identification of the consumer advocate or a role for our electric utility commission and the community really who I think has a big stake in the kind of consumer advocate who is selected.

>> Well, I think it goes without saying, and that's why I didn't say it, that the rca, the request for council action, to select the independent consumer advocate will go to the electric utility commission for discussion and will come to you. Of course you make the final selection on who the independent consumer advocate will be, and the same would hold for the impartial hearings examiner, we'll follow the same process. We have a little bit different panel to review that. We have the chief judge of municipal court has agreed to serve on that panel, and other members of the city staff. But same process. Those will go to the electric utility commission for consideration. They have the opportunity to review and analyze the request and to provide you input. And then we'll bring it to you for selection.

>> Tovo: Thank you for that additional information. And I know that the electric utility commission had issued a recommendation to council that they be involved in the cost of service study as well, and I heard you talk about them during -- or talk about that board during your overview. Can you help us understand the role they'll play in that process?

[10:19:44 AM]

>> I think the participation of the electric utility commission is critical in this process, and there are a number of points of engagement where they have the opportunity, as called out in their bylaws, for review and analysis, advice to council, and interpreting utility policy for the public. First off, each of you has just appointed a -- an individual member to the electric utility commission, so you have the opportunity, if you wish, to have an individual advisory for you from the electric utility commission. We will, as we were just discussing, bring information to the electric utility commission throughout this process. Initially, it will be the request for council action on the independent hearings examiner, the independent consumer advocate, the cost of service consultant. At each step in the cost of service study

-- and I outlined kind of three overarching steps. At each step we'll bring our results, information, and recommendations to the electric utility commission for discussion. I think the electric utility commission, especially as it's now constituted, provides a unique opportunity for members of the general public to engage in this dialogue about the community's priorities for its electric utility commission and electric rates. So I think the electric utility commission is an opportunity to invite members of the public in to have that conversation and then to gather and interpret that information and bring that information to the hearings examiner and to the hearings process and to y'all as well. I outlined in my remarks several steps where the council will give guidance to the hearings examiner or participate, and in each of those steps there's an opportunity to receive input from the independent consumer advocate, the electric utility commission, and members of the public.

[10:21:51 AM]

So I see them as engaged from front to back in this process and really critical to it.

>> Tovo: Thank you.

>> Gallo: Councilmember pool.

>> Pool: Thank you, chair. Just real quick question and a quick answer, Mr. Dreyfus. We received board commission recommendation just today from the electric utility commission, urging city council to include the electric utility commission in the upcoming cost of service process. And I think you've mentioned a number of stakeholders. Have you seen this recommendation from the euc?

>> Yes. Unfortunately I was out of town Monday, last week, when the electric utility commission met and didn't have the opportunity to have this conversation with them. And -- but I viewed the discussion. I've read the resolution. And I think that it's clear that we will engage with them throughout the process. They'll have a number of opportunities to be involved from front to back, and that resolution will be satisfied.

>> Pool: Great. Thank you so much. We'll be real interested to see how the entire stakeholder process works and consumer advocate and all of that is really important.

>> We'll be back to you in August for these initial steps.

>> Pool: Thank you.

>> Gallo: Councilmembers, are there any other questions? All right, thank you very much.

>> Thank you, all opinion I'll see you back for item 8.

>> Gallo: We're going to shift back a little bit to the agenda that was published. I want to thank councilmember pool for beginning the meeting this morning. My husband is a past president of the ymbl, young men's business league, and they have run the sunshine camp at zilker park for many, many years, since 1929528, that would be a -- 1928, and the ribbon cutting for their new facility, which actually has 120 beds was done this morning so I was asked to attend with him.

[10:23:53 AM]

But there were many thanks to the councilmembers for their assistance in helping make this public-private nonprofit partnership work, particularly to councilmember troxclair, who has been instrumental in working through some of the issues that they have faced, and in particular the director of our parks and rec department and our staff, they've been wonderful partners for them. So I apologize for being a little late and thank you, again, councilmember pool, for starting and continuing until I got back. Let us go now to some of the action agenda items. Number 2 that was posted on the agenda was actually taken up and passed on Tuesday. So that has been taken care of -- excuse me, number 3. And so we will now go to item number 4. And it's my understanding that we did have some speakers for that, but they have already spoken. So do I hear a motion? Mayor?

>> Mayor Adler: I would move that we -- I would move that we approve the contract.
>> Pool: I would second that.
>> Gallo: Is there any discussion on this item?
>> I'd like to point out we're in a committee meeting so the action would be to make a recommendation to the full council when it meets.
>> Gallo: That would be correct.
>> Mayor Adler: I move to recommend we -- that we recommend it.
>> Pool: I second the recommendation.
>> Gallo: Is there any other discussion? All in favor of the recommendation to -- excuse me.
Councilmember troxclair, did you have a --
>> Troxclair: Mayor Adler, can you just give a brief reasoning for your motion?
>> Mayor Adler: I think there are probably several reasons for that. I take it at face value Austin energy's statement that all three were qualified and they were indifferent as to which of the three choices are made.

[10:25:57 AM]

I'm looking at the scoring that happens, and I recognize that our purchasing department does not have a fine enough tool to differentiate the extent or measure of local locations in making that adjustment. And I would like to see the city consider on a policy basis, whether there should be a tool that provides greater gradation with respect to that. It appears as if navigant has greater local advertise than exist with the others -- ties than exist with the others. Finally, the reason to do this study is because there is some issues about what is the correct course of action to go. And as I look back at the conversations earlier, there was a difference in between Ben what Austin energy was recommending and what was being recommended by some of the stakeholder groups in the city. So we have kind of an independent study that was coming in to give us a feel for that. Austin energy on the one hand is -- says all three of these are similar and is okay. The -- some of the stakeholder groups that were instrumental in arguing and advocating for the third-party consideration seemed to have a preference and navigant seems to be that preference. And I want to make sure that this study, when it comes out, has the greatest ability to be able to issue us to look at the Numbers and decide the Numbers and come with an objective evaluation that will be widely accepted, and I think that having navigant do this study gives us the best shot of ending with that result.

[10:28:01 AM]

>> Gallo: Councilmember Zimmerman.
>> Zimmerman: Thank you, chair Gallo. I'm going to be voting against this because I haven't heard a reason to not -- to not use pace global. And there are some comment made about how of course, you know, studies can be wired, of course that's true. But I don't -- I haven't heard anything that would lead know believe that one consulting group would be less wired than another. So I'll be voting against. Thank you.
>> Pool: Chair Gallo.
>> Gallo: Yes, ma'am.
>> Pool: I can speak to that, about pace global. They do have a limited track record at what is required for the scope of work. They're competencies, the relevant competencies that navigant has for the scope of work are related to -- and this is from the text in the scone of work, reasonable combinations of energy storage, energy efficiency, demand response, renewables and purchased power. I'd rather speak poively about why navigant is the better of the two as opposed to why pace may not be, but the

competence for navigant, they have the relevant experience. They may not have as much in -- let's see, here we go, here is pace. Specifically the offices in Austin are from the parent company in Siemens, but not pace global, which was acquired by Siemens in 2012, and they are not actually in Austin. They have two people who will be coming to Austin, and that is -- I think that's important in looking at the scope of work. I think we have three very high-ranked contract possibilities, but I agree that navigant, with its long-time local presence and its understanding of the Austin market is the better -- the best of the three.

[10:30:01 AM]

>> Gallo: Perhaps it would be helpful for the staff to come up. Do we have staff here? That can help us understand the recommendation and perhaps the differences that have been questioned? And if anyone has -- questions of staff? My question would be if it's indicated that the three choices were fairly equal, was there strengths and weaknesses of each that maybe you could point out in summary and help us with that, and then the councilmembers could ask questions.

>> Yes, madam chair. Councilmembers, mark, chief finance, Austin energy. The staff did evaluate each of the proposals against the requirements with the statement of work, and I believe it was six staff members from various departments in Austin energy each scored them, we scored the technical piece, procurement -- procurement took care of costs and the local presence. And I can address any specific question on the technical merits, and procurement can talk about the other elements.

>> Mayor Adler: Councilmember Zimmerman?

>> Zimmerman: Yes, thank you. I'm referring to the chart here, the table that's in our backup material. And I'm one to challenge things all the time, as councilmember pool, I guess, has done, but the Numbers here for what they're worth, they show that pace is either equal to navigant or superior in the scoring, including the category that says demonstrated applicable experience and personnel qualifications. Pace global scores higher there as well. So, again, I appreciate the challenges to the Numbers, but that is what the Numbers say.

>> Gallo: Are there any other questions of staff? I think you gave your description. Would you like to give your description comparing the three?

[10:32:07 AM]

>> Councilmember, mayor, members of the council, James Scarborough, purchasing. Yes, this was conducted as a competitive sealed proposal in accordance with Texas constitutes statutes, and the criteria you see in the matrix before you was communicated within the solicitation. So this was the basis of the competition, as was communicated to the offers. It led to their construction of their proposals and was the -- analysis by which we determined the ranking of offers that you see before you. So among your discussions previously, you were going to deliberate amongst the top three so that you had the benefit of the differentiation of the top three, our scoring shows first, second, and third. And that first, second, third is based on the contents of their proposal as contrasted by the individual criteria they were evaluated on. Purchasing did conduct the price evaluation and the evaluation of local presence. Of the three companies that had local presence, the most highly rated two received full points. As we discussed at an earlier meeting this week, the evaluation basis for local presence is -- if the offer or the offerer's team is composed of 90% or greater local presence, then they received full points. So in this case, both of the offers included subcontractors, because this procurement was subject to subcontract goals, and both of those subcontractors -- for one of the offers had local presence and for one of the other offers that did not have local presence. But both of them were in excess of 90%, both qualified for full points.

>> Gallo: Thank you. Any other -- councilmember troxclair?

>> Troxclair: So our -- there are times when we are legally required to accept the lowest bid, but this is not one of those times?

[10:34:15 AM]

>> Councilmember, when conducting a competitive sealed bidding process or an ifb, invitation forbid, we're required by Texas procurement statute to make at ward to the lowest responsive and responsible bidder. When conducting competitive sealed proposals of the requests for proposals process we're required by statute to award to the most highly rated offer based on the evaluation criteria set forth in the solicitation.

>> Troxclair: Okay. So it seems -- I'm just trying to understand. It seems like in both of the scenarios that you just described, there is some legal obligation to award the contract to the highest scoring company, which would be pace global.

>> That is my interpretation, yes, ma'am.

>> Troxclair: Okay.

>> Chair.

>> Gallo: Yes, councilmember pool.

>> Pool: If councilmember troxclair is done? Did you have any -- okay. I was just curious. On the local presence, it looked like pace global was bringing people in to Austin who may not already be here in order to satisfy that local presence. But navigant does have staff currently in Austin. Is that correct?

>> Based on the -- without going into too much detail, because these proposals are still subject to confidentiality under Texas procurement statutes, but the determination of local presence is based on the company's either having a headquarters within the corporate city limit of Austin or having a branch office within the corporate city limits of Austin. Branch office having to be in place for five years or longer. Both of these companies qualified for local presence based on the presence of a branch office in corporate city limits.

>> Pool: So you can't actually speak to whether the staff are currently here or if they are, how long they've been near okay. I appreciate that.

>> Yes, ma'am.

>> Pool: Thank you.

>> Gallo: Councilmember troxclair?

>> Troxclair: I guess I'm just -- I'm uncomfortable, hearing that there is potentially -- we're differing from a legal process that has been set forth by the city, I understand that if we want to change the policy in regards to local preference and how we award that, you know, I'm certainly open to talking about that going forward, but I'm hearing that we're differing from a process that's in place based on legal statute.

[10:36:42 AM]

I'm really uncomfortable with making a decision that would violate that, especially because, you know, they are pretty close. I guess I'm uncomfortable with the motion. So I'm not going to be able to support it based on what I'm hearing from our staff.

>> If I could clarify further. As a representative of the purchasing office, I do not pretend in any way to be an attorney or to provide legal advice. So to the extent that you wish to have legal advice, I would recommend you consider feedback from our law department in an appropriate environment. But to the extent that you have a practitioner's interpretation of our legal obligation, I'd just give you the straightforward interpretation that we observed, and our observation of the competitive sealed proposal process is to recommend the most highly rated offer.

>> Troxclair: Sure. And I guess I'm thinking back to other situations that we've considered thus far when

it came to contract awards. And we had a discussion with a company who was in the etj but not city limits who was upset in -- that they did not get the local preference. So we have had issues before the council already, where we would have had the ability to differ from the recommendation that was in front of us and because of the policies that the city council has in place, the council chose to move forward until we had a policy change. So I feel like this is really differing from, you know -- differing from the consistent process that we have set out so far.

>> Gallo: Councilmember kitchen.

>> Kitchen: I appreciate the concerns councilmember troxclair is raising. I consider this to be different for two reasons. The first reason is that, the original direction from the council to Austin energy, which was to bring back to us three options.

[10:38:43 AM]

So we made the decision a while back that that was the process that we were following. So we're not violating -- or we're not changing -- we're not changing a set policy or a set process because we set the process for this particular procurement a while back in saying that three options should come back to us. So actually the option of bringing one back to us is not in keeping with what we said before. So there's that. The second thing is that we have the ability to make a choice here. There is very few -- there's very little difference in points between these two, and my decision to support navigant is based on what -- some of the testimony we've heard about the concern that -- with their experience, they would be better suited to carry out what the intention was of the proposal. And so -- and they're both equal in terms of local preference. So I think that this council has the discretion, and I appreciate the concerns being raised because I'm -- I wouldn't want to be in a position where we were violating or changing a policy. But we've already dealt with that. Actually, what's come back to us is not in keeping with the original -- with the direction.

>> Chair, if I can just say real briefly, I think it was probably about a week ago, a -- the law department circulated a memo that talked about this issue in a little more depth and if it would be helpful, we can redistribute that memo, if you don't have it handy. And, you know, before you take final action on this may be, maybe it would be helpful if we just put that in front of you. I think the key point is that, you know, the council's discussion does need to be focused on the merits of the solicitation and those criteria. But we can get that memo back out to you if it would be helpful.

>> Kitchen: Thank you for offering that, but I think that the statement I made I'm comfortable with. And, you know, we already -- we said before that they would bring back three options to us and we have the right -- the right to choose three options.

[10:40:47 AM]

So as far as I'm concerned I'm not aware of any legal impediment to us choosing another option.

>> Gallo: Are there any other questions? Councilmember Zimmerman.

>> Zimmerman: Thank you. Councilmember kitchen, the good part of this is I'm absolutely thrilled that the council knows it has the prerogative to make another choice, help the Numbers are so close. I just feel better having the -- if it's true that navigant has the better experience, I'd like the chart to show that. That's my only contention. I'm thrilled that we're considering something other than what was recommended to us. Thanks.

>> Gallo: Councilmember troxclair.

>> Troxclair: Thank you. I'm still trying to get a feel for the legal advice. So if our legal staff can let us know, are you saying that this memo -- and I will go find it and try to read it, although if we're going to take the vote now I don't know that I'll have the time to do that. Are you saying the information

provided in a legal memo may be different from the -- your opinion may be different from the been of councilmember kitchen and the way she is viewing the -- our ability to differ from existing policy?

>> I don't think it's different. I will just state at the outset that I'm generally focused as a utility lawyer, not a purchasing lawyer, but I think my recollection is I'm accurately summing up the contents of the markets is that the council can -- memo, which is the council can make the decision to award the contract that doesn't necessarily agree with staff's evaluation, but that the council's evaluation has to be based on the merits of the responses based on the criteria that are set forth in the solicitation. So it sounded to me so far that the council's conversation has been based on the qualifications and how those qualifications meet the solicitation. So I think my advice and caution to you would be to base your decision on qualifications that are set forth forth in the solicitation, but not to base your decision on extainous factors.

[10:42:55 AM]

So far I don't really think I've heard any discussion like that.

>> Troxclair: Thank you for that clarification. Seeing as this is just a recommendation to the full council and we'll take final vote on this I guess here in a little bit I'm going to abstain from this vote until I have sometime to -- some time to read the memo and fully understand the legal issues before us.

>> Gallo: Councilmember pool.

>> Pool: I'd put out when the electric utility commission had this matter in front of them, staff also asked them to pick one of the three and they said no. The council asked us to forward three because that was the direction from council in advance and that is what the euc did. They chose not to pick one of the three but rather urged us to 11 from the three.

>> Gallo: Councilmembers, we have a motion before us for a recommendation for one of the particular companies. There's been some discussion about the desire to perhaps see the memo that was put out so I think we can either proceed forward with the motion or we could certainly recommend this to the full council with no -- or take no recommendation. Do we have any discussion on a preference one way or the other? We do have a motion on the floor at this point.

>> Pool: I'd like to proceed with the vote on the motion that the mayor has laid out because it is a recommendation to the full council, which is us in a different -- at a different time today. And I think that would continue to move us forward. Thank you.

>> Gallo: Okay. Is there any other discussion? Mayor, would you like to restate your motion, please?

>> Mayor Adler: With respect to item number 4, I would move that we recommend to the council to award, negotiate, execute a contract with navigant.

>> Pool: I had seconded that.

>> Gallo: Councilmember pool seconded that. Any other discussion?

[10:44:57 AM]

All in favor of the motion to award this to navigant, please raise your hand. Okay. So it looks like one, two, three, four -- five. All opposed? One, two -- three. Any abstentions? One. Okay, the motion passes. Thank you.

>> Gallo: We've had a little bit of a discussion here of what number of votes it takes to pass along a committee recommendation. And so I think our legal advice, because we only had five voting to send this forward to council chi with this particular recommendation -- committee with this particular recommendation, legal has interpreted and recommended that we say that we will forward this to the council, showing a vote of 5-3-1. Okay. We will go back to briefings. Thank you, councilmembers.

[10:47:04 AM]

Number 6, regarding Austin energy's energy efficiency, weatherization and solar programs.

>> Good morning, madam chair, mayor, council. Pleasure to be here this morning. My name is Debbie Kimberly, vice president of customer solutions at thawing. I am here to give you an overview of some of the programs that we offer our customers. I am not going to review in detail all two dozen programs. I want to respect your time. Last month, I left a copy of this booklet on the dais for each one of you. I would encourage to you look through it. Feel free to reach us to Austin energy staff if you have any questions. We do offer over two dozen programs to our customers. I'm going to focus today at a very, very high level on program goals and objectives and in particular on some items that you will see coming up before you as a council, where there will be action required or where you will see us making some changes. The programs that I'm going to talk about today are low-income weatherization program, multi-family program, select demand response programs and some of the tools we've provided our customers tone able them to manage their comfort and their energy consumption. I'll close by talking a little bit about the solar program a lot of discussion has occurred over the last few months on the goals and objectives of Austin energy. But I'm going to talk primarily about the goals that appear at the top of this chart. What is it that the staff that I work with is focused on? It's on doing this. It's reducing cost to our customers and enhancing their comfort. Frankly, when you do that, when you engage customers in these sorts of programs, it has been proven to directly translate into enhanced customer satisfaction, enhanced customer loyalty.

[10:49:12 AM]

But it also provides value to the utility. Why? For every kilowatt hour we don't needs to purchase, that results in a savings to Austin energy. Our task is to deliver those savings at a price comparable to what you would say in the ERCOT market. Fourth, yes, meeting our resource goals in the most cost-effective manner possible. What are those goals? You've seen them. I'm not going to talk in a lot of detail. You can see them on this slide, 55% renewable energy by 2025, 900 megawatts of energy efficiency and demand response, I'll try to avoid the use of acronyms and 900 megawatts of solar of which 100 megawatts must be customer cited. Where do we stand right now? We're at 50% of our energy efficiency and demand response goal and 22% of our solar goal. So let's talk a little bit about what the load shape for a typical residential customer looks like. So the blue line on this chart shows what the load for a typical residential customer looks like on a summer day in Austin. Now, if you look at the yellow line, you can see that energy efficiency implemented in that customer's home will result in about 10-kilowatt hours a day in savings. It serves to reduce the overall consumption of a residential customer through participation in our programs, through, frankly, more robust energy codes and standards, through our green building program. But we're a very peaky utility, and so we also offer demand response programs that seek to shift consumption out of those peak areas where costs to serve customers are the highest. That very simply results in demand-side management programs, DSM programs, that relates to both conservation measures, those energy efficiency measures that reduce consumption and demand response shifting consumption into non-peak hours.

[10:51:14 AM]

What does this do for the customer? It reduces their cost, enhances comfort, improves the quality of their life. In terms of the utility, it also reduces utility costs, enhances customer satisfaction, and, yes, contributes to our goals. The report that I distributed last month provides an overview not only what have we achieved last year, fiscal year 2014, with our various energy efficiency and demand response

programs but also what our goals are for the current fiscal year. What did we do last year? We achieved record savings. 67 megawatts of savings through our energy efficiency and demand response programs. We touched 38,000 customers and that excludes all of the occupants of green building rated commercial space. The bar charts here show both residential and commercial programs, color coded such that you can see the energy efficiency programs shown in blue, Orange sided programs or demand response programs and the green programs are green building programs. I would note the green building programs would not provide incentives to our customers. We provide technical support and consulting services to facilities that are new construction facilities because in my opinion the most long, live, robust savings are those you achieve with a new commercial building or residential building built to high standards of energy efficiency and demand response. Now, I'm going to focus, as I said, on those programs where we're in transition, in the midst of some change. I'm going to start with one that gets an awful lot of discussion. As you've seen during citizen communication and stakeholder comments. Since we launched the weatherization program in 1983 Austin energy has facilitated the weatherization of over 16,000 low income homes we provide through our cap program discounts and assistance to 45,000 residential customers. We don't do this alone. We do this in combination and coordination with other city departments and partners to our programs.

[10:53:21 AM]

The Austin water utility, all shown on this slide. The chart to the right of this slide shows the amount of money that has been spent every year since 1997 on our weatherization program and the amount of money provided shown in the green bars during a period of time when Austin energy received over \$9 million in federal stimulus funding. I would note in all of the cases with the exception of one year, in the post era grant period, we did not provide hvac air conditioning systems or refrigerators to customers that participated in these programs. When we received over \$9 million in stimulus funding, we did provide those measures. Those measures are costly and they take a long time to stall. We also had a delay in reach something customers after the stimulus funding and after the approval of updated rates in 2012 in getting that program launched because of a series of factors. But I can tell you this. This is the good news. This year we are on target to reach 600 homes in our weatherization program with monies we have already spent and monies that have been encumbered. The measures we're installing do not include air conditioning and refrigerator replacement but we're seeing a very much improved process. We have shortened the amount of time that it takes to reach those customers, and with your action most recently on Tuesday, we have broadened the pool of contractors that can implement these measures. This is a map, a map by zip code that shows where our weatherization program has been most densely concentrated. So if you look at the map, the darker the green color, the more weatherization that we've performed within those areas.

[10:55:23 AM]

The lighter the color, you can see less weatherization. Not surprisingly the concentration of homes are where people qualify are in green. Even if they don't qualify for the cap program they are low income customers. The blue icons on this map represent properties that have gone through our multi-family program, which also reaches low income customers and also reaches customers who are by and large renters. For fiscal year 2014, last fiscal year we weather rised almost 300 homes resulting in improvements of \$1.8 million and roughly 1,000-kilowatt hours a year per participant in terms of reduced energy consumption. We had underspent cap funding in previous years. We are on track to spend those monies that were underspent this year as I say. We hope to reach at least six hundreds homes and we've got encumbrances, 200 completed, another 450 in the pipeline. While we don't offer

air reasoning and refrigerator replacement, what we do provide are window units for vulnerable populations, at or below age 65, child under the age of six in the home or who are medically vulnerable. Those window units are installed in all occupied bedrooms and living rooms. As I've stated and I won't go into all of the details we've undertaken a number of process enhancements to reduce the period of time that it takes to weather rise a home to ensure in advance that the home is weatherrizable if that's a word. We're looking at more modified approaches in fiscal year 2016. I frankly am encouraged that we've got more contractors who will be able to participate in this program and I think that's a good step. Our goal is to be as efficient as possible in spending the money that we collect from customers and redistribute to customers.

[10:57:26 AM]

And in that regard let me talk a bit about multi-family. So our multi-family population, as you know is very large in Austin. More than 50% of Austin residents live in rental properties and many of them live in multi-family properties. One of the things we do, rereport semi annually under resolution passed 2013 about the progress of our multi-family program. One of the issues raised by past council and by this council is the amount of money that we pay to those multi-family property owners. One of the things that I think is important to note that the people is -- that the people that live in those multi-family units, those apartment units, they pay into the customer benefit charge. But unlike homeowners, they aren't eligible to receive the same types of measures funded through this program. So instead what we've been able to do is to launch a program that incentivizes the owner of the multi-family property to undertake improvements, insulation, duct ceiling, solar screens and the like, but the cap previously per council action was set at no more than 90% of the installed measure costs. Staff has taken council's directives very seriously and what we've done since December is to work with contractors and to say we believe we are overincentivizing those measures. So effective July 1 we are reducing the cap so it will be no more than 80% of the installed measure cost. We've further reduced the cap per measure to \$400 per kw for single measures \$500 for more measures. What's the objective? Frankly my objective and that of my staff is to get to more properties. If you can get to more properties with the same amount of money and assist more customers in madamming their home comfort and their energy bills, I call that a win-win. And the last thing that I've got up here in green on the slide is something that we piloted earlier, I'm a big believer in piloting programs that we're launching and that is point of sale rebates.

[10:59:33 AM]

You'll soon be able to see point of sale rebates at Wal-Mart, Home Depot, Lowe's department store and other retail outlets where we provide buydowns on leds, window unit air conditioning community the like so, again, something that is easy for a customer to install and very cost-effective. I'm going to shift briefly to different means by which we help our customers, the residential bring your own thermostat model, started in 2013, 8500 customers that participate in this program, and it supplements the 1-way communicating thermostat program we've had for quite a while. With this program customers can enroll their own wi-fi enabled thermostat and we adjust the temperature settings directly for the customer, again, resulting that shift of peak consumption. We looked at about two new models annually and why do I highlight that? Because in the future you will see coming before you an item for council approval where we add new vendors to the program. So that's why I wanted to call your attention to it. Now, in the past with the one way model we called it demand response. In utility speak that doesn't sound too warm and fuzzy. We demand that you respond so we're going to cycle your air conditioning unit or worse yet we call it a curtail meant event so marketing 101 would tell you that's probably not a good way to market your program so instead we refer to it as rush hour rewards. So congested period of

time, we pay an incentive to the customer for allowing them to control-- for allowing us to control their thermostat. We're in the process of going from a one way model to a two way model. Finally because we have so many customers with multi-family properties we are expanding the program to include condominiums and commercial customers, especially small commercial customers. We're also piloting a new building control program kind of like bring your own tablet and you heard earlier from a citizen about customers wanting to avoid that demand charge.

[11:01:43 AM]

We are working with live oak gotsman. And working to automate their building controls and doing exactly what this customer talked about, which is enabling the customer to avoid becoming a peak demand customer.

>> I'm going to switch a little bit to something that I think is increasingly important in the business that we conduct and that is offering our customers with tools and services that they can use on their terms via media they choose to use and communicate in ways that are meaningful and relevant to customers. So one way you do that is not necessarily talking about kilowatts and kilowatt hours, but talking about dollars and cents. So we enabled at a very low cost, it was actually below the council threshold, a free and very easy to use residential web application last year. Any customer that has a mobile device, cell phone, doesn't need to be an iPhone or a super smart iPhone, can access this device. They set up information by going in through the city of Austin portal and they received tier alerts that tells them after passage of the last rate adjustment you can be -- your 14 days away from hitting the next tier. So it's a way for customers to manage their consumption as opposed to finding out after they received their bill that they have moved up into tier four or five. Will building on that success we're providing them with customers to provide them not only on customer alerts, but kw alerts, allowing customers to control their consumption so they don't hit that 10 kw threshold. We've also rolled out and piloted with Austin school district an application that enables our commercial customers to run what-if scenarios and better budget based on their predictions of energy consumption prospectively.

[11:03:47 AM]

And last, we've also enabled our solar customers to track their solar production via this application. What has this done? One of the things it's done is enable customers to determine if on a sunny day and they're not seeing solar output from their system there might be a problem with their inventor or one of their modules, I'll turn a little bit -- before I forget, the other thing we've done is to say if you -- I'm an example. I recently went through the home perform witness a energy star program, I can flag when I took those improvements and be able to see has my consumption dropped as a result of the actions that I've taken. These are some of the things that we've changed recently. Solar program status as I said we're about 22% of the way towards our goal. You see by the green slices shown on the pie chart those solar projects that are installed or in progress, everything shown in blue remains to be attained under the resolution 157 that was passed by council last December. So what are some of the new things that you will see. Clearly if you heard, and it's true, our solar costs are among the lowest installed costs in the country and in the case of Austin we comprise 30% of Texas solar. So we clearly along with cps see the most penetration of solar within our service territory. Over the last 10 years you can see the rebates that we've paid. We've got almost four thousand residential customers participating in the program and over 300 commercial projects. We have allowed residential leases, however, we do not pay incentives for customers that lease their equipment. Why? Because staff believes that the incentive is a means by which to have customers overcome the barrier to installing solar when they are out of pocket with a residential lease. There is no such upfront cost barrier to the customer. So we believe and we've looked

at the pay backs for a residential equipment lease versus a known system with an incentive paid and they are roughly the same.

[11:05:51 AM]

In fact, the equipment lease is slightly lower. Staff is, and again I flagged this just for your alert, there is consideration being given to potentially increasing the annual cap for commercial customers. That cap is 200 kw per year, but what do we see? We see some customers going out and installing 200 kw systems every year at a single site. That's expensive, it's not efficient and frankly it's not very esthetically attractive. We pioneered the value of solar rate which puts us in a class very different than many other utilities where we pay customers the value of solar as computed by a number of different factors, the biggest driver of this being avoided fuel costs or costs associated with energy that we would acquire from ERCOT, avoid a transition and distribution expense as well as a renewable energy credit. Why do I call this to your attention? Because it is embodied in a tariff. We update it annually and you will see it in the budget that comes before you once we undertake and we've undertaken the analysis you will see the value of solar change. What we have done and this avoids completely the problem with cost being transferred to non-solar customers because we charge the customer for all on-site energy consumption and then we credit back at the S.O.S. Rate. Something again that I think helps us deal with rate pressures that we would see. I'm going to conclude with this. This was acted on by a prior council. I'm happy to say we had agreements with Power Fin, a local firm, to install a system on two to four megawatts of community solar at the Kingsberry site. This will enable renters, those who have shaded roofs and others who trackily aren't able to afford the upfront costs of installing solar on their home to subscribe to this premium offering.

[11:07:53 AM]

I want to underscore that this is a premium offering. It will be -- the cost of the system as installed and it will allow them to receive the costs of solar power at a fixed price over a period of time. I'm trying to get to final closure on this, but we're expecting to launch the program in 2016. Where are we right now? We're working with the neighborhoods, working with other community folks that are involved in this program. We've worked closely with Solar Austin on this program. We've secured a lot of input from Solar Austin in terms of how customers who would be interested in this program would be interested in the pricing structure and we're happy to take this forward as one of the 50 some-odd community solar sites that is being developed in the United States. So in closing, what is it that I'm about. I'm about developing products and services that our customers value, first and foremost. I want to reduce costs to our customers. I'm a recovering finance. For me it's about the bottom line. I want to reduce cost to our customers, but provide value to the utility. I want to in every single touch point we have to enhance their customers and we want customers want more comfort and control over their expense. That's what we aim to do with our programs and we want to meet our goals in the most cost effective manner. I don't like standing still. It's hard for me to stand still behind this podium, but I continually wanted to seek opportunities to improve the way we conduct our business. And I thank you for your attention.

>> Zimmerman: Could you back up to where you talk about the year 2014 and the weatherization and you talk about the big push for value for our money. So let's talk about the \$1.8 million that was going to -- there it is.

[11:09:58 AM]

1.8 million homes. So my fifth grade math says that's about \$6,185 per home. And we saved about a

thousand annual kilowatt hours. That's about 100 bucks, right, if I was looking at your solar, you're paying 10 cents per kilowatt hour.

>> Councilmember Zimmerman, fifth grade math it works and that's exactly why --

>> Zimmerman: That's a payout of 60 years. I would kill that program in a heartbeat because that's wasting our money. It's killing us.

>> So what we did, this year, councilmember Zimmerman, was to say what's driving those costs? It's not led bulbs, it's not duct ceiling although that can be expensive but you will see a shorter pay back. It's installing a measure that has a 15 year life, but you're not going to see a pay back for 40 to 60 years. We funded that with federal monies during the period we got stimulus funding, but we never had funded it before then with funding by Austin energy customers, which is why in 2015 we said we are going to eliminate those measures from the weatherization program. And we're going to focus on this handful of measures. Now, it still has a longer pay back when you're looking at things like duct ceiling but it's not 60 years. Your point is well taken.

>> Zimmerman: There seems to be a feeling that federal money is free. That it grows on trees and so yeah, there's been a habit of that. It's not just something that goes on here, but we see waste of federal dollars in a lot of instances and I think that's why we got this 18 trillion-dollar debt. Is there a way that we could just not do things like that in the future if money that we don't have is offered, just say no thank you?

[11:12:00 AM]

Let's have some compassion for our grandchildren that have this huge debt? Just a suggestion.

>> Gallo: Mayor?

>> Mayor Adler: What is the pay back for the measures we're using now?

>> It's in the roughly, I'm going to say, 12 to 17 year time frame and that is in particular with homes where you go in and engage in duct ceiling and repair in older homes. That type of a measure will drive higher costs. One of the things that we're looking to do under the new contract with our partners is to install led's, so as you know the cost has come down significantly on led's, whereas before we were giving away cfl's, we're giving away led's. The only challenge we have is the standards keep moving up so you can't claim credit for something that is essentially a standard. So that's what tends to add to the pay back period. Is that responsive?

>> I think we should claim credit for the standards. Any other questions? Councilmember kitchen.

>> Kitchen: Thank you very much. I have a question we could talk about offline. Are you familiar with the green and healthy homes initiative?

>> Is this the initiative focused on -- I want to make sure.

>> Kitchen: The only reason I'm asking is we were in our housing committee meeting yesterday and we understand that working with the housing department via small pilot to bring forward just to test. This is the program that focuses on --

>> Holly neighborhood?

>> Kitchen: And kids with asthma or things like that to bring all the funding streams together.

>> We have worked with neighborhood housing. My staff works closely with neighborhood housing on that and we've talked about the ability to-- as I stated we've got monies that come in through the capital metro element of the customer -- cap element of the customer benefit charge and we augment that with the additional funding.

[11:14:12 AM]

So we have the ability to direct some of that towards that. There's another question that my staff is

looking into that relates to monies that were sent to the city over -- and were to be disbursed over a 10 year period of time and I think we're working on some of the details of that. We definitely look forward to --

>> Kitchen: That's great. For my fellow councilmembers this is something we heard about in the housing and urban development committee. It's called green and healthy home initiatives, it is a very innovative, statistically prove way to provide funding streams to impact the health of kids and others -- kids and adults in their homes so you're not having isolated programs where you do weatherization here, you do healthcare here. You do all siloed and you don't really get the full economic or financial impact of those programs.

>> You optimize those streams.

>> Kitchen: You optimize the financial impact and the savings to the community and the public dollars. Thank you.

>> Gallo: Any other questions? Mayor pro tem tovo.

>> Tovo: I have a few, thank you very much. I was thinking as you went through your presentation that I wish we had a bring your own thermostat option here in city hall because it is freezing in the chambers today and I know that our thermostat is locked.

>> To that point we are actually working with city staff on doing some optimization in city buildings. One of the ones that we're looking at is the Austin water building but we have been working with city staff on what we can do to optimize the building controls in this room in particular.

>> Tovo: That would be great and in our offices, which don't seem to be sort of within our scope of ability to control either. So thank you. I had a couple of questions about different elements of your presentation. I guess the first is with regard to energy efficiency, the more general energy efficiency program, I know during the rate case there was a higher -- a disproportionate amount of rebates as I recall. We're going to out of city ratepayers and I would be very interested in checking in on what that percentage looks like now, especially as we look forward rates in the future.

[11:16:23 AM]

So if you need me to submit that through some formal means I'd be happy to. But I would be interested to know whether that's continued to be the case.

>> We're already looking at that. It's a question of pulling from talking about multiple streams. We're pulling from multiple data streams so that we can look at -- we prefer to do it by zip code, but I can tell you just based on the information that I've seen in terms of participants, we're not seeing that disproportionate share. That's a work in progress and we'd be happy to get back to you on that.

>> Super. Thank you. And with regard to the energy efficiency -- let me ask a quick one about the point of sale. Actually, the Austin energy rebates would be available to people at the stores themselves immediately?

>> That is correct.

>> Tovo: That is really fabulous.

>> You cut out all sorts of middle men in the process. We do have a consult clear result, you would call that contract came before you a couple of months ago. Absolutely. We're looking at rolling that out potentially to dollar stores and the like so that we can reach all segments of the population. We are careful, being mindful that we want to provide those incentives to Austin energy customers to make sure that we pull them in close enough within our service territory boundaries so that we don't have customers from outside our service territory.

>> Tovo: That's a very exciting program. I think that's great.

>> We're thrilled about it.

>> Tovo: With regard to the weatherization. If will incentives go down to 20% of the cost of

enknowvations and I continue to then be concerned that they may be pass them on to their tenants who want to see about this weatherization work and not just see that -- the landlord offsets that by raising their rent. So can you give me a medicines up on when we'll get that report. I think I heard that we are about to get a report?

[11:18:29 AM]

>> It just last night was sent to Mr. Weis for his signature. What we continue to see, councilmember, is that there is an increase in rents, but it's being driven by the market. We see a 96% occupancy and this report will show the properties that we've Earth raised vis-a-vis comparable rents. It may be updating, that drives it. Thus far in the semi-annual reports that we've issued we've not seen a correlation between rebates and rent increases.

>> Tovo: Thank you for that work. I think it's important to make sure we're not -- in providing incentives and require some participation from those property owners, we're not driving up the cost for many people in our community who can least afford it. I know one of the goals is to look at the high use -- high energy users and we've had some conversations in citizens recently and I think there was a comment made that suggested that some of the cap participants are using quite a bit of energy and we may be paying for a luxurious use of energy. Can you help us understand what you're doing at Austin energy to reach out to those high users, many of whom probably live in housing very inefficient and targeting them for weatherization that not just bring down their bills, but also save Austin energy money in the long run because the cap has a volumetric discount?

>> Absolutely. We do give priority attention to cap customers first. We're working to work done the underspent portion of the caplations this year and in fact I'm told as of this morning we may overspend in that area.

[11:20:34 AM]

And those customers that we give priority to are those that for four months have used 2500 kwh or more or for six months have used 600 kwh or more. Those are the customers we put at the top of the utility use that they get attention to first and foremost. You've seen a lot more marketing on our services. The last time we surveyed our customers we found only 40% of the customers were aware of any Austin energy programs or services that we offered. So they don't know what we're offering unless we tell them about it. So we're telling customers more about that residential application so we can proactively reach out to them. We've put housing repair coalition on the front end of the process as opposed to the back end of the process so that they're reaching out and the other thing that we've done, and I think this is really important with the contractors that we're part of the proposal that you saw on Tuesday, we required that all of those contractors have Spanish speaking employees. So I have Spanish speaking employees on my staff, but we've required as part of the intake process we're able to communicate with customers in both English and Spanish so we're doing more and more of that. We're going to continue to look at ways to better the process and look for suggestions from councilmembers and stakeholders.

>> Tovo: Can I ask one follow-up question. If you have a user within the customer assistance program that hits those measures, what happens next? Do you reach out to that person's landlord? Do you reach out to that customer? What's the actual process for targeting resources to that household?

>> I would say in the case of the weatherization program for working on the basis of memory here, for the roughly 291 homes that were weatherized last year, 52 of those were property renters.

[11:22:47 AM]

To your point most of them are owners currently. So the outreach occurs, frankly, through a different part of Austin energy. The customer care part of the organization that does that initial outreach and housing repair coalition so they reach out to the customers to advise them of the program, to go through that giant criteria. There is an education part of the process as well because you can do all of the measures that you want, but customers, frankly, need to go through the education process so we send people out to the homes. We've also -- I know this seems like a very logical thing to do, but we have the contractor and the inspector go out at the same time now as opposed to a different times to work with the customer to provide them with directions. So it's a multiphase process on the front end. It's the customer care part of the organization. Jj Gutierrez's part of the organization, Ronnie Mendoza is responsible for that. But we work closely together if that's helpful.

>> Thank you. I appreciate that level of detail.

>> Gallo: Councilmembers, any other questions? Thank you for the report. It has been suggested to this committee that we are also posted for a special called city council meeting, and that the recommendation is that at this point we either end this meeting or we postpone it for a later time this afternoon and then we have two agenda items left, both of which are briefing. The suggestion has been so that we could let staff go during our council meeting that we actually postpone both of those two briefings for our August Austin energy meeting. So could we have some discussion on preference from the council on how you would like to handle this?

[11:24:47 AM]

>> Zimmerman: I'm sorry, what are the two if you could read those for us. What's remaining?

>> We have two briefing agenda items, 7 and 8. Neither are items that we'll be addressing at our council meeting today. And they could either be heard later today after our council meetings or they could be postponed to the August Austin energy meeting, but I think the preference is to determine what we're going to do so that city staff will know what their plans would be.

>> Zimmerman: I would move to postpone those, but I could go either way.

>> Gallo: So there's a motion to postpone agenda item 7 and 8 to the August Austin energy meeting. Is there a second on that.

>> Pool: Madam chair, could I ask a question? Do we have any speakers on any of the two items signed up?

>> Gallo: Are there any speakers in the audience that would interested in speaking on agenda item number 7 or agenda item number 8? 7 is the briefing regarding an update on the request for proposal for acquisition of utility scale solar energy. Number 8 is a briefing and discussion regarding the demand charge report and current demand charges as they relate to small business. I don't believe we have any speakers that have indicated that they were here to speak on either one of those two items. So there's a motion on the floor to postpone both of these to the August Austin energy meeting. Is there a second? Councilmember kitchen seconds. Any other discussion? Councilmember troxclair.

>> Troxclair: My preference would be to move forward with the Austin energy meeting and the two presentations as planned. I think our hesitancy in scheduling council meetings -- this council meeting was not originally on the calendar. We had a few things come up that we felt like needed to be postponed and specifically addressed, but we were really careful about limiting the number of items that were put on the agenda so that we could have the time and energy to devote to the Austin energy issues that are really important.

[11:27:00 AM]

So my preference would be to give the Austin energy committee the full time and energy that is required and not to postpone anything until August.

>> Gallo: Okay. Mayor?

>> Mayor Adler: I would concur with councilmember troxclair. I think it's a bad precedent for us to set to move off Austin energy. I do like the idea of recessing the Austin energy meeting so that we could quickly dispense with the council items that don't look like they're going to be debate. That they're postponed or can be quickly passed so we can let those people go. But then I'd recommend we come back and finish the last two briefings and then go back into the council meeting for anything that looked like it was going to be an extended debate. That would be my preference.

>> Gallo: Councilmember kitchen?

>> Kitchen: Mr. Mayor, I would like to confirm that the drainage fee discussion would need to be later. The staff is still working on information for the council. So that would be when we come back if we do it that way.

>> Gallo: Mayor pro tem tovo.

>> Tovo: I think I really have a question for staff. As we consider whether or not to postpone these items, I would like somebody to just fill us in on the demand charge. I know that this has been an ongoing discussion within the community that includes businesses. We had a speaker here this morning, Rebecca, talking about the importance of at least considering a change to the demand charge because small businesses really underwent quite an adjustment. And I know there's been a stakeholder process that concluded months ago as I recall and so can you help us understand what you see as the next steps and when the next -- when we might be asked to take action on that item?

>> Councilmember, council passed a resolution in the fall asking us to conduct a study on small commercial customers receiving demand charges. That was completed and provided to you in the spring.

[11:29:03 AM]

We presented at the electric utility commission as well. Our approach would be to bring this issue in to the rate proceeding that I discussed this morning as one of the many issues that council would consider and members of the community would have the opportunity to discuss at that time. It seems like a natural fit into that process.

>> Tovo: One of the two briefings we're discussing is about the demand charge and I assume you're more or less walking us through that report?

>> Yes.

>> Tovo: And folding that into the rate process pushes it out quite a ways for people who would like to see immediate action on it.

>> It put it through the process that I described that would result in new rates sometime next summer and fall.

>> Tovo: Okay. I'll certainly go along with the will of council, but I guess my general perspective would be is that it probably makes sense for us if our council meeting is not terribly long here today, probably makes sense to hear those two briefings. But again, I'm six of one, half dozen of another. I would say if we're going to meet for three or four hours today as a council, then I would postpone those items so that our general manager and executive staff of ae can get back to work and not feel like they have to wait around.

>> Gallo: I would say as chair of this committee we seem to be continuing to be pressured into delaying and posting some of the agenda items because we continue to schedule council -- special called council meetings for the same day and I think all of us as we move into August are going to work on not having that happen because Austin energy and the issues that we're trying to become familiar with and

become educated on are critically important to this community. So having said that -- I'm sorry, councilmember pool.

>> Pool: I think it would be great to go ahead and finish the briefings today and I'm fine with the mayor's suggestion that we recess and come back.

[11:31:10 AM]

Or if you would to continue on. What I would ask staff to possibly end us written reports and then maybe summarize them or telescope the information into a more robust amount of detail and a shorter amount of time if it's possible. But do send us information as well in writing, that would be really helpful. And those documents can also be uploaded into easy access for the public as well. That may help with some of the timing issues.

>> Gallo: Soupled hearing kind of a preference at this point, I think, that we would recess the Austin energy council meeting, begin the special called city council meeting and then have the plan of coming back to Austin energy for the final two briefings. Today. Time allowing with a lunch break in between. Or a lunch break somewhere. Would you like to withdraw your motion or change your motion?

>> Zimmerman: That's agreeable with me.

>> Gallo: So what I'm hearing is a motion at this point. Is there a second? Councilmember Renteria. To recess Austin energy council committee meeting and we will come back after the special called city council meeting to hear the last two agenda items. So hopefully city staff, that will give you some guidance as far as maybe watching the council meeting to see when we would need you back for agenda item 7 and 8.

>> Zimmerman: Chair Gallo, would you like to take a stab at a time certain estimate as to when we might bring them back, 3:00 or put some certainty?

>> Gallo: Not me.

[Laughter].

>> Mayor Adler: Let's go through the agenda and then we'll have a feel for how long or not this is going to be. That's what I would do.

>> Gallo: Okay. All in favor of recessing Austin energy council committee meeting, raise your hand, please.

[11:33:15 AM]

Any opposed? It passes unanimously. Thank you, council.