

Austin Energy Utility Oversight Committee Meeting

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>> Tovo: Good afternoon, I'm Kathie tovo and we will be waiting for some more council members before we start to apologies for the delay.

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>> Tovo: Hello again. We're going to go ahead and get started. Our first item is citizens communication and I do not see anybody signed up. So anybody here -- >> [Inaudible] >> Tovo: My apologies. All right. Let me just double-check here. >> Pool: Mr. Peña, thanks, could you give your name over there and he's handling the clerk duties for our committee meeting and then you can have three minutes. And if the -- if our good friend at the av desk will do the timing, that would be lovely. >> Tovo: We have two people signed up for citizens communication. Mr. Peña, you will be first. We've got you, Mr. Peña.

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And next is Steven Quisenberry. >> Is it on now? Okay. Good afternoon. My name is Gus peña. I guess all of you know me. I'm still president of homeless veterans, which is called the ancient veterans for progress, president and co-founder. I just came over here to thank the members at Austin energy that -- that hear complaints about water utility issues, and I want to thank you because it has improved and I want to thank you for that and because there's a lot of people out there that actually don't have the

money to pay the bills. And Austin energy, I mean my son/nephew, took full custody of him when he was a

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baby, he received outstanding -- not just because I stay away from it, that's his stuff, but I want to thank you very much for supporting the people out there because it's very important. I met Mr. Quisenberry here and he has some outstanding words about electricity and other things and please listen to him very well. I just came over here to thank you very much and I know you all do other things, but honorable Kathie Tovo, I thank you, you are doing a good job over here and elsewhere. I supported you when you first ran for council and I'll always support you. Thank you very much for allowing me to speak, but also the payment plan is very improved, so thank you very much for that because the poor sometimes suffer and they have disconnects and that's why we -- and our veterans for progress -- or veterans get their electricity disconnected, but thank you, it has improved very much to everybody, and thank you for

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you all's meeting and thank you, you do a good job. Thank you. >> Tovo: Thank you, Mr. Peña. We appreciate you being here with us. >> Thank you, ma'am. >> Tovo: Mr. Quisenberry. You also have three minutes, and that's the only other individual signed up today for citizens communications. >> Good afternoon. Thank you for allowing me the opportunity to speak in front of the council today. My name is Steve Quisenberry, one of the co-founders with increment power. We hold the license to a patent technology that boosts output of all gas turbines, particularly on hottest peak hours of the summer. We provide a modular scalable air compression system and energy storage system on operating lease basis. We provide systems at no capital cost to the city. We leverage the existing wires and infrastructure by adding compressed air injection at the existing

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generator, improving the efficiency of the system, reducing emissions, reducing the carbon footprint and need for gas turbine peaking plants. Let me repeat this. We do this with no wires, no infrastructure, no additional gas transmission systems. We're able to do this just utilizing the equipment you have available today. For example, Austin energy can integrate energy storage and charged during off-peak hours by renewable power return to the system during peak hours located at sand million energy center using the existing infrastructure. On a personal note, I have experience at sand hill. I was a field engineer when you all first signed the long-term service agreement, I ran that long-term service agreement for many years. We propose a fee based system for Austin energy to reach the target of 10 megawatts by 2035 and -- 27 plan. Increment power can support

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nagger achieving that four years in advance and seven years in advance of that schedule. Today. Austin energy can diversify its portfolio of storage assets with no capital spend and unlike batteries involves no performance risk or disposal risk. Increment power can help Austin lead in the public power sector and we believe we should not be building any new gas fired. In the U.S. We have 50 gigawatts of potential storage out of the existing infrastructure with no new wires, transmission or equipment upgrades. I appreciate your time and opportunity to share this with you. We look forward to supporting the growth and look forward to a continuing relation -- building relation with Austin energy. >> Tovo: Thank you so much. >> Thank you. >> Tovo: Colleagues, we still do not have a quorum. Appreciate you being with us today. And so we will move on to the general manager's report and hope at some point we'll

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have a quorum and circle back on some of the items we need to take a vote on. >> Good afternoon, chair and committee members. I'm Charles Dickerson, Austin energy's deputy general manager and chief operating officer and I will be delivering the general manager's report. In addition to the general manager's report, I'll be joined by my colleague, Mr. Mark Dombroski and he will provide the financial report. The deputy -- I mean the general manager's report is going to be brief this term. I have two items, one is upcoming recommendations for council action, cover three things. After that I'm going to talk about some events, one that's happened and one coming up that we want to invite you all and the public to. So when the recommendations for council action, there's a Brackenridge substation rebuild and this is to cover

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a substation in a very dense area. Council, it's going to come before council for approval -- to approve it because of the nature of the contract. This is a design-build contract and it's my understanding only so many of those can be let at one time. So we're going to bring this to council for action. The next one is the solar power purchase agreement, project located at aiba, which I think is a very good project. Couldn't bend that mic. That's coming to you on December 4th. It's to consider 25-year power purchase agreement with a company called Ng distributors solar for up to 1.8 megawatts of electricity from a rooftop solar facility located at the airport. Of this 1.8 megawatts, approximately 300 kilowatts will be diverted for airport use and the balance part of our community collar program, and out of that approximately have will go

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to customers. Continuing to support cap. And the third and last recommendation for council action is the electric vehicle charging station maintenance contract. This is a five-year contract worth \$800,000 for a company called smart charge residential, and they are going to provide maintenance, repairs and upgrades for the charge park electric vehicle, av charging infrastructure. And this will allow us to continue our objective of providing more areas where people can charge their avs and hopefully proliferate the growth of avs. Before I move on, any questions on any one of those actions? >> Tovo: Questions, colleagues? I have a couple. With regard to the last bullet point, the electric vehicle charging station maintenance, are you suggesting there would be the addition of more charging stations or is this strictly a maintenance contract? >> Well, it's to provide

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maintenance and repairs and upgrades. So as upgrades are necessary, they would do that, this contract would add more but take care of the ones we have. >> Tovo: Great. Thanks. I provided this feedback to charge point, but I'll mention it here, as they are doing the upgrades, they may look at the length of the cords. There are certain new electric charging vehicles or hybrid charging vehicles that can't actually use some of the spots because the cords on them are too short. >> My colleague is taking that note down. >> Tovo: Thanks. I can give you more specific information if it's useful. >> Great. >> Tovo: Any other questions? Thank you. >> I'm sorry, I wanted to wrap up by talking about two events. One was -- >> Tovo: I wasn't trying to end your time. >> Oh, I'm sorry. >> Tovo: End this segment. >> Sticking on this team of electric vehicles, on October 22 I helped kick off nagger's drive initiative with both local dealers and stakeholders. The event was successful.

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It was part of a Bloomberg American cities climate change and went really well. And lastly, we want to invite you and members of the public to the upcoming zilker holiday tree lighting ceremony that's going to be Sunday, December 1st, at 5:30 P.M. If there are no more questions, I'll move into the operations report. >> Tovo: Councilmember Renteria I believe has a question. >> Renteria: I don't have a question. I just want to say -- I just want to do a shout out for one of your employees. I don't know his name, but last week when we had that real cold weather and the wind was blowing and it was -- it shorted out some transformers in the [inaudible] District where my daughter lives at, and they called and the guy came out there and they told that they were going to bring it up at this certain time and sure enough they were on time. And I went out there to thank them and they said there was no need to thank, he was just doing his job.

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He was very courteous. So I really want to say that you have some really good employees working for you. And it was raining and it was cold and the wind was blowing and they were out there not complaining, just doing their job, they said. >> Thank you very much. >> Tovo: Nice story. >> I'll hit the highlights of the operational update. One of the things I always hate to have to report in any form is when our safety numbers are going in the wrong direction. We're continuing to emphasize that three out of four measures are red. Near misses are going down and the committee near misses are what we encourage people to report when they don't get hurt, when something doesn't go wrong, but they averted it. The money we want those to go up, the more those are reported the more we can take corrective actions. Don't know how strongly correlated they are, but our

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total injuries have gone up and our recordable cases have gone up almost triple. So we are taking a number of steps. Safety is a theme that we mention at the beginning of every meeting. I've had the occasion to get up earlyssa "Earl the extra early and drive to the -- we continue to work with the teams to figure out better ways to keep people focused. So we're going to work that issue. The next thing I want to highlight is that our reliability, while when you look at the measures not going in the right direction, we still remain in the first of all our measures. These goals are pretty aggressive. And again, thank you to the councilmember for the kind words, but it's our job to restore service. And one of the things we know we're going to have to do is get better at the amount of time it takes to do it, the saving measure that you see in the lower left-hand corner. But we're continuing to focus on that.

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We feel good about being first, but we want to move back to first. For those who want a question, our carbon footprint, this past April was a lot more windy and sunny. We would have gotten more wind from our solar resources. And then weather was milder so it was a percentage. The renewable resources would have seemed higher and it drops off because we didn't have as much wind and solar in some of the other months, and during August and September when it's extremely hot the wind doesn't blow as much so you will see that slip off. Total renewables, it depends on the weather. Unless there are questions, this concludes the update. I want to go into the decker update. Are there any questions, madame chair? >> Tovo: On the section

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that you presented thus far? >> Operations section. >> Tovo: I don't believe so. Thank you. >> Okay, so moving into the decker report, through the end of the quarter, we've continued to do career assessments. We have about 44% of the people take the assessments and we continue to offer other dates and we continue we've had 12 people applying for -- applying for city job training because many people haven't applied for jobs in quite some time. In August, September and October we had 18 people apply for and be trained in interviewing skills and no. 3 and eight more -- three were trained and eight were scheduled in August. I mean four were scheduled in August and we had an extra so a total of eight. We're going to offer more times. We continue to do outreach, continue to update the people on the plant where we

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are. The schedule is giving opportunities to ask questions and provide feedback on the process. >> Tovo: Questions, colleagues? I have a couple questions. Could you help us understand, as vacancies become available through Austin energy or perhaps elsewhere in the city, are the employees who are at decker now being connected with those so that -- being made aware so they can apply? >> So they are being made aware of them and they are encouraged to always look at any job posting boards. Austin energy H.R. Has even gone above and beyond and one of the managers told the people they could call her directly. She can't give them preferential treatment, at this point, but she will point them to a manager, call managers and let them know we have people available so they can get consideration not only in Austin energy but across the city. >> Tovo: Great. I would say to the extent we can increase those efforts, we know many of the employees will not be needed

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at decker at some point so connecting those to available opportunities seems very important. As some of those employees are going out on the -- applying for those jobs or are potentially reviewing the qualifications in some of those other positions, is Austin energy prepared and contemplating doing any kind of training of those employees to help them increase and strengthen their skill set so they are more competitive for some of those positions elsewhere? >> Yes. So you may recall from when I first started reporting on it, the first step is do a skills assessment. We have professionals out there, met with employees one on one for those who decided to do it, determine what they would like to do, what their skills are now, help them recast because they may have skills they don't think they have. They may be used to working on power plant controls and may not believe that's transferable and we allow them to see they have nor skills than they probably recognize. Then when they apply for jobs, we've given them job

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interviewing training and skill set training and we're preparing classes to the extent that what they want to do is consistent. We're not supporting that, but to the extent their jobs that the city can benefit from, we're trying to align the training for them to take advantage of that. >> Tovo: I understand and appreciate you've done resume workshops and interviewing workshops and others, can you give us a sense of some of the more targeted skill-based training that Austin energy might offer to those employees who do have transferable skills but maybe not quite the range of skills they would need to be really competitive for some of those open positions? >> At this point there's no a specific skill base. Let's pick one, for instance, let's say one is very skilled in electrical repair and they want to do plumbing. At this -- plumbing. At this point they have their normal work, we're not at that phase of the process. Once we close down the first

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decker plant, I'm Gooding to keep everybody on board even though they technically aren't necessary to be there. We'll have more than enough people to run the plant and the people who aren't needed can train during the day. Because one of the commitments we made was to allow people to train during normal workdays so they wouldn't have to work all day and train at night. We're not at that point yet. >> Tovo: But once in that phase, there will be onsite very targeted skill-based training for those employees who need that kind of focus? >> There will either be skills training or we will point them to a facility where they can. So we wouldn't be able to certify in some skills not within Austin's wheelhouse. >> Tovo: Thank you. Can you -- let's see. I think I had one more question about that. You said 44% have received those assessments. Is that overall? >> I misspoke. 44 people, which is 70% of the target audience is what I should have said. >> Tovo: Got it. I expected that number to be

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higher based on early report. At this point about 70% of the workforce. >> Yes. >> Tovo: Great. Thank you. Thank you for these continued updates. Other questions? Okay. Great. So we now do have a quorum and we can -- I'll entertain a motion for number 1 to approve the minutes of the October 23, 2019 meeting. Mayor Adler moves approval. Councilmember harp harper-madison seconds. All in favor? Unanimous on the dais, Flannigan, Casar, alter and kitchen are off and I know councilmember Flannigan's office did reach out to hhsc at another city meeting. Number 2 is our Austin energy utility schedule. I'll mention that quite a few of these fall on days where we also have audit and finance. At least one or two of them also fall on days where the mayor and I have visit

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Austin. And multiple of them also fall on the day of police retirement. So I would just say it's -- I'm not sure this is an ideal schedule from that perspective. We can manage audit and finance in the morning and this in the afternoon for those of us who have mid-day meetings, we're going to be needing to leave one meeting late and come to the next early. I think that will primarily affect me and may affect the mayor. We can take another look at it. I'm comfortable approving it today and then maybe you suggesting some modifications. If you would look at whether or not the boards and commission -- what other days the boards and commissions might be available at that time. Yes. Councilmember pool. Vice chair pool. >> Pool: It's also conflicting on two occasions with the new water oversight committee, May 13 and August 19. I'm happy to sit and work with you on that, Hayden, just to try to figure out how better to get to --

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>> Collaborate and try to find the right dates for that. We've approved three of our four dates and these are two of them. >> Tovo: Would you find telling me the dates? >> Ellis: Sure. It is May 13, 1:00 to 3:00. >> Tovo: Right at the very same time, 1:00 to 3:00. >> Ellis: Right. And then August 19. >> Tovo: Same time, 1:00 to 3:00? >> Pool: Our fourth meeting is October 28 because we moved that up from the week of the election in November, and I'm trying to remember what the February -- our first meeting in February. >> They don't conflict in February. I want to say it's the -- >> Pool: The 19th or the 26th. >> Tovo: Let's all take a better look between now and then. I would suggest we move the proposed schedule understanding we'll come back to it, but let's take off the two dates we know conflict because it doesn't seem wise to schedule right

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over another meeting. I would entertain a motion to approve this today with the exception of May 13 and August 19. >> Mayor Adler: I would point out for the record I'm going to be gone on February 26 because I'm doing a sister city visit on that day. And on May 13 I will also be gone. >> Tovo: Hang on a second. One at a time, please. Mayor, May 13 and February 26? >> Mayor Adler: I will miss. >> Tovo: Okay. Vice chair pool, did you -- >> Pool: I was going to say May 13 we're going to have to find another date for Austin Energy because it conflicts. I was going to suggest to check in with the city clerk because she should have a list of the already approved meetings. >> Tovo: Unless somebody is keen on approving it today, it needs a bit more work. Is there anyone who really wants to move this forward today? Okay.

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That takes us to our fourth quarter fiscal year 2019 operations. Mr. Dombroski? >> Ellis: I was just getting comment about maybe it would be helpful to do the first meeting since we don't have another time to convene so staff knows when to come back. >> Tovo: Councilmember Ellis, do you want to take a proposal we move forward -- do you want to do the first couple dates at least, January, February and April? >> Ellis: Yeah, I'll make a motion to approve January 29, February 26 and April 1 for these meetings. >> Tovo: Councilmember harper-madison. Vice chair seconds it. Councilmember harper-madison. >> Harper-madison: For the record, I won't be here on the 29th of January. >> Tovo: Okay. So thank you for that. And I guess I would say we're having some trouble starting on time and then

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sometimes having trouble taking action so thank you for that heads up about the 29th. I would ask if there are other scheduling conflicts others have, if you could let my office know so we're sure we have a quorum for those days. Okay. All in favor of the schedule as proposed by councilmember Ellis, January 29, February 26, April 1? And that is unanimous on the dais with those who are present. And that takes us to item 5. Now, earlier we had a couple speakers on this item or the next one and I think that was a mistake, but is there anybody who is scheduled -- who has signed up to speak on this item? Okay. Welcome, Mr. Dombroski. >> Thank you, Mark Dombroski, Austin energy cfo. I'm going to quickly cover the fourth quarter results, year end results for fy-19. These numbers are unaudited and it's not uncommon for them to change between now and March when auditors

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issue their report. I expect some of them to change. We've provided you with a full report for you and your staff. I would be happy to answer any questions, but I was going to cover the executive summary and a few other high points in the summary including how we compare ourselves to the Texas market, the year-end data was available in October. So overall this year in fy-19, the finances of Austin energy really exact by three events. First one is -- impacted. First we had mild weather for the majority of the year. It's hard to remember that after this August and September, but for the most part it was mild so sales were depressed as a result of that. We also acquired the nacogdoches plant, and that was an unbudgeted item. We did not anticipate that when we set our budget earlier in the year so that had an impact on financial results. Finally vent was the

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extraordinary power event we had in August in which three times we hit 9,000 a megawatt power. To start off with, I'd say we're compliant with all of our financial policies with the exception of our capital reserve. We're still underfunded in that capital reserve. And we will remain unfunded through fy-20 as

we weren't able to make transfers into our capital reserve. However, we do have more than adequate cash in our working capital, so we exceed our minimum of what we needed of \$417 million. We are meeting all of our metrics except for two for double a rating, however, we maintain double a rating. We received an up grade in may of this year by Fitch. The two metrics that we are behind on is our debt to capitalization. And that was fully anticipated when we acquired nacogdoches.

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We took on \$465 million of debt and so that certainly impacted our ratings. And then the margins are below our 10% target. And that's a result of just being in year 3 of rates,es ask layingss and inflation has an impact when rates don't change. Escalations. We didn't make as much sales so margins weren't as high as we anticipated. In terms of revenues, we had 1.42 -- \$452 billion in revenues. This is about almost 5% over what we had forecasted. That's really associated with those high power prize in which we were selling into the market, but off set with lower retail sales. On the expense side, we're about 6.4% over. Again, mostly driven buoy the high power prices we experienced in August and

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September. And some planned outages. But also as a result of the increased debt service. We amortized the debt associated with nachodoches over 13 years, about \$42 million a year which is a big debt service payment, but that matches our power purchase agreement period. Finally out balance sheet is very liquid and adequately capitalized. Our cash balances are lower than they were a year ago. That's associated with a \$40 million payment we made to an escrow for our corporate offices that will be opening in '21. As well as we finished the year about \$22 million under recovered on the power supply so we made that payment with cash out of our working capital. We'll recover it in the fy-20 power supply adjustment. And finally, on the comparison ourselves to other Texas utilities, we have a competitive metric which tries to keep us in

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the lower 50 percentile serving retail, commercial and industrial customers. Last year we had 101.5% of the average. This year 100.4% so we made improvements and I have a slide I want to show you later on about how we -- what progress we've made in that area. Is. >> Tovo: Mayor, did you have a question? >> Mayor Adler: No, sorry. >> Let's see if I can find here -- so this is one of the slides I want to show you which was this is our power supply budget. As I mentioned, we had an extraordinary event in August where we had extremely high prices in the E.R. Cot market. And -- ercot market. The yellow is our actual cost that we had to spend. You can see that compared tonal about it which is the

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gray bar and the revenues we collected on the blue line there. So that was one of the main drivers exceeding our budget this year is because of those power supply costs in order to serve our retail customers. But there is an off set to that which is -- on this chart you can see that our total cost to serve our load was \$673 million. That's the power to serve all the customers in Austin energy territory. Through operating our generation, which we call our physical hedge, as well as financial hedging, we were able to bring those costs for customers down to \$396 million, so that's a significant cost reduction for our customers through the operations of Austin energy. This is what you often don't see behind the scenes, but this is a combination of both physical hedges and financial hedges at work.

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This is a chart you are probably familiar with each year. This is our comparison of ourselves for our competitive metrics. So the dotted line there is Austin energy's average system rate going back to 2001. And our goal is to stay below that black line, so that's the Texas average for all utilities. And you can see we're right at their were 104% of average, so .4% above, which is pretty close to being right there. But we added another line this year to the analysis which is the blue line at the very top. Those -- that's the average system rate for utilities winner -- within ERCOT. Those customers that have a choice, are they paying on average more or less than our customers. This graph shows on average Austin energy customers pay less than customers in the

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competitive market and have been since 2001. That's not what our metrics measures, but I think that's an interesting point to show here. You can see there's a little separation there in 2018 because that covers calendar year 18 that in an ERCOT market prices climbed which ours stayed flat. >> Mayor Adler: The last legislative session. >> The data comes out in data. We get it out as soon as we can. It shows that we're -- we're very competitive on average with other utilities and doing a little better than our competitor utilities. That's the highlights. If you have any questions. >> Tovo: I don't see any. Thank you so much. >> All right. >> Tovo: All right. Colleagues, I think that is our last item. Anything anyone wants to suggest for a future meeting?

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Okay. We stand adjourned at 2:07. Thanks so much.