

# Austin Energy Utility Oversight Committee (AEUOC)

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>> Pool: Thank you. I'm Leslie pool, chair of the Austin energy utility oversight committee, and we are here meeting in the boards and commissions room Tuesday, August 30th, 2022 at 3:33 P.M. I'll call this meeting of the utility oversight committee to order. And it looks like we have at least one council member remote, maybe two. Glad to have you all with us here today. I'm giving a little bit of time for the staff to filter into the room. And I understand that we have

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one speaker. And while Mr. Robins is coming up to the microphone, and before he speaks, I will let you all know that we have a couple -- three, four, five, six, four, five briefings. We're hoping to keep the meeting to about 45 minutes because of the heavy lift we have with other items in front of us. Mr. Robins, you have three minutes, and thank you for being here today.

>> Thank you. Council, Austin energy is blatantly hiding information. Activists, reporters, and city commissioners have time to research problems and expose them to council and the public. Your watchdogs are being intentionally muzzled. I've been a watchdog of Austin energy since 1977.

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In 2001, council approved a rather draconian item that allowed Austin energy to keep vast amounts of information that was formerly public, secret under the guise that it was competitive. I protested at the time, and the resolution only received a bare majority for its passage. The formal name for this subject is "Competitive matters." In 2011, Austin energy relented somewhat from its draconian secrecy to stakeholders meetings with activists, including myself, we devised a set of rules we could better live

with. It was passed by council as a resolution, but Austin energy has let the resolution expire, has not brought it back for an update, and has broken promises that it made in the past. And let me give you a couple examples of the lack of

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transparency. Correspondence related to the recent downgrading of Austin's credit is being withheld. Fitch publicly stated that the Austin -- that if the Austin city council were to pass a \$48 million rate increase, it would presumably secure its credit rating. My suspicion was that this was a blatant attempt to pressure city council. I asked for Austin energy's communication with Fitch under open records. My rather tame request was referred to the attorney general for review. The ag process at the least will delay disclosure by several months. In another instance, I asked Austin energy -- for Austin energy's fuel costs by fuel type, such as natural gas, coal, and solar. Again, this information has been withheld pending review by the

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ag. This is peculiar since Austin energy has released this information in the public in the past. It also goes against promises the utility made to me and other acti activists. And in some cases, it defies common sense. In the case of gas and coal, the information that I sought is posted on the internet by the federal government. In conclusion --

[ buzzer ] A new competitive matters policy is required. A transparent utility is one difference between a trusted institution and a rogue agency.

>> Pool: Thank you, Mr. Robins. We'll move to item 1, which is approval of minutes. Is there somebody who would like to make a motion? Council member Ellis makes that motion. And a second from council member vela. All in favor? Looks like that is unanimous. Thank you so much.

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And now we'll move to the briefings and lead off with our general manager's report. This is upcoming recommendations for council action, including innovations, events, and awards. Good to see you here, general manager.

>> Thank you, chair, vice chair, and committee members. I'm Jackie Sargent, Austin energy's general manager. In addition to my report today, senior vice president of regulatory affairs of compliance and cooperations Tammy cooper and our outside counsel Thomas bracado will provide an overview. Adam Mcilroy will provide highlights of our second quarter financial briefing. Then acting chief operating

officer Stuart Riley will provide an overview of the second quarter operations briefing. And finally, vice president of market operations and resource planning Erica Biersbach will provide a briefing on resiliency as a service program and the development of that program.

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I will begin today with a special announcement on some of our staffing changes that we made recently. First, I want to thank Stuart Riley for accepting the challenge to step into the role as acting deputy general manager and chief operating officer, while Sydney Jackson is out on extended leave for family emergency. Stuart has been with the city for more than 15 years, starting in the law department and joining Austin Energy as chief of staff in 2019. Second, I'm proud to have appointed Cassandra Ragli as chief of staff. She has most recently served as program manager in our compliance division. Third, I'd like to congratulate Lisa Martin. Lisa joined Austin Energy in 2010 and has served in several compliance and engineering positions. Most recently, she helped navigate our organization through several new reliability compliance obligations as a director of corporate compliance.

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programs. Again, big congratulations, and thank you to Stuart, Lisa, and Cassandra. Next, I would like to preview several upcoming requests for council action. There are almost over two dozen items on your way in September and October, so I won't go through all of them. Instead, I'll just hit a few of the highlights. There's an item for \$5.5 million, a multi-term contract to provide maintenance, inspection, restoration, and repair of Austin's iconic and historic moonlight towers with Intertech resources. There's an item for \$10 million, a five-year contract for substation maintenance with Primoris Services, and an item to amend our professional service agreement to add HDR along with a \$22.5 million of additional spending authority for engineering support services rotation list. These firms help augment our electric system, engineering, and technical services groups.

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Next we have an item to authorize contracts with Elk Electric and Smart Charge Residential for electric vehicle charging, station maintenance, and repair in the amount of 1.375 million. There's a contract amendment in the amount of 3 million with Alltech to continue the existing lease agreement for customized utility vehicles that will provide a bridge to the next item. This bridge is needed so that we can continue utilizing vehicles under the existing agreement until such time Alltech can deliver new vehicles. The new contract is a multi-term agreement with Alltech to lease and maintain customized utility vehicles such as bucket trucks for our field crews. The new contract is for ten years and not to exceed \$65.6 million. We also have a contract amendment with Cyrus Computing Software in the

amount of approximately 1.8 million coming forward for continued aloe alto network hardware services. These are necessary to support our new hybrid work model. Next slide, please. The next item is a multi-term

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contract with sms LLC doing business as security management for an amount not to exceed 20 million. Security management will provide inspections, maintenance, small project installations, and hosting of our integrated security management system. This contract is necessary to help ensure our compliance with the north network electric reliability corporation, critical infrastructure standards. And finally, we will be asking council to set a public hearing to adopt new passthrough charges, which include the power supply adjustment, community benefits charge, and the regulatory charge. The proposed hearing date is September 29th, 2022 with new charges going into effect on November 1st. These passthrough rates are updated annually and are separate and apart from the base rate review process which Tammy cooper and Thomas brocado will be speaking to later. Next. It is my pleasure to share that a few weeks ago, the Texas public power association held its annual conference here in Austin. Tppa is made up of more than 70 community-owned electric utilities and allies across the state of Texas. At the conference, tppa

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recognized a very own utility oversight committee chair, Austin city council member Leslie pool with the association's public service award. Council member pool's leadership, along with the support of the entire council, has enabled Austin energy to be innovative, resilient, and responsive to customer needs while maintaining financial health and ensuring the utility can serve the committee for generations to come. Congratulations to our chair, council member pool. And to wrap up, last Monday, August 22nd, Austin energy hosted the affordable energy summit for community service providers who support low to middle income families. This started in 2008. The annual event provides an opportunity to learn about the city's customer assistance program's network with other service providers and provide input on how programs can be improved. Nearly 150 people representing 58 agencies attended this year's event, which offered panel discussions and specialized training on recognizing and managing the emotional impacts of working with vulnerable populations. Events like the affordable

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energy summit help area agencies learn how their clients can access these and other programs offered by city of Austin utilities. In fiscal year 2021, nearly 35,000 customers qualified for the customer assistance program discount for utility bill savings of around \$18 million. In addition, more than 15,800

customers received emergency financial assistance through the plus one program for over 13 million in aid. This represents a total of over 30 -- and with that, I'll pause and answer any questions you may have.

>> Pool: Anybody have any questions? Congratulations on the additional electric cars, especially in the bucket trucks and the renovations. They really are iconic and they mean a lot to our city, and the affordable energy summit. And I do very much appreciate the honor from tppa. That was very kind.

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Thank you. And we have Mr. Bracado and Ms. Cooper on our base rate review process update item number three. Welcome.

>> Thank you. Good afternoon. Committee chair pool. My name is Tammy cooper, I'm the senior vice president of regulatory communications and compliance at Austin energy. Today we will provide you an update on where we are in the base rate review process. How it has worked in the past and how and when council will consider the proposal. I'm joined today by Thomas brocado, who serves as Austin energy's outside council, and was part of both the 2011 and 2016 Austin energy base rate review processes. Because several of you have not been through this process before, Thomas will provide some historical context and explain the similarities and differences between this year's process and the process in prior years.

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So this slide provides a detailed timeline of where we are in the process. I know you've seen this slide before. We keep moving our little line closer to the end. So, as you can see, this process outlines a lot of the key dates. What's important to remember is you look at all of these different dates that are going on, the process to review Austin energy's base rate proposal was unique among the mew nighs apply owned utilities and affords the ability to thoroughly analyze the proposal. As you'll hear later from Mr. Brocado, the current process is built on experiences from both the 2011 and 2016 rate review processes. And as of today, as you can see on this timeline, we've concluded the hearing process and are awaiting the impartial hearing examiner's recommendation. So, following our last briefing to you in June, we concluded the public outreach and participation process. We had very good participation by all of the customer segments.

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As part of the discovery process, Austin energy responded to more than 500 questions from the formal participants in the case, and you can see the names of those formal participants listed on the right of the

slide. The final conference or hearing on the merits took place in July before the impartial hearing examiner and lasted for three full days. The process was much like any other legal case with opening statements, cross-examination. The videos of the proceeding are available on atxn, so anyone who was not able to attend in person can watch online at their convenience. Since July, the parties have filed post-hearing briefs, which are available on the city clerk's website. So now I'd like to preview of what to expect for the next few months. On September 9th, the impartial hearing examiner will release his recommendation to council. After having considered all of the testimony, rebuttal testimony, and statements that the participants provided during the hearings. On September 12th, the electric

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utility commission will hold a meeting and has invited all formal participants to briefly present their positions in the case. The euc is the only commission that makes a formal recommendation to council on the proposal, which they are expected to consider at their October 17th meeting. After the euc weighs in, the proposal will come to council. And city council is currently scheduled to set the public hearing on November 3rd and vote on the rate proposal November 17th. Now I'll hand it over to Mr. Brocado to discuss how the current base rate review process compares to years past.

>> Good afternoon, mayor, council members. Thomas brocado, outside counsel. I was asked to give a little bit of background context about prior rate cases. This is the third base rate case that Austin energy has had since 1994. We had cases in 2012, 2016, and now in 2022. I want to start by talking a little bit about the process that was followed back in 2012.

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As you can see on the slide here, that was a lengthy process. It was a challenging process. There was a one-year engagement with both the community and the electric utility commission. The council held 13 meetings over six months, including public hearings with over 100 public speakers. In total, city council met 20 times -- over 20 times to deliberate. A little bit deeper. In 2012, we decided to break the case into three components. There was a public involvement committee. Then there was the euc process. And finally, there was the city council process. It began in January of 2011, and over a six-month period, there were monthly meetings with a 14-member public involvement or pic committee. There were white papers for each meeting. There was different topics of rate-making that were discussed at each of those six meetings,

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and there was a professional facilitator hired to help facilitate dialogue at those meetings. In September of 2011, following the completion of the pic process, we moved into phase 2, which is the euc process. The euc held five public hearings, and they made a set of recommendations that was submitted to counsel. That process, for the euc, was created through a resolution that city council adopted. And then the third piece of the process began in December of 2011, and that was the city council process. And as I mentioned, there were over 20 total work sessions. There was numerous public speakers who gave input. That was ultimately incorporated into the council's final decision, which was made on June 7th of 2012. Following that decision, there was an appeal by outside rate payers to the public utility

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commission in August of 2012. Ultimately, that case was settled before the PUC in the beginning of 2013. So that's what transpired in 2012. Following the 2012 rate case, there was a decision made by council to change the process and to track what is done more commonly at the PUC. And so, we adopted rules that are similar to the procedural rules over at the PUC, and it's the state office of administrative hearings. And instead of a yearlong process, we had about a 7.5-month process. Notably, the city engaged an independent hearings examiner as an individual who could examine and receive evidence, and then make recommendations to council. That case began in January of 2016 with the filing of the application. I would also note that that was a rate decrease case. Following a period of discovery, and the filing of testimony and

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rebuttal testimony, there was a hearing in late may and early June of 2016. The examiner then -- or the independent hearing examiner issued a 299-page report in the summer of 2016. Council had established a process where there was going to be three work sessions in August, and then some public hearings. But on August 15th of 2016, the parties announced a settlement addressing all the issues in the case. That settlement was ultimately adopted by council as public hearings in late August of 2016. And the rates went into effect on October 1st of 2016. So that's a brief summary of the prior cases that we've had since 2012. The current case, Ms. Cooper laid out some of the timeline just a moment ago, was designed in part to follow the process that we used in 2016. And by that, I mean, the city engaged an independent hearings examiner. They engaged an independent

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consumer advocate. There was a hearing, as you noted, we expected a proposal for decision or a recommendation from the ihe in early September. Currently, on the calendar, you all have scheduled November 17th as a date to consider the ig's recommendation. So that rates can go into effect on

January the 1st. This process was designed to, again, allow an experienced hearings examiner to hear the positions of the parties to conduct a hearing to summarize the positions and make recommendations to council. As I noted, it's similar to the process followed by other state agencies, including the public utility commission. And it will demonstrate to observers, including the legislature that the city is engaged in a transparent, inclusive, and fair process. I'm happy to answer -- oh, I guess I'll turn it back over to Ms. Cooper to finish the presentation.

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>> Yes. Just to wrap it up real quickly. We have a lot of information and resources that are available to help you as you contemplate the final decision. We have all of the documents related to the case file on the city clerk's website. Currently, there are 240 documented posted. They're available on our website, and certainly we can provide you additional information for anything you might want to provide to your constituents, should they have any questions. And that's our presentation. Happy to take any questions you may have. Sorry, I didn't have my mic on.

>> Pool: Can you remind me what the date was for the rate case hearing, if we go to atxn to find it?

>> Oh, yeah, it was July 13th, 14th, and 15th.

>> Pool: Any questions? Yes, mayor pro tem.

>> Alter: Thank you. So, I wasn't here for the last rate case.

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I understand there were council amendments that were made at the last minute that had potentially big impacts on where we are now. Can you speak to a little bit about what those amendments were, and what their impact was? And if you're not prepared to do that today, if you could get us that.

>> I would have to defer. I was not here at that time. I think we might have been looking into that and conducting some research, but I don't have that information right now.

>> Alter: Okay. It would be really helpful to understand how that played out, and then if there were particular consequences of those decisions, so that we understand the context. That was a decrease -- I don't know if the decisions of consequence were in the 2016 or the 2012 rate case, but I think it would be really helpful to understand that, because I don't think amendments that we make at

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the last minute -- actually, there's been this very lengthy process. They can be challenging. And we have to be able to understand the consequences, and before we get into that position, I think we need to know that history and understand it so that we can avoid any repeats. If there was a problem.

>> Pool: That is a really good point, and let's see what staff comes up with, and then we can decide what's the best method to get that information. I'm thinking maybe it could be an agenda item on a work session in the next short term. Thanks for bringing that up, mayor pro tem. I think there's some questions over here. Yes, council member Fuentes.

>> Fuentes: Thank you. With the recommendation being issued on September 9th, will that -- will that come to us in the form of a memo, or how will we find out about that?

>> It will be posted on the city clerk's website. And we can provide links to that

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as well and provide each of your offices with information on how to access that document. So it will be publicly available to all of the community.

>> Fuentes: Okay. And typically -- I mean, based on the public participation phase that we are near the conclusion of, you know, I'm just trying to get a gauge of whether or not we should expect a significant difference of what the independent examiner recommends versus what was proposed during the budget process. And any insight on that?

>> Yeah. I think we're all kind of just sitting and waiting and seeing, you know, what the independent hearing examiner recommends after weighing all the evidence.

>> Pool: And that decision should be issued September 9; is that right?

>> Correct.

>> Pool: Okay. So, not too long to wait.

>> Fuentes: Thank you.

>> Pool: Anybody else? Yes. Mayor pro tem.

>> Alter: I'm not sure council member tovo can be on, so I'm

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going to channel here -- channel her here.

>> Tovo: Yeah, I am.

>> Alter: Okay, I'll let you speak for yourself. I was just going to suggest that we needed more time as a council on the item. But go ahead.

>> Tovo: Yeah, no, I totally agree. Thank you for channeling that perspective. And I didn't understand -- mayor pro tem, I'm really intrigued by what you were saying about the amendmens at the last minute. I'm not sure where that conversation is coming from. The two rate processes that I've been involved with were very different. The last one really came to the council as part of a settlement. I don't recall there being any amendments at all. Though I may be misremembering that. And the one before it, there were very significant amendments, but they were -- you know, they weren't really last-minute, and they did have a big impact, and I would say a very positive impact, including setting up the hearings examiner process, and the consumer advocate, and really substantially cutting the

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I'm just wondering what additional information -- I mean, what did people say about those impacts, were they negative or positive? I have no idea what -- where that's coming from. And needed a little bit more context from you -- if you have any.

>> Sure, as I recall, and this is several months ago, conversations early on that I had about a rate process, one of the challenges need to rejigger things to -- or one of the rationales that's given as to why we need to rejigger the base rates goes back to some of those council decisions and I don't have the background to know whether it was 2016 or 2012 or to assess that or to have further perspective on what happened, but I -- but I think that I don't want to be going into these rate cases without that history and I don't know how else to get that history, but then

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to ask staff to provide us with some information and I would welcome your insight as someone who went through it as well, but there was an implication that there were some challenges that were created from decisions and I don't understand what those challenges were, or what their sources are, but I think that if that is parts of the rationale for what we're trying to do, I think we need to have that discussion and understand how -- when decisions are made, things happen that may be intended or unintended, and I could be totally wrong. I just know that there are these decisions that happened that I feel like would be super helpful to have a better perspective of.

>> Tovo: Thank you. Councilmember Renteria.

>> Renteria: Do you think we're going to need to go

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into executive session -- because there was a lot of things there going on at the state level also at that time (indiscernible) So I don't know if we could really say things that we -- some of the things that we're forced to do. I don't really know.

>> Pool: We can definitely set an executive session to have those conversations if that is helpful. Yes --

>> The overall scope retail rates wouldn't be competitive -- just going to depend on what the particular questions or issues are --

>> Renteria: I knew that we were under threat of having utility taken over by the state at that time. And there was a certain percentage we couldn't go over, charging larger industrial users so a lot of

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that had to do with those issues at that time. I can't remember all the details, maybe we could get someone to speak on that at our next meeting, but it was some difficult decisions we had to make at that time.

>> Pool: That sounds great. Thank you for that. Any other questions? Mr. Brocado, thank you so much for being here and for waiting. Ms. Cooper, thank you. And let's see, our next item is the third quarter financial briefing. Good afternoon. Welcome.

>> Thank you. And this is Adam mcenroy.

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I'm Austin energy's finance director for risk management, it's my pleasure to walk you through Austin's quarterly financial report covering the months of April, may and June. So within the written materials we provided, we provided an executive summary, as well as updated on financial policy compliance -- financial policy compliance, financial performance measures, actual to budget analyses, financial statements as well as market analyses, I'll plan to present that executive summary and pause for questions or direction on any further discussion. So at the highest levels, Austin energy is in partial compliance with its financial policies at this time. Our debt service coverage is below, and capital balances are also below their policy minimum, the total cash balance of which they participate is above its

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minimum of \$480 million. Our working capital has decreased year over year by \$159 million. This is primarily due to decreased margins, scheduled funding of pip, and the power supply balance due to winter storm uri. In terms of revenues and expense, we see \$1.1 billion in operating revenue in the if fiscal year to date, that is about 11% over budget for that time. We would attribute this to very hot weather which increased usage, increased base revenue. We do see \$1.2 billion of operating expenses for fiscal year to date, and this also is about 10% over budget and this also we would attribute to hot weather as well as certain ERCOT market changes and we'll have a bit more to say about the power supply adjustment in just a minute. In terms of financial strength and ratings, there has been a change, so last week the S and P rating agency did change its rating of Austin energy's credit. It downgraded Austin energy from double A to double A

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minus, that is hot off the presses. We do now have a stable outlook from that organization and that mimics a June action by Fitch rating agency, one of the other of the big three, and both agencies cited decreased margins, increased leverage, and decreased cash balance in their moves of Austin energy credit downward, they do have us with stable outlooks now, both cited the rate review that is underway as a potential improvement in economics which is important for that stable outlook. If I can draw your attention to one other item within the deck here, I'll try to move forward to slide number 13, but just to give you a preview of what's happening with the power supply and adjustment cost, we had that in this deck in actual-to-budget analyses where we have quite a bit of information about how things are working out versus plan, and in our actual-to-budget analysis here, we have a view of the power supply adjustment cost as realized fiscal year to date versus budget and also verse versus

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revenue. They tend to be budgeted for a weather normalized year, and you might expect with the extraordinary weather we've had this year, what we've actually realized is shown in the golden rod bars here and are quite a bit higher than budgeted. The blue line here represents the offset in Austin energy's customer's finances to those expenses which the PSA revenue and this is collected in every bill as the power supply adjustment pass through charge. So these charges are not within the base rate review, but will be coming to your attention in the coming months, that love updated information, but we did want to point out in the fiscal year ending -- fiscal year year-to-date ending in June, expenses were running quite high versus revenues for that time, I'll pause there, I'm happy to take any questions.

>> Pool: Any questions? Yes, Mayor Pro Tem?

>> Alter: Can you go through a little bit more slowly the rationales that were given for the rated A adjustments?

>> The ratings adjustments in absolutely. So we have a couple of

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slides that might be helpful, I see they've maybe disappeared. The written materials do contain some information, Fitch has given us more information that we've digested more thoroughly, that is on slide 24, which I'll move to. And the comments were very similar from both agencies, they looked at similar financial metrics for Austin energy, they look at the industry as a whole including ERCOT as a region, and that is a factor in both of these adjustments as well. And they look at qualitative factors as well. But what we have for example, on page 24 contains a lot of the quoted information from Fitch, so they did downgrade Austin energy from double A to double A minus, they used many assumptions on potential improvements to current cash flows and in particular Fitch's analysis was done using a \$48 million

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input for the base rate increase, and that's an older number, which is being updated in your processes now. They assumed point 6 percent annual growth in sales so that's a number that we've been familiar with for some time, a half a percent in low growth, which actually beneficial to our utility, versus some others, fewer inbound customers, so load growth helped the economics and the rate cases here. They did have an input of \$1.1 billion in capital investment that is funded by debt, one of the things that they're highlighting is that our debt service coverage ratios are lower than they like, they sort of have a handle of one. They would like to see that number above 2, meaning that operating revenue is covering our fixed expenses by a good margin and we're seeing that decay. So those are a lot of the analysis that they do. So those metrics go by various names, leverage can be on that debt sheet or a balance item, in terms of total debt versus revenues,

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weaker cash flows driven by the base revenues a lot is regional as well, all of these agencies did quite a bit of a deep dive after URI and after this sum railroad, this summer are producing numerous challenges that are related to all kinds of other factor, so some of this is not Austin energy specific but is industry specific and/or ERCOT specific.

>> Alter: And there's no way to separate out what's regional ERCOT specific?

>> It's mostly qualitative. We have discussions, they make some of their thinking transparent to us, but at the end of the day, some of that happens behind their committee's doors. It's interesting it's happened for both Fitch and S and P.

>> Alter: When we have that additional information from S and P, I would be interested in hearing that, thank you. Mayor?

>> Mayor Adler: Thank you. Similar questions just following up. It appears as if one of the

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significant reasons why we have the rating downgraded in one and maybe moving in the other are pointing to some of the issues that you said we're going to be resolved were set or remedied in our rate case, is that correct.

>> That will be a mit Gantt, yes, yeah. And -- yes.

>> And when they downgraded us, were they -- I couldn't tell if they were already assuming that we had taken those steps and even having taken those steps, they still decided to downgrade us, or a possibility having taken those steps when they do the calculation, our rating could go up.

>> Right. Mostly the former. Mostly they knew about the rate review, they factored in, they factored in as you see on this slide, a larger one that seems to be current on the table with a \$48 million improvement. I would say the downgrade is about where we are and what they see going forward, the stable outlook is actually, you know, a nice to have, and that is in large part encapsulates that

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improvement in economics that they foresee in the base rate review.

>> Mayor Adler: So if we have some issues that we need to recalibrate and we're taking care of those in the race case, but if the bond agencies already taken those things, still downgraded us, what has to happen in our system for us to be able to -- to return to the higher bond rating?

>> So a lot of it is about improvement in those quantitative metrics that they do use, they appear elsewhere in this report as debt leverage coverage, cash balance, et cetera. Some of the agencies do provide some detail on their thinking about the opportunity for upgrade, so in S and P's material, which they did file, they sort of leave the market to understand that they don't anticipate an upgrade soon. Even with a successful rate review. So these things are sort of slower moving, they're sort of about long-term financial health. They had a lot of the improvement from the rate review factored in, and so the things that could move that I think are steady

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accumulation, better economics after the rate review and better implementation, or perhaps lower risks throughout ercot. But they do give some guidance that they don't see sort of a snap back, it's not really on the table S and P at least. I don't have similar information for Fitch.

>> Mayor Adler: So to understand, part of the reason that we are doing the rate case now, we were doing it, is because we weren't paying for a cost of service under our existing rates. Which meant that we had to go into reserves in order to pay operating expenses but now we're correcting that, I would imagine, at the rate case, it's designed so that we're not going into operating reserves anymore, we're not going into operating reserves anymore, insufficiently raising money to pay back the debt that we had already taken, is that the part of the issue? That we've borrowed and won't have to borrow anymore? We're not raising enough to pay ourselves back, and that just has to accumulate over time? Is that the issue?

>> I think it's -- it is the

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issue. It's all about balances. The double A and the double A minus rating are both very good ratings in terms of bond markets, and so that indicates to investors in our debt that there's a very high probability that Austin Energy makes good with its revenues on those debts, and so it's less about this decision is a little less about cost recovery as cushions and margins. And so to the extent that we thoughtfully and responsively set base rates in the rate review, you know, we're sort of less like a public utility that builds margins on purpose to build cushions and collect a little more in this rainy day to pay out in that rainy day. And so I think that's why with thoughtful and responsible rate design, we'll have more of a slow and steady improvement than a sudden inflow of cash from our customers which serves as buffers to our debt holders. That is sort of not how we design rate, and so the progress will be anticipated to be slow and steady over time rather than --

>> Mayor Adler: Okay, if

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it's an issue other than we have slow and steady, build back up, the reserves that we depleted in order to compensate for rates the last couple of years that haven't been paying for the actual cost of service, can you let us know and let us know what those other things might be is other than that? I'm just trying to be what are the things that we, the city should be focusing on as areas that we need to watch that just like they're watching them, so I would appreciate if you would follow-up on that. And then the second question goes to things that are outside of our control, and you said one of the reasons that we were downgraded is because we participate in the broader ERCOT system. Are we seeing other utilities that participate in the ERCOT system, also seeing themselves being downgraded for the same reason?

>> I don't have that information at my fingertips, I do know that

[4:16:19 PM]

many are under review. I know a lot of these are coming out in real time, S and P was late last week, I believe others are under review. I'm not aware of decisions yet.

>> Mayor Adler: Would you follow-up and let me know that too? When our rate goes down, the double a minus is still -- is still a really good rate. And I don't want to, you know, suggest otherwise, it's a really good rate. That way not as good as -- which is where we were, as rate goes down, our cost of borrowing goes -- goes up, and if our rate is going down -- I mean, if our costs are going up to operate our system, in part because we participate in the ERCOT system, and other participants in the ERCOT system are seeing similarly that their cost of doing business are going up just because they participate in the ERCOT system, that has probably something we want to be able to point out to our state legislative delegation, and to others so that they can be looking at

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this recognizing that just the mere participation in ERCOT is having that prejudicial impact on our operating system, so if you could look at that too I appreciate that.

>> Thanks, Mayor, for bringing that up, that is where I was going as well, and I was actually -- you said it very diplomatically, I was just going to say are we seeing the effects of ERCOT's activity and how they prosecuted winter storm Uri, the state leadership's role in that. So I do think that would be of interest, and that could be part of the conversation that we have too when we get some additional information on coming back from the independent hearing examiner, and I think Councilmember Vela had his hand up.

>> Vela: Mayor Adler pretty much covered it as well. Was there any additional

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detail given by Fitch with regard to the ERCOT element?

>> Not much in their actual action with respect to Austin energy, but they may have published about the region in general, and we can look for that.

>> Vela: Again, curious about that as well, obviously, we can control internal factors to a certain extent, but nothing we can do about the broader grid. Not we as a city council, that is. Thank you.

>> Pool: Yeah, it will be good to get an assessment on that impact. Any other questions here on our third quarter financial? Thank you so much. Really good information.

>> My pleasure.



>> Pool: Let's see one last item, resiliency as a service program development. Did I miss the operating report? Oh, there it is. I almost blew right past the quarterly operations --

>> I'll be fast I promise.

>> Pool: I don't want to do that, hi, Stewart,

[4:19:23 PM]

welcome.

>> Good afternoon chair, vice chair, I'm currently serving as active deputy general manager and operating officer, and as is customary for aeoc meeting, I'll provide the executive summary, the full report was presented to the electric utility commission and was provided as backup for your reference. So... I'll just hit the highlights here. Just as a reminder, as Adam mentioned, our fiscal year third quarter covers the months of April, May and June. I have overall good news to report. We had 100% availability starting in the top left corner, on 100% availability and start success on all of our generating units with the exception of one unit of It BP which was down for a portion of the third quarter before the summer for some standard pre-summer maintenance. I also want to point out that this was the first quarter in which both the Decker steam units had been

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retired, so they show as zero percent on this report, since they will be retired they will roll off this report going forward. In the top right, in terms of electric service reliability, we're hovering around that top quartile benchmark, trending upward, our team keeps a close eye on this data, to look at where improvements can be made, our projects to address vegetation and underperforming feeders are aimed at making reliability improvements that start with any problem areas. In the bottom left, quarter of this slide, you can see our renewable energy production as a percentage of customer consumption, was at 61% for the quarter. And we normally track that now as carbon free production so in the bottom right quadrant, we have our carbon free generation as a percentage of customer consumption, and I want to highlight that in April that was at 97% carbon free generation as a percentage of load, in May it was 89%. And in June 71% carbon free.

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So our most recent 12 month rolling average through June brings Austin energy to overall number of 78% carbon free energy as a percentage of our customers consumption, more dispatchable thunderstorm malgeneration is called upon to meet demand in ERCOT, however even during Austin's

hottest may and June on record, we're still achieving a high amount of carbon free generation to offset our customers' needs. And with that, I will stop and answer any questions that you may have.

>> Pool: That's a very good report. Any questions? Yes, mayor pro tem.

>> Alter: I wanted to get a little more information on the vegetation management program.

>> Yes, we are still making progress there. Right now we're in the middle -- we're still in the middle of bird habitat and oak wilt season, that comes off this next month in September, and so we can rumor of that vegetation management work and we'll be making hay at that point.

[4:22:24 PM]

We've ranked all of our feeders in terms of underperformance from worst to best, as well as highest wild fire risk to lowest wild fire risk and we're making progress. Some of our vegetation contractors have had some trouble with staffing and retention of staffing, so we haven't been spending quite as much on that as we'd like, but we're still making good progress and we're going down that wild fire risk in order of highest risk downward. How are you working with those contractors to help them resolve those issues so we can get this work done?

>> Yeah, well, we've -- we are currently looking at whether we can -- if there's any work we can take out of the high voltage work and into another bucket to where we can find some other smaller contractors to fill in some of the gaps on some of the other work, that's something that has been an ongoing effort on our part to find contractors with the

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insurance capability that would be required, so we're still working on that, and I know that those vegetation management contractors are also working to get staffing filled in, and I can get more details about what those strategies are particularly and get back to you.

>> Pool: That would be great, because I think really high priority, we happen to have a little bit of rain, but absent that rain, even perhaps with that rain, wild fires are real serious concern, and as you're aware, we had an incident in my district, I'm very concerned about these connections.

>> I agree.

>> Alter: Thank you.

>> Pool: Any other questions. Thank you Mr. Riley.

>> Thank you. And our last item, resiliency as a service program development.

>> Good afternoon, chair I. Vice chair, committee members. I'm here to talk to you about resiliency as a service, I'm going to provide some back ground with regard to the program

[4:24:28 PM]

development of the program, and some key take aways. So grocery stores, generators, to install backup generation at their grocery stores, they've been doing it across the state of Texas for over five to six years, if not more. Grocery stores need this to protect themselves from natural disaster, hurricane, storms, any other outages that may occur that require resiliency that these generators provide. Grocery stores with backup generators maintain power throughout the winter storm, and due to that, you know, one of the things that came out of this is legislation that was passed in last year's legislative session, that allowed grocery stores to contract with generators to

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install back up generation in nonopt-in territories, in nonopt-in entity service territories, we are are a Noe, you'll hear them referred to in the ERCOT market. So the bill requires Noe tion to allow interconnection and provide access to the transmission system on a nondiscriminatory basis, and requires that service provider to process distributed generation interconnection applications within a specified time frame. So the resiliency as a service program or ras, establishes a working relationship between our customers, the utility, and the generating company. Our customers will have the resiliency that they seek, the generators who own the assets will lease them to our customers and maintain them, and Austin energy will access the distributed

[4:26:31 PM]

generation to protect our customer's power portfolio. So what are some of the key take aways, this program provides resiliency and safety for our customers and our community. These distributed generation facilities will be installed in our service territory with or without the ras program. By the city maintaining control of the program, we will manage these assets aligned in an alignment with our strategy, and by maintaining control and not allowing third parties to manage these assets, at our customer sites, it will help the city with our sustainability, and I'll answer any questions. Any questions? Yes, councilman Renteria.

>> Renteria: This is not regulated by ERCOT or

[4:27:32 PM]

anything, we don't have to provide that energy back to the state, is that correct?

>> So these will be -- these assets, these generators customers, and can also be what we call connected, so they do participate in the ERCOT model. >>

>> Renteria: Do they require like -- required to do the blackout, just places here, locations will be, keep their lights on.

>> Right.

>> Pool: Anything else?

>> Chair, I have a question about that last program.

>> Pool: Great. Great. Councilmember Tovo? Can't see you but we can hear you.

>> Tovo: Thank you. So apologies if I missed this, but is this going to be -- I don't know how to ask this question, except to just straight out ask it. Is this going to be kind of

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a revenue generator for Austin energy?

>> So it is really a cost -- it's a cost neutral, so we -- it provides protection, it provides a hedge for the power portfolio, and we are paying for that access so that we can provide

That hedge and, um, generate that revenue in the portfolio.

do we have more information somewhere showing what kind of an investment it will take from Austin Energy and what are they expected? Um, what are the expected benefits, financial and otherwise, there, there is information around it.

um, there is, um, uh, an RCA that's going to be coming, uh, to city council and we can provide more information.

uh, so city council can review it.

it sounds like this one, generally, what kind of investment are we looking at? So we can provide that information.

um, i don't have that information right now at my fingertips.

where does the timeframe for county council? Approximately 30 days.

okay.

thank you.

i hope i'm good.

i will, i look forward to getting the fuller information.

that sounds like an interesting, an interesting and important investment.

i want to really better understand the level of it and, and what that, um, what the expected cost recovery is.

yeah.

i share that interest and it may be that that'd be something, another item for a work session, just to get a little deeper explanation and, and expectations sounds good.

and it would help amplify the program to the community as well.

anything else from anybody? I think that's it.

thank you, ms. Piermont general manager.

[7. Identify items to discuss at future meetings.]

I think we're done with our agenda.

and the only thing left is to identify items for future meetings.

anybody have anything off the top? I know we had a couple of assignments that rolled out from our conversations here today.

all right.

seeing none and assuming that our colleagues on remote don't have anything, i will adjourn this meeting of the austin energy utility oversight committee meeting at four 30.

thank you.

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