

Austin Energy Utility Oversight Committee Meeting Transcript – 03/31/2021

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>> Pool: If you go ahead and make us public, I'm going to introduce the meeting and we can lean up the folks for citizens communication. >> Ready to go. >> Pool: Thanks. Good afternoon, everybody. I'm Leslie Pool, chair of the Austin energy utility oversight committee. And I have here today a quorum of our city council at this point and I'm sure other folks will be joining us. Councilmember Tovo, councilmember Renteria, councilmember Kitchen, councilmember Kelly, councilmember Ellis and I see a couple squares with councilmember Harper-Madison and there she is, and councilmember Casar. Great. We have a -- okay, so I will call this meeting to order. It is Wednesday, March 31, 2001, a little past 1:30 in

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the afternoon. We're doing this by way of video conference, and we will take our public comment first. There are speakers signed up to speak to us. They each have three minutes. And then we will go directly to executive session to take up two items and I'll read that script at the time. Those are the items we deferred from last Thursday, then we'll come back and have our Austin energy oversight committee meeting and this is a combined meeting with Austin water oversight committee. And when we get through the AE items, I'll hand off the gavel and the authorities to the chair of Austin water, councilmember Kitchen. We're going to try to stay within a two and a half hour, maybe into three hours max, so we'll try to keep ourselves confined to that. Anybody have anything to offer? >> Ellis: I did want to briefly mention that I have

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a 3:00 to 4:00 meeting that I just couldn't move and so you will see me leave and come back if you are still going at that point. >> Pool: Happy to have you back when you are I believe and thanks for the heads up. Anybody else? Yes, mayor pro tem harper-madison. >> Harper-madison: I have a similar obligation, but for a half hour. So I'll leave and come back. >> Pool: If we're still laboring away, you are welcome to join us back. I have Paul Robbins, is he first? >> Can you hear me? >> Pool: Hey, Paul, welcome and thanks for dialing in. You have three minutes. >> Thank you. During the horrible freeze in February that knocked out over 40% of Austin's electric customers off line, Austin energy continued to generate power. Austin was able to export for more electricity than we

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used. At your March 3 meeting, Austin energy showed a graph of hourly generation for each power source, including gas, coal, nuclear, wind and solar. What was interesting and alarming to me is that on average, 80 to 90% of the power generated during the crisis was from dispatchable and polluting power plants. And Austin is planning on retiring over half of this dispatchable capacity in the next two years. Austin made \$54 million in profit during the crisis. However, if the crisis had occurred two years from now after these plants are scheduled to be retired, we very well could have lost money. And many in the public would reveal environmentalists to retired these plants. I am in fact an environmental activist. I understand in great deal

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the reasons for retiring fossil fuel. However, this cruel weather event has exposed our vulnerability to the lack of dispatchable capacity. We have no dispatchable renewable capacity at this point and no plan to develop it. To my knowledge, we have no firm power contract for conventional dispatchable capacity when Austin's plants are retired. So out of an abundance of caution, I am asking you to temporarily delay the plant retirements until the problem is understood and resolved. I stress the word "Temporary" but we cannot be so shrouded in our own political correctness as to ignore the challenge we have been dealt. My final point is that in preparing this speech, I asked Austin energy for

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documentation from the presentation it made to the council at your March 3rd meeting. The chart that I referenced. However, the utility will not provide this in a timely manner. Consider this chart that I need documentation for was printed in the Austin statesman, yet I'm not allowed to see the numbers for -- that this chart is based on in a timely manner. To under state this, it is hardly a model of transparent

government. Thank you for your attention. [Buzzer sounding] >> Pool: Thanks, Paul. The next per is bill Okie. Bill, are you with us? >> Yes, I am. >> Pool: Welcome. You have three minutes. Thanks for calling in today. >> Okay, first I want to thank Austin energy for weatherizing the power plants and enabling us to get through this thing

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safety. And second I want to thank all the councilmembers for the incredible work they did during the storm, and I especially want to thank councilmember tovo who is also responsive to me and has been for many years. She's a gold star. One of my concerns is preparedness for storms and responsiveness after a storm. I think -- I'm urging you to prepare as if we are going to have another polar vortex next year, and we very well could. What I think you need to do is develop a clear plan that enables rolling blackouts. In order to ensure that we have rolling blackouts, please take a look at the layout of your distribution circuits and see if there's a way to reconfigure them. I've been told the smart meters might help. There were too many areas of downtown and too many areas of other neighborhoods that were wider than they needed to be to protect the critical infrastructure. I have sent you some written

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proposals in detail on that subject. The other thing I would say is that after the storm, trees, trees, trees. I mean, that's actually before the storm. Trees, trees, trees. Make sure you are up to date on the tree trimming and stay up to date. That problem goes back many years. After the storm, we didn't have enough shelters. People, a dozen or so people lost one or both of their feet and some will be disabled for life. Please treat help on the shelters. -- Try to help on the shelters. Also read the written material and you see the rest of my concerns, but one thing I wanted to mention, I state of Missouri with Austin energy about the pros suspect of rate payer credits for this profit. It's my understanding that it's possible that Austin energy could clear a profit from the ercot transactions somewhere in the neighborhood of \$50 million or it could be even higher. It will take a few months to

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understand exactly what the final settled amount will be, but that will be passed through to the customers through the power supply adjustment on our utility bills. In order to avoid spikes after this discount is given, I would suggest that you do it over summer months and because summer bills are high anyway, and if you give people credits during the summer, then the winter rates are always lower anyway and they won't see a spike after the refund credits go away. So thank you for all the challenges that you are facing. I know it's a really tough deal. I do not believe that the ercot pricing standard of 9,000 megawatts, dollars per megawatt hour can stand in the future. According to "The Washington

post," they sold 50 -- [buzzer sounding] -- Billion dollars of electricity in one week and you would have to add the entire annual budgets of Austin, Dallas, Houston and

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San Antonio and then multiply that number by three in order to come close to that 50 billion-dollar figure. We cannot sustain that. The state cannot sustain that. You need to urge the legislature to reformer cot's pricing mode. Thank you very much for your time. >> Chair? Chair? I think you are on mute. >> Pool: I think vice chair tovo has her hand up. Mr. Okie, are you still on the line? >> Tovo: I'll follow up and say I wanted to be sure Mr. Okie is aware the council passed a resolution I brought to look at various elements of the storm and that responds directly to some of his comments today as well as the emails he sent all of us. That many of the topics he raised will be subjects of

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review. >> Well, I appreciate that and thanks again for all your hard work. >> Pool: That's great. Anything else? Our third speaker is kiaba white. Are you there? >> I am. >> Pool: Welcome. You have three minutes. Thanks for calling in. >> Thank you. My name is kiaba white and I'm calling to make comments on behalf of public citizens. First I just will start by saying I urge the council to stay the course with the scheduled retirements of fayette and decker. Obviously this is a situation that, you know, went in different directions for various utilities based on how their energy sources provided during the storm, and that is important and something we need to keep our eye on. But our environmental commitments are also important and I think we need to address the problem

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without going backwards on those [inaudible] And I do think that's possible. That's one area I wanted to talk about. And that is how to manage these outages in a way that is more effective and more fair in the future. And I say that because I think it's unlikely we will never have outages again in the future. Of course we want to minimize them, the state wants to minimize them, but that is a tall challenge given that our climate is changing and we're going to have more not less severe weather events. And we need to do what we can to protect our population here in Austin regardless of what the rest of the state is doing. And we do have the luxury of having our own electric utility, so we can take some action kind of regardless of what the state does. Specifically, I think we should be looking at ways to utilize our smart meters to more precisely turn on and

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off those meters that are maybe not critical load but are near to critical loads. For example, I had power the whole time during the storm, while others were freezing. I would very gladly had my power off part of the time so that others could have their power on part of the time. Yes, this will require an investment I believe in software to control the smart meters in a way they are not controlled right now. Right now they can be turned off one at a time. It seems that it is probably possible to do them in batches so that outages could be rolled from one neighborhood to another even in tight circumstances like we experienced in February. This I believe would be more effective and ultimately cheaper than trying to segment out the circuits on a physical basis and I say that because segmenting out on a physical basis requires upgrades to infrastructure and would rely on those

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critical loads being in the same place. Otherwise you would continually have to keep upgrading those circuits to keep those critical loads on their own circuit. That just doesn't seem like a practical solution to me in a city that is growing and changing in the way that Austin is. [Buzzer sounding] Within and he already have smart meters at all of our homes and businesses. Let's make this extra investment so we can use that infrastructure that we have in a more effective way. And given Austin energy did just make some profit off off the situation this would a a good way to spend some of that money so we can be prepared the next time around so even if they are making a profit, people at the same time aren't freezing in their homes. Thank you. >> Pool: Does anybody have anything to say about that? I just wanted to let you know we are looking at both

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the circuitry and I think your points about segmentation are well taken, and we definitely want to move in a direction that would make us more nimble. Thanks, kiaba, for weighing in and we'll see where we can help, where [inaudible]. All right, that concludes citizen communication. I assume there's nobody else calling in. And so I will now move us into executive session for Austin energy utility oversight committee. The committee will now go into closed items pursuant to section 551.071 of the government code, the city council will discuss legal issues related to item newspaper 6, winter storm uri, and pursuant to sections 551.086 of government code, this city council will discuss competitive matters related to item number 7, Austin energy generation resource issues. Is there any objection to

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going into executive session on the items announced? Hearing none, the committee will now go into executive session. And then we will be coming out here to finish up the rest of the meeting after that. Yes, councilmember kitchen. >> Kitchen: I just wanted to ask that -- I know we have -- well, I don't know, you probably are not able to estimate when we would come out, but to give people an idea, you said earlier when you were going to, you know, -- >> Pool: Don't know how long this will take, depends on how many questions, but I imagine we should be back out in 20, 30 minutes. Yes, thank you. See you all over on the other channel. [Executive session]

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>> Pool: Okay. We are now back out on the dais in open meeting, out of closed session. In closed session we discussed legal issues related to item 6 and competitive matters related to item 7. We're now back in our open session public meeting and we'll go right to item 1 in the Austin energy portion of of this meeting and I'm going to go really fast so that we can try to get all the work in in a constrained period of time. All right. Item 1, approve the minutes of just the March 3, 2021 special called Austin energy utility oversight committee meeting because the February 10 minutes are not yet available. Is there a motion for this? And I see councilmember Kelly and a second, please, councilmember kitchen thank you. All in favor please say aye. Let's see, I've got aye from

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councilmember kitchen and Casar and tovo and Kelly and Renteria and me. And I don't see councilmember Fuentes. All right. So that is -- how many was that? Four who were on the dais. Thank you. Briefing, general manager's report, upcoming recommendations for council action, innovation events and Edwards. Is our general manager sergeant here. There you are. Great. Can you help us by compressing? Sorry. >> Thank you very much. We will get through our items as quickly as we can. Good afternoon chair, vice-chair, committee members. I'm Jackie Sargent, Austin energy general manager. If you could please bring up the presentation. In addition to my report, vice-president power of production pat Sweeney will provide the decker power planning.

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Adam Mcelroy, finance director and risk and market and Tom peer telescope point, engineering and electrical service will provide a briefing on Texas economics and the Texas regulatory framework, how the power supply adjustment works and circuit segmentation. Next slide, please. As I typically do, I want to brief the committee on Austin energy upcoming recommendations for council action. The first item is a five-year contract with CVS electrical distributors for network protectors not to exceed \$10 million. This equipment is necessary for use in our downtown network, which is designed to provide maximum

service continuity and a heavy load density service area. The next item is an amendment to the existing contract with mass tech North America for underground continued electrical services and mass distribution for a revised total contract amount not to

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exceed \$72 million. Another upcoming contract is a five-year contract with [indiscernible] Tree expert for vegetation management services on energized transmission line. These are the high voltage lines. For a total contract up to \$17.5 million. Next slide, please. Next is a five-year contract with kvs electrical distributors to provide circuit breakers for a not to exceed amount of seven million dollars. This contract will provide high voltage circuit breakers which are used to deenergize transmission lines for construction purposes for outage and conditions. The next is an amendment to the contract with pipe electric for maintenance repair services for two million dollars. This will provide for continue and additional substation installation and maintenance services. And the final item I'd like to brief you on is an amendment to the existing contract with pike enterprises for continued

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distribution and electrical services for a million dollars. This will allow Austin energy to complete plan and emergency transmission and distribution projects. Projects have increased over the course of the contract and the requested amendment will allow Austin energy to maintain services for the duration. Next slide, please. Lastly, I'd like to mention the 64th annual Austin energy regional science fest, which is one of Texas's largest regional science fairs with students from third through 12th grade that encourages and rewards innovative student research and it also provides scientists, engineers and other professionals a chance to volunteer in the community. Due to the pandemic sign fest was held virtually and this year 826 students participated in the elementary division. 294 in the junior division and there were 210 students in the senior division. Six projects were selected to advance to the science and energy fair that will take place in may. I would like to say thank

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you to all the sponsors and volunteers for their support and also the participants. As always it's are great to celebrate with the young scientists of Austin and the surrounding area W that that concludes my report. I will pause and see if there are any questions that you may have. >> Pool: I think we might want to move on to the decker creek power station workforce planning item number 3. >> I'll hand it over to pat Sweeney then. >> Thanks, Jackie. >> >> Alter: Chair, if we have one I have a time sensitive one related to the vegetation. >> Pool: Okay. >> Hello, councilmembers. Good afternoon. Can you hear me? Okay. I will be brief. A short update on our activity with the decker workforce transition. So since our last

meeting one of the main things we've been focusing on is job shadowing. We received 20 requests from employees to go shadow other job opportunities within Austin energy.

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And to date through March we've gotten 11 of those that have finished up so that's about 50%. We've got another six scheduled in April so when we wrap up April that will put us at 90%. And so that remainder we would be addressing in May and beyond. Obviously that's subject to additional requests coming in, which we'll work to accommodate. So that's been the main focus. We continue with our monthly communications. We had a meeting earlier this week actually. We continue to offer career assessments, career coaching and training opportunities. And so I think frankly we may have hit a plateau on those. A lot of folks have taken advantage of those, but we continue to make them available. But in summary I'd say that we're making good progress. We've got several team members that have taken new positions in different parts of the organization. We've had requirements and I think we're seeing a trend that will continue and it put must a good position at the time we reach the end point to minimize the impact to the workforce. With that if you have any

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questions I'm happy to answer them. >> Any questions for Mr. Sweeney? Thank you, Mr. Sweeney. Alison, do you want to go ahead and ask your question on asplundh at this point? >> Alter: Sure. This is a question about tree trimming that relates to the storm stuff too. I would like to know how Austin energy plans to address the tree trimmings that were left behind as a result of the power restoration efforts? Under typical processes ae's contractors are responsible for clearing the vegetation. Given the extraordinary nature of the winter storm, the tree trimmings were just left there and I want to know what we're doing to clear the easements. This dead vegetation presents a wildfire risk and nobody seems to know who's responsible for clearing it. My district was hit particularly bad by the ice storm with the tree trimmings by Austin energy and we are trying to address

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this and I want to make sure that this is -- this has Ms. Sargent's attention. >> Councilmember alter, I hear you. I do not have the answer to your question today, but we will get back to you. >> Alter: And I would just broadly ask that if any of my colleagues are experiencing similar issues, whether it's the brush from Austin energy or from on greenways and other spaces where we have a lot of these debris from the storm still there that is just ripe to be dried out and fodder for wildfires. If you are interested in working with us to see if we can get some fixes to this, please let my office know. >> Pool: I think there was also some reliance on Austin resource recovery picking up the extra limbs and so forth, but Ann,

that has been happening and it is slowing down all of that work as well. But yeah, kits clearly we haven't moved through all of the concerns that we have.

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>> It doesn't seem to be happening for the Austin energy lines work and there are a lot of spaces that are not private spaces that are people are calling on that still have a lot of debris that is a wildfire danger. >> Pool: Yeah. I think what's happening is people are dragging it to the curb and that's what's being picture up. But to your point, yes, those are areas that haven't been addressed yet. Anybody else? We're going to move on -- >> It is not an industry practice to -- during storm events for the utilities to pick up the vegetation that's trimmed to be able to restore power. And we will get back to you with what can be done or what options there may be after this event. >> Okay, thank you. Let's see, we're going on to item number 4, energy market economics, Texas regulatory framework and customer costs for power supply and circuitry.

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And item 5 is the winter storm events updates. Both of these were related to our work to assess and be briefed on the response to winter storm uri. That is to say -- this portion is a continuation of the topic items that I had requested from March 3rd. Go ahead, thanks. >> Good afternoon, councilmembers. My name is Erica, I'm vice-president of energy market operations and resource planning and I'd like to walk through several slides that speak to our energy economics markets as well as a high description of the regulatory framework supporting it. I'll turn off my video as I go through these slides as it makes the transmission a little more clean. But I will turn back on when I'm done. If you could go to the next slide, please. In 2002 the state deregulated the electric industry in Texas except for transmission. The public utility commission or PUC for short oversees the electric market

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structure. It adopts rules addressing the market and can reverse rules adopted by the ERCOT board. The PUC has authority over ERCOT's finances, budget and operations with Texas legislature oversight. The ERCOT board is comprised of 16 members established by law. This composition is currently under review by the state legislature. Next slide, please. So what about ERCOT? It's the Electric Reliability Council of Texas. It was founded in 1970 with the legislature enacting laws governing ERCOT activities. ERCOT is a non-profit with members from seven market segments. And they're listed here before you, consumers, co-ops, independent generators, independent reps, retail electric providers, IOUs, and then our segment, which are the municipals or the municipal utilities. Next slide, please.

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So ERCOT's purpose really comes down to four responsibilities. The primary responsibility being reliability. System reliability or balancing supply and demand, generation and load, is done by among other things maintaining the grid at 60-hertz continuously every minute of everyday. In addition, ERCOT is the financial conduit that settles all wholesale market activity for all market participants and for all wholesale products. Settling prices for thousands of nodes across the state in order to price supply and price demand on the system every five minutes. ERCOT is responsible for facilitating the retail switching process that gives customer choice and deregulated retail markets and they also provide an open access to transmission for development. Next slide, please. So let's look at some ERCOT mechanics. Austin Energy's customers

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have invested in generation. Austin Energy must offer that generation into the ERCOT market for it to dispatch. The city's generation competes with all the other generation in the wholesale market. Our generation does not supply our load. The power our customers use is purchased from ERCOT at our load zone. Next slide, please. So how do market participants like AEP take part in ERCOT? AEP does not self-supply its generation for its customers. It cannot do so. We cannot do so. The ERCOT market is a nodal market which requires supply or generation and demand or load to be either injected or pulled from the grid at specific nodes for that energy to be valued or priced accordingly. AEP's participation in the ERCOT market is not optional.

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To serve our load and utilize our generation assets, we must engage in ERCOT's infrastructure. Our customers' generation competes in ERCOT's deregulated wholesale market along with all the other generation in the market. All of those other market segments you saw listed in a previous slide. Austin's market segment is the municipal segment. We are a non-opt-in entity or a NOAE, meaning we have not opted into retail competition. We compete in the wholesale market, but not in the retail market. So we are a load-serving entity. We have an obligation to serve our customers and in order to fulfill that commitment we must purchase all of our customers power from the grid, which is the ERCOT market. And we purchase that power at Austin's load zone. At our load zone price, which settles every 15 minutes. Austin customers have also invested in generation, therefore AEP is a generator

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in ERCOT's wholesale market. We offer our units into the market. These units all types, renewables, conventional generation, compete against each other through a process of offer curves and economic dispatch. If and when we are selected we're told how much the market will buy and what value the market is placing on that energy through the settlement price it receives at its location. Our generation does not serve our load. None of it does, but it does benefit our load by providing a physical hedge in the wholesale market. So how did this serve us during the winter event and how was our portfolio prepared for it? Next slide, please. This graph represents all the available generation Austin Energy had for the market from February 11th to February 19th, as well as a few purchases we made in the color brown for further

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protection. Please note that this slide is different than a previous slide shown to council earlier this month, -- earlier this month which looks similar to this one. The graph shown previously only depicted the amount of generation that was produced from Austin Energy's generating assets. This graph shows the entire amount of generation available in our fleet during the event. In other words, this graph shows you the portfolio's supply or capacity during the event. The graph shows generation in excess of forecasted load. It also shows that the excess generation was not due to load shed. There was generation in our fleet that did not completely dispatch and that was for several reasons. I'm going to walk through those reasons. Before ERCOT entered EEA on Monday the 15th and began to shed load in the early morning hours, gas prices had already been trading very high over the weekend due to freezeoffs and supply

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although prices at night over the weekend -- although prices overnight and in the weekend were in the thousands when's they are normally in the teens, they did not get high enough to bring on all of our generation. This was before load shed. This is reason number one for us not being at full dispatch, even in these high prices. Reason number two, as a load-serving entity who is 4% of the market, we are required to provide a specific amount of ancillary services to the market, the ancillary services are necessary to support the transmission of electric power from generators to consumers. Austin Energy typically carries or ties up most of these ancillary services on our generating units as opposed to buying them from the market. This served our customers well because our requirements -- these requirements were costing the market 2.5 times the price of energy when the energy was at the \$9,000 cap. And, finally, reason number three.

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There were many hours while ERCOT was trying to maintain stability on the network and bring load back on to the system that a portion of our generation units were sitting at the bottom, waiting for direction from ERCOT to bring our units back up to meet demand. A delicate balance. Austin Energy's generation and positions were well in excess of our forecasted load. We, along with other generators, suffered trips, but for most of the event it wasn't load shed that positioned us financially. It's that we had generation for a market that was in severe short supply. Can you go to the next slide, please. So Austin Energy has been managing the price risk in our customer's portfolio for quite in its time. It's a competitive process and a diversified portfolio and a

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philosophy which served our community well. Can you go to the next slide, please. Austin Energy -- this is a snapshot of how your portfolio is diversified throughout the state. By selecting projects in different regions, we decrease the dependence on a specific region and we increase the probability of expected output. Can you go to the next slide, please. Austin Energy's hedging program began to manage the natural gas risk and the fuel charge when the volatility in that market, the natural gas market, created much uncertainty for our customers. Our fuel charge is now the power supply adjustment or the P.S.A., and we manage the price risk inherent in this charge. The power supply adjustment is a path through and it does not contribute to the general funds transfer. This includes the price risk around our load costs and our consumers demand power and as well as where our resources inject power. The congestion on the network,

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the fueled price risks and the transportation of those fuels. Next slide, please. If there are no questions I'd like to pass the baton to Austin Energy's director of interprice wide risk management who will speak about the PSA in more depth. Thank you for your time and attention. >> Thank you, any questions here for Erica? All right, let's move on to the next section. >> Good afternoon, councilmembers, I am Adam McIlroy, the finance manager for risk and settlements. I will provide further detail on how the markets that Erica described become part of our customers' finances through our billing and power supply adjustment. Next slide, please. So the energy markets Erica described today create costs and revenues for Austin Energy and these are passed through to customers on a dollar-for-dollar

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basis on customer bills. P.S.A. Cash flows encompass our wholesale activities on behalf of our customers. And the largest components as Erica laid out are purchasing for customer usage or load, sales into the market from our generation fleet, and purchases for fuel and renewable energy for that fleet. Next slide, please. So on a daily basis these psa cost components are fast moving and dynamic with sub-hourly price movements and distinct dynamics, multiple related markets from electricity to reserves to fuels to renewable resources. And throughout these markets there's an hourly dependence on Texas' complex weather. So a key focus of the operational and financial procedures is to mitigate this dynamism, they use the physical general resources and risk

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management activities and financial policies and cash management from the organization's own funds to help to provide the customers an annual psa rate with measured changes for year to year. Next slide, please. So customers eventually experience energy market costs as monthly psa charges. These are collected as a pass thru charge and levied on per kilowatt hour on customer bills. The rate for these charges is set once per year and it is determined so that it recovers net energy market costs. Across the full system, and over the 12 months of the rate year. The psa charge is a one-to-one dollar-for-dollar pass thru of the costs per kilowatt hour. In particular, where our customers' generation portfolio airplanes revenue from sales, that revenue offsets the costs dollar-for-dollar as well. So in particular there is no general fund transfer applied to psa costs or revenues. The psa charge currently accounts for roughly 31% of the

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residential customer bills. With other key billing components being base rates and regulatory charges. Next slide, please. And so the psa rate is adjusted once per year and it is determined so that it collects the net costs for market activity over one year. As estimated at the time of rate setting. The rate is also set so that it returns or it collects any non-zero psa balance held by the utility on customers' behalf at the time of rate setting. Daily and monthly movements in our supply settlements are managed by Austin energy's funds. Short-term changes do not immediately impact customer bills. There is a mechanism by which if the balance in the utility psa account is larger than 10% of an annual psa amount, Austin energy adjusts the rate off-cycle to return the balance or collect the deficit from the customers over the following 12 months. Next slide, please.

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So Austin energy's cash and liquidity balances help manage the daily settlements in the energy markets so that Austin energy can transact in these fast-moving daily markets while still offering customers rates

that are collected monthly, set annually, and that experience measured changes. Utilities across Texas use their own financial resources similarly on behalf of their customers. After the winter event, these liquidity balances and general financial health tend to be items of keen concern for bondholders and rating agencies who evaluate the ability to remain financially sound and to make timely payments on bond obligations. Austin energy's own cash balances remained healthy giving support to the stable rates that we offer to our customers. Next slide, please. So because Austin energy and the city of Austin participate in the bond markets, the utility has taken on obligations to make bondholders aware of significant financial events and risks.

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To meet this obligation after the winter event, Austin energy and the city of Austin treasury made a financial disclosure to the bond market on March 8th. The disclosure described the weather event and updated bondholders on Austin energy's financial position during and after the event. And as key points of the disclosure, the treasury communicated that Austin energy position remained strong throughout the event and afterwards, that during the event that Austin energy supplied generation and reserves in excess of load to the ERCOT market, and that because of this we estimate that wholesale market revenue will offset all of the market costs from the event when all of the costs are settled in their final form. We had a caveat that settlements during that week are not yet complete and many uncertainties remain. In the disclosure we noted that some uncertainties had the potential to change Austin

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energy customer economics from a net revenue position to a net cost position for the event. Next slide, please. So to conclude for today on the PSA, AWTSC manages dynamic daily energy markets to have annually set PSA rates to customers and PSA charges and customers are passed through in full with no general fund transfer. By using its own liquidity on customers' behalf the utility must occasionally give guidance to bond markets on its financial health and Austin energy will continue to offer stable rates going forward with. That I'll pause there and I'm happy to answer questions or to turn to Tom for our next topic. >> Any questions and then Mr. Pierpot, I want to hand this meeting over to our friends at about 3:30. Do you think we'll be able to fit into that timeframe?

[3:24:58 PM]

>> I don't see why not. I can move pretty quickly. Only one slide. >> Kitchen: Thank you so much. Fire away. >> All right, thank you so much. I'll talk about load shed. In all utilities, the generation and the load have to remain in balance, basically at all times. And load shed in the context of ERCOT is a process where we shut off customer load to maintain that balance. And that load shed is only done through ERCOT, it

would never be called by Austin energy. When ERCOT goes into load shed situation, our share at Austin energy is provided to us and we put it in a control center system and the system has an automated program that loads

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through feeders to get down to the needed level. And just talking about feeders real quick -- each feeder has a substation so we're turning off the feeder at the substation, and feeders can generally serve thousands of customers and also cross many different communities. It's also important to point out that the feeders in the list may or may not be available if they're serving critical loads or they're used for underfrequency protection. On the second point with this, is that the load shed list at Austin energy was to result in relatively short shutoffs for our customers. Unfortunately, on the days that ERCOT called for reductions they were so deep that they consumed really most of the load shed list and prevented any rotation. So for the automated rotating list, we're looking at the potential ways to power critical

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load while others recycle. Many of these points have been brought up by various stakeholders. This could include segmenting and sectionalizing or even reconfiguring feeders where feasible. One of the things that was brought up today and brought up in multiple forms is the possibility of using automated metering type solutions for individual shutoffs while other customers stay up. We will -- Austin energy is exploring this with the vendor and there are some hurdles that have to be overcome. This includes the communications, and the ability to have meters to actually turn off load or not. And then another after-action item is that we're looking at resources from electrical power research institute. You know, to look at ways that we could -- we could better do load shed in the future. There's also other types of load shed besides the rotating list. This is mostly comprised of

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larger commercial industrial customers. And those customers simply can't be cycled. There's no way to turn them on, turn them off, it just doesn't work. So right now we have to closely coordinate with the large CNI customers via phone, to have them to ramp down and shut off. And this is required to ensure safety at their facilities and prevent damage. Our after actions for the C and I customers is to work with them to develop a more automated program that gets -- to meet the load shed requirements, but also helps them to manage their facilities at the same time. And so that is it on load shed. If there's any questions? >> All right, any questions for Mr. Pierpoint. Councilmember Tovo.

[3:29:02 PM]

>> Tovo: Thank you, Mr. Pierpoint. I have a series of questions about this, because I think that this is the question that we're asked the most really with respect to the winter storm. Can you walk me back -- I'm sorry, I didn't pull up my presentation so I'll have to do that since you took that last -- that one slide down. Can you talk a little bit about how -- how the original circuits were designed and why there are residential customers on those circuits in addition to some of the critical functions like hospitals? >> Sure. It's just a function of the feeder. You know, and how it was laid out. It's entirely possible that there's hospitals and residential customers on the same feeder. It's just how the system was constructed over the years. And so they could be intermixed. And that goes back to in the slide the -- looking at the

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after actions, the first point, is looking at ways that we might further segment, you know, hospitals, for instance. And maybe put a dedicated feeder, in some case Westlake medical center might be an example. And then separate the critical load from the rest of the feeder. >> Tovo: So, you know, one of the questions that I know that our general manager addressed during a press conference was, again, a question that we have been asked a lot by our constituents. If Austin energy has the ability to shut off my power if I don't pay my bill, why couldn't they have used that mechanism during this situation to, in essence, take down the residential customers who were not serving critical functions who had power during that time. And I know that wasn't possible but the answer was pretty technical so I would ask if you could just explain. Why wasn't it possible to take down some of the customers who are residential customers or

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non-critical businesses that were on a critical circuit, so that you could have brought up other? >> Well, a couple answers. Is that we're going to further look into that. But for a lot of -- in a lot of cases the Ami system is not out there and we shut off customers and send a truck, and so the meter is pulled. And the second part for automated meters the communications -- so we're talking tens of thousands of devices and the networks for automated meters are not designed for that through put and so sending out tens of thousands of commands, if you will, to the meters is something that we'll have to look at the design. The short answer is that the communication systems weren't designed for that kind of crushing input. Now I would say that -- it is -- we are exploring it with the vendor. I mean, we are taking this request seriously. >> Tovo: But why wasn't it

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feasible --? Sorry? Why it wasn't feasible during the storm is because in a lot of cases there aren't automatic meters, you would have needed to send out a truck which, obviously, wasn't efficient or possible. >> Yes. >> Tovo: And then for those, where there are automated meters, the system at this point is not designed to have done the volume that you would have needed for that to even have made a difference in terms of allowing you enough leverage to bring back other customers, given the depth of the load shed? >> Exactly. And sending all of those commend commands out to shut them off and then send those commands out to turn them all back on. We would have to be rock solid on. >> Thank you so much, and we really appreciate it and this is good information and it may be useful for us to get that explanation in a memo too. I would love to send that out by way of my newsletter.

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>> Sure. >> I think that everybody else would appreciate that as well. I'm going to move us now all together, we're still having the joint meeting over to the Austin water oversight committee, and at 3:33, I'm going to adjourn the Austin energy utility oversight committee and pass the gavel on to the chair, chair kitchen with Austin water oversight, to continue the conversation on all of these topics.