

Austin Energy Utility Oversight Committee Meeting Transcript – 09/19/2016

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>> Pool: Excellent. I count to six. Welcome, everybody, I am the vice-chair of the Austin energy oversight committee of the Austin city council. And I am calling this meeting of the August -- sorry. September, those are the minutes. September 19th to order. It is 9:06 A.M. And we are here at 301 west second street. Good morning, everybody. We have a quorum. The first thing I'd like to do is approve the minutes. Do I see a motion for approving the minutes? Or any changes? Thank you. Ms. Houston moves approval. Is there a second? Councilmember Casar. Thank you. All those in favor raise your hand? Looks like that's unanimous on the dais. Thank you. Now we have citizens communication. Mr. Robbins, good morning. How are you? >> Good morning, council. >> Pool: You have three minutes. >> Could you cue the slides, please? On August 29th -- could you get the captions so that the screen isn't blocked. All right. Let me start the time over. Good morning, council. On August 29th you passed new rates for Austin energy. You awarded rate cuts to all classes, which is a rarity in such matters, and we're probably happy to see the end of the controversies. Respectfully I think there is unfinished business. Many members of the council wanted all tiers in the residential rate class to receive some kind of rate discount. And just a few minutes before your vote Austin energy delivered a rate structure that they informed you would accomplish this. This was not, in my opinion, in context.

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I do not believe it is accurate. The utility made adjustments for a bill decrease in all tiers. I remind you that a bill decrease is not a rate decrease. Bills include fuel, the regulatory charge and the community benefit charge as well as the tiers and the monthly fee, whereas rates include only the tiers and monthly fee. All of these went down irrespective of rates, that is the fuel, the regulatory charge and the community benefit charge. And when you analyze it all, rates for tier 1 actually went up comparing the old rate and the new rate. Now, this is what -- I've got two slides. The first slide shows estimates of the new bill at various levels of consumption. As you can see, everyone except the category that is 25 percent of Normal, decrease, even 25% of Normal is a wash. The next slide is the estimated rate. If the surcharges stay the same between 2016 and 2017, as you can see tier 1 which includes 50% of Normal and 25% of Normal at the right end of this chart go up, they will pay somewhere between nine and \$12 more a year. This is not what council asked for. I'm asking you to revote on this in the near future if you want to keep rates as you pass them on August 29th, you

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need to do it fully conscious that they are what you intended. If you want to help low users, many of whom are poor, and incentivize conservation, you should restructure the rates for a real decrease in tier 1. You may ask why I didn't bring this up on August 29th? Well, there's two reasons. One, you close the public hearing, and the other is this was done with a very short amount of time and there was no way I or anyone else could analyze it. As before I'll be glad to assist you with any other information. >> Pool: Thank you so much, Mr. Robbins. Appreciate you coming here today. Anybody have any questions? Yes, mayor pro tem? >> Tovo: Actually, I have a question for our staff if it's appropriate. I'd like them to confirm whether the bill impacts that we saw for our lowest usage customers were indeed lower because they were factoring in the lower fuel rate or whether the rate was actually -- I thought was our intent was to restructure the rate so that our -- those in the tier 1 would see a decrease. If you could address what you just heard in that, please? >> I can't attest to anything that Mr. Robbins put up. I haven't seen his analyses but what we presented you was bills from four customers, their actual consumption, and how the rates would impact those customers. I can't attest to every single customer that we had would receive a bill decrease, but we'll be glad to perform an analyses that the council might ask on that. >> Tovo: Mr. Dombroski would you say in general that it's where we saw a

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drop were the result of decreasing fuel charges versus anything you did to adjust the rate so it would be less impactful for tier 1? >> We decreased the base rate for the tier. You would have to look at each individual bill to say what the impact S customers who use less power are going to receive less -- more of a discount when you decrease the psa. >> Tovo: Okay. So part of -- so then part of what we saw was really just the decrease that would have accrued to them -- would have fallen to them anyway because of the lower fuel costs? >> I can't agree with that statement. >> Tovo: That wasn't really an amendment in terms of the rate. >> No, we decreased the base rates. I think you would have to ask us specifically customer the kilowatt hours they used and look at the customer specific. It's hard to make a general statement about every customer across the board, but we did decrease rates. We gave five million dollars to the first tier. >> Tovo: I think I would appreciate having more analysis on that just to make sure that we're really moving forward with what at least I intended. It sounded like up and down the dais was the intent. >> Pool: I know what I would like to see, building on what the mayor pro tem said, is rather than taking the median customer, which is what we were working with on the rates, during the discussion -- >> We were working on actual customers so we pulled actual customer bills at various levels and we were using those and those are the ones that we had up on the board with the colored charts, the green and red. So those were actual customers. We weren't using average or median. >> Pool: Okay. So mayor pro tem is there a more expanded look at what you want to see or should we bring the same information back and look at it again? Because I agree, I would like to get to a sense

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of resolution between what Mr. Robbins is saying and what Austin energy staff are telling us. I'm sorry? >> Tovo: I was going to say, I think Mr. Dombroski offered a bit more analysis in the form of a memo or whatever would be useful. >> Pool: I was going offer up my account if you want to look at that. I think I'm at the low end so I don't know if it would give you any kind governor example. >> Sure. We can grab a broader swath of customers of consumption and do a broader analysis. >> Pool: And do one for each of the tiers? >> Sure, based upon each customer's consumption pattern, winter, summer, how they heat their home, each of that will impact the bill. >> Pool: And we can compare if we hadn't changed the

rates, what the same amount of usage and also factoring in the lower ppa costs? >> We'd be glad to do that for you. >> Pool: Yes, councilmember Houston. >> Houston: I would also appreciate that because I think I got notice this last week that the discount was going to be going off for -- I can't remember now. Was it the drainage fee? Is it the drainage fee? So is that going off? So my bill is going to go off for that particular item by a dollar and some cents. That's going to be an additional add on outside of the base fee. Soiled be interested in how much rates are going to be as well. >> On the total bill? We can get with our sister utilities and sort of do an impact on that. >> Pool: All right. Are there any other questions. Thank you, Mr. Dombroski for offering to help us with that. Anything else? All right. We only had one person signed up for citizens communication. So now we have the general manager's

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report. I guess Ms. Sargent, thank you. Welcome. >> Mayor, mayor pro tem, councilmembers. Thank you. And I just want to reach out to you and let you know that I've now officially been on the job for one month. And as you're well aware there's been a lot going on so I want to reach out and thank you for the work, your efforts and your support in passing our rate decrease and then also in passage of the budget. This has been a lot of work by all of you and your staffs and also by Austin energy staff. I want to personally thank mark Dombroski who has led our efforts for these projects over the last several months and done an outstanding job. So thank you, mark. I appreciate it very much. There are some things that I wanted to touch on for you today. I wanted to give you an update on the lite-up Texas low income discount program that came to an end in August. I wanted to discuss the metro tax issue. And I wanted to update you with regard to an outage on the downtown network that occurred on September 11th. And then there are two upcoming procurements that are going to be before you at the October 6th meeting. And then following my report, mark dom browsy is going to -- Dombroski is going to present our new dashboard and he's going to update you with regard to a refinancing that we have, an opportunity that we have to help lower costs. So with that, the lite-up Texas low income program was established by the state of Texas in 1999 when the electric market was deregulated. And this was to assist low income customers in the deregulated market with their electric bills. These discounts were only available in the summer months and lawmakers ended the surcharge to rate payers in these deregulated areas to fund this in August so those discounts are going

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away. Recent reports have shared about this program and it's been in the news, but I wanted to point out that this is only impactive to those customers in the deregulated market. Because Austin energy is a community-owned, locally-controlled municipal utility, this program does not affect our customers. Ae's customers receive support through the customer assistance or cap program and our customers will continue to be eligible for those discounts. Going forward we're expecting that to be in the range of \$10.5 million annually. The cap program that Austin energy has has actually been in existence for over 30 years. It provides discounts year-round on electricity, water, wastewater and the community benefits charge. It supports customers needs through weatherization programs and Austin energy efficiency programs. In 2015 more than 42,600 customers actually qualified for electric utility discounts and receiving on average \$250 per year per family. With the support and involvement of the Austin city council and our customers, cap will continue serving this community as the most comprehensive, low income customer program in the state, and I think that's pretty remarkable and I appreciate your support of this program. Any questions? All right. As you know, in a memo that I sent to the mayor and council on September 8th, Austin energy identified that we had inappropriately collected metropolitan

transit authority or metro taxes in a small portion of south Williamson county. This area of south Williamson county where customers receive utility service from the city of Austin, will no

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longer see a one percent metro tax line item on their electric portion of their residential bill. The tax still applies and will be collected on Austin resource recovery services and commercial electric service. This issue was brought to light as a result of a recent public information request and approximately 6,000 active residential customers have been charged this one percent metro tax on the electric portion of their bill. Austin energy has been in contact and communication working with capital metro transportation authority, cap metro, and the city law department to review the historical parameters of the metro tax collection for the south Williamson county area. Austin energy is in the process of determining which residential customers have been -- have been impacted and may be eligible for a refund. I want to point out that this refund would only apply to the metro taxes collected on the customers combined city of Austin utility bills and the refund may be limited to the last four years, but we are continuing to investigate that matter. And then again the metro taxes collected for Austin resource recovery are not in question. Austin energy will provide and refund to the eligible customers and then we will seek reimbursement through cap metro and the state comptroller. However we may only be able to receive reimbursement for the past four years. As you know, Austin energy generates the combined city of Austin utility bills. Bills include taxes for entities, including library districts, metropolitan transit authorities, emergency

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service districts, and there are actually nine total taxing entities. The funds that we receive are forwarded to the Texas comptroller of public accounts, which then distributes the funds to the appropriate taxing entity. Austin energy and the city of Austin do not receive any revenue from tax collection on behalf of these entities. I have directed my staff to conduct a comprehensive internal process review on collection of taxes for these external taxing agencies and we will also include the engagement of an outside audit firm to review the audit -- to review our audit of tax collection procedures. I see this as an opportunity for process improvement and I have shared with my staff my expectations as they align with a strategic initiative of compliance. To me compliance is non-negotiable. >> Gallo: Any questions? Councilmember pool? >> Pool: Thanks, Ms. Sargent. Can you expand a little bit on the four-year piece and the timing? For example, if the city of Austin is going to be providing a reimbursement, would that be like a monthly reduction on the bills? Is it a check? Separate from that? Is it a total amount or installments? And then the second piece is: Do we have some assurances around the city being reimbursed for having collected taxes that we didn't keep, but gave to another entity that we will also be made whole? >> So that is one of the items that is still up in question, but what we

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will do and what we are in the process of doing is identifying all of those customers who are still currently customers and they will be credited back on their bill the amounts collected for the last four years. We will also be reaching out to those customers who are no longer taking service from us and reimburse those customers as well. Once we do that we can submit to the state comptroller for reimbursements of those funds and they would go to cap metro to collect those. The state has some requirements as they relate to the time frame and the city also has some regulations or some -- an ordinance in place that addresses the time frame of overcollection of fees and taxes. And I would have

to defer to the legal office for more specifics on that. But we're doing everything in our power to make sure that we get those funds refunded. >> Pool: I know it's a standard accounting practice for a governmental entity, and specifically the state and I think also for the city and other municipalities, you have to actually incur the cost before you can receive the payment for it. And in this case we would have to make the refund in order to then have the state or cap metro be triggered to pay us back. Is that correct? >> That's correct. >> Can we get in advance of that actual minute sterile action, can we get their agreement, though, that that will happen? That's the piece that I would like to get some assurances on. >> Well, we have been in communication with them and we are working with them on that issue. I don't have a definitive answer if they've made agreement. I'd defer to legal. >> Andrea Rhodes, assistant city attorney. We are working with the comptroller's office and getting them additional information. While I'm not sure we will get confirmation that every refund we pay out will be paid back, we're working with them to assess the viability of

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the refunds we will be making. >> Pool: And then it's at the controller, but it's up to the cap metro. Is the conversation happening with cap metro at some point? Is the controller's office talking with them? >> I would assume, yes. I know we have had some conversations with cap metro, but not specifically about the refund piece of it, but we've been communicating primarily with the comptroller's office. >> Pool: It would help us a lot on the dais if we had some sense that the conversations are specifically ongoing and that we have -- even if it's just verbal or in a memo or some kind of an indication that cap metro recognizes that they should not have had the benefit of the monies and that we will be -- I just really want to drive home the point that we would like to receive reimbursement for what we are going to be paying out because it's not -- we didn't keep the money in the first place and it's a hard lift to then -- and I do want to have the customers reimbursed, but I want to make sure that the responsibility and the accountability for it rests with the agency that received the money at the end. >> And we'll continue working on those communications. >> Pool: Okay. Thank you. Appreciate that. >> Gallo: Councilmember Zimmerman? >> Zimmerman: Thank you very much for that. And by the way, it's the first chance I've had to welcome you to the mic. Congratulations on the new position. I less update to thank Austin energy for stepping up quickly and agreeing with what appears to be a pretty straightforward situation because I had to sue the city of Austin for a case of taxes being illegally collected and it took seven years to resolve it. But going back to the back payments, I know there's an issue of statutory rules that say what the city utility might be responsible for looking backwards.

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But there's also the -- I guess kind of the ethical issue. In other words, the statute could say here's what you have to pay, but if a certain amount of money has been collected in years prior to that, would there be a way to just go ahead and look into what the total amount is? The second thing that you probably already have figured out, it can be very complicated to figure out who to refund the money to because there's turn over in the neighborhood. You could have had people paying for four years for a tax they didn't owe, now they're living in New Jersey. You may not even be able to find them. So it's -- as you're going to find out, it's a tough situation to remedy. But I want to thanks for stepping up to work on this. This area is inside district 6, right arranged the springwood mud area so it is in my district and I'm keenly aware of the area and want to get the refunds for the people there. >> Gallo: Any other questions from the dais? Thank you very much. >> Thank you. Another item that I want to touch on was the September 11th outage on the downtown network. This occurred as a result of equipment failure. We considered this a major issue because of the area affected. It was at a time when downtown clubs and bars were

still open and customers in the hotels were posting on social media about their power being out. We also posted and kept customers informed evidence what was going on. The general boundaries of this area that were affected by the outage included 15th street, south to lady bird lake and on both sides of red river. Some customers affected included the JW Marriott, the courtyard Marriott, Austin water headquarters and the 301 congress building. The 311 information center had received approximately 197 outage calls during the time frame of the outage. The problem began at 1:58 A.M. And that occurred when a network distribution circuit

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tripped due to a failure of a vacuum switch. Trouble crews were dispatched immediately and began to investigate and make repairs. A second issue arose when there was a transformer failure. At 7:27 A.M. Austin energy crews started energizing a portion of the distribution system and by 8:56 A.M. All customers were back in service. We're continuing to investigate the cause of this problem and we will implement corrective actions and mitigate any opportunities that we can or take this as an approach for process improvement and look at what we can do to prevent such failures going forward. >> Gallo: Are there any questions from the council? Thank you. >> Well, the two upcoming procurement items that I wanted to touch base on are the residential meters and the on-site energy resources or district cooling upgrades. And both of these items will be in front of city council on October 6 and it's my understanding that we have talked about these at previous meetings. With regard to the residential meetings, our -- meters, there's a contract for 29.1 million and that's going to replace approximately 245,000 residential meters over a seven-year period. The meters that are currently in place are early generational and they are about 10 years old and they have limited functionality. So by replacing these meters with new, more state-of-the-art, we're going to be able to deliver on some of our strategic initiatives. For example, customer collaboration. This will be an opportunity to enhance our outage communication with customers. We'll have increase availability of energy usage information to support customers. And it will allow us looking forward to possibly implement more flexible rate capabilities.

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We have a strategic initiative of financial health and an initiative of business excellence and we see that this will be able to help us enhance our revenue detection and protection measures. It will allow for remote monitoring and alarming to assist in theft and maintenance detection. And it will allow for over the air programming so that we can operate switches remotely and won't have to roll trucks. We see this in our modeling as approximately \$30.2 million in savings over 10 years as a result of less truck rolls and revenue protection. With regard with our strategic initiative for the environment, having reduced truck rolls also helps reduce our carbon impact. And employee engagement, this is important to us. It will increase both our employee and public safety. I do want to highlight and point out that this contract is a sole source contract. Landus and gear are the sole manufacturer of the fully functional smart meters on Austin energy's communication network and we don't have the ability to mix and match. Texas electric cooperatives is the exclusive distributor folianus and gear -- landus and gear. Are there any questions? Thank you. The on-site energy resources district cooling upgrades, that includes a 12.5-million-dollar contract for the domain district cooling plant and it has to do with the cooling tower improvement project. Decommissioning -- there's 10 cooling cells and there's associated infrastructure and we want to replace those with more reliable and efficient cells. Again, this will be a multi-year project. Endeavor, who is the actual property manager and management firm of

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devain development is in support of this project. The existing cooling towers are more than 30 years old, at the end of their useful life and we're starting to see failures. This becomes a potential safety issue. And this project is critical as we are moving forward and providing reliable service to our chilled water customers at the domain. Are there any questions with regard to that? All right, thank you. Mark? >> Gallo: Thank you. Next we'll have agenda item number 4, presentation of Austin energy monthly performance measure dashboard and the fiscal year 2016 third quarter report. >> Several months ago we had Austin energy began developing a performance dashboard that we informed you of probably around March of this year. And while we've been preparing this for several months now internally, we wanted to wait until after we got through our rate review to reveal it. So one of the purposes of the performance dashboard is to communicate our performance across a broad array of key operational metrics linked back to our strategic plan. As you know we adopted the strategic plan earlier this year and this is a way for us to measure ourselves against that. The targets and goals are established by a policy, both those adopted by this body as a council and previous councils. Industry best practices so we compare ourselves to other utilities. And management expectations in certain areas. And the intent was here to publicly present our progress in becoming a best-managed utility as

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well as improving our accountability and transparency in these areas. Our strategic plan outlines new mission, vision and adopted formally the values of the city. So our mission is to safely deliver clean, affordable, reliable energy and excellent customer service. With a vision to drive customer value in energy services with innovative technology and environmental leadership. And of course we have our pride values that we expect all our employees to live by. We turn -- within the strategic plan we had six strategic goals and you heard our general manager brief you on several of those. First is financial health. And that's to ensure the long-term financial resiliency of the utility. Customer collaboration, environment. And I'll note that environment is not just our generation fleet, but our entire footprint and to improve that. Employee engagement, to ensure employees are safe, healthy and engaged. Business excellence, making sure that we utilize our assets efficiently. And grid modernization. Just as you heard about our new meters, we want to update our grid across the board. You should have each received on the dais the performance dashboard, the tri fold. Each page covers one of the six areas. So the first is financial health with key metrics. Overall rating is to achieve a aa rating. The next page is customer collaboration. These are some key metrics about how we're engaged with our customers in our call center and accounts receivable. Third page is environmental Austin energy efficiency both on the renewal side as well as local solar efficiency and demand reduction.

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The third page is employee engagement. We do several surveys with our employees, both citywide listening to the workforce, as well as internally we do the Gallup survey with our own employees. Safety, which is a key priority for us. And our hiring. The fifth page is business excellence. This is how well we use our assets for the benefit of our customers. So it includes our commercial environment and success of our generation fleet. How we perform in the competitive market. These are the elements that make up our power supply adjustment. And the capital improvement budget. And finally we have grid modernization. This is how reliable our system is and how we're using technology to improve the service to our customers. It also includes storage, which you just heard from about our chillers. And how we're improving our feeders. So I envision over the next coming months having each of the -- the heads of each business unit, come and brief them on the specific section we're reporting on. I know you just

received this this morning so you have lots of questions so I thought I'd give you and your staff an opportunity to go through here and come back with questions for us during the next oversight committee and going forward. You will hear more about these six areas. The vast majority of the requests for councils can be covered in one of these six areas just as we did today, we had thermal energy storage with the chillers and grid modernization with the meters. So I think this is a great way to communicate what the utility is doing and improving this transparency and accountability. >> Gallo: Are there any questions? Councilmember Houston? >> Houston: Thank you so much. And this is good information to look at. On the slide that you're on, you may have told us this before, but please refresh my memory what is a feeder? >> Feeder is part of our distribution system.

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So if you have highly reliable feeders, it reduces the chance of outage. And it also by having a smart grid, is we can get information back from those feeders to help us operate that system optimally. If you want an engineering explanation I'll get one of the engineers up here. >> Gallo: Councilmember pool? >> Pool: This is really nice. Like this a lot. >> Thank you. >> Pool: Would love to have a supply to hand out to residents when I go to meet with them. >> And we'll start posting this on our web page so the public can see it as well. >> Pool: That's great. I have a question for you. On the business excellence page, at the bottom, capital improvement budget, the spending on there, sister that include, for example, what Ms. Sargent was talking about, the 29 million for the replacement of the meters, is that considered a capital improvement? >> Yes, it is. That would be capital. >> Pool: So is that money part of the -- either the blue or the teal or is that something that would change over time? Because -- >> It will change. One of the areas that we've challenged ourselves to improve is higher percentage of our capital projects being completed on time. So you can see here we have about 57% of the spend for the year. That's low. We should be doing much better than that. Certainly the meters would be a large piece of this. >> Pool: And one last question about the meters. And I guess I should have asked it when Ms. Sargent was at the podium but perhaps you can answer it. I know the pecan street project is working on a kind of a meter where you can activate it and track it and change settings from an app on your phone. Will these new meters be a newer generation to work with an app on the phone or is there any

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connection on the project? >> I would have to get a meter person. I'm a finance guy. >> Thank you. >> The simple answer is yes. I can go into some detail, but yeah, these will have a wide range of functionality and we're just putting in an infrastructure that not only foresees the next 10 years, but hopefully beyond as far as what we can do for customers. >> Pool: And you also mentioned how old the meters are or how long it's been since we've replaced them. Remind me, about 10 years? >> We started installing these in 2006. Finishing them in 2009. And so we were -- they're kind of an early generation, sort of simple two-way communication. >> Pool: And will the meters be like the first ones installed we'll get the new ones first and that sort of thing or is that to be worked out? >> Say that again, council? >> Pool: I was wondering how people will roll into the imitation on getting their new people. Will the first ones in 2006 be the ones in '16 or '17 to get it or is there no relacorelation? >> There's not necessarily. One of the main things we'll do is really manage sort of a billing cycle so how we put them in will have a lot to do with that. We hope to get beyond 10 years in this next generation so that's what we're building functionality for. >> Pool: That was going to be my next question. How long do you think the meters will last? >> The manufacturer states 20. I'm pushing to get 15 I think in a realistic frame. I think one thing we spent a lot of time with is making sure the functionality is something that will build us a long range

capability. >> Pool: And the last question I have as a consumer and a customer, will you give me like a little manual and help me if I understand how

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to track my usage in how to do that and point me in the direction of it. >> Sure. As far as what type of functions will be as far as offering customers, in the current state you will not need a manual, but as we provide more information about customer usage we certainly will. So there are probably a bigger envelope of strategy of thinking about the app. The app is a good point or question. I think one thing we think about as an executive team is that we don't want to have an app for every single aspect. If you want usage, we've got an app, out stage, that type of thing. Part of the strategy will be what's the right app, not just maybe even Austin energy, but possibly the city. But those are -- there's -- it's involved, but we know the value of not -- once again, not having multiple apps to engage the city. >> Pool: And it's also an opportunity for people to have more you -- really good realtime information about how they're consuming energy. I think it will have a real impact on how much they pay in their bills. >> We agree. >> Gallo: Any other questions? Councilmember kitchen? >> Kitchen: Thank you so much. I really appreciate this performance dashboard. So I have a question related to -- whether or not you all thought about this aspect of what do you and whether it's appropriate for performance dashboard. And that is the goals that that you have set and also the really forward thinking work that you have done on fleet electrification. So Austin energy has been involved in a lot of innovative efforts both in our city and in other cities. And I'm not sure what the right measure might

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be with regards to efficiency, but I would invite you whether or not you thought through -- whether or not you thought about that as a performance indicator and if not would that be something that you all would consider? It's something I would like to see and I think perhaps people in the community might want to see. Does that make sense? >> Yes, it does. And you're right, we provide a lot of important services to our community. That may not necessarily be covered in this. >> Kitchen: Yes. >> The intent here is how we operate and maintain the grid for the benefit of our customers. And so we were trying to find those key metrics that cover the majority of the things we come to council for, such as request for council action. How we interact with our customers and how we perform in the market. So it was impossible to cover every one of the areas, but we're glad to report back maybe not in this, but in whatever fashion we need on the electrification. And you're right, we don't view that as an important program within Austin energy. >> Kitchen: I'm just thinking I understand the importance of this, but I'm thinking about the message to the public and I think that there are things like the work you're doing on electric cars, electric vehicles and those kinds of things, that I think really helps the public understand how -- the depth of work that you all are doing that benefits the community. And if there's a way to have a few of those things on a dashboard, I think it would be valuable. >> We'll get with staff and see what we can work up. >> Kitchen: Okay, things. >> Gallo: Any other questions? Councilmember Houston? >> Houston: This isn't a question, but a statement. I want to clarify something. I asked you about the increase in my drainage fee that I got on my Austin utility bill and that's watershed protection. But it's good to have

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those things identified because when people get that Austin utility bill they think it's you guys. I know it's different, but the reality is when their bill goes up they think it's Austin energy. So it would be helpful to

have what those things that you collect or send out statements for if there's going to be any increase so that people can see what it might be for those particular clients that you're going to be bringing back to respond to councilmember pool's question and councilmember tovo's question to be able to say this is what happened for Austin energy, but in these other areas they're going to see these increases in other bills. Does that make sense? >> Yes, ma'am. We can have it ready for next month's oversight committee and we'll go through all the bill items. It's been awhile since we presented the bill and we'll remind you of those elements and break that down for you. >> Gallo: Councilmember Zimmerman. >> Zimmerman: Thank you, chair Gallo. A quick question on financial results page of the trifold if we could bring that up. I also appreciate the dashboard metric. It's terrific. I wish we could do this for all the departments routinely. We're trying to get there. If we could get that up. I had a question about the power generation cost by fuel type. I guess there's no perfect way to do that. It's the one in the middle. So what's kind of confusing is the big advantage of renewables is -- renewables is the fuel is free, the sunlight and the wind is free. When we say power generation by fuel type the fuel is free. That's why it's a bit confuse. It looks like the column on the right it says consumption versus generation. When I look at the renewables, it looks like it's 2.8 gigawatt hours. If I divide that by the total do I get about 33% of the -- when we're talking consumption versus generation, about

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33% renewables? >> Approximately correct. >> Zimmerman: Approximately. But over here it says the renewables, it says the cost is 58%. So more than half of the cost of production for only a third of the consumption. Can you help me understand that? Why that's so expensive. And does that include the 58 million that we lose on the biomass plant and the renewables, is that included? >> It is. >> Zimmerman: If you could help me understand that better. >> And we've switched over to the third quarter report, which is another report that we've produced. You don't have a copy of this. But on the power cost by fuel type, there are cost components that are used for this and that is what we call the marginal cost so it's the cost of the actual fuel. And so you're right on renewables there is no -- renewables there is no fuel cost. Those are under what we call power purchase agreements, ppas, that's 100% of the cost that we pay as Austin energy. Is really the costs that the developer has that we pay for in the contract price. So that's the all-in cost. Where for coal, nuclear and natural gas that's the cost of the fuel, the transportation, the hedging activity. But it does not include the costs associated with the fixed component, which is in your base rates. And so that's why renewables is a little bit higher as a percentage. And you're right on the renewables the capacity payment for a bio mass plant in nacogdoches Texas is included in that. >> Zimmerman: Thanks. >> Gallo: Any other questions, councilmembers? >> Casar: I would say for the public in simple terms, my understanding of it is that's a very apples and Oranges comparison. So it's not that we're only getting 30% of our energy from renewables, but paying twice as much for it. That would be a very unfair comparison to

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make. >> Zimmerman: I think a fair comparison. >> Casar: It is unfair because the capital cost of the nuclear plant is not included in that cost, as was said. >> Gallo: Are there any other questions? All right, thank you. >> We would appreciate feedback from you and your staff on this how to make it a better document. As councilmember kitchen pointed out. And we'll work on this and make it a better document going forward. >> Gallo: One of the comments that I would just say also is that the environmental and energy efficiency, that section, when you talk about the renewables and the goals from the generation plant, if it could be very simple. The renewables is pretty simple to see versus where our goal is, but if the goals could be as easily interpreted, I think that would be good too. It's a

great document. Thank you for doing that. I think the goal and the challenge is, because we all deal with this frequently and on a -- and a lot and have a lot of conversation about it, we probably understand it more easily than a lot of the public would. So just making sure we have a document too that somebody has not not been in the conversation for a long time can pick up and really understand. I think you have a good start towards that. >> I appreciate it. >> Gallo: Anyone else? Okay. >> If there are no more questions on that, then we move to item number 5? >> Gallo: Yes, please, briefing regarding upcoming bond refinancing. >> So we'll be having an upcoming bond refinancing here. I just want to give you a head's up here. Just a little reminder on how we use debt within the utility. Through our Normal course of business we issue commercial paper as a part of our long-term debt strategy. And we have about

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\$400 million of non-taxable commercial paper threshold that we share with water so roughly about 2-million for each -- 200 million for each utility. We have \$15 million that's associated with taxable. And that's used for on-site energy resources or our chillers. As we accumulate commercial paper usually every two to three years we will then go out and refund with long-term debt that commercial paper. And just to put this in perspective, right now on our commercial paper we're paying about .3% interest. So it's -- and really it follows the fed funds. And so we pay a very low interest so there's not a desire to roll that over to long-term debt in which we're paying about 4.4%. So we hang on to that commercial paper and then when we've used up our limit a are or it's possible to go to the market for the best rates then we roll it over. Our revenue bonds are usually about 30 years and so when we're actually going out and looking at these capital projects, we try not to fund an asset longer than the life of the asset. So example, we heard about the meters that have about a 15-year life. We're going to pay 100% cash for those because you don't want a bond that goes out 30 years because then you will end up having to pay for two sets of meters at the same time. On opportunities, when bonds have been issued, there are times when we can then refund those bonds because interest rates have decreased. And you've been seeing a lot of this across the city and across the country. And that's what we have right now. We have a bond that we can advance refund. A little bit about our credit ratings. We get rated by three different agencies, Fitch, moody's and standard and poor's. And right now we have -- you will often hear us talk about a aa rating. On moody's we have an

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a-1 rating. As you can see we have a much more granular type of rating scale than the other rating agencies. And moody's we have an a-1. And this is called a split rating, which they have us rated a little bit lower than moody's and standard and poor's. We'll try to work with them and try to get this graded. It doesn't have a direct effect on us, but it's something we want to correct. And then we have a minus and that's a strength or weakness in that assigned rating. We would like to get rid of that minus sign behind our ratings. I would note -- you might ask why aren't we going for triple a rating. As far as I know there are no public utilities that have aaa ratings. There might be some small ones out there I'm not aware of. But there is a significant cost in achieving that aaa rating and we don't think it's a cost that benefits our customers. It requires more cash, different type of rate structures. And so at this point we just don't think it's beneficial for our customers to go to aaa. We think aa is a good rating for our utility. Currently we have about \$1.252 billion in long-term debt principal and about 66 million in that short-term commercial paper. We have some open meetings act older debt -- older first debt prior first lien and prior subordinate obligations that we no longer issue. As they are paid off they'll be removed from the picture. Right now we have parity electric utilities meaning they all have equal rights to the revenue

of the utility. So when we're looking at our current series of bonds, we have a 2008a revenue bond. It's right now that has about \$100.4 million in principal. To refinance.

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And our financial policy states that we can only consider when we have at least a 4.25% savings on the principal amount. And looking at our current saving estimates on this potential refunding, we're looking at a 14.62 present value savings. So well above the target we have for the city within our financial policies. The actual savings estimate we won't know until we actually price and sell the bonds which will be later on. What does it look graphically? These bars represent our current debt service and if we refund the savings, the red portion, that's how much we're decreasing our debt service each year by refunding this bond. It's a relative to our total debt service it's a small amount, but we just lowered our rates for 2017 and we took the seasonality out. That gave us about a \$6 million deficit next year so we're trying to find ways in order to not have a deficit and this goes a long way. It's a little over \$2 million in debt service savings in 2017. One thing about this chart, as you can see over time our debt service decreases, sort of like a stair step. In actuality, we add to these blue bonds. If we issued no more debt, we would be debt free by 2046 but that's not a reality. So our proposed time line. Coming up we're going to be sending our ratings package to the ratings agencies, moody's Fitch and standard & poor's. We're going to come back to you on October 6th requesting approval for parameter ordinance. It allows us to go out and price these things and sell them. On October 10th we're going to be meeting with the rating agencies.

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Explaining the benefits of Austin energy and why we deserve to be aa rated. On October 25th we'll receive those ratings from the agencies, meet with investors on November 9th that buy our bonds. We price them on the 16th. And on December 6th we'll close and deliver and receive the funds of the bond offering. Are there any questions? >> Gallo: Any questions? >> Zimmerman: A quick question. The 14%, that's a high number, 14.6. I've seen refunding at 5% savings or 4.5. People get excited about it. Clue me in why that number is so high. >> Sure. If you look at 2008a, that tells the year we issue the bonds. In those years we had pretty high interest rates. When those bonds were originally sold they had a higher rate, higher yield. Just taking advantage of -- we're arbitraging the interest rates. These opportunities will fall off over time because we've had such low rates the last six, seven years. >> Zimmerman: Sometimes when you sell bonds you guarantee investors you are going to repay them for a certain number of years. Is that what happened here? >> No. This is called an advance refund. We have a bond we're paying the higher interest rate on. We're going to issue another bond, take the proceeds of that bond sale and put it into an escrow account and that pays the P and I. If you are the original bondholder nothing really changes. We just enjoy the lower rate. >> Zimmerman: I was president of the utility district, I was deeply involved in a bond refinancing, that's why I was looking for details. That's okay. I can ask off line. >> Gallo: Any other questions? Councilmember pool. >> Pool: So that would be sort of the equivalent for a

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residential homeowner of refinancing your mortgage. >> Exactly. >> Pool: That's great. Thank you. >> Gallo: Any other questions? I don't see any more. Thank you very much. >> See you on October 6th on this matter. >> Gallo: Thank you. So item number 6 on the agenda is discussion of any future agenda items. Any councilmembers? Councilmember kitchen. >> Kitchen: I think I had mentioned this before

and that was to bring up the -- the issue related to small businesses. And the 10-kilowatt versus 20-kilowatt issue. It's an issue that's been discussed and much progress has been made on the past, but I've been talking to a number of stakeholders that are interested in us updating and looking at the latest solutions and see what else can be done. So I'd like to see that on the October agenda and in between time I'm working with councilmembers that are interested in working on this issue. We'll be meeting with Austin energy and I believe we may already have a meeting set up as well as the stakeholders. >> Gallo: Okay. Thank you. Anyone else? Councilmember -- oh, councilmember Garza. >> Garza: If councilmember kitchen is a co-sponsor to get on the agenda, I'm happy to be that. I apologize for my tardiness. I was at an event in my district. >> Gallo: And you let us know ahead of time so thank you very much for that. Councilmember pool. >> Pool: I'm looking for my email that has the specifics, but the issue is the houses of worship and how they are being -- how the increased rates are being phased in and what effect that may have on the smallest of the churches, the ones that have the least

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financial picture, profile. And if I can find the email, I will have some more specifics about that, but I'd like to see if we could have a report on that from Austin energy. It's coming from our friends with Austin interfaith. >> Gallo: So you would like to see a briefing on that. >> Pool: Yeah, and we'll get the specifics. I just can't find the email right this minute, but I'll forward it along to Austin energy. >> Gallo: Great. Thank you. Anyone else? Do we have a motion to adjourn? Motion made by councilmember Zimmerman. Seconded by councilmember Houston. All in favor? Any opposed. >> Wait. >> Gallo: I'm sorry. Hang on. >> Kitchen: There was one other item and this is a followup to some discussions we had during the budget. And I know it's an issue that is a pretty large issue and may require quite a bit of work so I'm not sure which agenda it's appropriate for, but we did have discussion relating to safety lighting issues in our parks, and I think that that's an issue we need to follow up on. I'm not certain what the appropriate avenue for that is. Perhaps mayor pro tem has an idea around that, but I think we need to follow up on that. >> Tovo: I appreciate that and actually I had intended just to bring forward a resolution and bring it to the committee first. But I think it needs to be a council resolution. >> Kitchen: I think it's an item of enough complexity it would be important enough to come through the committee. >> Gallo: Okay. We will make sure that agenda item is on there also. Have we moved our meetings to Monday to avoid the overlap in conflict of special called council meetings that happen on Thursdays? We had the discussion several months ago about that dilemma and that's why we've moved to Mondays. Once again, we try to take still the amount of time from

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9:00 till noon for those meetings and so we'll work on fitting these agenda items into the appropriate meeting. >> Tovo: If I may, chair, you may remember that we passed some budget direction in our budget last week so I think it would be most appropriate if we got that information back first to inform the resolution. You know, I don't want to discourage us from putting it on the agenda, but I'm trying to work with that information when it comes back to pull forward into a resolution I think will help us have a more indepth conversation. >> Gallo: Thank you for doing that. >> Tovo: In other words, I don't know if that will be ready for next time. >> Gallo: We can work with that. We had a motion by councilmember Zimmerman, seconded by councilmember Houston to adjourn. All in favor? Any opposed? Passes unanimously.