

## Austin Energy Utility Oversight Committee Meeting Transcript – 01/30/2017

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>> I will call you up to speak when the item is pulled, but if you are speaking on something that is not on the agenda, then we'll take you now. So let me open this up to I can see who is on my list. Mr. Migel, it says I'm not connected to a network. I will need a list from someone else. Sorry, folks. Can you tell me the first name on the list? Val Braden. >> [Inaudible]. >> Pool: And who is second? Can you keep a list of how much times they're speaking for. And Becky, are you speaking on an item not on the agenda? >> [Inaudible - no mic]. >> Pool: That's great. And Hayden, who would be number 3? >> [Inaudible - no mic]. >> Pool: Okay. And do you want to speak on a specific item or general? >> Memorial day. [Inaudible - no mic]. >> Pool: Great. Thanks, everybody. >> Memorial day. Owe. >> Memorial memorial. >> [Inaudible]. All right. That you agreed to in 2015. I think Austin energy is indicating they will issue that rfp at the end of may,

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which would barely make it possible for the solar to come online by 2019, which is what you all directed. And if the purpose for putting it off is to wait for the planning resource process to perhaps make it so you can consider it all again as part of the planning resource pie, it's like ground hog movie, where you are reliving a day or decision over and over again. I mean, once you make a decision and you issue a plan and ask the staff to do it, I hope they would do it. So there's -- I can't see any reason to put off the rfp until may because it makes it very difficult to get the project finished by 2019. So I hope very much that you will ask them to go ahead and issue it, get it done. It's a just kind of do it kind of day. >> Pool: Thank you so much. Mrs. Fijitzi. And thank you for everyone being patient with all the electronic issues. Good morning. >> Good morning, madam chairman, councilmembers. My name is Carol witokoski. I'm the president of Texas rose, and I have been fairly actively involved in a number of issues with Austin energy, one of them being arrearage management. Which you may recall in November of 2013 this council or the previous council adopted a resolution and an ordinance directing Austin energy and the water utility to develop an arrearage management program. And we still don't have an arrearage management program even though -- is that me making that noise? Or is someone else --

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and I'm very concerned about are a couple of problems here that I want to bring to your attention because I think that maybe we've gotten to the point now where if this is something that the council wants to see happen that the council has to get involved in it to get all the parties to participate and make it happen. We thought we had made a good bit of progress -- first of all, there seems to be -- cooperation is like really hard. It's like we've got the electric utility, we've got the water utility, we've got different city departments. And working on this project I feel like everybody comes to the meeting that's associated with the city to explain to us why it's really better for all of us if they just really can't do anything anyway. And that's not -- I feel like we need to approach these issues by identifying what we need to do to make things better and see if we can remove any barriers that may exist to actually implementing it. So it's been hard. It's -- most people have dropped out of this process from the community that were involved in it because, I mean, it's been over three years. And we still don't have a program. At the beginning there were about 900 customers that were eligible for the program we designed. Now I'm told it's down to like less than 600. So I asked for questions before the holidays about what's happened to these 300 customers that we've lost here. And they said that they were like researching that, so now we have a meeting set up for February 23rd to look at those issues to see what needs to be done. And I'm discouraged and I'm hoping that you will become discouraged too. I'm told that the new issue is that the water utility says that they cannot

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participate in the program until after they're rate case and they get a community benefit charge and all this other stuff, which I think is a good non-excuse for participating in the program, plus I don't see where they had the option because if you look at the ordinance I think everybody needs to participate. And people have water debt and electric debt. And my time is up so I'm asking you to look at this and see what you can do to make it finally happen because people need it. >> Pool: Thanks so much. >> Tovo: Chair? So we're scheduled next month to have a discussion about debt and to look at some of the -- we had hoped it would be this month, but then it wasn't on the agenda B to look at debt and how the revised changes have impacted those with debt and their ability to payment plans and others. And I think this would be an appropriate subject to integrate into that discussion. And I don't know, chair, if your consideration, it might be useful to have some speakers from the group that's been meeting from the community in addition to Austin energy's presentation of numbers and whatnot. >> Pool: That sounds good to me as well. And our committee clerk is Hayden migel and he's making notes on this. >> Tovo: Thank you. >> Pool: And who is the next person on the list? Richard hallpin. And after Mr. Hallpin, [indiscernible]? Good morning, Richard. Welcome. >> Good morning to you and happy new year to you and all the other good councilmembers here. I wanted to speak to you today, councilmembers, about the purchase of the new 150 megawatts of solar. I think that we've been down this road before with the well intentioned intelligence of Austin energy wanting to buy at the right time, buy at the right market. But too often I think we wait for -- to follow up on

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the council directives and I think we run the risk of paying more than we need to and of not moving as quickly on council directives as we should. So I urge you to move this purchase Alo so that the 150 is not held up by some future difficulty that we might not even have identified right now that could come in the way and slow us down later by purchasing it now the council was I really think smart to direct that we could get that done. The other thing is that as a member of the gen plan and climate change task force, we got to see some innovations that Austin energy is doing in solar integration. And ladies and gentlemen, I think you've got a department here that's doing some remarkable and innovative things.

People some lead things in the consultant when it comes to proposed how solar energy is going to integrate into our system. So we just happened to get a peek at it because of the task force that we're on. And it's the proverbial light under the bushel basket. I think that remarkable things are happening at Austin energy and I don't want to say to you as part of the new business model that you will be developing with Austin energy that the opportunity for international consulting is one of those. At the risk of developing some wrath from the wonderful people at Austin energy for suggesting new work areas when they've already got their plates full, but I want to really compliment them and you on the approval of some of the innovative things that they're doing that no one else in the consultant is doing, and the chance to do more things with them when it comes to Austin's business development in this particular area of energy. Thank you. >> Pool: Thank you. Dale Beulah. And after Mr. Beulah is

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Susan Litman. Good morning. You have three minutes. >> Thank you. Good morning. I'd like to talk briefly about affordability. Most often when the topic of affordability comes up it's in reference to housing, and we heard this this morning in the press conference. But today I want to address affordability of transportation. Some households spend an inordinate amount of their income on transportation and there are many reasons for considering making electric car the next car you purchase or you lease. There are many environmental benefits, but the promise of energy security, the smooth driving experience and very low maintenance, and one of the best characteristics is one how little it costs to run an electric vehicle. Some are more efficient than others. For example, the E.P.A. Rating for the Nissan leaf is about 30-kilowatt hours per 100 miles. Chevy bolt is even more. The average fuel economy of all new vehicles sold in the U.S. is about 25 miles per hour. The average cost of gasoline in the U.S. is about 2.35 right now. And using the average yearly driving for a person in this country K average gasoline costs are about \$1,400, not including oil changes and other maintenance. Cost of electricity throughout the U.S. also varies, but it's much more stable. Unlike with gasoline there aren't the huge spikes in electricity rates and neither does the price skyrocket when there's political instability. All of the electricity we use in America is domestically produced and it's a large part of why the cost remains constant. For example, the average cost in Austin is about 810.

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The person driving on average per year pays about \$420 a year for electricity in order to charge their vehicle. In order to drive a gasoline priced car, the cost of electricity would have to be about 31 cents. The average person saves about \$800 a year just in utility costs alone and that's in gasoline prices remain low and none of us believe that they will stay low. Plus there are much fewer moving parts. There's no oil, no exhaust system, no anti-freeze, no low clouds. They cost much less to maintain. My leaf only requires tire rotation. So if you combine the fuel savings and the reduced maintenance costs, it's clear to see ev's will cost you much less here as an Austin energy customer you could also purchase your charge point charging card for \$50 a year for unlimited charging throughout the city's charging network and take advantage of rebates for home charging installation if you also wish to do that. If you have solar on your roof you can drive on sunshine. So it seems to me that the city of Austin needs to more more aggressively to electrify its fleet, add more -- [buzzer sounds] >> Pool: Finish your thought. >> Add more charging stations at libraries, movie theaters, apartment duplexes, and encourage ev purchase and maybe we can then meet our climate protection goals even ahead of schedule. >> Pool: Thank you so much. Ms. Litman? Yes, councilmember Houston. >> Houston: I need to ask Mr. Ball -- Mr. Beulah? >> Houston: I'm giving you a prewarning there. You mentioned our fleet and I think we're making some movement on that. >> A little bit. >> Houston: But you are also talking about personal

vehicles too. >> Exactly. >> Houston: You realize that there's a privilege enhanced with that, that not everybody can buy an electric vehicle, so I just wanted to remind you that

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when we talk about those things we have people at very different economic levels. So when you say that we should all do this and we should all do that, everybody can't buy an electric vehicle so we have to make sure that those people that do or can or want to -- some people want to drive their Ford 150. >> I understand that. >> Houston: That's what I'm saying. Sometimes we come across as wanting everybody to do all these wonderful things, and some people just have to buy a gas car and a loaner on are a used one at that. >> You might not be aware that the city of Austin and Austin energy has this group buy plan with Nissan. You can buy a brand new Nissan leaf for \$11,000, brand new. You can barely get a used one for seven or eight thousand. And 17 or eight thousand is not a terribly expensive vehicle these days. >> Houston: You talk about that as though it was not, and I understand that. But for some people in my district that's their income for the year. So I'm just saying that. I want to get into a large -- I don't want to get into a large discussion about it. I'm just saying when you say it's only seven thousand or 11,000, some for some people that's their income for the year. >> Pool: Thanks so much, everybody. Thanks. >> \$50 a year for fuel is a lot different than \$1,500 a year for fuel. >> Pool: And Susan Litman is our next speaker. And then is Jerry Locke. >> I'm signed up for item 5 too, but the things I want to say on more on background. I want to say I saw on thing on Facebook, an article posted about electric buses that the electric buses averaged over the life-span, their maintenance costs, are coming in less expensive than diesel buses. And I'm working with a bunch of organizations that are trying to take environmental justice into consideration and we want to advocate for

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better transit in this city to serve low income people. And people that rely primarily on transit to get around. And so these goals, even if the bus is not electric, it's more efficient. So it's an important environmental justice issue. I just want to say some things on background. I'm very grateful to the members of this council who less than a year ago voted to not for a study, but to put out an rfp for 450 megawatts of electric power. And when those bids came in they were so low that they were at that time the lowest in the world, like five cents a kilowatt hour. That news reverberated out around the world, and when our mayor, who was not there when we passed the 10 year-generation plan, when he went to Paris he had people coming up to him and saying how about those solar contracts? Since then I've heard of solar contracts that came in at three cents a kilowatt hour. We should move forward with this and make a point of it as -- how much time is left? Okay. As climate change gets worse, we know that here in Austin it affects our most vulnerable citizens hardest and first from floods and fires. And just dealing with the heat, you know. There's a risk that people being affected by heat will rise whenever we have a heat wave. And if you don't have air conditioning, that's even more of an issue. So one thing about air conditioning is it draws a lot of power, but it also does that when the sunshining, so that's a great match. All the news about climate change keeps coming in, especially from the melting ice, worse than the scientists expected. Generally speaking, it keeps accelerating faster than

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predicted. This is what bothers me here in Texas. If you look at a map of predicted future drought, it's affected the greenbelts of the world. It looks like it goes across the middle of our country it at the level of dust bowl if we continue at this rate, to 2050 to the middle of the century. And if you look south of

the border it gets worse. We are going to be on the front lines of a climate refugee problem of unimaginable proportions. That may seem unrelated, but in this administration -- [buzzer sounds] -- Cities need to take the lead in the transition to adjust energy future. >> Pool: Thanks so much. I think that councilmember kitchen has an item she wants to let you know about. >> Kitchen: I wanted to thank you for mentioning the electric buses. And to let you know that capital metro is in the process of assessing the fleet and how we can move more towards electric buses. What that means is they'll be bringing back to the capital metro board, I'm not sure exactly what point the timing a plan for moving towards electrification of buses, but we had some initial discussion about it and we understand that our staff is working on that. The other thing to let you know is we have also started to explore some potential funding that would help with electric vehicle buses as well as potentially other things. There's a vw settlement that all the states are looking at right now for the potential use of those funds for things like electrification and other issues. So thank you. It's very timely for you to bring that up. I think that's very important. >> Pool: Thanks so much. Jerry Locke, and our next speaker is Robert matlock. Good morning, Jerry. You have three minutes. >> I wanted to talk just a little bit about the urgency of the situation that we find ourselves in. Many of you might know bill mcevan. He's kind of the leading climate activist in this country, the founder of 350.

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Recently he signed off on research that wasn't done by him, but was done by other people, wrote a long article for new republic, and basically the con execution of that is that we have to be completely off fossil fuels, completely off fossil fuels, transportation, everything else as well, by 2033. And at the end of the article he wrote and said if we don't do this our 10,000 year experiment with civilization will fail. Will fail. What that means is extinction. Susan mentioned the arctic. The arctic, recently the temperatures were 50 degrees above Normal. 50 degrees above Normal. What that -- as soon as I saw what that meant to me is all that methane that's on the ocean shelves and in the ocean and in the arctic frost will melt if it happens, we will be in hellish conditions and that far in the future. Really good wind and ice scientists are telling us that there could be a 50 gigaton burp of methane and by burp they mean it comes up almost simultaneously or not over a long period of time. And that's 1.4 times total yearly admissions, -- emissions. You will have total yearly emissions and then have 1.4 times that that will happen over a very short period of time. That's more of what mckick Ben was writing about with our human experimentation. We're only 10,000 years into

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this and it could happen very, very quickly. So the things that you all do, and you're doing really good work, there needs to be a sense of urgency about what you're doing. You need to think outside the box that you might be in and you really need to think what else can we do? Especially with trump eliminating the possibility of the international and national levels, it really comes down to us in the cities and what we can do here. I wanted to close with one thing in terms of outside the box. I agree with what everyone said about solar. We have two gas plants. And one of them is being forgotten. That's sand hill. That needs to be closed in our plants. You need to start thinking about that possibility -- [buzzer sounds] -- In addition to closing the one at decker lake. >> Pool: Thank you. And our last speaker is Robert matlock. Good morning, Mr. Matlock. You have three minutes. >> Good morning. This is my first time to come and speak with you. I'd like to thank you for -- for your vote to create 450-megawatts of solar generating capacity and I'd like to encourage you to continue with the additional 150-megawatts. The cost -- the levelized cost of solar energy has dropped by essentially 50% in the last five years and it takes

typically three years for one of these projects to come online. So I think -- if the request for proposal went out today, I think there would probably

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be a significant cost savings by the time the plant actually came online. I would also like to echo the concerns of some of the other people who have spoken about climate change. I think it's the evidence is that it is increasingly serious that we are already experiencing climate change. Austin is a Progressive city and I think that we should lead on this issue especially given the current national situation. Thank you for letting me speak to you. >> Pool: Thank you, Mr. Matlock. And that is all the folks that we have lined up for citizen communication so we'll move to item 3, which is the general manager's report. Good morning, Ms. Sergeant. Good to see you. And I'll just note too to my colleagues, as we had asked at our last Austin energy oversight committee meeting, the staff have provided us with all the backup materials that you will be getting here today, so please feel free to jump in and ask the questions that may have arisen when you went through those materials because we don't plan, as we discussed last time, we don't plan to have a full briefing on all of these. We're trying to get our meetings to two hours and the reason for providing the information in advance was to give you the time to go through it and then kind of target your questions. So thank you and good morning. >> Thank you, committee vice-chair, mayor, mayor pro tem, councilmembers. This morning I'm just going to give you a quick overview of some items that you have brought to my attention that are of interest to you. And then I want to touch base on some of the things that are going to be coming towards you for -- to you for approval as procurements. And then I'm going to try to get through this and my comments so we can get on to the presentations, the backup material you received. If you want further discussion, additional information, we can either provide that to you in another means or I can work with the committee vice-chair and we'll put

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that on a future agenda. So the first item that I wanted to brief you on was the -- is the set your due date program for customers that are enrolled and are medically vulnerable and our customer assistance programs. As I recall this program was implemented to allow customers to shift their utility bill due date to be more aligned with their income stream. And this was also a component of the rate settlement that the council approved in August. We began providing bill inserts and information on this program last December, and our official enrollment started on January third. We also provided education information to our community partners who work with these folks on a daily basis. And as of January 13th, we have a total of 612 medically vulnerable and customer assistance program customers enrolled in the program. We will continue to communicate the benefits of this program and make it available. We'll have additional bill inserts, bill messages, and direct contact letters going out in February. We will also be monitoring the progress and the participation in this program and we'll explore how we can potentially expand this to more customers later this spring. The next item I'd like to bring up is the report that was prepared by my staff and sent to you on January 20th. It was in response to resolution 2016-0811-033 that directed the city manager to perform an assessment of energy efficiency programs and particularly those that are aimed at rental properties. The report outlines performance to date, which shows that the recent pay backs of energy efficiency programs in rental markets is very similar to that that we see in our occupied markets and buildings, owner occupied. The report also outlines new programs and technologies that are being investigated as well as those being launched to continue to address the rental market segments. I also wanted to give you a

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head's up on the vendor Edwards. Those are expected to come to council in the March time frame. The current program is field bid a list of approved contractors and the annual expense is roughly \$2.8 million for customer assistance and Austin energy weatherization programs. Per council directive, your directive, any budgeted funds that are not spent in the previous year are carried over into the next fiscal year as such a contract amount is increased to accommodate the potential for this rollover and requires a budget amendment. Covered measures include solar screens, duct cleaning, attic insulation, hvac tuneup. That's actually a new measure that we brought into the program, and door and window replacements. The new contract looks to provide more value to Austin energy customers and the utility by simplifying the pricing structure and providing additional savings and performance through streamlining of the processes. As a result of the contract, the program will provide more comprehensive services as well as more weatherization offerings to our low income customers. Now I'd like to switch and briefly touch on some of the large procurements that we're going to have coming your way. The first four of these are scheduled to be in front of you on February 2nd, this Thursday. And these were all unanimously approved by the electric utility commission. The first procurement is for \$22.2 million with Pristie, Mill, and Nicholson for switch gear. This is related to Austin energy's distribution system. These items are used for serving large industrial and commercial customers and also for residential neighborhoods and subdivisions with underground electrical infrastructure. The function of the switch gear is to connect the electrical main feeder and coordinate the upstream breakers and the downstream fuses for high voltage and breaker protection. This will meet the growing

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need of the community and serve customers and also replace older units as needed. The next procurement I want to touch on is an 18.6-million-dollar contract with tech line for network transformers. These are installed and connected to Austin energy's downtown electrical network, network transformers reduce primary voltage to secondary levels and are used to supply power to the network distribution system in areas of high load density and in this case downtown Austin. These network systems are backed up so that in the event of a failure, customers do not see an interruption of service. And then also provide backup. The contract is necessary to continue to meet the growing need to serve downtown customers and again to replace older units as necessary. I also want to make you aware of an 8.8-million-dollar contract coming forward with Nelco company for chemical and water treatment services. This is actually a multidepartmental contract that includes Austin energy, the airport, parks and a few other departments. Austin energy is actually the largest user, about 90% of the total contract. And this is true to services at both Decker, Sand Hill and the chiller plants. It's split approximately 50/50 between the power generating facilities and our downtown district cooling systems. This agreement will also cover an additional downtown chiller and the water treatment needs of the new library. The contract will provide specialty chemical services that clean water to avoid corrosion in piping, which is essential for overall efficient operations. Next Austin energy will be requesting council approval for a contract with MCR Performance Solutions in the amount of \$538,000. This is for 0-based budgeting services for the operations area of the utility. The operations area includes generation, transmission, distribution, information technology, on-site energy resources and other supporting functions. Zero-based budgeting is a

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process to build cost management culture by requiring work groups to assume a budget of zero and then have activity and resource for the work to be done as a group. One of the most significant benefits

of zero-based budgeting is that the process promotes the allocation of funding based on program efficiency and necessity rather than budget history. Simply taking the historical numbers and escalating them by some escalated value. Austin energy is recommending utilizing the firm do their experience in the utility sector and also prior work that they performed at the south Texas project and our desire to have the work conducted during the 2017 budgeting process for 2018, but for the 2018 budget year. The vendor will only be providing these services to the utility's operation area with this contract and we want to start with this area as a pilot and use this approach first on this group since they make up a large portion of our budget. The work will support Austin energy's efforts to operate under the affordability goals that the council has established. And finally, back in the fall we issued a request for qualifications for an insurance broker to review Austin energy's potential need for cyber liability insurance given our various operating exposures. The selected insurance broker is expected to prepare recommendations on specific types and dollar amounts of coverage specific to Austin energy's needs as well as to provide quotes from insurance companies who provide such coverage. The contract with the broker is only expected to be a few thousand dollars, and by the end -- the end product that they will deliver is a recommendation for the specific types and dollar levels of cyber liability insurance that we should go out and acquire. Austin energy will then come back to the city council will recommendations to procure recommended levels of coverage from each of the recommended insurance carriers, and that will be some time later this spring. The end result of this effort is the acquisition of appropriate levels of cyber insurance coverage given

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Austin energy's assessed needs as well as the available budget to fund such coverages. And we are engaging a broker to help us with this because it's complicated, a new area for us, and they will help us to find the types of insurance coverages and connect us with the appropriate carriers that are best going to meet our needs overall. >> Pool: Thanks so much. Colleagues, are there any questions on any of the items that were in Ms. Sargent's overview? Mayor pro tem? >> Tovo: Yeah. I was trying to find my way to the agenda and backup material for Thursday. My memory of looking at it kind of quickly was that it was about a half-million-dollar contract for the consulting services that were -- for the zero-based budgeting process? >> 538,000, yes. >> Tovo: Can you just let us know what -- do you will really intend that it would be that much or is that -- I know that was the maximum amount, but is that also the contracted amount? >> Well, based on the services that we expect for them to provide and the level of detail and the fact that we haven't done a zero-based budget in I don't know how long, ever, and so needing to go through and look at things from an activity basis and all of those functional areas, I believe that that contract amount is appropriate. As we work through the process we haven't yet negotiated contract terms, but we will be looking at that and it is the estimate that we have at this time and we do not want to exceed that amount. >> Tovo: I was a little staggered by the amount. It would be helpful on Thursday if you had some context on what other municipalities are doing, contracting for those services have typically paid. >> We had the experience with south Texas project where they employed this firm to look at their operations. Obviously their budget is much larger than ours is. The contract amount was --

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it was 1.3 million for south Texas project. >> Tovo: All right. Thank you. >> Pool: Thanks, mayor pro tem. I had some questions about this too that my staff was going to submit. And if -- we may not have time to get answers to them by Thursday, in which case I'll ask for a postponement for a week. If we have a postponement on this item for a week, will that -- will that interrupt any of your plans? >> We want to



get this through because we want to be able to employ it and engage it in this next budget year. If it goes beyond that that may be problematic. We may not be able to use this approach until the following year. We really want to be able to test it out and show it as a pilot and demonstrate that we could find savings by using this tech and then we would be looking at using it and the information the process has garnered in other areas of our organization and in the following years. You wouldn't do a zero-based budget every year, but you would do this on a periodic basis to get a reset. This will give us the guidelines and the foundational basis to be able to do this in future years as well. >> Pool: That's fine. We'll see by Thursday. We can't take any action about it here today, but we may postpone it. >> I understand. >> Pool: Any other questions on this item number 3? All right. Let's roll on to item number 4, discussion of the financial health section of the Austin energy monthly performance measure dashboard. And I see there's a number of handouts here for us to look at while Dr. Done brow ski talks to us. >> Good morning. Beginning I believe in September we began publishing our monthly dashboard and presented it to the city council and the eac and other members. We wanted to discuss each of the panels linked back to

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our strategic plan and what this data represents. The first is that our dashboard was created after our efforts to link our operational metrics to our strategic plan. And we set targets based on industry best practice, management expectations and the policies that are put on Austin energy. And the intent here is to approve our accountability and transparency with what's going on in Austin energy. To start with we have a lot of different stakeholders that influence our requirements, from our customers, our regulatory authorities, employees. You as the city council, city management, market forces, disruptivetologies. We took all that input and put it into' strategic planning process that includes executive workshops that were facilitated. There were abundance on the analysis that we received. We drafted a plan. We created focuser

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dashboard with you and essentially how you read the front page is up on the top right-hand corner you will have the month that it's published. This comes out around the 25th of each month. And the effective date is about a two-month lag. It takes us about 40 days to collect data and of course we have to proof it and then push that data out. Ave an initiative underway to try to turn this into an electronic document so that the data doesn't have to be collected manually and we would post that on our website in realtime. The top left-hand corner of each page tells you what panel that is and what goal it's specific to. So the front page is our financial health. Our overall key performance indicator for financial health is our bond rating. The slide here shows that we were at 55 minus for standard and poor with a target of double a. I'm pleased to announce in November we received an upgrade from standard & poors that we are 55 now so we met our -- we are 55 now, so we met our target. We have two other agencies now that have similar type ratings. The next is our budget to actual metrics. As you know the city council gives us an appropriation and we're required to stay under that appropriation. We separated our budget now two main areas, our budget supply and operating revenue. The green sections is the revenue from both our power supply and operating and blue Santa the blue sections are the operating supply. You see where we are in regard to our budget as to where we were last year as a comparison and our growl is to make -- our goal is to make sure that we don't exceed our budget authority. The next section is our it cash flow, liquidity and capital structures

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metrics. Which are targets set according to best practices. And we derive this from the rating agencies themselves which survey other utilities. There we have days cash on hand, debt service coverage ratio and debt to capital, which we are meeting all of our targets there. The next section is our working capital reserves. And these are really targets that were set during our budgeting process and reflect our cash position. In the last budget we restructured our reserves so rather than having five reserves now we have four reserves, which they should be reflected along the dashboard you receive today. Of note is the working capital, which is like our checkbook. While certainly that represents all of our cash we have, there's also obligations against us that aren't shown. For example, there's about \$61 million that has been returned back to our customers with the power supply adjustment over the next year, so that 61 million is parked in that working capital and it's decreased over time. Our contingency reserve is fully funded as well as the power supply stabilization and we began funding our capital reserve, which is to provide renewal and replacement of our systems. I don't want to dwell on this too much, but you will see those are the various ratings that are given by moody's, standard & poors and Fitch. We consider upper medium and high quality investment grade is the utility norm. I would note that there are no triple a utilities, retail utilities in the country. So we believe that aa is a good target for Austin energy and a good comparison to the industry. Obviously we're going to try to avoid the non-investment grade

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ratings. I would note that the rating agencies, they look more at just what our margins are. They look at governance structure and management, market forces or service territory, how we cover our cost, the generation of risk, how competitive we are in assessing that. There's a number of benefits we receive by having higher bond ratings. Of course, our customers enjoy lower debt cost because we pay less interest in our -- on our bonds. But there's other areas that we benefit from is Austin energy trades over \$600 million a year in the power market and we do that with our counter parties. And what determines how much credit we have and the payment on that is our credit rating. So it's important for us to manage that everyday power supply with good credit. We also get better terms under our contracts when we negotiate with vendors. Obviously if you have better credit it's more likely you are to make those payments. It also creates favorable relationships for our regulatory agencies to know that we're in good condition financially. And finally, improves our ability to track top talent and leadership. Many of us when we're recruited to work at Austin energy, one of the first things we go check is our bond rating because it gives us an objective third-party opinion of how that entity is operating. If in November when we issued -- or we had planned our issuing our bonds we didn't actually sell them until about two weeks ago, but we received bond ratings from the various agencies. I've highlighted just a few of the comments. I'd be glad to provide all of the actual bond rating documents, but the green check marks are where they consider strengths for Austin energy and the red xs are what they consider cautions. You can see that

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basically the financial health is pretty good. We have our good metrics, liquidity and cash reserves. We have -- we're competitive. We have steady customer growth, which is both in terms of the number of customers we're adding as well as much load as we're selling. And the diversity of our generation mix. You can see from both S and P and moody's that they both are watching that deregulation, which is which is one thing that we planned for. But that gives them pause. And Fitch did not change their rating. They reaffirmed our double a minus rating. Just an example of where these come from, this is a study from Fitch, which is one of our rating agencies that we use to create our metrics. And you can see we

compare ourselves to other utilities. This is a little difficult to read here, but you can see where in the aa- is where Austin energy was when this report was published, and what some of our other on utilities in both Texas as well as across the country were. And the big take-away on this is there's not one single magic number that gives you a aa rating or aaa rating. Rather, it's the totality of all the information. And so when we created our targets, we intended to group ourselves to other well performing utilities and that's what we used to create our targets. And of course we have our financial policies, and so every year during the budget we -- we revise our policies and they're included in our budget document, and they're approved by council. Signed we have these 22 adopted financial policies that are found in volume 2 of our budget. And they cover a number of areas, but really the debt service cash balance requirements. Our debt to equity, as well as our reserves. So that's where those targets

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come from that are established in a budget. Finally, our working capital and reserves, this is the history of our working capital reserves in which, in the end of 2012, Austin network's rates were changed and we actually increased rates to reflect the cash position of the utility, which was not good. And you can see we made significant progress since 2012 in establishing those reserves. And in fact in fiscal year 16, we believe that we're above our targets. And as a part of that, we have elected not to contribute anymore capital into our reserves for the next fiscal year, and perhaps two or three years, depending on when those levels stay. And so this shows you the various components of there and the working capital is that dark blue one, which is at the top. And as I said, there's obligations against those cash and working capitals that we'll be paying out. And the yellow line is the target. So financially, I think we're doing pretty well here. Finally, as I stated, we structured our reserves last year, so I took our September 30th, 2016, cash balance to show you where that cash was moved to. And so our working capital reminds the same. We fully funded our contingency reserve. We eliminated our emergency reserve. We funded our power supply stabilization, which is one of our most volatile positions of portions of our rates and this will give us some ability to manage toward the ability goal that we have. We started funding our non-nuclear decommissioning, so this is funding to eventually retire decker, sand hill, and our share of fayette.

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And now our capital reserve, which is used to recapitalize our systems. I would note that in our contingency reserve, we're earmarked \$5 million to the defeesment of the debt, and we do need to defees that debt. So with that, do you have any questions or -- >> Pool: Thanks so much. Colleagues, any question on any items he's brought to us? Yes, councilmember troxclair. >> Let me go back to -- slide 9, the bond rating observations, and the last point was historically hire the public sector norms for transfer to general fund, can you just expand on that for me and maybe what benchmarks they were using and why they came to that conclusion? >> Right. Part of it is how each utility calculates its general fund differently. At Austin energy, we remove the power supply portion of our -- as well as the revenue we collect from our on-site energy resource or our tiller plant. And it's 12%. What the rating agencies do, they sort of remove that and just take -- how much do you send to your general fund as a portion of your total revenue, which is something like CPS does in Garland. And what they found is that we are slightly higher. I'd say maybe a percent or two higher than the other utilities on that total basis, and so that's what they're basing that on. >> Troxclair: So do he this come to that taking into account the difference -- the differences in the ways the Austin energy calculates that transfer? >> Well, they do. They just take our total retail revenue,

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which is about 1.3 million, and they say what portion of that do you send to the general fund in your transfer? And they use that percentage. So if you read your reports, they'll talk about a number around six to seven percent. Nearly half of our revenue is excluded from that calculation because we're using 12% of the non-power supply revenue. >> Troxclair: So even taking the different calculations into account, they still found that Austin energy's transfer is generally higher than the other public sector providers. >> Across the industry, yes. >> Troxclair: By, you said, a percentage or two? >> Yes. I don't have the numbers. I have to pull them, but state average is probably somewhere in the 6 to 8% general - total revenues. >> Troxclair: And does Austin energy have a plan to address -- to address that, to bring it more in line with other public sector best practices? >> We comply with our policy, so as our revenues increase, the dollar percentage, and so to the extent that the power supply is decreasing, which it has been considerably lately, that overall percentage will increase, but we comply with the policy that says 12% of our total revenues is power supply and chillers is how recalculate that. >> Troxclair: I understand you're complying with the policy but if we're being told that the policy is a potential risk, is there a suggestion or a plan to possibly readdress the policy, or do you have any ideas how we could comply -- >> When we had a recent rate review with our major customers and shareholders, they were comfortable. They do not make general fund an issue in our late rubrics and I believe we're comfortable with where we are in our general fund transfer. >> Well, let me ask walkers and would you say we are not complying? I think that's maybe at the

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point councilmember troxclair did the. >> We are at full compliance with how it's calculated in the policy . >> Pool: Okay. Great. . >> Troxclair: ING it's just a council policy so we could change the policy as well as not have that at as a risk factor for our bond readings. >> That's correct. It's a city council call. >> Troxclair: If we were going to make that change, could you come up with a suggestion how we could do that? >> I think that would have to be a conversation at council and bring a resolution. I think the mayor has a question. Yes, mayor. >> Mayor Adler: I was just going to say at the question councilmember troxclair raised, if we were to lower the contribution that we're raising everyone's property taxes in the city, and I would be reticent about raising everyone's property taxes in the city, because I think that there are benefits that the rate payers also get to some of the expenses that we make. While we could certainly consider raising property taxes, I'm not sure that I would be one for pushing us in that direction. >> I would know, on average, just relates -- for our residential customers, we have some of the lowest rates in Texas. I think El Paso is the only city with lower residential rates than Austin. And from the general fund perspective, less and less percentage is relying upon those utility transfers, so we're making progress. I believe re. >> Pool: Thank you. Are there any other questions? Mayor pro tem? >> Tovo: I think we probably covered this in the past, but I just wanted to say in the big rate review process several years ago, the general fund transfer was the subject of really significant discussion, and, you know, at the time we didn't -- we looked at various other immunes ply owned utilize, we looked at best practices, we looked at specific data. For example, the number of out of city rate payers who drive into the city to work downtown.

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And the number of out of city rate payers who make use of our energy efficient programs. Well, that was a different point. The number of out of city rate payers who use our library services, our park services. You know, there are many benefits to those who -- who -- that are reflected in the general

transfer support. And the economic development, we had at least one paper from our economic development services about -- about how common that practice is to support a general fund transfer because of the economic development issues. So, you know, I think this is -- I think this is an issue that the commonly has revisited and has looked at the general fund transfer and how important it is to maintain that and how consistent it is with our practices across the -- across other municipal utilities. So I'm very comfortable with our policy as it is, and I feel we've had a couple opportunities in recent history to look at it again. And, you know, we have a consistent policy, and I -- it seems to me that that's where we ought to look. >> Pool: I'd be happy to entertain additional discussion, but we have just one more hour and we have speakers in some other topics, councilmember Renteria. >> Renteria: I just have one question. I really appreciate this, but under the instructions and how the read it, but I'm just kind of confused about this one on top, it says for November, for 19 -- >> That's correct. All these numbers are effective November 30th, 2016, which is our fiscal year '17. So there's about a two-month delay from the time it's published for the effective month. So next month we'll have December's numbers. >> Renteria: Okay. Thank you. That's what I -- >> Hopefully we can use some technology and start getting it a little bit more current. >> Pool: All right. Has anybody else not had a question yet? Councilmember kitchen. >> Kitchen: Very quick, this relates to slide 5 where you're talking about future worlds

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environment, just briefly -- and if it's a longer conversation we can take it offline, but I'm just wanting to understand not so much the high market versus low market, but the vertically integrated versus deregulated, if you can help me understand what you think is driving each of those directions. And I understand that this shows us what you take into account as you do planning. >> Obviously, public integrated is how we operate now. >> Kitchen: Right. >> We're doing our own production, transmission and distribution. >> Kitchen: Right. >> And once we cross over to the other quadrant of the deregulated market is where we operate what we call a wires-only company, we just own the distribution system. >> Kitchen: Uh-huh. >> There's no going back. And really, that decision -- these are based upon council. You could opt in. Or whether we'd be somehow forced by the state to deregulate. And so when we're looking at our strategic plan, we're looking at the options and how we protect ourselves from it. >> Kitchen: I guess my question specifically is do you think there are markets moving us towards that? >> I think there's always pressures and that's what we do as managers, try to manage against those pressures. Having affordable rates is certainly one thing we can do to help protect ourselves. As long as our customers are happy with our rates. And I think that helps protect Austin energy. >> Kitchen: Okay. >> Pool: Thanks so much. We're going to move to number 5. >> Troxclair: Councilmember pool, can I just make one quick comment? >> Pool: Yes. We do have a pretty -- >> Troxclair: I'll be really quick. I just wanted to say to the mayor and mayor pro tem tovo, I brought that up because I think this is the first time that we have been told that Austin energy -- that our general fund transfers are a little bit higher. In the past we've been told that you can't really compare because

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it's apples and Oranges because of the different calculations. And I'm not questioning the value of a general fund transfer or suggesting that it be eliminated completely at this time. I was just -- I thought it was important to point out that although there might be a purpose -- a valid purpose for a general fund transfer, I do think it's interesting that this is the first time we've kind of had it on paper from a non-partisan source, coming through Austin energy, that we are higher than maybe we should be. And on the property tax issue, I mean, of course that's a false choice just because you reduce the general fund from Austin energy doesn't mean you have to necessarily increase property taxes. We make -- we make

a million decisions within our budget of how to allocate our funds, and decisions about where our revenue comes from. So that, of course, would be one options, but another option would be to reevaluate where we're -- where we're spending our money. So thank you, councilmember pool, for allowing me to make that point. >> Pool: You bet. Thanks so much. We're going to move on to item 5, discussion regarding updating Austin energy resource, generation, and climate protection plan to 2025, which includes injuries, assumptions, and possible renewable energy deposition. I do have four people signed up to speaking. Let me ask the speakers, do you want to hear the staff presentation our would you like to speak in advance? And that's dellbula, Kyle white, and [inaudible]. Would you like to make your comments first? >> We can wait. >> Pool: Dale, you want to wait? Al? >> We could all go together after, sure. >> Pool: Is Susan here? She may have stepped out. We will take you guys then after the staff presentation. And I don't know which -- oh, there we go. Hi, calille. Good morning. >> Good morning.

[10:46:03 AM]

Good morning, councilmembers and mayor. This is the second presentation for the update of the 2016 resource plan, and we will likely have a couple more updates before this is completed. As far as an agenda -- I'm sorry. I did include some older slides from the last presentation since we have a couple of new councilmembers. Welcome to the resource planning process. So you have seen some of these lied. Then we'll go over -- these are new slides. We'll go over the planning inputs that we're using in order to do the calculations for the multitude of scenarios that we are evaluating. Then we'll go through the actual scenarios. We'll go through the progress to date from 2014 resource plan, which you folks have seen, other than the two new councilmembers. And then we have a timeline of the 150 megawatts of solar. This was a request from councilmember pool. And talk about some next steps. There's actually a fairly voluminous appendix with many of the planning inputs we would use in the plan. I just sort of picked out the choice ones that would be interesting and put elm themup front for discussion. So just to set the stage, why do we do resource planning, Mr. Jimbrowsky talked about the stay. This is one of our biggest initiatives to look at all our resources. Also, it's directed by council from the climate protection plan which has a long-term goal to get us to next year, by 2050. One of the most important things that we do is to manage our variable costs, which is power supply

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adjustment, and that is directly affected by the power we buy in the market and the power we sell in the market, so what wife what kind of generation stock we have to directly impact that power adjustment. Then we also look at some goals behind the meter, we look at demand side hill -- welook at rooftop solar and related to customers. It's not a way of supplying power to our customers since we are in the ercot market. Just as a reminder, we buy 100% of our power from the majority of all our generation does is we sell it back and it creates revenue, which are you see on your power supply adjustment. As far as the process, resource planning is a high level planning process, and the intent of this slide is just to show council that you have many opportunities for approval when it comes to the actual purchase or the expenditures of dollars. So the general direction comes from that original document, the climate protection plan. But then what we do is, we have subsequent plans which are the generation resource plan that we -- because inputs change and the environment exchanges, we do this planning over time, every two years. Once we decide to take action, we pursue that through the budget. The budget is approved by, and then furthermore, when we do actually decide to either procure a renewable contract or build a plant or retire a plant, that specific action is also approved by you. And then the cycle continues. One of the most important parts of resource planning -- there's a big analytical part. We have a model, we crunch numbers, but really, the most important part is to

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engage our stakeholders and get the community involved. So we've done this with various processes in the past. This time we've elected to go with a stakeholder group. This was organized by the electric utility commission, and Karen head and the chair of the commission is also the chair of this resource planning group. This is likely the most diverse group of folks that we have put together in order to agree on inputs and scenarios and recommendations, but as you can see, there's healthy cross-cutting representation from our customers and community leaders. And what we also do is we run these presentations, before we run them past you, with the electric utility commission and the resource management commission. So let's talk a little bit about methodology, how we do resource planning. And this is the analytical part. One of the things we do, we have a market model, so this is an analytical tool that we use at Austin energy. It's the same tool that for example ERCOT uses. It's the most common tool that many stakeholders or electric utilities use in the market here. And we run this model actually on a daily basis. We use it for long-term planning, but we also use the results for our daily purchases and sales in the market. The most important part from an analytical standpoint is what the inputs are. And we're going to go over some of the inputs that we put into the model in the subsequent slides. So the cost of gas, likely the most important input into the model. The cost of coal or nuclear carbon, and various technologies, and also what it costs to run all these plants. This is not just for Austin energy. The model calculates essentially the whole market, and we are, as a

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reminder, 4% of the market. So the model runs the whole market, and all these inputs are assumptions for everybody else in the market, as well as Austin energy. It's fairly complex, so what the outputs are is 6600 datapoints that are calculated every hour for the next ten years. Wednesday we get those points, we run them through spreadsheets and look at rate impacts for markets. This is in line with industry practices. We've hired consultants to look at how we do our methodology and it was endorsed by those consultants. We have some very highly trained economists and engineers who run this model including a couple of Ph.D.s in economics. Okay. So let's talk about some of the planning inputs that we put into the model. So one of the important inputs is really how much electricity is everybody consuming over the next ten years? And that's the planning horizon that we use is ten years out. And there are two important electrical demand numbers. One is, what is the total market using and one is what is Austin energy did the not Austin energy but the city of Austin customers, what are they going to be using. And we do low, medium, and high. Most of that is affected by weather conditions into the future. As you can see, the city of Austin is actually growing at a lower rate than the rest of Texas, which, you know, you might find unusual since, you know, Austin is actually growing at a pretty high clip itself. But that's really a testament to the demand side management programs and the local solar program we have at Austin energy. It tamps down demands behind the meter so our growth is actually less than the rest of the market. Next is just a chart of where we see DSM and local

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PV being put into the model, so every year we sort of ratchet up the amount of demand side management and the amount of solar that we assume we would have going % forward over

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talks%—about the progress to date. Right? So we had all these commitments that we made in the 2014 resource plan, and this is -- you know, I think this is a useful slide, especially for the two new councilmembers. It shows what our commitments are, and in the brackets in blue, it shows where we are today. So we had a commitment to get to 55% renewable by 2025. We are currently at 31%. To get 900 megawatts of demand side management we're at 576 megawatts. 915 megawatts of solar. Let's see, we are at 600 megawatts right now, and with the additional 150 megawatts, it would be at 750. The 950 includes local solar, so we should get there fairly easily by 2025. We have a CO2 emission reduction, a specific one just for CO2 that was from previous resource plans. So this is kind of interesting; right? We had always assumed that we would have to dispatch our coal plant a little differently to meet those -- that commitment of 20% reduction below 2005 levels. But since gas prices have tempered so much, those -- that dispatch that's tempered itself. So the market is essentially backing down the coal plant. And we currently meet that commitment of 20% below 2005. We are in progress, and you'll see a presentation on retiring the power plant next, and we have also affordability goals. 2% year on year, so we can't increase our costs more than 2% year on year. And also, we have to be competitive with the rest of the Texas market and we have to be in the lower 50th percentile. 10 megawatts of lithium batteries by 2025, as well as 20 megawatts of thermal. We have currently two large pilot projects that are funded by goe and tceq for

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three megawatts of the 10 megawatts. And that was one of the things that we talked to the stakeholder group about when we invited them to our control center to see various efforts that we're doing on a grid. And then there was a commitment in the 2014 resource plan to retire the decker steam units and possibly replace it with a 500-megawatt combined cycle. And that decision is pending. It's pending what we do in this study right now. And it was subject to a third-party study, which was completed. So this is the timeline that we put together for 150 megawatts of solar. Let me explain it just a little bit. All we were trying to attempt here was what it would take to make sure that we would be commercial operation by the end of 2019, as per the commitment in the resolution. And just to give you some comfort and what are all the milestones and what kind of slack we have in each one of the milestones. So the plan is not to issue may 1st, 2017, it just says that if we're going to be in the ground by the end of 2019, then you have to definitely issue by may 1st, 2017. We're currently working on the rfp and we should in the next few weeks be bringing -- bringing progress on when we're going to be issuing that rfp. So it should be pending in the next few weeks. I just want to address a couple comments that stakeholders had about the 150 megawatts of solar. One, that it may be contingent on the results of the resource plan. It is not. It is assumed as part of the base case that we will have that in 2019, so all the scenarios have the 150 megawatts of solar in. The other -- and this is important and just a fact of life, is that if we wait, it doesn't mean the price goes up. More than likely -- well, I can't predict prices, but more than likely what we've seen is that technology is

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getting cheap, and also epc contracts to actually build those solar plants, we're seeing those going down. When we issue an rfp, we see prices of solar going down regards. So we're chasing a technology that's getting cheaper with time, and that's good and bad. It's good because we want to meet aggressive environmental goals but it's bad because every time you buy now, you have a little bit of buyer's remorse because it's going to be cheaper later, more than likely. The last thing is that at the end of the day, you have to approve that contract. Just because we issue it doesn't mean it's going to happen. Just like last time with the 450 megawatts that we procured through the rfp, we brought praise, we'll show



you short-term rate impacts, long-term effects, and you will have to get comfortable with those prices and rate impacts, and then you will approve that 150-megawatt purchase. That's all I have on the 150 megawatts. And then as far as next steps, you know, we'll -- right now we're in number-crunching mode so we should be done with that mid-february, and we will be discussing those by the end of February with our stakeholder group. We have a meeting set right now. And then we'll come up with recommendations and bring those back to you more than likely in the march-april time frame. >> Pool: Councilmember Flannigan has a question. Lets keep these short because we need to hear and save time for the community. >> Flannigan: You said something a few slides ago, if the prices are higher in Austin, we can dispatch locally, but I thought all the electricity was bought through the ercot market. Can you help me understand what you mean by that? >> Right. We buy in our load zone, so we -- there's -- there's different load Zones based on transmission, right, so for the most part, we import

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power into Austin. Right? And there's -- we import through these big transmission lines, and based on how much demand is in Austin vis-a-vis the rest of the state, we could see price separation between ercot and here. So we could see higher prices in Austin. And when that happens, we can dispatch local generation that affects the price in Austin. >> Flannigan: So the statements about all the electricity goes through the ercot market is really about just the transmission lines and where the generation is located. >> Well, where the transmission lines are and where generation is located affects the price. >> Flannigan: Sure. >> There's no one price. There's price actually at 660 different nodes in the market so we have to buy specific nodes in our load zone for our customers. So our pricing could be different from the rest of Texas. >> Flannigan: So if we were generating more electricity within a closer geographic area -- >> Right. >> Flannigan: -- It would be cheaper because we weren't running there it through the long range transmission lines. >> Yeah. Two things happen. What you said happens, prices come down because we increase supply in our load zone. The other thing that happens is, we start -- we start having revenue at the higher price. Right? Because everything we generate and sell into the market here in Austin, we give back to our customers on that bill. Right? So two things happen. We offset essentially, so now we buy at that price, but we sell at that price, too; right? So it offsets the pricing. And also, eventually the price comes down because we just increased supply into the majority of. >> Flannigan: Okay. So in essence, it's still through the market but because it's local there's a different price point around it. >> There's a different price point. >> Pool: And the mayor had a question? >> Mayor Adler: Yeah. I don't know how to initiate this conversation. I don't know if I should bring a resolution. I think this is almost a question for the manager's office actually, to Austin energy. We wanted to meet our goals or increase our goals with

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respect to ending the carbon loading in Austin, and we have options that we're looking at, and we try to drive that, to a large degree, in terms of our conversations in Austin energy and the choices that it makes with respect to generation. >> Right. >> Mayor Adler: I'd be really interested in seeing the universe of things that the city could be doing to decrease our carbon load, and then a comparison of what the cost benefit is of the different options, so that we make sure that we're getting the biggest impact we can have for the best cost with respect to that, just in case we find that we should be focusing on -- on electric buses or fleets or -- so that's a discussion that goes outside -- that Austin energy would need to participate in, but it goes outside of Austin energy. But I would like to see the city have that broader conversation to see if all the things that we could be doing, is it getting rid of fayette, or is it getting rid of gas prices, or how do we -- what are the top five, and what are the order of those

top five, in terms of cost effectiveness so we can set our priorities consistent with where we get the biggest impact. >> Pool: And I think that that takes us back to our community climate plan where we have an array of items and strategies and goals, so if we could pull out of that, the ones that specifically go to the question that the mayor is asking, we can look at that. I'd be happy to entertain that as an item on our future agenda, if you'd like, if we can -- and that's -- we're coming up on number. 8. We can add that to they. Does anybody else have specific questions of staff before we go to the speakers? Yes, councilmember troxclair. >> Troxclair: So the strategies and scenarios,

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I -- is it possible to add -- I guess if there's an interest from council to add affordability as a strategy, to not just -- I mean, I know that we have the affordability benchmarks in place to not exceed, you know, certain increases, but where is that in kind of the conversation of scenarios? >> So that's really an output. Every single scenario, the 22 scenarios we do, we will show you both the short-term rate impacts associated with that, and that's important for affordability, and sort of the long-term economic impacts taking those strategies. I think for the most part, council would want to meet those affordability goals so that would be part of the output. Some of the strategies may exceed them and some may not. >> Troxclair: I guess my question is, is there a way to start with the premise that you're going to put together a plan that does not increase rates at all? I mean, I know that the benchmark or the goal is 2%, but some of these others, the goal is to start with zero emissions by 2030, then you allocate your plan on how to reach that goal. So is there one that can start with affordability as a goal? >> It's tough to do because the output is an economic impact. It's not an input. Right? So I'm not -- I mean I may have a hunch as to what would keep us active, but I affordable, but I don't know. That's why we study such a broad range of scenarios because it's really what are the impacts over the long and short-term. That's really an output. >> Troxclair: So that will just be included in the results. >> That would be included in the results. >> Pool: What I'd like to do now is call up -- we have four speakers. Why don't y'all just come up to the table. We're running tight on time. When we get to about 20 of 12 we'll be at our two-hour mark, then I'll ask council if you're willing to stay for another 30 minutes to finish up the rest of the agenda. Dale Bula, [inaudible], come on down. Dale, you are first.

[11:25:13 AM]

And each of y'all have three minutes. Glad to see y'all here. Good morning. Mr. Bula. >> I won't take up much of your time. I expressed some of my concerns earlier. I just would like for us to not lose sight that most of the discussion involving energy is on cost. And I think we really forget the benefits of reducing our carbon footprint start health, cleaner air, cleaner water, and I think when all we care about is the cost, we're really not factoring in the costs that we pay for not doing these things. And I'd like for that to be utmost in your mind as well because we have asthma, we have all kinds of results from not having our lower carbon footprint. And I think lowering our carbon footprint is good for the entire city, regardless of income and regardless of ability to pay. And I would like to just reinforce that and move towards this zero carbon goal as soon as absolutely possible because it's going to save lives and make people's lives better. Thank you. >> Pool: I appreciate you bring that you think. I just wanted to say I was -- I had that particular thought myself, kind of when we were talking about cost of reductions. Well, there's other intrinsic costs. We should factor in health care and asthma. The other social costs. I think we have had those conversations before. Sometimes when it gets to the dais here, we laser focus just on dollars. >> Right. >> Pool: But your comments are very well taken, and I think by the balance of this panel, we absolutely agree that there are other costs that may not be so easy to tease out as a dollar

and sent. >> Yeah. >> Pool: Were you done? >> Yeah. I don't want to take any more of your time. >> Pool: Thanks so much. Kayeba, you were next.

[11:27:13 AM]

>> Thank you. And I want to thank councilmember pool for making sure that this solar contract was part of the discussion today. I was really happy to hear that Austin energy doesn't plan to actually wait until may, and that this moving forward on that contract is not contingent upon the outcome of our current resource planning process. That said, I do think it will be helpful if you all keep an eye on that process and make sure that it is happening in a timely manner because as I mentioned at the last meeting, at least one of the contracts that was signed in the last round, it's going to be about three years from signing to when it's online. So it's not really unreasonable that you start push being now to make sure this actually follows this timeline. There's not a lot of room in here for things to go wrong, which sometimes does happen. There are situations where the site has to change or a number of other complications. So I think Austin energy is doing good work and you all just need to keep an eye on that. I do want to note, again, that on the goals, the existing goals that you all were presented with today, the 2030 goal that states that Austin energy shall have no car emitting resources by 2030 is still missing from this, and given the conversation that was had at the last committee meeting, I am disappointed to see that the utility is still not acknowledging that go it's very important, especially in light of what you've already heard today about the necessity for reducing carbon emissions. And I just -- you know, I want to remind you all that just as it's going to be really important for the city to take a lead in a number of issues in the coming years, as the federal government does what it's going to do, the same is actually true for climate change. Austin energy has played a real leading role in the state in developing renewable energy and pushing the market forward. We can continue to do that here in Austin and make a real difference, not just in the number of megawatts that

[11:29:14 AM]

we purchase and the CO2 that we don't commit, but in the model that we set for other utilities and other cities. So just please keep that in mind, as you're doing your cost/benefit analysis. It's not all about what -- how this exactly impacts Austin. We are part of a bigger movement here, and I hope that the climate change is part of that important discussion about local action and Austin standing up for what is right, even if the clean power plan dies, as, you know, it is very likely to do so. Doesn't mean that we don't have to take carbon costs -- as Dale mentioned, there are very real costs, both in terms of the impacts of climate change and in the otr emissions that come from those energy sources. So I appreciate the mayor's suggestion that we do some analysis to see where we should be acting first. But really, we need to be acting on energy, we need to be acting on transportation. [Buzzer sounding] All of these are important. Thank you. >> Pool: Thank you. And I chatted briefly with the mayor here, his intention was for it to cross all the departments of the entire city, not just Austin energy. So I think we will be working oh that at a much broader level, like you say. Maybe we go back to the community plan and look at it and see what things we need to fast track or refocus. I'd be interested in working with you all on that. >> Thank you. >> Pool: Okay. Thank you. Susan Litman is next three minutes. >> Okay. Thank you. I just want to affirm what kayeba said about getting behind on the 150 megawatts. We don't want to get behind the ball on that. We can always buy more solar down the road because solar and renewables are just getting to be a disruptive technology, the whole -- whole industry may collapse.

[11:31:15 AM]

And the other thing is about gas, I'm hearing that the biggest impact on air quality in our least served parts of town is our gas plants, and so that's an issue that's important to me. And I was just thinking about this dashboard. It's wonderful to keep this economic dashboard for the electrical utility but what if we had one for the electricity and whole city in the carbon emissions, what our projected emissions are according our current policies? >> Pool: Great idea. All right. And our last speaker is Al Braden. Good morning, Al. >> Good morning. >> Pool: You have three minutes. >> Good morning, mayor and council. I'm Al Braden from district 10. Congratulations to our new member Alison alter. Glad to have you here. And also Jimmy Flannigan, good to see you here. We won't see anything about nuclear plants probably. >> Flannigan: You wouldn't have heard any from me, either. >> Aviation three requests, they go along with the generation plant but I want to get through them quickly because I also want to pick up on where this conversation has gotten to. Fayette is our largest contribution to global greenhouse gases and also to a lot of toxicity. Slide 2, please. It uses 5.7 billion gallons a year. Next slide. It's our 8th largest point source of knocks in Texas which leads to asthma. Next slide, it's our fourth largest lead meter which causes [inaudible], and niyanta largest did you sayometer which leads to coal, 2.5, that leads to asthma. Greenhouse gases is the I can't say largest emitter in

[11:33:16 AM]

Texas with over 11 million tons a year. One-third of this is Austin. The other two-thirds is lcra. So we work very hard with Austin to be responsible for our part. We also need to work very hard with lcra and organize lcra and find ways to shut the whole thing down. I'm not interested in Austin's one-third as much as the whole thing. So I ask you to really own up to this and make the decisions, and the financial decisions, to shut it down. The \$5 million that we've talked about as a transfer is just a minimum down payment and doesn't come close to the numbers that we've seen we're going to really need to close the plant. So let's push for a real deal. Let's find out what it could be worth to Austin and to lcra as a water capture reservoir. It has a lot of value there and I think we need to find a real solution. Secondly, as Kalil points out, the gas plant is still up as a straw man to consider, but this is no time to build one. We could capture the capital costs at these market prices. We just spend \$300,000 to find that out. The market is even worse now for a new gas plant. Next slide. If we're really serious about reaching our carbon goals as a city, we have to not build any more carbon that we'll be responsible for. In the short run, we might have to buy from the market or get a gas ppa that gets us for a couple years till storage is better, but if we build a plant like sand hill, we're going to need to run it 30 or 40 years to pay for it and that will bust our carbon budget. Next slide. So embrace solar. The future is here. I was here. Next slide. In October 1st, 2015, which was a remarkable day for this now council -- [buzzer sounding] -- When you ordered up -- you looked at a proposal for 600 megawatts of solar. And after a really detailed discussion, landed on 450, 150 to follow. So thank you very much,

[11:35:17 AM]

council, and mayor. Next slide. There's the mayor with the pumpkin. And the next slide, I'll just end with this. When I look at the next slide, this is exciting. This is our Austin energy's website. And this shows our new solar plant. And we've got three more in the pipeline. We've got another one we want to ask you for, and this is going to make solar Austin come closer to being a reality. Thank you very much. >> Pool: And I just wanted to say that we all on the dais were really appreciative of councilmember Garza's leadership on both of the resolutions that led us toward the purchase of solar. We really appreciated her work. So I think we'll be continuing to do that good work. All right. Thank you. >> Thank you., >> Pool: Colleagues, we have two items left, the cooling plant and a shorter update on the update of the fayette power plant project and we have five minutes. Can I ask your agreement to go for 30 minutes so we end

at 10 after 12:00? Would that be all right? Or not? And if you do have to leave, please go ahead. I think the fayette -- thank you for that. I think that the update on fayette should be pretty quick. We do have the slides here from our staff, and maybe you could just kind of take us directly to the specifics that you want us to look at with regard to your report. >> Good morning, council. My name is pat Sweeney. I'm acting vice president for power production. Excuse me. The thing we want to convey today is make sure you're oriented to fayette and understand what our steps are to move to the -- move to the retirement of our share of it. So as some background, since

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everyone is probably not completely familiar with fayette, it is co-owned by Austin energy and the lower Colorado river authority. It's cited near la grange Texas. 50/50 ownership of that side between Austin energy and lcra. That includes a 2400-acre cooling lake and potential future 1400-acre cooling lake. It is operated by lcra, subject to the fayette or fpp participation agreement. And that agreement was approved or executed in 1974. So it gives you a little sense of time. And certainly before that, there was a period of planning and negotiation that led to that agreement. So this dates to the early '70s as far as origin goes. The facility has approximately 121 staff that support the unit one and 2 operations, which are the units that we are co-owners in. So there are three generators at fayette. They're all powered by low sulphur, powder basin coal that is brought in by rail. The three units are units 1 and 2, and they began operation in 1979 and '80, respectively, and those are the ones that we co-own with lcra. And there's a third unit, unit three, that's a little bit smaller than the first two. It began operation in 1988, and it's 100% owned by lcra. And that is because Austin opted not to participate in that third unit when it was brought forward. And as was mentioned earlier, fayette represents about 24% of our power production, but it's about 75% of our carbon emission. And I will point out that I don't see councilmember Houston, but she visited the site along with several members of the staff here, of your staffs, back in October, and I think they can attest to the complexity and skill of the operation there and what type of operation it is.

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So why we're here today, you've heard some mention already to the climate protection plan, Austin energy generation plan, it was approved by council in December 2014, and that included a commitment to begin the process to retire our share of fayette by the end of 2022. That was also subject to maintaining affordability and competitiveness and that's something that will be considered throughout this effort. So as was also mentioned, the retirement of fayette Austin energy's share of fayette is also a key assumption of Austin energy's planning process that is currently underway. In addition, the joint agreement on rates approved by council in August 2016 also include commitments by Austin energy regarding fayette. One of those was -- is the reason we're here today, that was to present an update to council on the status of that activity. And then in June 2017, we'll present options and a recommended pathway that will include anticipated budget impacts, if any, for fayette fy 18. In addition, that agreement included the earmarking of \$5 million of the contingency reserve in the fy17 budget, you heard our cfo note that was actually done so that has been accomplished at this point. So the update is pretty short. There have been and continue to be meetings with several executive level folks at lcra and Austin energy regarding the potential exit for us. We've met with stakeholder to continue to keep them apprised of the discussions we're having. And we've revisited the 2013 legal assessment and engaged outside legal counsel to review several legal considerations. Now, you'll be provided a

[11:41:19 AM]

memorandum by tomorrow, if not later today, with the details of the assessment. This is just a high level summary of that. The key areas of legal considerations that we're looking at are the participation agreement itself and a very key point of that is that there are no provisions whatsoever in the agreement regarding retirement or exit outside of a sale. So there's a missing piece in that agreement that we have to create in order to accomplish this. Debt is another consideration, so the need and timing of debt fees, we currently have about \$165 million of outstanding debt, and most of that's attributable to the so 2 scrubbers that were put on in 2011. But that has to be considered from a legal perspective, what the bond covenants are and the treatment of that debt. Rates, obviously, are also another consideration. The rate treatment, where we apply the retirement in the current rates that we have or the rates in the future, and also potentially cover utility commission considerations if we were to be before them on a rate case hearing. Lastly, the city charter, the charter does contain provisions related to the conveyance, sale, or lease of assets. So that is another factor of legal consideration. The next steps and timeline, we're going to continue our discussion with Icra to narrow down the options to those that are most viable. We'll continue our stakeholder engagement. We'll also conduct additional economic technical and legal assessments of the likely options as we narrow those down. And in June 2017, we'll provide a briefing on the options and the recommended path at that point. It's highly likely, though, that we'll be meeting with you to discuss some of these legal matters and competitive matters that will arise from this before then. >> Pool: Great. >> That's it. >> Pool: Any questions?

[11:43:22 AM]

Thank you so much. Appreciate you being here. And we have one last item. And that is the district cooling program business model and potential future expansions. I think there was also a specific e-mail that went out explaining this program as well. Good morning. >> Chair pool. >> Pool: Yes. >> I'm sorry, I have a question. >> Pool: Yes, councilmember Garza. >> Garza: If we were supposed to have a report and a timeline of the possible retirement, we're not -- it sounds like we're not getting any detail until a memo gets sent out so obviously we don't have the opportunity here to ask questions, is this going to be on our next agenda next time as well so we can have an opportunity to read it and ask those questions? >> Pool: Easily done. You bet. Yeah. And I think we'll be following the progress of the power plant at any rate, but yes, we will be sure that's on next month's agenda. All right. The floor is yours. >> Thank you. Good morning. My name is Jim Collins. I'm the director for Austin energy's on-site energy resources program. The update I have for you today includes a discussion on our peer organizations and the commonality and the pricing structures that we use. Additionally, it talks about the tremendous opportunity we have for continued growth of the program. Before I start the presentation, I just want to preface, I don't think it's a widely known fact, but buildings this size and larger virtually all of them have a chilled water system. That's the technology used for air conditioning systems in large buildings. District cooling then is an alternative to the stand alone system where it's an underground network of pipes that gathers the load from multiple buildings and brings them into a larger very well plant. Gathering the load in that

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way creates the scale that economically provides superior energy savings, reliability, and quality. Of that scale also facilitates the implementation of thermal energy storage, where in our equipment, runs at night, creates a tank of cold water, stores that water for use the next afternoon, thereby shifting that electrical consumption from on peak to off peak times. Chilled water customers are not required to be on their system, nor are we obligated to serve them. So the agreements have to make sense and

provide benefits to both parties. For our customers, it reduces capital cost, frees up space in their building. It must make financial sense over the stand alone system. Our customers are very price sensitive. And typically, we provide an analysis of a life cycle cost of ownership for a stand alone system versus being on our system. The system also provides extraordinary reliability just by design, and it's very user friendly, means it's low risk to the users. For the community, district cooling supports city growth initiatives. Having district cooling enables supports compacting connected developments like Seaholm ecodistricts. It creates a long-term revenue stream for Austin energy and as you saw a few minutes ago, it supports Austin energy's generation plan by growing our thermal storage capability. And of course the reason that storage capability is in the gen plan is because it helps peak electric demand this translates into a benefit to all the rate customers in the form of lower costs. Real quickly, we have operated four plants, three systems, there's two plants working together in the

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downtown system. We also have a second plant serving a portion of the domain, and a third system serving the Dell children's medical center of central Texas, and some of the related and nearby office buildings. Have a map of downtown. It might be hard to discern, but there's currently two plants there, the original plant, the Paul Robbins plant at 300 San Antonio, and our district cooling plant 2, over at fourth and Sabine, these two plants working together to serve the 49 customers we have downtown. There's a third plant currently in design for the crescent site, to the west of our system, west of the Seaholm ecodistrict. Currently the program has connected 69 customers. We support almost 19 million square feet of customer facilities, and that's the equivalent of 160 city halls. And in the summer, last summer, summer of '16, we provided a 15-megawatt demand shift and of course adding customers increases our shifting compatibility toward the goal of 20 megawatts. A look at the financials, just the highlights, from the program from inception to date where the red line are our direct expenses, the operational maintenance costs, and the blue line is the revenues from the program, you can see that in the first year, we covered our direct operational cost, and beyond that you can see the spread of the lines, and that difference there becomes then our contribution toward the end of direct cost of the program, including return on and return of capital employ. We were asked about peer organizations, and they're basically the first three on

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this list. These are vertically integrated utilities in Orlando, Jacksonville, Florida, and Nashville. These are electric utilities, municipally owned utilities that have established chilled water programs. Orlando established theirs in 1997, Jacksonville in 2003, and Nashville goes all the way back to 1972. We started our program in 2000. I also included three other chilled water systems there for completeness. These are folks that operate in Texas. There's one down the road called San Antonio water system. Down in Houston there's thermal energy corp. Which supports the medical district. And nrg, an investor-owned utility has purchased chilled water systems in many states across the country, including Houston. The financial business model, it's a utility, traditional utility model with large capital investments up front for plants and piping infrastructure, and then periodic capital spends to add systems and add customers. And then the revenues provide long-term recovery of all the costs through customer charge. All of our peers basically use kind of two buckets to account for customer charges. Some call it demand charge, some call it capacity charge, but that's a fixed payment that helps then recover the capital employed. Assumption or commodity charge then covers the operational cost, the o&m maintenance and operations cost. And when you use that kind of methodology, that just ensures a positive return on investments. A little more about the rate structure, the capacity charge, again, is that capital recovery

piece. It's typically fixed over 20 years, which is a typical life of a service agreement, and for all of our peers

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that includes -- us included, includes plant, transmission line, and that new customer connection, and then that other bucket, if you will, is the consumption charge, which covers operations and maintenance charges. These are not fixed but volume metric, depending how much energy you take, and they help us then recover electricity, water/wastewater parts, and labor at the plant. So this is the structure most of our peers use, and it's the structure we used up until last year, and last year in the fee schedule, we revised and pulled out that customer connection piece and separated it into a separate recovery. And so we recover our customer and connection charge in 15 years. In you're a customer on our system, you pay for that connection piece over 15 years, and then that charge drops off your bill and you revert back to paying only the capacity charge and the consumption charge. We did that to escalate the return on those -- on that money spent to connect new customers. The program just continues to see strong demand from new customers, both downtown out at Mueller, and new locations also. Downtown, as I said earlier, we have a third plant that's design. Council approved design of that plant about a year ago. We're 40% done with that plant. We will need that third plant downtown to get to the goal of 20 megawatts by 2025, and we expect to bring in [inaudible] To council for construction of that plant in the spring of 2018, then to have that plant online in time for the summer of 2020. We're also looking for kind of quicker turn around projects, if you will, to increase our capacity to bridges between to meet the

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demand downtown, between now and 2020 when that third plant's online. So you'll see in rca this spring to add some capacity at the Paul Robbins plant. We're seeing same activity out at Mueller. We have an opportunity to partner with cotellus, who's the matter developer for cotellus, and support the coming wave of commercial development. We kind of expect to bring an rca to you late this year to get started on that Mueller plant, the second plant at Mueller. Beyond those expansions, going forward, we see a tremendous opportunity for satellite plants. And these would be stand-alone plants in support of imagine Austin plan, which, of course, is predicated on dense infill, we development of specific locations along transit corridors. And so these would be -- could be many different locations, but the four that we have in front of us now are to support the Austin community college highland campus, there will be one shortly behind that at central health as they redevelop their Brackenridge campus, the city planners talking the south central waterfront district, which of course creates another tremendous opportunity for the southside of the river, and then innovation district. So there may be many more, but those are the four that we're looking at right now. And the one that's in front of us immediately is to work with the Austin community staff and further develop what a chiller plant would look like there at their highland campus. And we've been in conversations with them over the last six months, have developed an understanding of what the plant would look like. It would be about 5 400 tons of chillers, they'd be installed in phases to wasp the build out schedule. All plants include some

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element for demand management. That one is expected to be able to deliver up to 4 megawatts of demand shift. For our pricing methodology, it would be a 30-year service agreement and coupled with a 30-year ground lease. We've built into it the potential to reuse -- reuse some existing equipment that they have currently there that's serving their phase I. It looks like that plant would be a 31 to \$35 million



capital spend, and of course we per our methodology have a capacity charge to recover that over the term, the extent that we put that money out. I would tell you that both parties envision a real partnership here. Incest traditional supplier and customer, we're thinking this would be a partnership with potential for capital cost share of that 30 to 35 million. We've agreed on open book o&m pricing, operations and maintenance operation every year with a true-up, so it's little risk to us and it puts us really on the same day of the table with our customer. Some of the points we've talked about are the possible training of their staff on how to operate a chiller plant. They currently don't have the chilled water operational experience that we do. So it would be an excellent opportunity to get their staff brought along into this technology. There's even been some discussion about the potential to incorporate plan operations into their curriculum. On Thursday, this Thursday, you'll see an rca from us requesting authorization to negotiate and enter into an interlocal agreement with campus staff, Austin community college staff, to formalize the financial elements of the agreement. And then, of course, the individual capital expenses to both design and to build that plant would come back to you for approvals as well. Program recap, we feel like it's an accessible program, having captured 69

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customers, growing up to 19 million square feet. We believe it's a sound financial model. It continues to bring value to the city, both in the terms of a lever for economic development, also in that demand management piece, and what that means to our electric customers. And there's just significant growth opportunities ahead of us, both in expanding systems and these new satellite plants. And that's what I have. I ran through it pretty quickly in the interest of time. >> Pool: Uh-huh. Thanks so much. Yes, councilmember Houston. >> Houston: Thank you, chair. Mr. Collins, this is not about your presentation, but why is it always so cold in this building? [Laughter] >> It really works. >> Pool: Thanks for that. >> It's a function of how well the system works. No, that's not my answer. My answer is that our city facilities group have established 75 degrees as the temperature for the spaces. And so my expectation is that's what it is. The comfort zone is noted to be around 72 degrees, plus or minus 2, and 50% relative humidity. So as a provider of chilled water I applaud when my customers use a lot of it, but to your point, the set point should be 75 degrees. >> Houston: Thank you. I didn't know that. We call them all the time on the second floor. This is just freezing in some offices, and down here as well. Today was an example of it. My real question is, how often do we have to buy another chiller plant for another business? Because it seems like while I've been paying attention, and that may not be a wise thing to say, haven't we purchased at least two for the domain? Or -- >> Yes -- >> Houston: Go ahead. >> Yes, ma'am. When we purchased the domain plant, that was an abandoned IBM plant -- I shouldn't say

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abandoned, but it was a plant that serviced the IBM campus, and as that campus converted to shopping centers and malls and the residential that you see there now, we had an opportunity -- we went in and purchased that plant, and we got it, frankly, pretty inexpensively. Because we purchased that building and -- actually, we have a long-term 70-year lease on the building and the ground the building sits on, and we knew going in that we bought a system that went into operation in the mid '80s, 1985, so a lot of that equipment was old and in need of repair. Our staff has cobbled together and had that system running for 12 years on the old equipment, and what you're seeing now is a one-at-a-time replacement of those existing chillers so we can continue to serve our customers going forward. >> Pool: Councilmember kitchen also has a quick question, and then we have a speaker. >> Kitchen: Actually, it relates to the last item, it's a mixed agenda item. >> Pool: Oh, okay, to number 8. Okay. Great. Thanks. Yes, councilmember alter. >> Alter: Thank you, Mr. Collins. I am curious what processes we have in place

to coordinate with public works or Austin water when they're digging up the streets so that we're planning ahead and we don't have to stop traffic all the time. I'm just wondering what kind of coordination processes you have there. We just approved the capmetro station, and once that station is in there, you won't be able to dig it up again. And I'm just curious is to how you coordinate across the partments so that we're not digging things up multiple times. >> Yes, ma'am. There's a coordinated effort by all city departments to meet, review the upcoming projects, and to try to coordinate those so that, frankly, they don't happen at the same time but there's a logical sequence of one coming after another.

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Generally speaking, we're not allowed to start a new project, set up new traffic control, until the projects say that's in the neighborhood ahead of us is already complete. So there is a lot of coordination that goes into that, and again, there's long-term looks ahead, and identifying what streets are going to become what's considered protected streets that we don't get to dig up any longer. >> Pool: Great. All right. You have three minutes. >> Thank you, madam chair, councilmembers, committee councilmembers, my name is Carol bijitsky. I'm with Texas repairs organization to save energy. I also currently serve on the electric utility commission and you'll see when you get your materials that I voted against this rca -- I voted against recommending it to council at our meeting on Monday, and I thought that I should just take a minute to explain why. And it's not because I have anything against district cooling or that I have it's a bad idea, but 31 to \$35 million is a very large amount of money. That's a large capital investment, and it's still iffy. And I did not feel comfortable in saying we should move forward with this until we have a little more information about the finances of this particular project. I mean, looking back on what's happened previously, it looks like it's a good idea, but, I mean, what is actually going to happen here, and has anybody done any comparison of what it costs to provide the district cooling versus what it would cost to just, you know, go through the ercot market or provide traditional, you know, power supplies to this area. So, anyway, I was not happy. I believed that we should always be looking at the cost effectiveness of investments, and I also had been through a lot because we no longer replace air conditioners in our low income weatherization

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program because of people's -- people's desires to have a weatherization program that was more cost effective than the one that we already had. And so as a rate payer myself and looking at other rate payers, we're accept ago 31 to 35-million-dollar capital investment risk here without any prospectus to look at to see whether this is the best investment for the utility maker. That's where I was coming from when I voted no and I just wanted to pass that on to you. >> Pool: That's great. Mr. Collins, can you maybe respond and give us a time frame for when you were bringing this forward? >> Yes, I can. So what you'll see on Thursday is a request to allow us to negotiate with the college on the financial terms of the arrangement. Okay? It's not authorizing us to gnrnstruct anytng, it's authizg -- their board authorized them to eer into negotiations th us. We wanted to provide this notice to you that this is something we're looking at and a project we're considering, and we wanted -- we're asking for the authorization to negotiate and ultimately enter into that interlocal agreement that would structure the financials around this plant. >> Pool: So I think the question is the execute piece, so I think we may want to of some conversations with you between now and Thursday so that we can get to a level of comfort with going forward with the execute piece. >> I understand. Of course we'll follow your direction. If the direction negotiate it and bring it back prior to execution, we're more than willing and ready to do just

that. We also want to be sensitive to our customers' construction schedule. We are kind of trying to get going quickly. I will tell you, coming back to council for a second

[12:05:30 PM]

appearance to approve that execution of that interlocal agreement will not impact the schedule in any major way, and so we're totally ready to do that. >> Pool: That's great. All right. Anybody have any other questions on the cooling plants for Mr. Collins? Okay. Great. Thank you so much. >> Thank you. >> Pool: Then our last item is potential future items. Councilmember kitchen. >> Kitchen: I just wanted to close the loop and suggest that we have on our next agenda a follow-up from something that we were addressing before the holidays, and that had to do with the -- the issue of the 10 cup kilowatt threshold versus the 20-kilowatt threshold and demand charges for small businesses. We had had some conversation with Austin energy about the reason behind that change and some adjustments that had been made over the years. But we still have a very specific request from a member of our community who's very involved and has been for many years, and very specific request in the form of a proposed option -- two options, actually, for us to consider addressing that would make some adjustments and potentially create less of a burden on our small businesses related to that demand charge. So I just wanted to let you all know that I am sending a request today to Austin energy to address those specific two options that were presented to us, and if it meets with what the chair would like to do, to ask them to come back to us at the next meeting and discuss these options. >> Pool: I appreciate that. And I think all of us have gotten the faxed -- or -- yeah, I think it was a faxed memo from Judy, that looks like this. This is what councilmember kitchen is talking about, so we will look at having that on our February agenda. All right. Anything else for the good of the -- yes, mayor. >> Mayor Adler: I just wanted to -- and I apologize for arriving late. You may have already done this when you started the meeting, but Betty baker

[12:07:30 PM]

passed away this morning. And obviously, a huge loss to our community. And as we open the meeting on Thursday, we'll take a moment at that point, talk about her and honor her for a moment. But I just wanted to make sure everybody had -- >> Pool: Thank you for advising us. I had missed that this morning. Yeah, that's a real loss. Tomorrow on our work session agenda, we will go over the dates for the meetings, pretty much it's going to be the same schedule as was previously approved. Maybe just a little bit of adjustment on our start and end times, and we'll be meeting regularly in this room. It feels a little less formal and maybe more conducive to a conversation with members of our community and our staff, so thank you all for being here, and appreciate everything. And we are adjourned.