

# City Council Work Session Transcript – 12/6/2022

Title: ATXN-1 (24hr)

Channel: 1 - ATXN-1

Recorded On: 12/6/2022 6:00:00 AM

Original Air Date: 12/6/2022

Transcript Generated by SnapStream

=====

***Please note that the following transcript is for reference purposes and does not constitute the official record of actions taken during the meeting. For the official record of actions of the meeting, please refer to the Approved Minutes.***

[9:10:30 AM]

>> Mayor Adler: All right, guys, let's go ahead if we can, if the TV folks are ready. Let's go ahead and call to order this December 6th council work session. We're in the boards and commissions room here at city hall. The time is 9:10. Colleagues, it looks as if the main thing we have to discuss today is Austin energy. We're going to pull that up first. Pulled item by the chair. Who has pulled that item. We have a couple of items after that that are pulled. I'm not sure they're going to take long. We might be able to just get through the pulled items. We have items on executive session that councilmember

[9:11:33 AM]

pool has asked to be considered when she is with us. So it might be that we push the executive session items to Thursday. I need to leave here some time around noon, so I'll be with you to that point. Y'all can continue on without me. Depends on what you want to do. An economic development development briefing, it's not absolutely necessary. Mostly it's the Austin energy item that I think I need to be here. Yes.

>> Kelly: I'd like to pull item 64. I have a question for councilmember tovo regarding it.

>> Mayor Adler: Okay. Councilmember tovo you should make note of that, councilmember Kelly is pulling item 64.

>> Tovo: Yes, thank you,

[9:12:34 AM]

mayor. And at the appropriate time I'd like to discuss really briefly each of my resolutions and just see if anyone has questions given that we're in our last council meeting, I want to make sure if there are questions to the extent possible that they surface today.

>> Mayor Adler: Okay. 64, by the way, is the str and replatform item. All right. So let's begin with Austin energy coming up, if Austin energy can join. So I've been able to discuss this morning the presentation a little bit with the chair and also the mayor pro tem just in terms of how to approach it.

[9:13:35 AM]

The goal is for the council to be able to make a decision that

[indiscernible]. We had a wide-ranging conversation last week and I'm hoping that we can have less of a wide-ranging conversation this morning and one that more specifically points to what you guys anticipate is in controversy so that the council can be really focused on where our help or direction this morning would be of greatest value. And my understanding is that there's a limited number of issues and a limited range within those issues that you'd really like the council to focus. Do we have with us today the

[9:14:39 AM]

advocate for residential and I hope that some of those issues may involve issues that you are involved in, so probably calling you up at some point to talk to us so the council can hear limited number issues and limited number of arrangements within those issues and then to hear advocacy or suggestions on how to resolve them both from Austin energy and then from relevant intervenors that are focused on those issues I think would be helpful. So with that in mind --

>> Tovo: Mayor? This is Kathie tovo. I'm not sure what

[inaudible]

[9:15:40 AM]

And someone the city hired to represent the interest of the consumers, of residential consumers. So we really have very limited time with Mr. Kaufmann and it is my intent to speak with him today about several elements.

>> Mayor Adler: And we'll give you a chance to do that. Everybody can do what they want, but so that I understand, even the questions that you might be asking I want a context for that. So we're going to

begin with that conversation that identifies outstanding issues and ranges with an issue and then we'll be able to move on.

>> Mayor, would you like me to kick things off.

>> Pool: I pulled the item so we could talk further about the proposal that I put before you last Friday. I wanted to give you a walk-through really quick of the handouts that are at your places there on the dais. These also are being uploaded if they aren't

[9:16:41 AM]

already to the message board. And this chart for reference, we have two amendments -- two edits to make to that. I'll give you those in a minute. And then the brocado memo that gives an overview and then the issues that have been surfaced by those of us on the dais to answer. This was emailed to everybody I think last week. I just want to make sure that everyone sees that and has it in front of you so that if there are issues relating to the responses from Mr. Brocado that you actually have the document in front of you. Two quick edits. If you look at the left side of the chart where it says CM cool's proposal, this is option 4b, 31.3 million.

[9:17:50 AM]

And then we skip down to the customer charge. Again that new rate in the first line, alter amendment new rate should read 0.0274. So having offered that, let me just really quick give you a rundown on the proposal before you, and it is option 4b that you talked about last Thursday and Friday. The proposal begins with an assumed revenue of 31.3 million. And holding the general fund transfer at 33 million for three years. We will evaluate how we are doing during budget next year. Austin energy, which is a non-profit, has a financial need that has been reviewed by the ica and the aeh, the independent consumer advocate and the impartial

[9:18:51 AM]

hearing examiner. There are differing opinions on the revenue requirement, but at the end of the day, it is council's duty to make sure that Austin energy is fiscally stable and has enough revenue to continue to provide the programs that the cities enjoys like the tree lighting and the regional science fair and even administering of the cpa program.

-- Of the cap program. This proposal 4b provides a gradual customer charge, increasing by four dollars in the first year and one dollar in the two following years. This approach gets the utility to where they need to be financially and helps avoid rate shock. The proposal has four tiers. The first two tiers capture the

average customer and the rate is just below the cost of service at four and five cents per kilowatt. There's a sharp increase at tiers three and four to

[9:19:54 AM]

incentivize con certification that will help them to invest in solar. The mayor's amendment allows us to capture extra revenue that will provide additional community benefits and I want to thank her for bringing that forward. I think it adds value and allows us to meet other goals identified by the participants. The extra revenue from this amendment would go toward making the outside ratepayers whole and three and a half million would go to expand the cap program, something that we are all interested in doing. Because it offers assistance to customers who can't afford to pay their bill. I know there's concern for low income customers due to rate increases, and I would like to encourage Austin energy to work with community advocacy groups like GAVA to increase outreach in neighborhoods so that we can boost enrollment in the cap program. On the chart you'll see some additional information.

[9:20:55 AM]

I've added Austin energy's current rate structure and the rates that other cities charge for electricity. You can clearly see how our public utility benefits ratepayers by providing electricity at a low cost. What we need to do today is give our utility staff a sense of the dais. To that end, mayor, I would like to take a straw poll to gauge support for this proposal so Austin energy is able to prepare an ordinance for Thursday, and I would propose that we do that after the conversation around the dais here today. I know that some of you still have concerns so mayor, I'll hand the mic back to you to open the floor for any questions and any kind of presentation that Austin energy would like to make. Thanks so much.

>> Mayor Adler: I agree with you. I think let's end this conversation with the straw poll. We can't vote. I think it's an indication

[9:21:57 AM]

of the straw poll. I appreciate the proposal. I don't understand the elements of the proposal. I want to get to your proposal, but before we get to the proposal I want to better understand what the variables are that are at play and where they're at play. My understanding is that there are four variables. One is -- vice-chair I can't believe. One is how much revenue we're going to raise, one is the fixed customer charge, one is the rate structure and that involves both the tiers and the rates and then the fourth one would be allocation across classes. I think those are the four. Correct me if I'm wrong. But if those are the four I would like for you to talk about each of those. I'd like you to talk about the range that you

think we really need to focus on given all of the parties and all of the conversations so that the task we have as a council might be focused a

[9:23:00 AM]

little bit on what you think is most needed.

>> Tovo: Mayor, what were your four?

>> Mayor Adler: The first one is what is the revenue? What is the total revenue. And it may be in the party's conversations they're staying in a general range. We should know that so we should know. So if we want to be an outlier to what everybody else is talking about we know we're being an outlier to what everybody else is talking about. Or we know within which universe everybody is talking so we might be talking in that universe as well. The second one is what is the fixed customer charge. That's the second issue. The third one is the rate structure and that would be a discussion of tiers and rates within the rate structure. The last one I had was allocation across classes. But I don't know that those are the right ones. I asked them to come and start this morning with telling us what the right

[9:24:02 AM]

ones were. Do you have a way to help us get into this and tell us what we need to be focusing on and what are the ranges within each of those?

>> Good morning, mayor. Thomas brocado, outside counsel.

>> Mayor Adler: Can you press your button.

>> It is pressed. I was getting feedback before. Thomas brocado, outside counsel. As a matter of fact, I have gone ahead and prepared a very straightforward list of issues that we would ask that you all provide some direction for us today. And I can pass that out.

>> Mayor Adler: Would you pass that out? Would you also give a copy of that to the clerk?

>> I'll do it.

>> Mayor Adler: Thank you. And if the clerk would post that into backup so anybody watching might be able to access that list as well. Mayor pro tem?

>> Alter: I just wanted to clarify that I am still listening to the conversation today in terms of the different pieces. I did proposal the amendment so that we would not

[9:25:03 AM]

decrease the folks who are in the higher tiers, but I'm still listening to the conversation with respect to the revenue requirement if something surfaces that I believe is convincing.

>> Tovo: Mayor, I understand we're going to hear from Austin energy first. Is that the way you want to handle it? Or if there are questions that arise -- I'm just afraid what we usually do is we cover so much territory that it's then hard to come back and there are so many points in between where I really feel like I need to ask a question of our tumor advocate. I also have questions about councilmember pool and some of the comments she made that I don't fully

[9:26:04 AM]

understand. So maybe --

>> Mayor Adler: We're not there yet. I want to get the background out before we start talking details so that there's a place to put the information that we're going to get. And orient us to the overall conversation.

>> Tovo: It was a question on how she handles out of city ratepayers.

>> Mayor Adler: That's so far down. I promise we'll talk about out of city rates. All right. Orient us in big picture.

>> Thank you, mayor. So the document that you received basically just lists what we have both interrupted as the -- interpreted as the seven most important issues in the case and the ones we need guidance from council on in terms of making a decision on Thursday. I'll just go through them quickly and I don't intend to address each issue substantively at this point, but to just give you the background or to orient you. So the first question, of course, is how much money does the utility need to collect in rates next year.

[9:27:04 AM]

And that's called the residential requirement, of course. We do need some guidance on what is the revenue requirement increase going to be. The second issue then relates to the monthly residential customer charge. Of course there's been a lot of discussion about that as well. So we'll need some guidance on that issue as well. The third issue is the number of residential rate tiers. There's been proposals that there be three tiers or four tiers, so that will need to be addressed as well. Directly related to issue three is issue four, which is what are the break points going to be for each of those tiers. And again we're only talking about the residential rates at this point. Issue five asks for the rates for those tiers. And the reason why we need guidance on that is because the steepness or the price curve has been a contested

[9:28:05 AM]

issue and one that has been discussed quite a bit, indeed even 4b talks about changing the curve in order to eliminate a decrease in high use in residential customers. So we do need some guidance. We don't necessarily need the exact numbers. That would be helpful, but we certainly need some guidance in order to design the rates that are going to be charged to residential customers. Item 6 is the class revenue allocation percentages. Typically in a rate case the decision maker would make decisions with respect to all of the contested allocation issues. The approach, though, that has been taken in many settlements and it's been used here by the intervenors, has been to not address each one of those issues individually, but to just simply put a percentage next to each class, meaning

[9:29:06 AM]

whatever the increase is, each class will then get that percentage of the increase. And again, that's a typical way of resolving class allocation without the decision maker having to get really interested in the weeds on every costal indication issue.

-- Every cost allocation issue. We will need that as well. And lastly, we will need some guidance with respect to outside city rates. And in particular whether outside city rates will be the same or whether they will be different. And then if they're going to be different we'll need a little more guidance on that. So these are what I think are the -- appear to be the most important issues, the issues that have been the most contested, the issues that we need guidance on to make a final decision. There are other issues in the case, intervenors brought up other issues that need to be discussed, but I think if you give us guidance on these seven issues, we'll have what we

[9:30:06 AM]

need to get to the finish line.

>> Mayor Adler: Let me ask you some questions about these seven issues. Again, I'm trying to focus us down on that the use of the council's time here today is most productive for you. We had heard last week that the class revenue allocation percentages was agreed to generally by most of the -- most of the interest at stake and that you had looked at it and said well, not quite exactly and it varies in part on the decisions, generally speaking, that class revenue allocation percentages, y'all were really close and thought that once we answered all these other questions we were close enough that those issues would resolve themselves. Can we assume that for today's purposes?

>> You may assume that until you hear from us otherwise. And the reason I say it that way is it is possible that you could do something on the revenue requirement or on --

>> Mayor Adler: You let us

[9:31:06 AM]

know if we do something to take out of that general framework, but for right now I'm going to recommend that we put item 6 down toward the bottom of our list to talk about it. If we don't get to it and if you don't let us red flags have gone off, if we don't get to it today we're generally okay. And with respect to outside city rates, that's a recurrent issue for us because it deals with the politics of having a rate class that has the ability to appeal directly to the PUC and it pulls in the contested issues about how we use our general fund transfer and other kinds of questions. Those things could go through a long PUC process, but historically we've resolved those questions by having a separate rate case for those outside of the city and setting rates in a way that have otherwise compromised those issues short of having to go to the

[9:32:08 AM]

PUC to resolve that. Is that available to us here as part of what we're doing here? Can we just do that same thing?

>> Yes.

>> Mayor Adler: Okay. Is there a reason why we wouldn't just generally do that same thing? I guess there are reasons. I know there are reasons, but on balance are there reasons that you're recommending we not do that here?

>> Maintaining an approach similar to what you adopted in 2012 and 2016 I think is the appropriate way to go forward.

>> And generally speaking do you think there's -- that you might be able to reach agreement on that with the outside ratepayers?

>> Yes.

>> Mayor Adler: I'm going to move that one also down to the bottom of our list as something we don't really need to talk about. If we make other decisions that make that harder or it doesn't work anymore you could bring that back to us,

[9:33:09 AM]

make sure that you do.

>> Yes, we will.

>> Tovo: Mayor, I-- with all due respect I very much want to talk about out of city ratepayers. I think I would not suggest taking them out and doing a process different. We know from our previous discussions that the cost of serving those customers are high. I would like to suggest that we go with the recommendations that have been made from our joint group that's weighed in of keeping those out of city rates as they are now, making no changes. And I would even suggest that that might remove them from an ability to even have standing to challenge the rates. So I would suggest we keep that --

>> Mayor Adler: We'll come back to that one.

>> Tovo: I would suggest we keep it as it is, and if there is a need to dive into that conversation, I would suggest we do so in executive session if that's possible since it relates to a former lawsuit.

>> Mayor Adler: We'll save the outside city rates for executive session discussion first and if necessary we'll bring it back up here, but

[9:34:10 AM]

for our purposes where we are right now let's focus on the first five of these. The revenue requirements, the fixed customer charge and then the rate structure being the number of tiers, the breakdown of the tiers and the rate for the tiers. And with respect to those three things, if we could talk about each of those, is there at this point in the months and months of conversation that happened a general range within which the parties seem to be operating with respect to? I know it's not people's initial positions necessarily and I know no one is committed to anything as we've been in revenue conversations but is there any direction you can give us with respect to a revenue requirement range that given our limited time would be

[9:35:11 AM]

able to focus in.

>> I don't want to divulge any settlement discussions, I'm limited in that way. But Austin energy has expressed publicly a willingness to go down to 31.3 million revenue requirement, taking into account the gft adjustment that we've talked about. Publicly I believe the last document we've seen was that joint alternative proposal from some, perhaps all of the intervenors stating that they could accept a 12-million-dollar rate increase. There have been additional discussions -- again, I don't feel comfortable publicly divulging what other parties might be willing to move to.

>> Mayor Adler: That makes it hard for us to give you any measure of real assistance here.

>> Tovo: Except mayor, we have --

>> Mayor Adler: Any other

[9:36:11 AM]

intervenors here or parties be able to give us advice on a range that makes sense for us to focus on? Yes, come on up.

>> John Kaufmann, independent consumer volleyball. I don't know that I could -- I think that the range of possible results is between 12 million and 31 million.

>> Mayor Adler: The range of possible results is probably even wider than that. I'm not asking for possible range results.

>> I think a midpoint area that I would focus on would be somewhere between 22 and 25 million. That's kind of the -- this is the way that I think a typical regulator would look at the case and I think the average result you get from the Texas PUC is in the neighborhood of a 20% of what was requested by a

[9:37:12 AM]

utility. Unfortunately I don't know if I can do much better than that.

>> Mayor Adler: Yes, mayor pro tem.

>> Alter: In those typical cases when they're getting 50% what are they typically asking for?

>> It just depends.

>> Alter: The numbers that I've seen -- I'd really like to see those numbers because the numbers I've seen they've been asking for multiples of what Austin energy is asking for, so I'm not sure you can compare if someone asking for \$400 million of revenue adjustment to 31 million and then cutting it in half. So I really would like to know the numbers. I don't know the answer. And if they were illustrated, I would appreciate that.

>> You can look at the previous two rate view processes that the city has gone through and the last one that took place in 2016, which we were also a part of, there was a 25-million-dollar reduction in the request for what -- than what Austin energy began with.

[9:38:12 AM]

I guess it just depends on the -- a lot of factors as far as where you wind up on the overall revenue. To me the revenue requirement isn't as important as some of the later issues. Just to be clear, throughout

this process our focus has been trying to make sure that there isn't a rate shock or a severe impact on any subset of customers. And that's been increasingly difficult because so many of these issues, as you go through them, tend to push costs on to the residential and the low usage residential customers.

>> Mayor Adler: If the total revenue isn't that important relative to the other ones, can we reach to a number that's somewhere between 29 and 31. Parse.

>> That's possible. Of course the higher you go with the revenue requirement, the more difficult the other decisions become, but the -- all the revenue requirement -- the rate design issues that have been identified can be decided independently of the revenue

[9:39:14 AM]

requirement, you would just get higher impacts.

>> Mayor Adler: Right. Do you think based on the conversations you've seen that if we ended up in a 29 to 31-million-dollar range with respect to revenue there's a settlement that has that element?

>> I think at that level you are definitely looking at rate shock for customers that use below the average. And by that -- and rate shock is not just a rhetorical term. In the regulatory parlance rate shock can be quantified and in this case with the process in front of the impartial hearing examiner it was determined that rate shock would be about 25%, 25.7%. So when you look at these various runs and you look at the usage levels, I would urge you to avoid hitting any particular subgroup of customers over the 25.7% rate shock threshold.

>> Mayor, if I could address just two points. Mr. Kaufmann continues to focus on the percentage increase to the very lowest

[9:40:17 AM]

use customer, 250 or so kwh. Under the 4b scenario, the average customer, the average residential customer, would see a nine percent increase, which is the \$9.06 increase in their bill.

>> Mayor Adler: Over the course of a year?

>> In a month. So while it's true that the very lowest use consumers would see a higher percentage, many of them being in the teens or low 20s, again, the average customer would see about a nine percent increase. The other point I would like to make is I do not think it's appropriate or wise to base the Austin energy's revenue requirement on what an investor-owned utility at the public utility commission may have received or not received. The fact that oncore or center point may have overreached in a rate case

[9:41:17 AM]

does not mean it is unreasonable. And indeed those utilities that are investor owns and do have a profit incentive and obligation to their shareholderlings to maximize revenues, unlike ae, have a return component, a profit component that acts as a cushion, if you will, if they get less than what they request. I would urge you to keep that in mind when you make your decision. That does not say that ae's request is not unreasonable and adjustments shouldn't be made. I would urge you to not use what an investor owned -- you shouldn't in my opinion set the rates for this utility based upon what other utility did over at the PUC.

>> Mayor Adler: Colleagues, we'll come back here pretty quickly to the question of the revenue requirement request. Did you want to respond?

>> One thing I would note here is that because there are so many classes and

[9:42:18 AM]

subgroup of classes that are receiving rate reductions under this scenario, that when you talk about, say, a 31-million-dollar overall increase, and that would be -- to put this in context Austin energy has a current revenue requirement of 637 million or in that range. So we're talking about what additional would be added to that. And if you add \$31 million to that which I believe is the assumption under the scenario in front of you that councilmember pool put that, the revenue class here would have to pay \$41 million. And that's in order to pay for the rate reductions in the other classes. And some of the increases here I'm not sure we've actually identified. Part of it is to -- I'll use the word subsidy. It's subsidy is in the eye of the beholder. But to pay for two-million-dollar relief for outside the city folks. Part of that is to -- the

[9:43:19 AM]

upper tiers in this scenario are reduced but the money doesn't go back to the lower tier. It does not provide relief to the lowest users. It goes somewhere else in the class allocations. So just to point out no matter what revenue requirement number you're talking about, the residential class within the city is going to be paying much more than that, the overall amount.

>> Mayor Adler: I understand the point. We'll come back to a conversation about revenue requirements. We'll give everybody the full amount of time that they want to be able to ask questions about that at a really high level just like we did on revenue, could we identify the issues on the monthly residential customer charge? My understanding is that at one point Austin energy was asking for a 15-dollar increase over the existing monthly revenue charge and that the last proposals are now down to an increase of four or a year one, two, three, of three, four and five-dollar increase.

[9:44:19 AM]

How is that stacking up within the conversation?

>> Sure, as you noted, Austin energy was proposing a 15-dollar increase from the current level of ten dollars up to \$25 per month in their direct case. They have stated publicly that they would be willing to accept a scenario 4b which would phase the customer charge increase in over a three-year period so that it would start with four and go up to \$15 after year one and then \$16 in year two.

>> Mayor Adler: To be clear that is an

>> Mayor Adler: To be clear, that is an increase of 4 dollars, \$5, and \$6.

>> Correct. The ica proposed in their direct case, I believe to not increase it. If you did, to make it no more than \$11 or \$13 --

>> No more than 13.

[9:45:20 AM]

>> I'm not sure if that's their current position or they would be willing to move off that.

>> Mayor Adler: So does that mean we're like \$2 apart on the monthly revenue customer charge?

>> That may not seem like a lot, but I think this is maybe the most crucial decision point that you have to look at. Every dollar that you add to that drives this disparate impacts in creating really big winners and losers within the residential class. We've run so many scenarios and looked at so many numbers there, I would say there is in my mind a real break point between 14 and 15. When you go with a \$15 customer charge, you have pretty severe rate shock to certain components. We would urge that you go no higher than \$13.

>> And I would agree with Mr. Kaufman. Well, Austin energy would agree with Mr. Kaufman. While the disparity may not seem like a great deal, it actually is very important, again,

[9:46:22 AM]

because of the bill instability and the financial instability that the utility is concerned about experiencing if they go below that 14, 15, 16 level.

>> Mayor Adler: Okay, so it sounds as if, generally speaking, the range is roughly 13 to 15 in terms of the conversation we're having.

>> Or 16.

>> Mayor Adler: I understand it depends on lots of other things. But at a really high level, that's kind of the range that we might be looking at. Which is an increase of 3 to 5. We'll come back and everyone will be able to ask all the questions.

>> Kitchen: But mayor, you're saying what you think the range is. That's not what I heard them say. We can wait. I just don't want you to set the parameters here without hearing from everybody.

>> Mayor Adler: I was repeating what I was hearing.

>> Kitchen: And I heard something different.

>> Mayor Adler: And said if you get above 14, it's problematic.

[9:47:24 AM]

And our person was saying -- our Austin energy person was saying 15 was the proposal, and if you drop below 15, it creates significant -- for that.

>> Kitchen: The rest of us are asking questions, we may say maybe it's 12 to 14 or something.

>> Mayor Adler: Fine. I just didn't hear 12 to 14. But I hear it. We'll give everybody a chance. We're going to get right back to it. I'm just trying to lay stuff out. But even that has narrowed us down in the conversation. Now let's have a productive conversation on the rates here.

>> Currently, five residential rates in their direct case they were proposing to reduce that down to 3. The ica proposes four tiers. Austin energy has stated a willingness to move towards -- to four tiers. So I don't believe that that in and of itself is -- no longer continues to be a disputed

[9:48:28 AM]

issue.

>> I think it makes sense to address the tiers, you know, issues 3, 4, and 5 together, because they -- you know, you move one come. Opponent and it affects the others. This is one of the most complex areas. In trying to do a run, it can take days to kind of get this right. We tried really hard to try to move in the direction that Austin energy wants. Give them more financial certainty. But at the same time, trying to avoid, you know, a radical impact on the low usage customers. We recommend four tiers. They're different than the four tiers that Austin energy has. But there has been some movement in the right direction. But I would say this is important, but it's a lever that's really hard for you to move, because if you -- you know, you talk about changing rates here, going to -- you know, adding another tier. It really throws things into a

[9:49:30 AM]

complex situation.

>> Mayor Adler: What I'm hearing is that there might be general agreement or willingness.

>> Yeah.

>> Mayor Adler: Wait. That's okay. What I'm hearing is that there might be general willingness to use four tiers.

>> Yes.

>> Mayor Adler: And if there's general willingness to use four tiers, it comes down to what is the break point and what are the rates. And obviously, the break points dictate the rates. How is this council supposed to get their hands around or heads around making a recommendation on the break point for tiers and the rates tier?

>> I would say that it has to do with how steep you want the curve to be. The curve that encourages energy conservation and, you know, it's

-- the curve is currently like this. Austin energy wants it like

[9:50:30 AM]

this. We want it like that. You could send a signal as to how much you want to continue to have this Progressive inclining block curve.

>> Mayor Adler: So is it helpful in giving you direction on how to do break point for tiers and rates of tiers, for us to center the conversation around how steep or flat we want the curve to be?

>> I would say that the steepness --

>> Mayor Adler: No, no, is that the right thing that we should be focusing on?

>> Well, that's what I was going to say. I would say that the steepness is one important element. The steepness decides what price signal element you want customers to receive. And do you want to encourage conservation, as Mr. Kaufman mentioned. But I think there's at least two other important elements at play as well when you talk about the break points. One is, subsidies. How far above or below cost do you want to have these break

[9:51:31 AM]

points. And that leads into the third point, which is perhaps the most important from ae's perspective, which is financial stability. Because of the changes in the usage patterns, if you put the break points at the wrong spot, you can create not only significant subsidies, but also financial instability for the utility. So I think those are really three considerations that you need to take into account when setting the break point.

>> Mayor Adler: When you explain what you mean by -- what's this subsidy issue? I'm sorry, what's the financial stability issue?

>> Because of the way in which residential customers use electricity, because of the changes in those patterns, if you price the first tier wrong, and directly related to that is if you put the break point in the wrong place, the utility could be in a situation where

[9:52:32 AM]

they don't recover their revenue requirement. You could give them 28 million, 31 million, but they might not be able to collect it.

>> Mayor Adler: Why? And then I'll get to you.

>> I would say perhaps someone from ae might want to put a finer point on how specifically putting the break point in the wrong spot could impact their financial stability.

>> Well, Mr. Dombrowski comes up, on multiple occasions, Mr. Dombrowski has provided you with various presentations that have talked about how the rates are set and where the customer charge is in relation to that, and then how the tiers and how you take the amount of consumption in the tier times that rate, plus the next tier, times that rate, plus the next tier, et cetera, and you divide it by the total kilowatt hour numbers to make sure that you're collecting the average system rate. That information has been shared

[9:53:33 AM]

and explained over and over about how important it is where the tiers break, and then how the revenue is collected within those tiers because of this changing consumer patterns of consumption.

>> Mayor Adler: So the question I'm asking -- I understand, once you set the base rate, you have to get the rest of the money from the variable. And I understand that when you do that, you have to be able to multiply the users in each class times -- you solve for what is the rate necessary. That I get. Explain to me about the steepness issue and how that impacts financial stability, assuming you are correctly solving for the rate in each tier, so that it's paying for what it needs to pay for.

>> Mark Dombrowski, cfo of Austin energy. So, we set rates to achieve a

[9:54:33 AM]

certain amount of revenue. And if you make that slope, the price curve steeper, you're moving revenue that should be earned in the first two tiers to the higher tiers. And if you have a -- we set rates based upon a normal weather year, so the average the last 20. So if you have a very mild year, mild summer, mild winter, you will not sell as many kwh as you had in your test year. And so you won't earn those revenues in the higher tiers. To the extent that's a really steep slope, that's a lot of revenue. And opposite is true. Like we saw in '22, where you had a very hot summer, where we overearned. And so that causes customers' bills to be much higher than they anticipated, while it improves the revenues. That's the stability we're trying to achieve, not have our customers' bills swing wildly with weather changes. And ensure that we have a

[9:55:33 AM]

financial stability that we're enjoying the revenues we need in order to cover our costs. You're subsidizing with greater uncertainty of actually achieving it.

>> I think I can say this simpler, and I don't mean to be speaking for Austin energy, but I think that what they're looking for is more revenue stability. More revenue that is certain rather than being variable, and you're absolutely right, the more you increase the customer charge and the more you move money around in the tiers, the more or less certain you are that you're going to get exactly the revenue requirement that you want to have. I think that's -- it's not that they wouldn't on average meet their cost of service. Whatever revenue requirement number you pick, and we do the rights, they're going to be designed to get to that number. If more of the rate is in a fixed, unavoidable fee, then

[9:56:33 AM]

more of that revenue is going to be certain. There's going to be less variability in the income and less variability in the rates. But that will also mean the customers will have less control over their bills.

>> Mayor Adler: But that's the difference between the fixed rate and the variable rate. Once we have set the fixed rate, pull that off the table, then the question is how do we set the variable rate. And we can either set it on the steeper line, or flatter line.

>> Right.

>> Mayor Adler: And I'm trying to understand the difference between steeper and flatter within the context of a set rate that's been set and is off the table. And what I hear Austin energy saying is that the flatter that variable is, it increases the chances that people's bills will stay fairly constant, that the

steeper that is, you're going to have greater subsidy, the higher end subsidizing the lower end, and greater variability on rates if the weather conditions are

[9:57:35 AM]

not normal.

>> Right. You're going to have greater variability, correct. But if you do the math right, it's going to average out over time. It's not -- they will on average get the revenue requirement that you're seeking to get.

>> Mayor Adler: You'll get the revenue requirements, but at a more variable world.

>> I would just like to add to that. Except for new customers that are being added to the system are moving into more efficient homes, which is a great thing. They're lower consumers. And if we're not collecting what our cost of service is, because they're in tiers 1 and 2, we're adding to the system, and those people are never paying their cost of service. We're talking about the customer charge and we're talking about some of it being allocated to kilowatt hours, and it's all the same thing. It's people, it's infrastructure, it's facilities, it's training, it's vehicles, it's all of those fixed costs.

[9:58:37 AM]

And so, that's why it's really important -- we're going to have those costs, and we need to recover that revenue to pay our expenses.

>> Mayor Adler: Okay. Colleagues, I think that's a general thumbnail. I would propose we talk about revenue requirements and open it up for everybody to ask questions.

>> Tovo: Mayor, I have one more big issue.

>> Go ahead and finish.

>> I was just going to give you another data point on range for your benefit. Just so you know. Proposal 4b, which again, ae has stated that they could accept, has break points at 300 kwh, 900, and 2,000. 300, 900, and 2,000. Again, the most recent public statement from the interveners and their joint alternative proposal has break points at 500, 1,300, and 2,500.

[9:59:46 AM]

>> Mayor Adler: And does that impact the flatness or the steepness?

>> No, in and of itself, it does not.

>> Mayor Adler: Okay, so talk to me about that for a second. Why do you recommend 300, 900, and 2,000 as opposed to 500, 1,300, and 2,500?

>> Well, ae actually was proposing different break points. Again, this is where -- these are the break points for scenario 4b and Austin energy has stated again that they can accept that.

>> Mayor Adler: I'm trying to understand the difference.

>> Really trying to collect more out of that lowest tier and to reduce this subsidization.

>> Mayor Adler: It means more new customers paying cost of service. What was it that you originally asked for?

>> Austin energy originally asked for three tiers rather

[10:00:48 AM]

than four, and those break points -- my memory doesn't serve me. We've had so many scenarios, I can't recall.

>> So our original tiers were breaking at 300, 1,200.

>> Mayor Adler: And it was moving more people down into those lower tiers because of those rates.

>> That's correct. A half a penny between each of that tiered pricing.

>> Mayor Adler: Having more break points lower, it decreases the subsidization and has new customers paying cost of service.

>> Subsidy is in the eye of the beholder. We see cost of service differently. I'm fine with them saying that, but I just want to point out there's a wide range of opinions that experts have about how to

[10:01:49 AM]

allocate these costs, and different experts make different subjective decisions. Tryst sort of a range of results. I sometimes bristle when I hear that there's a subsidy, but as long as you guys understand that that is sort of just a relative term.

>> And I would note in that regard --

>> Mayor Adler: Yes, go ahead, Kathie.

>> Tovo: I would ask our consumer advocate to explain how the cost allocation that you ran is different. And the rationale for it.

>> Well, there's a couple ways that it's used. One is to determine how you should properly put the revenue requirement into the class residential, large commercial, big primary. And divide that up. And within the residential class, that's what we're talking about, sort of how you allocate it, and that's been extremely controversial. Our study said that the customer

[10:02:51 AM]

charge should only be something like 6 or \$7. Based on our cost analysis of it, we analyze that in a way that we believe only customer-specific costs should be put into that. It's one model. They used a different model, one that puts a lot of distribution cost into it. I don't know if that helps. I don't know if we're going to get to point six about the class allocations. In my mind, you have to do the revenue requirement, then the class allocations, then the rate design within the classes. And I would note, I know it was said that we are close on the class allocations. I think that's kind of relative. The class allocations that all the different customer representatives and interveners agreed upon amongst themselves, we agreed how to divide it up amongst ourselves, of all the different representatives of who are actually going to pay the bill. And Austin energy has an allocation that's used in this 4b alternative that may look

[10:03:51 AM]

similar, but it is a lot of money to the residential class. It's about \$6 million more that the residential class has to pick up. So that's the difference between residential covering 49% and covering 50% of the overall revenue requirement. So it is a lot of money. Anyway, I didn't mean to jump ahead. But I would urge the council to adopt the method of class allocation that the class -- the people representing the classes have agreed upon themselves. And, again, if the math is right, it's going to get to exactly whatever revenue requirement you want.

>> I would add to that, that there's an exception to that in 4b. We were asked to change the rates in the higher tiers to make sure that no inside city customer received a decrease. So you apply cost allocation, but then when you make those adjustments outside of the model, you're going to change

[10:04:52 AM]

those class allocations, and that's why that's different. When you look at 4a, which doesn't do that, they're very, very close.

>> Even in 4b, the difference -- the allocation to the residential class is 50.48%. The interveners are at 49.46%, so 1% difference.

>> That's \$6 million.

>> So Mr. Kaufman is correct. Normally, you would set a rate revenue requirement. Allocate that revenue requirement to the various classes, and then you would design rates to collect that revenue requirement from each of those classes. But 4b decouples rate design from revenue requirement, meaning that it does what Ms. Sargent just said, which is that it sort of forces the numbers in a way that means that the high use inside city residential customers get no decrease, and when you do that, you create

[10:05:53 AM]

more revenue from the residential class, but I think what 4b is trying to do is to respond to the concerns expressed by Sierra club and public citizen and some of the council that said we don't really like giving high use customers a decrease. That doesn't look right. It doesn't -- it's not consistent with our stated goals of conservation. So that's why 4b creates \$6 million more from the residential class. But the percentages are still at 1% difference.

>> If I might, I certainly agree with the sentiment of whoever is trying to avoid rate reductions while some customers are getting really large increases. But the problem that I have with 4b alternative is it does -- it reduces the reductions or eliminates the reductions in the higher tiers, but it doesn't provide relief to the lower

[10:06:53 AM]

tiers. It provides relief to some other customer class. It doesn't stay within the residential class.

>> It creates additional revenue, it's used to resolve outside city customer issues, as well as fund the expansion of the cap program.

>> Mayor Adler: I understand.

>> Tovo: How much of that is going to cap versus the out of city? I just fail to see why we would be trying to provide rate relief to out-of-city customers at the expense of in-city customers. That just makes zero sense to me.

>> Under 4b, eliminating the decrease for the high use inside-city residential customers generates approximately \$8.5 million of additional revenue, about -- well, exactly \$5 million would actually be shifted to s2 and s3 customers who are currently

[10:07:56 AM]

paying above cost. It actually goes to outside city customers, and I'll get to the explanation for that in a moment. The other 3.5 million goes to half expansion costs, the administrative costs. Now, to answer your question about the 5 million. That's consistent with what was done in 2012. Actually, 2012 was 6 million. And in 2016. And I'll tell you, you do not want an appeal to the public utility commission. It will cost you -- you're going to lose -- you're likely to lose a number of the things this council has expressed is important in terms of setting ae's rates.

>> Tovo: But if they have no rate change -- this is the question that I'd like to talk about in executive session. If they have no rate change, if their rates remain constant to what they are now, perhaps they don't have standing.

[10:09:03 AM]

So the 5 million that shifts, I'm supportive of cap, but we've never talked about cap expansion in this way. Every time we've ever talked about it, it's been -- you know, if we get to the point where we need more cap money, I will return to council and we will figure out how to provide for that. We've never, that I'm aware of, decided to pass a resolution to expand cap and kind of put money into the rate case in this way. This is a very significant shift. And it's going to have an impact

-- it's going to have an impact now on rate payers for a benefit that will hit other rate payers later down the road once we've actually enrolled them. So, I don't know if our customer advocate has a point. Am I thinking about that correctly?

>> I can share with you, council member, that when the customer assistance program was first put into rates and adopted, that the programs weren't developed to provide the benefit. So they started collecting the monies before the programs were

[10:10:05 AM]

able to be established and put into place and implemented. So it allowed for that funding to be there when they need it. And I also remind you that that \$8.5 million will be for a full year of revenue based on the test year 2021, and it would be at a \$15 customer charge, and the rates that would come out with that. So, it's not in this first year, and because these rates won't even be in effect for a full year, we wouldn't see that amount of money.

>> Tovo: Can I ask Mr. Kaufman to talk about the cap piece?

>> First of all, I want to commend the council for focusing on cap. I think it's a really important program and I think there are probably several people that have ideas about how to expand it. But as someone who has done a lot of representing of low income programs, I think it's really difficult to get to the

[10:11:05 AM]

levels that you're trying to get to. I think it would be very optimistic to get, you know, close to 50%. In fact, I'm not aware of any utility that has got that much penetration to start with. The other thing, there's some concern -- I have some concern with adding into the rate's costs that are projected in the future. We've been told that we can't look outside this test year period, and if we're going outside and considering future cost, I think we should also be considering future revenues, some of which include the town lake center, I believe, revenues that are going to be a wind fall here in the future, which we have not talked about, because we're staying only within this historical test year period. So, it seems like a lot of money to be adding. And I think you have -- even though the cap program is important, I think you have to consider that you're not going to get most of the people who are eligible on the program, and so otherwise, those folks who are not on the program are going to be subsidizing other -- you know, you're going to have

[10:12:05 AM]

low-income people subsidizing the program for other folks. That's just the nature of how these programs work, despite the auto enrollment and the I think very praise worthy components of the program.

>> Tovo: Thank you. But even if we are successful, and I hope we are in enrolling more, we're still -- your other point is that we're accounting for a future cost without taking into account what you and various others have said about future revenues.

>> Correct.

>> Tovo: As they look right now outside the test year.

>> I agree with that, yeah.

>> And I would say that normally, that would be true in terms of how you would normally set rates, but we have a very unique situation here where, again, there was an expressed desire, at least from some, and a proposal here that would eliminate the decrease to those high use customers, and one of the consequences was that it

[10:13:06 AM]

produces additional revenue, and we didn't want to just get a wind fall and pocket the money, and neither did those who put together 4b. And so, knowing that you all just approved last week an expansion of the cap program, it seemed like a good use of those dollars to help fund what they know will be an additional cost.

>> Mayor Adler: All right. And we can talk about this in turn. Kathie, a couple weeks ago when I had also proposed decreasing the decrease, eliminating the decrease in order to raise money for out of city, you had asked the question almost rhetorically. It makes no sense to do it outside the city. It just goes back to the conversation and what we had two years ago. There's a susceptibility to our system in having a rate group that's able to take us to the PUC over issues like the general

[10:14:10 AM]

fund transfer. The question is do we really want to litigate at the state level. Those are really good questions to be addressed in executive session. So let's hold the conversation until we get to executive session and we can deal with that. I'm going to open it up to council. I still would like to try and -- at least during moments in time, try to keep us talking about the same thing. Otherwise, we'll all get confused. I would suggest that we start talking about revenue increase and then we talk about the customer charge issue, and then we talk about the tiers and break points and rates for tiers. So, tier-related issue. And see if we can have a conversation in terms best we can, recognizing those issues are not totally containable.

>> Tovo: May I add a category?

>> Mayor Adler: Sorry, what?

>> Tovo: May I add a general category? As we're talking about all of these, I think there's a real difference -- and I appreciate Mr. Kaufman for really helping

[10:15:11 AM]

me articulate -- I don't know if I'm going to be articulating it well. But I think there are differing opinions on council about how to

-- whether we're looking at a phase-in, or whether we're looking at a -- an initial decision that's going to be re-evaluated. So, several of us I think have talked about making an initial decision that would then be subject to a real -- a pretty soon re-evaluation. So when we were talking about that, I was certainly not expressing support for making a decision now that was like a three-year step-in to \$16. I was suggesting that we take Mr. Robins and Mr. Oakey and various other people that have suggested that we make a decision for one year or so, and then re-evaluate it and see where the revenues look with the understanding that the revenues appear to be coming in higher.

>> Mayor Adler: This is --

>> Tovo: That's a different approach. Are we phasing -- are we making a decision to phase in over

[10:16:13 AM]

three years?

>> Mayor Adler: Want to respond to that?

>> That's really your decision. When we looked at these, we were trying to -- with 4a and 4b -- take into account all the things that we're hearing. We heard \$25 is too much, so we came back with that. We heard that we want to continue to have tiered pricing, and so we increased from three tiers to four tiers. So we've been really trying to listen and help you all get to a decision that we can move forward on. This is really important, because the longer we continue to operate with our current rate structure, the more jeopardy that we have for our financial position. And so this is imperative that we get to a decision.

>> Mayor Adler: I think the question that she's asking is, are you guys okay with having another rate case in a year. Or in --

>> Well, not this process.

>> Mayor Adler: You want to talk about -- what the question is, should we come back in a year and assess how this is working?

[10:17:14 AM]

You want to speak to that? That's the issue.

>> Well, the problem with that is that these rates won't have been in effect for an entire year. And we go on the fiscal year, and then we get audited financials, and then we base the cost of service study on those audited financials for a fiscal year. And so we're in the middle of a fiscal year and the rates haven't been implemented.

>> Mayor Adler: If we don't do anything, when is the next time in our cycle that we would have a rate review?

>> Well, at a minimum, we're required to look at and determine based on a cost of service whether we need to make adjustments to our base rates, which is what we're talking about here.

>> Mayor Adler: When would that be?

>> It's a minimum I believe of five years.

>> Mayor Adler: Okay.

>> It can be longer.

>> Mayor Adler: Could be longer.

>> Could be shorter.

>> Mayor Adler: So if a year is too soon, you're not going to

[10:18:14 AM]

have the information. Should we be thinking about this in terms of two years? Mr. Kaufman.

>> I've done hundreds of rate cases, and I would -- I think the sweet spot is three years. I think one or two years is too soon, and five years can let things kind of go too far. That's my opinion.

>> Mayor Adler: So I throw that out there, Kathie, just in terms of, I've heard the discussion about having something earlier than we might otherwise have it. I don't know whether three years is the minimum of time in order to be able to do that. I'm hearing that maybe a year is too fast. I don't know if you want to ask any follow-up questions. But I will put on here number eight whether we have a rate review sooner than five years.

>> I would also note that the utility has the option of the -- it's not like there's a

[10:19:15 AM]

restriction on their ability to raise the rates.

>> Or lower them.

>> Or lower them. Right.

>> Tovo: Which is what happened last -- I mean, we did have an adjustment that was not as part of a full blown rate case, and I think if we took a less aggressive approach on rates, and what Austin energy fears comes to pass, which is that they continue -- you know, that the revenue coming in is lower, then we would have an opportunity to

-- or the next council will have an opportunity. Mr. Kaufman, you had discussed this in relationship to the customer charge, so that might be a more appropriate time to talk about it. But I think when you and I were talking about the customer charge and the approach, that's

--

>> 2016 was -- with an independent hearings examiner.

>> Tovo: I was talking about the last time that we adjusted rates, which was to lower it, wasn't it?

>> 2016, and that was a full blown rate review with an independent hearings examiner,

[10:20:16 AM]

and -- or impartial hearings examiner, an independent consumer advocate, and multiple parties intervening in the case.

>> Tovo: But you do have an opportunity every budget -- at least every budget cycle to make adjustments, or proposed adjustments?

>> No, normally a utility is going to not make changes to their base rates outside of more formal process in which they develop a cost of service study, as they have done really since 1994, just three times. And normally, a utility goes about four years between rate cases, mainly because everyone's exhausted and doesn't want to see them back. But if the utility needs rate relief, they can come in sooner. Indeed, the PUC has a rule that says, it sets a schedule that says utilities have to come in every four years because of check. But if they need rate relief, they can come in sooner.

[10:21:16 AM]

To me the concern with coming back in a year or so, it takes several months, and then you have to develop some type of process, if you wanted input from stakeholders. So it becomes just a real complicated, detailed process, generally. Now, if some streamlined approach was developed, that could --

>> Mayor Adler: Okay, so I have listed quicker next rate case. Question.

>> Pool: We have had some conversations already in work session, and with Austin energy, and with the city manager about reviewing where we are during budget, where these rates are and the revenues that are being brought in based on them during budget next year. And in any case, I will continue to propose that we do that. I don't have -- there's no real disagreement on that. I think that the status report is really important. Also using the oversight committee in our meetings to have really close attention to what the revenue looks like and

[10:22:18 AM]

some forecasting through the rest of the fiscal year, what that looks like so that we have this information earlier, and in a more comprehensive fashion. I agree with the three-year look for reestablishing the rates, but I always have. Back in '16 when we talked about it, I felt like we needed to come back and review these earlier than five years. I think the way that everything played out this year, I don't know three years ago how that would have turned out obviously. But I do support that effort. Five years I think is too long with the environments changing as quickly as they do. I would also propose that we sort of put that aside, because it isn't really related to getting to the numbers here. I think there's general agreement that scrutiny going forward needs to happen more often and at a deeper level.

>> Mayor Adler: Okay. So what we're going to do now is we're going to talk about revenue requirement. You want to -- chair pool, do you want to say where your

[10:23:19 AM]

proposal was with respect to revenue requirement, and let's see if we can have a conversation about that.

>> Pool: Sure. We've circled around the 31.3. That includes the holding steady the general fund transfer at 115 million. Combined with the amendment from mayor pro tem alter, which spins off the \$8.5 million, and there's no increase or decrease to outside city customers. It does free up some funds that are necessary in order to complete the rate case in an expeditious and positive manner. The 31.3 million is pretty foundational and feels very bedrock to me.

>> Mayor Adler: Okay. Further discussion on revenue.

>> Alter: This is related to what I've tried to get in, but it's another variable that I think we have to consider, and I

[10:24:22 AM]

wanted to get Mr. Kaufman's perspective. And I'm sorry to do this, to take you off, but I think it's important. Originally, Austin energy was trying to get us to 50% cost of service. As I understand pool's proposal, it's getting us to 40% cost of service. Mr. Kaufman, in the runs that you've done with the jca and where you're coming from, what is your goal with respect to getting to cost of service, which is an important variable for the financial stability of the utility?

>> I'm not sure I know the percentage towards cost of service that the joint consumer alternative would do. It wouldn't be as much. Let me just answer that with regards to the concept of gradualism. And again, in regulatory terms, what gradualism usually means is that you're looking at an audited period of time, and you're moving towards where you want that to be. You adopt some sort of cost allocation and you move a

[10:25:22 AM]

certain distance towards that. Gradualism doesn't usually mean a phase-in approach. It usually means that you're only going to go a little ways towards that, and that's because each year is different, and I imagine if you did this year -- if you audited 2022, it would be very different than the test year that we're look at in this case. And so you don't want to be going back and forth and making radical shifts.

And so, I think that moving 40-50% is actually overly aggressive, in my opinion. I think you should definitely make one step in the direction that Austin energy wants to go, and recognize their need for financial stability, and, you know, less variable revenues. But just take one step, not two, three, or four steps in that direction. As to addressing the gradualism concept. Does that help?

>> Alter: It does. I guess part of what I'm struggling with is you were right when you talked about my amendment, which said we're not

[10:26:23 AM]

going to decrease people who are using more energy, that that adds more revenue. But that assumption means for the other ones that we're trying to get 40% all the way down. And so it may be that we want to set it and say we want to do 33% or something like that, keeping that first tier really low, and everybody else is at 40%, and then we don't decrease, and maybe in the second year we're going up to 40% for them so that the shock is not as much in this first year. That may get so complicated from rate making, but there is a variable that we could play with that we don't have to say is equal across everyone, as long as we're moving it in the right direction. I have no idea what that does to the product, but if what you're trying to do is get a little bit more relief in the very first tier, you could do that, or you could start at 13 in the first

[10:27:24 AM]

year, go 13, 14, 15, and end up in the same place at the end, if you were trying to solve, that might --

>> I just want to clarify that all customers buy energy in the first tier.

>> Alter: Right.

>> And if you move out of the first tier and into the second tier, you only pay for the energy that you use at the second tier rate in the second tier. It's not like you move into tier 2, and then all of your consumption is priced at tier 2 or tier 3 or tier 4. Et cetera. So if you adjust this down here, then you're adjusting -- it's circuitous.

>> Alter: Right, but when you give us the charts that have the numbers that fall in that tier, is the price that you're giving in that the price that they only get in that -- obviously, the price per kilowatt is, but per kilowatt hour, but the customer

[10:28:25 AM]

amounts, when you give us, say, the average bill amount when somebody falls in that category, is that like their total bill up to -- you know, let's say I took the person who is in level 6 with 750 to 1 to 1,000, and I have a chart for inside rates that says that would be 110.63, that's their total bill, correct?

>> It's a cumulative effect.

>> Alter: Right. I understand it would change the other pieces.

>> That's why at the outset, when I said earlier, one of my first remarks was about the impact on the average customer. The average customer, if you look at level 6 there, falls between 751 and 1,000. So for that customer, their rate increase is going to be -- you

[10:29:26 AM]

see it says \$8.95. But that's for the range. Someone who's an actual average customer would be a \$9.06 increase, and their percentage would be right at 9%, rather than 8.8.

>> Alter: Okay.

>> And as your consumption goes down, your percentage change is higher, because again, first of all your starting point is much lower. And so it's easier to have a larger percentage. And then you have differences in the rates as you go from one tier to to next.

>> Mayor pro tem, if I might add. I think it would be simpler if you guys kind of looked at the process with revenue requirement, then class allocations, then dealing with the tiers and customer charge within residential class. I think there's some confusion because we're moving between the residential class to other classes. I think it would be cleaner and easier to understand if you

[10:30:29 AM]

first determined how much money you want to collect from the Reuss den class, then looked at the tiers, and not moved money

outside -->> Alter: I understand that. I don't think that's possible if you want to not give decreases to people who are consuming more energy within the city.

>> We would prefer that relief be provided at the lower tiers.

>> Alter: I understand that. I'm not sure that you can accomplish ae's other goals within that framework fully. But I'm open to suggestions. I guess we should go back to the mayor.

>> Mayor Adler: Vanessa.

>> Fuentes: Thank you. And colleagues, that's kind of my focus with this conversation, is really looking at relief towards our lower end residential customers, lower users. And so that -- so, thank you for framing

it that way. That is definitely how I'm approaching this decision. The questions I have around the revenue requirement, if you could talk us through what our revenue actuals have been the

[10:31:31 AM]

last few years, because it's my understanding, if we take this year alone for 2022, we are already projecting a surplus; is that correct?

>> No, council member, in the financial -- in the fourth quarter financial projection for 2022 that Stephanie provided to you at the uoc meeting, shows an estimated \$3 million deficit.

>> Fuentes: So during our work session last week, what was the line item that had an increase in revenue in reference to?

>> I don't have that in front of me, so I'm not sure what you're referring to.

>> I think what she's referring to is they had originally budgeted for a larger loss, and perhaps revenues have exceeded what was in the budget, and that brings it to -- what did you just say? \$3 million -- maybe Mr. Dombrowski will correct me on that.

[10:32:35 AM]

>> So, in the fourth quarter, you saw that we referred to as bill based revenues. We're about \$40 million higher for the year. And what that produced was a \$3 million negative net income versus something much larger. That was for physical year '22, which had the really hot summer. That same number for the previous two years, a little over \$90 million loss. That was because the years were more mild. They weren't the hot summer. And so, you know, looking out on average, that's the weather effect that we're trying to accommodate and the rate structure we're trying to provide, so that customers' bills don't go wildly like that.

>> Is it 90 million over the prior two years?

>> That's correct. About a \$90 million loss, compounded with power supply is the reason why our cash is about

[10:33:36 AM]

\$200 million below where we need to be.

>> Fuentes: But we're still projecting a \$3 million deficit for this fiscal year.

>> Correct. That's our current net income before audit results, which we won't know until March. But that's a pretty good number. For '22.

>> Fuentes: For '22. Okay. And what about in the last five years, we have been able to meet our revenue requirement at that point. Just the last two years during the pandemic is when we ran that 90 million deficit.

>> Yes, I believe 19 was just about spot-on, and 20 and 21 were significantly below, and then 22, because of the hot summer, that's the results we just discussed.

>> Mr. Kaufman, when it comes to deciding the revenue requirement, is there any other thoughts that you think that we should be considering when it comes to that decision? I mean, just knowing that right

[10:34:38 AM]

now, it seems that between the proposals and what you mentioned earlier, looking at a revenue requirement between 22 to 25 million as something more reasonable to reduce the rate shock, are there any other insights that you'd like to share?

>> Well, I would just say that the -- you know, it seems like a very wide range, but I think any of those ranges would provide Austin energy with enough money to meet its financial obligations and to provide reliable service, and so even at 6 or \$12 million, I think that their financial health would not be impinged. But yeah, I think if you're looking at a wide range, I think the 20 to 25 million, 22 to 25 million maybe is really the -- kind of the midpoint, kind of a balancing of the various issues involving how much revenue overall is needed.

>> Fuentes: Balancing of the issues to ensure financial stability of a utility, and to

[10:35:39 AM]

reduce rate shock. I mean, at that level --

>> It would help, yes. It would definitely help the rate shock down the process, yeah.

>> Fuentes: Okay. Thank you.

>> Mayor Adler: Further conversation on revenue?

>> Renteria: Mayor?

>> Mayor Adler: Council member Renteria.

>> Renteria: During the ice storm, the snowstorm that we had, we had a surplus of revenue coming in; isn't that correct?

>> From the power supply adjustment, and we've refunded

-- we've given all of that money back to customers.

>> Renteria: So we have to -- you just couldn't keep some of that money back.

>> It's been returned.

>> Renteria: Yes, but I mean, if something like that happens in the future, could y'all keep that, or do you -- is there something in the law saying that you have to distribute it back immediately?

>> So we use generally accepted accounting principles, and those require us to record monies into

[10:36:41 AM]

certain accounts. And so monies that are associated with the power supply adjustment are separate from monies that we collect and use for base rate expenses, and so we don't cross-use those dollars. They would be in the power supply accounts, and would need to be dealt with over time with the rates that we set for those passthrough charges.

>> Renteria: Thank you. Mr. Kaufman, you mentioned earlier when you had a presentation, when we were in the dais, that your recommendation was \$2. How did you come up with that on the base --

>> That is -- you know, that has to do with the customer charge. And that's how you slice up. You know, revenue requirement is baking the pie and then all the other decisions are slicing up the pie, once you determine how much revenue requirement there is. And the customer charge is one of the most controversial issues, but we are recommending a \$2 increase in the customer charge from \$10 to \$12.

[10:37:43 AM]

But that's -- to be clear, that's not adding revenue. That's how you device up the revenue.

>> Renteria: Okay. Were your tiers different than what's recommended?

>> Yes, they were different. We had -- you know, when you talk about the tiers, you're talking about the inclining rates. We were kind of in between where Austin energy wanted to be and where -- or they're kind of in between now, as far as the range. And because the tiers are so complicated, I would urge you just to focus on the customer charge. I mean, that's the one number that you can easily change. It's one lever that you can adopt here, or soon, and the tiers are just so complicated that if you start tinkering with those, and then we have -- you know, it will take a long time to go through the data to get the furthermore numbers to add up right. But you can change the customer charge. We know that you can then reduce or increase the volumetric usage

[10:38:43 AM]

fees to balance it out.

>> Renteria: So if you're looking at what the recommendation there is on option 4b, and it seems to be a pretty steep increase on the base cost of up to \$6 in three years.

>> I agree. It seems like a lot. Yeah. And just recognizing the challenges about tinkering with the tiers, I would say if you want to provide relief to the lower usage customers, which I do, which I think is important, I would, you know, maybe leave the tiers the way they are, but go down to a 12 or \$13 customer charge. I think that would provide the relief.

>> Renteria: And you're talking about 13 immediately, or phase that in?

>> I'm not generally in favor of a phase-in.

[10:39:44 AM]

I think setting it that way, whatever number you want to pick

-- I mean, I kind of view the phase-in as it's ultimately going to be \$16, and I think that at \$15 customer charge and higher, I think you're going to have some severe rate shock. You're going to have at least some segment of the community, people who use less than the average, having some surprise bills. I'm not trying to look after those people exclusively. I'm trying to suggest to you that you move in the direction that Austin energy wants, but do so in a way that doesn't really produce a whammy on some subgroup of the community.

>> Renteria: Thank you.

>> Mayor Adler: Kathie.

>> Tovo: So, back to the revenue requirement, and I'm going to ask staff to distribute the runs that we have requested as well. I think some of them have been distributed. On Friday, I asked that ae

[10:40:48 AM]

adjust them, to use the same allocation methods that the joint group had come forward with. And so I think that would be great to get your read on that, Mr. Kaufman.

>> You're talking about the class allocations that the joint consumers agreed to.

>> Tovo: Yes. I believe that's what we had Friday. We tried to clarify it yesterday and asked for some tweaks, and we're told that it's too late to do any kind of -- to produce that information. So I'll have to

see what we have to work with. So, back to the revenue requirement. You had proposed reductions in the revenue requirement. Some of those, I had carried forward into our runs. We got a memo from Austin energy suggesting that -- rebutting those reductions. Can we get you to talk about -- I think before you gave us a range of -- in your filing, I think you said -- if you could clarify for us, what did you originally say should be the

[10:41:51 AM]

revenue requirement? What have you suggested today would be the highest range that you would suggest, and two, what is the revenue requirement that's being identified in the joint group? And I just want to point out how unusual it is, and I know you've commented on this before, but we've got industrial customers as well as environmental interveners, and our consumer advocate, all agreed on that joint proposal. So I really want to focus my attention today on that one. And so if you could talk about what the revenue requirement is that you all came up with and how that differs from your first one. And if we need to get into the specifics about those different elements, you know, we can. But I want to just say -- I mean, my revenue requirement is in the 22 to 25 million at this point, and I think that there's a lot of justification for those other reductions. But if you could. I know that's significantly higher than your --

>> I'm trying to keep track of everything you asked me.

[10:42:55 AM]

First of all, the three issues that you highlighted are all -- those are the three issues that we raised that had to do with the test year being somewhat abnormal, due to winter storm uri and covid-19. Those are late fees, uncollectible fees, and just the additional costs that were related to the covid-19 and winter storm uri. The way we calculate those, they add up to just about \$6 million. So I think if you agree with us that the test period was unusual and there needs to be some adjustment to take out the outlying abnormal aspects of that year, I think you would reduce what they're asking for in the revenue requirement by \$6 million, and I think Austin energy may calculate that slightly differently. After our audit earlier this year of the utility, we were recommending an increase of \$6 million, and then after some discussion, we decided -- and

[10:43:55 AM]

decided as a group, all the interveners agreed, all but one, I think that it would be reasonable to go up to \$12 million, give an additional \$6 million to the utility. So that's where we've been for a while. But I think that, you know, you could go up -- you have a wide range of choices, and you could go up further to

provide more assurance to the utility. But I think that, you know, at the level -- you know, over \$30 million, I think you're really looking at some major impacts.

>> Tovo: So your original -- just to capture it, your original revenue requirement based on your calculations and your analysis, which you were hired by the city to do, showed a revenue requirement of 6 million.

>> An additional 6 million, yes.

>> Tovo: And additional 6 million, in working with the other interveners. You revised that to saying it would be reasonable to be at 12 million.

>> Uh-huh.

>> Tovo: We are still looking at a revenue requirement in the proposals before us, in the scenarios that have been outlined of more than 30 million.

[10:44:57 AM]

>> Right. And then to the residential class, it's over 40 million. 41 million.

>> Tovo: Can you get back to the question that council member Fuentes -- again, we can dive in to the certain revenue requirement reductions that I think you've proposed that several of us agreed to. And talk about those details. But I want to talk about the big picture question that gets to the question that council member Fuentes was asking. About whether the general period of time -- you know, if we look at, say, the last seven years, how would you characterize the revenues. It seems like those -- you know, we keep getting back to this question about the revenues being pretty solid, except for the two pandemic years.

>> I don't have the data in front of me, but that's my understanding. Generally for the last -- you know, since the late rate case,

[10:46:01 AM]

revenues have been close to meeting what they were hoping to meet, except for those last two years. But I know Austin energy has a different perspective on the budget.

>> Tovo: I don't know if Linetta Cooper is here, but she's one of the interveners that has submitted information, too, and it would be useful to hear from her if she is here.

>> Not at this time.

>> I think I heard that she had a medical issue with her sister.

>> Tovo: I'm sorry to hear that. She did email me this morning, maybe all of us. So I'll retrieve that information and see if it speaks to this issue.

>> Mayor Adler: Leslie.

>> Pool: I wanted to ask Austin energy what impact having lower revenues along the lines of what Mr. Kaufman was offering, what that impact would be on the utility.

>> Well, as we've shared with you over the last two years, when we've been doing our

[10:47:03 AM]

quarterly financial reports, our cash position is going down. It's going in the wrong direction. And we have specific bond covenants that require that council actually take action to set rates to ensure that we're collecting our debt service payments and certain levels of cash, and Mr. Dombrowski can speak more to that. But at those levels, we are not going to be in the financial position that we need to be in order to continue to provide all of the services that our community expects from us.

>> Pool: So this is a little bit painful to bring it up again, but can you walk us through where our current debt rating is with the bond houses in new York?

[10:48:09 AM]

>> So, this summer we were downgraded by Fitch and S&P 500 from aa to aa-. Moody's has not taken action. However, we anticipate selling bonds in March, because I hope to use the financials from fy22 that we'll get in February. All those agencies often tout the autonomy of local government being able to set its own rates, and so they give a lot of faith in that. And we've told them that we have this rate review, and they're anticipating us setting our rates to -- our revenue requirements. If that doesn't happen, that will be considered in March when they rate our bonds. And we may -- you know, if they feel that's not adequate, then we would expect further downgrades.

>> Pool: And when our ranking is downgraded, that means that -- what does that mean?

[10:49:09 AM]

>> So, the first thing it means is that the cost of borrowing money gets more expensive. Most of our bonds are 30 years, so we expect to pay a highest interest rate. Also, our credit rate depends on our unsecured credit with our trading partners. So we buy and sell over \$800 million of electricity and natural gas every year. And so we would -- with the lower credit rating, you have to put more cash up as collateral. One of our constraints is cash. We're down several hundred million dollars, so we would have

to buy letters of credit, which would cost more at that level. And we also buy hundreds of millions of dollars of goods, and the terms on some of those contracts we negotiate with those suppliers are based upon the credit rating of that issue as you would imagine. So all those would be impacted. I can't give you an exact dollar amount.

>> Pool: So when bond ratings

[10:50:11 AM]

drop, that means that the city of Austin and the utility have to fund our operations or our bonding, our borrowing of money at a higher rate? It costs us more money?

>> That's correct. Just like a consumer. If you have your own personal credit score, if you have a high credit score, you can borrow money at a lesser rate. Same thing.

>> Pool: That seems like a fairly significant [inaudible]. How do you turn that around?

>> It takes several years. One is to improve liquidity, which is how much cash you have on, and to ensure that your current revenues are covering your current operations, which they have not. Those are the two quickest things. I point out that we did not put anything in our revenue requirement to replenish our reserves. And so, unless we get some positive margins, the cash flow will not be earned. Unlike in '12 when we put

[10:51:13 AM]

re-requirements into the rates, we didn't do that.venue requirements into the rates, we didn't do that. We understand that there's rate sensitivity. I would imagine it would take three or four years, if everything stabilizes, before we might expect a rate or a credit increase. Assuming we get the revenue requirements. And quite honestly, this is about a test year. For '21. And so our revenues will be what they are. Our expenses will be what they are in the future and inflationary costs. So we can make all sorts of assumptions about what rates might be to get them lower. But in the end, if we don't have enough current revenue to cover our current expenses and we don't have the cash to buy, that's going to put us in a really bad position.

>> Pool: And if we don't reverse that and the spiral continues down, what would be the red zone where we would start flashing some pretty significant alarms?

>> So in our bond covenants, the master rate ordinance, there is a test that we've agreed to with

[10:52:15 AM]

our bond purchasers that if our revenues don't achieve a certain level, then city council must adjust rates. I think I presented that to you in an earlier work session. And the only reason that we did not meet that test in fy21 was because of our cash balances. I hope we can get to the point where we're not bringing that back to you as a result because of that ordinance. That would be the first big red flag.

>> Pool: I take all of the financials really as a heavy burden to us on the dais with our decision making, and the responsibility that we carry, mayor, is large. I don't want us inadvertently to trigger a downward spiral or find ourselves in a position

[10:53:16 AM]

fiscally where we can't reverse it any time soon.

>> I've got a couple comments on that. I read the reports on those downgrades, and I think those are something you do have to take into account seriously. Those reports had primarily to do with ercot and the wholesale market and the consequence of winter storm uri, and they were downgrades that occurred to several different utilities. So if I was here today before you took that vote on the psa increase, I would have told you you should vote for that increase, as a result of that increase. But I did not see a concern about the base rates, and frankly, aa- is a very high credit score. I think you're already in a pretty good place, and I know it's not natural to think this way, but with regulated monopolies, when I see utilities in the a's, aa's, aaa's, I think

[10:54:18 AM]

they probably have rates that are too high. Bbb is really where I like to see regulated utilities be at.

>> Pool: So, I appreciate that, Mr. Kaufman, but I will point out that you are not actually a decision maker, and you can leave this room and not carry that responsibility forward.

>> Understood.

>> Pool: You also are not having to -- you're not a steward of the taxpayers' dollar either, and if I had an opportunity to have policies that support a utility that keeps those adjacent fees and interest rates lower, so that the taxpayer pays less, then I will do that. I am committed to doing that. That's the nature of the public policymaking as I see my responsibility. I appreciate your perspective. Mine differs largely because of where I sit.

>> Mayor Adler: And that's helpful, because obviously we carry a different -- but it is

[10:55:24 AM]

important to hear other factors, because that's going to help us make an educated decision. I would like to hear Austin energy's response to that.

>> Sure. In a report, Austin energy was downgraded by both the agencies was not because we operate with ERCOT. That would credit negative and makes it more difficult to operate. The reason why we were downgraded was the liquidity. The loss of cash and the fact that we do not have debt service coverage on our debt. Remember moderating agencies, their reports are used by bond buyers, investors. It helps them set which bonds do you want to buy in the future. And so if we don't have good debt service coverage, it increases the risk that there may be an opportunity in the future where that issuer doesn't have the funds to pay back those bondholders. So that's really what they watch. The reason why was because of

[10:56:26 AM]

our loss of cash and because our debt service coverage ratio was down.

>> Mayor Adler: How sensitive is that? If we were to do \$3.3 million in revenue versus \$28 million in revenue, would that have an impact on our credit rating?

>> Not directly. Obviously, the more revenue, the higher your debt service coverage will be. To the extent you can have a positive margin, you can start building some cash back. And at this point, where we are, every dollar of cash would be very helpful.

>> Mayor Adler: So for what it's worth, also by way of -- I mean, I like the work that the chair did with respect to the option. If I had to pick a fourth choice, so on either end of the extreme, because I'm concerned about the bond situation.

[10:57:28 AM]

If I was going to err, I would err on the side of financial stability for Austin energy. It's hard to read the proposals and the counters on the \$8 million worth of revenue impacts that council member Tovo raised, and feel confident for one position or another. But I can't imagine I would be supporting a lower revenue than half of that, or three, you know, down to 28.3, or whatever that number would be. But again, if I was having to pick a number, I would be at 31.3. And I say that without knowing how the rest of it shakes out.

[10:58:28 AM]

We have an hour left. It would be good for other council members to indicate kind of what they're thinking about the revenue issues. I think that council member pool did that. Council member tovo did that. I've now done that. And then we can turn quickly to the customer charge. Anybody else want to kind of weigh in what they're thinking on this one? Ann.

>> Kitchen: Well, because we've been talking back and forth a bit, let me just say that -- let me first ask a question, and I can tell you where I'm at. You're asking for some comment on the revenue, right? That first item.

>> Mayor Adler: Uh-huh.

>> Kitchen: Okay. Apply preference on the revenue item is to really look at -- and first off, let me just say I appreciate the way that you have

[10:59:30 AM]

distilled things for us to talk in terms of -- and you also, mayor. This is very helpful. To talk in terms of revenue, and then thinking allocation and rates. So it's a logical way to proceed. And so I appreciate that. My preference is between 25 and 27 million in terms of the revenue requirements. I would like to ask you -- that's my operating preference now. And it's based on some requests of different scenarios that have been requested, and also based on you as our advocate has mentioned. Can you say again -- you've said this several times already, and I realize that the number you're saying may be higher than that 25. But what is your best recommendation at this point?

>> As to revenue requirement?

>> Kitchen: Yes, uh-huh.

>> I would say, you know, in

[11:00:30 AM]

that particular -- in the mid 20s.

>> Kitchen: Okay.

>> Honestly, I don't believe the world would end and I don't think there would be dire financial consequences if they only got 12 million more, but I think it's reasonable to be talking about numbers in the 20s.

>> Kitchen: Okay. And the reason from a policy perspective that I'm looking at that is because to me, the impact on our customers is paramount. And rate shock is paramount. And I know that it may sound like we're talking about -- particularly when we've been talking about it monthly, that it may not sound like very much, but to a low-income family, that's a lot of money, particularly when you look at it on an

annual basis. So if we're going to err on the side of -- so, for me from a policy perspective, I would err on the side of keeping it low, you know, within a reasonable range. With the ability to adjust if we

[11:01:31 AM]

had to. So that's why I'm saying 25 to 27. I also just appreciate your role, and I respect your role. We've hired you to work for us and I appreciate that. And it really helps me in terms of policy decision making, because I think that your job, for us, is to look out for the customer. And so I appreciate your recommendation.

>> Fuentes: I just want to echo the sentiments from council member kitchen, saying thank you, Mr. Kaufman, for joining us for today and providing your feedback. You were hired by the city to provide this type of feedback, and as policymakers who were elected by the people of Austin and oversee this public utility, I greatly value your expertise and your insights. So, thank you for being here with us today. I do not see myself supporting a revenue requirement that's above

[11:02:32 AM]

27 million. I think that 25-27 is much more reasonable, and could get us to a place where we could -- actually, I was going to ask for pending information on the cost of service amount for the ica euc proposal. If you could provide like an estimate on the cost of service within the group proposal. I realize euc, the commission proposal is separate. But if I could just get a better sense, because I think that information is going to be helpful when we communicate with our constituencies about the cost of service and why we have to do these. I understand that we need to ensure the financial stability of our community, and I'm ready to have those conversations. I think what continues to be at the forefront of my decision making is the rate shock impact to our residential customers. The conversations I've had with staff about expanding participation in the customer assistance program was one that you -- I just want to punctuate

[11:03:32 AM]

your remark, Mr. Kaufman, that very few utilities get 50% participation rate in their programs, and we're not going to get from 33% to 50% within the next six to eight months. I mean, I would be pleased to see that, but realistically, I don't think that's going to happen. So to the extent that we can provide the relief to the residential class, in lieu of dedicating that amount to tex up and downed participation in the customer assistance program, I would be wanting to learn more about to see that shift. Because ultimately, the customer assistance program serves our very low income, our very vulnerable. But there are still families in Austin who are low income, who are struggling, who are living paycheck to paycheck,

who are going to feel this going up 4 to 6 dollars a month in their customer service charge and they're going to feel it the hardest. And that's where my concern

[11:04:34 AM]

still lies.

>> Alter: Thank you. I want to be clear that I'm looking at their overall bill, not just their customer service charge, because the customer charge, if we don't take into consideration the other piece, I want to look at what their actual bill is, not just their customer charge. So, at this point, I am at 31.3. I am open to going lower, if I'm convinced that there's an actual reduction that we can make. I'm not convinced that we can reduce 311, which is the biggest one that I've been hearing. My understanding is that we are fully staffed in that, and so we have those expenses. And I'm happy if folks want to propose very specific revenue reductions, so we know what we're reducing if we're going to go lower than the 31.3. We have not had an opportunity necessarily to have heard from

[11:05:36 AM]

Mr. Kaufman as part of that debate. But it seems to me that we're in a range of somewhere between 27 and 31.3. But I'm uncomfortable without a specific number. I will also say that with the 31.3, which has the general fund at 115, I am planning to put direction in that would mean that we would get towards our 12% for our general fund transfer in the budget process if the revenue exceeds expectations, so that we are making that reduction to 31.3, but we are protecting ourselves if the revenue increases. But I don't think we can just magically -- I'm not comfortable with magically picking a number for the revenue requirement. I really need to have that reduction justified, and I understand there are different viewpoints. And so for me, it would be helpful if we want to have the debate over the late payment fee

[11:06:37 AM]

or the rate case expenses or some of the storm amortization, and just make a decision on those, and then determine it. I think that might be a good next place to go.

>> Tovo: Mayor, I would then propose that we take a look at those and ask Mr. Kaufman to weigh in. And again, these were all things identify by Mr. Kaufman and/or others as legitimate things to reduce based on, and those were the late payment revenue, the winter storm uri and covid-19 expenses, not for all of it, but just for the overtime pay and additional contract expenses, and also bad debt, uncollectible bad debt. And I think if we use Mr. Kaufman's calculation, that reduces us by 6 million, which gets us down to 25.3, and when aye located it, I'm going to distribute what Mr. Brocado distributed sent to me from last time, showing what the revenue

[11:07:38 AM]

requirement, how it was reduced by council last time, and in addition to identified reductions, there was also an additional category for reducing rate shock. I mean, it was not tied to a specific reduction, but it was the council's attempt to go a bit further to reduce rate shock, understanding that the numbers would continue to be evaluated if there was an emergency. So, you know, I would call my colleagues' attention to the fact that we have two letters that I think are -- well, four documents that are significant. One is your report, Mr. Kaufman. Two is the independent impartial hearing examiner's response to it, in which they accepted some of these and offered caveats to others, but didn't necessarily recommend some of them. And then Austin energy responded to those potential reductions. And then you all provided an additional clarifying memo. I mean, there has been a lot of conversation around these.

[11:08:39 AM]

I would suggest that we reduce the revenue requirement by 6 million, specifically for those three items. And Mr. Kaufman, could you speak to them? I think you summarized them really nicely before, that they all deal with aberrations in the pandemic year.

>> Mayor Adler: Please make the best argument you could for that, and if Austin energy could respond to that, then we'll go to the second one.

>> I mean, I don't think I need to belabor it much. I think that everything is in those documents you referred to. One of them relates to additional expenses that the utility -- that's probably the biggest one related to covid-19 and winter storm uri. There was initially about -- I believe \$5 million that was above, you know, the average amount of expenses for things related to that. The impartial hearing examiner

[11:09:40 AM]

said he thought that perhaps only those related to contract labor and overtime would be the ones that he would suggest. And so we took that into account, and then compromised on that issue further. And so that issue is in the neighborhood of \$3 million instead of \$5 million adjustment. The other two issues --

>> Mayor Adler: Hang on. Staying here on covid for a second. You recommend it comes down -- the revenue should go down by 3 million. What are those 3 million that you think shouldn't be included?

>> Overtime hours and contract labor.

>> Mayor Adler: I thought you had already taken those out.

>> That's what the \$3 million was. The difference between 3 million and an adjustment of 5 million were some other items.

>> Mayor Adler: Are you still recommending that out of the 31.3 -- 31.3 is too high because it considers some covid expenses?

>> Correct.

>> Mayor Adler: Okay. What covid expenses do you think are in there that you think are over? It's the overtime --

>> Alter: Is it covid or winter

[11:10:40 AM]

storm uri?

>> Both.

>> Mayor Adler: And it's the overtime that Austin energy -- I'm sorry?

>> Alter: The summary that we had from ae said it was -- I thought it said it was 2.5 million.

>> I've got Austin energy's calculation of that.

>> Alter: Yeah.

>> I think they may calculate it differently. But I think it's \$3 million.

>> Mayor Adler: For overtime.

>> And contract labor.

>> Mayor Adler: And you calculated it at \$3 million?

>> Yes.

>> Mayor Adler: And can Austin energy respond to that?

>> Sure.

>> Mayor Adler: Why isn't that a deduction from the 31.3? Why is it not an appropriate reason to reduce --

>> Sorry, I didn't hear the word appropriate. Well, for a number of reasons. Ae demonstrated that the amount of overtime and contract labor was not out of line or needing normalization as a result of winter storm uri, and if you

[11:11:42 AM]

look at -- with respect to contract labor, for example, it was lower in 2021 than it was in 2020. In 2021, it was 15.6 million. On overtime expense, you know, it's gone up basically every single year, and the test year amount was not out of line with what happened in prior years either. The ihe was convinced that ae demonstrated that while winter storm uri was a severe storm, with respect to the need for contract labor and overtime, that it was not anywhere unusual relative to other storms that ae has experienced in the past. Mainly because the problem was ERCOT load shed, as opposed to a hurricane that, you know, destroyed infrastructure that had to be repaired and ae had to

[11:12:44 AM]

hire a lot of overtime -- pay a lot of overtime or hire contract labor to do those repairs. And so, you know, those were the main reasons.

>> Mayor Adler: Mr. Kaufman, what would the response to that be?

>> I'm not sure what to say.

>> Mayor Adler: Okay. What would the next item be?

>> There were a variety of items that we looked at. The 3 million and \$50,000 is just based on amortizing the contract labor and overtime over a five-year period.

>> Mayor Adler: And I get that. And they responded by saying there was not abnormal about that year. And that's the response to that. That ae gets. Go to the second issue that council member Tovo raised, that we were focused on, that we asked Austin energy to respond to.

[11:13:47 AM]

The second reason there should be a reduction from 31.3.

>> I'm still not following the question.

>> Mayor Adler: Kathie, what was the second reduction?

>> Tovo: Late payment revenue and uncollectible debt expense. I'm sorry, you may have already talked about one of those. I had to step off the dais for a second.

>> Mayor Adler: No, we haven't talked about it.

>> The uncollectible expense predictably was higher after the pandemic and after Austin energy was not shutting people off. We wound up with an uncollectible expense of 13.9 million, which was three times the normal amount. Our suggestion is to average it over three years which would get you \$3.5 million

and that's an adjustment of \$1.4 million. So the uncollectible expense we think was excessive by about \$1.4 million. So that's how much that is worth.

>> Mayor Adler: Okay.

[11:14:48 AM]

What would Austin energy's response to that be?

>> If I may, just one other point and it really goes to all of this and I'll talk specifically about bad debt in a moment. All these are trending upward. They might have a dip in one year, but the trend is to go up. The test year amounts were not unusual and in fact with respect to -- I actually they went down. But when the ica is done it said no, what we'd like to do is take a longer average, basically we want to capture older years, which inherently drives down the amount. Because you're going back further in time. If you look at the trend as well as the test year amount, which is normal, you -- if you go back further in time you will have lower years which drives down the amount you are putting in rates. But the trend is to go upward and so the expectation is that the test year might actually -- that amount actually may be low,

[11:15:49 AM]

but even putting that aside, the test year amount was not unusual due to uri. Could you speak to late payment fee or bad debt?

>> Tovo: The pandemic as well. Mr. Kaufmann is better to answer, but as I understood their argument it was that all of those -- the debt -- that it was substantially impacted by pandemic, which is why they were encouraging looking at years that were non-pandemic years.

>> Mayor Adler: That's the argument he made and the response was when you look at the trend over time that's not true.

>> That's why in the response from ae and this was supported by the AIG, is that reach back in time before the pandemic didn't reflect the current situation or what he characterized as the new normal.

>> I think it's very unlikely you will get 13.9 in the future. I mean, it may be true that there's an inclining trend,

[11:16:53 AM]

but that would be some mitigation. We feel like we've already compromised somewhat on the number.

>> Alter: I just want to be careful here --

>> [Overlapping speakers].

>> We made an adjustment to it.

>> That's right.

>> With respect to you're looking at late payment -- debt, excuse me. Austin energy made 7.8-million-dollar downward adjustment to take into account that there was a moratorium on disconnections for a motion of the test rate. They did reflect that.

>> Reasonable people could come up with a variety of ways to resolve, but I think there was agreement that it was abnormal.

>> Mayor Adler: And what I understand is you're recommending that a 1 point four-million-dollar adjustment and is that for late fees or is that for --

>> That's for bad debt, uncollectible expense.

>> Mayor Adler: Okay. And I think you've laid out that issue, both sides of that issue. Something you wanted to add to that bad debt?

[11:17:53 AM]

>> Yes. I might say that the test year --

>> Mayor Adler: Would you identify yourself for the record.

>> Rusty Mangus, Austin energy vice-president of finance. In the test year the actual amount was \$13.8 million as Mr. Kaufmann said. Austin energy did make an adjustment of \$8.7 million, and that is what is included in our test year -- Mr. Kaufmann wants to go back in time using the data that Mr. Booked shows that using an average as the numbers go up would reduce that amount, but the fact of the matter is if you look at what actually happened in '22, that amount went up. So once again, this notion that in historical amount is not necessarily indicative of what is going to happen today or in the future and that Austin energy's number is much more consistent with what's actually happening.

[11:18:56 AM]

>> The 2022 number is 7.83 million. Amount that ae is proposing is 5.99.

>> Mayor Adler: That was bad debt. What was the second issue tied to that?

>> Late payment fees. Do you want to address that?

>> That's very simple. I don't think there's any dispute that during the pandemic during most of 2022 and 2021 or part of 2021 that the city was not charging a late payment fee so that's in the period that was audited, the test period. And we think that -- this is an issue of revenue that would otherwise be there that wasn't there. So this is a limit payment fees is an offset. And we think that you would be better served to look at 2018 and 2019 as to how much late payment revenue the utility received and the total issue is one million

[11:19:57 AM]

dollars and \$50,000. About one million dollars, I think, recognizes that that was an abnormal period where they were not receiving late payment fees that they usually do.

>> Mayor Adler: Would Austin energy respond to that?

>> In its rate case Austin energy believed that the appropriate amount for late payment fees was [inaudible] And during rebuttal testimony they made an adjustment of 1.5 million to take into account the impact of covid and winter storm uri. Their position of using 2018 and 2019 numbers and creating an average is less reliable than the test year because it goes back too far in time. And that's what I referred to earlier that ihe agreed with Austin energy and said that reaching back 2018 and 2019 does not reflect the impact with covid and the new form.

>> Mayor Adler: Okay. What was the third issue?

>> Tovo: I have a couple of questions about this.

[11:20:58 AM]

So we've heard -- so there was the issue of bad debt. Our consumer advocate suggests taking it based on a three-year average, having those three years not be pandemic years. And ae took a reduction based on seven million or so. I'm not clear and I've asked this question multiple times. What was that calculation based on, if it's not an average of years, what was it a calculation of?

>> It was -- they can speak to this more specifically, but it was to reflect that there was a moratorium --

>> Tovo: What was the methodology? We've got a specific -- you took different -- you're suggesting taking different deductions. We know what the calculation was for those who think it should be calculated based on a three-year average of non-pandemic years. I don't know what the methodology was for Austin energy's.

[11:21:59 AM]

So I think what we're hearing is reasonable minds can disagree on how much of a deduction to take. We know what -- what Mr. Kaufmann is basing his on.

>> Yeah. I think that -- so the original amount was 13.8 million. Austin energy made a downward adjustment of 7.8 million to reflect the period of time during the year -- during the test year where there was no disconnections. I believe you took them the months where there was no -- go ahead and explain, but I think I know what you did.

>> With the 7.8 million.

>> The 7.8 million represents the AT&T contract. Normally bad debt as a result of customers not paying their bills. In this case it was unique in which AT&T, who attaches infrastructure to our poles and we attach infrastructure to their poles, we do not have a contract. So as a way -- part of settling this was they agreed not to charge us, we agreed not to charge them,

[11:22:59 AM]

and so this reflects the amount of that amount. So it has nothing to do with customers or customers' debt.

>> I think that's a separate issue.

>> Tovo: That is a separate --

>> I think.

>> Tovo: What we're saying is during the pandemic you didn't collect as much in late payment. We have dueling propositions about how much to reduce the revenue requirement. This is a really -- maybe you could get back to us? I know -- I think this is a fundamental point and again, I've asked now at least probably two or three times what the calculation was used to come up with the seven million. I actually think calculating it on a three-year average that doesn't include pandemic years is a pretty sound methodology.

>> Again, I don't think there's any dispute that these components were very unusual in this test period and not representative of what likely the utility is going to face in the future.

[11:24:02 AM]

And six million dollars is a compromise number from my perspective, but I think reasonable people could come up with for these three issues differing adjustments. I think the six million is the right amount for these three issues.

>> Mayor Adler: I understand that. We're trying to get one step below that. We understood what was at issue in the first one. The second one issue you both made deductions. Anything else you want to say about the second adjustment? E on bad debt I believe what happened is in addition to the specific --

>> Mayor Adler: The first seven million dollars.

>> Basically we took the months of the test year where there were no disconnections and basically annualized that. That's what's paced on the 7.8. We can look back and confirm that.

>> Tovo: So there were a couple of months where there were no debt collection and then they multiplied that amount by 12 months?

>> Generally speaking, but we'll confirm. But yes. If bad debt was 10 million

[11:25:02 AM]

and half the year you had no disconnections, then you would make a five-million-dollar adjustment to get down to five million. But I will need to confirm because also there's other piece with respect to specific customers.

>> You can give that detail to us. What was the third issue, Kathie.

>> Winter storm uri, overtime labor, bad date and payment fees. I would note part of the ica's letter, those three adjustments total 5.5 million, not six million.

>> Mayor Adler: Okay, pretty close.

>> If you were inclined to go that direction.

>> Mayor Adler: For me having heard this explanation to what I heard before, I'm still comfortable with the 31.3. I realize minds could differ on those. The halfway point is -- that's why I took three million dollars off the 31.3 and said I'd be willing to go down to 28.3. I'm leaning to 31.3, but

[11:26:03 AM]

getting down another -- to get us to where we need it to go is something that could fit within my range. But I would not be for something that was lower than the 28 range. All right. Anybody else want to say anything about the revenue requirement before we go to customer charge? I have about 30 minutes to go through the rest of the issues. Councilmember harper-madison.

>> Harper-madison: I'm going to do what I do customarily and go off script a little bit. I have to tell you that for a person with attention deficit disorder it is very difficult to sit at this end of the room and have all of this noise in my left ear like that. I can't focus, not even a little bit. So aside from my inability to do

that, just naturally this makes it impossible. I can't, I can't. And you, transitway Salinas, I am kicking you out of the room. You are loud too. If you could be mindful of

[11:27:04 AM]

the fact that I realize it's a public space, but we are working so just be mindful. So some of my questions include -- not a question, but a statement, I want to signal my support for this requirement. I think this revenue requirement was identified by Austin energy and frankly vetted by the impartial hearing examiner. I also think that the proposed rate structure supports our goals incentivizing conservation. And lastly the additional revenue from mayor pro tem's amendment expands our cap program to help our most vulnerable and in deed residents. I am increasingly confident that the proposal really does ensure that our utility is financially stable moving into a very, very unstable energy market over the next five years. I appreciate the creative solutions that I believe have gone into the compromise, and hope that we get to continue in this spirit into next year's conversation surrounding solar power and continuing

[11:28:05 AM]

to expand the cap. I wanted to make sure to sort of say as I'm flagging and signaling my support, much like a lot of the other things that we're going to be considering here towards the end of the year and moving into the new year, I think there's going to be a great, great deal of compromise that we're all going to have to make so I'd like to encourage everybody to think about the overall biggest picture. And I know I get some feedback from our constituents sometimes when it feels like we're arguing. They're not quite sure what to do. They feel compelled to pick a team, and picking teams makes it so that most people lose. Just encouraging us to try to -- to my original point about all that background noise, I think that's what our constituents are hearing also and it's not helpful. So I think if we could keep it really concise, really high level, not too much like in the weeds deliberation that really makes it so folks stop following us and only like pick out the parts that they

[11:29:07 AM]

hear. And when you start cherry picking you're not getting good information. So I don't know exactly how we restructure this whole thing, but it's just getting to -- it's not friendly is the word that I'm I am commission for the blind to use, but I don't anticipate that municipal politics, especially as we're talking about utility infrastructure, will necessarily be friendly, but it should be easier to follow and feel less chaotic. It feels chaotic.

>> Mayor Adler: Anybody else have anything about revenue, total revenue?

>> Renteria: We're going to cap our [indiscernible] At 115 million. I believe part of the discussion earlier, this last week, was that there was a potential of 119 million. So this money that we're going to keep from you where

[11:30:07 AM]

you're not required to transfer over to the city, is also used in calculation of reducing our costs?

>> Councilmember Renteria, that's how we get from the 35.7 down to the 31.3 revenue requirement.

>> Mayor Adler: Okay. Mayor pro tem?

>> Alter: I just want to add, councilmember Renteria, that the amendment I'm bringing would make it so that if 12% of the revenue that we generated was 119 and that was above the revenue requirement by at least that four million, that that four million would go into the budget. I'm not yet sure if that would happen with the year lag or not, but that's the policy that I'm trying to write in as an amendment to the policy, which is more of a direction for policy to the city manager than it is part of the -- part of the rate. Wouldn't go above what the

[11:31:08 AM]

12% would be, but it would allow us in the event that we exceeded it to get that general revenue, which we could then spend on the other things that are important to us.

>> Mayor Adler: Okay. So councilmember tovo.

>> Tovo: Mayor, I'm distributing the document that I referred to earlier so that you can see the information that Mr. Brocado had shared with me that the original revenue requirement was 127, the council approved as just and reasonable 21 million so they were able to identify different elements where they disagreed with Austin energy and reduced that by 21 million. In the same way we're considering reducing it by six million for clearly identified things and then underneath you will see a line item where the council approved an additional \$14 million so that there would not be rate shock. So I think what several of us are talking about is very, very consistent with how we handle the previous

[11:32:10 AM]

rate case. That there were just and reasonable costs identified for revenue requirements and you can see the final revenue requirement ended up at about half, slightly less than half of what Austin energy had proposed. I want to just highlight something that I think was mentioned, but not necessarily underscored. So it seems to me in reading the impartial hearing examiner's statement about I think it

was bad debtor late payment, they same to conclude with Austin energy, they agreed with Austin energy that this was a new normal. And I want to say that near a substantially different time than we were during the pandemic. People are back to work. So late payments are unfortunately probably -- anyway, could you speak to that? Because you talked about the new normal, but the new normal assumes that folks are operating as they did during the pandemic and I just don't think that's going to be the case.

>> Are you asking me?

[11:33:12 AM]

>> Sure.

>> I agree with you. I think there's any dispute that this test period was unusual due to covid. It's just the matter of how you -- how you value that. And I don't necessarily doubt that these -- the late payment revenues and the uncollectibles might be on an upward trend and maybe would take that into some consideration. But I think that definitely some adjustment is reasonable. Here. Whether it's three, five, six. There's a variety of numbers and these all involve some compromise up to now.

>> Mayor Adler: As we turn to the next section, councilmember tovo, I don't think anybody is saying that we're going to live in exactly the same conditions in the future that we were during winter storm or

[11:34:12 AM]

during covid. But just that the conditions that drive the cost absent those storms would be the same, that we were on an upward trend, and the fact that we had the winter storm and we had covid doesn't remove us from the trend that we were on when you take those things out, we're still on that trend and that the numbers are reporting that trend. Not that those were not atypical times because I think everyone recognizes they were or that we're anticipating that those atypical times will be the times that were -- that we were in a new normal because as evidenced by the trends that existed before we had those two departures. What I wanted to address real quickly was the other thing on the agenda, the customer charge. I thought there was a really significant and powerful

[11:35:15 AM]

presentation by

[indiscernible] Where she laid out the food that could be purchased for \$15 and for the period of time that could feed a family, demonstrating \$15 and that presentation stayed with me. Which is why I'm

also pleased that we're not talking now, while we were at the time because it was originally laid out about a 15-dollar increase in the customer charge that we're not now. And it looks as if based on the ranges we're talking about is a three dollar increase or a five dollar increase. Which means that the delta of the council is deciding is up to two-dollar increase. And that's really in front of us, a plus or minus one or two dollars in increase.

[11:36:15 AM]

I do agree with the mayor pro tem that we can't look at that charge in a vacuum and when we looked at that charge plus the extra dollars that people would be paying that you have to pay both, the fixed charge and the variable rate. We need to look at what customers spend during the year and we spend a lot of times looking at one or the other and we looked at all of the runs. And all of the runs were really close to each other at the end of the year, almost regardless of what we did with the fixed charge. And that was dependent on really what was the revenue requirement that we were reaching. And by the way, even at 31 if we were raising eight and a half on the mayor pro tem amount, maybe we could take a million dollars of that and not put it to out of

[11:37:17 AM]

city and into cap and put it toward rate relief in those two areas. So it's -- if we could come up with some function that still met those two requirements, which I support, but also help bridge the gap between what would effective 28 be versus actual 30. But in any event, the customer charge, again, I'm ready to support the 15-dollar customer charge or the base over three years of 14, 15 or 16 because it's within the range plus or minus a dollar. And I think that it's overall fair, and as it ties to the residential rate tiers and the rate tiers, I think it's more a question of the policies we want to draft with respect to are we

[11:38:21 AM]

favoring the lower rate tiers or are we favoring price stability, which happens with a flatter plane. And with respect to that, I still am having trouble equating the lower residential rate tiers with need because so many people in those lower residential rate tiers are among the people who least need assistance in our city because they have the really well -- they have the small condos that are the most protected and they're driving the least amount of rates regardless of how cool or how hot they keep their homes. And somehow or another in the popular parlance, giving relief to those lower tiers somehow is equated with

[11:39:22 AM]

doing good, and I just don't see numbers that support that. So in the absence of using that as a tool to do right or to do good, I generally support the flatter tier or a tier not so flat as proposed by the chair in her proposal, which is not quite as flat, still provides the stability on rates. And doesn't risk the instability in order to bring relief to people that can afford small energy tight condos downtown. Which to a large degree is what giving relief to the lower two tiers is about. So that's generally where I come on those last two or

[11:40:23 AM]

three. Items. Mayor pro tem.

>> Alter: Just on that point, looking at I spreadsheet that I have for the 4b, for cap customers inside the city, under 250 there's just 25,224 bills. For the whole city it's 676,874. And it's similar for the next phase. So again, I'm not sure that that translates for helping low income just to address the lowest tier. Now, I'm wondering if there's a way when you talked about rate shock, Mr. Kaufmann, you said it was 25%.

[11:41:25 AM]

And I'm just wondering if there's a way to not upset the decrease for the highest tier and for the lowest tier -- we said we didn't want it to be more than a 20% increase. If that's an adjustment that can be made given the additional revenue that's coming from not decreasing the higher levels, but without fully upsetting the apple cart of trying to get more payments in that earlier tier, if that's-- would help at all. As a policy if we're saying we don't want any one class to be more than a 20% change in the residential. You could do it across all of them and say we don't

[11:42:27 AM]

want any of our tiers to be that. I don't know. The charts we have are actually from the -- I don't know where it comes out from one to 300 if we're saying that's the first tier.

>> Yeah. I would urge the council to go as low on the customer charge as you think is reasonable to go. And I understand what you're saying about the tiers, but it is so complicated to finagle with it. If you want to provide relief as I do to the low usage sectors, I would maybe just stick with the tiers that you have in front of you, but lower the customer charge. And get that down to 12 or \$13 and raise the volumetric accordingly. I think that is significant movement. That's 20 or 30 percent movement in that one particular fee. I would also note that the customer charge is the most

[11:43:28 AM]

unpopular rate there is. If you look at the comments in the record, it is -- public acceptability is one of the things we try to do in rate-making. It also ties right into what the environmental groups have been saying about encouraging efficiency and conservation. Frankly, I would accept a higher revenue requirement to get some certainty that that customer charge wouldn't be going up as much. I think that's the lever that you have in front of you that would be the easiest to provide some sort of moderation on that level, and I believe that at \$15 you're going to produce some rate shock. And again, it's not all low income customers, but I believe the data does support the idea that income is linked to usage, so I think most low income customers are -- most low income customers are not in the cap program and are probably lower usage customers are in the cap program. But it's a variety of different people and I'm not here just advocating for low

[11:44:28 AM]

income folks. I'm here advocating that you try to mitigate a big rate shock for any particular group. And I think the best way you can do that is to moderate the customer charge.

>> Alter: Again, that only changes it in that very lowest tier, otherwise it ends up pretty much the same place. And it is also the most important lever for the financial stability for the utility, which has already gone from a 15-dollar increase to at most a five dollar increase, as we're -- I'm not saying we can't go one dollar down or whatever, but there are a lot of other things that get moved by that and it's what the cap customers get rebated fully. So for our cap customers who we know are low income, the higher the customer charge, the more relief they get. So it's not a straightforward choice in my mind. And as soon as you go above 250 kilowatts and you start adding in the other stuff, things even out. So it looks -- it is a much

[11:45:29 AM]

bigger shock in the 250 range than it is above 250 the way the math works out in terms of what you see with your bill. And I understand that it's easy to say oh, was it a 20% increase or 30% increase, but when you actually get your bill, which is ultimately the thing that's going to matter, once you set the revenue requirement you're getting the same place with the exception of that under 250.

>> Council member vela.

>> Vela: I agree with those comments and appreciate it. Just looking at the rate shock and I understand the need for revenue and revenue stability, but the residential customer charge, keeping the increase in the residential customer charge as low as possible would be a priority for me. And the other one, I know

we're not there yet, but would be just keeping the Progressive structure of the rates. I think that has served

[11:46:30 AM]

Austin energy well. As shown by our very low -- compared to other utilities in the state, our very low monthly usage and rates compared to other utilities in the state, I think that Progressive rate structure has served us well. But I do appreciate the comments from the independent consumer advocate about the residential customer surcharge. And anything we can do to keep that increase as low as possible I would be very supportive.

>> Mayor Adler: Councilmember kitchen.

>> Kitchen: Yes. So on the residential customer charge, I also agree with keeping it as low as possible. And I just want to make a comment on that. I understand the interplay, you know, between the customer charge and the rates and absolutely agree thoughts the bill at the end of the day that matters. But the bottom line is there's also some control involved. When people are lower income, and I would dearly love for everybody that's

[11:47:31 AM]

low income to be on cap, but we're talking about the realities of the situation at the moment and they are not. And as you mentioned earlier, there are difficulties in making that happen. So when I'm weighing the different policy issues I'm mindful of what Ms. Almanza demonstrated to us, which is that every dollar counts for a lower income family. The other thing is that there's a certain amount of control, and I'm really sad to say this, but at least if a lower income family is trying to choose on what they're going to pay, they at least have some level of control over how much electricity they use which impacts their bill. I hate to even have to say that about people having to make that kind of choice, but they do. And the customer charge, the monthly residential customer charge, they can't control. So that's why I really think it's important to keep that monthly residential customer charge as low as possible

[11:48:37 AM]

for our low income folks so I can't go with 15. I'm really hoping to stay in the neighborhood of what you suggested and was really hoping to get between 12 and 14 on that, which even that is a raise for folks. But I think that that is critical when it comes to low income folks.

>> Fuentes: Thank you. And similarly for me we're no longer talking about a 15-dollar increase to the customer charge and that's progress. It seems like the range right now that we're considering is

between 12 to \$16. I'm with councilmember kitchen and I believe council member vela in expressing that -- going to \$15 would be too much for me and my community, especially knowing that our consumer advocate has shared that going to 15 would be --

[11:49:38 AM]

would have -- would fall under the category of a viable rate shock and I don't know how I can explain that to my community and I would not support that decision. I think certainly within the 12 to 14-dollar range it puts me a little more comfortable with it. And again, I just wanted to acknowledge that was also included in the joint proposal from the intervenors which has already been acknowledged that when you have differing perspectives at the table for them to come together on a mutually agreed upon proposal so I take that proposal very seriously as well.

>> Mayor Adler: Councilmember Renteria.

>> Renteria: I'm having a hard time seeing an increase over three dollars. Even -- I did the math on the first two tiers and we actually got charged more on those two tiers than we have

[11:50:40 AM]

been charging our customers. Not only that is an increase, but now you will also increase the base by four. I find that very difficult.

>> Mayor Adler: Okay.

>> Tovo: Mayor? I had indicated this before both in the scenarios I requested but in the comment because it wasn't in anybody else's summaries. I want to say I'm also at a 12 or 13. So I know Austin energy wants to get some feedback today so they can start preparing ordinances, but I think I hear council member Fuentes, councilmember kitchen and I and council member vela, I know I didn't name a number and that might be helpful to hear if you feel comfortable sharing that, and I also hear councilmember Renteria arguing for a lower customer service charge. So that is at least one, two -- five of us. And again, I'm in the 12 to 13-dollar range. I heard council member Fuentes in the 12 to 14 --

[11:51:42 AM]

>> Fuentes: I think we could safely say 12 to 13.

>> Tovo: And councilmember kitchen was clearly in that same area. So just to put a point on that.

>> Vela: Lucky 13-dollar customers.

>> Mayor Adler: Okay. All right.

>> Tovo: And mayor? I had referred to a document earlier, two things I want to mention. Loretta cooper who we discussed before who is one of the intervenors in twr submitted some comments to the city clerk. She's been often mentioned. But she addresses on page 2 especially of her comments that were distributed to all of us this morning this question that council member Fuentes and others have questioned about the revenues raised over time between 2014 and 2019. And I know you're about to leave so we can't get back to that question.

[11:52:42 AM]

But I think it really does raise some questions for me about the back and forth today about where we were because she is saying that for every year from 2014 to 2019 the base rate operations realized sur + and allowed ae to pay all of its expenses including the gft and to have monies left over to carry forward. And Mr. Robbins has submitted to my office, maybe to others, a chart showing what the impact is is of Progressive rates on district by district. So Mr. Robbins, that's super helpful information. I don't know whether this was based on the rates that ae proposed or the rates of the most recent scenario. And I don't know if I'm allowed to ask you questions right now, but Mr. Robbins, could you distribute this to everybody and what rate it's based on exactly? I think it's super helpful showing what the impact would be on your district.

[11:53:46 AM]

>> It's on a powerpoint slide that I was hoping to show you.

>> Pool: Mayor, before we get into Mr. Robbins' presentation because I know you have to leave pretty soon, I did want to weigh in on my seeking on where the dais is at this point and certainly will come back while Mr. Robbins is getting Teed up. So for the big piece for me, mayor, is the revenue requirement. And I appreciate that it looks like the dais is supportive of the 31.3. It's not unanimous.

>> Mayor Adler: Go ahead.

>> Pool: It's not unanimous certainly. That is a big -- that's an important decision in my eyes. The phasing in of the customer charge moving down a dollar from 14 to 13 and

[11:54:49 AM]

continuing that dollar reduction throughout add like to see what Austin energy comes back with that, but that looks like that is also likely doable. Looking at the cost to the kilowatt hour and where the tiers

break would be, I would like to ask Austin energy to run those to see how those break so we get to 31.3. 31.3 million. Am I saying that right? I see frowns.

>> Not a frown. My notes show a little bit different, but --

>> Pool: And I did step away briefly, so can you catch me up on what I missed.

>> I show on revenue requirement and others can correct me. Four at 31.3, three gave a range between 24 and 31.3.

>> Mayor Adler: Say that again what you heard.

>> My notes, and --

[11:55:50 AM]

>> Mayor Adler: We're not taking votes, but I would like to know.

>> The revenue requirement, I did not hear feedback from council members Renteria, vela, Kelly or Ellis. Council members alter, pool, and harper-madison are at proposal 4b, which would be 31.3 million. And for the remaining four council members I heard a range from as low as 22 million all the way to 31.3.

>> Kitchen: And some of us said what our range was.

>> 25 to 27 for you. Please, again, these are just my handwritten notes.

>> Kitchen: That's great, thank you. That's fine.

>> Pool: Mayor, I do think we need to firm that up. And I know some of our colleagues expressed their

[11:56:50 AM]

position on Thursday or maybe it was Friday when we last had I think -- but I don't want to speak for anybody, but if those who haven't -- who maybe said something like week could give us some thought today that would be helpful for the process.

>> Mayor Adler: If revenue is the most important thing for us to be talking through, let's focus on revenue here for just a few minutes. See if we can tighten the range for our staff in terms of what they're looking at. Yes.

>> Vela: I do want Austin energy to be robustly funded and I'm fine with 31-million-dollar. It's more the distribution that I would be concerned about.

>> Mayor Adler: Okay. Pio, we haven't heard from you. Do you want comment?

>> Renteria: I just don't

[11:57:51 AM]

want to see that shock of four and then plus we've already increased the power supply. And I think that the three dollars would be fine. And I do believe that they would be able to raise the money that they need, the revenue that they need by just increasing it to three.

>> Mayor Adler: Okay. So Renteria is okay with going to 31 but wants an decrease in the customer charge. Does anybody else want to weigh in where they are?

>> Kitchen: Mayor, he didn't say anything about the revenue requirement?

>> Mayor Adler: Did you express an opinion on the 31 at the end? I might have misunderstood you.

>> Renteria: I don't know whether they can get to 31, but the three dollars is --

[11:58:51 AM]

the increase is where I would like to see it at.

>> Mayor Adler: Okay.

>> Tovo: Mayor, may I ask him the question in a different way?

>> Mayor Adler: Okay.

>> Tovo: Council member, several of us have identified potential reductions in that revenue requirement, and that's what we were talking about before down to 25 million, that would reduce the overall impact. And I think that's -- I agree with you on the customer charge. We're also having a conversation about whether we can reduce from the 30 million down to 25, which would also lower the rate.

>> Renteria: I would have to study that a little bit more.

>> Mayor Adler: Would you be okay with the 31 if they could also keep the customer charge down low as you wanted it to be?

>> Renteria: Yes.

>> Mayor Adler: I interpreted that as what you said.

>> Kitchen: Mayor, I think the other component is what council member vela said, which what we talked about earlier, which has to do with the rate at the lowest

[11:59:51 AM]

tier. So if we keep it at 31 and we lower our customer charge, but we still increase that rate at the lowest level, we're still impacting low income people. Impacting low-income people. Those three pieces work together.

>> Mayor Adler: They certainly do. But you've also had argument on the dais that people are most concerned about the customer charge.

>> Kitchen: Right, but let me finish my thought. My thought is when we're looking at scenarios, if we're going to look at -- you know, I don't agree with the 31, but if that's what the majority wants, then we also need to see what are we doing with the other layers. So if we do 31, we do the lowest customer charge, then how do we keep that lowest tier low. And that goes back to the conversation we had earlier that council member tovo raised, which is about the degree to which the folks outside the city

[12:00:54 PM]

are reduced. So I think we have to look at all three. From my perspective, my priority is rate shock and keeping this as low as possible for low-income people. So, to me, the customer service charge is key. The rates at the lowest tier is key. And the revenue amount is key. And I also like what council member tovo passed out to us, that they did in 2012, which was a rate mitigation amount. Which I think, if I'm understanding correctly from what she said, that's what they ended up doing to try to reduce rate shock. So, I appreciate what you're doing, and I think it's good. I really think it's good to look at these discretely. But I'm just trying to remind everybody that if our primary goal, which is mine, which is to keep this down for low income people, that I have to look at the interplay between all three.

>> Mayor Adler: No question. And I think everybody unanimously agrees that all three things interplayed. But we are trying to find the

[12:01:54 PM]

flexibility that Austin energy has in order to be able to get there, and what I'm hearing is, that if they could deliver on rate shock, and if they could deliver on helping the poorest people, that revenue requirement, there's a majority of the people on this dais that would go to 31.3, if they were able to also deliver the other things that you're talking about. I don't know whether they can or not. But in terms of priority, I think it's been helpful for them to hear, even as you just did among those three things, what are your priorities?

>> Kitchen: My priority is all three, as long as we're also looking --

>> Mayor Adler: I understand. They have hard work if they try to deliver on all three of your priorities.

>> Kitchen: Well, but what I'm saying is that I understand that, but if we're going to run scenarios after this, I just think that we need to run scenarios that consider those three aspects.

>> Mayor Adler: They're asking for a little bit more direction than just deliver on all the things that are sometimes mutually exclusive.

[12:02:55 PM]

Mayor pro tem.

>> Alter: I have a question for the revenue requirement. If we reduce the revenue requirement, does that relief automatically go into the residential class, or does that get taken, get spread out? So, that's something to consider as well, I think.

>> We really haven't had a discussion yet about the class allocations. That's the issue --

>> Mayor Adler: Well, we've touched on it a couple of times, because what you are proposing, mayor pro tem, what I had discussed with Austin energy was decreasing or eliminating the discount at the higher tiers, and reallocating that revenue. I think the question the mayor pro tem is asking is, is it possible when real indicating that revenue, to reallocate that revenue by class or by customer.

[12:03:56 PM]

>> Alter: So if my adding that they don't get a decrease generates 8.5 million, and then I want to say, let's say we went with a \$14 customer charge, and then we had, you know, that money -- some of that money make it so that nobody went above a 20% increase, say. And we could see what that number is.

>> Well, as you lower the revenue requirement --

>> Alter: It's only for those using 250 or less.

>> As you lower the revenue requirement, that 8.5 million becomes a lower number. There's less money to have available. And sure, you can put it really wherever you want. I mean, you can fund cap expansion, address city customer issues, lower s2 and s3.

>> Mayor Adler: So if that's the case then --

>> Or you could move it to residential.

>> Mayor Adler: If that's the case, you could still keep the revenue requirement at 31.3. You could lower the rates at the

[12:04:57 PM]

higher rate tiers. And if that generates \$8.5 million, you could put some portion of it to ending the rate case and not spending the next year arguing can state agencies on fund transfer, which is an executive session conversation you should probably have. There's that issue. You could take some of that money and put it toward cap. And there are two cap charges. There's the actual cap charge that we pay to customers that historically we don't put money aside for. We say, let's wait until we actually have customers making that. There's the second cap charge, which is to say, let's fund the people to do the system, to give people the better option to be able to apply. I don't know how you go from 23 to 37% without hiring more people, and the pay for those people is a different issue than how much you pay for cap people, and I would differentiate

[12:05:57 PM]

between those two costs. And if the \$2.5 million, if you're not going to put aside money to actually pay people, at the very least, put some money aside to build the system so that you can reach those people, if you're able to reach those people. But if there's an amount less than \$8.5 million that lets you resolve things with the out-of-city people, and begin to set up the infrastructure within the dcht to begin to reach more people with the cap program that are entitled to get it, not put money aside to pay people, because that would be an out front year, and let's wait until we see those expenses, if there's still money left over, can you apply that money to help minimize anybody going over 20% increase? It doesn't change your revenue. It talks about a change in how you're allocating spending that revenue.

>> I'm doubtful that ae will support it. You may see ae sooner rather than later, but you could do

[12:07:01 PM]

that.

>> Mayor Adler: Okay.

>> Alter: I'm not sure I follow that.

>> Mayor Adler: Why wouldn't ae support that?

>> It could create a very convoluted rate design. And so you would be better off adjusting the tier rates instead of trying to create a pot of money over here, and then do this other adjustment over here to then affect this tier rate. It would be very hard to follow and keep track of the funds. My accounting folks could speak to it more clearly. But you could charge people a higher rate in the higher tiers and a lower rate in the lower tiers, and that's just what the rates are as opposed to, okay, here's what the rate should be to meet this criteria, now we're going to adjust the rate so that we collect more revenue here, so now we have more revenue here and we're going to give it to these customers.

>> Mayor Adler: So the last thing I want to say before I turn it over, I would not support a rate reduction. I'd support keeping it 31.3.

[12:08:04 PM]

I would support rejiggering how that's spent so that we avoid litigation with the out-of-city people, to put some money towards setting up the administration, so we at least have a shot at getting money to cap people, so that we minimize the number of people who are having a rate increase over 20%. If I guess that's where I would come in from design scenarios. I'm going to go ahead and recognize council member Kelly, and I'm going to turn the chair over to the mayor pro tem. Good luck, guys.

>> Kelly: I do support the 31.3 million revenue requirement. Really want to prevent rate shock. I've talked to a lot of people in my district, especially those on fixed income or lower income who are very concerned about the rate increase and understandably so. It's something that we all need to be concerned about and I hear that across the dais. I want to keep things as low as possible. Not a fan of raising rates if we

[12:09:05 PM]

don't absolutely necessarily have to. I do understand from our previous conversations that if we don't, then our electric utility is going to be in a lot of trouble. And so it is a tough decision that we all have to make today. This is definitely a complicated issue, and going back to what council member harper-madison mentioned about us having these complicated discussions here on council, I absolutely believe those are necessary. But if Austin energy could help us come up with a way to message this out to our constituents so that they could understand, that would be incredibly useful for each of us to have that same messaging across the board, so that we're all sending the same message out, would be great. So thank you all very much for the information that you provided today and I look forward to seeing those communications. And real quick, council member pool, thank you so much for everything that you've done regarding this. I know it was not an easy lift, and I appreciate the work that you've done to put into making these conversations fruitful for

[12:10:07 PM]

everyone.

>> Vela: Mayor pro tem, could we ask Paul robins -- he has some information he distributed. I would like to ask --

>> Alter: Yes, we are planning to come back to him, but we wanted to make sure that the mayor spoke before he left.

>> Harper-madison: I wanted to just echo council member Kelly. Thank you so much for saying that. That's what I was attempting to articulate earlier and didn't get across. That continuity of communication and simplification of communication, I cannot tell you how helpful it would be for us to be sort of disseminating something similar, because that's where I'm finding a lot of the confusion is coming in, is that there's too much information for folks to pour through. If we could make it condensed, compact, continuity, and literally, the words we use. We're using different words to

[12:11:08 PM]

express the same concept, which loses people. And so thank you for articulating that. That's exactly what I'm trying to say. I don't think that we have taken the opportunity to invest enough of our comms resources in communicating this very complicated subject matter. I watch people do really simple stuff, with great splashy, infographics and just a quick little two-second video with one of those \$8 Amazon microphones. I just think we could do a better job with messaging around all of this, especially something so complicated.

>> Alter: I'm going to propose that we hear Mr. Robins, take a couple more comments, and then we move into executive session and have lunch, I guess, we can decide if we want to do that in-person or in our offices since we're eating. But then we can get some of the other questions answered because I think some of the questions council member tovo is asking may bear on this, and it will give us a few minutes to collect our thoughts, and then maybe we

[12:12:11 PM]

can, you know, we can make a determination on at least the revenue requirement, and then we can put the other pieces together. Mr. Robins.

>> Could you cue the powerpoint, please? Second slide. I've handed written copies of this to you all, and copy to the general manager of Austin energy. This is an analysis of areas surrounding council districts. It's an estimate of how regressive rates affect specific council districts. Austin energy has more precise data. This is the best I could do over the weekend. I took all the zip codes, included in council district, and came up with a weighted average. The summary is that a regressive

[12:13:12 PM]

rate as proposed by Austin energy, will clobber districts 3, 4, and 9, over 80% of their customers will be adversely affected by a regressive rate. It will noticeably harm districts 1, 5, and 7, even in district 10, which will benefit from a regressive rate. 50% of customers in the district will be hurt by them. That's my minute summary.

>> Alter: I'm not sure that the proposal that we have is regressive before us.

>> Well, as so many other things in this --

>> Alter: But in terms of the rates of the energy usage. We can talk about the customer charge and we can have that debate, but we have made it so that higher tiers are paying more.

>> You have mitigated it. I don't think it resembles what was there before.

>> Alter: Okay. Well, we can put that comparison together and look at that. Thank you, Mr. Robins.

[12:14:12 PM]

>> Thank you.

>> Alter: Okay. So --

>> [Inaudible]

>> Alter: I'm sorry, I didn't realize you had questions.

>> Tovo: Thank you for pulling this together. I want to make sure that we're all understanding. This is based on the impact of Austin energy's rate proposal. And you've said that it is mitigated by the proposal in front of us. But do you think -- I mean, you're arguing for Progressive rates as we currently have. This seems to reflect -- I mean, Progressive rates are better reflected in the joint proposal that's come forward from a group of interveners; is that accurate?

>> I support John Kaufman's work. And I think he's done the best collective job of mitigating

[12:15:13 PM]

rate shock.

>> Tovo: Okay, thanks. I think we do need to kind of figure out how to impact would be --

>> Just to clarify, I don't want this to be misunderstood. I took the average of usage and made the presumption that people above the average use would benefit from regressive rates while people below average use would be harmed by regressive rates. I did not align this to look at any specific rate. This was for a general overview only. Thank you.

>> Kitchen: I have a question. It may be for Ms. White. But it's related to this.

[12:16:14 PM]

One of the things that we're talking about -- and Paul, this is helpful to the issue that we're talking about -- is what happens to our lowest tier, you know, and the impact on that. So if you could just go over the thinking around how we could potentially have less impact on folks at the lowest tier, that would be helpful. This goes to what the mayor pro tem is suggesting, which I think is a useful thing to consider.

>> Thank you, council member kitchen. I guess first, I just want to kind of provide a little clarification, because I heard a little bit of conversation that seemed a bit confused. Namely the difference between cost allocation between customer classes. Which is that percentage chart that all of the parties have agreed to, and that it sounded like the mayor was indicating support for adopting.

[12:17:15 PM]

And then there's the issue of once you have the amount that is applicable to the residential class, how that gets divided up amongst the residential customers.

>> Kitchen: Okay.

>> And that's where the tiers and the fixed fee come in, and we have and do advocate for a structure that doesn't provide a discount at the top while increasing at the bottom, because it's bad policy and bad politics, I think, we certainly are not advocating for just adding that additional burden to the overall residential class.

>> Kitchen: Okay.

>> We believe that we should stick with those percentage allocations between classes, and then any adjustments that are made within the residential class, that that money should stay within the residential class. So if there's more money generated at the top tiers, then

[12:18:15 PM]

that needs to be allocated to either the lower tiers or the customer charge, which I think we collectively as parties are in favor of the first priority being a lower customer charge in that 12 to 13 dollar range, and that is most impactful to I think the widest array of customers who are low income, what we would call working poor, and moderate income, that are going to be in that lower to average usage. That the lower customer charge will benefit them. But I think the key thing is, if you're collecting more revenue someplace within the residential class, I think good rate-making principles would dictate that that

money be kept within that residential rate structure. So just want to kind of reinforce that idea, that that money shouldn't really be considered extra free money, because if you're following that

[12:19:15 PM]

cost allocation percentage charge, then it's not extra money. It just needs to be shifted around. Does that help?

>> Kitchen: Yeah, and I think that goes to an extent to our earlier conversation about -- I think it was 8 million or so.

>> Yes, that's about the 8.5 million. And, you know, I think if there is a collective interest in going with the full increase of 31.3 million, and it gets a little more difficult to keep rates affordable and avoid rate shock, and you need to do a little more shifting around, I would point you in the direction of the break point between the third and the fourth tier. I think if you look at kind of the data of where customers' maximum bill falls or average bill falls, when you kind of look at that, I think you could justify moving that down to maybe something not in the like 1,600 to 1,800 kilowatt hour range. And what that will do is earn

[12:20:17 PM]

you a little more than \$8.5 million from those highest energy users that you then can apply to the customer fee.

>> Kitchen: Thank you. I really appreciate the work that you all have done, and the fact that we are talking about the parameters that you were able to establish, and you've gotten us to a point that is much better than where we started. I think it's appropriate for us to be talking about those parameters, but I think everybody would acknowledge here that we appreciate the work that's been done to date, and it is very, very helpful in getting us closer to what I think is everybody's goal.

>> Thank you.

>> Alter: I just want to follow up on the comment. So when I proposed an amendment that said that we wouldn't be decreasing the folks who were

[12:21:19 PM]

using more energy, that creates an opportunity, but -- and it upsets the apple cart in certain ways. As was described above. With the 4b proposal, there is this 8.5 million that that generates, but if you just redistribute it within the residential class, then you're undermining a huge part of this exercise, which is

to make sure that we have new customers that come on in tier 1 and tier 2, that they're paying cost of service. And so it is not a straightforward fix to just reallocate that. It does have the problem of making so it that the cost allocation to residential, if we go with that, goes up. And I don't know if there's some kind of happy medium in there on

[12:22:22 PM]

that. But I think that's one of the things that we're going to have to see if we can come up with a solution. I don't think you can put it all into relief. And have it function. Because we also have our s2 and s3 businesses that have been hit with respect to the cost sharing, and that's who's employing a lot of people. So there are a lot of variables for sure, and I want to do a little bit of thinking as we take a break to do executive session and whatnot. Are there any last comments before I go over what I think is the sort of run of show?

>> Pool: Mr. Brocado, did you have a comment?

>> I was just going to comment for y'all's benefit. The current range of the spread between the lowest tiered rate and the highest, the lowest is 2.801 cents, and it goes up to 10.814. That's a spread of around 8

[12:23:23 PM]

cents. 8.013. The range for proposal 4b starts at 4.002 and goes up to 8.502. So that's a range or a spread of 6.588. So basically, you're going from a spread of 8 cents to about 6.5. So I would say that that still maintains a fair amount of steepness. Perhaps you want to go more certainly. The spread proposed by ae in their direct case was 1.5 cents, about half a sent for each break point.

>> Alter: So maybe before we break, if you could just go through -- even if we went with 4b, and it sounds like we're going to have some modifications to that, just so we can assess that we have made some progress, we've gone from \$15 customer charge from 14 to 16 in that proposal. We have gone up in terms of the progressiveness of the rate

[12:24:25 PM]

structure from 1.5 cents to 6.5. And then the cost overall for the average rate payer had been \$15 more and is now \$9 more on average roughly speaking; is that correct? Were there any other variables there?

>> No. You're talking about the assumptions that went into 4b?

>> Alter: I'm just saying that, you know, there's a lot of things that we're talking about, and I just want us to understand how much progress we've made for accomplishing some of the goals that we as a council have been trying to get to from where we started with the original case, listening to the interveners and the concerns that if we were to go with 4b -- and I'm not saying we have to go with that one and not make any modifications. I just want to point out that there's considerable movement. We've gone from a 15 additional customer charge to a 4 to \$6

[12:25:27 PM]

increase in customer charge. We've gone from \$15 a month additional cost to about \$9 on average. We have a rate structure with a spread of 6.5 cents versus 1.5. I'm not saying we can't fine tune that more. I do think that we will need to figure this out this afternoon because they have to actually draft up a rate, so we're going to have to try and navigate that as well. Is there anything else you'd like to add to that, Mr. Brocado, before I go through what I think is the run of show?

>> I think the 4b balances numerous concerns that have been objective, that have been expressed over the last few weeks, and I think certainly, if you look at the case put forward by ae, and you look at what they have said they can agree to with respect to 4b, there's a lot of movement, as you said. I mean, you know, the \$14

[12:26:29 PM]

customer charge is 44% of \$25 customer charge. I mean, going from a \$15 rate impact for an average customer, to \$9.06. That's 40% less. You know, going from proposed range, you know, steepness curve of 1.5 cent to 6.5 cents is obviously material. So, you know, I think it's fair to say that ae has listened to their customers, and listened to the concerns expressed by council, and that's reflected in 4b. I also understand that Mr. Kaufman and the interveners have made some concessions as well, and that's why the range of what we're talking about is much more narrow than what we were discussing previously. But we're still not quite there obviously.

>> Alter: Okay, thank you.

>> Tovo: Mayor pro tem, I need to clarify. I believe that 4b still reflects

[12:27:29 PM]

a different cost allocation than does the joint proposal. And I just want to be really clear, because I think that's what they were speaking about a minute ago. Mr. Kaufman, can you weigh in there?

>> I mean, I would -- I share her concern that there seems to be some confusion in the discussion here about the classes and the revenue. You have to determine the revenue requirement, then put the money in the classes appropriately and then within the class have the discussion, within the residential class. I'm sorry, what was the question?

>> Tovo: So the class allocation I think is different in what you've requested,

>> My calculation was more for the residential class. I understand he says that was \$8.5 million. Maybe the \$2 million has to do with outside the city. Maybe I'm not sure I understand.

[12:28:32 PM]

That difference is going to pay for some cap administrative expenses, providing relief to outside city customers, and some relief to the s2 and s3 classes.

>> Correct.

>> And so that is a difference. That was negotiated amongst the different customer classes themselves would be the one that you would adopt. That would be better for the residential class. It would also be better for some of the larger customers that are here today. And it is -- I mean, I guess on a percentage allocation basis, it seems close, but there are still some differences. And we just commend you that the customer groups don't often get along with each other, and we have come to terms amongst ourselves to try to make this easier for you.

>> Tovo: And so I think that -- I think there's just a percentage difference, that as you pointed out before, that percentage results in millions

[12:29:34 PM]

difference for the residential class. I believe that when I requested my run on Friday, which I think I received today, or last night, I had asked for a blending of those things, of 4b based on the class allocations that were in the joint proposal. So hopefully that information is what we have gotten back from ae. I haven't had a chance to review it, but I'm going to forward it to Mr. Kaufman and Trey and others for you that take a look at. But hopefully that will give us a sense of what 4b would look like if we used the original class allocations that the joint group requested. Is that your understanding, Mr. Brocado, of the information I received back?

>> Alter: I don't think it does, because yours has very large increases.

>> Tovo: I think you're talking about pre-Friday runs.

>> I emailed you the scenario you requested Friday evening. I think I reflected what you

[12:30:36 PM]

requested. I think I'd have to go back and look to be precise.

>> Tovo: That's what I would like to see, what 4b looks like, if we use the allocation methods, the class allocation methods that were agreed on by our joint group.

>> Ae may have told you in that response -- if they didn't run it exactly that way, it's because they perhaps said that the difference would be -- is very small. The interveners would allocate 49.46% to residential. 4b, it would allocate 50.48%. For all the other classes, it's even smaller of a delta than that. Again, this is not ae's proposal. The additional dollars that come from residential was to address what was just said. Mr. Kaufman and kayiba don't necessarily have the same stated

[12:31:37 PM]

interest. And one wants to get it steep, and one wants to have those lowest blocks as low as possible. And that creates difficulties when you're designing rates. And I will say, I think ae's view, the revenue allocation agreement of the interveners has broad agreement, because frankly, it's pretty attractive to the commercial customers, more so than the residential, but the ica has agreed to it. And so the numbers that fall out from 4b, again, are 1% or less difference. So they're very, very close.

>> Alter: Okay. So, here's what I'm going to say, and we do need to move on. We're not going to say that Mr. Brocado is speaking for kayiba on that, but I do want to move on, because we have a lot that we still have to accomplish today. What I'm going to suggest is

[12:32:41 PM]

that we go into executive session on Austin energy, and I'm going to say that we can go in for the personnel issue, but I don't know if we're going to take that up, because it's going to depend on how long this takes, and I think we still have some more work that we have to do. We need to get a point where they have a proposal that they're running for us, you know, for Thursday that's pretty close to where we need to be. Otherwise we will not be able to vote on Thursday. We have colleagues who will not be there on Friday. And it is the last meeting of this council. I do not think that we can defer this off to the next council. So, going to try and be really tight on that. So, in all likelihood, we will not take up the personnel issue in executive session. I'm going to read that. Then when we come out of executive session, we will continue the conversation with ae. We will then take up pulled items. After that. And then we will do the

[12:33:44 PM]

briefings. We have the time that we have today, and we have to get through as much as we can, but we have a really difficult -- we can go over to Friday on some of the pulled items if we need to, you know, absent having a full dais, but we cannot do that for Austin energy.

>> Renteria: Chair, if -- there's a briefing right now, we have some people that want to testify on that briefing on the Nash Hernandez facility. Could you give us a time that you think that would be -- where they will be able to make that presentation? I had requested a briefing, because I have an amendment also that's coming up. It has to do with -- I believe it's item 59. And just wondering -- it's going to be a brief one that they have. They have about a 15-minute presentation on that briefing.

[12:34:47 PM]

I was wondering when would they be available to make that briefing, if we're not going to be able to do that, we should give them the respect and let them know that, if we're not going to be discussing that.

>> Alter: I don't know that I can predict this conversation at this point without executive session. I hear your concern, I hear the need to respect folks' time. But we have to move to resolve this. Council member kitchen.

>> Kitchen: I would recommend that we take the briefings before the pulled items. These briefings -- the one that council member Renteria is referring to, and the one that I've requested are both important issues for Thursday, and ones that we've tried to tee up for a while. I can help that by -- I pulled the Brody oaks pud. I will take that off the table. We do not have to pull it today. We can have that conversation on Thursday or Friday whenever we

[12:35:48 PM]

get to it. So I'll try to help from that perspective. I don't know what the other pulled items are. But I would suggest that we not

-- that we take those -- yeah, I don't know --

>> Alter: Okay, so I'm fine if we want to -- I didn't realize both of them had to do with the agenda.

>> Kitchen: Yeah, they do.

>> Alter: A lot of this is going to depend on how much we are able to work through the variables of what we have before us. I think we have a limited range and we just have to figure out where we can land this. It's complicated with minus two council members, but we're going to do our best to get there. So, we will go into executive session. We will come out, we will continue ae. When we finish ae, if the

people who are here to present are here, we'll move to presentations. And then if we have time, we will do pulled items. There are some items that we may have to postpone or going to

[12:36:48 PM]

have to go into Friday if we aren't able to answer questions. So, just want to flag that for that. Okay, so I am now going to say that we are going to reconvene -- are folks comfortable in the executive session, or do you want to go into your offices? Offices. Okay, so council will be in their offices. We will reconvene at a quarter to 1:00. Please be on time. I'm running the meeting, so please be on time. And we will take executive -- Austin energy, is that enough time? That will be in executive session. Okay. So, the city council will now go into closed session to take up two items pursuant to section 551.074 of the government code. You guys, I can't actually go into executive session if you're talking. The city council will discuss personnel matters related to e3, performance of and consider compensation benefits for the city manager, and as I noted, we will likely not take that up. For sun to sections 551.071 of

[12:37:50 PM]

the government code, the city council will discuss legal issues related to approve an ordinance -- electric rates for Austin energy customers. The council will now go into executive session and we will reconvene in executive session at a quarter to 1:00 remotely for council.

[Executive session]

[2:35:35 PM]

>> Alter: Are -- colleagues, we're going to get started here. Hello. We're going to get started. It is 2:35, and we are out of closed session. In closed session, we discussed legal issues related to item 4 and personnel matters related to e3. I understand that Austin energy is working on some material for us related to item 4, so we're going to switch things around a little bit so we can keep moving, and we are going to have a briefing by the Austin economic development corporation regarding the cultural trust projects. City manager, did you want to make some remarks?

>> Thank you. Council members, on Thursday's council agenda, there are two items related to the Austin cultural trust, which represents the use of \$12 million in general obligation bonds for creative spaces approved by the voters in the November 2018 election. The Austin economic development corporation is managing the cultural trust program, and

[2:36:36 PM]

there are two agenda items on this week's agenda, which bring forward two creative space projects to be funded through this cultural trust program. At the request of council member kitchen and tovo, the auc is presenting a briefing regarding the cultural trust projects, and now I'll turn it over to Teresa Alvarez.

>> Thank you, city manager, for the introduction of our items on your agenda this Thursday. On behalf of the Austin economic development corporation, I'm very excited to be here today to lead with our first project on your agenda for the cultural trust. I am Teresa Alvarez, CEO and president of the Austin edc, and I have my leadership team here with me today. Anne Haynes is behind me, our chief transaction officer, and also lead on the cultural trust.

[2:37:40 PM]

David is our chief operating officer and has been working years to set up the Austin edc. Our board chair is David steinwaddel. Our vice chair Karl settles from the arts commission. We also have four of your city employees that I think I've seen several of them here today. We have ACC, aisd, arts commission, music commission, cap metro. And what I want to point out about our board today is we've really spent the last -- setting up the infrastructure for the board. So the cultural trust project that we're bringing you today has gone through our real estate committee that meets monthly, through our executive committee that meets monthly, and through our board. And so I just wanted to share that the infrastructure has -- for the long-term sustainability of the cultural trust. I'm going to go really quickly, because I know you guys have a lot of things on your agenda.

[2:38:40 PM]

But this is a slide to remind you that you were created for public real estate development for community benefits. This one being community cultural arts. This is our cultural trust advisory committee, who also had a lot of input throughout the process, and I'm not going to read all the names, but I want to say a big thank you to all of our cultural trust advisory committee members. As a reminder, the cultural trust is a program dedicated to securing affordable space for existing venues. Cultural arts organizations have been displaced several times. They're dealing with high real estate rents. This is an issue around the world, and Austin is a part of that network to solve the problem. Significant efforts have been made prior to -- I want to give a big thank you to council member kitchen for inviting us today for this briefing, but I know years of support behind her and the work that she's done. So I just want to thank each of the council members who have met

[2:39:41 PM]

with myself and my staff. This is a review of the process that has gotten us here to date over the past year. The rfp was issued last November. It closed on March 31st. I sent a memo to council last July, letting you know that of the 45 applicants we received, we advanced 14 of those projects, and two of those are what city manager cronk mentioned will be on your agenda this Thursday. That is recommended by our board meeting, our board that met on October 17th. Those are our program priorities. A lot of this -- you have this

-- a lot of this is backup information for you as well. This is a slide about our engagement efforts. It's always impossible to meet

-- to get the information to everybody in the community, but we did our very best. We had about 80 organizations that we've spoken to, 30 hours of presentations, and excited

[2:40:41 PM]

that we had 45 applications, and after the deadline closed, we received another 16 after the deadline. So definitely are able to recognize the needs. I want to thank the music and arts commission for their recommendations that were used to create the evaluation criteria. I also want to point out that every application was evaluated three times, and part of the process, diversity, equity, and inclusion was a part of the process every step of the way. This is a visual of the 45 applicants that we received. You see music, visual arts, dance, culture, theater. About a third of those were new venues, a third existing, and a third newly proposed. One thing I want to point out is this far exceeds the -- we identified \$300 million of requests and needs, and, you know, this -- what's on your agenda these first two projects is really just barely touching

[2:41:45 PM]

the tip of the problem. On May 19th, we invited the 45 applicants for an in-person meeting to learn about the process, and what I want to share about this is that it was a great opportunity for the cultural arts organizations, one, to network and build the ecosystem, but number two, for us to hear their stories of displacement. We've heard from every organization that's been displaced, and many of them multiple times. And so this is an issue that I know we've been trying to address as a city, but there is an urgency to get these dollars out of the door as soon as possible. This is a reminder of what the dollars -- what dollars we have available. We're talking about the first \$12 million of bond funding. That's what's on your agenda Thursday. The 2.4 is being requested from that. From that bucket at the top. But I also want to point out, these are three different buckets of money. You have 45 applicants.

[2:42:47 PM]

And it's very complicated, the restrictions on this funding and the needs that each of the applicants have is a challenge to address. Spending the money the way that it was intended to be spent, and then we also -- it's really important that we have some early successes so that we're able to leverage the city funding and the city real estate, so that we're able to apply for grants and investments and loans from cdfis. We have a number of ideas on how we can leverage this initial investment. Oops, my clicker's not working. Oh, here we go. These are visuals. I'm going to skip through these. These are visuals of the 45 applicants. This is our list of recommendations from the music and arts commission, focused on geography, amenities, equity. Also very much focused on long-term sustainability of

[2:43:49 PM]

these organizations. The feasibility phase, we took the 14 organizations and we spent three months from July through October on, you know, making sure that we can get all of these projects to their most feasible phase, and of course, spending the time with the funding sources to match the needs of the organizations. This visual here, I'd like you to take a look at, because this is really four different areas that the applicants came from. We had president clinton applications from pard, and non-profit venues that are on their own property. And long-term, what we're trying to solve for is this yellow -- if you look at the larger yellow arrow, that's long-term -- those are the organizations that are really at the whim of the real estate market and that are most vulnerable to the real estate issues that we're having. This is a timeline. I believe you also have on your

[2:44:53 PM]

bond cycle lots of advocates that are wanting to pass that, and so that I would just say with the \$300 million of needs that we have identified, there is a huge need for those bond dollars as well. We're moving forward with two of the first projects, so that's what you see. And the next phase after that would be to identify additional resources that I previously mentioned. This is one property that we have visited, and these were council member tovo's resolution last week that passed. The three in the middle were mentioned in item 41 that passed. And so we -- I think council member pool, you mentioned in last week's meeting, or asked the question why are some of these properties being looked at over others, and my understanding is that were previous resolutions directing these sites to be looked at for cultural arts space. So that's why we've started with some of these locations.

[2:45:53 PM]

The only one that's on your agenda this Thursday is the first one for pdc, which we'll be talking about here in a minute. The other four are just ones that we've looked at, identified. They're not for these first 14 applications. But we just want to make it clear that we're looking long-term for sustainability of these organizations. This is what's on your agenda on Thursday. The first is a request for \$2 million to be invested in the pdc. This would be for us to create a cultural trust incubator that would serve multiple, and this would be building out the pdc -- there's empty space there right now. And so that 2 million would be spent there. We have also put? A lease application and have been working with city real estate. And then the second item is a

[2:46:53 PM]

\$400,000 investment in the millennium youth entertainment center, and that is specifically for improvements in their theater space. This 400,000 is specifically from the bond, and I'm not sure if pard is here today. I know you have some other questions about -- council member harper-madison for her district, but I do have those numbers and can send them to you. And then, there are obviously -- this is the first two locations that we're talking about, but there are other projects to be announced.

>> Harper-madison: Chair, do you make if a make a clarification

-- mayor pro tem alter, do you mind if I make a clarification about the question that I asked, just so my colleagues understand? I had some questions from constituents wondering why aedc is the entity distributing the

[2:47:55 PM]

dollars, especially given that pard is the entity by which pard is a millennium facility. That and some of those dollars, some of those bond dollars were allocated a long time ago. But folks don't understand that there was some organizational stuff that had to happen in between that last time that they heard about bond dollars. So I think there's some stuff that folks just don't know about procedurally.

>> Yeah, I think the message is that our 400,000 is going to supplement or be in addition to the other dollars that pard has already identified. So, overall, it's more money to be invested for improvements at the millennium, which I believe is a good thing. For future considerations, for this council, and our future council, I talked about the urgency and the need that we have to address the loss of

[2:48:56 PM]

cultural organizations that are, you know, not able to pay their rent, not able to stay in Austin, and organizations are leaving. One process improvement would be giving delegated authority to our board, the Austin edc board. Our meetings are also public. We've sat in the process. We can get on our agenda much easier than we can get on our agenda, which would allow things to be much quicker process. So I'm talking with city staff about how do we do that, and our board members -- so we were hoping to ask for that delegation today. I just wanted to make clear that that is a very important part for us moving forward. Obviously, it's important for us to identify more flexible capital. There is a huge need for technical assistance, which I know EdD does that now. And I think working in partnership with them is going to be very helpful in the process. This is the action that the city

[2:49:57 PM]

made for Thursday, and I want to focus on our next steps, returning with negotiated and approved term sheets. We now are going to move forward, speaking to operators, property owners to get those agreed upon term sheets, and then we're working with city staff on the standing operating procedures going forward. And I believe that is my last slide. I tried to go through that really fast, and so I will ask if there's any questions.

>> Alter: Thank you so much. Colleagues, any questions? Council member kitchen.

>> Kitchen: Yes. Thank you very much. I'll be quick also. One of the reasons I asked you to present today is I wanted to tee this up for those of you who will be on the next council. It's going to be very critical that aedc have continued support with regard to the additional projects. I'm very pleased that we're able to vote on these two today.

[2:51:02 PM]

A little bit disappointed that I won't be able to vote on the remaining creative space bond, but I trust that you all will. I know that aedc is working that process. So I think that going into the future, I think we've learned a lot about this process. We've learned a lot about the -- about the bond process. I'm hopeful that a bond will be crafted in 2024 that will expand upon creative spaces. The last one was very small. It was many years ago in 2018. It was only 12 million. I'm hopeful that the next one will be much bigger. But I'm hopeful also that this whole process of setting up the infrastructure for aedc and setting up your processes will streamline these bonds in the future. Taking four years to spend \$12 million during a time when our

[2:52:05 PM]

creative spaces are -- you know, our cultural facilities are losing their creative space in this placement that's going on, just is not going to work. So, I think -- I'm very comfortable now that we've got the infrastructure in place. And so, I also urge this council, and thank you for bringing this up, I think that there needs to be some action taken when you all are ready. To authorize the aedc to move more quickly. One reason we created the aedc was to allow them more flexibility and move more quickly than we can as the city. We hold them accountable through our contract with them. So the council still is responsible and holds the authority on the use of dollars, but the actual implementation needs to happen more quickly.

[2:53:05 PM]

So I just wanted to say that. I'm pleased with the two that are coming forward, and hopeful when you're ready, first of the year, with the additional projects that that might be a good time for you to bring forward some suggestions for the council to consider to help more flexibility for the aedc. So, thank you.

>> Alter: Council member Fuentes.

>> Fuentes: Thank you, council member tovo, for your strong leadership in creating the cultural trust. Certainly, I've always appreciated and admired your fierce advocacy in this creation. So it's exciting to see it finally move forward. I have a feeling that you're still going to be involved somehow as for next year. The question I have for you, director Alvarez, is if you can share with us -- you talked about you struggle to get on our agenda, and perhaps there are areas that we can move more nimbly to advance some of these

[2:54:05 PM]

projects, and I'm excited for this week's -- particularly the investment in the millennium youth complex, and that is such a quintessential part of Austin and touches all of our communities. But can you just talk through what are some other areas that we should be looking into a little bit further?

>> For the barriers in our interlocal agreement?

>> Fuentes: Yes.

>> So, our board has been looking at this year what is in our interlocal agreement that moves the same speed as the city, and what needs to be changed. And so we don't have an administrative staff right now to meet a lot of the requirements, I would say. That is, I think, some of the things we need to look at, but it really needs to be a more in-depth look. We were in conversations council member kitchen about possibly proposing a waiver, just for the cultural trust, so that projects are not slowed down. But I think now that we have a little bit of time, and we were

[2:55:06 PM]

hoping today to come with the full slate of 14 projects for recommendation and we could only get to the place of comfort with the first two, because we don't have the term sheets to bring to you today. So hopefully now that we have a little bit more time, as council member kitchen said, we'll come back with that language. But I don't want to -- I don't have it all laid out and ready for today.

>> Fuentes: That's helpful just to daylight that, you know, that the intention in creating the economic development corporation was so that it could move more nimbly and much quicker than the city of Austin process. Certainly, I will keep it on my radar and would be in support if you are to bring forward a proposal that seeks a waiver for cultural trust projects. Last but not least, it's a milestone moment coming this Thursday when we approve this item and take the next step in creating the cultural trust incubator. I think that it really is going to set the stage for austinites in demonstrating our commitment

[2:56:07 PM]

to our artists and our creatives, and really understanding kind of the new Austin that we're in post-pandemic and how our creative sector has been hard-hit. So, I'm excited to move forward.

>> Yes. I'll just add to that that we did receive applications from all of your districts, and I'm sad to say that we cannot -- we don't have the dollars to invest in each project in each district, but the fact that we're moving forward with these two, we are very excited. So, thank you all.

>> Alter: Council member tovo.

>> Tovo: Thank you. I too want to thank council member kitchen for her leadership on the cultural trust. Thing is a very exciting next step, and thank you to all of those of you in the economic development corporation for really just taking this and other challenges on. I think we're going to see some really great projects come out of this work. Last week, when we approved the

[2:57:07 PM]

economic development corporation item, which I thank you for your support on, it also has in there not just directing the manager to establish internal policies on how to work with the edc, but it addresses what I thought was a point you were making, council member Fuentes, about making sure that the council is hearing directly from the edc regularly. And the resolution that we passed on a semiannual basis. But I think it's really important to be able to hear directly from you all. Thank you.

>> Alter: I wanted to just also chime in. I'm excited to see this move forward. I know there's been a lot of thought. It seems to me, though, it really does set us up to go beyond or up bond dollars, which I think

can strain us quite a bit to what we can best, and I assume that's why the first two projects are in city venues for

[2:58:08 PM]

that. You mentioned other funding mechanisms like different kinds of loans or social impact investments or grants or age, et cetera. Can you tell us a little bit about those opportunities and where those are on the horizon?

>> Yes. So, 501c3 is pending. We are anxiously awaiting every day for our 501c3 to be approved. There are some limitations on the grant dollars and some of the other opportunities, but I think that we're very close to getting the approval, which will allow us to start asking for the grant -- I mentioned we need the most flexible dollars possible, right? And then we're exploring the other opportunities, definitely working with Austin housing finance corporation. Some of these locations could be mixed use to utilize multiple

[2:59:09 PM]

streams of resources. So we're looking into that for each of the projects. We want to identify space for everybody on the list of 45, but it's a challenge to do that without -- you know, we need to have the resources in place before we can implement those.

>> Alter: Is there a mechanism that would be similar to some of the tax credit mechanisms that we are using for housing that could be in place for these cultural --

>> Yes, so we are looking into some of -- so if a location qualifies for historic tax credits, that's one that we're exploring. If there's housing components, there's housing tax credits, new market tax credits, I'm also talking to some banks that have their separate community development corporations with funding. It really is the matching up -- you have a list of what's available and a list of funding with a lot of different restrictions, so it's kind of a puzzle putting together which one of these are going to fit. So that takes time to do.

[3:00:10 PM]

But that is exactly what we are trying to do.

>> Alter: I guess I was thinking out loud, but wondering whether there was an opportunity to do something through the legislature that would -- specifically for cultural programs, cultural tax credits. Does it seem to be a bipartisan issue insofar as with the covid relief, we had seen opportunities to help

our venue. I want to say it was called save. I'm wondering if there might be some bipartisan support for some kind of cultural tax credit. So I want to kind of throw that out as something that we could pursue. It does seem that aedc and the cultural trust that we have set up can really serve as a clearinghouse to do a lot of the

[3:01:14 PM]

nitty-gritty work for selection, that there would be some opportunities either for funding or creating loan-time situations that we have in process for housing as well. They're not always for the venue that has the least income. But getting those moments in at the lower rate really makes that difference.

>> Thank you for those comments, and I would say one of the best things that has come out of this process is just being able to speak -- I think when the bonds were approved, we knew that there was an issue. But we didn't know exactly issue issue was.

[3:02:14 PM]

We've identified needs of the associations. So we know we've got \$12 million of bonds, we know the need is 300, so how do we fill that gap. I think that's one of the things we can speak to in this next bond cycle.

>> Alter: Thank you. Council member kitchen, do you still --

>> Yeah, just real quickly. The bond cycle, and the other thing that we've learned is the way in which we word the bonds. Because the bonds don't have to be spent just on city property. There's lease arrangements and other kinds of arrangements that legally can be done. But it's been a long process. So I think we've learned a lot there. The bonds -- I think just as we did with the housing bonds, which were very small when we first started years ago, I think that we -- there's a role for cultural trust bonds. In addition to all the other

[3:03:16 PM]

creative kinds of financing we've been talking about. There is the iconic venue fund. Thank you for continuing to put dollars in there as the council passed. So that's going to get up to 15 million in a number of years. And then, of course, there's hot tax. But I think we have paved the way. In looking at the kind of creative financing like the mayor pro tem has mentioned will be really helpful, too.

>> Tovo: I have a quick question about the pdc retail space. I thought you and I exchanged some quick details about it. Did you ever get to the bottom of whether or not that was the same space that has been designated for potential childcare?

>> We were told by real estate it was not. It was a separate location within the pdc. That's what I was told by real estate.

>> Tovo: Okay, thank you.

>> And there were some -- there's some childcare requirements that that space did

[3:04:17 PM]

not meet. So it may have been looked at, but it was not the space that met the childcare needs.

>> Tovo: Oh, that's good to hear. Okay. I still -- you know, manager, as you continue to think about how to use that building, this council had identified that as a priority for that space. There were some very confused conversations. I think about whether or not this was an area of need. It is an area of need. And I think it would be important, as I recall the conversation, the budget. It got sort of value engineered out, and we subsequently heard that actually that project came in under budget. So it is -- I think this may be an area where we want to see childcare. On the other hand, ACC's bonds passed, and they had childcare. And if they're intending to create one at highland, then that really solves the need in that area. But in any case, it's outside what you're doing. So thank you for that clarification. I think the use that you're moving forward with creating in that space will be a really interesting and good addition to that area.

>> Yes, and I think you know we

[3:05:18 PM]

have childcare advocates on our board as well, and that's definitely one of the community benefits that the edc is looking at.

>> Alter: Thank you. Any other last comments? Thank you, Ms. Alvarez, for being here. We appreciate the work of aedc.

>> Thank you, mayor pro tem.

>> Alter: So I have been asked if we can take up -- I know I'm switching things around, which I don't like to do, but I think they're working on presenting us with some options. So I'm going to suggest that we take up our pulled items first, and see where we go. I understand we can pause on Nash, or did you have --

>> Renteria: Yes, the presenters had to leave. Dr. Angel had some classes that she had to take care of this afternoon. But I'd just like to make a few comments and remarks. I asked the parks to provide the briefing here today, but since they're not going to be here, I'm not going to have them come here, on agenda 59.

[3:06:19 PM]

Earlier this year, I approved a resolution -- we approved a resolution, 220616-089, directing the city manager to look into the feasibility and fiscal impact of an intergenerational resource activity center program at the Nash building. And also, whereas the IDC, which is intergenerational daycare advisory group has secured commitments to make the property ADA accessible and secure operational fund commitment from the -- for the irac pilot program at the Nash property. Both family elder care and meals on wheels of central Texas, and also the Austin community, including open door preschool university of Texas school Priscilla fund child and family laboratory, the Texas aging

[3:07:21 PM]

center, St. David's foundation, and other groups, and other partners had rallied behind the notion of an arc and send letters of support that highlight the need and potential positive impact the service can have on our Austin community. You know, also, the plan recognized that low-income senior populations growing in Austin. Unfortunately, we currently lack service needed to keep up with the growing demand. The vision plan along with imagine Austin recommended the building for community use. And Dr. Angel from the Ibj school brought forth the idea of an intergenerational day center. It seems to me and many community organizations that the use of the national building, when IDC would be the first step in better serving our senior and children in the community, the reason includes directly located

[3:08:22 PM]

across from Rebecca Johnson senior housing, which is also the town is going to be rehabbed and we're going to have another 250 seniors moving in. Which will be a total of around 500 seniors. It's located to operate service for the 702 and surrounding area. This would continue a partnership with the Austin public health that started in 1912. After reading over the report developed by staff, and speaking with IDC advisory group, it became very clear to me that there were not -- there was not a sufficient collaboration between the two parties that were still -- and there was still more work to be done. So I'm bringing this friendly resolution, directing the city manager to go out and work with this group and see if it's

[3:09:22 PM]

feasible for using that location. And to work with the other groups, the non-profit, that they'll be willing to support, financially support this group there at that center. So that's one of the reasons for the presentation, so that we could have -- if y'all have any questions over item 59. This is the reason it is not causing the city any financial

-- any money just to see if we can work together to bring this type of program that's desperately needed in this area, which is my neighborhood. We've been reaching out to central health and they're all behind it. That's what my item does. Item 59.

[3:10:25 PM]

>> Mayor pro tem?

>> Fuentes: Thank you. Thank you, council member Renteria. I appreciate you bringing forward this item, especially as it relates to our older adults living in Austin. Certainly, there's a lot more that we can be doing for our seniors. And I'm excited about the prospect of an intergenerational facility. This topic is a little bit more nuanced, and we certainly need to have a briefing. I think they listed three alternative locations in the backup for a pilot program of an intergenerational facility. Two of which are in my district. So I do think that this merits a longer conversation. And I really look at it from a place of both and, you know, where we can add senior services, and resources provided to both of our communities. And I would like to have a conversation -- we may not get to that today, but perhaps we can talk about it on Thursday. And I'll be sure to ask my team

[3:11:26 PM]

to connect with you, because I do have a friendly -- I would hope would be a friendly amendment for your item.

>> Renteria: That is great. Lucy Bain Johnson also was -- when we broke ground on the remodeling the tower there, mentioned that this is the only area where you actually see seniors moving around in wheelchairs. Motorized wheelchairs. That take advantage of all the trails that we have there. So there's a lot of old residents from my time that's in there in that area. So I really want to do something for our seniors there. Including people my age that are feeling some hard times. And these are very deep, deep affordable units that we have there. We're talking about social security rate 30% and under.

[3:12:27 PM]

So I really want to go out there and really help out. And let them know all the services that are allowed. A lot of these people are -- there's children that haven't been -- that are having to work and not having the time to take care of seniors, you know, during the day, and this would be a great opportunity for my people that live in that area, that have grown over there, and gentrification has slowly moved them out. Just cannot afford the rent there anymore.

>> Alter: I'm very supportive of an intergenerational resource center. I believe this is covered in the language, city manager, but please let me know if it's not. This is an existing park facility that was targeted to be park offices. And if you switch it to an intergenerational facility, you'd be switching that over to Austin public health. And you still have to be able to provide those offices, and you have to make sure that park is

[3:13:29 PM]

not, you know, put in the red because of that. It says that you're supposed to work with other departments, et cetera. I'm assuming that, you know, if you move forward a solution, you're going to have to solve that problem as well. And I don't know what that solution is, and I won't have that solution, you know, for Thursday, but I think what I heard from Mr. Renteria was asking for this conversation to continue to see if we can identify the resources to make it -- to make this work, and I think that's part of the resources that need to be going forward. Thank you. Any other comments on this item? Council member kitchen.

>> Kitchen: I just wanted to thank council member Renteria for continuing to pursue this concept. I think it's a much-needed concept as he articulated, and so just wanted to thank you for that.

>> Alter: Okay, thank you. So the next item that is on our hold list is item 36.

[3:14:33 PM]

Which is the item pulled by council member kitchen.

>> Alter: At this time, we're giving Austin energy any more time. I don't want you to take too much time, because we have other questions.

>> Kitchen: Well, I wanted to surface this because I think it's a really important step forward. I don't know if we have our staff here. I just have one or two questions. I do support the item. I know that our staff has been doing a lot of work on it. I just wanted to clarify that what we're talking about is adopting the framework. And then initiating some amendments that we'll come back to the next council, that relate to changes in the land development code that align with the framework. And then we're also making a statement that we want to begin the planning process for north

[3:15:41 PM]

Lamar center. All of which are very important steps. So my questions are -- just a few questions. So, the action to initiate the code changes. So, the parameters for that is to -- I want to make sure I'm understanding the parameters for that. That's to be able to carry out the framework; is that right? Is that for the planning areas, or just for the nodes? Can you just explain that a bit more?

>> Division manager, housing and planning department. Pleasure to be here today. And with me, I've got Warner Cook, the principal planner. If there's more detailed questions that I can't quite cope with. But this one, really the code amendments that staff is envisioning would be initiated by this action, would be kind of three phases of amendment. One would be making the amendment that was called for by the original resolution to essentially amend the existing

[3:16:43 PM]

transit oriented provisions of the land development code to identify all of the additional etod stations and to talk about how we're deal with the etod planning process moving forward. The second phase would be making amendments to those provisions to apply some form of interim regulations to the stations similar to the ones that apply in the existing. And then the third phase is really working to go out and engage with community to develop a proposal to bring back to council for a voluntary etod overlay, which is one of the tools that's identified in the toolkit that's in the report that council is being asked to accept. So that's really the three parts of what we're recommending at the staff level.

>> Kitchen: Okay. So, two questions. I think that probably what we're talking about is the map that went along with the framework,

[3:17:46 PM]

right? Which is the rail lines and the two brt lines. So, yeah, I guess you'd say two. One of them splits. The one that goes down to -- okay, so, you know, project connect has identified additional brt lines. Those are in the future. They're in like the second phase of project connect. What is your thought -- I guess the point I'm trying to make is I think that, you know, there's a lot more work to be done before this comes back to the next council. But I would really recommend that, when it does, there be some thought given to how those changes relate to future transit changes with project connect. Just so you don't have to redo the whole process again. We know that those future changes to project connect are a number of years in the future. And we don't even know how many at this point. It's just that we're talking about land development changes

[3:18:46 PM]

and we might want to be able to get ahead of those as opposed to me reacting to them. Because right now we're in a position where we're reacting to some extent to the lines that are under current development. So do you think -- is that even on the radar screen to consider when you bring that back? Do you need direction to do that? What's y'all's thinking?

>> I don't think we would need direction to do it. It would be kind of the conversation that we're having with council last week about compatibility changes. We would need to know that we're bringing those changes to the community where they're applying. I think we could absolutely have a conversation when we bring the tool back about how we would go about applying into the future.

>> Kitchen: Okay. I'll certainly leave that to the next council. I just didn't want that idea, you know, to get lost. And I think it's -- it would be appropriate for staff to bring that up to the next council at the appropriate time to see when and how they would like to address that. Okay. Then the other question I have

[3:19:50 PM]

-- and this is all I'll ask, unless others have questions. But the framework that you have has this nice color coding to appreciate. And it has areas for each of the lines identified by these different color coding and strategies. So I'm sure the detail is there in what you provided, but I'm not quite sure. And how they will relate to what's recommended in terms of code changes. Does that make sense?

>> That makes sense, and I'll let Warner go ahead and describe how the categories for the stations were developed, and then we can both tackle the code change question.

>> Yeah, to clarify, are you speaking about the typologies --

>> Yeah, I think they're called typologies.

>> So those were developed looking at three different criteria numerically. So, we had the first one being kind of the fta's threshold for that mode, bus or rail in the

[3:20:50 PM]

station area, whether we kind of have the politician density that fta would like there today, or not yet. So relative to their threshold, more or less. That was one criteria. The next was displacement risk. Is it an area that is active or vulnerable displacement risk with more than 45% of the population kind of in that category. And then the third was change relative to other station areas. Is it adding more jobs in housing faster than other stations in the project connect system? Over the last decade.

>> And I think to loop back to the code question, we don't know yet. That's part of what we're going to be trying to do as we go out and engage community robustly, to help us develop those code proposals, so figure out how that typology, how those characteristics that we've categorized the stations into might influence the code proposal. So it could absolutely vary, depending on the typology, but we won't know until we get into

[3:21:52 PM]

the works. On what that's going to look like.

>> Kitchen: Okay. I do have one more question. Should I go ahead, or do you want me to --

>> Alter: Go.

>> Kitchen: Okay. So we also separately passed a resolution initiating code changes for the district level planning process. Which is different, but parallel in some ways. And that has not yet come back to council. So, I don't know if you've had conversations or not. What I would like to -- ideally, I think that, at the point that that comes back to council, it would be great for the next council to be able to consider them together. Or at least close in time. What I wouldn't want to -- what I don't think works is for the etod proposed regulations to come back before the district level planning comes back. In other words, sequentially, I don't think works.

[3:22:52 PM]

Particularly since -- well, I wouldn't want the district level planning to get put behind everything else. And so, I don't have an understanding right now about when the district level planning amendments is coming back. Can you give me an idea of that?

>> So, we're working on the response to that. And we don't have a specific date right now due to some vacancies. But we're absolutely working in coordination with etod, and trying to figure out how those two relate to one another, and how we might want to think about them. So, it's -- the district level planning definitely won't be delayed due to etod, and we certainly think that they should be aligned as well.

>> Okay, that's great, because they're different in the sense that district level planning is more like the kind of thing --

[3:23:52 PM]

well, this is probably not a good xarm, but it's more like taking a broad area, like council member pool did with the Burnett gateway. It's probably not a good example. But taking a larger area of the city and applying planning principles to it. You know, in other communities, they take pretty large areas of the community. So it's not even neighborhood level planning. It's bigger than that. But anyway, the resolution that was passed was initiating code amendments to set up that process. So we're a little bit behind already. Because you have an etod process and you're about to bring that back and we don't have the district level planning process set up. But what I'm hearing you say is that it's not a sequential activity. That's happening parallel to what these guys are doing on etod; is that right?

>> And I would add to that we have plans that are district

[3:24:53 PM]

level plans proceeding more short-term. It has etod station areas within those boundaries, and we are trying to take a look at how we can accomplish the tod goals. The last thing we would want to do is have a community that we're out for a district planning process one week, and then we're out to do stationary planning the next, and to them it's all the same. So we're definitely planning on coordinating those two activities moving forward. I think to Erica's point about timing, we anticipate having these code amendments move forward over the course of 2023, probably into 2024. I would imagine that we would have a proposal on how to approach districts come back well before any code amendment is going to come back to council for approval for etod.

>> Kitchen: Okay, that works great. Just because we don't have transit everywhere, we're going to have some district level planning that doesn't have an etod implication it to.

[3:25:58 PM]

Okay, thank you.

>> Alter: Thank you. Town sail member vela.

>> Vela: With regard to the etod planning process, and I just wanted to ask you this kind of conceptually. And I see in the plan, and I have not, I'm sorry, been able to really look at it. We've had just such a slammed agenda. And this is a substantial body of work, and we haven't had a good chance to look at it. But I'm happy to see it establishing minimal land use activity as one of the -- because one of my concerns is that when we don't build enough new housing around a transit station, then that is when they're, again, per the research that I'm familiar with, per the most current analysis of gentrification and land use development trends, when you don't build enough new housing

[3:26:59 PM]

around a really attractive thing, like a transit station, then you put an enormous amount of pressure, of price pressure, of demand pressure on the surrounding areas. And so I just -- I really want to make sure that on the one hand, we are trying to reinforce and protect the areas kind of in the broader areas surrounding the transit station. But at the same time, we've got to make sure we put a bunch of new housing right around in that kind of quarter mile walk shed where you really get that high number of transit riders. Any kind of thoughts on that? Where is the report on that kind of approach?

>> I think the report really starts to cover that in a couple of ways. One is looking at sort of making the changes to our regulatory system in tandem with investments and in tandem with the preservation work that we're doing. It's sort of a huge thrust of what it means to be equitable transit oriented development. The other is really in terms of

[3:28:00 PM]

how we've prioritized which stations we would recommend for planning services moving forward, and as you dive in to the report, prioritization process that staff went through to identify kind of the highest priority stations for planning. And those are really, to us, we're sort of looking at which of those stations is the market probably already going to be going in and churning. And how can we get ahead of that market churn with our planning services.

>> Vela: And those would be the north and south transit centers?

>> There's a list and a portion of the report that Warner can say, what portion of the report? And tell us briefly what's on that list.

>> So you can see the full methodology in one of the appendices, but basically, there's a list broken out by rail and bus, and the north and south congress ones that you mentioned, those are already moving forward with our partners at cap metro, so they're kind of in this year one work program.

[3:29:08 PM]

We know we're going to be collaborating in those station areas. There is a high, medium, low after that for all the stations in the project connect system.

>> Okay. And in terms of the \$300 million anti-displacement, I know that we've been acquiring properties with that. Have we acquired any properties around the etod stations?

>> So, we might need to get back to you on that. I know we have a map of the purchase of that land. That's dpaekt what I was going to say. I can't visualize them on the map, but I'm happy to put a map together or have staff --

>> I would appreciate that. I know this is set for Thursday. It's a lot to digest on the city. And I would like a little more time to figure it out. But we'll dig as deep as we can over here over the next couple of days in preparation for Thursday. I know it's a big item. It's got a lot of moving parts. And I just haven't quite gotten

[3:30:10 PM]

my head around it yet. But I definitely appreciate all of staff's efforts and the other commissions looking at it and everything, too.

>> Alter: Council member vela, I share your desire to be able to dive into it more and we'll be, working towards that. I may have questions on Thursday. I did want to say I was interested in the early childhood council's recommendation. I believe your exhibit B incorporates them, but can you clarify whether we knead to take action to adopt those recommendations?

>> Yes. We are going to be putting up some changes and corrections that we'll have a few additional recommended modifications to the report based on the feedback that we've received from them and we can provide feedback. If you're interested in any specific recommendation, I can give you the proposed language that we've been drafting. But in the next day or two, we should be posting a new version.

>> Alter: Okay.

[3:31:10 PM]

I was particularly interested in the early childhood recommendations.

>> Yes, the early childhood council made like ten-plus recommendations.

>> Alter: Are they all going to be incorporated?

>> Not every one is recommended. I think staff would need further evaluation, more direction if that was the policy decision of council.

>> But they will be in backup with reference with our response of which amendments staff would recommend.

>> Alter: Are you okay if we just read it when they get it? Thank you. And I also wanted to just add my voice to the group that wants the district level planning to work, those of us who don't have etods, we need to have those tools as well. Any other comments or questions?

[3:32:10 PM]

Council member Fuentes.

>> Fuentes: Thank you. It seems like -- this has been shared, but if y'all are interested in postponing this item to January, I would also be open to that. I do have a policy in bringing around land use as it relates to childcare centers and settings. And so thank you for flagging that. Mayor pro tem, I ask my team to look into the recommendations to come out of our early childhood education council to see how they work together. But I just wanted to offer some comments on land acquisition along the rail lines. I think it's important for us -- you know, many of us are experiencing rapid displacement in our communities, and particularly along the Orange line. I've had a case in my district, council member Renteria has had a mobile home community in his district where we're already seeing speculation happen. And so to the extent that we can move more quickly with their land acquisition, to mitigate

[3:33:11 PM]

displacement, I am in support of and would like to see more progress toward. Thank you.

>> Alter: Thank you. And if you can get us those edits as soon as possible so we can review them, that would be great. Council member Renteria?

>> Renteria: So, I know when we were working on the long star line, commuter rail from Austin, which never did go anywhere, but we still had created some tif along the rail stop. And I'm just wondering if -- have y'all looked into that, because once people know that this is going to be a rail stop, there's going to be a lot of rush for investors to go in there and try to buy it as much as possible, and whatever they

[3:34:12 PM]

develop could become a real good source of funding to build more affordable units.

>> Inside of the toolkit that is included in the equitable tod plan, includes a number of innovation gap financing and value capture strategies, including potentially tif or tirz.

>> Alter: Council member harper-madison.

>> Harper-madison: Thank you, council member Fuentes for bringing up the potential for postponement. It's certainly something that we're considering. But if I'm being entirely honest, this -- the whole etod conversation was extremely -- it was more difficult than I anticipated coming in, and I think the pain was -- I was just like, why is so it hard for the black lady to bring an equity item. I realized, especially even now, I'm realizing that there's

[3:35:13 PM]

continued concerns about exactly how we execute it, in which case, if I feel hesitant at all, it's because there's like 30 amendments. It was a process. And so that to say, I would be comfortable with postponement, just to make sure we get it right, because it is that important. And with our trip coming up to Atlanta, I think having an opportunity to talk to those etod people would be good. I think there's some other opportunities that will present themselves between now and when this comes up in January, if we decide to postpone it. In which case, I would like to encourage our colleagues -- I know a couple of questions have been posed from community members and advocates to my office. Y'all are probably getting the same questions. If we're going to consider a postponement opportunity for Thursday, my hope is that we have kind of a comprehensive list of things that we're going to be looking into in between now and when we do bring it back. I want it to be right, I want it to be good, but I want to make certain I didn't miss an opportunity to advocate for myself and the process and make

[3:36:13 PM]

certain that, you know, everybody understands that we are fully cognizant of the implications of this great big thing, which is why we brought it forward in the first place.

>> Thank you for that. I did want to ask either Stevie or Erica to talk about the potential impacts to postponement, because we do have some work with capital metro that could get influenced on that. So I'd like somebody to address that, please.

>> I will just say we do -- in one of the actions to the resolution is initiating that work to do stationary planning. Expects to be out in the community. Hopes to be out in the community beginning that work in January. I though we've got a hard stop on that contract, so there's sort of a goal of doing that work between January and June so that it can come back from the council at that point. Capital metro doesn't need our direction to go initiate planning work. So they can absolutely be out in the community doing that work without this action being taken.

[3:37:13 PM]

But I know the last time I had a conversation about it, there was definitely a desire on the dais for the city to formally initiate any land use planning activities. So that is really the primary sense of urgency around this item is to provide the direction that we need to partner with cap metro on this work, that they will be doing in January.

>> Alter: Natasha, do you want to finish? Leslie?

>> Pool: Well, knowing that, maybe there's parts of it that we can move forward with tomorrow, and then do some separate tomorrow?

>> Harper-madison:

[Off mic]

>> Pool: Move through some of the stuff we could do.

>> Kitchen: I'm happy with however you guys want to do it.

[3:38:15 PM]

I have some suggestions for the future, but you all can deal with that in the future, if you want.

>> Alter: I would ask that if we are going to be postponing, that someone alert us, so those of us who are trying to catch up so that I can move forward and focus on other things, one way or the other.

>> Harper-madison: If the postponement is going to be proposed, that hopefully folks would defer to me to do so. I'm hope to doing it. After I get a chance to catch up, I'll let y'all know asap.

>> Alter: It's very similar to the way the asmp was structured and has that sort of amount of clarity to it, in terms of structure for us to be able to follow what we're doing, and where we're going. But I would rather know that sooner than later if that's the

[3:39:16 PM]

direction, that those who have been leaning on there would want to go it would be helpful.

>> And we're available to help work through any questions your staff has.

>> Alter: Thank you. Any other questions on this? Okay. So, are we ready for ae, or should I -- all right. So, we've got a couple more items. So, for item 60, I pulled this item. There is the item that was a proposition for the exchange of the central maintenance complex, for land, and funding. If I could have staff come up for that, that would be great. Good afternoon. So I have a lot of questions. We haven't talked about this in quite some time. So, can you first of all tell us where things currently stand in the process, what work and conversations have already occurred, and what's outstanding?

[3:40:16 PM]

>> Good afternoon, mayor pro tem, council. Michael Gates, real estate services department. So, we are waiting on two appraisals for the tract that's proposed to be exchanged for the city's central maintenance contract. After we get those appraisals in, we will take a look at the valuations and attempt to reconcile those with the respondent's valuation of the property and come to some agreement of that, and that will serve as one of the bases for the exchange agreement.

>> Alter: And is it the appraisals of the central maintenance center or the Austin driveway?

>> The Austin racetrack property.

>> Alter: And can you tell us what our appraisal said for the central maintenance complex?

>> I can. \$35.3 million.

>> Alter: And what does that assume in terms of density? And when was it done?

[3:41:25 PM]

>> That assumes pud zoning. It's a nine-acre site. It assumes that it would be able to achieve pud zoning. And that is pud with 55,437 square feet of ground floor retail and class a multi-family on levels 2 to 4. And that includes 527 dwelling units.

>> Alter: Okay, so that does not include the bump in height that everyone around there has, that domain east has, or any of the additional development that comes from Riverside overlay?

>> That is correct. That property was specifically excluded from the east corridor plan as it was park land and city-owned.

>> Alter: Okay. And do we have an appraisal in what that would be if we were included in that? Because presumably, Oracle, or whoever is buying it technically speaking, is going to come and try and get that zoning.

>> We do not. That would be a hypothetical. We would need to have it reappraised and give the

[3:42:26 PM]

appraiser that assumption to make in their report. So the appraiser is going to assume whatever zoning can be achieved, and they took a look at the property across the street, and had the 60 feet maximum height. But to presume they would be able to be included in the east corridor plan would be a hypothetical that the appraiser thought that was too far to speculate with respect to the evaluation.

>> Alter: And you said you hadn't seen the appraisal that the other party had put together, but they had agreed to ours.

>> I wouldn't say they've agreed to ours. They indicated that they're not too far apart on ours. I've not seen their valuation.

>> Alter: Okay. So the outstanding part, did we do an appraisal of the Austin driveway?

>> We did.

>> Alter: Okay. And why are we doing it again?

>> Our appraisal had the benefit of a land plan, and the appraiser did not have the

[3:43:26 PM]

benefit of a land plan, and we came up with pretty disparate valuations. So we worked together with the respondent on a new land plan, so the appraisers are working on the same set of assumptions with respect to the highest and best use of the racetrack property. And thus, we expect they'll be getting in much closer to value as opposed to where we're at right now.

>> Alter: And what was our original appraisal number?

>> There's going to be a negotiation aspect of this. And so, I think we're posting Thursday for an executive session if need be to get into that.

>> Alter: Okay. So there are different assumptions for Austin driveway over the land planning.

>> For the initial appraisals, yes.

>> Alter: And you're moving towards those. But for the cmc, the appraisal assumed only four stories.

>> Correct.

>> Alter: And that was at 35.3 million. Okay. Is it possible for us to get copies of those appraisals at the appropriate time?

>> We may want to have an nda

[3:44:29 PM]

signed in order to release those.

>> Alter: Okay. Do we have a sense of how much it will cost to build a new central maintenance center over in the other land.

>> I do not have that, and I don't know if director Mcnealy is on the line. She's been working that aspect of it.

>> Alter: Okay. If you can ping her, I'm really concerned to make sure that we are going to be receiving enough in this deal that we are going to be able to build the maintenance center that we need, and even as such, it's only, you know, imagined to be covering the fiesta garden maintenance center, and this maintenance

[3:45:29 PM]

center. Good afternoon. Could you tell us how much you believe that you need in order to build central maintenance center in those locations?

>> Sure. The parks and recreation department is continuing to go through multiple iterations of what a center -- I'm sorry, a central maintenance compound could look like. And so the amounts range anywhere from 15 million to 40 million, depending upon what we're looking at. So we haven't come to a final program yet as we still continue to work through conversations. But those are some of the estimates, and you can see some of those estimates and documents that we have put out to the public via parks and recreation board, directors reports, and some other things. So that would be a consistent number that you would see over time.

>> Alter: Can you put those

[3:46:31 PM]

documents in the backup in the backup for this item?

>> We received it via a council question. So we will answer that council question.

>> Alter: That's great. Do you believe that the proposals in question are providing sufficient funding for you to build the central maintenance center?

>> Are you asking me if the proposer --

>> I'm concerned that the differences in price and land is not sufficient to get us a central maintenance center, and I'm not sure, because I'm not privy to the negotiations what they're offering in terms of amounts. And we went to the voters and we said that they were going to get the cost or construction of a new maintenance facility in this process. But if I don't know how much a maintenance facility is, I'm trying to understand and make clear that we went to the voters with a particular deal, and that has to still happen.

>> Yes, ma'am. So, we are -- we have continued

[3:47:31 PM]

to work with the real estate department to understand the valuation of the land, and as we are becoming to understand that amount of money, we are now beginning those discussions about with a a central maintenance compound would look like and what it would cost. But we are not at a final number in this particular point in time. We're still in the middle of those conversations.

>> Alter: Okay. So this work is in progress, it sounds like. It sounds like there's still a lot of pieces, and it's still being negotiated. So, I'm just curious, what does this direction do for the process? Like, what do you

take away from this direction moving forward from this item that you don't already have direction to do?

>> I think the intent is to continue to still work towards reconciling these values and finalizing private exchange and the construction of a new maintenance facility.

>> Alter: Okay. Does this change anything that you would be currently doing?

>> Nothing occurs to me.

[3:48:34 PM]

>> No.

>> Alter: Can you tell us more about what we're being offered? Can you give us details about the land we're being offered, including sending us a visual map of the property showing where it's providing us waterfront access and the quality of that access? And telling us what type of waterfront access does the land they are offering us include?

>> Specifics about the property with respect to the quality, it's kind of a subjective measure. We can get you aerial photos, and possibly something with some diagrams on it showing kind of access points and stuff like that, if that would office.

>> Alter: That would be helpful. I'm very concerned about the quality of the access that we're getting.

>> And we'll work with the law department to ensure that we provide you the information that you've asked, but that we don't in any way compromise this process. So we'll work with them to make sure that we're able to get you the information that you need, but without compromising the

[3:49:36 PM]

process.

>> Alter: Thank you.

>> And if I might add, that question was also part of -- that question came through via a council question, so it will also be something that we'll take care of in the question and answer to the extent that we can publicly put that forward. Otherwise, we'll figure out what the law department had to get the information that you need.

>> Alter: Thank you. Council member tovo.

>> Tovo: Thank you for pulling this. I had the same global question about kind of what the action that we're contemplating taking, what the impact would be. One thing I do want to highlight is that it talks about conning back to council for approval in the first quarter. coming back to council for approval in

the first quarter. It is critically important, I think, that we realize the highest value for the city of any arrangement, and so does the timeframe that's laid out in this resolution impact your ability to do that in any way?

[3:50:37 PM]

>> So, the property was -- the proposition, the property was owned a certain way. And if council's desire was to realize the most financial return on the property, then that would -- in order to do that, we would -- council could have it zoned and possibly add it to --

>> Tovo: I'm about to get to that point. I'm concerned about setting a timeframe for your end of deliberations that would require you to shortcut any of the processes you've just described. So I come back to the question mayor pro tem was asking about whether this -- would you go about it any differently if you passed this, that talks about coming back to council with a decision -- with a recommendation in the first quarter?

>> I think that's achievable. We are expecting these new values in this month. And so, unless the values come

[3:51:40 PM]

in, and the respondent -- they're not well received by the respondent, then we can do something retracted. That should be achievable.

>> Tovo: So one major, major concern that I have that has been raised in every conversation we've had about this property is just the one you've highlighted. This has been described to me by various folks, including some former city staff, as one of the most valuable tracts to these portfolios of land. And in our conversations prior to putting this item on the ballot, we had really explicit discussions about just the issue mayor pro tem mentioned, which is the tracts right around this one have really significant entitlements. And so, to value this appropriately, the appraiser should be looking at this tract with those existing -- with the entitlement that other tracts surrounding it would have, because this should be developed under those. And this council -- so I'm really concerned about what I

[3:52:41 PM]

hear here that the appraisal does not take into account entitlements under the Riverside plan. I understand it's not within it, but we know that's just a simple act of council to get it there.

>> Yeah. And so, again, to assume that council would go ahead and do that, that would be a hypothetical that the appraiser probably wouldn't be comfortable assuming. And the intent of council to include it, they're going to assume just base zoning, and they typically will look at nearby properties, and that's exactly what they've done here, gone across the street and, again, council -- you know, this park land could have incorporated into the east cordon plan, did not, and that's the last kind of word on that, and thus the assumption the appraiser made.

>> Tovo: But about the fact that this property needs to be valued appropriately. I mean, I don't know why we would participate in an exchange or lease or any other kind of arrangement with a tract that we

[3:53:42 PM]

know is going to be undervalued because it was valued as outside of the entitlements that every property around it has. I mean, we had those very explicit conversations with you, in public, and in private. And so, I think it's -- maybe the way to handle this is through an amendment to this resolution directing you all to get another appraisal that actually values it based on entitlements that could be achieved through the Riverside corridor plan.

>> I would say that the respondent made a significant investment in the particular piece of property premised on the valuation, that that was included in the rfp. So this would essentially be -- we're in the process now, and so to reappraise that with a different of assumptions would be essentially changing things midstream. So I don't know, with respect to the overall deal, I don't know how that would be received by the respondent. I can't imagine that they --

[3:54:42 PM]

>> Alter: With all due respects, Mr. Gates, I'm really concerned about what we promised to the voters who voted for this. And what you're describing right now does not meet the spirit of that in terms of what we're trying to accomplish. On one hand, you are reducing the appraisal. The other hand, you're raising the appraisal based on land calculations. And so -- I'm not saying you're doing this personally. But the way the process is working, that's happening. And that makes me really uncomfortable. But most importantly, the consequence of it is that the voters are expecting the central maintenance facility to meet the needs of pard in the new location, and there's not enough money between those numbers to get even the most modest amount in there of what we need for that. So something is off here, and so

[3:55:43 PM]

I'm just going to expect that we're going to be getting the value for our money from that property in this exchange, which is what we were told we were doing all along. I can't speak for the -- we didn't see the

rfp, which was part of one of the things we've been trying to address. So we didn't know that the rfp had an appraisal that had the four-story building in it.

>> Tovo: But we did highlight that as a concern. I mean, we highlighted that long, long ago as a concern. And so just to underscore this last exchange, the property -- the driveway is being appraised at highest and best use, and ours is being appraised not at the highest and best use. And so, you know, they're just -- I think it's a huge concern. If we would move forward. Number one, these were all concerns that were raised. These are not new concerns. These were all raised way back when, and I'm not sure why they weren't communicated effectively to the party, to any parties who

[3:56:44 PM]

are interested in applying for the rfp, who really was just one party for whom that rfp was structured. But regardless, I mean, if we're undervaluing our property and overvaluing ours, that amounts to -- I don't believe that is the best way of moving forward as a city. So, I did request -- I submitted some questions in the q&a requesting the appraisals. I'm going to go back and add some -- I understand from what Mr. Gates is saying that the appraisals, one is in progress, one is done, but can't be released publicly, but I will try to ask some questions along the line of what the mayor pro tem is suggesting so we can lay out the assumptions for each, so that at least we and the politic can really understand what those assumptions were that were regarding that. And one of the questions we did ask, mayor pro tem, was to provide any analysis of the development rights associated with the exchanged property,

[3:57:45 PM]

including a floodplain. So that might help access what the water quality is and what the quality of that access is. And I want to remind folks, there were different -- I mean, the language also talked about leases rather than sales. So it has both of those language

-- it has both lease and sale at opportunities for the city to consider. But at the end of the day, we really should only move on if it's moved forward, if it's the right deal for the city, and fully recognizes the value of our property and also deal for the city, and fully recognizes the value of our property and also.

>> Renteria: I just want to remind my colleagues, too, that there is a creek that goes right through the middle of that piece of property. So, it's not all developed. There is some flooding that's going around there. So, that's why they're not able to use the whole piece of the land. And they're in desperate need

[3:58:45 PM]

for another location for their maintenance yard. And the parks department needed

-- really needed that. So that's why they were negotiating plain a new exchange or something. So, that's another reason why the voters approved that. They just negotiated their contract, so it's just a matter of time to come back up, y'all can make

>> Tovo: Councilmember, what contract do you mean? I'm not following your last comment about the contract. They just negotiated a contract.

>> Renteria: Negotiating the appraised value. Just said they are knowing with the appraised value. So that's where they are at right now. And when they come back, that's when you all can make a decision.

[3:59:46 PM]

>> Alter: Did you have a follow-up? Okay. Director Mcneely, I still need to review the report. But my staff revied the initial, it stated the -- now you are saying 15 to 45.

>> I said originally there was a conversation about 15 million and that it's gone all the way to 45. We've -  
- depending upon what program you look at, it depends upon what the costs would be. So I wanted to give you the range. But we have not finalized what program so we've done everything from minimum to absolutely maximum and we haven't decided anywhere what that would look like in between. So there's still the conversations and work that's being done by our own staff and negotiations that are happening.

>> Alter: Okay. Thank you.

>> And I thought it was 40 million. So if it does say 45 in there, I stand corrected.

>> Alter: Sure, there's a lot of numbers flying around

[4:00:47 PM]

with this. And again, I just want to underscore, I'm just trying to understand how we get these pots of money and make it really cheer we promised the voters we were delivering a central maintenance center of particular quality and that we are also going to be doing the work at fiesta gardens to remove their maintenance facility and provide some of the restoration. And there's something off in the numbers that I'm hearing at this point and it gives me a lot of pause about whether we're delivering what we promised. I think assuming that we are still not taking up Brodie, the last item is item 74, which I pulled.

>> I'm sorry, I pulled 64 this morning. It will be real fast.

>> Alter: Go ahead. I didn't write that down.

>> That's okay. I was just -- I was wondering if councilmember tovo would be amenable to an amendment with her resolution that would be

[4:01:50 PM]

brought forward regarding public feedback from stakeholders before the city manager brings back to council what you're asking for in your ifc.

>> Tovo: So I think having a stakeholder process about str's makes sense. Constituents and community members have suggested a range of changes they believe are legally viable and really necessary here and we had an opportunity to review those last week in executive -- let me leave it at that. I think they would require more conversation. And so I think taking time on those additional recommendations makes sense and doing so in the course of a stakeholder process would be fine. This what I have brought forward with my colleagues, the mayor, councilmember Renteria, others, does one thing very simply and it says that platforms should make sure, that we're going to require them to make sure

[4:02:50 PM]

that short-term rental properties are legally licensed before they advertise them. That is within our legal ability and I think it is necessary. And so I'm not sure how much stakeholder input is necessary to just require. I guess, you know, as my staff looked around the country at different requirements along those lines, there are very little variation in terms of the regulation to require platforms to -- to ensure that people have the legal ability to advertise before they put them on there. So I can fully support a stakeholder process, but not one that delays that really important provision. We already have an ordinance that says you have to be licensed to operate and all we're doing is saying to the platforms, make sure the people have the legal ability to operate before you -- before you advertise them. So I think that would concern me because it's delaying what I see as a very necessary provision and frankly one that a lot of others see as a very

[4:03:51 PM]

necessary provision and one that's just common sense.

>> Thank you for that feedback. I'm just wondering could you let us know as a council what kind of stakeholder outreach you've made? Sounds like you looked at other cities, but was there anything else that you engaged with regarding the development of your ifc?

>> Tovo: We all have had a host of folks reach out to us as different conversations happened in light of recent legal decisions, we've had a host of folks for years now. And I think there is sort of an organized

group that communicates with our city staff as well as with individual council offices about it. But again, you know, this is -- I mean they have suggested a range of changes. Everything from reducing, you know, right now we allow 25% of any multi-family apartment to be short-term rentals. They've suggested we really reduce that down, maybe

[4:04:52 PM]

eliminate it altogether to create more housing opportunities. There's a range of things that group and those individuals have suggested that whether require more conversation and including within the stakeholder process. But my guess is, well, this is a very simple step. And we have -- you know, we have an existing ordinance on the books. We require places, we require short-term rentals if they are going to operate within the Austin to have a -- city of Austin to have a license.

>> Thank you for explaining that.

>> Alter: So the last item pulled, assuming we're not taking up Brodie, is item 74. This was councilmember kitchen's item that I pulled. We received a letter from transit forward --

>> Kitchen: Could I speak to -- I need to let -- there's going to be some changes, but go ahead and

[4:05:52 PM]

then I'll explain.

>> Alter: Sure. We've received a request from transit forward regarding this proposal to not take this up this week. And for a variety of reasons. And I would support that and would blend to make to make that -- intend to make that motion if it comes to that.

>> Kitchen: I don't plan on postponing this item, but I am in the process of working on some amendments with my co-sponsors that I think will address tfa and their concern, so I fully expect them to support moving forward based upon the conversations that we are having now with them and with other stakeholders. I hear the concerns, but I think it's important we not postpone, but I'm also working towards an approach that everyone can feel comfortable with. So I hope to get that posted on the message board tomorrow, so my colleagues can see that. And so I just wanted to --

[4:06:54 PM]

to let you all know that.

>> Alter: Thank you. I look forward to seeing what you propose, but I will just flag that given these comments and given my experience being on the spearheading committee, a nominating committee twice, I don't know what you are changing so I don't know whether you will be addressing those and I'm not in a quorum with you so I can't have that conversation. I will just flag I have a lot of questions and reservations about how it's drafted right now.

>> Kitchen: Thank you, and I've heard that from a number of people and I think we'll be addressing those. But at this time I will not support postponing it. But I think -- but that's because I think I can answer concerns people have raised.

>> Alter: So I am going to propose that we take a -- how about a five-minute break and then we will take up Austin energy so that we can focus on it.

[4:07:55 PM]

Thank you.

[Brief recess]

[4:16:41 PM]

>> Alter: Good afternoon. It's 4:15 and we are back in the council work session. Colleagues, if you are out in the atrium, if you could please come in here, we're going to get started in a minute. We don't have a quorum, so ...

[4:19:12 PM]

>> Tovo: Can I explain what these are?

>> Alter: We are still missing two councilmembers, but go ahead.

>> Tovo: I think one of those has already been distributed from ae with some other scenarios they ran for me last week or so. On Friday I had asked them to run -- to run a particular scenario but using -- using the tiers that had been -- that were present in 4b, in scenario 4b. These are unfortunately sort of apples to Oranges, but the one that was run with the \$22 million revenue requirement uses the tiers as they've been recommended to us by our outside joint -- by the joint proposal, by the intervenors who came together for the joint proposal. The other one uses the tiers from -- uses a higher revenue requirement but the tiers from scenario 4b.

[4:20:12 PM]

So that's what you're seeing before you here. Again, one of them I think you already have. The other hadn't been distributed to anybody else so I wanted to make that available for conversations.

>> Alter: Okay. It looks like they are coming back, but I guess we'll go ahead and get started and we'll catch them back up if Austin energy would like to proceed. Or would you like councilmember tovo to explain a little more?

>> No, we're familiar with these scenarios. But earlier when you all kind of went around the room talking about revenue requirements, our understanding was that -- our interpretation was that there were seven councilmembers that were in support of the \$31.3 million revenue requirement that's in 4b. Councilmember Ellis is not here so we don't know her

[4:21:13 PM]

position. And then we heard you all discuss customer charge and the desire to have it as low as possible, and it seems as though there is consensus or coalescing around \$13. Then that leaves you with the residential rate design, which is the number of tiers, it's like everyone is on board with 4. Residential rate tiers. And then we've got the break points and then the rates. And I believe that we hear a consensus or a -- with respect to 4b, but we want to just confirm that so that we can run those in anticipation of Thursday's meeting. If that's the case, that resolves issues 4, 5, 6 and

[4:22:13 PM]

7.

>> Alter: Why don't you say those one more time and then people can speak to them.

>> Our interpretation is that -- it was a majority of councilmembers who were willing to support the 31.3 revenue requirement that's contained in proposal 4b or scenario 4b. There was discussion about customer charge, and it sounds as though there is -- difference of opinions, but a number of you all mentioned \$13. Some mentioned a little bit lower, going as low as 12 -- as low as 12. Others supported 4b which would be a three-step approach, 14, 15, 16. So we need some guidance there. And then on the number of residential rate tiers I think everyone in agreement on four tiers, but as far as

[4:23:14 PM]

the break points and the rates, I'm not sure if we have a consensus or not, but we need some direction there if we could get that. And if there's enough to support doing the rate design that's kind in 4b, that would resolve issues 3, 4, 5, 6, 7. That would be basically all of the additional information we would need to prepare something so you all can make a decision on Thursday.

>> Alter: Chair pool.

>> Pool: I wanted to talk a little about the customer assistance program. Is now a good time? Okay. We're all interested in making sure that the program customers continue to see some pretty meaningful discounts, and we just set some goals to enroll 72% of

[4:24:14 PM]

households eligible for that program and some action that we took at a previous council meeting. So I want to dig in on how we should balance the fixed rate charge with the rate structure. And I've got just a couple of questions to ask Mr. Brocado and Ms. Sergeant. Holding the revenue requirement constant, what is the consequence for cap customers when you reduce the fixed charge? And before you answer, I want to say I know this isn't exact, but I understand if we lower the fixed charge by a dollar, we are essentially raising charges for those cap customers. Their discounts are reduced by a dollar because they are discounted from the cap rates.

>> Yes, because the customers that are eligible

[4:25:15 PM]

for our customer assistance program have the customer charge of their base rates waived, as you reduce that customer charge, then that amount that gets waived for them is decreased. And it's compensated for in the rates. Which do go up, but they do continue to get a 10% discount and it equates to approximately a dollar. So when we were at the original \$25 and that was getting waived for them, they were seeing a significant more benefit. But understanding where we are today and just to put that into perspective, it's about a dollar.

>> Pool: And I just want to make sure we don't make moves that unintentionally undermine [inaudible]. As we talk about tier 1 -- did you have anything to

[4:26:16 PM]

say?

>> No, thanks.

>> Pool: Tier 1 customers, all of us have tier 1 customers at the start of the month. But there are customers who are able to remain in tier 1 all month because they are really low energy users. Can you tell us the general profile of a ratepayer who is able to stay in tier 1?

>> Those ratepayers would typically be the people that are living in very energy efficient, multi-family or condominiums. As you know, a lot of the housing that we're seeing being developed in the city in the last several years is more multi-family or condominium style. And then with the building codes, with our green building programs, with everything that we've done for energy efficiency, those customers are -- you know, would be the best potential customers to remain in tier

[4:27:17 PM]

1.

>> Pool: So essentially lowering the rates in tier 1 provides a certain type of customer access to really low rates.

>> It affords everyone a tier 1 rate or a rate for tier 1 that is really low.

>> Pool: Right. So the piece here that I just wanted to communicate just to reiterate was with regards to cap, our cap program recipients are better off with the higher fixed charge because that's completely waived. And if we get to our goal of the 72% increases, then that's a larger cohort of people who have that -- that amount waved. People are are not in cap pay that fixed charge and whatever the cost of the energy that they use, the

[4:28:18 PM]

difference being cap recipients as we know in the program don't pay the fixed charge. So I just wanted to make the point and to make sure that we're clear just on that how those levers -- how that balancing works. And at a dollar, it's not significant. I think the biggest significance was going from the \$25 down to 14 or \$15.

>> Kitchen: Could I ask a question, mayor pro tem? Okay. So -- and councilmember pool I think it's helpful to make that, you know, to make sure everybody understands that. I didn't understand the math for what you just said with regard to arrive at a dollar. Could you please run through that again, what that scenario was that you were talking about.

>> So if you have a \$15 customer charge and you reduce that to \$14, then

[4:29:20 PM]

what's being waived instead of 15, it's a dollar less.

>> Kitchen: Right.

>> For the cap customers. And so that then goes into -- it's less of a discount and so they don't get that same benefit. They would have got a \$15 benefit, now they are only getting a \$14 benefit.

>> Kitchen: Well, but I mean -- I mean, I'm not sure that matters because -- because -- are you saying that that dollar then is added to their bill because you have to add it to their rate level? Is that what you are saying? I mean that's where it would matter. Otherwise -- otherwise it doesn't matter. I mean they are getting a benefit whether it's, you know, I'm not sure what you're trying to say there.

>> Pool: So I think we're looking at the revenue requirement and how to

[4:30:20 PM]

achieve the revenue requirement.

>> Kitchen: Sure, uh-huh.

>> Pool: And using the fixed cost, if that's lower than the cost of the kilowatt, the charge goes up. If this is higher, then this goes down. It still comes out to the same revenue requirement.

>> Kitchen: Yeah, but my point is there's another lever. Even if you lower the customer charge, that doesn't mean that that lever has to raise the amount on tier 1. Yeah, you got to account for it somewhere, but it doesn't necessarily raise it there. So -- so that's all I'm saying is there's more than one lever here to deal with to help our low-income folks.

>> Pool: Just elated that we have the tiers, absolutely, correct.

>> Renteria: But as we talked --

>> Kitchen: But was we talked about earlier, a percentage in the tiers. Percentage allocation across the tiers. If we're looking at that and looking at keeping our percentage allocation for our lower users down, then it wouldn't necessarily

[4:31:22 PM]

translate to a dollar lower over here goes over here. Anyway, I know you weren't trying to do the exact math. You were just trying to make the point of the impact on a cap customer so I appreciate that.

>> Pool: I just wanted to make sure everybody was really clear on how that balance works.

>> Kitchen: Yeah. So my point is there's more than one lever to deal with. And we talked earlier about three levers, one of them being the total revenue amount, one of them being the customer charge and one of them being how we -- how we handle the tiers in terms of who is paying what. So I did have another follow-up question. And I appreciate hearing about the -- you know, the -- you talked about the typical customer. I don't know if you said typical, but the customer in tier 1, you know, and talked about that customer being someone who is in a -- someone in a more energy efficient, you know, a new

[4:32:23 PM]

E.R., more energy -- but I would like to hear about talking about tier 1 from the perspective of how much energy they are using. I'm looking at the low-income folks that aren't on cap because we're not getting everybody that's on cap. And so, you know,, you may not be able to characterize that. I don't think I asked a question you can answer and that's a puzzle.

>> Well, for those low-income customers not on cap, whether they qualify or not, they are not on it. There's been throughout this entire proceeding and even brought up today, sort of a fundamental disagreement as to what does an average low-income customer look like in terms of their consumption. All the evidence and data ae

[4:33:23 PM]

has put together suggests that low-income does not mean low usage for a number of reasons and they can go into that and I can as well if you would like.

>> Kitchen: Well, I think -- I'm sorry, I don't mean to cut you off. I think my question really is something that probably can't answer and that's really the lens I explained earlier, the reason keep that customer charge low because the family doesn't have any control over that. Whereas they do have control over how much energy they use.

>> Right.

>> Kitchen: So my question really would be one that you couldn't answer, you know, which is really more what does it take to make sure that you can -- that you can live on the lowest possible electricity and that's not something that's really --

>> I can't answer that, but I can go back to what we talked about earlier today which is for an average customer, regardless, it's going to be about 9.06.

[4:34:24 PM]

>> Kitchen:.

>> How much you can cut from that, you know, depends on lots of variables.

>> Kitchen: Right.

>> But an average customer whether they are low-income or not is going to see under this proposal, under 4b, about a \$9.06 increase actually -- that's with a \$14 customer charge. If it was a different customer charge, the numbers would be slightly different. Again, how much elasticity there is, how much responsiveness, you know, as you know, depends upon the individuals.

>> Kitchen: Yeah, I apologize for posing a question that's not really -- you know. So okay.

>> It's an important question, it's just one --

>> Renteria: It's one low-income advocates and low-income families can answer themselves, but I hate to think people are even in that position but they are.

>> Alter: Councilmember, I want to respond then I'll call on councilmember Fuentes. If you take a look, which I

[4:35:25 PM]

know you don't have that in front of you, the proposal councilmember tovo put forward, the base rate with a \$13 customer charge and the four tiers with the tiers they are in 4b with a 10% discount, this is for the cap customers, and compare that to having a 33 million-dollar revenue requirement, 6.3 million more revenue requirement and a \$1 customer charge, the cap customers under that scenario are paying more in every instance. Not a huge amount more, but they are paying more than they are -- they are paying more under tovo's proposal than under 4b. Just for the cap customers.

>> Kitchen: Okay, so that's making some assumptions about what the cap customer chooses to do.

>> Alter: The way they did the analysis as I understand it is they took the number of bills that were in that range and came up with the average bill for folks who

[4:36:26 PM]

were cap customers who fell in that. So little based on assumptions, based on our existing cap. Numbers, for instance, from one to 250 under 4b it would be 11.50. And under tovo's, it's 11.57. If it was at the average, 85.70 for 4b and 86.15 for tovo, just for the cap customers. So just for the cap customers because of how this shakes out, even taking out 6.3 million of revenue requirement you end up paying more that way.

>> Kitchen: If you use the same amount. And again --

>> Alter: We didn't use the same amount. We used the 6 million -- no, the 4b has a \$14 customer charge and tovo's has

[4:37:28 PM]

6 million point 3 less in revenue requirement and she has a \$13 customer charge and they are paying more. For cap.

>> Kitchen: If they use the same amount of electricity. My point is simply --

>> Alter: These are just the cap customers themselves.

>> Kitchen: Right. And my point is simply the amount of ability a family has to manage their -- to manage their budget. That's all I'm talking about.

>> Alter: A \$14 charge if they do that, I guess the amount of their cost of energy, they would have to do less of that because their amount of energy costs would be somewhat lower.

>> Kitchen: Yeah, and it's just the other thing is that the cap customers are a small -- we hope it will be more.

>> Alter: I'm not arguing with that. I just wanted to provide the information. Councilmember Fuentes --

>> Tovo: I've asked for different runs. Neither is a proposal.

[4:38:28 PM]

When you are talking about -- which one were you talking about. 4b tiers or the ones that --

>> Alter: That use the \$5 million base rate with the \$13 customer charge and the tiers that match 4b.

>> Tovo: And our joint group has asked for different tiers that are better reflected in the one that has and the other one I distributed and so I think, you know, I'm inclined to go with their recommendation for the tier break. Which would be reflected in the one that was distributed with a 22 revenue requirement -- a revenue requirement of 22. We didn't ask for it -- we did ask for it to be run at 25, but we were told it was too late. The best we can do is look at how that breaks out at 22 and ask the same question you just asked about cap with this tier breakdown. So I don't want to go too far down the road --

>> Alter: What you passed

[4:39:28 PM]

out I don't have the tier run for that which they may not have run it.

>> Tovo: They may not have run it. I want to be clear I'm interested in 500, 2500 which may solve the issue that you were identifying in the other one.

>> Fuentes: I appreciate the emphasis on cap customers because I share the concern, but I just want a level set that the average income for a person on cap is 27,000 for a one-person household. We know that -- we have many, including our city of Austin employees who just got their rates so making 42, \$43,000 a year do not qualify for cap. This \$9 increase for the average customer, that's \$100 over the year their bill is about to go up. Not counting the P sa

[4:40:32 PM]

adjustment. This is going to have a tremendous impact for the average austinite, more than a third of their wages going for housing and come up with an extra \$100 to pay for power. I just want to reiterate that my -- I am not committed to the revenue requirement at 31 million. Think [inaudible] For us -- thank you for asking for scenarios more along the 25 million revenue requirement. And the \$13 customer charge will go a long way just to illustrate the point that I highlighted because there's still a gap between people who are very low-income, still eligible for cap, but still low-income families not eligible for cap. Having a lower fixed rate will make a difference because they are better able to manage the variables in deciding how much power to use depending on their

[4:41:32 PM]

monthly expenses. I guess my question is, you know, you made a point that low-income users use less energy, but during one of our presentations I just wanted you to kind of expand upon that. Because one of the slides that you shared with us during your presentation showed that based on census tract, you know, the higher income you are, the more energy you use. Perhaps I'm not understanding this slide correctly, but I did want to dig deeper into the assumption low-income users consume more energy.

>> If you are referring to the comments I made a moment ago to councilmember kitchen, I did not intend to say if I did that low-income customers use less. I've said that there's been a -- sort of a fundamental disagreement amongst the parties as to whether sort of your typical or average low-income customer uses less or more than an average customer. I'm satisfying the present

[4:42:34 PM]

evidence and data that demonstrates that many times low-income customers because of a number of factors actually consume more electricity than an average customer. Obviously it's not an entire

homogenous group. There's some that use very little, some that use a lot, some that live alone, some that live in multi generational homes. There are other circumstances where low-income customers are not able to afford highly efficient housing and so therefore, you know, because they are not as efficient they use more electricity. There's lots of variables at play when it comes to really all customers, but low-income customers as well.

>> Fuentes: I would like more information on that because our low-income families, I'm not southern Sha they are the ones living in these high energy-efficient condos and apartments. So I'm not completely sold on the idea.

[4:43:34 PM]

So any information that your team could provide on that note would be helpful.

>> Alter: I think they were saying the opposite.

>> Fuentes: That --

>> Alter: That the low-income folks are not the ones living in the high issues in. If you are trying to solve for the lower tiers, you're not solving to help the lower income. And, you know, to the extent that the lower income are -- I don't know that they are the ones who are using, you know, 17.50 and above, but those ones are not having a rate increase, but they were saying the opposite I think of what you were saying.

>> That's correct. I was saying that the types of homes and places are the higher and really efficient condos that use the lowest amount of energy and don't go out of tier 1. Not that low-income stay in

[4:44:35 PM]

tier 1.

>> Fuentes: Gotcha.

>> Because of the factors that Mr. Brocado said.

>> Mayor pro tem? May I butt in a second because we have a 5:00 stop. I think to have some clarity about where we're going, if I can try and recap about what we're going to be doing, the revenue requirement increase, I'm going down the list of questions, 31.3. 2 monthly residential customer charge 13. The number of residential rate tiers will be four. The break point for tiers, the rate of tiers and the class revenue allocation percentages will be based on 4b with some adjustments that will -- you will need to make based on the \$13. And then with the outside city rates, if there's no decrease to the inside city, then that sum allocation, some portion is going to the

[4:45:36 PM]

outside ratepayers. I think that's what we're starting with and we'll be working off that for the ordinance.

>> Kitchen: So -- so you're not -- you're just talking about in terms of what they have to prepare. Because obviously we're not voting here. So that's not going to tell us that we can't lower this from 31 because we don't have agreement on the 31.

>> That's how they are going to draft it and you all can make changes based on consensus and information

[inaudible]

>> Kitchen: But we're not going to hear on Thursday that we can't make that change because you didn't have time to run a scenario, right? I mean, we can't have that either, in which case you are going to have to be prepared with several scenarios.

>> [Inaudible - no mic on]

>> Kitchen: Go ahead.

>> Alter: Do we have a scenario. I mean do we have the \$13 scenario or 4b run that we can see?

[4:46:36 PM]

>> Kitchen: And do we have a scenario --

>> I believe the closest is 4b in year one would be \$14 customer charge, but I don't believe that we are -- or ae has run 4b with a \$13 customer charge. It's going to be close but they've not done that.

>> Alter: I haven't done this exercise yet for -- I just want to share one thing that I think is illustrate I have. Again, doing the \$14 customer charge, 4b, compared to tovo's scenario with 25 million and \$13 with the same tiers, the most that anyone saves doing that with a 6.3 less version of the revenue requirement is one dollar in the tier that nobody is in. Then the next highest is 93

[4:47:36 PM]

cents. And most people are below a 50-cent difference, quite a difference. I'm saying if you actually look at the numbers for the averages, if our goal is to save folks money, I just want to point out that there's not a whole lot of difference even though we've reduced the revenue requirement if we are keeping those things -- so it may be that we need to run -- we need the run with the 25 million, the \$13, and the other tiers so that we can compare that and see where we come out.

>> If I may, and councilmember kitchen --

>> Can I get clarification on what councilmember tovo just said. You want the 33.3 run at \$13 customer charge.

>> Alter: I think there's a question about where the tier breaks are and if that makes any difference at all.

[4:48:37 PM]

And the example that was given from tovo that was 22 million that has different tier breaks at 500, 1300 and 2500, we don't have one of those that does that at the 31.3 million revenue so we can see what happens.

>> Go ahead.

>> Alter: Or at the 25 million, for that matter.

>> Kitchen: I'm sorry. Are you done? So let me back up for a minute. I'm trying to just make sure that we're first -- that we're all on the same page and we understand what our flexibility will be on Thursday. I understand you need to develop a document which is good, that's great. But what I want to first establish that on Thursday,

[4:49:37 PM]

we still have the flexibility to make changes in these levers. And if there are concerns about that, then we need to make sure that we are identifying today the number of scenarios we want you to run. You've run a bunch of different numbers. As the mayor pro tem is suggesting, we perhaps need another scenario. What I don't want us to come into Thursday and say, no, you can't do that because we haven't run that scenario. So I think -- I think what we've been saying is we want a scenario that's the \$13 for customer charge. I think that's what you just said, right? Okay. So we want that. We want a scenario that is, you know, we've got one already at the 31, but we also want one at -- I think it's 25 that councilmember tovo had suggested. And then we want these tier

[4:50:40 PM]

breaks, correct?

>> Tovo: Sorry, I was just looking to see what I had requested from Austin energy yesterday that they said they were not able to do.

>> Kitchen: Okay.

>> Tovo: So I think -- you know, I appreciate -- I'm sorry to make this a long answer, but I think -- I think we should go back to the question of revenue requirement because I do not see that there's -- there's certainly not 100% support for the 31 million, and I thought I understood mayor Adler to suggest that he might be [inaudible] in his comments earlier. And so I think that might be worth seeing some different options. Councilmember kitchen, what were you suggesting at that number? 25 or 27?

>> Kitchen: I think that we need a 27 as well as a 25.

>> Alter: Mayor Adler say he was not comfortable below

[4:51:43 PM]

29.

>> Kitchen: I heard him say 28.

>> 28.

>> Tovo: And then one of the things that we just -- I don't think we've really nailed down is the joint consumer proposal on tiers and how that is different and impacts these numbers differently. So I would suggest that we get a scenario -- excuse me. That we have a scenario run that allows us to see what those tiers look like.

>> Kitchen: Okay.

>> Pool: So mayor pro tem?

>> Tovo: At a level --

>> Pool: Mayor pro tem, what I wanted to assert at this point is the time that we have, if we have multiple additional scenarios beyond the ones already run, there's limited ability for ae to bring those. So I think we need to be looking at a special called meeting probably for next week or right before the holidays in order to finalize this if we can't

[4:52:45 PM]

finish things on Thursday. The only way to move this forward would be to have a special called meeting.

>> Tovo: Well, if we have alternatives --

>> Alter: I wanted to let you finish your thought.

>> Tovo: Thank you. I've forgotten where I was in my thought. I do think -- I agree with councilmember kitchen that we need to preserve options. There's not unanimity and frankly this needs seven votes to

pass and be finalized this week anyway. So on those key points where there is not currently 100% agreement, I think that we should preserve our opportunity to have those discussions. So councilmember kitchen suggested I think a scenario of 28. And I think we need to see what it looks like with the joint consumer proposal tiers. And \$13. Does that seem --

[4:53:47 PM]

councilmember Fuentes, I know you've been digging into that. Does that seem like a scenario?

>> Fuentes: Yes.

>> Tovo: There are others we can envision, but that seems the most likely to address some of the concerns from other folks.

>> Alter: Let's let the manager speak and then if you can -- I was going to say in the interest of time and knowing we can't continue to do scenarios, it might be helpful to ensure there was enough councilmembers to -- almost like an ifc process of proposing that so we could continue with that work. The mayor said before it would be hard for ae to individually run scenarios one by one based on an individual -- each individual's councilmember's requests. We've been trying, but --

>> Tovo: I understand. But again, we're here in a joint session. I think you've heard -- I don't want to go through the numbers again, but you've heard from more than just me an interest in seeing that.

[4:54:48 PM]

>> I was going to say it would be good to hear if there is more support for that.

>> Kitchen: I support it.

>> Fuentes: So do I. That's three. Councilmember vela also shared support for \$13 charge.

>> Vela: I do and what was the revenue requirement?

>> Kitchen: 25 is part of that scenario. We're just talking running the scenario.

>> Vela: I'm fine with that and I think the mayor had expressed 28, given certain contingencies could be acceptable. I would take ae at their word for the 31, but it's not that far away. I'm fine with running the scenario.

>> Alter: Just to clarify, the scenario that you are requesting to be run is with a revenue requirement of 28 million. And you want that run with the conveners' tier breaks?

[4:55:51 PM]

>> Yeah, so what -- so what I hear you outlining, councilmember tovo and kitchen, \$28 million revenue requirement, \$13 customer charge, four tiers that break at 500, 1300 and 2500. What do we do about the decrease to inside city high use customers?

>> Tovo: I would like to just make sure from Mr. Kaufman, if we have one shot at one more scenario, can you help us know if there is anything else we need to consider and then address the out of city.

>> The thing I wanted to make sure was clear with everyone is which class cost allocation are we using? That's issue number 6, independent of the individual rate design, that is what is the -- what is the allocation between residential, commercial and industrial. All those. And the one that the joint consumer intervenors agreed

[4:56:51 PM]

to and the joint consumer alternative is one that would have a 49% allocation to residential class, but all of the scenarios I've Halloween here today including the ones -- seen here today including the once you requested, councilmember tovo, have a much higher revenue allocation to the residential class of 50.4%. So that -- seems if you are going to run a scenario, you need to know -- I guess that's the 4b alternative class allocation. But the one all the groups came together is somewhat different. That really hasn't got a discussion and needs to be clarified.

>> Kitchen: I think it would be helpful since we're trying to narrow this down that we run the scenario at that -- at the joint consumer allocation percentages.

>> Alter: Are you zeroing out the people who are getting decreases? Because once you do that, that adds a different

[4:57:52 PM]

wrinkle to it.

>> Kitchen: It's one of the components of the scenarios. So --

>> Alter: Right, but it changes the allocation. There's a challenge with that once you try to -- once -- you do the allocation and then you say we want them to be zero. When you zero them out you get extra money that's in there that's additional revenue that comes when you zero them out. But if you do it that way, it will not -- I'm just asking you to clarify which way you want it.

>> Kitchen: I am interested in what the joint consumers came forward with their recommendations, so I would like to hear from them.

>> These are independent decisions. Decide the revenue requirement, then you decide the class allocations, and then you decide the rate design within each of the classes. As long as -- if you are reducing the tiers, that can stay all within the residential class. But have you to decide which class allocation you are going to use before you

[inaudible]

>> Kitchen: What was the

[4:58:54 PM]

recommendation from the joint consumer group?

>> It's been -- it's listed in our joint consumer alternative proposal from earlier.

>> Kitchen: Which was the 49%.

>> Correct. It would have the residential class at 49 point something instead of 50%. That's about \$6 million difference.

>> Kitchen: If we're running the scenario, is that what you would recommend?

>> Yeah, it was a November 30th letter that you received.

>> Kitchen: If we're running the scenario, that's what you would recommend?

>> Yes.

>> Kitchen: Okay.

>> Alter: So I don't understand if that is providing it decreases to anybody.

>> It will change it.

I think that is another issue. Added on top of it. The question is rather you are class allocation is like 4B which is all of the Tovo scenarios, or whether you use one agreed upon the customer request. Ok.

Council member Kelly: Thanks as I sit here and listen to what we are doing and what we are saying about bringing forward. Excuse me. I am concerned about not having a lot of time to engage

with the community about the new options

[5:00:05 PM]

prior to making our decision, especially with our council meeting being Thursday and staff having to go back and run more numbers for us. If we run more scenarios, I tend to lean towards council member Pool Suggestion that we have a special called meeting to discuss this have adequate time to really talk it

through and talk to the community about what's what's in front of us. I also have concerns about properly setting expectations in the community about when this decision will be made. It does keep getting put off, but I prefer that if we are moving forward, adding additional scenarios, we should have a special called Thank you. Council member Vila. I. Let's see what happens Thursday, but my would tend to agree with council member Kelly that this might be worth a short delay, too, and council member board chair pool that it might be worth a little bit more time again. I just hate would hate to kind of do it slapdash on

[5:01:06 PM]

Thursday. If we can set a special called a little bit after It's not gonna be easy to do a special called meeting. We do have our audit and finance. Committee meeting where at least five of us would have had to be Out. I think that's Tuesday morning or Wednesday morning. Which might be an option. Again . I feel very strongly that we need to finish this with this council. We cannot go back and expect a new council. To engage on this and take this on. I think we are now in a range of 28 to 31.3 for the revenue requirement. We seem to be leaning towards the 13. Dollars. We need to see what that Looks like for that. Scenario. I don't. I don't have an answer for you of the Do this scenario and that scenario From what I've heard, I still feel like there's

[5:02:08 PM]

Multiple scenarios that are floating out there. I think we I think we think we just spoke to an additional scenario hopefully to answer your questions. City manager and so and to add to this scenario that, that and just laid out So and it seems I get the numbers on the 13 will put that up on the message board with the charts that I've that I've posted. I'm out of town for the a F C meeting. You're not back yet for the So my question is was Was that clear? We're running two scenarios. It's clear that you're running two scenarios, but there's still two pieces of missing back to the proposal that are the scenario that Okay, what is the missing piece of information they do about, high use inside city residential cost. Okay Ask that again. I'm not gonna do they do with respect to high use inside city residential customers. Are

[5:03:09 PM]

you talking about the tier level ? Or would the tears are clear? 551,325 100. Four B eliminates the decrease that high use inside city residential customers would be receiving. That's fine. You can keep that Houseman and others. Do you have any concern about leaving it as it is, in scenario B of eliminating the decrease for the for the in city residential customers at the highest level. Did your joint proposal speak to that issue? It did not. But I don't have a problem with that. I would prefer that that stayed within the residential class, but that that still doesn't answer the question of the class allocations, and I

think that has to come. That's to be the second Issue that you do you address revenue requirement classes and then And then tinkering with the tears. I think we just of it. We got the cost. We were familiar Locations were familiar with those allocations. Eight years for better with him. Understood, Okay? So what's your second

[5:04:11 PM]

question? Then Outside city rights? Whether you're gonna have system wide rights or not, Ah, well, my preference is to, And it's just me, so I don't know if I can speak to everybody on that scenario. I don't believe that we need to reduce the outside rates. I think we can keep them the same. Meaning that's what would be referred to a system wide rights, meaning that residential Rates would be the same in city as out outside, right, That's what I would do, but I don't know Others. I don't know that there was a, I don't know that there was a will to do that. And so I don't want to. I don't want to be locked into one scenario on Thursday that we don't have the ability to move forward with. You had mentioned two scenarios. I thought we were describing one. You the first one, the one that, Councilor pool has

[5:08:36 PM]

And in four big would like to suggest that since this is the scenario that you guys won't run that you work out the details with them, and you decide whether it's valuable to have the differential for the outside. It sounds to me like that made complicated, extra right. My understanding is that we will have a scenario for 14 B that has a \$13 customers. Charge and then we would Still have the opportunity to go 13 to 14/2 years if we wanted because we have those numbers. 13 to 14 years. We have those numbers. And you guys will figure out that scenario in the interest of dealing with the revenue requirement completely for the scenario with \$13 for four B, Can you also give us one with the same revenue requirement that you land on with them? If that's 28 And can I ask if you all come to a conclusion, Could you post it to the message board so that we can, but we're looking at just because those are the variables that were it's

[5:09:37 PM]

hard to know the difference of what the tear changes make. If you change the revenue Without that. I don't know that they're going to make any difference. So Well, it makes a difference where the tears break. Right, But if you break them, and we can't compare them. It's going to be challenging if we have revenue and breaks and everything else so I'm not asking you to redo 14 be with the other tears at this point, but The only thing I would add to this is a is not going to be doing anything on the two scenarios we've been discussing with council member Tovo and Kitchen until we get no. We've established that

the floor the floor is 28 million, just for the revenue requirement there waiting on you for that, but sure. Okay Thank you. I think we've covered with the manager requested, which is to indicate

[5:10:37 PM]

enough interest to run another scenario. Okay And manager. It sounds like you're gonna have to figure out whether it's whether a special called meeting is possible or Or necessary. Based on their on the number runs, Moving forward. Yes I'm gonna adjourn this meeting at 5:20. Thank you, everyone.