

# Austin Energy Utility Oversight Committee Meeting

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>> Mayor Adler: Let's go ahead and start this up. It is March 28, 2018. We are in the board and commission room here at city hall, 301 west second street. It is 1:36. We're going to call this to order. We don't have a quorum yet, but we're going to go ahead and start. The only action item we have today is to approve the minutes, and if we get a quorum, then we'll approve the minutes. If not, we'll approve the minutes at the next meeting. We know at the very least that four of our colleagues are not here why it in Austin today, so councilmembers pool and Garza and troxclair and mayor pro tem are out, so we'll see what happens with the balance. At the very least, there is important reports to be made today. And because this is being videotaped and archived, it gives our colleagues and their staff a chance to be able to see the full reports. The community to be able to seat reports. Even if they're not physically present. So we're going to go ahead and proceed. Citizens communication, we have two folks that have signed up. Let me call each of them. Each has three minutes. Mr. Pena, do you want to come first, and then Paul Robbins will be next. >> Good afternoon, my name is gust Pena founder of -- cofounder, excuse me, of veterans for progress. I want to sailing, and I'll -- say this, and I'll keep it brief. First and foremost I'd like to thank Carl, he was a champion of helping people whose electric utility bills stood to be disconnected, mayor. I think I talked to you when you were running for office,

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too. So I just want to -- maybe y'all could recognize this young man because oaf there for single women and children, I know I advocated for whose utilities stood to be disconnected. Whenever he is, Kyle, thank you very much. I didn't have a chance to say [speaking non-english language], we say it in Spanish until later, but if you can recognize this gentleman helped out a lot of people, people that are brought

forth. Anyway, my concern is this, is that, I don't know, I'm a layperson, don't know as much as I should about electric utility issue, but it's expensive for the people low ses. You know what low ses is, poor people, low socioeconomic status people. They're losing their homes. They pay the electrical bill but can't pay the rent. I don't want it to be known to you members because it hurts me, a lot of them are veterans. And, yes, there are still homeless veterans in Austin, Texas. What I want to say is this, mayor, I need everybody to get together in this committee, make sure that the poor are not left out. Traditionally they are. You know what? At this election time we'll see something different but the people are tired of business as usual, and it's just expensive. I don't know if you can explain it to them in this venue or maybe get out a public service announcement, whatever, but it's too expensive for people who need help on a low socioeconomic status. I'll leave at that, there's a baby soph fee viewing me right now so I'm trying to keep Mier down. I love you, baby soph fee. I do that for the kids. I know I sound redundant. I don't know how we can make it to be less expensive because it's very expensive for those people that are poor. Thank you very much, have a good day. Keep saying hello to me. I'm not a danger to you.

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You walked in and stared at me as if I'm the devil. I'm the angel. Jimmy Flannigan says I'm not -- >> Mayor Adler: I'll keep saying hi to baby Sophie, I want you to know that. >> I'll keep saying hi to you, too, mayor, even though you'll lose at the battle. Thank you very much. >> Mayor Adler: Thank you. Paul, you're up next. Paul Robbins. >> Council, today I want to briefly discuss the city of Adelaide, Austin's sister city in Australia. It is similar to Austin in that it spires to be a leader in the fight against climate change. It is the capital city of the state of south Australia and the large majority of the population of the state lives in this city. It generates about 50% of its electricity with wind and roof top solar cells while the country, Australia as a whole, only generates about 9% with wind and solar cells. The state aspires to 75% in the next few years. About 30% of the homes have solar cells on their roofs compared to less than 2% for Austin. All of this sounds good, but there is a context. At least one source calibrates south Australia's residential electric cost as the highest of any developed country in the world. Though these high costs are not due to renewable energy use. They do drive consumption lower. Australia also has some of the cheapest solar cell costs in the world for residential installations. The country also currently

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imports 20% of its power from other states, almost all of which is dispatchable and nonrenewable. It consumes less electricity than Austin energy, the entire state only consumes about 6% of the eastern continental power grid. Most importantly, though, the state is planning on building dispatchable solar plants and energy storage. Most of this is projected to be from pumped hydrostorage and then there's a concentrating solar plant that they're building. Those electricity is so expensive there that even lithium batteries can be considered used more widely than in the United States. One serious proposal calls for 25% storage to do the the 75% of electricity that will come from are you modules in a few years. It's

hard to say exactly what kind of storage and dispatchable renewable plan will be finalized because the state just held elections, but my point is, again, that world leaders in climate change are dealing with dispatchability issues related to electricity. And I am, again-- [ buzzer sounding ] >> Mayor Adler: You can finish your thought. >> -- Asking council to place this on your committee agenda for an in. Depth discussion. Thank you. >> Mayor Adler: Great. Thank you. Okay. Let's go ahead and start. We're going to start with briefing on number 4 because we have some staff members I think that need to leave so we'll do 4 and circle back to 3 and proceed after that.

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>> Alter: Mayor? I'm not sure if this is -- would be the appropriate time. I just wanted to mention -- I know you're not the chair of this committee, but I believe that several of us had already asked for such a briefing and maybe at a later point in the meeting Austin energy can tell us their plans for when we will have that briefing on dispatchable energy. >> Mayor Adler: Okay. >> Alter: Thank you. >> Mayor Adler: Let's pick up that when we have item 7 and we'll have questions about that briefing, okay? >> Good afternoon, mark [indiscernible], chief financial officer for Austin energy. Pleased to present our Austin energy's corporate services report to the oversight committee. So Austin energy has been presenting to the oversight committee various reports over the last few months on our operating business units and we've been linking their performance to specific strategic goals from our strategic plan. Unlike those operating units, the role of corporate services is to provide internal support liaison to other city supports to assist the operating units in achieving strategic goals. In essence corporate services contributes to all the strategic goals in a supporting role. So corporate services, it is a distinct unit within finance and corporate services, and it's further defined in the two units, corporate support services and employee development fleet services, which provides liaison to the city of Austin's fleet services, who is responsible for the acquisition service and disposal of our vehicles. Supply chain management is responsible for inventory and reclamation and our security provides unarmed guard service and access control to work sites, while

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mail services provides package handling for our business. The subunit within corporate services, another one called employee development, and human resources professionals, they're an extension of the city's H.R. Group. We provide full-service life cycle services for employees, until the policies and guidance of the city of Austin human resources. We also provide workforce development for all of Austin energy, and this includes training, career development, and progression. And our corporate quality division serves as center of excellence for performance improvement and quality control and that's a critical function for Austin energy, as four of our operating units are iso9000 and one satisfied. Compliance services plays an integral part of our internal support as well. And that includes reliability compliance, tasked with oversight of Austin energy's adherence to our erc standards and records management, environmental safety division provides both compliance as well as response to

environmental issues, accountability to the general manager is to provide assurance that Austin Energy's governance control processes operate effectively. Today we'll present current issues from our human resources and facilities division and in future will cover other areas of concerns for you. The next two slides provide a summary of our workforce at Austin Energy. We believe that having a well-trained, diverse, highly engaged workforce is critical to providing excellent customer care. We cannot achieve our goals unless we create an environment that is equitable, inclusive and reflects diversity of the community we serve. This snapshot focuses on recruitment retention with emphasis on gender equity at Austin Energy. Our budget authorizes 1,749 professionals, and we had

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1,609 active employees at the end of January, given the vacancy rate of 8.3. I would note we worked aggressively in the last few months and at the close of this month we're at 4.1%. That's a significant improvement. 32% of our workforce are women. And the diagram on the left side displays them right down to the work assignments within Austin Energy. You'll notice near the bottom there that the skilled craft positions are mostly held by men, line workers, power production. And this is the main driver for the gender gap pay you see displayed where the men's median salary is 87,000 and for women it's 67. The skilled craft positions have physical strength requirements which limit the pool of women candidates we're able to attract. Another issue we recognize is our Asian workforce. 464 of our employees or more than 26% are eligible to retire within the next seven years. To put this in context over the last 12 months we had 187 retirements or terminations, and only 86 of those persons were hired from outside the city, replaced the workforce. 99 were internal promotions or transfers. So retaining new employees will stress our resources, which will cause loss of institutional knowledge and we're working diligently to recruit new talent and will be keenly aware of our desire to address gender equity within the workforce. We recognize importance of having a diverse workforce and understanding the value it brings to serving our customers. Diversity in an organization helps garner new thoughts, ideas, perspectives and values. Diversity includes all the ways in which people differ, encompassing different characteristics that make one individual or group different from another. Our ability to benchmark our workforce diversity is limited by information we collect ourselves as well as that which is reported by

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other agencies such as the U.S. Census. Given those limitations we do want to compare how well Austin Energy workforce reflects the community we serve. This chart displays data we have for a limited view of diversity considering only race and ethnicity in Travis County. We chose Travis County for comparison because it best matches our service territory. While I believe we are moving in the right direction, we recognize that we can do improvement. We do that by fostering a more inclusive work environment guided through employee engagement initiatives and being proactive in recruitment efforts by deliberately seeking pools of candidates from diverse sources. The role of Austin Energy's

human resources division is to recruit, retain well-qualified, diverse and engaged workforce. With any hiring process there are advantages and challenges. Whether in the public sector or private. For Austin energy the major challenges include our competitive environment. We have a 2.6% unemployment rate in Travis county. Our below-market salaries in some of our critical positions in -- and the high cost of living often motivates candidates to pursue other employers. Austin energy competes more with the private sector utilities than municipalities for labor resources so our policies, procedures and requirements may sometimes seem bureaucratic to our candidates. We also have a structured hiring process which seeks transparency and uniformity but at the price of speed. Our municipal service rules must be strictly observed to protect our employees' rights. And the competitive process is valuable but can lead to loss of candidates due to the pace of hiring. We have a paper-based document process which means a significant amount of time is spent routing documents for human signature, leading to the loss of more valuable time. Finally we have some technology limitations which can impact our performance. We lack human capital

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management system here at the city, and we use that to track and act on data from recruitment all the way through retirement, so getting accurate information in a timely manner can be a challenge. Task for any organization today is communicating with a web savvy generation. Being able to use multiple platforms to communicate during hiring would improve our opportunities in talent acquisition. To help overcome some of these challenges Austin energy with the close coordination of the city of Austin human resources have taken meaningful actions recently. To improve the service delivery of our H.R. Programs we added three staff members and separated duties to allow specialization in compensation employment and recruiting and working to streamline the internal process for hiring. We developed a talent recruiting program where we're now attending trade shows, visiting colleges, advertising on industry websites, to attract greater pipeline of candidates and marketing Austin energy as an employer of choice. We're looking at more competitive compensation by working with the city of Austin staff, H.R. Staff, and with the consultant on a salary survey for our critical, hard to fill positions. And we're addressing career development by increasing training opportunities and working to create a career progression for engineers to gain promotion. Finally in terms of employee engagement we're utilizing a semiannual survey to understand areas of success and where we need to improve, with current focus on recognition, accountability and recommendation with employee led teams that drive change. Each month Austin energy publishes its performance dashboard as we perceived you in March 2017 you can find some of our key metrics associated with employee engagement on that dashboard and I provided a link so our customers can follow that dashboard.

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Turning to facilities, we have nine major facilities spread out throughout Austin, includes both leased and owned facilities. We have two electric generating stations we own and operate, sand hill and

decker. The decker unit we expect to retire end of 2021, unit one, unit two at the end of 2021. And this is all consistent with the generation resource plan approached by council in 2017. We have two service centers, one north and one south, which helps us dispatch our crews. And our system control center on Montopolis and Grove, which houses critical operations for distribution transformation system is monitored and operated there. Our corporate office is located on Barton Springs Road and we have significant amount of office space leased at the building next door. We often refer to as 811. We presented a plan you to last April 2017 to evaluate the feasibility of relocating our corporate offices, and we have a time line for that a little later but we're currently reviewing results of that RFP and we hope we can get out of that leased space and consolidate our workforce into a better facility. We're utilizing the same process that Development Services is following in their corporate office. So here's a snapshot of our current owned and leased space. I presented this to you last April. But we have about 167,000 square feet of leased space. We've recently leased another 28,500 off of Ben White to do the our overcrowded utility contact center, and it's a short-term lease in which we hope to consolidate workforce once we have a new corporate office. They were previously housed in conference rooms and training centers which made it difficult for us to operate. We own about 528,000 square

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feet and 28 acres. The largest spaces are system control center, 126,000, corporate office on Barton Springs is 126,000, and our two service centers at Kramer Lane and St. Elmo in the south are 97,000 square feet approximately each. The data does not include our power production facilities and doesn't reflect easements for more than 11,500 miles of distribution line, 620 miles of transformation line or 75 substations. All those are part of our operations business. It does also does not include chilled water. We have three sites at Third and San Antonio, Fifth and Sabine and Old Miller Airport development. As I mentioned earlier, last April we presented to this committee here our facilities master plan with a couple goals. One was to improve service to our customers. We also wanted to reduce our operating expenses. Reduce traffic congestion in the central business district, provide safe, functional environmental responsible work space for employees. We wanted to structure this a little to no impact on our customer bills. And we wanted to support city of Austin's comprehensive plan and goals. So we've been working with the city of Austin real estate office as well as finance on that plan since that time, and we've made some pretty good progress. So we're currently evaluating this proposal as I mentioned for our corporate office and contact center, little more on that in a second. We've also identified possible location for our warehouse operations at city of Austin, real estate office is working on. And we've identified where we'd like our customer payment center and real estate, again, is working with the property owner on that. Finally we continue to maintain our facilities to try to minimize the life cycle costs of those buildings. So with that, the time line for our corporate office is

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progressing. We're working with city real estate and finance on evaluation of those proposals. And we're following the model used for development services building and have been able to take advantage of lessons they've learned through that process and incorporate into ours. We're including Mr. Rodney Gonzalez, director of development services on our evaluation team so we're able to take advantage of his expertise as well. As a mentioned earlier the committee was briefed on April 2017 on that plan. A proposal, issued it and are evaluating it. We hope to be back before council in may of this year to express approval for negotiations with a developer. We'll follow that up assuming pending successful negotiations and city staff will have a letter of intent currently planned for September of this year. Once complete we'll negotiated and execute a agreement and if all things work out well we'll occupy a new office 24-36 months after that date, hopefully 2021. With that I'll take any questions. >> Mayor Adler: Okay. Yes, councilmember alter. >> Alter: Thank you. I really appreciate the attention to employee recruitment and retention and just generally keeping our employees engaged. I think that's a challenge we have across the city, so I appreciate seeing the work you're doing on this. Can you help me understand the vacancy rate? Obviously in a big organization like the city there's a certain amount of vacancy percentage that we would expect as the normal course of business, but how do I know when my vacancy rate has gone up beyond that kind of just normal level that we would expect of an organization this size into something where I really have to be making investments in -- additional investments and paying more attention? >> You're right. So we're authorized a number

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of what we call full-time equivalents or personnel, 1,049. During the process budgeting we recognize there's natural attrition, turnover. We assume 6% transition rate so when we submit our budget, our actual labor costs, 1,749, we actually only put in the budget 94% of the labor cost and 94% of the benefit costs except for health care. That's budgeted at 100,000 because that's how they negotiate with the provider. Once we get below 6%, then that's where we're making significant progress. In filling those vacancies. Like I said we're at about 4.1%. You can think of it we're a little overbudget in terms of labor cost at this point. Earlier in the year we were much higher than that. In January we were at 8%. Part of that is in the last budget we converted the number of temporary positions as well as contractors to become full-time employees, I think we added 38 or 39 people in the budget. And so it took us time to get those folks on the payroll and remove them from the contractor rolls. As a result we've been able to reduce that. I think what really concerns me, though, about the vacancy rate is not the overall vacancy rate, but it's within certain areas, things like our engineering positions, our line workers, distribution electricians, where we have a high vacancy rate in that -- that becomes difficult to recruit and those are critical positions for us to operate and maintain our utility so I'm more focused on those specific position or as opposed to the overall vacancy. >> Alter: Thank you. Can you also help me understand if you are going to be moving in the direction of increasing salaries either from the market analysis or whatnot? How you anticipate that impacting rates? My assumption is that actually labor costs are less relative to the overall

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budget for Austin energy than they might be, say, for the police department. In terms of percentage. So it might not be a huge impact, but I'd like to know about it. >> Yeah. Relative -- you know, labor cost is a significant cost for us. For many of these positions you can imagine for . Our critical positions even if a position is vacant, that work still has to get done. We pay by paying over time, consultant or contractor to perform that work. The work is often performed, sometimes at an even higher rate. What we want to do is we don't want to be the training field for all the other utilities where people come to Austin energy, get trained, certified, then they move on to the next utility. So part of our compensation not only is it recruiting but retention. So to that end I think that's a great investment as opposed to having to invest in the hiring process each time that employee turnover occurs. >> Alter: Then my last question is, with respect to the corporate office, again, can you help me think about how that's going to impact rates? Possible we move out of leased -- obviously if we move out of leased properties, there were costs for where you were before, but help me understand what the overall impact is on rates of the code enforcement office. >> I don't have a specific dollar amount. Part of that is what we're negotiating with the new developer, cost of the new building. We're working with city of Austin on the finance strategy. One of the things we're eyeing is we purchased our current office in 1989, paid little under \$24 million for that building. And the customers of Austin energy have paid for that building over time. So they have -- think about a \$60 million investment in that building between the principal and interest. So the question is how do we capture value of that so that we don't make the customers of Austin energy pay for a second corporate

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office? So that's certainly considering our current C.I.P. Assumes some amount of money in there for new facilities office, new corporate facilities, but doesn't cover the full cost. Part of our strategy when we come back to this committee will be a financing strategy on how to pay for that and Virginia we'll have a better idea of what impact that might have on rates. >> Alter: Okay. Thank you. >> Mayor Adler: Other thoughts, comments? Ms. Houston. >> Houston: Thank you, mayor. Thank you for this information. I want to tell you all how much I appreciate y'all reaching out to prayer view A&M university, one of the historic black colleges and universities that do have degrees in the subject areas where you're having difficulty finding people, so I hope that you all will be able to make those connections long-term and be able to create a pipeline from the engineering program into Austin energy. >> Right. We're talking about their engineering and business program, accountants and finance specialists. >> Houston: I just want you to know I appreciate this. I see on page -- slide 10, you talk about the decker trailer. Is that the office that's located off of decker lane near the railroad track that's -- looks like a laydown yard? Where is the decker trailer? >> It's at the decker power plant. >> Houston: Don't you have something else over there by the skeet range? >> Perhaps someone -- our backup operation is out at decker as well. >> Houston: Okay. Over near the seat range? The laydown yard. That's what I thought it was. Y'all don't have any utilities going through there, do you, water our wastewater? >> To the trailer? >> Houston: To the laydown yard. >> I don't believe the laydown yard, no. >> Houston: Nobody is out there?



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>> There's a permit but no wet or electric utilities that I know of. >> Houston: Okay. Thanks. >> Mayor Adler: You need to turn your mic on. >> I think councilmember alter has already done a pretty good job of focusing a light on this, but I just want to mention this is a report that we get about once a year at the electric utility commission, and this is one area, this human resources issue is one issue that is persistently difficult to resolve and probably the single biggest -- it doesn't get -- it's not the sexy stuff about are we going to build a solar plant or things like that, but it's probably the single biggest long-term operational problem that the utility faces right now, being able to maintain a workforce. And it becomes a question of reliability and safety at some point, and so I just want to -- I just want to mention this needs a lot of attention, and I think there may be a point at which we're going to have to maybe make some changes, customize changes just for the utility in the hiring process. We have some real disadvantages to the people we have to compete with for employees. And I think it's something that, you know, needs to be constantly focused on. Just in case anybody wants to focus on the other sexier issues, this is the one that should keep you up at night. >> Mayor Adler: I hear that too. And it's a recurrent conversation. Are these three things, the challenges that you've identified, labor being one, the tech conversion being another, hiring being another, that are susceptible of some kind of metric or goal? The things that we want to be able to achieve in a certain period of time? So that there's a way to be able to not only identify the challenge but to see how we're doing against that? So that if we're not able to

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meet that, then there's a greater basis for being able to then say this was the goal we all want to try to reach, we're not reaching that goal so we have to change resources or more resources on all three of these areas? >> Yeah. Certainly on the hiring, the vacancy rate and the turnover rate are important to us. And we keep those numbers low because that causes additional administrative cost for us. As far as the technology limitations go, I know that we brought several times a human capital management system, and that would greatly aid us, not only in hiring process but in just a huge advantage to us. And the competitive environment, we do go out and benchmark ourselves salary-wise to other utilities. And we do that on a regular basis. And to the extent that we do that more with the people we compete with for our labor resource, so it's other utilities, not just municipalities. In fact it's more private utilities that we compete with. Benchmarking against those, ensuring we're offering a fair compensation package or metrics -- are metrics we can use to achieve these goals. >> Mayor Adler: To the degree it's susceptible to that, if you could convert these three qualitative statements of challenges into the metric that we need to be watching with the impact -- what the impact of that is, in other words the absence of having a lack of human capital management system is resulting in something that you want to change. >> Sure. >> Mayor Adler: And I don't know what to do with -- we'd like to have a human management capital, but if you could put that to some kind of metric that reflected what it was that was the challenge or what is

the performance difference that happens that you're trying to hit or something -- >> We'd be glad to work with staff and come up with some metrics there. >> Mayor Adler: Then I think we would be better positioned to be able to marshal resources as part of

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our strategic planning process to be able to prioritize those things in terms of what the end metric, the outcome metric is so that it can compete. >> Sure. >> Mayor Adler: In the prioritization process. I have questions about permitting. I have questions about mbe and mbe. Is that -- are either of those appropriate now or should I hold those to number 7? >> You can ask questions. I don't know if I have the answers. If you send them to me I'll be glad to incorporate them in a response. >> Mayor Adler: I didn't know if that was part of the function of customer services. >> Mbe/webb is part of everyone's efforts. We're doing our best to expand the opportunities. The office that monitors that performance and seeks out opportunities is within the finance group, and we cover that during the monthly or the quarterly financial briefing which you'll get next month. And so I will incorporate our statistics and how we're performing in that area for you. >> Mayor Adler: Would you do that? There have been questions that I've gotten from the community with respect to -- just with respect to that area so if we could have numbers that would enable us at the next meeting as part of the finance report to be able to gauge how that is coming, maybe relative to how the city generally is doing in the procurement so that we have a benchmark to compare it to, goals that are being set, how we're meeting those goals, I think that would be helpful. >> Okay. >> Mayor Adler: What about permitting? >> Permitting, our group participates in the permitting process with development services, and that's done through our energy service delivery area. >> Mayor Adler: So that would be a different group? >> That would be a different group. >> Mayor Adler: I'll hold that one to number 7 so as to raise that as an additional issue. >> Sure. >> Mayor Adler: Councilmember alter. >> Alter: Thank you.

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I wanted to actually pick up on part of this that you referenced, mayor. So the human capital management system and its absence, the mayor asked for kind of performance metrics, but can you just kind of give us some qualitative information? We've seen this come up in a number of departments over a number of areas, and I'm trying to get my head around exactly what we're not able to do because we don't have the human capital management system. Obviously the fact that we have paper time sheets which we're supposedly fixing that's one of those but it seems like there are a lot of other things from the fire department we heard about challenges matching with overtime and if this truly is something we are seeing across lots of departments it would be helpful to hear, you know, from Austin energy what it is that you're not able to do because you don't have that system in a kind of concrete way, whether it's the data that's great but even just sort of the qualitative sense of what we're missing would be helpful. >> And, again, it's -- as a department of the city we utilize a system that the city has so we have what's called the banner system, which is our personnel record of information system. But human capital

management system is much more than that. It covers from cradle to grave for the employee, so from the time you begin recruiting, you're keeping electronic records, communicating with that candidate all the way through the hiring process, the benefits process, payroll, as that employee moves through their career it tracks progression, tracks their training, if they transfer departments, all that history goes with them. Just an example, when recruiting we use several systems so a lot of it is based on we're typing in a word document that sends it over to someone else that takes it and puts it in what we call ecareers, what we ties on the website. But then in order to communicate with those candidates that has to be

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downloaded and we communicate separately, either pick up the phone or send email as opposed to having it in the software. And so as a comparison, one thing we targeted is trying to get our hiring process to 120 days. No position is open more than 120 days. That's still a very long time. That's limited by the structured system we have to use but as well as how we communicate. When we do have a hiring position as opposed to having the system notify the hiring managers in H.R. This person is ready to get on boarded we have a form we fill out we sign and route it through interoffice mail to someone else and hopefully they don't get lost because if they do we have to redo them. That's what the human capital management system would aid us in. There's probably a lot of other areas related to benefits and compensation administration that are in the purview of the city's H.R. That they would probably tell but the advantages of having a system in that area. >> Alter: Great. Thank you. And if you were to bring the changes that Mr. Furtchel mentioned might need to happen vis-a-vis our general policies, what are your plans for that and how would that play out? >> Well, I think what he's referring to is what we call the pay philosophy, which is how we benchmark ourselves and various pay grades the what the lowest pay grade is let's say it's two and goes up to 30. And where those pay bands are they're consistent across the city. We try to use standardized titles. Everyone someone has a unique title that's much more much an administrative burden to track. So the whole idea is that as opposed to benching us against other municipalities, our pay and compensation will be based against other electric utilities. So to the extent that that would just be a difference in -- on those compensation or pay levels and how we benchmark ourselves, the other questions, benefits and all that I'm not sure we

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had that discussion. I don't think we're anticipating different benefits our retirement or anything like that. This is just the compensation component? >> Alter: But the municipal benefits might be better than the utility's benefits? We'd want to factor all of that in, not -- >> We do always look at -- in fact we've done a recent benchmark survey, looking at everything from retirement benefits to compensation to deferred comp, all those times that, you know -- the people that give car allowances, cell phone allowances, we've got a lot of data on that. >> Alter: Okay. Thank you. >> Mayor Adler: Anything else on this? Thank you very much. >> Appreciate it. Thanks. >> Mayor Adler: General manager? >> Good afternoon, mayor, councilmembers. I'm Jackie sergeant, general manager of Austin energy. Thank you

for allowing mark to go first on the agenda. He's headed over to the energy of thoughts summit right next door and he's going to be on a panel over there so appreciate that. Following my report, you will receive a briefing on customer deposit service regulation changes that we're going to be bringing forward and also an update on district cooling plant number 3. We've talked about that before but will give a more in-depth review for you. So today my report will include -- I'll go over upcoming items. I'll provide with you an update regarding the unusual residential customer water usage pattern that we saw in August and September. I want to talk about things we're doing in the area of innovation, and then I want to wrap up with some employee recognition. And of course I'll be happy to answer any questions that you may have. So first I want to highlight

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a few upcoming items for council approval and I'll start out with items that are going to come forward in the area of information technology. On April 12 we'll be bringing forward a contract with shy government solutions to provide business intelligence and analytics software, licenses, technical services for up to three years for a total contract amount not to exceed \$598,000. The software is known as table, allowing to implement a interactive corporate wide dashboard, clear, easy to use, secure, flexible enough to incorporate functionality needed by each of our business groups but done so in one program. We anticipate the software will allow staff throughout the organization to better assess and analyze their performance and results more efficiently as well as enhance ability to report these results out to our employees, to our stakeholders, and then of course to city council. Next I want to mention a five-year contract with lidos cyber, inc., for total amount not to exceed \$528,000. This will provide maintenance support and training for our existing industrial defender automated systems management software. This is a license renewal for software we are currently using, and it's integral for Austin energy operations. This software offers Austin energy an advanced and comprehensive compliance reporting solution to the North American electric reliability corporation or nerc. As we brief the committee at last November's meeting, it plays a significant role in our operations and in fact Austin energy monitors thousands of data points every week, so it is imperative for us to have a system as comprehensive and as east as possible. Efficient as possible. Industrial defender automatically collects necessary information across our diverse asset base, and analyzes it and reports

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anomalies or in other words it automates part of our compliance reporting requirements, saving us hundreds of hours of work. It is important that this item be approved at the April 12 meeting as our current license expires on April 30. We also are bringing forward a five-year \$965,000 contract with ascend analytics LLC for analytical software to value, simulate and manage our energy portfolio, including generation assets and load in the electric reliability council of itself or ercot. By using realtime variables such as weather, renewable energy generation, electric market spot pricing and customer load, the software will enable Austin energy to quantify the risk inherent in our power and fuel

portfolios. This information will result in more informed management of our risk as we operate within ERCOT wholesale market. The final item I want to brief you on is a contract on insurance and risk management to negotiate and purchase cyber liability insurance coverage for five years in an amount not to exceed \$2,425,000. A contract was established with this company in May 2017 to conduct a preliminary cyber liability assessment. Coverage options and quotes have been evaluated and insurance carriers were selected to provide cyber liability insurance with a \$20 million limit of liability. Austin Energy databases include electronic records containing personally identifiable information for more than 500,000 current and former customers. The utility is also subject to fines for regulatory noncompliance with NERC and ERCOT and there are threats of cyber extortion, exposure similar to what's happening in Atlanta right now and breaches of industrial control systems, all covered by cyber security liability insurance. This is a new contract type.

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We haven't had this in the past. But looking at the threats and the situations that we encounter we think this is the prudent thing to do. Now I want to provide an update closing out the investigation into the unusual water -- residential water usage pattern we observed last October and September. Or August and September. As I stated in my message I sent out last week we've been working with Korex, our former meter read vendor over the last month and a half to access the cause of erroneous usage recorded in August. Korex has concluded that the low August -- concluded that the low August reads tied back to 2-meter readers formerly employed. It appears the employee submitted incorrect data for various routes. The remaining usage from August was then included in the actual readings that occurred in September and this resulted in higher September bills. Korex has further concluded in Austin Energy's review confirms that the low reads in August were an isolated event that had not previously occurred. These individuals are not employed by our current meter read contractor, who is Burmex and we are pursuing recovery of costs from Korex according to the remedies available to us under that contract. We have legal involved and they're supporting us. We are working with legal to finalize this matter. And, therefore, we have been advised not to discuss the details of those remedies at this time. Innovation. I want to talk a little bit about what we've been doing. This is a new section that I'm going to start including in my general manager's report, and I want to highlight some recent events. The first item is the new service offered through a company called Maven Gig and developed through partnership with Austin Energy and Austin Transportation Department and the Rocky Mountain

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Institute. Maven Gig is a subsidiary of General Motors, targets freelance drivers who want to work for grocery delivery drivers and the rest of the gig economy. The new service rolled out [indiscernible] I want to that I Mayor Adler and Councilmember Kitchen for participating in that event. Maven Gig has rolled out its service to other large cities but Austin will have the first fleet of all-electric vehicles and specifically 20 Chevy Bolts. Austin was chosen for this electric rollout because of our vast charging

infrastructure and the commitment of our city to smart mobility solutions. Also in the area of mobility, and just in time for south by southwest, Austin energy and the transportation department partnered to launch an electric-assist pedicab pilot program. The project got rolling at the event on March 6 on electric drive in the Seaholm district, members of the media, Austin energy and Austin transportation department staff tried out the new pedicabs. The one year pilot involves gathering data on as many as 65 pedicabs with electric motors that help drivers to pedal uphill and go further distances. The last item I want to highlight in this section is a follow-up on Danielle Murray solar program, presentation that was given at the February committee meeting. We'll be coming to you on April 12, with an rca to approve agreements with foundation communities and Guadalupe neighborhood development corporation to provide incentives for installing solar electric systems on their multi-family this shared solar project will help us to reach the goals in the resolution passed last October to increase solar energy adoption and access for underserved marketsen the experiences and lessons

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we've learned from the pilot program will help us to better understanding the technical, financial and programatic challenges to underserved communities and especially multifamily properties. As national women's history month wraps up I want to take this opportunity to recognize women in the energy industry and in particular, those who coordinated the recent Austin energy women's resource event. The mission of this organization is to build leadership capabilities by valuing the perspective women bring to our workforce and they make this happen by holding regular events and highlights topics like equity and diversity in the energy industry and March 8th on international women's day, the resource network hosted a panel features women leaders from Austin energy discussing how their life's journey contributed to their career progression. And included networking and several breakout sessions centered on promoting development and positive experiences for women in the workplace. At this time, I would like the coordinators of that event to stand and be recognized. Thank you for being here. Elena, Michelle, Louise, elyria with an I can't and Laura. Please give them a hand. [Applause] >> I appreciate the work that you all do for taking the initiative to create a safe place to have these kind of conversations and important discussions and with that, I'd be happy to answer questions you may have. >> Mayor Adler: Any questions? >> Seeing none, I would like to turn it over to Elaine to provide a presentation on the amendments we're going to be bringing forward with

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regard to customer depend policies. >> Mayor Adler: Are you still going to be with us as we get to number seven or will I leave? >> Yes, I'll be here. >> Mayor Adler: Thank you. >> Good afternoon, I'm deputy general manager of Austin energy. >> Elaine, vice president of customer [inaudible] >> This presentation to you today is to cover highlights of the depend regulation updates that Austin energy and other departments working with us, obvious U Austin water and other departments associated with our customer account management, updates that we brought to the regulations and the depend policy

specifically. The highlights are in the regulations there are article 5 and article 9 that all of these provisions are primarily making changes. You should have in your package both the specific language has the markups of the changes of the languages into the new proposed language and also you should have a copy in your package of the actual policy document. The real summary and background is we have worked with several councilmembers who had specific cases where customers called and asked for clarity around the depend policy. Even mayor pro tem tovo and

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councilmember Renteria and in certain cases we took a look at challenges or changes that customers were recommending and included those into this policy update. Some of the policy updates are just administrative in nature. Over the years, we don't have a particular schedule but we accumulate working with our legal team where simple word change, changing something from singular to plural or a are to a we or may. And after legal review included those into the package as well and then there's some with our business operating managers and employees, run into situations where they need more clarity into the regulations and the policies. And we bring those forward and this is a summary of those that we've had over maybe a year or two worth of work efforts. And we've also included feedback on both the -- both of with the articles in terms of the regulations we cited the specific provisions and statutes where they come from and received specific feedback from advocacy groups and community leaders and customers themselves. >> For the high level, the amount and the transfers of depend, refund eligibility, those remain the same but what we've done, these are expanded or hanged the depend waiver criteria for our new customers and you'll see an list of either enhanced or new criteria for waiver. We've expanded customer payment standards, the previous regulation required 12 months of payments, 12 consecutive months. And expanded that to allow for 12 out of 18 months to account for if there's a volume break in service. Say, all bills paid for three months and then come to the Austin energy

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territory and we've worked with mayor pro tem tovo to the next one, the landlord, a letter of reference from the landlord, for situations where a customer may have been in the all bills paid environment. That was in place of a letter of reference from a previous utility. The letter of reference from another utility is the same standard, as there previously but allowed for the 12 out of 18 months of consecutive payments with that regard. If a customer is new to Austin energy and enrolls in auto pay and e-bill, we'll waif their depend and if they provide a letter -- over 65 and provide a learn confirming their account at another utility was current at the time they left they'll be eligible for a depend waiver and we've expanded the depend waiver criteria for deposit waiver for victims domestic abuse and medically inindigent and we've aligned with public utilities of Texas on that one and another area is the security deposit and we have customers on the water and electric service could tamper if service is disconnected or not existent at the property and we've added after the second meter tampering event or subsequent

event we have the regulation to allow us to charge the deposit, three times the usage over the 12 billing cycles and minimum of 400 and commercial the same, or a minimum of \$1,000. The refund is more stringent.

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They have to meet customer payment standards for up to 36 months or if they dispute the assessment of the deposit they can request an administrative hearing. Key date, went to the electric utility commission on March 19th. The Austin energy utility oversight committee, today, will go to the water wastewater commission and have it on the council agenda for April 12th so we can have it in place for the busy season, the late spring and early summer months. >> Mayor Adler: Thank you. I know this is scheduled to come back on April 12th, probably among those things I would post on the agenda -- on the bulletin board to see if there's concern or opposition to this, in which case I ask that it be postponed to the 26th but if it's something that the council feels comfortable approving, I certainly don't need to be here for the council to do that. Councilmember Houston. >> Houston: Thank you, and thank you for giving this to us so far ahead. I have appreciate the opportunities to hear it and read it and ask questions if I need to. I should be ready by the 12th. >> Mayor Adler: Councilmember alter. >>Alter: Looks like it's going to the commission, the night before so we might want to be watchful as things coming out of the commission that are raising concerns at the last minute that we may want to postpone those at that point in time. If the commission is fine, that may not be an issue. >> Mayor Adler: I agree -- >> Alter: And make sure that we have that information about the 11th, as soon as it's available for that. >> Mayor Adler: I think our general convention is that if something goes to a board

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or commission the same week as the hearing, then it doesn't come to us if there's any measure of controversy or question associated with it. >> We mentioned that one of water wastewater meetings we would bring these forth. They're aware it's coming. >> Mayor Adler: If there's issues, we put this to the 22nd, if there are no questions and the council is comfortable with it, certainly we'll proceed. >> Alter: My comments were not to suggest there were problems and we're trying to move forward on the 12th as much as we can. >> Mayor Adler: All right. Thank you very much. Item number 6, the update on the downtown cooling plant. >> Good afternoon, I'm Jim Collins. >> Mayor Adler: Your microphone. It's not on. >> Good afternoon again, I'm still Jim Collins and serving as the director for the chill water program. This briefing today is on two upcoming procurements for the construction of a third chill water plant to support our downtown system. You may recall in a prior briefing on January 2017 where we discussed the program expansion opportunities and their criticality making our council goal of 30 megawatt. At the time of that briefing, council had already approved the funding for the design of the third plant downtown. And here we are today. The design is complete. We've gone to the market,



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we've bids and responsive bids, and on April 26th, we're bringing forward two items to council, in support of that construction contract. I want it briefly go back and I think everyone understands chill water is used for air conditioning and buildings in this region and, in fact, almost half of the electricity of building use goes toward driving the air conditioning system. The district cooling is an alternate, where you have multiple buildings connected by pipes underground to a larger central system and when you gather the load that way, you create the scale that allows you to economically provide superior efficiencies thermally and electrically and provide a system that's reliable and better quality of chill water to those buildings. And facilitates the use of the thermal energy storage to create the thermal charge and deploy it the next afternoon thereby shifting electric consumption. I want to spend a little time on this slide. The value chain captures the interactions of the stakeholders with regard to the district cooling program and on the slide on the right, the shareholder identified is city council, Austin energy, on-site energy resource, the chiller program and our chill water customers and the chain starts with the city council providing social goals to Austin energy. These goals include things like environmental goal, electric demand management goals and economic development goals. Austin energy then leverages double a bonding rating and capacity to create a business of constructing

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chiller plants which provide thermal energy to outside customers. These customers, through fees and charges over the term of their service agreement provide revenue back to ae and provides the return on the capital employed and that's what financially completes that cycle and that have, there's what we consider the dividend that flows out of the chain, the addressing of the social goals like the demand management that I was focusing on earlier. Snapshot of where we were last summer. The program has connected 70 different customers to one of its three system, the largest is the downtown system, we have a system, owe main and have one at Miller redevelopment area -- Mueller redevelopment area. And in the summer, last year, we were able to deliver 17.2 mega watt to that shift of 30 mega Watts and we'll halfway there, and our goal is to add customers and systems to support those customers to drive us to that 30 mega watt goal. Looking at downtown -- I don't know if you can read it on the screen but you have the package, you can read the names of our existing 42 customers and I wanted to point out there are 12 little Orange number 1's on that map and each one of those represent a potential customer for the district cooling system. These aren't vacant lots or underutilized. They're actual projects we've talked with, expressed interest and there's still a tremendous opportunity to expand the downtown system. You'll note on the slide on the bottom, far left, is a

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little Orange sliver over there and that would be the location of this third district cooling plant for downtown. Now, drilling into the project itself, the plant's located on a piece of property named the crescent track. >> .59-acre, bounded by electric drive and nestled between the inside turn of the union pacific railroad and the gables apartments. An odd shaped piece of property, about 70 feet wide and up to 400 feet long, so it's long, thin, and curved. Creating an interesting challenge to anyone that wanted to develop this piece of property. And much of the site, three-fourths in it the capital view corridor, there's height restrictions as well. But turned out to be a perfect home for a chiller system as we needed another location to add more capacity. I have a couple of renderings here. This is looking south elevation from electric drive, again, it's a thin piece of property, that blue building is the chiller -- actually, the cooling tower structure there. >> In front of the structure, there's a public plaza. And that includes trees. Art in public places installations and benches and water fountains and etc., all designed to activate and engage pedestrian traffic along second street. The eastern elevation of the property as seen from trader Joe's, you can see the gables in the backgrounds, provides somewhat of a low profile, the railroad, the track is built at a higher elevation, our property is down -- down stream there a little bit. But again, this looking at the east elevation. To the right is the northern

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tip, that's an area that's outside of the capital view corridor and then the rest of the building being inside. This slide is the northern elevation. And I want to point out from the railroad tracks to that is little thin blue building to our building you'll see the green there, that's still railroad easement. Our building is right on that property line with the railroad and so we have a building and fire lane driveway between us and gables. And I wanted to point out that the northern elevation of our property is still undeveloped and undetailed. You can see on this rendering, the buoy underpass, the pedestrian underpass and we wanted to live that on to better coordinate with that project as it comes along. >> I think I have two short 20-second video flyover, here they go. Starting at the south, going down the western side through the cooling tower. Security gate. Other structures, there's the chiller building to the right. And then back out on there and where the buoy underpass comes through. All that have white might look like snow, might look like concrete hardscaping, that's not the case, it's an architect's model of the elevation. Let's look at the next one. Here's the other side, the east elevation starting at the north and flying by the railroad and going to the south. >> Mayor Adler: Great, thank you.

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So. >> On April 26th, we have two actions for council, one for the construction of the plant. It's a \$49 million contract or -- or a procurement. The actual contract right now as it stands is \$44.5 million. There's a constituency in the and allowances and the costs are within expectations of planning guidelines and the construction schedule is expected to be 24 months. And we are bringing to council a project that has the appropriate commissions and neighborhoods. There's a second rca on the same agenda for an amendment to some engineering and construction services to the tune of \$952,000.

That's the presentation that I have for you. Are there any other questions? >> Mayor Adler: Colleagues. Councilmember alter. >> Alter: Can you remind me how we acquired the property? >> There was -- I'm going to go back -- I might need to look at the rca, my recollection was it was city-owned property and designated to be a parking garage, economic development was going to put a parking garage in support of the sea home apartment area and turned out that the shape of the property didn't lend itself to be much of a parking garage. Not a efficient design and we, at that time, were looking for an opportunity and we were able to acquire the property in exchange for cash which economic development used to provide additional parking on the sea home property. >> Alter: Thank you. >> Mayor Adler: Anything else on this? Thank you very much.

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>> The minority women participation in this build? >> Okay, this -- the construction rca, the -- the bidder that we're bringing to council has exceeded all of the small and minority goals assigned to this project by the program. >> Mayor Adler: Thank you. >> Thanks. >> Mayor Adler: Anything else? Thank you very much. >> Thank you. >> Mayor Adler: I think that gets us to the last item. Items to discuss for future meetings. The one that I would like of to have y'all address is with respect to the permitting process. I think Rodney has set up a pretty good dashboard with met tricks that came from the community with respect to the departments' processing. I continue to hear from some parts of the community that what's the hold up in permitting that now is things that might be escaping that dashboard specifically, I heard issues with respect to Austin energy as it ties into the permitting process. And also fire department. So I'm going to make the same request with respect to that other department as well. But I would like to have a briefing on Austin energy's intersection with the permitting department. Whether there are metrics for performance on that similar to the kinds of metrics that Rodney has or different one, more appropriate, so we can respond to that concern. Also, better understanding who oversees the Austin energy component of that permitting process. And what Rodney's role is with respect to the Austin energy component of the permitting process. >> Okay. >> Mayor Adler: Councilmember alter. >> Alter: I wanted to

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reiterate what I mentioned earlier. About the energy, I and councilmember Flannigan and a couple others at a previous meeting expressed an interest in a briefing on that. >> I understand there may be work that needs to be done and may not be the next meeting but wanted to make sure that the next several months we have an briefing on the state of dispatchable energy, if I'm calling it the wrong thing, you know what I'm talking about. >> Dispatchable renewable resources. Looking for a presentation from Austin energy or someone else? >> Mayor Adler: And so I better understand, what is the topic? >> Mr. Robbins has expressed an interest and I met with him and agree with the interest level in dispatchable resources and our usual resources increase -- you know on that, there's a request about having a third party come and speak as well and I don't know exactly how we want to

operationalize that as an opportunity either in this meeting or another meeting. But I would be willing to talk with you private, what I would like to see and that might be a good place to start, meet with council offices more intentional on this item and make sure that we do reflects the desires of the council. >> Mayor Adler: Do that directly with Jackie and get something on the agenda that meets that goal. Anything else? Carey, again, I want to thank you for participating in these meetings with us. And you've been do a lot of these, we get this monthly -- the dashboard report. At one of these meetings and the next one or one after that, I sure would love for you to just take three or

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four minutes to say publicly, what it is that you look at this. What are the things -- you know, just -- at a high level where you key in on these things and what kind of things you look for, that would be helpful. >> I'd be happy to do that. >> Mayor Adler: Thank you. Anything else. All right, it's 2:54 and this meeting is adjourned. Jackie, thank you. >> Thank you. [Adjourn]