

# Austin Energy Utility Oversight Committee Meeting Transcript – 12/6/2018

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>> Pool: Hey. Everybody. We don't quite have a quorum here yet, but I was promised that I could hold this kitten until there was a quorum. So I am taking good advantage of this. We will have a quorum. Folks are on their way down. I wanted to point out that this is fursday. I think that name came from a previous council, right, fursday? >> Tovo: I think it was actually a member of my staff who came up with the name. I don't know if she wants to come up on the dais, but she came up for the event. >> Pool: So there are puppies and kittens. I named this one Bella and she is beautiful and it is a little girl and I can't adopt here because last time we had fursday I adopted a kitten and that kitten is at home. But there are puppies and kittens out there. I know y'all are just dying to hold a little animal. We'll begin shortly. Thanks.

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>> Poo so we're shy one person but I wanted to go ahead and get started because we wanted to keep the meeting short today to just an hour. So I will put aside the approval of minutes until we -- and calling the meeting officially to order. And we'll go ahead and hear our speakers. I have three people signed up. Norm mcdun. Is up for three minutes. Jessica Aguilar next. And we have a timer. Is norm mcdunna here? Come on up to one of the podiums and the mic will be on. Introduce yourself and you have three minutes. >> Thank you. Good afternoon. My name is norm mcdunna with three energy energy savers. We promote affordable housing here in Austin through the programs administered by Austin energy. In the September oversight committee meeting mayor pro tem tovo requested Austin energy to brief the committee on a monthly basis the status of the multi-family programs. For the October oversight meeting, we did not see a status update presented to this committee as requested nor this meeting in

December. I could be wrong, but I did not any discussion or see any online documents as of this past Sunday. Earlier this week we fed ex'd information to each committee member on why the 2018 budget underperformed 72% from prior year with supporting documentation. A 72% decline for prior years results. For a most important affordable housing and weather sis sense program here in -- assistance program here in the city of Austin. We would like to thank this committee for requesting a monthly update from Austin energy which will help

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ensure that the travesties of 2018 will never happen again. Also at the department meeting mayor Adler requested Austin energy to provide data to substantiate Austin energy's claim that the market for multi-family is saturated, which was the reason given for the poor budget performance of the program and the need to reduce the 2019 budget by 35%. Perhaps the saturation claim with supporting data was conveyed privately to mayor Adler. If this information was conveyed privately, we would like to ask if this information can be shared publicly so all stakeholders can be on the same page on how this opinion was formed or how the data is interpreted. In order for all stakeholders to be on the same page and totally transparent to the health of the program, we request that this committee adopt a standardized form for Austin energy to submit the monthly status of the program as previously requested back in September. We have provided a good example for your review and this is in part modeled off of the existing home performance trade ally report that Austin energy has adopted and currently uses. This form will give the committee a good snapshot as to how healthy the program is progressing. Most importantly, and this is very important, we ask this committee to ask Austin energy to provide information as to what rebates and expenditures were applied to each individual property for the budget years 2017 and 2018 and this budget year to date for the next oversight committee meeting on the sample standardized form. [Buzzer sounds] This information is readily accessible through Austin energy's own eecp tool. >> Pool: Thank you so much. Sure, if you can wrap up. >> I would -- I'd just like to thank this committee for its leadership, vision and

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oversight for this important affordable housing initiative and for those that need it most. And if you have any questions. >> Pool: Thank you so much. >> I'll be available. >> Pool: Yes, mayor pro tem. >> Tovo: I wanted to quickly thank you for the materials that you provided each of our offices with this week. I've had an opportunity to look at it quickly, but not really thoroughly, but I think it is very valuable and I just wanted you to know that we're going to continue to look into that subject and follow up on it. Thanks for being here. >> Appreciate it. >> Pool: And before Jessica Aguilar who is next to speak to us for citizens communication I want to call this meeting to order. This is the Austin energy oversight committee, December 6, 2018. And the time is 1:11 P.M. And we are here at city council chambers, 301 west second street. We are absent today is councilmembers Casar, troxclair and who am I missing? And mayor Adler. Yes. So I won't say all that after this first time. So we will have eight people and three

absent today. So this meeting is called to order. And let's hear from Jessica Avilar. Are you here? Hisms. Avilar? Thank you. And David Malone, you will have three minutes. As Mr. Malone comes up, I would also like to recognize the chair of the electric utility commission and he is sitting in the front row. Mr. Malone, welcome. >> Thank you. My name is David Malone and I am the owner of first choice energy and I'm in Mr. Flannigan's district. As a citizen of Austin for over 40 years I'm very proud and supportive of the emphasis our mayor and city council have placed on keeping Austin affordable for low income families. Our company is now in its third year as a

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participating contractor in Austin energy's weatherization assistance program. In 2018 we weatherized 128 homes, our company, averaging 10 homes a month, and were recognized with the overall performance award in the program. My good friend normal was first place and we're coming after you this year. Total program funding in 2018 was \$2.8 million. Unfortunately the wap program was suspended for the last two months of last fiscal year due to the lack of adequate funding. We spent the entire budget. Or more homes could have been weatherized. The 2019 budget has now been reduced to 2.000000 and the estimated number of homes has been reduced to 500. Since the restart of the program on October 1 our company has only weatherized an average of three to six homes a month. Austin energy informed contractors the 2019 reduction in both budget and number of homes is due to two factors, market saturation and difficulty in identifying qualified low income homeowners. The weatherization assistance program is an outstanding program. The work we do in cooperation with the energy team is making a significant difference in both the energy efficiency and affordability of low income housing in Austin. In the interest of serving as many low income Austin families as possible and in the interest of being able to provide our company employees with a living wage every week, I'd like to ask your assistance and direction in keeping this a robust program from year to year with adequate funding for year-round performance without slowdowns or shut downs. I'm confident the need for weatherization of low income households in Austin has not been exhausted and that funding for a thousand homes a year is attainable. Thank you for the opportunity to bring these concerns to your attention. I'd be glad to answer any questions you might have. >> Pool: Thank you, Mr. Malone. >> You're welcome. >> Pool: We'll go back to item number 1, which is

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approval of minutes, October 24, 2018, of the Austin utility -- Austin energy utility oversight committee meeting. Is there -- the mayor pro tem makes that motion. Is there a second? And councilmember Houston seconds that. And all those in favor? I think I missed that councilmember Renteria is also with us today. All right. Briefing. We're up to item 3. Is the -- who is giving the general manager's report? Hi, general manager's report. Mr. Dickerson, welcome. >> Thank you very much, members of the council. I'm Charles Dickerson, Austin energy's chief operating officer. Today you will hear three reports, the first of which I will provide, the first being the general manager's report, following that I'll give the quarterly

operations report and then rusty Mcmanus will give the fourth quarter financial report. As part of the general manager's report I'm going to talk about four things very quick will you. One is a review of the more salient items that will be coming forth for council approval on the 13th of December. The next will be an update on the utility's online customer care portal. The third one is going to be a recent award that was received for U.S. Green building council. And the fourth one is going to be recognizing some of our team members for some very good work they did in terms of the learning space. So the first item that will be coming up for the council on the 13th is a five-year extension with an insurance firm by the name of marsh and worthham to provide excess liability services for an amount not to exceed nine million dollars. In general this type of insurance is carried by most utilities and it covers general liabilities from storms, automobiles and other types of things. In the absence of having this excess liability insurance it's going to leave Austin energy with an unacceptable level of exposure and risk. So that will be coming up

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for council. Should I pause there for questions? I apologize, I was not advancing the slide. I apologize. Thank you very much, councilmember Houston. The next is a five-year contract with power electric systems and to provide what we call offer assistance switch gear to much of our switch gear in the system. This offer of assistance of switch gear is very important. What it does is it allows for a more safer path for the explosion if there's an arc for powder and gases to escape through the top of the switch gears and coming out the front or the sides and injuring personnel. I'll be going over safety. When I first met with this committee I told you my number one charge is the safety of our men and women in our community and so this swim gear is in furtherance of the safety protocols and things that we're doing to make it safe. The provision of electric service is manageable, but it is dangerous work and what we try to do everyday is find new technologies and engineering solutions to make it safer. So you will be seeing that next week. And the last item of the three that are going to be coming for council has to do with eminent domain. You're going to see about eight items on the eminent domain space. I can pause for questions, but as an overview, eminent domain is generally the last resort that we try to get to when we're trying to secure property and rights of ways for either installing or maintaining or clearing equipment. Generally what will happen is that the organizations, the engineering organizations, will make an assessment of what electrical equipment needs to be installed. They will do site plans, they will work with other organizations within the city to identify property. They will identify the property, they will do surveys, they will get with the owners. We will offer fair market value. And many times some citizens want more than fair market value. At that time they go to the

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next point in the process. So while you will see eight of those items, I would ask you to rest assured that we went through the process and now what I would just refer to is impasse because we offer fair market value, we can offer no more than that and the owners think they can extract more values. Any questions

before I move on? >> Pool: What I would suggest, if staff haven't already, is to check in individually with the council offices to see if they have any questions about the eminent domain after the meeting in case they think of some between now and then. >> Okay, we'll do that. >> Houston: Chair? I appreciate that recommendation because when I saw that many eminent domains I almost had a stroke. That's the last thing I ever want to do to a community. So if you would get an appointment and help me understand what you are doing, I would appreciate it. >> Yes, we will do that, councilmember. The third item -- the next item I want to talk to you about is a good news item, not that the previous ones were bad news items, but this one is less controversial. It's a customer portal that went live on the 5th, I believe, is that correct? And basically at the high level this new customer portal will make the process and interaction between customers and Austin energy a lot smoother. It will streamline payment processes. Probably more salient, it's going to allow for reduction in fees. We're going to reduce the fees for customers who have gone and used the old portal will be reduced by a dollar. I think the fees are somewhere in the neighborhood now of three dollars and some-odd cents. It will go down to two dollars and some-odd cents. So that's good news for the customers. The questions that I'm asked and I'm sure it will happen in a future state, it will have the same look and feel as the website because what we want to do is have the customers have the same experience whether you're on your computer, your phone, you will have the same look and feel. We think it's a real good process there. Next item, innovation

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update, provide an innovation update. We're going to talk about the U.S. Green building council recommendation of the Mueller or Mueller property. I'm told if you've been here a long time it's called Mueller and if you're new like me you call it Mueller. So this recognition is basically a celebration of a shared vision and a collaboration between a number of parties. The city of Austin, catellus is the developer, Austin energy and the community. And basically those different parties got together and looked at what can we do to figure out how can we make the community greener? What can we do? Work with solar panels, solar araises? What with question do with mixed use and a number of different things that will advance the development in a community beyond the traditional types of ways that we build and develop property. This also, this community and this project is also consistent in allowing with our shines project that you've heard a number of us talk about. You've heard Dan Smith talk about the shines project for which we received awards as well. These buildings are also affordable while staying more affordable to operate because of their green, they're insulated better, the energy usage is lower and customers don't have to spend as much money as they otherwise would. The Mueller area has one of the highest concentrations of both solar rooftop panels and electric vehicles. It's my understanding in the country. And it's been a key community partner in our shines project. So there was an award that was handed out in November the 14th in Chicago. I think mayor pro tem Kathie tovo was present there. So I want to bring this before this council and know that Austin energy still continues to be a pioneer and a leader in the energy space not only in traditional things, but the green, the environmentally friendly things as well. And we're continuing down that path. Any questions on that? No? >> Pool: Mayor pro tem? >> Tovo: Thank you so much for recognizing the Mueller

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development for this award. It was really an honor to be able to go and represent the city of Austin in that capacity at the U.S. Green building council. And one of the things that I -- I may have mentioned this at our council meeting afterward, so many people who were there, it was a very high award that the city of Austin was awarded. And there was a video that was part of that. And so many people from other places came up afterward and they were really intrigued. I think sometimes because it's -- because we're familiar with it and we all know about it and we have, you know, a very vibrant community, we forget what an innovative groundbreaking project it is on so many levels for the reasons you've said, but also, you know, it was an idea that had a large part and was shaped by the community members who lived around it and said there are better places for our airport together and advocated for decades to have that airport moved and made sure that the master plan that was created was one that reflected our community values, both our environmental values as well as our commitment to affordable housing, to having parks and spaces, not only to those who live in the neighborhood, but to others around the neighborhood. I want to thank you so much for Austin energy's work on that. And to all of the community members and staff members who have helped it be successful. >> Thank you very much. I'm echo very briefly the sentiments you made. I think sometimes because I'm new here, you have been here for awhile, I don't think you fully view how Austin is viewed outside of Austin in terms of its innovation. When I first changed my linkedin page, I was telling a story of the three hundred or so congratulations the vast majority of people talk about the great city and how innovative Austin energy is. I think we should feel proud of what we're doing collectively. >> Pool: Councilmember Renteria? >> Renteria: Not only that, but 25% of those people who live there are low income and the families that live there. And also this is such a

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great development that this is the only area that I know that the neighbors there really want and encourage density, which is very unusual because the rest of the community hasn't embraced it. About you you can see why density -- but you can really see why density helps out this town and we're able to have as many people there and become as successful as it is. >> Pool: Thank you. And councilmember alter has joined us now as well. >> So since none of the things that we talked about happens without people, I want to conclude this report by doing a recognition of some of the team members. So during our employee recognition session, while many, many people behind the scenes helped support this, we want to recognize these three. They were instrumental in putting together what we call our corporate learning week, which was held November 5th through 9th here in Austin. John, dawn and Austin are currently in our workforce and planning development area. They helped put together is week of training that covered many industry topics, professional development for members of the team, also as we just talked about community, part of the agenda talked about community-centric issues. It gave points from across the utility, not just Austin energy, but employees across the city an opportunity to develop their skills, talk about career progression and it focused on strategic goals and planning for employee engagement and for business excellence. Because at the end of the day we want people to bring their

best selves to work so we can do the best job. Also for this particular event we had a special event that included city manager cronk, our general manager Jackie Sargent spoke, the human director hays spoke, and we had over 900 employees that were able to attend. And at least we had an outside Austin energy expert from add San electric institute for over 30 years and the same executive came

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and spoke as well. What was refreshing about his presentation is that his view of the future of the energy industry was very consistent with our own view and our own plans and very consistent with where city council is trying to take the utility. So all those things eye lined and it was a very good week. I want to ask John, Donna and Charles to stand so we can recognize them. [Applause]. Thank you all very much. Save for questions that concludes the genal manager's report and I'm going to roll right into the fourth quarter operations report. >> Does anyone have any additional questions on the general manager's report? Okay. Go ahead. Item 4 is the fourth quarter fiscal year 2018 operations report. >> I will be giving the fourth quarter operations report. The topics I'm going to be discussing are going to be safety, performance, our carbon footprint, our energy organizations across the state. Our first slide safety starts with me. This is not only our model and manna traditional, but where we try to affix in the minds of every individual who comes to work for Austin energy that everyone has to be accountable for their own safety. It starts with me. It doesn't end with the person to not only be their own keep are, but the keeper of their co-workers. Let's look at our safety scorecard. What I'm going to be doing each quarter is going to be reporting to you all a dashboard of where we stand so you can help me from one quarter to the next. This requires me to explain why we can work on solutions. This particular quarter all the arrows are green. Annualized employee count has gone up, which means we have more employees on

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board. It's positive for a number of reasons. But that also means that some of the hours employees are working has gone up. Why is this on a safety scorecard because the more hours you work the more exposure you have for risk. So some companies will have their safety numbers improve but they work less. That's okay, but if you're working more and the safety numbers improve that's even better. So near misses. For those who may not be familiar, a near miss is an excellent that almost happened, but didn't. You may say why is it important that it's going up? What's important is the number of important near misses have gone up because historically people generally don't like to report an accident that almost happened because they feel like they would be in trouble. We're promoting a culture where we want people to feel safe to report a near miss because we want people to report the near misses. I've been here a little over three months. One of the proudest moments I had was a few weeks ago at our sand hill power plant we were doing a safety meeting, people were talking about near misses. They talked about what they did to correct the issues. So they didn't wait and send something up through the manager and the vice-president to me to say can we do xyz? She said we had a near miss because of a particular

organization and we at the power plant corrected it. That's how we want everybody to think about things. Once we start doing that and people start learning from others we can see a reduction in the sum of injuries. So you will see between 2017 and 2018 the injuries went down from 92 to 81. The number of cases went down from 35 to 34. And the sum of total vehicle accidents reduced from 85 to 67. Those are really, really good numbers. Obviously we want zero. It takes awhile to get to that journey. We're working more hours and so we have more people on the property. This next slide won't mean much to anyone if you just look at it, but a picture is worth a thousand words. This is an example of a vault. Our downtown electric

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infrastructure is the vast majority of it provides the volts and network and the vaults are underground for the most part. That's where we have major electrical equipment. What you see in front of you are -- is equipment with two lights on it. These lights are very important because this equipment, if you get a fault while someone is working on it could lead to an explosion and it's not a small explosion. Look at this picture now, look at the walls, the lighting. And this is what it would look like if there was a fault. It's a little explosion. The temporaries could be hot enough to fuse metal, copper, burn insulation and plastic. In order for our people to work in these rooms with the proper protective clothing on before I introduce to you what we've done to make it safer, they would be having to work the equivalent of what a space person would wear to work. It would be hot, they wouldn't be able to move. So Dan and his team thought, what can we do to allow people to work more safely and at the same time work more effectively because no one is going to be able to work in this environment with such thick protective clothing on? So we introduced something -- a part of our grid modernization called an arc reduction maintenance system. And what this system does is basically it will shut off the equipment in less than a second's time so if there is a fault while someone is working it would minimize the likelihood that someone would be killed. We completed this work and installed this system on over 400 of our network protectors. Did it two years ahead of schedule. The original projected schedule was about five years. Our vp of electric services team can get it done in less time and he with that. And we've already protected two employees. One employee was working with a tool that wasn't properly insulated and it made contact with some metal and had it not been for this

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system we would be having a very, very sad conversation. He basically came away unscathed. So again, this is an example of the technology where Austin energy is kind of leading the forefront that a lot of utilities don't have, but we don't do it for bragging rights W do it because it keeps our men and women safe and so they can go home everyday. Performance. At a high level, I won't spend too much time on this slide, but just to say that our generating units, which do not serve our native load because we bid all of the energy from the units into the market. I'll say that probably for a few more cycles because I know it's a hard concept. People sometimes forget that. It's important they be available. Our generating units

are available at high levels. When they're available we extract revenue from the market. That revenue goes to offset our customers' bills and keep the bills affordable. So my charge to my power production team is make certain that those units are maintained, make sure we're operating well and doing a really good job of that. This slide should not have been included so I'll going to skip over it unless someone wants me to speak to it. I want to go to system reliability right now, which is how long or how well we're allowing trons to flow from the ercot market, they're not coming from our power plants, they're coming from the ercot market, and getting to our homes and businesses and our factories and our police stations. If you look at -- one thing I want to point out, I don't know if this red pointer is working. This is one of these charts where below the line is good. So the blue dashed line is the top [indiscernible]. This is where the top 10% of customers were measuring to a similar size were doing. We're the yellow line. So if you look on the lower -- let's start at the lower left-hand corner which is the frequency of Youngs, because you can't have an

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outage duration unless you have an outage: The frequency of our outages has dropped consistently year over year. The duration, if you look to the left of that, the S Saidi number. Those have dropped from 57.22 minutes outage to 41. And if you look at the outage duration experienced by individual customer, we're driving that number down to close to an hour. Now, no customers like outages, but my experience working all over the east coast, up and down, most customers understand that outages happen. What they don't like is when they're protracted and they don't have information about the outage. So one, we're working hard to reduce the number of outages, but when they happen we've been doing a number of things to get our customers back on as quickly as possible. I think this is good for the men and women working in the field and the engineers working on the design as well. Any questions on this? >> Looks like no questions. >> So how did they do that? They had a lot of feeder upgrades, providing fault data. Faults is what's wrong and where. So if you think back 10 or 15 years ago, particularly when you have rural areas or you have areas with very long lines, that fault could be anywhere on that line and no matter where it is it's going to disrupt service. A lot of the time they wanted to determine how long it would take to get a customer back, would determine where the problem existed. Now that we're able to more readily determine where the problem exists, we can dispatch crews there, find the problem because we know where it is and we can fix it. We've been doing that. Vegetation management, which for some is a little bit touchy subject, we've been able to improve our vegetation management program because like it or not, the vast majority of outages come from trees. We're not anti-tree. We love trees as well, but we have to have a healthy balance between the distance

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between the trees and the lines because if we don't maintain a healthy distance we're more likely to have outages and it has impacts on people's personal lives, it has impacts on the economy, the whole nine yards. We're continuing to investigate what we call our six worst performance feeders and we're

going to monitor those and we're going to take engineering steps to do what we need to do to get them up. And I'm requiring the team to develop a more robust maintenance program. Having managed utilities all over I can tell you the best managed utilities have very good maintenance programs. You identify equipment, you maintain it, you keep it working. It very rarely fails. The trons keep flowing. -- The electrons keep flowing. >> I think you've seen this picture before. We have them in a number of places. And again, these assets are running. I showed you an availability slide for the traditional assets. Obviously the renewable assets will run if the wind is blowing or the sun is shining. They're performing well and their doing so helps us maintain a reliable cost for our customers. The good thing out of this slide is that as we reported earlier, I believe Claire reported a few presentations ago, we signed a contract for the east blackland solar plant, 144-megawatts. It's a commercial operation date is December 2020, so we will be continued to green our portfolio. So as we look at winding down traditional carbon-based sources of generation, we're also stepping up more reliable sources of generation. So we are on our path to make Austin greener. >> Pool: Could you just go ahead and tell, in case folks can't see the colors on there, which ones are the gas and which are the solar? >> Yes. I will have to do the reading. I can't get this red thing to work. So gas is Decker and Sand Hill. So you see the 960 megawatts, Decker, that's gas. Sand Hill is gas as well. And the other one is the solar. >> Pool: Thank you. >> Yes.

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So carbon footprint it's a percentage of load, continues to come down, but it doesn't come down as precipitous usually as one would think because even when we reduce carbon, if you measure it as a percentage of load, people still use electricity, we extract the electrons from the ERCOT market and those are a blend of carbon and non-carbon sources. Principally now still carbon sources since as on a percentage basis Austin energy is probably a lot more greener than the general ERCOT market. So we're averaging for 2018 around 38%. The slide that's more telling that I asked my team to put together that we probably would not have shown here much is what happens in 2023 when the Fayette power plant comes off, which is part of our plan. So you see those bars will drop from somewhere just under three million metric tons of CO<sub>2</sub> to somewhere down to less than a million because of the contribution of CO<sub>2</sub> out of the Fayette plant. And as we're on course to bring that down you will see a significant drop in the amount of carbon that Austin energy is actually responsible for that's going into the environment. Our on-site energy resources, basically we have two plants on plant. We have plants 1 and 2 up and running. District cooling plant number 3 in the downtown track we've already broken ground on that. It's going to add 10,000 tons of chiller capacity to the system. It's targeted to be operational, complete mid part of 2020. And then downtown chiller capacity addition, also in the early part of 2020, is going to add an additional 3,000 tons. The purpose of these plants, what these plants do basically is provide chilling water, which allows for air conditioning on premises, hotels, office space and things of that

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nature. And you say people have air conditioning now. This air conditioning is done during the hottest days without electricity because it's done by pipe cold water or a water glycol mixture through their facilities, when I was interviewing for the job I stayed at one of the hotels downtown and it was extremely cold. When I found out it was cold because of our chilling water plant I couldn't believe it. We can get pretty cold with that chilling plant. We're keeping that going. Any questions on that? Future state -- >> Pool: Councilmember Houston has a question. >> I apologize. >> Houston: That's okay. On page 13, and I hate to bring this up, but before I leave I just need to know are we still having conversations about the nacogdoches plant biomass? >> Are question still having conversations? -- >> Houston: Having conversations about nacogdoches which is our biomass plant over in east Texas? >> Yes. I see it. I'm aware of the plant. I'm not trying to be vague, councilmember. When you say having conversations, if you could be a little bit more specific? >> Houston: Well, we were having conversations, right? We've been having conversations with them over the last couple of years about how we can extract ourselves. >> We continue to explore opportunities to see what things can be brought to bear through that. So the answer to your question is yes. >> Houston: Okay. >> Pool: I think we had an executive session on that a couple of months ago or maybe even longer ago as an update. But you might just mark it and we can -- >> We will do that to the extent that more information is being needed it would probably be best to address in executive session. >> Pool: Absolutely, yes. Maybe in the new year that would be great. Thanks. >> So the last slide here is

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what I asked you to hold me accountable for also. It's my kind of forward focus. To me I'm a forward focus kind of person. What would in the past happens. Sometimes we can change it, sometimes we can't. I think what I'm charged with is how do we take the organization to the next level. So the main focus, which isn't shown, should be safety, because I started out with that. But assuming we continue on a good faith there is next is what are we doing with respect to our customers. The three main aspects of ourselves is our -- this is called a rag status. You will either see a green dot, yellow dot or red dot. Green meaning good, yellow meaning a little in trouble, red meaning in trouble. It's okay. Since some are red I'll make it short as I'm doing here. I think what's important is that the next quarter shouldn't continue to be red. So we gave ourselves a red on small cell. We've done a lot of work, made a lot of headway, but we still believe there's more work to be done there. I would have given myself an amber, but my team said no, chief, I think we're red, so we're red. Customer reliability assessments, this is something that utilities do all the time, but we're doubling down on it to make sure we're addressing those issues. One of the things that a lot of utilities don't have is an index called semi. It's basically how many does a particular customer has been interrupted. If I go back to to those other numbers I show you they look really, really good, but because we have almost 500,000 customers, some people could be doing really bad. So we want to make sure we're taking care of everybody, those assessments help us with that. Next is our community. We're making good headway on repowering the downtown area and our conversions from lower voltages to higher voltages. Our environmental will continue to show red as far as I'm concerned until we unwind some of our carbon positions, which we are in the process of doing. So we'll continue to show that it's red. And grid modernization, for the most part shines, advanced metering infrastructure, distributed energy resource is green. Grid automation we still

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have some things we need to do. I think my team is probably harder graders than I am, which is kind of interesting. I thought I was a hard grader. But we're making some assessments in those areas. What my hope is that next quarter we will see even more greens and less reds and hopefully you will hold me accountable if we don't. And that concludes the operations report unless there are any questions. >> Pool: Does anybody have any questions? I'd like -- yes, councilmember Renteria. >> Renteria: On our community, you're upgrading the 69 lines to 138? >> 69,000 volts to 138,000 volts, yes. >> Renteria: Where is that going to be at? Where is that located at, those upgrades? >> Which area. Just tell me from there. >> It actually starts from north Austin and it does proceed down into central -- >> From north to central Austin. >> Renteria: Thank you. >> Pool: Mr. Dickerson, could I ask at the next meeting that we get an update on the weatherization program as part of the either general manager's report or the operations report? >> Yes. We took that note. >> Pool: Great. Also be sure to provide it to the eec to the extent you may not be doing that. >> Okay. >> Pool: Thanks. All right. We're moving on to the fourth quarter fiscal year 2018 financial report. >> Good morning, council or good afternoon, I should say. My name is russky Mcmanus. I'm an Austin energy finance director. I will be directing the fourth quarter financial results for fiscal year 2018. I'd like to mention that this is the same information that was presented to the electric utility commission last month. >> Pool: Thank you and welcome. >> All right, just a

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disclaimer. This is unaudited information and subject to change. This is our agenda and we will start with the executive summary. If I had to characterize Austin energy at the end of fiscal year 18 I would say that we are financially stable and healthy for a couple of reasons. We've met our financial targets and we're in general compliance with our financial policies. Austin energy has out performed its budget. Our rates are affordable and becoming more competitive and we have a strong and liquid balance sheet. So we'll start with financial compliance. Austin energy has met its financial policies at the end of fiscal year 2018, save and except fully funding the power supply in capital reserve funds, but that being said any risk associated with being underfunded in those reserves is offset by the overall liquidity of the company. We have over 200 days of cash on hand. Financial metrics, you can see here there are four of them that we look to. They deal with liquidity, debt service coverage, efficiency and ledge. And as you can see on the slide that we exceed each and each and every one of the metrics. You can see from quarterly reports in the past we may have had limited margins and that is because the power supply costs remain relatively flat throughout the year but our revenue streams don't. The majority of that revenue is captured in the last three or four months of the year and typically brings us in compliance. We have an affordability goal that has two metrics. The first is to maintain a system average rate at or below two percent of an annual compound growth rate. That began in October 2012. We are meeting that metric.

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The second metric is our competitive metric that says our system average rate should be at or below the Texas average. And we are not meeting that metric. I am happy to say that we are improving. Last year we were at 103% of the Texas average and we have moved down to 100.5%. The next set of slides will deal with budget to actual comparisons and we'll start with operating revenues for the year, fiscal year 2018 we had \$1.4 billion of revenue, which was \$43 million above budget. The vast majority of that occurred there in the power supply bucket where we had a variance of 42 and a half million. Like operating revenue, operating expenses also exceeded budget in fiscal year 2018. We had \$1,029,000,000 in operating expenses, which exceeded budget by \$28 million. And that variance is a mix of being -- having an over budget in power supply, the same 42 and a half million dollars that I spoke about in operating revenue, and that is offset by 14-million-dollar savings in the general administrative. This is our budget base fund summary and it captures the overall financial performance of Austin energy for fiscal year 2018. And if you start and look at the first green circle, you can see that it shows the differences for operating revenue and operating expense. And I just talked about that. And while both of them increased operating revenues, increased at faster rate than operating expenses and created a 16-million-dollars in additional operating income,

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and you add to it the additional interest revenue and the reduction in debt service income before transfers, increases \$35 million over budget to 29 million dollars. That excess carries to the bottom of the line, bottom of the chart, and you will see that our excess revenues rose from 15 million in what was budgeted to 50 million. And that 50 million was already net of an additional \$35 million in internal transfers, which were used to fund the capital reserve and the power supply reserve. This slide shows kwh sales budgeted to forecast. I thought we did a good job forecasting this year. We had actual sales of 13,410 gig watt hours that came in at 1.2% over budget. And most of that delta occurred in June of 2018. So we had over 158 gigawatt hours in additional sales over budget and 164 gigawatt variance in June. This slide talks to our non-power supply revenues for the year. We had \$823 million, that was \$13 million over budget, typically associated with base rates. And most of that delta occurred in June also, which is consistent with prior slide of additional energy sales. This graph compares our actual power supply cost to the budget supply cost and our power supply revenues that are used to pay those power supply costs. So if you will look at the bars first, total power supply costs for 2018 were \$455 million compared to budget costs of 413 million. That's that same 42 and a half-million-dollar variance that I spoke about under

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operating revenue and operating expenses. And as you can see, most of that variance occurred during the summer months, and I'd like to point to what appears to be an anomaly in the yellow bars at the very end of the year where August yellow bar falls significantly below -- significantly less than September of '18. So we had a real falloff due to lower loads on costs. Why do I mention that? Because the blue line is the power supply adjustment revenue. So in a perfect world the top of that blue line or the blue line would touch the top of the yellow bar, the yellow bar being the costs, blue line being the revenue. However in 2018 we had a 32-million-dollar overrecovery, so we set the rate to recover less than the cost and allowed that money to flow back to our customers. So the blue line should be less than the top of the yellow line. And for most of the months it were -- it was. Save and except in the last month when power got really cheap. So all the money that we gave back from October to August, we overrecovered in September. So we started the year with a 32-million-dollar overrecovery in power supply and ended the year with a 34-million-dollar oversupply, overrecovery. That being said, we take that into account when we set the psa going forward again, consequently we set the 2019 psa two and a half percent below this year's, below 18 '18s. So once again in an effort to pass that money back. This is our cip slide. The horizontal bars to the right I'll start there. We had 188-million-dollar cip planned. We spent 162 million. And -- which was 86% of the actual. Actually, this is pretty good compared to prior years, which is around 74 to 75%.

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That underspend for the year totaled \$26 million, two-thirds of that variance is centered in the bars called general. Those general cips include customer energy solutions, facilities, I.T., fleet and other support functions. And the bulk of that variance were I.T. Projects that just didn't get off quick enough to be completed in '18. They've been pushed forward to 2019. These are the cost components that go into our power supply adjustment. And I'll start on the left in the Orange bar. Those are our load zone costs. Those are the market purchases that we make to serve our load. You can see that they total approximately 450 million. The next bar, the yellow bar, is our dispatchable energy being sold into the market for a gross margin of \$159 million. And that drives overall costs down. We have contractual assets that we sold into the market, but they were sold in at a loss of 121 million. And then we have a green choice and value of solar revenues that come in to offset those costs, along with some bilateral and hedging actions that reduce those costs as well. The overall effect of Austin energy's hedging program, which includes owned assets and contracted assets, is that we were able to drive down the power supply costs from \$449 million to \$377 million over the course of the year, saving \$72 million in the process. And reducing those rates by 16%. So most of that -- in fact, all of that last part of the program, of the presentation, was allotted to budget to actual. Now we'll look at some gap based analysis. So our balance sheet shown there on the left. And you can see that our cash position moved from

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\$398 million to 453 million. Or 452 million. And it helped strengthen our balance sheet. But I would be remiss if I didn't say that of that \$452 million cash that there's over 108 million dollars' worth of claims that will have to be paid out of it eventually and those claims consist of an over-recovery of power supply, \$34 million of regulatory by \$13 million and fuel associated with fpp and stp that account for a little over \$50 million. That being said, remember I talked to you a little bit about the psa that we actually set the rate below so we don't recover dollar for dollar. That money has to come from somewhere and that's where it comes from. Long-term assets are up primarily to other post-retirement benefits. The offset to that is in long-term liabilities. Current liabilities are down due to a reduction in payables. And as you'll see, retained earnings up based on a profit in 2018 of \$60 million. If you if you look at the circle gravity shows at the end of fiscal year 2018 we have \$687 million worth of cash. That represents 230 days of cash on hand. Our minimum was 150 days. And then the bar charts below that speak to our commercial paper. At the end of the fourth area we had \$213 million of commercial paper issued. We had \$275 million available. Commercial paper typically goes to fund cip process. When that commercial paper program is used up we go to the bond market and we'll roll that and anticipate that in the 4th quarter of 2019. So the comparative statement of net position is just a little more detail of the

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balance sheet that I spoke to earlier, but I'd like to draw your attention to the yellow blocked part, that's the income statement. As I had mentioned earlier, net income increased to \$60 million. That is attributed to increase in revenues as well as an extraordinary expense, I would say, in 2017 and other revenue. That was associated with relicensing stp. So if you look at the line that says other revenue and expense, you'll notice in 2017 it was an expense and in 2018 it was \$23 million revenue. The 2018 number was closer to normal. The 2017 was reduced because that extra extraordinary item. You'll see the bars below that speak to customer growth and gig watt growth. And then our final section deals with market and industry analysis and this gives opportunity to better analyze competitive metrics. At being in the lower half of the state average and the energy information administration data that we use that supports that analysis. And I'll go over that and especially how Austin energy is measured in terms of rate, consumption and bills. But before I launch into that, I'd like to take one step back and talk a little about 2018. So in 2018 we had a 2.7% increase in customer growth and that drove 3.3% increase in kwh sales and that's significant when most of the industry is flat among customer sales on an energy basis. It's even more significant when you look back at 2017 when we had two and a half percent customer growth. That only translated into .8

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of a percent increase in energy sales. So to perform our analysis we used data from the federal government's energy information administration. Each year that data base is updated in October or November, so it's just recently been updated and it lags a year. The most recent information includes

the 2017 data. And that -- the federal government data base includes all you at this utilities in the nation. We started with 3100 data points at the very beginning and start funneling that down to what we think will be a reasonable expectation of Austin energy's business segment. By the time we get to Texas, we're down to 199 data points and eventually we get down to 163 data points where we think is comparable to Austin energy, which means basically that they service -- or provide service to residential, commercial, industrial customers and that at least 3% or greater of their load is residential. Once that's done, we take total revenue, divide it by total retail kilowatt hours and comes up with a weighted average retail rate. We do that as opposed to looking at the individual rates by utilities because this weighted average gives more credence to large utilities like C.P.S. Energy perhaps that might have 800,000 customers as opposed to, say, a smaller utility that might have 1,000 customers. Another point of importance is that the weighted average retail rate shows what customers of other providers actually pay and not what the providers charge. So you will hear on occasions like go to the power to choose website at the PUC and you will see a plethora of offerings.

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And what you don't see is the -- you know, if you go over a thousand kwh you pay a big premium. If you avoid the contract, there's a big penalty associated with it. This takes all of that, melds this together and gives the average cost or average rate. >> Pool: Are we getting close to finishing up on this? >> Yes. >> Pool: If it looks like you are getting into the weeds, think about how you might be able to talk about it online with different council offices. >> We'll get right there. This is our average annual system rate. This talks to -- right to our competitive metrics. You can see that the lines converge in 2017, the two points almost lie on top of each other. System average is 901. The important thing to know about this is our rates reduced at a faster rate than the state. This is the same information. But on a bar chart. It just shows that if you break our system rate down into residential and commercial rates so there are residential rates are below average while commercial rates are above. This takes a look at residential average rates. As you can see over history that our rates have been below the system average. Unlike the commercial industrial rates, which have been above the average since about 2011. The good news story there is that we are the yellow line. You can see the yellow line has taken a nosedive, right, and the state average is holding flat. It's actually increasing. We're bucking the trend and getting closer together. This is system average rate. This takes just a little different look and impairs this to what we consider more of a peer utility.

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The Texas average is a black bar. Austin energy is the yellow bar. This is average residential rates, kind of the same concept in this regard. Not only would I like to call your attention to the fact that Austin energy is slightly above the Texas average, but I want to call your attention to the bottom line, El Paso electric. It's at 12.96 cents. Keep that in the back of your mind and I'll prove my point in a second. This is probably the most significant graph. This shows consumption, average consumption per residential

customer. We are -- have some of the lowest averages in the peer group. And in fact that average has decreased again in 2018 and in 2017 that average was 861kwh. Declining to 847, compare that to the Texas average of 1169 kwh, they are 38% higher. So if you look at our rates and the consumption, you will see that the bill that the customer pays that we look much better. And regardless of the rates, the residential average bill for Austin energy was again once -- one of the lowest in the Texas at \$90. If you look at the who's got the lowest bill in there is El Paso electric. Remember and I asked you to keep in mind where they saturatewise. So it's -- sat ratewise. It's clear consumption drives bills more than rates. It brings to mind when we look at average system rates or average residential rates, that maybe it's more important to look at an average bill as opposed to an average rate. And that, ladies and gentlemen, concludes my presentation. Austin energy is customer driven and community focused. >> Pool: Are there any questions on this portion?

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Councilmember Houston. >> Houston: It was delightful for you to use plethora in your -- [laughter] >> Thank you, ma'am. >> Pool: And our last item is to look at the meeting schedule. This is what's proposed. Wednesdays at 1:30 in the afternoon, February, March, April, May, June, skipping July, August, September, October and November. I know that staff works pretty carefully to integrate these dates in with all the other meetings that are happening around it that also depend on Austin energy. I guess I'll go ahead and entertain a motion to accept the proposed schedule. And councilmember alter moves to adopt the proposed schedule. Is there a second? Councilmember Houston. Any comments? All in favor? That looks like that is unanimous on the dais. Thanks very much. Those will be our meeting dates for next year. Anything else? Let's see. For the next meeting I asked about the weatherization so we'll get that on there. And I thought -- somebody mentioned to me how is the pecan street project doing I think because we're hearing a lot about what's going on in Mueller and maybe we could get an update from somebody on pecan street. Councilmember Flannigan sits on that board. >> Flannigan: I learned recently they changed their bylaws and it wasn't an actual seat on the board anymore so I haven't been invited to the board meetings yet. We are getting that corrected. >> Pool: Great. Well, but I think it would be nice to hear from them at our first meeting in 2019. Okay. Anything else? Councilmember Garza. >> Garza: I think this is related to the weatherization, but our office has been contacted about the -- who is eligible

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for the multi-family low-income affordable housing program and how there are some I guess that aren't eligible because of some possible technicality in how we decide what is affordable and who gets that rebate. So I'll work with your office on maybe an item on the -- as well. But it's related -- I believe it's related to the weatherization program. >> Pool: Great, if it includes a different department in addition to Austin energy we can have both departments come and talk to us. >> Garza: Thanks. >> Pool: Councilmember kitchen. >> Kitchen: I was wondering if the commission has flagged any issues they think

we should take up. >> Pool: Mr. Fairchild. >> No, everything we talked about was on the agenda todayen  
a we're going to be skipping over meetings because of the holidays -- the way of the holidays worked  
out and because -- [inaudible]. >> Pool: Great. >> On our first [inaudible]. >> Pool: That sounds great.  
Thank you, Mr. Fairchild. I think that's it. We are adjourned.