

Austin Energy Utility Oversight Committee Meeting

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[1:37:27 PM]

>> Pool: So everybody knows and I appreciate you waiting, I'm pretty sure we'll have six people here, but there's a lot of travel going on and other things keeping people from being here. Glad to have our euc chair here today, and I see councilmember Houston and councilmember Garza and me, and I think councilmember troxclair is out in the hall if we can get one or two more folks we'll be able to start. Good. And --

>> She's entering cautiously.

>> Pool: I think councilmember Casar was coming? Okay. So that would be the sixth. Ms. Sargent is there anything you want to get started on that we can do before we have a quorum? I know we have master plan just reports today, is that right? Did you have some of your staff that you wanted to acknowledge? Why don't we take that up... And welcome. And then I'll do a formal convening as soon as I have two more councilmembers.

>> Fantastic. I'm Jackie Sargent, the general manager of Austin

and today at our utility oversight committee meeting I am going to use the employee recognition portion of my report to recognize our employees that we have working in our utility contact center. Do we have the slide for that that we could bring up, please? Thank you. The utility contact center has continued to show year over year improvements in reduction of wait time for our customers. And actually in fiscal year 2018 our service levels improved, meeting or exceeding our target for most months of the year and wait times to get a representative averaged just under 40 seconds. These improved service levels are also reflected in our jd powers associates surveys results which have shown significant improvement over the past two years.

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Some of the comments that we've received through the survey demonstrate this, including better customer service, less time on hold to speak to a rep, resolving issues with a single contact, following up on time and as promised. Other comments, great prices, and have great customer service. Every time we have called we have had someone pick up the tonight without having to wait forever to reach an actual person to talk to. We have a few of the representatives from our contact center with us in the audience today. Their names are shown up here on the slide. The names of their supervisors are also listed on the screen. And I would like to ask all of the utility contact center staff to please stand that are here in attendance today to please stand and be recognized.

[Applause] Do you want me to continue?

>> Pool: Yeah. I think we're just shy one. So we should be able to convene shortly. Mr. Casar will be here.

>> I wanted to share with you that a couple of weeks ago, and this would be slide 8, I believe. A couple of weeks ago Austin energy joined with other utilities across the country to celebrate public power week. To celebrate that a took a few minutes to share on social media how I gravitated to Austin energy where the focus is on the customers instead of shareholder earnings. Austin energy is much better aligned with my values and to what's important with me. Being here in Austin is a great opportunity. I really believe I'm a public servant and I believe that we are bringing value to our customers and to our community. As part of a giving back to the community during public power week, we teamed up with the central Texas food bank to package and distribute 50,000 led bulbs for low income families.

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And I want to thank our volunteers who helped make that event a success. And they're pictured on this screen.

>> Pool: Great.

>> Would you like me to continue working backwards on the agenda? We can touch base with our -- go through our innovation update.

>> Pool: Okay.

>> So this month's innovation spotlight is our advanced distribution management system or sdms. Our ads deployment went live in 2014 and is one of the first of its kind in the world to combine young management, distribution supervisor control and data acquisition and advanced distribution system applications into one single platform. This platform is key to enhancing our customers' experience while significantly improving our operational efficiencies and capabilities. I have asked art Gonzalez, principal engineer response for ads to provide with you a live demo to further highlight this technology. So I'm going to turn it over to art and thank you for being here.

>> Pool: Welcome, Mr. Gonzalez and go ahead and introduce yourself.

>> I'm art Gonzalez, a principal engineer here at Austin energy. I've been involved with ads since we first started a project to get it put in. Let me jump right into it here. So as Jackie said, it's really three pieces of software that's combined into one user interface. We're in the process of going through an upgrade. It's really a powerful piece of technology that's has centralized intelligence that gives us a lot of information about, you know, our distribution system and the state of it right now.

[1:43:37 PM]

So right now if you look on the screen here this is a geographic map of our system. This is live. This is what our operators in our control room are looking at. These -- this system is indicating where our outages are and where our crews are so the control center uses this to track where our crews are and where our outages are. It's integrated to a lot of different components. One of them being our call-taking application. So what tip can include happens during an outage is a customer calls in, those calls get fed into the system and the system will group those calls together to determine a predicted outage device. Then the dispatcher will call up field crews and send field crews to that outage device to respond to that outage. They'll work that outage in the system. It comes up in our system known as an incident, and they'll go through that incident by assigning a crew crew. Once a crew gets out there they'll report back that it's been restored and the system tracks all that. It not only tracks our outages, but it also tracks if there's maintenance work that's going on, you know, where those crews are located. So that's the outage management component of the system, but it's so much more than that. So as I zoom in here you start to see some of our infrastructure, power lines and equipment. These colored lines are feeders. And if I zoom in close enough, you can even see what are little light bulb symbols, where customers are. So this is more than just a mapping software, right? This is actually an electrical model of our system. And so there's attributes associated with those devices and that means we can run analysis on our system and we can estimate what low flow is throughout our system at any given time and use that information to do things like an operator who is performing actions in a system like switching a circuit around, they would give validations that would indicate to them if the action they are going to do is Goin to cause an issue.

[1:46:03 PM]

Like overloading a piece of equipment, the system is smart enough to give us recommendations on how we should do switching, smart enough to do those actions on its own. We also have an application called [inaudible] And the system is automatically controlling certain feeders. It's voltage and bar flow for the purpose of saving energy. It also improves power quality because it looks at vote voltage along our system and tries to maintain voltage within a certain constraint we set up. It's doing this all autonomously by itself, so the system is very, very powerful and it's something that we -- it's our platform for our automation and for us to deploy new technology on. So it's -- it's very, very incredible. This background here, right, if I -- let me see. What I'm doing right now is I'm selecting an attribute in low know so you can see just -- low flow so you can see visually how low flow looks in our system. We

also have this integrated to smart meters meaning we don't have to wait for a customer call to know when we have an outage. The meters will let us know whenever we have an outage, and we respond even before we have a customer call. We also have the ability to ping meters and check voltages remotely so officers can select any of the service locations and check the voltage on those meters by some of the integrations that we have. We also use that functionality for verification of our estimates. We check voltage to compare it to what estimated voltage are. So there's a lot of functionality here in the system that gives us visibility into our system and allows us to monitor and control our system.

[1:48:14 PM]

>> Do you have any questions for Mr. Gonzalez?

>> Pool: Any have any? That's pretty cool. Councilmember alter.

>> Alter: I just wanted to clarify this is remote so you guys are able to -- you don't even have to be at Austin energy to be looking at it. Folks can be out in the field and have access.

>> Our control room operators or the individuals that operate this and they operate it from a control room, but controlling staff that support that group, we have the ability to remote into that system. We do have remote capability.

>> Alter: You said this is not a system most utilities have at this point in time?

>> Adms systems are relatively new. Most utilities have outage monitors so yeah, it's relatively new.

>> Alter: So are other cities in Texas benefiting from this same --

>> A lot of utilities are looking into going this route and trying to implement something like this.

>> Alter: So our municipal utility is ahead of the curve?

>> Oh, yes.

>> That's one of the reasons we like to highlight an innovation item because it's your support and involvement in our facility that allows us to adopt this maybe earlier than others and we appreciate that support. Thank you for all you do to help us be an innovative utility and be recognized not only in our country but globally for these efforts.

>> Pool: I'm going to convene the meeting because we now have a quorum.

>> [Inaudible]

>> Pool: Okay.

>> Thank you very much. Appreciate you being here.

>> I'm sorry, chair. I had a question.

>> Pool: Councilmember Houston.

>> Houston: There was some little red squares and green things and I don't know what those were.

[1:50:15 PM]

>> Sure. So the symbols that we're looking at, the green boxes are transformers. Those are the transformers that might sit outside somebody's house. The dashed lines are conductors. The fact it's dashed indicates it's underground. And the red squares are an indication of a break point. So if somebody wanted to work on the dashed line, the conductor, the operators have the ability to isolate that piece of wire by going to those red dots and opening them to indicate there's an isolated conductor.

>> Houston: So what would it look like if there was an outage?

>> Let me go to one here. You can see. These are the current outage necessary our system and -- outages in our system and I'll pick one. This is actually a customer that's -- you can see that it's white. That white indication shows us deenergized. The triangle indicates that it's an incident and that we are aware of it. This X indicates that we have a customer call that they don't have any power. And so this is what an outage looks like in our system.

>> Houston: And the people in this room watching this, they are 24/7?

>> They are.

>> Houston: Okay. I had an opportunity to go tour that site and it's pretty remarkable to see what's going on in there.

>> It's very impressive.

>> Houston: Thank you so much.

>> Thank you, art.

>> Pool: Any other questions for Mr. Gonzalez? Mr. Renteria.

>> Renteria: I would just like to make a comment that I want to thank Jackie for for -- we had a first day of early voting at Zaragosa park. One of the crew that was building a new playground there accidentally hit and shorted out one of the transformers.

[1:52:17 PM]

And there was a huge line there of people that couldn't vote and so I called Jackie up and said if she could respond. They brought it back up in an hour and a half so I really want to thank you and also the rec center, the election, early voting election. Thank you.

>> That was my team and I will actually add military that I was out of -- admit I was out of town at an American power association board of directors meeting and able to relay that message with the technology we have back to our vice president of electric service delivery, and Dan reached out to his team and the people that have this great technology, they were able to get right on that and get that power restored. While also working with all of our other customer issues.

>> Renteria: Thank you.

>> Pool: That's sure good news. Yeah. Do we know what happened to councilmember troxclair?

>> I asked her office

[inaudible]

>> Pool: Okay. She's in the room.

>> I have one other update on a project that I could do. And let's see if you bring that item back up, I'll try to find the slide. I want to talk to you about an ongoing program that we have. This committee actually received a briefing about the moonlight tower restoration program back at your February meeting. And the moonlight towers were erected in 1894 to serve as street lighting at night. They became a Texas state landmark in 1970 and were added to the U.S. National register of historic places in 1976. I'd like to know that Austin is the only city in the world that still has moonlight towers in operation. The restoration program was approved by council in 2014 and it includes removing, so taking down, dismantling, sandblasting, painting the moonlight tower components. The towers are retrofitted with led lighting and updated hardware before they are reinstalled.

[1:54:24 PM]

So far we have been able to reinstall five of the towers. We are at a point where we are now running out of these parts. Due to the difficulty of finding a manufacturer of this history parts, we are working with the Texas historic commission to obtain approval for using nonoriginal fabricated parts because we want to maintain that historical acknowledgment. A few towers have also been removed for building construction and are unlikely to go back in their original location since they would be reinstalled now next to incompatible buildings such as highrise condos. And we are working with the parks department to find areas where we might be able to relocate these towers to. But any relocations would have to be approved by the Texas historical commission and the city of Austin historic preservation office, and we will need their support. We'll continue to update you on the ongoing progress as this project moves forward. So just wanted to acknowledge that and, again, acknowledge your support for preserving these historical landmarks. Much appreciated.

>> Pool: Any questions about our moonlight towers? Council member Houston.

>> Houston: People really recognize them. I think we have about eight or nine in district 1. I can't remember the exact -- it's a lot. And when they are gone, people call and say what happened to our tower. And then they call and say when is it coming back, and so the one on mlk and Chicon took a little longer and we just got the one on 11th treat and waller restart and everybody is happy their towers are

back. They really are incredibly interesting and iconic for the people who not only live there but for our visitors.

>> I would like to recognize councilmember Houston because of her outreach to my office, we actually started a program to do signage and to inform neighborhoods of when that work was being done to try to help.

[1:56:33 PM]

Also promote the program and historical value, but also to help with that communication with residents. So thank you for reaching out to us.

>> Pool: Well, we have a quorum here and I'll go ahead and convene us officially. So I'm Leslie pool, chair of the Austin energy utility oversight committee. It is Wednesday, October 24. It is just before 2:00, about 1:57 in the afternoon. We're at Austin city hall, downtown Austin, and we have a quorum with councilmembers Renteria, Houston, troxclair, alter, Garza and pool. And the euc chair has also joined us. We have gone through a couple of the items that were on the agenda that were purely informational and as I call this meeting to order, I would like to see if the three people from the community who have signed up to speak, if they are here. I see Mr. Robbins. Is Mr. Arndt here? And Mr. Mack Donna. You have three minutes and I think the gentleman over there will be -- at the monitors will help with the timer for three minutes. Welcome, Mr. Robbins.

>> Is this on?

>> Pool: Now it is.

>> Council, back in the 1950s and '60s, it was common for electric utilities in the united States to promote all-electric buildings. Using the cute ready kilowatt logo, Americans were sold the promise of clean, cheap energy. Given that after World War II many homes were still using wood or coal for heating, all-electric homes had an appeal. And it was common for electric utilities to give financial incentives for homes to hook up to this new source of heat.

[1:58:38 PM]

These energy companies wanted to expand their sales and market share. And now I'm not sure if Austin energy gave rebates to builders, but it did subsidize electric rates until the 1980s. Since then, I do not believe Austin energy promote all-electric buildings aggressively. Today Austin is one of the few cities in Texas that promotes fuel use that is the most energy efficient, so it may come as sad news to you, under the guise of energy conservation, Texas gas service is awarding as much as \$1,600 per new home for customers to choose gas over electricity for heating fuel. That is space heat, water heat and clothes drying. Depending on how you analyze it, most or all of this money is not cost effective. It saves gas more than it costs to purchase it. Yet this stealth marketing -- stealth marketing budget will cost Austin

gas ratepayers about \$3.3 million over the next three years. Austin energy has no such budget to promote all-electric buildings. Also remember that Texas gas service does not charge full capital recovery fees for new hookups while Austin energy does. These are two ways that Austin gas payers are subsidizing the gas company's marketing efforts to the disadvantage of the utility that you manage. When you add up all the money that Texas gas service will be spending on conservation programs that are either not cost effective or used for the marketing of new homes, it adds up to \$4.5 million over three years for Austin customers. Sometime in the next three months I will be appealing the so-called gas conservation rate. I hope you will deny the parts of that rate that are imprudent.

[2:00:44 PM]

Thank you.

>> Pool: Thank you, Mr. Robbins. Right now I'll entertain a motion to accept the minutes from our last meeting, and councilmember Garza makes that motion. Is there a second? Councilmember troxclair or Houston? Thank you. Any changes or amendments to the minutes? All in favor of approving? That's unanimous on the dais. Councilmembers Houston, troxclair, alter, Garza, pool and Renteria, with the others off the dais. Okay. So that's item number 1. Item number 2, and general manager, did we finish with the general manager's briefing?

>> Thank you, madame chair. I have a couple other items that I want to go over and then following my report Cleo is here, vice president of strategy, technology and market operations. He's going to provide you with a presentation on the ERCOT market. We'll go back to the beginning. On my agenda today, right now what I have left is to talk to you about some items that are going to be coming forward for your approval. The first item I'm going to brief you on is an item that includes two multi-term contracts with Brad Norton and Ronald Johnson to provide impartial hearing officer services for up to five years for an amount not to exceed \$1 million. Austin energy manages these contracts; however, hearings may relate to a wide range of issues including but not limited to water and wastewater services, solid waste services and red light camera offenses. These contracts replace existing contracts that expire in September of 2019. However, due to the unanticipated increase in the number of hearings requested by the public related to water and electric consumption and short-term rentals, it is expected to be exhausted by the end of this December 2018.

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The next item is a professional services agreement with Stanley consultants to provide engineering service for service delivery in amount not to exceed \$7.5 million. The secretary firm will perform multiple work assignments, producing transmission and substation packages as well as providing engineering, technical and drafting personnel to augment Austin energy staff. This contract will help us to keep up with requested customer connections and new development in Austin by providing more support for our design staff. The next is a cooperative contract with Syros computer solutions to provide

veritas net backup products and services for a term of three years in amount not to exceed \$3.7 million. Veritas net backup is used to ensure that all data is backed up and can be restored in a reliable and efficient manner to meet retention policies and remain in compliance with the North American electric reliability corporation. Standards we have to abide by. Data recoverability is necessary in case of technology failure or human error and also provides another layer of security against cyber threats. I'll wrap up this section by mentioning a procurement with contract haulers for a total contract amount not to exceed \$2.5 million. The contract will provide Austin stilt with collection services for inactive or delinquent utility accounts and age death at the tertiary.

[2:04:50 PM]

We have 175,000 accounts totaling \$13 million. Contractors earn a commission based on the debt collected so the contract expenditures are solely dependent on successful collections. So we don't make any payments unless there are collections that are made. And so, madame chair, this wraps up my portion of the presentation. If there's any questions, I'll be happy to address those.

>> Pool: Questions? Councilmember Houston.

>> Houston: Go back to the short-term rentals and I'm not sure I caught that.

>> So we provide contract support for hearings examiners to listen to cases of appeals that are brought forward, so if someone has a question or is wanting to appeal a decision that's been made with regard to their short-term rental, these are the same hearings examiners that listen to those claims or those cases as those that listen to if we have concerns with regard to utility bills. This spans a whole broad list of hearings that the city hears or takes cases to help make decisions on when customers or constituents have concerns.

>> Houston: So the hearings officers are citywide for more than just the utility?

>> That's correct.

>> Houston: Company. Okay.

>> Pool: Great. Any other questions? Thank you.

>> All right. I'll turn it over to kahlil.

>> Pool: For a financial report.

>> Good afternoon, council. Good afternoon, council. My name is kahlil shallowby, vice president of strategy and markets operations. And I'm here to present on what happened in the ERCOT wholesale market over the summer.

[2:06:56 PM]

Leading up into the summer, Erika, the director of energy market operations, came and presented to you that we are seeing high forward prices that were not the norm that we had seen in the previous years. And we wanted to alert you that we could see high market prices leading into the summer. So this is sort of the post- script and reporting back on that. The reason we're doing this is because the prices in the market, unlike our base rates which may change on a five-year sort of interval through a rate case, these prices can be reflected not necessarily will be, but can be reflected in next year's budget. We pass them through during the budget. So if we were to see higher costs for our customers, those would be reflected in the budget and it's good for you folks to see that happening ahead of time. I'm happy to report that we actually performed quite well this summer and we don't expect to see those costs translating to the customer. I'll talk about the summer months, what were the weather's effects on demand, where did summer 2018 prices end up. How did generation perform in the summer market. I'm talking both about renewable generation and thermal generation. What was the net impact to our customers. And what do we expect in the future. So this is a chart of prices, and we call these forward prices. Leading up into the summer. So what I'm showing is the prices that we saw last spring heading into the summer and how the market was trading.

[2:08:59 PM]

That's an indication for us as what is the market feeling about where prices are going to go into the summer. So this is essentially what Ms. Beersback presented going into this and why we were a little worried about the summer coming up. So the first thing we saw was that on October 8th, so this is last fall, we saw that one coal plant retired for 1800 megawatts of capacity. In relative terms, ERCOT is about the 70,000, so gives you a feel for how much 1800 megawatts is. On October 13th we had another 2300 megawatts capacity. These are the prices over the next two Summers that we saw. So the first hump that you see is actually the summer that passed, but we are looking at it from last year, right? And the next hump is actually next year's summer. But right now we're looking at it like we were last year. And then what happened is ERCOT issued a report that they issue every year called the capacity demand reserve report, and it showed low reserves in the market so the market reacted and prices went up again. On January 23, so now we're in this year, we saw some \$9,000 prices for the first time ever in this market. We saw two spikes. So that became real for folks. They are like oh, we can really see those high prices. It's been a cap of market pricing, it's been, you know, we always knew it could get there, but this is the first time we actually saw it, and this was in the winter. On March 1st, ERCOT issued another report called the seasonal assessment and resource adequacy report, and that showed some really tight reserves, 6% is very tight, and the market really reacted at that point. On March 30th, folks in the market started to see these high prices and start to bring some power plants back from mothball status.

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Unfortunately that really didn't have an effect on the market at that point. And then on May 24th, August 19th, we saw a price that peaked about \$257. We hadn't seen that in a very long time as far as a

forward price. The next dashed line, October 1st, that is what we're seeing right now. This is this October 1st for next summer. So, you know, what we saw last year as far as next year's summer is still in effect. So people still feel that we're going to see the prices next summer that we had forecasted previously. It's not as high as what they had forecasted for this summer, not really forecasted, what people thought would be trading as far as forward pricing, but this is still high. So we expect to be seeing these high forward prices going into the future. Okay, so what did we actually see? First of all, this was a hot summer. It was the fifth hottest summer on record in Texas. And heat does drive demand still in Texas. So we did see an all-time use system peak in July of 73,308 thousand megawatts. If you look at the fairly complex chart in the green there on top, the shaded in green is 2011. That was the hottest summer that we had seen. So it's essentially kind of a marker for where the heat can go. And as you can see, July of this year, which is the blue line, was even hotter than then. Prices then tempered in August, July was really hot and it tempered off in August. But we did see both temperature and demand rise in the ERCOT market. The bottom chart shows a little bit of history as to demand, megawatt demand.

[2:13:13 PM]

As you can see, demand in June rose progressively over the past three years. In July it rose progressively over the last three years. We had that cooler August last year and this year so it actually kind of went the other way, but we did have a cooler August. But June and July we did see a lot of that demand which should really translate into pricing and sometimes that translates into costs to our customers. So we wanted to show visually what the prices look like so we created this fairly complex chart. But if you bear with me, it shows a little bit of history visually as to where prices went. So the top chart is what's called a distribution. And the bottom axis is the price. You see 20, 40, 60, 80. As you go to the right, prices go up. So the nonshaded parts are all prices that we saw in the past. So it's 2015, 2016, 2017, those are red, green and orange. As you can see they are bunched around the \$20 mark. That's where the average was. And when you look at the prices for this summer, you see that the whole area of the curve kind of moved. It got a little wider and moved so the average pricing was significantly higher than what we've seen in the past three years. So we actually did see higher pricing in the market and higher costs for energy in the market. The lower charts, and I'm not going to go through these the lower charts are also distributions that show how much of each price range we saw. What you see in the blue is we saw a little more peaky prices in the higher price range from 50-75, 75-100, 100-500. So we actually -- the hot summer, the higher week demand did translate into higher pricing. It didn't really translate into the pricing we had predicted.

[2:15:16 PM]

So why is that? Well, it's a tale of two stories. This is kind of the story of the market that we're seeing. We're seeing all these renewables come on line and the thermal units as well, and they both have a role to play in the market right now. On the left-hand side, one of the reasons we didn't see the pricing is that renewables came in much stronger than last year. That was a combination of wind and solar

available and also the bills that we're seeing year on year. So if you look at the blue versus the black lines, as you go from hours 1 through 24, you'll see that the blue line is higher than the black line, and that's the amount of wind that you see in the market. Interestingly, because we've seen so much solar come on line, you see in those middle hours between 8 o'clock and 1800, you see the hashed part of the lines, that's solar coming in. So we're seeing a lot more solar come into the market. Wind and solar, for the most part, bids in at a marginal price of zero. So when they come in, they have a tempering effect on prices. And also you have more supply in the market and that tempers prices as well. So renewables came in stronger than last year. The other thing that happened, as folks saw all this high pricing, if you own a thermal unit in the market, that's a chance for you to make money. So we -- ERCOT had predicted that we would have 4300 megawatts worth of outages, but the market responded and we only had 2400 megawatts worth of outages. The market responded, saw the prices and we only had half the amount of thermal outages that we expected. So the combination of those two things kind of tempered the pricing in the market. Regardless of this tempering, we did see higher cost. So the next chart really shows what happened to Austin energy and Austin energy's customers.

[2:17:21 PM]

This is the cost of load. Remember -- you know, every time I come and talk about the market, we talk about we buy everything in the market, then everything we generate, we sell back in the market, and the difference of the two is what the customers see on the bill. So this is what we bought in the market on behalf of our customers. And in 2018, this past summer, the summer -- our summer cost for the load was \$171 million. Compare that to the past few years which was in sort of the \$120 million range, we saw \$50 million of an increase in the cost of electricity that we brought to our customers. Thankfully, our generation came in and providing us revenue, and the amount of revenue that our generation gave back to us was almost equivalent to the increase in cost for the load. So they almost completely netted out, you know, the increase in cost that we saw. So the net effect, if you subtract yellow from red, our customers saw the same exact cost last year as they will see this year from the summer. That was the net effect of what happened. What do we see in the future? We continue to see strong demand in Austin and in Texas, so we will continue to see increase in both peak demand and overall demand, and the chart on the right, that's what's happening in the market. In the bars, the black part is what's actually installed. The blue bar is what's planned to be built, and the Orange line is demand. So if you go out into the future, you do see that we're going to have to depend on a lot of this planned build in order to maintain what we call our reserve margin. So we expect these higher prices to be with us over the next few Summers. With that, I'm ready to take any questions.

[2:19:27 PM]

>> Pool: Mr. Shallby, thank you. Do you also think the production will be the same this year?

>> That's my hope. We are retiring decker in 2020 and 2021. We are retiring the fayette powerpoint in 2023. Those are strong performers over the summer so we'll have to figure out a different paradigm to protect our customers after those dates.

>> Pool: Okay. What questions do folks have? It was a good report. Thank you.

>> Sorry. I just wanted to make sure I've got this. Essentially, what happened was, our generation fleet turned out to be the perfect edge this summer. It basically kept our cost, net costs, stable, even when the rest of the market was going up.

>> That's correct. And our generation fleet is composed of both renewable and thermal assets, so all those came into play as revenue back to our customers.

>> Okay. So as we change our generation fleet, we have to be able to project into the future whether we can continue to maintain that edge.

>> That's correct. It may not be through thermal assets that are in Austin. That's part of how we solve this puzzle. So we'll have to use other tools. There's financial hedging tools. Those tend to come with a different cost profile and can be costly. You know, we are building more renewables in Dr in the market. We won't be able to replace 800 megawatts, for example, decker in the next two years, we announced the 144 megawatts of local solar. That's going to come in at peak. That's part of the equation, is putting in that solar. The issue is timing. The issue is, reretiring quite a bit very soon, and it takes time to build, you know, whatever assets that we're going to need in order to protect our customers.

[2:21:27 PM]

So that issue is timing.

>> Okay. So we're retiring assets faster than we can put them on and we're going to have to walk a tight wire for a while to make sure we hedge necessarily.

>> That's correct.

>> Okay.

>> Pool: Well, I also think we don't want to back away fromtiring in thermal, you're using the term thermal? Are you meaning those are the coal-fired power plants?

>> Yeah. It's sort of a general term to get both coal, gas, and nuclear all under one belt, yeah.

>> Pool: Okay. I would just say that even if we had this happening -- I'm glad we're looking at it this far in advance because I don't want to walk away or push out any further, retiring those plants. In fact, there's a significant advocacy in our city, as we all know, to get those plants offline sooner. But '21 for decker as you pointed out, and '23 for fayette.

>> By no means is this presentation in any way an attempt to advocate for extending those timelines, but it is -- it is a way to show council that there are risks with all our actions that we take with

generation, whether it's building new or retiring, there's always risks. So I think it's incumbent upon us to show those risks. But this is not, you know, any sort of appeal not to retire decker.

>> Pool: Of course. But I'm glad you're bringing it to us so we can see what's ahead of us with this much clarity. It may be, with the good folks on the electric utilization in working with our staff, we can come up with some ways to make sure that hedge is built in as robustly as it was for this year, certainly.

>> Yeah. And you bring up a good point. We have a planning process, the generation planning process. It'll happen towards the end of 2019, and this is where we bring in folks from the commission and other community members to sort of solve this problem together.

[2:23:28 PM]

>> Pool: Yeah. Anybody else? Yes. Mayor.

>> Mayor Adler: So I understand, back on page 6, you were talking about why the prices were lower this summer than anticipated.

>> Yeah.

>> Mayor Adler: One of the first reasons you gave was because of the performance of the renewable generation portfolio in the state?

>> That's correct.

>> Mayor Adler: Will the state officials recognize that -- the reason that prices were low statewide was because of the renewable generation that the state's --

>> I can't speak on behalf of the state, but these charts were lifted from ERCOT, which is, you know -- these are market reports, so they're available to everybody. We didn't come up with these charts.

>> Mayor Adler: And then is different parts of the state or different power companies are contributing different amounts of renewable energy generation into the ERCOT portfolio. Does Austin contribute more than is reflected by the 7% of our population?

>> Yes. I think we are -- as a percent of both our load and generation, we probably have the most in ERCOT. But a lot of non-utility players are actually bringing in renewables, which is kind of an interesting dynamic, in that a lot of corporations that are outside the state of Texas pay for a building, renewable plants in Texas because it's probably the best place in the United States to build renewables, both solar and wind, in order to green up their portfolio from a corporate point of view. So most of the renewables that came in last year came in because of corporates.

>> Mayor Adler: Okay. So it would be helpful for me, in talking to folks at the state level, would be the simplest way to be able to make the case to someone, that the expansion of the renewability -- renewables and the generation as one of the reasons why we had lower power cost this summer for customers and bill-payers across the state, because there's still the perception among some people at a statewide level that Austin's effort into renewable energy is costing the state.

[2:25:51 PM]

So being able to make that argument. Then second, to the degree it's possible to make the argument we're fighting above our weight and that Austin's stepping out in that as disproportionate -- Austin's disproportionately contributing to that impact, if there's a simple way to be able to make that argument, help me with those two things in talking to state folks, I'd appreciate it.

>> We'd be glad to help, yes.

>> Mayor Adler: Thank you.

>> Pool: Any other questions? I want to ask about capacity, if you could -- if you could let us know the capacity on fayette, decker, and sand hill, the coal and natural gas plants we have for the summertime. Do you happen to have those?

>> How big decker is?

>> Pool: The capacity factor, how much was run.

>> I haven't looked at decker recently but it's fairly low for decker, and fayette has been economic, so it's running at a fairly healthy capacity factor. I can get you the exact numbers. I don't have them on me.

>> Pool: Okay. That would be great. And then what does Austin energy plan to do to ramp up the use of fayette -- I'm sorry -- to ramp down the use of fayette between now and the end of 2022?

>> We're looking at some scenarios relative to that. Right now we just bid it in at its marginal cost, when it's economic, we bid it in, and that's part of the reason we were able to maintain net cost to our customers the same. But Ms. Sargent did ask us to run some scenarios around how can we maybe ramp that down a little bit.

>> Pool: Okay. That would be good. And if you could be sure to run those through the electric utility commission as well so they're well informed --

>> Yeah. They have a working group around that, already formed.

>> Pool: Good. Okay. Well, I look forward to getting that input as well. Anybody else?

[2:27:55 PM]

Yes, councilmember Houston.

>> Houston: Thank you as always for providing this information in ways that most lay people can understand. And I want to be clear that I, too, want to make sure that we commit -- are committed to our goals. But I also know that customers like to have that hedge with fayette and decker so that we can use it to make sure that their costs don't go up. And sometimes we have a goal and a vision that impacts

negatively the customers who are going to have to pay if we don't have those options available. So that's a juggling act that you all will work on, I think, between now and that time, but it's important for the people that I represent to make sure that we have that hedge. And if it means keeping it open for another year, till the pricing comes down or till the global change -- the global warming stops or whatever we want to call that phenomenon that we're living through, because people -- people get really upset when -- because we have a goal that they perhaps don't understand, and are not part of that decision making, and all of a sudden we close both fayette and decker, and then their prices go up, then we need to be able to really justify that to the people that are paying the bills.

>> Yeah. And part of this is kind of working through all those trade-offs and making sure that our customers are protected. I mean, and the puzzle has many different pieces. We do a lot of energy efficiency for our customers, so like we've shown some charts, our bills to our customers are the second lowest in the state, even though we're -- we are a sizable city. So there's many tools. We're looking at demand response where we can drop customer load. We have to agree to that. When prices are high, this way, we don't buy as much in the market.

[2:29:58 PM]

There's a lot of tools to us, but it is a risk. You're right, coming on two years. So that's why we like to bring it to you so you know we're working on these things and hopefully we can solve them, and when we do bring solutions, the solutions are in context of, you know, both what's happening in the market and our goals that we have to achieve.

>> Houston: Thank you.

>> Pool: Councilmember alter.

>> Alter: I just want to do thank you for the presentation and for clarifying for us some of the risks we need to be mindful and some of the ways we've hedged that in the past. I just wanted to point out one could equally conclude we can invest more in renewables than we can keep the thermal open. The point of the presentation, as I understood it, was to show us there are these offsetting elements of our mix and they're planning for these things and there may be decisions before us that impact the ability to address the hedging needs in the future.

>> Pool: I wanted to thank the mayor pro tem for making it. I know that you've had a pretty busy schedule today, so thanks. I think we're up to seven folks here now. I did want to also note, on one of these charts, it shows how much production out of wind versus the solar, and I was using the fairly unsophisticated kind of measurer that we get lots of wind at night and not so much during the day and we get lots of solar during the day and not so much at night, but it looks like the wind is fairly consistent throughout. I mean, I do see there's dips when the day heats up and everything, but the wind doesn't stop.

>> It doesn't stop.

>> Pool: In the same ways that the sun goes down.

>> This is actually a good profile because it's -- you know, 1 through 24 hours. It shows that the wind during the middle of the day temps down, but also shows solar comes up. So they're sort of offsetting resources.

>> Pool: Right.

>> That's why it's good to have both. You know, right now, a lot of the -- because we have a lot of wind, a lot of the builds in ERCOT are solar.

[2:32:05 PM]

We're seeing a lot of solar proposals come online. So hopefully that can fill in some of the middle part of the day. And that's where you typically see a lot of pricing. Not necessarily always. You know, we've seen pricing early in the morning because it's really cold, but typically, you would see those high prices in the middle of the day, and solar can help there.

>> Pool: Right. And that works well, too, with our generation plan where we hope to be purchasing additional megawatts of solar. All right. Does anybody -- yes.

>> Mayor Adler: Just a follow-up question on something that the chair asked. There have been some questions in the community about how much we've been running the coal plant during the summer. And you addressed that briefly. And I had asked you about that before and you gave an explanation about we bid in the price of all of our assets at what the marginal cost is to run them, and then ERCOT, the state, then tells us which plants to run. Is that right? Would you explain that? I may have explained it wrong. That's why I want you to explain it.

>> Well, we bid in our marginal costs, that's just the way the market works, is the next marginal unit is bid in, and then ERCOT dispatches that unit that's bid in at that price. So we just look at what the price in the market is and what the marginal cost of the unit is, and if essentially we're going to make money at that point, we bid in that price, and then we get struck by ERCOT at that price.

>> Mayor Adler: And does everybody bid in their units at what the marginal cost it?

>> That's the hope, yes.

>> Mayor Adler: Okay. Thank you.

>> Pool: Councilmember Renteria.

>> Renteria: So are we still -- did the federal government have any plans on eliminating the tax credits for solar?

>> Right now, there's a -- there's a sunset for the tax credits, and there's no active legislation to extend those tax cuts.

[2:34:10 PM]

But typically what's happened is sort of at the last minute, in the budget process, that -- those tax provisions are extended. We haven't seen that yet, and we've seen already some stepdowns in the tax cut. That's one of the reasons that a lot of renewable projects are coming in quite cheap, is folks are kind of rushing in to take advantage of the tax cuts of the but today we've always seen them extended, but I can't sort of predict tax legislation.

>> Renteria: When is it due to sunset?

>> Oh, so it steps down every couple of years, and I think we just saw the first stepdown, but I forget which the next two stepdowns -- they're coming up, I think, around 2020.

>> Renteria: 2020.

>> Yeah.

>> Renteria: I'd be interested in learning --

>> I'll get you the actual stepdowns. I have a slide on that, those presentations.

>> Pool: Anybody else?

>> Just for what it's worth, one of the nice things is, the cost of building solar resources has dropped precipitously over recent years, and as that price comes down, the impact of the tax credit is less important. I mean, it's obviously everybody who's building would like to have a tax credit rather than not have it, but as the price in general is coming down, having that tax credit is less and less a factor of whether or not you can make money with it.

>> Renteria: And the tariff hasn't affected that at all?

>> You know, it's really hard to -- you probably have as good a handle on the tariff issue.

-

- they would normally have an effect, people bought them in parts and built them here or bought them early, but anytime some law gets past, people are going to react in a certain way and they've reacted in a way that have kept these bids very, very cheap and very -- so solar is very cheap right now.

[2:36:19 PM]

That's evidenced in the 144-megawatt project we just brought to you.

>> Renteria: That's good news then.

>> Yeah.

>> Renteria: Thank you.

>> Pool: Any other questions? I think we may be done with this item. Councilmember troxclair, did you have anything?

>> Troxclair: No.

>> Pool: Okay. General manager -- 4:00, Mr. Shallowby. Very much. I think we are down to the last item, item 5. Items to discuss at future meetings. General manager, was there anything else that we needed to go over? I know we're going to be looking at dates for the meetings for next year. If you could bring those to me to review, and then we'll have them on our agenda for our last meeting, which I think we've had some shifting around. I'm sorry to report. Sounds like our meeting in November is being bumped for a project connect meeting which -- is that right?

>> That's my understanding.

>> Pool: Yeah. And then we were having difficulty finding time when councilmembers were available to reconvene the first part of December, which is probably why project connect wanted to take that November date, because we were already all here. And I just want to state for the record, I don't want to have to cede priority and importance of this meeting to another meeting, a joint meeting with another entity that's being brought at short notice. I just was very reluctant to agree to changing those dates. I also recognize that it will reek some level of havoc with everybody else's calendars, and I would really have preferred that it not be this one because we had agreed to these dates back in January. So at this point, we're looking at December 6th. I think it's 1:30 in the afternoon? Is that right?

>> We're also considering 1:00 P.M. As well.

[2:38:19 PM]

>> Pool: Or 1 o'clock?

>> If that accommodates your schedules.

>> Pool: Please stay tune for that and we'll put something up on the message board and also get all the backup to everybody a week in advance. And I apologize for having to change the schedules on everyone. Like I said, I wasn't happy to do that. And I hope you'll be able to join us in December, and we'll give you back that date in November.

>> Hopefully I will.

>> Pool: All right. Is there anything else for the good of the cause? All right. This meeting is adjourned, and it is 2:38 P.M. Thanks, everybody.

>> Thank you.