

## Austin Energy Utility Oversight Committee Meeting Transcript – 08/22/2016

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 8/22/2016 6:00:00 AM

Original Air Date: 8/22/2016

Transcript Generated by SnapStream

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>> Gallo: Good morning. We have a quorum of six councilmembers so we will begin our meeting. This is Monday, August 22, 9:00, a little later than 9:00 at this point. Between the weather and first day of school, I think we're all getting here a little slowly, but we will be able to get started. First on the agenda is approval of minutes. Do I have approval? Councilmember pool. A second? Councilmember Houston seconds the approval of the minutes. All in favor? Any opposed? It passes with -- do you want me to announce who is there -- you've got it? Perfect. We now have citizens communication. I don't know, do we have anyone signed up for citizens communication? Okay, first speaker is Tim Hawkins. Carol will be next and Dave after Carol. And you will have three minutes. Thank you for being here this morning. >> Thank you. Good morning. I actually am here for the special called budget work session and unfortunately there was no clarification on which would occur first so I would just like to know if anyone has that information if that is occurring. >> Gallo: I'm going to defer to the mayor on that question. >> Mayor Adler: Sorry. As we had discussed, we put on to each of our agenda the ability to be able to do budget work session

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information. It makes sense to me that we -- if there's time available to us today after the Austin energy meeting that we as staff has requested us to do to go through that concept menu to see if there are some things that just don't have the support of the council to stay on. I posted the concept menu with some areas about a week ago so I would expect -- I would be asking the council, depending on timing, if we could -- if we could do that. So it's not really germane to the Austin energy meeting, but would be germane to the -- the work session except that the work session is a work session and we don't take public comment during the work session. So there will be another public hearing on the budget itself. So the work session is just an opportunity for us to work with each other. >> Thank you very much, mayor. >> Gallo: Mayor, you might mention the two public hearings or the public hearings for the budget. >> Mayor Adler: There's an additional public hearing for the budget and I don't remember what day it is, but there's another day for that. >> Gallo: Thank you. Carol? >> Good morning, chairman Gallo, councilmembers. My name is Carol Biedrzycki. I came here this morning because I wanted to explain two things to you about our meeting on Monday if you did not have a chance to attend it or watch it. First of all, the electric utility commission is very supportive of the settlement that was reached by the

parties in the case. But there was one item that we felt was left out that we're hoping that you will pay some attention to and that has to

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do with the retirement of the fayette power plant. There was a lot of comment about the fact that we needed to do something to fund the -- what do you call that, whenever you close it down? The decommissioning, yes, of fayette power plant. And in looking at -- I myself in looking at the examiner's -- the independent hearings examiner's report, the independent hearing examiner did not make a recommendation about the fayette power plant because there was no plan currently in place to more or less map out what the retirement plan would be and how much it would cost. And so that is the one thing that at the electric utility commission there was a resolution that was passed, it's pretty simple, but the idea is we think it's a good idea to add to that settlement agreement that this planning process for the retirement of fayette will actually take place so that when we get to the next step in the process we do know exactly or have a fairly good idea of what will be needed in order to accomplish that objective. That concludes my comments. >> Gallo: Thank you. And we were having a little bit of issue with the speaker so Dave will be next and then kava will be after Dave. Kieva, excuse me. >> Good morning. I think we're all running behind. Dave with Sierra club. Cyrus is at the meeting. So walking in here today I was ready to tell you that we have been unable to agree on settlement because of the fayette issues. We're getting much, much closer. Right now in the back of the

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room, we're working on that. And I just want to talk a little bit, it's exactly what Carol brought up. This has been a difficult process and I've heard a lot that there's no plan. So I want to put things in context. One, I started this work in 2013. The [inaudible] Began in 2008, 2009. There have was Monday that you are 20,000 austinities who have commented and asked to take action on this. There's been numerous resolutions directing Austin energy to negotiate with the Icra and to produce a workable plan. There's good people working hard, many of them in this room. We've been trying to speak with them and work with them for some time. I'm really, really hopeful that this is now your chance to take ownership of this issue and make sure that there is a clear process moving forward where we are developing a detailed plan where there's transparent conversations with the Icra and how we move forward. But the fact of the matter is we need to start moving on this thing. If we're going to wait years to start allocating money to pay off this debt, we're kicking it down the can, putting more of that cost in a shorter time line and if we're not going to keep the time line in the generation plan we passed in 2014, this plant is going to run for longer, more carbon is spit into the irrelevant a and possibly ratepayers continue to lose money. This is not your issue is what I'm here to tell you. We've got a lot of folks who have been very discouraged to hear this is still idle, stalled in the mud. They are planning to come on Thursday. I hope we can give them good news at the end of the day but expect to hear from many constituents Thursday. Council council member

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Houston, I listened last week, you asks about the work in fayette county. For the three years I've been working before then, there's been many of us organizing in fayette county with pecan farmers who are commissioners, county judges, I've toured the plant, I've met workers. We're working diligently not just in fayette county but across Texas trying to push our state legislators and companies that own coal mines and coal plants to develop finance mechanisms and work with transition programs. It's not good

enough for us to just shut this thing down and walk away. [Buzzer sounding] She's annuity on the dais, -- she's not on the dais, councilmember councilmember tovo has known how hard people have worked on this and I hope she thinks to all those voices. I can only answer a few questions, I'm not well versed in this but I'm happy to true. >> Gallo: Thank you. >> Mayor Adler: I'm excited to hear that the conversation are ongoing. >> Thank you. >> Gallo: You wish not to speak? Is that correct? And then I think Richard was signed up. He's not on the sheet, but I think Tina indicated you were trying to sign up to speak. Sorry for the inconvenience. >> Thank you, chairwoman. I did try to sign up electronically and didn't work but here I am. It's good to see you all this morning and thank you for being here and working through the rain to get here. I did want to talk to you about the settlement. Mayor, I'm so pleased that progress has been made. All of you have worked hard to support this. There was some things found by the impartial hearing examiner. I know you know the \$73.4 million that the impartial hearing examiner found in profit that Austin Austin energy has. I this I we're only using

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two-thirds of it, mayor, in this settlement so there's some room there, councilmembers, to fine tune the settlement. We're very concerned from our past experiences that studies like the Howe study that we're asking for now that was asked for previously and promised to be done in the interim has not been done. As a member of the faith community, I'd like to see the Howe study done before any changes are made to the rate for the Howes. It's just a fairness issue, just coming through on what we've discussed in the last rate case. It won't change the settlement in any way substantially, but it will make the issue of fairness come true. Second portion is the first tier rate. With only two-thirds of the profit found by the impartial hearing examiner, there's roughly \$30 million there that could go to help ratepayers in tier 1. Everybody will be affected by increasing the rates in tier 1, particularly all those austinites most vulnerable financially. So I would urge you not to raise the rates for residential ratepayers in tier 1 by 12 to 16 million dollars is what I think it will look like. And to subordinate that rate by using some of the leftover unused profit so that no ratepayers, no residential ratepayers see an increase. I don't think it's affordable. I'm not sure even if it meets your affordability test, mayor. I'm very concerned that a rate increase to residential ratepayers in these times with transportation and all the other issues that now have a financial impact on the citizens and an increase, chairwoman, in this rate case for the next five years would be unneeded and unfortunate. And I hope you'll not allow that part to happen. Thank you very much. >> Gallo: Thank you. And that concludes is speakers that have signed up. If anyone is here that tried to sign up that wasn't able

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to, if you could let us know. Okay. I think that concludes the speakers. Thank you to those of you that braved the weather and the early morning and the school day traffic to get here. Second on the agenda is we have a briefing. Staff rate review, update and briefing from the euc commission regarding its rate recommendations. And you might also lay out to us what you see the -- us doing today and the process and kind of the order in which we'll do that. >> Absolutely. That's what I'm here to brief you on. Good morning, mark Dombroski, Austin energy. We have a number of speakers covering different topics. We're going to grin with Thomas bricado, outside counsel for rates and he's going to provide an update on the rate proposal we've been negotiating with the other intevenors. Followed by mark Dreyfuss who is going to present you some rate impact tables that the council had requested at our last oversight meeting. I'm going to brief you on the financial policies. There are some changes to our reserves policies that I'm going to prepare on. We have -- it's going to be followed by Elaine Kelly Diaz, vice president for customer account management, and she's going to brief you on our choose your own due date program

we have starting on January 1st. That's going to be followed by myself again to give you an update on our annual past three changes we do at part of our budget cycle. That can be concluded about Mr. Brent Huddlebrandt, on our electric utility commission, he's going to provide you with a recommendation on our rate proposal.

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Is there any questions? If not we'll get started. >> Gallo: Any questions? Councilmember -- okay. >> Thanks. >> Good morning, council, my name is Thomas Brucowski. Last Monday I was pleased to announce the majority of the parties had reached an agreement in principle. We had spent the last week reducing that agreement in principle to a settlement document and late on Friday we circulated a final document to the parties. Thus far I received signature pages back from nine of the 18 parties that had reached the agreement in principle. I expect to get signature pages back today from the remaining nine parties so that we will have all 18 parties that entered into the agreement last week as signatories. In addition, Austin Energy continues to be in discussions with some of the remaining parties that have not signed on thus far or have not committed to agreeing to the document in hopes of getting additional parties to ultimately sign the agreement. And so you should have been given a copy of the document that went out actually at 5:21 on Friday afternoon. There were multiple versions, but you should have that final document in your packet. I'm happy to talk about any of these details if you would like. I'm pleased to say that we've received signature pages back from the independent consumer advocate, the Austin Energy low-income customers, NSB Samsung thus far. They were some of the more active parties in the case, but we also as I mentioned received signature pages back from additional parties and I expect the rest today or tomorrow. >> Gallo: Do you have any questions, council? Anyone? No? Thank you.

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>> Just one matter of process -- >> Gallo: Councilmember Pool. >> Pool: Thank you. Page 3 on the settlement, the joint recommendation to the council that's in our packet, down at the bottom on section 2, settlement provides, number 14, cost allocation and revenue spread, I was curious the -- are the cost allocations being reallocated back based on tiers as they exist today or are they being reallocated back based on the new tiering structure that Austin Energy is also discussing? >> It's actually a combination of the two. As part of the utility's proposal back in January, as you no doubt are aware, they proposed changes to the level of each of the five tiers in order to improve their fixed cost recovery primarily by increasing those rates for the lower tiers. Moreover, of course, they were eliminating seasonality for base rates so that has an impact as well. This settlement is a combination of those proposals tweaked to account for the additional dollars that are going to go to the tier 1. While -- excuse me, by the additional dollars that will not go to tier 1. And then making some additional tweaks to tiers 2 and 3 in order to ensure compliance in the settlement agreement. That's a long way of saying they are slightly different than the rates that were proposed by Austin Energy initially. >> Pool: Okay. Thank you. >> And then as a matter of process, my understanding is that this work group will then hopefully approve the settlement or recommend it to the full council and then you all will consider it at your public hearings on the 25th and then at the 29th.

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>> Gallo: Any questions? Okay. >> Thanks so much. Just in closing I would again express my appreciation to all the parties for the hard work they engaged in in let us reach this point. It was no easy undertaking

by any of the parties especially the Austin energy staff who worked hard and diligently throughout this process to get information to the parties to get to this point. I'm very appreciative of all the work from everyone involved. Thank you. >> Gallo: Thank you. I think there's one more question from councilmember pool. >> Pool: One more question. Thank you. On page 4 of the same joint recommendation document, item 18 is the houses of worship discount. Can you just advise these numbers that are in here are understood and supported by the various houses of worship that we have talked with over the past few months about continuing and phasing out, having a discount transition period of four years? >> Officially in the case there is one chart that has formally intervened and that's Bethany united methodist church. Moreover the ica was tasked with representing the interests of houses of worship and they are signatory as well. Obviously a number of other houses of worship have been interested in this issue and have visited with ae over the last really several years, I believe, on these issues. They are not signatories. My hope is that they are satisfied with this settlement as well. I'm not aware of any that are still active or have concerns, none have been expressed to me and I'm not aware of any. So it is our hope that this is a fair compromise that saves all the interested parties-satisfies all the interested parties going forward. >> Pool: Thank you.

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>> Gallo: I want to say thank you again also. I think you started the thank yous, but staff has really worked hard with all of the parties involved with us to reach an agreement. So please know that the council and the members that are sitting up here really appreciate that effort both from the staff and all the parties that have been involved in this process. You know, I think -- it was indicated to us that the previous time that the council undertook a rate case that there was some suggested improvements to be made and I think the council listened and staff listened and put those in place and this certainly appears to be a good result from those new processes and certainly made the -- I think the whole conversation much more positive and transparent. So just thank you to all that have been involved and thank you to all that encouraged the changes to be made for a part of this process too. >> Appreciate that. Thank you. >> Houston: Chair? >> Gallo: Yes, councilmember. >> Houston: To everybody that's been a part of this process on behalf of all of those who have fixed incomes, whose social security check, ssdi checks, all the other checks that come on a fixed date, thank you so much for number 24. No, no, that's not it. Choose your own date, 26. So we can say this is when my check comes in, this is when I can pay. That will cause a lot of -- that will not cause the kinds of concerns that people have about having made payments and then having to start on a payment plan. I think they can adjust their budgets so we appreciate that. >> Gallo: Thank you, councilmember. >> Good morning, chair, members. Mark Dreyfuss, vice president for regulatory affairs and corporate communications at Austin energy. We have a presentation, kind of in four parts today. First I'll be going through

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the rate impacts for residential customers and can answer any other questions that you have. Then we have a brief discussion on the changes to the financial reserve policies that are in the city financial policies. A short moment on pick your own due date, and then a discussion of the pass-through charges that were subject to the public hearing that was pushed forward from last Thursday to today. And then after that the vice chair of the electric utility commission, Brent heidelberg is here to review that commission's discussion about rates. I want to thank you again for setting aside this time today and over the last weeks and next weeks to review Austin energy's rates and financial profile. These issues, which you know, are of great importance to our customers and to the financial future of Austin energy and the city. And you can put up the slide presentation. And I don't have the clicker. So I'm going to first walk

through what the residential rates look like. The tiered structure that we have had over the last few years and then what the changes are. This slide that you have before you is a depiction of today's residential rates. You'll see that we have summer and winter rates. The summer rates are the kind of rust colored and the nonsummer rates are the kind of green colored. And you can see what the actual rates are in the table at the bottom. And the -- the line chart shows you kind of the

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steepness of moving from one rate to the other. And we believe that -- that when we're talking about economic incentives for conservation, it's really the steepness of those lines. So the -- the savings that you will achieve from moving from one tier down to the prior tier that is the driver of customers to our energy efficiency programs and so that's why we've had a lot of conversation about what the tiers and the tier structure look like. So the -- the green is our nonsummer tiers. You see it has a kind of steady slope. The red is the summer tiers. It goes up to 11 and a half cents. Tier 5 in the summer, but you can see the slopes are a little mixed. There's a steep slope between tier 3 and 4, but it's kind of flat at the upper tier. Now I'm going to lay over the residential rate structure that comes out of the proposal. That's the new blue line. And, of course, we're eliminating seasonality in the base rates and so we just have one line instead of a summer and winter line. And I think you'll see first that under the settlement agreement we're driving \$5 million into tier 1 and that is shown by the -- the tier 1 blue rate being below the tier 1 rust rate, which was our original proposal, 3.3 cents for tier 1. So now tier 1 will be just a little over 3 cents for the first 500-kilowatt hours a month. You'll see that the slope of the new rate curve has a pretty steady upward slope. It's actually steeper between tier 4 and 5 than either the

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current summer or winter rates. It's also steeper between tier 2 and tier 3, and just my personal thinking is that we really need to drive energy efficiency kind of into tier 3 because that's where the customer -- a lot of customer usage is so that's where we'll get a lot of value from energy efficiency so I think there's a nice steep slope from tier 2 to tier 3. So that shows you the new rates. -- Steep slope. So this chart shows the number of customers whose average usage over the year falls into each one of the tiers. It's actually the percentage of customers. And again, this is average. One thing we've talked about a lot this year is that no customers are average. Their usage is lower in the winter, usage is higher in the summer so customers fall all across the tier so this just shows the average rate. Will you see from the chart that 16.5% of customers fall into that first tier. The upper tier is only 3.5% of customers and in some -- about 15% of customers fall into tier 4 and tier 5. And I think that's an indication of this thing we mentioned many times this year that we are dependent on hot users in hot weather to balance our costs and there just aren't that many of those high users that we are independent on and that's why we've suggested that there is some instability potential in our -- in our rate structure. And here's some customers. I showed you two weeks ago a similar chart like this for some cap customers. Let me just give you an overview of the chart and then

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we can walk through the individual customers. This shows five customers, each one of those blocks is a customer, and it shows that customer's usage in speech of the 12 months of the year. At the top you can see the average use so the first chart on the left is a tier 1 customer on average and then a tier 2 customer and it goes on to a tier 5 customer. The blue squares show their current rates under the current tariff and the green square would show you the new rates. And we're showing you where they

are increasing and decreasing and at the bottom of the chart there's the average change per month for that particular customer and the annual change for that particular customer. And again, these are five actual customers to show you that there's variability across all customers and no other customers will have this impact same impact. So if you look at the first customer, which is a low usage customer at 460-kilowatt hours a month on average, you'll see that in the nonsummer months that customer has a three to four and a half dollar increase, but then a larger decrease in the summer months. And on average this customer has a 50-cent increase in their bill over the course of the year for a \$6 increase in their total bill. The other customers that we're showing here all have decreases over the course of the year. I would note, in the budget materials we've often talked about an average customer, that customer being -- using 895-kilowatt hours a month. And that average customer at

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895 all across the year, and, of course, there is no customer like that, has a 28-cent decrease over the course of the year. So I think the general pattern is that customers in tier 1 and in the bottom part of tier 2 will have an increase, and customers in tiers -- maybe some of the customers in tier 3 as well, and then customers in tier 3, tier 4 and tier 5 will all have a decrease. And the numbers show that in total the \$5 million reduction that we are driving to tier 1 is a 1.9% decrease in residential base rates across the board. And we find that two-thirds of residential customers will be receiving a decrease on the order of about \$3 a month. And one-third of residential customers in total will be receiving an increase on the order of more like \$1.50. I'm going to move on to cap customers unless you have further questions on this. So this is a chart that we've shown you a number of times before. It's the beginning of the answer to the question how are cap customers different from other customers and what are the unique effects of our policies on cap customers. And what this chart shows is average usage each month by cap customers and customers who are not in the cap program. So the rust color is the average usage each month of cap customers and the blue is the average usage by noncap

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customers. And what you'll find is the pattern is very similar. And so we have suggested to you before that cap customers in this fashion look much like other customers except the usage is just a bit higher and what you will find on this chart almost every month cap customer usage is about 5% higher on average than customers who are not in the cap program. And so two weeks ago I discussed with you some information that we were generating about the tier pattern for cap customers and customers who are not in the cap program. You have a handout that has the comprehensive data set that this chart is drawn from, if you want to drill down into that further. And so the chart that's in front of you is comparing how cap customers fall across the tiers versus customers not in the cap program fall across the tiers, and I've shown you two months that have a very different pattern. One is April on the left of 2015 and the other is August of 2015, and the data in the table is the exact same as what's depicted in the chart, for those of you who prefer data tables to pictures or pictures to data tables, it's the exact same data. So if you'll -- if you'll look at the chart on the left that shows April and look at tier 1, the blue shows you the percent of cap customers in April of 2015 whose usage fell into tier 1. Zero to 500-kilowatt hours a month. And that is 40% of cap

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customers in April of 2015 were in tier 1. Of the noncap customers, 51% were in tier 1. So a greater proportion of cap customers -- of noncap customers' usage was in tier 1. You'll see the same thing on

the August 2015 chart, and I will tell you that in fact I looked at every one of the 12 months that are on the handout in front of you and you will see that a greater proportion of noncap customers are in tier 1 in each month of that year. If you drill down further into that data and you look at tier 3, you will see that there are more cap customers in tier 3 in April, 12% of cap customers are in tier 3, compared to 8% of cap customers -- of noncap customers. And again that is a pattern that holds each and every month. There are more cap customers being billed in tier 3. But now look at tier 4. In the chart on the left, in April you will see first off very few customers, either cap or not cap, fall into tier 4 because that was a period of mild weather. Only 3% are in tier 4 and 2% of cap customers are in -- of noncap customers are in tier 4. But then switch to August. Typically our hottest month. And you'll see that the numbers are much different. 33% of cap customers' bills are in tier 4 and 24% of noncap customers are in tier 4. So I take this -- this result to show that there's -- there is great variability in the usage of our customers in

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need. We can't very simply kind of try categorize them and say what is best for our customers in need because the usage patterns some great variability and they are all across the board. Again, I think -- >> Gallo: Excuse me, I think we have a question up here. We have a question from councilmember pool. >> Pool: Mr. Dry must, thank you. -- Dreyfuss, thank you. Do you have a way to maybe overlay additional information on this that would show, for example, the homes of the people in cap, the cap program who have had the weatherization? I'm curious to know whether these percentages show something other than trying to stay cool. For example, how well does the home that they live in -- how well is it insulated and have we done everything possible to upgrade so that energy consumption is less because we have improved -- improved the homes. >> Well, I don't know if I have a way to overlay it on this data, but let me say a couple things about that. First is our cap program staff looks at a regular basis at cap customers with high usage and tries to target those customers for -- to bring them into our energy efficiency programs, particularly the free weatherization program. And so we use the cap data to identify the customers in greatest need and those customers in greatest need are low-income customers with high bills. Which is funded out of the cap program and we have additional funding that comes out of the energy efficiency services charge. Secondly, I would just say that we do a lot of investigation and validation on the efficacy of our programs and that I think

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these -- the programs that -- the weatherization programs provide value to these customers and our data shows that it is reducing kwh. >> Pool: Thanks. >> So really I think I've given you my point on the cap customers just to show that there is great variability, that even though that we -- you saw on the chart that we've -- we've collapsed the tiers and -- and changed the slope of the -- of the retail rates line a little bit. There are cap customers who will have slightly higher bills and there are cap customers who will have decreased bills, and all in all we think little a reasonable and fair outcome. The next chart shows you some real bills of some real cap customers, and the staff was able to identify a customer with a actually 500 -- approximately 500kwh average a month and another one that's at 1500 kwh average a month. And again this shows you the pattern of low bills in the winter, higher bills in the summer for all of these customers, and that with the rate changes the bill will increase in the nonsummer period but there will be significant decrease in the summer period. And if you look at, you know, our customers in need with the highest bills and the highest usage, the reduction in the summer is, we think, a benefit to their ability to manage cash flow. So that is what I have on rates. I can answer any other questions that you may have and then we have some information on financial

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policies and choose your date for the cap customers. And finally a review of the pass-through charges. >> Gallo: Council, are there any questions at this point? No, okay. I would say continue. >> Casar: I would just like to thank Austin energy for putting some of this together. We've been asking for it for some time and it's very helpful. So I appreciate it. >> All right, thank you. And I'll just, again, pass on the kudos that we have a great staff in the -- the cap program staff, the rates team and they have done a tremendous amount of work in the last months and really year to -- to get all this material available for this process and for you all. And as I told you last week, we jerked them around a lot in the last couple weeks getting all this stuff done to present to you and really appreciate their hard work. Thank you. >> Mayor Adler: So if I'm looking at this correctly, and I recognize it varies by customer, but you say that the base patterns go through the year, in terms of relationship of cap and noncap to each other as it's broken out. But it almost seems as if -- tell me, if I'm trying to get the greatest relief to cap customers, then I want my greatest change in billing to be in the summer high usage months because it's in those months when my cap customers are -- my -- I want my greatest -- if I'm trying to help cap customers, then I want my greatest rate reduction to be in the summer months in tiers 3 and 4 because that would disprop forks naturally help -- that's when cap customers would be most disproportionately helped

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relative to noncap customers. Is that right? >> Yes, sir. >> Mayor Adler: Is that what your rate structure does? >> I believe it does, yes. >> Mayor Adler: Okay. Thank you. >> Gallo: Question? >> Pool: Following on that, but wouldn't that also then remove some of the incentive to conserve the amount of energy that we use if the greater discounts are in the higher usage months for the higher levels? >> If you go back to slide 4 -- >> Pool: Okay, slide 4. >> And again, there's compromises and tradeoffs. We've talked all year about the challenge to maintain incentives for investment in our energy efficiency programs while maintaining revenue stability for the utility. And if you look at the blue line, I think we have accomplished that. You'll see that our rate structure still has a fairly steep upward slope that -- and that slope, in my mind, is what provides the payoff, the incentive for a customer to engage in our energy efficiency programs, which then provides permanent kwh reduction and I think we've maintained that slope and managed all the other compromises that were involved. >> Pool: Thank you. >> Gallo: Any other questions? >> Casar: Mayor, I would just say that -- and I'll vocalize this because I've heard the struggle on the dais and the community, with he have the challenge of -- you can actually measure slope and the question is how sloped is too sloped or not too sloped, and so I would challenge us to figure out if there's a way to have the conversation about what the proper amount of slope is rather than just an increase of slope is good or a decrease in slope is good.

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But there's got to be a way for us to figure out what the appropriate amount of incentive is and what the right amount of slope is, not relative to existing slope, but just period. And so I think that that will help us have a more informed conversation and I think it's part of the struggle at least I'm having and hearing on the I do I can't say and in the -- dais and in the community. The other challenge on the incentive side is we know for lower income cap customers who are in the higher tiers that live in rental properties, it's not an incentive, they just have no choice if their property is old. And so we can continue sending price signals, but they will continue paying, and I think one thing probably everybody agrees on if there's ways that -- councilmember kitchen just sponsored the resolution on weatherization. The ultimate goes, I think, would be to get as many people out of those tiers as possible through the

weatherization program. And it seems we still have some ways to go. So in the interim period before we get a lot of cap customers out of those higher tiers is a good thing to do because I don't think we're incentivizing them other than cutting >> With regard to your comment on what's the right slope, I would just say that we did conduct an initial study on the efficacy of our energy efficiency programs -- I'm sorry. The rates, the five-tier rate structure in preparation for this proceeding. And we have an array of issues that we'll be studying in the next few years. And that is on the top of the list. >> Thank you. And I think the ability to -- I don't want to say average out, but have a policy where the bills don't spike as much for customers -- is certainly a way that people on limited budgets

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can manage their budget a little better, because it becomes a little bit more predictable. So I'm glad we're moving in that direction to take out those highs and have more of an average which is easier to manage on a budget, I believe. So, thank you for that. Any other questions? Okay. >> All right. Thank you. Now Mr. Dembraski is here to speak to the financial policy. >> Good morning again. Each year the city council adopts a set of financial policies within its budget document. Currently Austin energy has 21 financial policies. They mostly impact reserve settings and how we use our long-term debt. As part of our rate review, we engaged with new gen strategies to take a look at our reserve policies and see if we can streamline them, make it more effective, and reduce our revenue requirement. And we were able to do that. And as a part of our settlement proposal, the parties have agreed to our financial policies with a few minor revisions, as we had presented in the new gen report. So I'm here to cover what those financial policies revisions are, and how they impact our levels. So, currently we have a number of existing reserves. We have what's called a working capital, with operational capital. And it's our day-to-day cash management. It's essentially our checkbook balance. So as we get revenue, it comes into our working capital. We pay all our bills out of our working capital. And when that amount starts to exceed a certain amount, we can then transfer dollars into our reserves. As a part of our budget process each year, we recommend certain transfers to those reserves.

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We currently have two reserves called the strategic reserve and the emergency reserve. Currently, the emergency reserve is about 60 days operating cash, less power supply, and it is fully funded now. And we have the strategic reserve which, again, is about about -- 60 days of cash, 50% funded. Our third existing reserve is our contingency reserve, in which we recommend combining the strategic and emergency reserve into the contingency reserve. If you look at the logic or the reasoning to maintain both a strategic and emergency reserve, they're very similar. The language is very similar financial policy. So we don't understand why we need to have two of those reserves. So we're recommending to collapse those into a single contingency reserve. In 2012, a rate stabilization reserve was created. Currently, there is no funding in that rate stabilization reserve. We are recommending to rename that reserve the power supply stabilization reserve and focus the purpose of that reserve as a way to mitigate the volatility of our power supply costs and bill swings for our customers so that when we might get below the 10% threshold on our power supply, rather than immediately changing drastically the power supply adjustment to our customers, we'll draw money out of that reserve to mitigate that effect. That is one way we can help manage the 2% affordability goal that we're being asked to at Austin energy. And the last existing reserve we have is called a repair and replacement reserve. And we're recommending we change the name of this reserve to the capital reserve, because that's really what it is. And it's funded at 50% of the

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previous year's depreciation rate. And currently, there is no funding in that reserve, either. >> So what our recommendation here is to ensure that the sum of all of our reserves will be a minimum cash equivalent of 150 days of operating, maintenance, and power supply expense. And this is a benchmark for aa rated utilities in the public power sector. It is not the only metric that's used for credit rating. There's others. And it's a balance of those. But generally, those that are aa or better have about 150 days of operating cash. And the way that we see this working is maintaining our working capital. And we'll keep that at a minimum of 60 days of o&m less our power supply, plus whatever needed to maintain 50 days cash on hand. If you take our balances as of July, we'd have about 145 days in that working capital fund. The first fund to be funded with working capital would be the contingency reserve. And that would be set at 60 days of o&m less power supply. And remember, this was the fund that we had both the strategic and emergency. Both of those had 60 days in the financial policy. So under this program, we would maintain 60 days. So that's 60 days less funding required in that reserve. And currently we have 60 days of funding available for that fund. The next fund to be transferred into is the power supply and stabilization. And it's set at 90 days of net power supply cost. We believe 90 days is appropriate because as you know,

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it takes about 90 days from the time that we change our power supply until we start getting cash in the door from that change in power supply. So, if there were some market issues that would require us to continue to pay ercot for the power we need for our load, this would be where we would get in -- go in order to get those funds. And the last fund to be funded would be the capital reserve, set at 50% of the previous year's depreciation. Currently we have enough fund I -- funding to fund that fully. The total amount -- this is not cumulative all the days, we would have 182 days cash on hand with the current funding. We're in a good position cash-wise currently and we can reduce our future revenue requirements by changing to these policies. >> Gallo: Any questions, councilmembers? Councilmember pool. >> Pool: Thanks, Mr. Dembraski. If we were to want to allocate some money for paying off the fayette power plant, would some of this -- where would that fit into this chart that you've given us? >> Sure. You'd have several options. The first is, remember, anytime the contingency power supply and capital fund is at -- all of these funds, once transferred in, are at the pure depression discretion of the council. We'd do it through the budget process or come back to council. All of these are at your discretion. We could earmark a portion of the contingency fund. That would not increase our funding requirement, but would note that some funding within that contingency is earmarked for potential debt defeasment. We could create a sub-fund.

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That would increase our reserve requirement by \$5 million, I think that's the number that's being kicked around. Those are the two ways I would accomplish that. >> Pool: Thank you. >> Gallo: Mayor pro tem tovo. >> Tovo: Thank you. I'd like to talk for a bit about the rate stabilization fund that's now being called the power supply stabilization fund, and I think you said in your comments that it was funded at zero or not funded in the last rate case, because we had a vigorous discussion about the purpose of that fund and the concerns that some members in the community shared, or were expressed and I shared, that we're really collecting -- I mean, it requires an increase in the rates of -- I mean, we're collecting for that from existing customers to mitigate a possible future rate increase from potentially other customers. And so, can you help me resolve that concern? It's still a present one. I understand now that this is

focused -- is it focused entirely on collecting for the power supply stabilization? >> That's correct. The only use of these funds would be to stabilize the power supply. And as you know, the power supply is our most volatile portion of our budget, because it involves a competitive market. We don't always know which direction the market will go, up or down. And both of those directions have an impact on our balance. And one of our challenges is within our affordability bill we have two metrics. One is to be within the bottom 50% of all Texas utilities. And the other metric is to be no more than an average 2% change in rates per year, increase in rates. And so you can imagine that if we had a significant increase in market prices, in order to try to accomplish that -- meeting that affordability goal -- we would have to have some sort of

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funding to draw upon in order to meet that 2%. >> Tovo: Well, I think that just goes back to that -- you know when the affordability goal was set -- I wasn't on council -- there are differing opinions about whether that affordability goal included the power supply charge. And I think some people content -- and I believe, rightly -- that the affordability goal was not set -- does not contain the power supply. Because we can't predict where that market is going to go. And so I think that does get us back to -- or it does get me back to that original concern that we are collecting from existing ratepayers to mitigate potential rate changes in the future. And I'm just not terribly comfortable with the power supply stabilization recommendations. And I'm going to give that some more thought, and welcome more conversation about it. But it was -- you know, again, it was a subject of significant discussion in the last rate case. And there was a very deliberate decision, as I recall, not to fund that -- not to have the rates set at such a level so that they would recover and push funding into that. >> I wasn't here in 2012. Someone else can address it. But, the language that came from the meeting minutes was that it was intended to cover "All-in rates." That leaves some to interpretation. >> Tovo: Sorry to interrupt, are you talking about the affordability goal? >> Yes. >> Tovo: Yeah. >> There has been a discussion of what is included. And so, all-in rates, I think we've used the interpretation that that means all components of rates. And that's why we're recommending this, is to help us afford -- to maintain that for our customers. >> Any other questions? Okay.

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>> Thanks. >> Garza: I have a question. >> Gallo: Councilmember Garza. >> Garza: Did we take action on number 4? Is that policy recommendation for the full council to approve? >> So we had talked a little bit about the process -- >> This was one of the recommendations that's a component of our proposal for settlement on the rates. So by adopting that proposal, you would adopt the structure. Now, as far as transferring specific moneys into reserves, that's an action that would take a budget amendment. >> I'm sorry. I missed the process that you spoke about earlier. >> Do you want to talk about the process again as far as what we're actually going to accomplish and do today? >> Okay. I'm going to let a lawyer do that. >> Garza: You don't have to do that. I wanted to know if we were expected to vote for this. I was going to ask for a caveat in language. If we're not voting, you don't have to talk about process. >> Tom's going to help me out here. >> Yes. Ultimately when you approve a settlement, as he indicated, it does contain the language that would approve the proposed changes to the financial policy, such as what he's just explained to you. But for today, the work group will just be recommending that this go before the full council, and then you would ultimately approve it after your public hearing on the 29th. You have one on the 25th, and then one on the 29th. >> And I would add -- >> Gallo: Does that answer your question? So what we would be doing today is recommending that this go forward to the full council, at

which case there would be public hearings and the opportunity to change language. I think that's what councilmember Garza was referring to. Is that the appropriate place that language changes would be

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done, or would that be done here? >> The language changes is an actual budget document. And so we would amend the current policies to reflect the language that you adopt here. >> Gallo: Okay. So let's talk about process again. >> Sure. >> Gallo: So when that happens and how that happens. >> And this is - - doing budget rates at the same time is a little difficult. But, I believe on September 22nd is when you will amend your adopted fy17 budget. And we would have these changes in that budget amendment for you to vote on September 22nd. That would create these funds and the language around the funds to mayor pro tem's concern, whether we transfer money, that could be at that same time, just as we currently have a rate stabilization reserve with no funding, and that was a council directive. The amount of funding we put in each of the reserves, again, is a council decision that you can make at that time. >> A question. >> Gallo: Councilmember Zimmerman. >> Zimmerman: To back that up, let me read from the Samsung npx document in June. We believe some of Austin energy's expenses are being improperly recognized in order to artificially inflate the reserve requirements. And I think maybe that touches on what the mayor pro tem was saying, that -- what was your official, kind of, final conclusion about the allegations that our reserves are too big? >> Sure. We're audited each year. We have no exceptions. I stand firm we are not improperly accounting for anything. I would say it's a matter of opinion that there are

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decommissioning reserves which are not listed on these reserves. That's because when we transfer funds into those decommissioning reserves, they are essentially appropriated for a specific purpose. They are no longer available for other uses. So they don't come into our calculation for cash available. Consider those in calculating your o&m as far as the number of days, with or without those both nuclear and nonnuclear decommissioning. And our position is, once we have a budget and you adopt a budget, you're directing us to transfer that money into that reserve. That is a real obligation on Austin energy. We don't have the option to not transfer must be into a decommissioned -- that's an obligation on behalf of Austin energy. To remove it, we would need a budget amendment instructing us not to transfer it. For that purpose, we think it is appropriate, because it represents a true expenditure on the utility's behalf. >> Gallo: Anyone else? Okay. Thank you. >> Thank you. >> Good morning, Elaine, vice president of customer account management. I'm here to talk about the C.A.P. Customer choose your date program. As you may remember several months ago we mentioned that we've been reviewing the functionality necessary to implement this program. And this will allow customers to pick the due date of their monthly utility bill. We feel we're fairly close to fruition and implementation of this program. And so I wanted to bring you some timelines today with regard to the choose your date program for C.A.P. Customers. So starting in August through December we'll be reviewing our program details with city of Austin legal, ensuring that the program outline -- program

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guidelines match city utility regulations. We'll also be developing training programs, documenting internal processes, and completing system functionality and testing. And also in November, we'll be working with the discount steering committee. And other community partners to educate them on this program and get some proactive notification out to the customers, develop some customer frequently

asked questions, communications, and again, the proactive letter. Then we'll also address the waiver, the late fees, from the implementation plus 90 days, so from January through March. We'll complete staff training, and city utility education for the other city utilities, and then launch the program availability for C.A.P. Customers in January of 2017. Are there any questions? >> Gallo: Councilmembers? Mayor pro tem tovo. >> Tovo: I think that's great. I'm really pleased to see Austin energy moving forward. Thank you for the timeline. >> Gallo: Anyone else? Okay, thank you. >> Gallo: Wait. Another question. Mayor pro tem tovo. >> Tovo: I'm sorry, chair. I do have another question. Is it only the C.A.P. Customers who will be eligible for the choose your own date program, or is the intent to then roll it out to the rest of the customers? >> The intent is initially for that's a contained segment of the customer base -- the hope and intent is to roll it out to other customer . . . Those who might benefit from that like senior citizens on fixed income who may not be C.A.P. Customers, and then ultimately roll it out as a utility-wide program for anyone who's interested. >> I think we have heard from some of those folks who are not

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on C.A.P. But would benefit from it. What would be the timeline for them, and how would they make their interest known, or is it Austin energy is going to try to find them, or can they opt into it in the spring? >> I'm unsure of the timeline, because we want to make sure that everything is in place before we roll something out to the customers. But if the testing and functionality is in place, and everything's able to be done automatically for the C.A.P. Customers, then it's something that's a fairly easy rollout and we'll -- we can determine at that point if we need to do a for phased approach or open it wide open. >> Tovo: Is it possible it might be in the spring at some point? >> I think the spring -- January, February, March -- might be a little early, but, hopefully before the high summer bills. >> Tovo: Okay. Super. Thanks. >> Gallo: I think mayor pro tem tovo brings up a good point. How difficult would it be to add seniors into the program right now? >> Right now the C.A.P. Customers are, in a sense, case managed. We know who those customers are. They're in touch with folks who help them, they're having a hard time paying their bills. It's a little bit more of a contained group to work with to make sure we have the program set. We could investigate in the spring opening up to senior citizens or someone, because that would be another segment of customers that would be easy to identify with birth date and validate. I just don't want to roll out a program to a wider audience that may not be 100% yet. >> Okay. I just think that that's an area of the population that is certainly on fixed incomes. >> Yes. >> Gallo: That come in at certain times of the month. And so I do feel like that that's really important to add that group in there. I know that there are other exemptions that they can get from certain fees showing proof of their age, so we would have -- if you didn't have birth

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days, you would have people that are in the program. >> Yes. And we can make that a priority of the first group to work with immediately following the C.A.P. Customers. >> Gallo: That's -- what I'm hearing is I think that would be really important to do. So, thank you. Any other questions? Okay. Thank you. >> And next we have the vice chair of the electric utility commission. >> Good morning. I'm vice chair of the euc. I'vepresided over the rate review proceedings we had. I'm here today to make two points. One is to present our -- or discussion our resolution, which is pretty straightforward. It says we endorse the rate settlement plan. We were very happy with that outcome. We felt like the fact that all the major parties that had the most to gain or lose could come together in a settlement. It was very telling, very significant, very comforting for us. It also saved us the -- I don't know what the word is, torture of going through 61 pages of decision points in the case. And I can say that a little bit sarcastically, but the real

point is that we didn't have to substitute or try to substitute our, maybe, somewhat less-informed judgment for the very informed judgment of the parties who, again, all these issues are very near and dear to them, and they knew them inside and out. So that's the first point, is to just give -- our support for the settlement. Second, there was some mention

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earlier about the fayette resolution that we passed. And I just want to make it clear that that was not part of the settlement resolution that we passed. We had a lot of discussion about that -- in fact, more about fayette than we did about the rate settlement. And we -- at the end, we very specifically made a point to separate those issues so that we could deal with them separately. And so we basically didn't want to send any kind of a message that would put the settlement at risk. So while we did pass a fayette power plant resolution, I want to make it clear that it's not part of our endorsement of the rate settlement plan. And that's really all I have. >> Gallo: Thank you so much. Were there any questions? And thank you for your work on this. I know that's taken a lot of time and effort, so thank you. >> Last time you'll hear from me today. Let's see if I've got . . . All right. You know, a part of our budgeting process each year is Austin energy is directed to present their pass-through charges. And so we're meeting that requirement today. We have a number of pass-through charges within Austin energy that these get updated each year if needed. And they include the power supply adjustment, the psa; the regulatory charge, for which we have no acronym yet; the community benefits charge, or the cbc; the energy efficiency services, or the ees; area street light, our Sal, and

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customer assistance program. All the other charges are considered base rates, and those are set during your rate review that you have going on. And those are included in the rate proposal settlement. So the current tariff requires the city manager to provide a report that provides the calculations, that the calculations break out fuel cost or charges, credits including ancillary sales, and they show the extent of recovery of the psa for the previous 12 months. So here are the elements of the power supply adjustment. Most of you have seen this chart before. So our power supply is a composite of a number of revenues and expenses. The first is our low zone cost. As you know, we purchase 100% of the power we need to serve our customers from the ercot market, and that first bar represents that. And that's a cost so that the bar goes up, that's an ex-pension or cost. The bar goes down, that's a revenue. Next, our thermal generation net revenue. So this is the revenue that we generate by running our thermal generators -- that includes nuclear, coal, and natural gas, minus the cost of the fuel and transportation for that fuel. It does not include fixed cost. Fixed cost for thermal generation is included in base rates. And it has a revenue associated with it in base rates. The next line is our renewable generation net cost. And this represents 100% of the cost less the revenues we generate from those power purchase agreements. And this is only for those ppas that are currently producing. As you know, last fall we purchased an additional 450 megawatts. Those ppas are not online, those costs are not included in

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here. >> Chair. >> Gallo: Yes, councilmember, councilmember Zimmerman. >> Zimmerman: We were looking at documentation last week, and it looks like the bio-mass plant cost, which is pretty substantial, it's 57 million a year, and we couldn't find it anywhere. Is that because the plant doesn't operate, and, therefore, the costs aren't included, or . . .? >> No. The capacity payment, which is a fixed payment we make each month, is included in the power supply adjustment. So it's included in there. >> Zimmerman:

Where is it in the documentation? I couldn't find it. You say it's part of the psa. >> It's included in the renewable generation net cost. >> Zimmerman: I can't see it because of the black lines. >> I'm sorry. >> Zimmerman: Is there any way to move that up so I can see this? >> It's the third line from the left there. >> Zimmerman: So it's under renewable generation net cost? >> That's correct. >> Zimmerman: Okay, thanks. >> Next is our green choice revenue. So this is revenue customers sign up for our green choice revenue program. So this is a revenue that we collect from the customers. Bilateral power net cost, it's a slight revenue. Hedging for natural gas. Again, because we purchase natural gas, we have a hedging program. And I like to think of hedging as insurance. So this locks in a price so that when we need to run our plants, we're sure of a natural gas price for ourselves. We have a hedging congestion revenues, a minor amount. Power supply adjustment cost. So if you add all the lines prior to that, that's your power supply adjustment cost. But we do have an overrecovery. Since we had a higher psa than what the market price was

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indicating, we collected more revenue than needed, so we're returning the under-recovery, resulting in a net power supply adjustment cost. >> Next is the underlying calculation. Essentially, we take that overrecovery of 65 million. All of our psa are based on historical numbers. So we look back at the previous 12 months. We figure out what the cost of our actual power costs were. And we project that forward. And we normalize that for our weather forecast. And with that, we get .02769, which is what the psa currently is. We have had about -- we changed that psa on April 1st. We've had three months of experience. And right now we just don't see the psa decreasing now. Obviously we're going to continue to watch this. If there's any opportunity for us to decrease the power supply adjustment for our customers, we'll bring that back to council. But we just don't have that -- enough experience with these new psas. We don't see the market changing enough to indicate a reduction or an increase in the power supply. One thing I do want to note is, our base rates are changing on January 1st. So once the council approves those new rates that you'll see on Thursday, it takes us about 90 days to put those into our billing system, to run it, to test the system. And so it takes a few months before those can become effective. On these pass-throughs, we're going to make those effective November 1st. One of the reasons why is in total, this is a reduction in cost for our customers. And so we want to make those effective as soon as possible.

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One of our requirements, how we set these rates by customer. And so we set a system average across the board. And then we adjust those for voltage. And so you can see secondary voltage, the more -- the higher the voltage, the less the ratio of line loss is. And so the lower the cost is, the higher the voltage. These voltage levels don't necessarily change from year to year, but that system average does. This year we're going from a single psa year-round to a seasonal psa. So you'll see a summer and non-summer. And essentially, our non-summer are the months of October through end of may, and then June through September are our summer months. And so you'll see a slight decrease from the average during the non-summer month. >> A little background on this is that we've changed the way we're calculating our pass-throughs to create a system level for both -- for all of our pass-through charges. And what this does is, as customers go from customer class to customer class up and down, they don't see significant swings in their pass-through cost. It used to be we set them based upon the load for each customer class. If you had a large customer move from one class to another, they wouldn't necessarily take their cost with them. So it would burden that class. We think this is a simple and fair -- it's easy to see the transition, it's more predictable for the utility and our customers. The residential on the regulatory charge is what we

pay to use the transmission lines of other utilities, set by the Texas public commission. For our residential and si customers, that's assessed of on

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a kilowatt hour bases, the more you use the more you pay. S2 and above, we charge that on a kilowatt bases, demand. Our lighting classes are exempt from regulatory and the cbc, the community benefits charge. As I said, the psa is unchanged from our April rates. We have some pluses and minuses. But we are introducing that seasonality. So customers will see a decrease in their power supply cost on November 1st, because we're going to non-summer rates. On average, over the course of the year, it's designed to achieve the same amount of revenue as we currently have. Energy efficiency services, cost remains stable. We do have a slight overrecovery from prior periods. And so we are adjusting that slightly downwards. But, again, because we're changing this to an average system rate, there's some volatility within rate classes there. Street lights, we had an under-recovery. So we are increasing our area street lights to recover that under-recovery. Customer assistance program, there's no change to that program in terms of rates. And our regulatory charge -- as you remember last year, we were able to decrease our psa pretty significantly, so we were able to increase our regulatory to achieve that revenue for our overrecovery. We've been successful. We don't need to collect as much in regulatory, so are decreasing that slightly. We do have two customer classes, the p2 and t2 that see a slight increase. And again, that's because of the way that we are now calculating on a system average bases. You'll see on the next chart how it makes it more level across the various classes. This is a busy chart for you, but in a similar manner as the

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previous charts. But if you see a red arrow pointing down, that means the customer's rate is decreasing. A green arrow pointing up means the customer rate is increasing. The blue box indicates what the current rate is, and the green box indicates what our proposed rate is. So you can see we're standardizing the costs except for the voltage across the board. In the column on the far right is the power supply. As you can see on the non-summer months, everyone's getting a decrease. And during the summer months, it's increasing. But again, it's coming back out to the exact same system average that we currently have. If we have an opportunity to decrease that psa, we'll certainly bring that forward to council as soon as we can. That concludes. Any questions? >> Gallo: Council? Councilmember Zimmerman. >> Zimmerman: Thank you. Could we go back to page 18 just for a second? Just help me understand this a little more. The title is "Cost and revenues." I got that. The second column, on the thermal generation net revenue, do I understand that to say we have costs associated with thermal generation and then we sell to ERCOT, and we're making \$80 million of profit from thermal generation? That's kind of the way I have to read this, right? >> It's net revenue, not profit, but net revenue, yes. So the revenue -- the marginal revenue exceeds the marginal cost. So the marginal cost in this case is fuel and transportation, and ERCOT fees. >> Zimmerman: Okay. But if we consider the total cost of producing that power, we would still be losing money? Because we have capital -- fixed capital costs. >> Those are in our base rates. And that cost of those fixed costs are recovered in our base

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rate fees. >> Zimmerman: But I was thinking if I go to the very next column, you just said a minute ago that those are fixed costs and they're included in the graph. I'm confused. >> The column is our power purchase agreements. Because those are under contract, we have no capital cost. So it's 100% a

contract cost. So that is included in there. That's -- 100% of our cost associated with the power purchase agreement. >> Zimmerman: Okay. So I guess the difference is between assets we own and assets that we lease, is that the reason -- it seems kind of apples and Oranges here? >> Essentially, yes. >> Zimmerman: Yeah. >> We're not leasing the assets, we're just buying the power that's produced from that plant on the renewable side. So whatever cost that developer has is totally encased within that contract cost. >> Zimmerman: Yeah. It's baked into, you know, capacity charges or guarantees or what have you. >> Yes. >> Zimmerman: Okay. Thanks. >> Gallo: Any other questions? No? Okay. Thank you. >> When you see the draft tariff on Thursday, these pass-throughs will be included in that tariff document that you'll be considering at the hearing on Thursday. >> Gallo: Okay. Thank you. >> Gallo: Okay. And who is next? >> I believe for the briefings, that concludes our briefings. We're glad to answer any questions, or you can -- >> Gallo: Thank you. Are there any questions on any of the information that's been presented this morning on the briefings?

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No? Okay. That concludes agenda item number 3. We will now move to agenda item number 4, consider a set of policy determinations affecting electric rates and recommend that city council approve a rate ordinance reflecting those policies. And staff, do we have someone that is going to guide us through that discussion? >> Mayor Adler: Were we going to change that just to recommendation to send it to the council for consideration? After the rate hearings? Is that the appropriate -- that's what I think I heard. >> Gallo: That's the impression I'm getting, but if staff could continue to walk us through this process? >> Chair, members, it's our thought that -- should it be your wish to move forward with the joint agreement that we've brought forward to you, that you would consider a motion to recommend that to the full council for adoption and to direct the city attorney to develop an ordinance consistent with that agreement, should that be the direction you want to go. If you all want to abandon the agreement, then we have the decision point list with the 61 individual decisions. We'd be happy to walk through with you. Or however you want to handle that. >> Gallo: Okay. Council, do you have a preference? And if the preference is to move forward with a recommendation, we would need a motion to recommend. >> Zimmerman: Question here. We're missing three members it looks like, right? So if we were to simply recommend this to full council without -- for consideration without any opinion on it, endorsing or not, if we just move it forward to the full council without a recommendation for or against, that would give, I think, our other members a chance to chime in. >> Gallo: Do you want to address . . . >> Mayor Adler: At the same time, too, as it's coming up, I think the settlement agreement is actually the effort to bring

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everybody in, is pretty spectacular, given where we were. And to have everybody in -- I understand, we may be close with Sierra and public citizen, which I think is the missing piece for me. It may be that it needs to be tweaked, and certainly we don't take final action until it comes to council. But if it's a question of initiating the process so that staff can begin to draft the ordinance, I would -- if that's what it takes, then I would participate in that so that staff could start drafting on this. >> I would just say from staff, we are one of the signatories of this agreement to -- that is proposed for your consideration. We believe it is in the best interest of the utility and a broad array of our community members. And so we would appreciate your endorsement of that recommendation. However, if it's your choice today to simply move it forward, then it's my understanding, having talked with legal counsel, that that meets all of the requirements for keeping us on track for final approval on the 29th. >> Gallo: And so if we -- based on the mayor's comments, if we move this forward with a recommendation that this language would be put into the ordinance that would come back, could you -- for the council -- I'm not sure

everyone was here at the very beginning when we talked about the process. Could you talk about what happens after this point today, the opportunity for public comments, so that people can actually comment on what we would be moving forward with a recommendation, and also where the council's opportunities for -- if they were concerned and wanted to make changes?

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>> Before you do that, I'm sorry. If I could just comment on what was -- people were just commenting on, it sounds like you said -- initially you said we could either recommend it or -- maybe you didn't mean it to sound this way, but you said abandon the settlement. It doesn't sound like those are our only two choices. I don't think we abandon the settlement by just moving this to the council. And the only reason I hesitate to say we should move it forward with a recommendation is because there's things that can happen from now until we make a final decision. And so at the very end there, it sounded like you said we can just move it forward without a recommendation, and that meets all the legal requirements, that continues the path that we're on. I would prefer we move it forward not with the word recommendation, because there can be changes from now until we make the final decision. >> Chair. >> Gallo: Yes. >> Pool: I would very much like to ensure that we have the agreement of the Sierra club and public citizen. And since that is very close, Mr. Cortez, are you -- do you -- did you want to -- and Ms. White, did you have something you wanted to offer? Because I'm in agreement with councilmember Garza that we not make a recommendation until we have as many of our partners along on this journey as possible. >> Thank you. >> From a process standpoint -- >> Mayor Adler: Would we also have the option of not recommending -- because we're recommending to ourselves -- but passing it to council, but asking staff to go ahead and start drafting the ordinance and incorporating into it, if there's an agreement with Sierra and public citizen, to incorporate that into the ordinance draft as well? >> Pool: That would be fine with me. That was the piece that I wanted

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to hear from Dave and kayena. >> First of all, I'd like to thank mark Dreyfus and others at Austin energy to continuing to work with us. And thank you to those of you who are concerned about this issue. I think we are getting close to an agreement. We're kind of stuck on a fundamental issue for us, and that is wanting to have a timeline for when a financial plan will be established. That is really our primary concern, is that, you know, you all as the decision-making body for Austin energy know what the recommended financial plan is. And that is -- you know, we're specifically referring to the debt. There are going to be other financial issues related to changing the agreement with Ircra, potential financial implications with ERCOT. We understand there are unknowns. But in terms of the debt, we would like at least you all and hopefully to the extent that the public can be informed as well, you know, we would certainly support that -- to know what the plan forward is. And if there needs to be two plans, one for if Ircra eventually-- agrees to some changes that allow for retirement and one for if in the end they do not agree, which I hope that that will not be the case, but that has been raised as a possible outcome and hurdle. I think that could be appropriate. But, you know, it is important for us that the city and the utility are planning for a success. And putting ourselves in a place where assuming that those negotiations are successful, that this is not a remaining hurdle come 2022. >> Gallo: And thank you for your work on that. It sounds like that the mayor's suggestion language of how to move it forward would also do some -- have some instructions to staff to continue the

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conversation, and hopefully get to a good place as we have with the other parties involved. So, would somebody like to make a motion? >> Zimmerman: I'd like to make a motion that we direct city management to draft a rate ordinance based on the existing settlement agreement. >> Mayor Adler: And forward it to council for council's action following the rate hearings. >> Gallo: All right. Is there a second to that motion? Councilmember Houston. Any other discussion? All in favor? >> Chair. It looked like folks had some questions. >> Gallo: I'm sorry. I didn't hear anyone. >> Casar: It was just on people's faces. I don't think it got to the mics. In the mayor's description of a potential motion, mayor, I think you suggested that staff incorporate any agreement that folks come to with any of the outstanding parties and whatever they draft if they come to any sort of agreement between now and then. Would that be acceptable to the makers of the motion? >> Gallo: Councilmember Zimmerman, is that -- >> Zimmerman: Let me speak to that. I think there's a lot of moving parts, right, in a settlement, and a lot of factions -- consumers, corporations, Austin energy. From what I've heard from the testimony, there are a whole lot of moving parts. And in the same way that we were fearful of the \$720 million bond falling apart because there were many factions that wanted some mutually exclusive things, I thought we wanted to respect the work of the hearing examiner that had tried to bring all these pieces together and come to a settlement. So I -- that maybe could be a separate motion. If you want to just authorize staff to start negotiating outside of council with these separate people, I think that's a different intention. Or is that your intention to have staff just start -- >> Mayor Adler: My sense is that what's being negotiated

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with Sierra and citizen is not inconsistent with the rest of the settlement agreement, and therefore being able to -- if they can work that out -- being able to make it part of whatever we have in whatever form is most appropriate to that is not inconsistent with that other work. >> Zimmerman: Based on my original motion, when they start drafting the ordinance, I would think there would be some q&a about exactly what the settlement meant. And that that would go into drafting the ordinance. So from that viewpoint, I think they already have authority to do that. Because there's some complex things we're dealing with, right. >> Casar: Sure. And I think to be clear, it seemed like there was some consensus on the type of motion that the mayor described, which I think the basis would be that the settlement terms would be preeminent, and then if they were not exclusive, if the agreement with public citizen and Sierra club did not interfere with those terms, why not draft something that incorporates it all. >> Zimmerman: Okay. Well, I think that that's implied in my original motion. I don't think we need to add any language on that. I'd like to stick to the settlement specifically. If there's something else that could be done that doesn't interfere with the settlement, I think they already have that prerogative. >> Casar: Then what are we fighting over if it's already a part of your motion? >> Zimmerman: Because we want to see the ordinance in writing, okay. The ordinance is what has a binding effect, not what we're talking about in terms of settlement. We want to see the draft ordinance, let the parties look at it and see if we have to have more conversations. I'd like to get a draft ordinance based on what we think the settlement is today without additional negotiations. >> Gallo: I think we've got a document in front of us that it sounds like we're moving forward. But I think we also have heard that there is some conversation that is going on that will take some of the parties that were not included in this additional

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settlement proposal and continue that conversation with them so that what the council may end up with when it comes before us again is what we see before us now plus what hopefully will be worked out with the additional parties. And so that's what I heard. It seems like there is an interest from this council to have that specificity into the language so that the outstanding parties are able to continue

to work as the other parties did originally. So, it sounds like we're either going to have an amendment to your recommendation, or we can extend your recommendation. >> Chair. >> Gallo: Councilmember Houston. >> Houston: If I remember correctly, we were told this morning that only eight signatories had signed. You were waiting on the rest. Is that correct? >> Nine, but yes. >> Houston: Nine signatories. Okay. And so we still have some signatories that are outstanding. And so with us waiting on the other signatories' papers to get through, we continue to work with two interveners to see if we can work out an agreement. I understand that is part of the motion, because we can't do it if we only have nine. We're trying to get to the 18. Okay. >> Chair. >> Yeah. Councilmember pool. >> Pool: What I would like to do is maybe lay this on the table and allow Sierra club and public citizen to continue to have a conversation. And then if we can get to agreement with them, then that could be incorporated. Otherwise I would make a substitute motion that would make that statement, that we give them the additional time that they may need so that they can talk about the substance of the piece that they're looking for in the agreement. >> So just a point of clarification, when would be the

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time that this comes before the council? So I just -- I'm asking for in the process already that's set up, what time between what we do today? >> Public hearing is scheduled for the afternoon of the 25th. >> Gallo: Okay. And that's of the full council. >> Gallo: And another public hearing on the 28th? >> The 29th. >> Gallo: 29th. Excuse me. And then the vote on the council would be -- >> On the 29th. And chair, if I may, we've been speaking with Sierra club and public citizen for the last week, and however you come out on the vote today and what the language of that vote is, we will continue to work with the Sierra club and public citizen, with the objective that we can come to some mutual agreement on the process moving forward on the resource plan, and all the pieces related to that, and have their signature on the settlement agreement as well. >> Gallo: And the additional signatures that councilmember Houston mentioned -- >> Yes. My understanding is those are on the way. The document was just provided to them late on Friday. >> Gallo: Okay. >> Thank you. >> Gallo: Councilmember Houston. >> Houston: So I guess I have a question for you as chair, is that -- this is a hypothetical, because I hope we all come to some agreement. So are we saying as a council that if we are not able to work out an agreement with two of our interveners, that we scrap the whole thing? I just want to be clear. >> Gallo: I don't believe that's what the motion that's currently -- >> Houston: I didn't hear that as -- in the motion, but it seems like some people did hear that we needed to make sure that they were included. And then the next question is, if not, what if? What then?

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>> Gallo: Okay. >> Pool: So I would make a motion to table Mr. Zimmerman's motion. >> Gallo: Is there a second? >> Pool: So that we can keep the conversations going. >> Mayor Adler: But do we have to do it that way? Ms. Houston, I think what we're saying is we're asking them to just pass this to council. >> I understand. >> Mayor Adler: And to draft the ordinance. And to the degree that there's an agreement with Sierra and citizens, then draft that, too. >> I understand that. >> Pool: I'm not sure that that's what the motion says. So if we could hear what Mr. Zimmerman had said again. >> Gallo: Would you like to -- >> Zimmerman: I did write it down. I wrote down. I said direct city management to draft a rate ordinance based on the current settlement agreement. That was my motion. >> Pool: And that is not sufficient in my mind, because it does not include the additional conversations that are happening around that settlement. So what I would like to do is offer a substitute motion, if there is one. Unless you want to vote on Mr. Zimmerman's motion. >> Zimmerman: I guess -- >> Mayor Adler: Can I amend Mr. Zimmerman's motion to add the clause that says, and they shall additionally draft ordinance or

other language to support a settlement agreement if one is worked out with citizens and -- the other interveners, whoever they might be? >> Zimmerman: I have no objection to that amendment. >> Gallo: Okay. So there is a motion and an acceptance of an amendment to the motion. And a second by councilmember Houston. Is there any other discussion? I see mayor pro tem tovo with her hand up. >> Tovo: I had a slightly different question. When we were talking about elements of the proposal in terms of policy -- policies that

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we would be changing by adopting the settlement, I indicated a couple of my concerns. One has to do with the rate stabilization fund, whatever, in its newly named incarnation. And my other is I'm uncomfortable with the tier one increases. And so I'm going to be doing a little more thinking about that. I wanted to signal that to my colleagues. Councilmember Garza, I didn't want to put you on the spot, but you talked about a caveat you would want to add to the language. I wasn't clear what you meant by number 4, if that was page 4 or another place. >> Gallo: I thought we were talking about item four when I brought that up. The caveat was not to send it as a recommendation. It's what we're talking about. >> Tovo: Gotcha. Thank you. I couldn't follow that, so thank >> Gallo: Is there any other discussion? Councilmember kitchen. >> Kitchen: I had the same concerns mayor pro tem just brought up so I'll be thinking about that also. I'm also concerned, I think we're talking about bringing forward simultaneously or along the same paths the settlement agreement we have on the table as well as the potential that we're talking about with Sierra club and public citizen. I want to signal that my intention is that we do come to some conclusion there. And it's not my intention -- at this point in time anyway, to move forward with the settlement agreement absent that. So I just want to signal that I think that's really a critical -- at least in my mind at this point in time that's very important. >> Gallo: Thank you. And I'm sure that staff will keep us updated on those conversations and the ordinance that will actually come forward based on where those conversations are. Councilmember Zimmerman. >> Zimmerman: Thank you. I want to be clear again, what I was asking for was a draft. I did not ask and we're not ready to approve a settlement. I'm asking for a draft of what the settlement would look like

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in ordinance form. I want to be abundantly clear, right? We want to get what's on 2 table, let's get it into ordinance form. We're not accepting the settlement, we're just asking it to move to the next step to get it in ordinance form. >> Gallo: And there will be from what I understand from staff a public hearing on the 25th, another public hearing on the 29th, and then the council would not be voting until the 29th on the proposed ordinance language. Okay. So is there any other discussion before we take a vote on the motion? >> Zimmerman: Just a point of information quickly. When do we predict that we would have a draft to look at? And that's a question for city staff. How quickly could we get to a draft? >> I would hope that we would get you something -- >> Zimmerman: I can't -- >> Sorry. I would hope we could get you something by Wednesday. If we start working on it this afternoon -- >> Zimmerman: So this week. >> We would have a public hearing on Thursday so we would have it definitely before the public hearing on Thursday. And my goal would be to have it to you, you know, at least a day in advance to give you something to look at. >> Zimmerman: I'm delighted to hear that. Thanks. >> Gallo: Any other comments? Any other discussion? So all in favor of the motion including the amendment by the mayor, please signify by raising your hand. Any opposed? Any abstentions? I believe that was unanimous on the dais. Thank you, staff, thank you, parties. I believe -- I believe that concludes our meeting from today, unless staff lets us know there's something else that we need to address before we adjourn. Hearing none.