

Austin Energy Utility Oversight Committee (AEUOC) meeting Transcript – 5/16/2023

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[9:01:41 AM]

good morning, everybody. I'm Leslie pool. I'm the chair of the Austin energy utility oversight committee. And it's a little after nine and it looks like we've got a quorum. So I'm going to go ahead and call this meeting to order. It is may 16, 2023. The time is 9:01 A.M. And we are at city hall 301 west second street in Austin, Texas. Good morning, everybody. Hope everybody is doing well. It looks like we have a pretty full dias. We have mayor pro tem Ellis and council members Kelly and qadri mayor Watson me and then council members. Velasquez vela is here. He's just in the back there. And our two altars as council member Ryan altar and council member Allison altar no relation Ann. All right, we are called to order. I understand we have no one signed up to speak Mok is that correct? Okay great.

[9:02:42 AM]

Thank you so much. Our first item is to approve the minutes of the April 11, 2023, meeting of the oversight committee and mayor Watson moves approval and council member Ryan alter seconds any changes or corrections to the minutes. Any objection to adopting the minutes butts and that being the case, they are adopted. And I noticed that council member Fuentes is with us now on the dais as well. Is anybody joining us remotely today? No. Okay. Very good. We have a couple of briefings and I think our meeting will be about an hour, maybe a little bit longer. But let's get started. General managers report and our interim general manager, Stuart Riley, is with us here today. Good morning, sir. Stuart, welcome. Swint this thing, but I'm going to mess with it a little. Okay? All right. Okay. Thank you. Well, good morning, chair. Vice chair, committee members. I'm

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Stuart Riley, interim general manager of Austin energy. And as we typically do, I'll start with bringing forward some high profile rca's that are coming to council in the near future. Just to give you a heads up and then I will provide an update on the supply chain situation and then I will cover a few other noteworthy items before I wrap up. So the first item I'll bring to your attention is we're adding four additional contractors to add additional tree trimming contracts. As most of you are aware. Shaw our existing tree trimming contractors have been experiencing labor shortages. And so we're bringing on some additional smaller companies to be able to augment that staffing and be able especially to make more progress on our wildfire risk circuits. Whoops I just advanced that. So similarly, we're adding additional overhead distribution, electrical services. We're adding three contractors on on that side. These are contractors that assist with utility relocations,

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pole installations, line extensions and they also assist in storm restoration work. These are for three additional contract meters for three years. And up to \$36 million. I neglected to mention that on the tree trimming contracts. That's also three years and up to \$15 million in contracts. And both of these items will be coming to council on June 1st. And both of these items are in furtherance of our grid resiliency program. Also on June 1st, you will have some items to ratify contracts for the mutual aid crews that we used for winter storm Mara. So there's a \$1.75 million contract out for the utility mutual aid crews from CPS, energy, centerpoint energy and new braunfels utilities. In addition, we have four contract crews that we hired during that event, and that's for \$7 million of ratification for those costs from those additional crews. We used a combination of utility, mutual aid and contract crews to be sure that we had the coverage for the entire restoration event

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. Also coming forward is a item for network transformers. This is a five year contract for up to \$70 million for network transformers. And these are transformers that are used in our downtown network. Typically, these are the subsurface transformers that are found in our network vaults downtown. And I'll mention supply chain in a moment, but we've we've actually had better success in sourcing these materials and haven't seen as much supply constraint in this area. And additionally, security fencing, we will be bringing forward three contracts for high security, no cut fencing around some of our substations and service centers, some of our more high risk areas nationwide. We've seen kind of an uptick in terms of security events at substations burns nationwide that have seen some outages that have resulted from those security incidents. So we want to make sure we're prepared here and this is more for our short term needs. And we have an additional solicitation coming forward for our long term security needs as well. So zo, I

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mentioned that I would talk a bit about supply chain to give you an update. Late last year as part of the operations report, I provided a short summary of what we've been seeing in terms of supply chain. We continue working on this issue. We know that this is an extremely frustrating issue for developers. It's frustrating for our crews and staff as well. It's very difficult. This is a this is not a local problem. This is a global problem. I was at an event recently with some other utility leaders and the first topic of conversation was whether anybody had had luck lately being able to source transformers. So so when we met with one of the largest transformer manufacturers, what they said was behind this is started during the pandemic and has persisted, but it's largely from a labor shortage as well as an increase in demand from all the projects that are coming on , as well as a shortage of raw materials. And so some of the raw materials that are at issue here, the silicon steel core that goes into these transformers, there's only one domestic source for that silicon

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or that electrical steel. And it's extremely constrained. And there aren't many foreign suppliers for that material as well. So in addition, electric vehicles is use that material in a way that's cheaper to produce with a higher markup. So we expect that supply constraint to continue for some time as additional factories are able to come online. But that could take a few years. In addition to the silicon steel core, electrical steel, they're experiencing shortages on other materials, such as sheet aluminum, magnet wire switches, fuzes and other materials that go into these units. So when we're talking about the shortage of supply in this area, typically we see that that material rises for many of us when we're talking about new development needs. And getting critical housing stock online in the Austin area, especially reasonably priced housing or affordable housing. So we're really trying to find other solutions to be able to enable that to come online. The last thing we want is for that

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housing supply to be ready and for us to not be able to energize them because we're still waiting on transformers. But it's important to also keep in mind that we also need transformers just for our day to day needs. So for just regular maintenance, we have to have adequate supply on stock for items that fail out in the field and also for all of our emergent work, such as storm restorations . In addition, just day to day things can happen. Cars can hit transformers and we have to replace them for those needs as well. Are we. Just I have a quick question on this topic. Okay. Do you want to wait until he's done with the. I've got a few more slides on supply chain, but if I can wait. Okay. Yeah so at Austin energy, we've changed our processes since the start of the pandemic to really come up with new solutions on how to mitigate some of these challenges. We've got a cross-functional team at Austin energy working on this. We've got people from our engineering group, our standard field operations city of Austin, purchasing our warehouse supply team and our corporate quality services, really looking at what

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the different strategies can be to add to our existing supply. And part of that that work involves really pinpointing what the supply needs are and forecast Singh what that that supply coming in and out is going to be as we as we've gone through the pandemic. And you know, previously we might have been able to maintain our min max levels within our within our warehouse. So you get down to your minimum level and you place another order Shaw. But that was back when it took about seven weeks to get a new to get new new units in. And now it's at 70 weeks. So we can't wait for our supply levels to get down to that minimum level. We're really forecasting out and we're looking back at our historical burn rate. And so that's one thing that's really important. We get a lot of concerns from developers, a lot of confusion about when we're placing those orders because they're thinking that we're placing the order after they've passed the civil inspection. In fact, we're forecasting those long lead time items and trying to fill in any gaps with additional sources that we might be able to track

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down. So the second bullet on here, we've relaxed our equipment specification standards. So the more our specifications locally can be the most generic cookie cutter off the shelf unit, the better it is for us in terms of tracking units down. And additionally at the manufacturer, that means there's less retooling that's necessary and that that has the possibility of increasing our status in the production queue. It opens up other supply channels for us. So we're looking we've we've kind of relaxed our standards to become more and more generic in order to find more material. And then the third bullet here, sourcing expansion Ann, we've we've expanded. We've never before had to go outside of the United States for to track down transformers. And we're doing that now. We're also working with a vendor to procure refurbished transformers with a 47 week lead time instead of a 70 week lead time. And so these are all strategies, Luz that come into play as we're kind of

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throwing everything at this issue and then lastly, in terms of process improvements, one one of the major things here is just communicating with our customers as to where they are in the lead in the queue. Ann and what the lead time is so that they can plan for their development at and they can also see where they are and how many units we're supposed to have come in. Sometimes this can cause an additional challenge because maybe the units don't come in on the time when the manufacturers told us they're going to come in and that just involves more communication with the customer. And it also involves offering the customer the ability to procure their own transformer. So if they're able to source their own from a some supplier that we don't have an existing relationship with. I have one customer

who found units out of Canada and they sent us those specs. Our standard team looked at those specs. They work on our system and we're able to have them bring those units in. That frees up some of our supply for other areas. In addition, we have a repair in place program now we have a in house refurbishment program and we're

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also doing some from time to time we're able to substitute equipment so we can upsize or downsize equipment just to get people over the hump and then come back later and replace those units with the correct size as they kind of scale up their development. Or we can come back and put in the smaller unit. That's required to meet that development. And then I have one more slide. Councilmember Fuentes, on this subject. This one I just want to point out that unfortunately, the supply and demand side of this situation, Ann, has resulted in some very steep price increases for electric equipment. And so here you see largely this is equipment related to our substation needs, but this is what we're seeing across our supply chain. So over the past three years, 2019 to 2022, we've seen between a 58% and 84% price increase on this type of equipment. And this just shows various types of equipment that have gone up so dramatically. And this is, of course, going to put upward

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pressure on rates as we go forward. We do not see the supply chain crisis ending anytime soon and we do not see these price escalations ending anytime soon either. We used to see price escalations on an annual basis and now it's not uncommon for us to get price escalations under our contracts on a monthly basis. But just to wrap up on supply chain, you know, we I talk to developers almost every day with these challenges and we really hear their frustrations. And we're doing everything we can to address this problem and looking at unconventional ways of solving this problem, looking at unconventional sources for this material. And so I just want to let you know, if you're hearing from your constituents as well, that this is a big issue that we're working on and we will keep working at it in order to meet our customers needs. Thank you, Mr. Riley. I'm wondering, too, if there is something that council might be able to do as far as petitioning to congress or the president with regard to the situation

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with the supply chain. Ann but council member Fuentes had a question. Thank you. And I'm glad I waited because you certainly, with the mitigation tactics slide answered what I was going to ask about. You know, we are hearing from our community, me and colleagues, we took action earlier this year to relax regulation around building child care centers. I heard from one operator who's building a child care center in my district that they were explaining to me that it was going to take between 12 to 16 months

to get the building permits for their child care center. And then they were notified by Austin energy that it would take about 90 weeks to get a transformer. So nearly two years later, to get power to one of their buildings. And so I appreciate you laying out that this is a global issue and that there is the opportunity for operators to seek their own transformer, their own alternatives. What other, I guess my question is, is there a way that we can one, do we only have one supplier that we primarily work with, or are there other manufacturers

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out there that we can engage on a more emergency basis? And then two, can we collate a list of supplier options so that the operators who are building child care centers or, you know, or housing, that they have a go to, okay, here's who we recommend that you reach out to see if they can get you a transformer more quickly. Yes. So on the first issue in terms of timing, one thing I want to highlight is as their as they come in with their electric service planning application, we are we are logging that at that time. So that's before they're going through that lengthy process in terms of their development. So we're tracking at that moment. So it's so the lead time for the transformer itself isn't in addition to all those other that other period of time that you mentioned that should be able to happen concurrently now that we're we're you know, forecasting that out and tracking all of those. In addition, you know, if people are able to track their own

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transformers down, we have not directed them to our suppliers. We don't just have one suppliers. We have these critical material supply agreements that those those suppliers are locating, the different manufacturers. But we've now gone outside of that and we've put out an rfi to have other vendors worldwide come to us with their supply. So we're going outside of that to track down any that we possibly can. And so it's not just one vendor or one man factor. There are now only, I believe, six domestic manufacturers of transformers these days. I mean, there used to be many, many more. And so this is just part of the problem. And I think we'll see more utilities will have to start going the international route as we get through this this problem. And that's something that we're doing now. And the rfi, what's the timeline on on that? So what that does is that that that has been issued and you know, suppliers are coming to us now with with their

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different sources and then we have to see if those international transformers have the safety be, you know, meet the standards, the basic standards, even though we've kind of removed some of those the, you know, the heightened standards that we would like them to see, we're kind of now down to

desperation of whatever the minimum standards that we can have that would work on our system. And so we have to vet that and make sure that we have the protections. There's a utility nearby that had a shipment show up recently and 25% of those and they were badly needed. Transformers, 25% of those tested bad. So we just want to make sure we have the reputable suppliers as well as the warranty provisions and those kinds of things to where if we get them on our system and they test bad, that we have that existing relationship. Well, thank you and thank you, director Riley. I really appreciate you taking a proactive approach and, you know, putting out the rfi and figuring out be more unconventional methods for us to have options available for both. Austin residents. But for Austin

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energy customers and I also appreciate the proactive communication. I think that's really helpful. It's informing people of a realistic time frame for them so that they can make alternative options. And so I just want to take a moment to appreciate your leadership on this. Thank you. Councilmember Fuentes and the city manager had a comment. Councilmember, I just wanted to build on on your comments. When I first was appointed, I provided each of you a book managing the unexpected and building a highly reliable organization. And I think Sturup has tried to address some of those issues, but it's safe to say that there were leading indicators that should have been a signal to us to act sooner. Now Sturup just got to the job just recently as the acting and we should have responded quicker as an organization. We should have communicated much clearly as an organization. Ann is what was happening and why it was happening, and we needed to clean up some of our own communication because the community didn't understand when we said it's ordered, what that really meant. And so a lot of things in terms of his process improvement that he's put in

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place to get ahead of this issue. But that's why we really need to drill down in this organization of how we can respond quicker with more clear communication, not just to the members of council, but to the community that are trying to drive services. When we first arrived, the transformer issue was like every other day we were getting calls in our office that you know what's happening, we can't get housing units on the street. So I think Stuart has responded adequately and we'll just continue to drill down to how we can build a highly reliable organization to be more responsive to this community. Thank you. City manager. Yes. Council member Ryan alter on that same topic, do you does the queue start for an individual at the str or do you all look also at site plan to see who's going to be needing transformers? So in terms of the queue itself for when you're going to get your unit install and that queue starts when you've passed civil inspection because then we're pulling that unit out of our inventory and installing it out in the field. But what we're

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doing at the outset of when that esea comes in is looking at what those needs are going to be and that all that's doing is, is better informing what our forecasts are for projecting what our needs are going to be. And so those orders are taking place based on that historical burn rate that we've been seeing . But in terms of their place in the queue, it's been ordered. We, you know, we hope to have it in stock as soon as we can. But in terms of when they're going to get installed, if you're if you pass your civil inspection first and then I pass my civil inspection second and we both need 25 kva transformers, it doesn't matter if my str came in first, you're going to get the transformer first because you pass civil inspection and then I'll come after you. And so in building your model, are you are looking at the like the site plan applications to see what people have asked the Austin energy piece of that beyond the str component, are we looking at kind of all the potential

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leading indicators? So in terms of this, you know, I'd have to talk to my team about whether there's information in the site plan that will give them that information about what those that what type of transformation they'll need to be able to serve that site. But what I can say is that really that str coming in is an additional check on what our forecasts are. So really at this point, our forecast should be accounting for the fact that those are coming in and really that having that specific project that we can pinpoint is important for us when we go to the supplier and the manufacture era, because what they're doing is, you know, I hear from a lot of people, we'll just order more, just order more than you need just order, order, order! And the manufacturers and suppliers are not allowing that to happen. They're not allowing utilities to order more than what their actual needs are or to hoard. And so what we're doing at that point is we're using that to because because we're needing to justify that need with with those suppliers. So we need to know that we need to pinpoint that exact need, you

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know, when it when it comes down the line. So it's kind of a combination of things. And but at this point, I don't think doing anything at the site plan phase would would change the dynamic. I'm just thinking in terms of better understanding, you know, it's one step further in the process, further away, I should say. Right. So we might get a better understanding of where things are going if we can use those data as well to say, hey, here's what's been, you know, in the application stage and they haven't even gotten to yet, but we know kind of what's coming down the pipeline. Ann just more information is better, right? Yeah. And on that same vein, you touched on this, but I want to really encourage you to do it and do it robustly. And that's making sure people have the ability to understand not only where they are in line, but but the time and attached to that Wright I've talked to many people who have told me, you know, if it's a year, it's a

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year. I just need to know that. And so the ability for an individual to easily go online and just, you know, maybe have a dashboard or something, but here's where you are in line and here's how long we think it's going to be. It might be longer because of the challenges you mentioned, but people need to be able to plan. And right now there's just such a lack of information for individuals Ralls that I think it would be really helpful. And I know you said you're going to do that. So I just want to encourage you to really make that happen. Yeah. All of this is very much and I appreciate that and we'll take all of that feedback and go back with the team and, and figure out if there is even an earlier opportunity for us to get that that information in, because it has been very much an iterative process. And just to piggyback on on what the interim city manager said, you know, in terms of these process improvements, you know, this has been we've we've had this cross functional team. They've really been looking at doing things differently. They've been meeting now for about a year.

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It's been a been a very challenging process. But I do really just need to acknowledge the work that the team is doing to kind of think differently and get all those stakeholders together. Because the last thing they want to do is change the standards and then have something unsafe out in the field. And so that's that's why it's been such an iterative process. And we'll definitely take all that feedback as well. Thank you very much. Y'all are tackling this, it looks like, and I appreciate it. Thank you. Council member councilmember Allison alter. Thank you, chair pool good morning. I wanted to ask about the bar graph that's on our screens. I don't know if it's on for our viewers. So this is a bar graph with the price increases across various commodity bars that we use. From 2019 to 2022. We did the rate case. Our test year, I believe, was 21. Correct. So how reflective are our assumptions that went into our rate case of these changes or or are we way

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off with with respect to costs? So that 2021 test year really was a lot of what have would have reflected a lot of the 2020 prices that we saw as those price escalations have been coming in because we're getting that supply in. There's such a big delay in terms of when we're procuring that material and when it arrives. But so I would have to go back and see how much of this is how much of a delta there would be since that test year to now. And I can follow up with some information there. Well, the reason I was asking was less because I need the nitty gritty. But I'm trying to understand if we're going to be off with our rates relative to the costs that we're experiencing and be going further into our reserves as a consequence. So that's really what I need to understand. And you may or may not be able to tell me that today, but we passed the rate assuming it was going to cover our costs. But if we have a very large increase in

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those costs, we may need to be adjusting something before we get to our next. I think the city manager has a comment. Councilmember councilmember, you're exactly right. I think that I know Stuart and Robert along with Eid Benigno, are evaluating the finances of the utility to the degree that these commodity prices are busting the budget, if you will, or driving expenses that we hadn't anticipated, we'll need to go back and visit with council in terms of our budget process, about what might be the mitigating way to address that, to keep the financial health of the utility in the place where we all need it to be. Thank you. Thank you. One other question. I wanted to go back to the to the tree contracts. So do those contract S pre date storm Mara, the working towards most of those tree contracts. Yes yes. We started with the I recall I signed a critical business need memo to kind of speed up that procurement process and late

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September, early October, we were working on getting those additional tree trimming contractors Ann. And because, as you know, we've just we'd like to be making more progress on that front. And so, yes, our work in bringing those additional tree trimming contractors is not a reaction to winter storm. Mara. It's something we have been planning and has been through going through a kind of a lighter solicitation process. But the challenge there, the reason it's taken longer than we would have liked to be bringing those contracts forward is we were trying to do so in a way that doesn't just poach labor from our existing contracts tirz to new contractors and then we'd be at a net zero. We wanted to add these smaller companies that could do this work and not detract from the labor pool that our existing three tree trimming contractors have. But you're exactly right that that predated the storm. Yeah, I remember having conversations with you in the fall about the vegetation management and those contracts. I just wanted to clarify that.

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And I don't I don't know all of the peculiarities for this contract of why it took so long. But. City manager September to may to get contracts for critical business need we need to be looking also at those procurement policies and see if we can speed, speed things up. I know this is a particularly challenging one, but it's not the first time that we've heard that the procurement process is taking this long. And then finally, I wanted to just reiterate what chair pool had said about the federal level and whether council can assist or, you know, what are we doing to make known at the federal level that they might need to use some industrial policy levers to assist with this problem of supply? Yeah and so on. On that

point, this was the transformer issue was something that was Teed up in a federal spending bill to potentially be part of the to be invoked under the

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defense production act. And that was that ended up not being invoked. But the transformer industry right now is looking at new requirement federal requirements in terms of transformer efficiency standards that are heightened that they that the industry is worried would further constrain supply. And so there are some conversations going on at the federal level, I believe, about what what those standards should be going forward, being mindful of the fact that the supply is so constrained at this point. Thank you. City manager. Perhaps as soon as we get through synodi, we can. Yeah. Well I mean, as you made that mention and also the comment by chair pool, we'll be sure to communicate with our congressional representatives. That's usually the, in my judgment, that's the best way to call the attention to the folks that represent us to see what needs to be done at the federal level to expedite and improve the supply chain process for not just this utility, but other utilities as well. Mayor yes. To follow up, I just wanted to let

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people know if they're interested. The status of there's been a couple of bills that were directed at Austin as a result of the winter storm related to vegeta Ann management and currently those bills. Are you could call them dead, although I until the session is over, I'll refer them, refer to them as zombies as they can. All things can always seem to come back. But as as they're currently the current status is that they if things go the same way that we think they're going, those bills would not pass as mister Riley, are you almost done with your. I will get through our last items that are a little lighter. I'll get through those quickly. And councilmember Allison Alyssa I do just want to mention that I, I that that my staff and I will take responsibility was not on the purchasing office in terms of how long it took on these contracts that even though they were critical business need a lot of that involved finding the vendors making sure we were doing it in a way that did not detract from existing labor

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resources. And then also we have will be coming making sure we had the time as we come out of oak wilt season so we knew we could get through to the oak wilt season. So I just I don't want to make it sound like I'm blaming the city purchasing office because they were a big help on that. So thank you. I appreciate the clarification. Councilmember qadri, did you have a question? No. Okay. Anybody else? Okay, great. All right. Proceed. Mr. Well, thank you. Next up, I'd like to provide an update on science fest. In February, nearly 3000 students from across central Texas participated in the annual event, with

eight projects making their way onto international's Austin energy has served as the owner and manager of the Austin regional science festival for 20 years. And in that time the festival has grown and expanded. It now covers 11 counties and 20 school districts, and in that time that growth has required an increasing level of Austin energy staff and resources. And because of this, we've been working with the Austin science education foundation, Ann to transition responsibilities for

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the fest starting in 2024 and pursuant to last year's council resolution science fest will become a city sponsored event which will include fee waivers for the palmer event center. Also our fiscal year 24 budget request will include an increased cash sponsorship for allowing of the transition to the foundation to be able to fully manage this event, and this will allow my communications team to fully focus on their communications duties. This happens in February, so we want our teams to be focusing on critical communications duties at a critical time of year. But this is a great event and we are very grateful to the Austin science education foundation for taking on their a great partner and we look forward to continuing to sponsor this event in the future and continuing with the science education theme. This is electrical safety month. Electrical safety is a big deal at Austin energy, probably a bigger deal at Austin energy than a lot of places. But we're happy that we'll be out in the community in our school

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districts that we serve across our service territory, educating almost 4000 students, going to career days and hoping to meet future engineers and lineworkers of our community and also I want to let council know that our 11 crew members just returned from navajo nation. We participated for the second year in light up navajo. So I'm very thankful for our crews who made that 2000 mile round trip to help bring power to communities in the navajo nation for the very first time. So there are 12 families now who have power for the very first time, including families who never thought that they'd have power in their lifetime. So just a great example of the service of our of our line workers. And they love going out into the community and they enjoy being a part of a utility . With that kind of focus. And I have one more slide, last but not least, sticking with the lineworker theme, a couple of weeks ago, our craft and field training celebrated its graduating class, but this one was even more noteworthy. Sherry

[9:35:17 AM]

Jeremy became our first woman to graduate Austin energy climbing school a Marine Corps veteran, sherry now joins the rest of her class and being assigned to a crew and continuing to learn in the field as apprentices on a career track to becoming journey level line workers. One of our trainers said this was

the best class that he's had in his 25 years, and we all know that diverse teams outperform non-diverse teams. So I think the gender diversity there probably had something to do with it. And I just want to recognize sherry because she handled this so well. You know, it's hard enough climbing a 70 foot confidence pole, but also doing it as a first and also knowing you have media interviews waiting for you when you get back down is a pretty amazing feat. So I just want to congratulate her and the entire graduating class of 11. They're really all very, very impressive individuals and Eid. We're very happy to have them join the Austin energy family. That's all I've got. Thank you. Happy to answer any questions. That's that's terrific. And give our best to miss Jeremy. We're really glad to have the new graduates and to have the gender

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diversity is tremendous. Thank you so much. Thank you. Yes councilmember Kelly, thank you very much, chair. And thank you, Stuart, for being here today. I was able to speak to the students in science fest and it was just an incredible opportunity to see them showcase their work and to encourage them to continue that work, because we know that they are the future of the different stem related employment opportunities later on. And also as far as our accomplishments of the line workers, it was a privilege to be out there to celebrate those accomplishments alongside them during their graduation. Thank you very much for inviting us out as council to do that. Yeah, and thank you for attending. We were happy to have you. It was a great event. Thank you so much. Let's move on to our next item, the Austin energy quarterly financial report for the second quarter of fiscal 23, and it's Stephanie Koudelka. Good morning, miss Koudelka. I think is this the first time that you've addressed us? Second, second, yes. Well, welcome back. Glad to be here. Thank you.

[9:37:18 AM]

Happy you're here. Good morning . Some good news, okay. Hi as you mentioned, I'm Stephanie Koudelka. I'm director of finance over our corporate accounting team at Austin energy . I'm here to present to you our second quarter results for fy 23 period ending March. Next slide, please. Just a quick disclaimer. Your packet does include information that's unaudited and subject to change. On the disclaimer tab, we have given you a link to our fy 22 financial statements, which were finalized in March of this year . Your packet does include our standard agenda for the quarterly presentation. It does include a market section which gives you some just information on our regulatory charge pass through rate. Next slide please . One more. Thank you. I'll

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present to you an executive summary this morning as well as some information on our power supply adjustment. I'll start at the top left. We are in partial compliance with our financial policies. Our individual reserve balances, as well as our total cash and reserves are below minimums as of the end of the quarter. We do have a policy that our combined cash and reserves will sit at a minimum per that financial policy for fy 23 was \$520 million. And as of the end of the quarter, we're sitting at \$413 million on that note, our working capital or operating cash decreased by 103 million over the year. We're sitting at 131 million as of the end of March. That is primarily due to impacts of the power supply costs we saw in fy 22. As you know, we experienced a pretty high market and congestion costs over the period . We did as well return to our customers. The wholesale over collection that we received during winter storm uri that

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power supply over recovery is contributing to cash. But we have seen some offsets given the increased costs for emergency services we provided during winter storm Mario and we also saw some delays and the impacts to cash given the base rate implementation, our budget didn't include those base rates going into effect earlier than than they did. The budget was in January and we implemented March 1st for operating revenue. As of the second quarter, we're sitting at \$753 million. That's 2% less than budget. That's primarily due to the timing of those base rates, operating expenses, including transfers, is \$844 million. They are 3% over the budget. That unfavorable variance is primarily due to those costs that we incurred during the winter storm in February. All three major credit ratings did reaffirm our credit rating in

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April. This is after the end of the quarter. But just to provide you an update, we do sit at double-a minus per S&P and Fitch and double-a three per moody's. And we were reviewed in conjunction with our bond sale that took place in April. And finally, the power supply adjustment pass through. We're currently under recovered 54 million on a rates basis. As you all know, we did reset that rate in November of 22 to recover 102 million of cost and recovery for high market congestion and gas costs. That we experienced in 2022. The rate has been over, recovering as expected. Eid during the fiscal year, with the exception of December, we did see some higher load and market prices with the winter storm that we experienced at the end of the month. And I will give you a quick briefing on the power supply. Recover by month and go to slide 15, please. All

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right. Thanks. So just to give you some clarity around how that power supply rate has been performing since it was reset in November, the blue line on this graph depicts our build psa revenue, which is what the customer will see that recovers those power supply costs and under recovery, you will see that cost exceeded budget it during the year except for December, which I just mentioned was related to those higher load and prices that we saw during the month. Even with the rate increase, we did see some under collection. We have over recovered each month in the second quarter, as you can see, as planned, and we sit at \$54 million under recovery on a rates basis as other than December, we have seen some pretty moderate costs for power supply and lower gas prices. We have recovered 48 million of that under recovered balance that has been accelerated by the

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proceeds we received related to the brazos claim. We do see a likelihood of increased demand as, as we all know during the summer and potential market costs going up as well. We also have an upcoming principal payment on the nacogdoches debt that will be recovered through this rate. And we do see the pace of the over recovery slowing down in the back half of the year. That's all I have for the financial report. Do we have any questions, any questions? Anyone? Yes. Councilmember Allison alter. Thank you. Can you remind me how much the brazos settlement was? Yes. So the claim is 27 million. And of that 27, as I mentioned, we have received 18. And that was in late December. Okay. So we're currently at about 30 million out of the 35 million. That was the goal, not including the brazos, correct settlement. Okay. So and is that calculated

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on a fiscal year basis? It's calculated. It's close. It's on the rate year, which started in November. Okay. So at the moment we're ahead of schedule, but you're anticipating that there may be high supply costs over the summer. So we're not adjusting it at this point? Correct. In time. Okay. I understand that we have we're supposed to be getting the monthly reports, although I think the last one was March. How will we know at what, what is the calculation? That's going to go into adjusting that? And at what point would we look at that? So we'll use those 12 months of actuals through August to set the rate and then we do a forecast of under over recovery for the bridge month. So September and October would include an estimate into the next rate. Okay. So we're doing

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the psa then on an annual basis. Other than the possible ability for you to adjust it, that's correct. Okay well, it's good that we are ahead of schedule in that regard, and I think that would you know, if we're able to adjust that and make up that recovery faster, that would be great. That would allow us to

provide some additional breathing room. If we do need to recover additional costs or to provide further relief to our customers. So appreciate you covering that and I hope that you will include that regularly in your financial reports, because I think we really do have to be keeping an eye on it and your explanation was helpful for that. So thank you. Yes, thank you. Yeah. Thanks so much for the good information. I do want to make sure that we don't end up in a negative posture like we did previously. So we need to be very careful not to not to do that again. And some of that was related to the

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policy that we had in place at the time, which was to refund and over collection immediate without looking at the potential of us then going back into the negative territory. So I think what's really helpful is predictability in the costs and the ability for the city of Austin to remain fairly flat as far as increasing or decreasing so that we can have some reliable expectations around the financial Singh were there any other questions on the quarterly, if not, we will move to thank you. Thank you so much . And we will move to our next item which is the operations update. And it's Lisa martin, acting deputy general manager and chief operating officer. Hi, Lisa. Good to see you. It's good to see you all. Good morning, chair pool and members of the committee as chair pool said. I'm Lisa martin. I'm the acting deputy general manager and chief operating officer here to provide you our quarterly operations update for Q2 of fiscal year 23. So January, February and March of this year

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. And to keep things tight on time, I am going to move directly to the executive summary. Slide one more, please . And starting in the upper left hand corner here, I'll just share with you that our generator availability is on target. This does include shoulder months that I'm reporting on. And so there were some outages for maintenance and refueling and that is reflective of normal conditions during this time of year. Moving across to the top right. Our reliability performance is trending up. That's actually in a negative direction or reliable metrics. The lower numbers are better schiera. We do remain well within and better than the Texas utilities average. I'll explain that a little bit more in another slide. Moving down our carbon free production is on target for the quarter, 84% carbon free generation as a percentage of load. And then looking at that same time frame in terms of aggregate renewable production. 57% of load Eid if

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we could skip forward about 2 or 3 slides, I'll move to a keep going one more. All right. So this slide talks about our reliability metrics. And again, lower is better. This speaks to the distribution interruptions for our customers in terms of duration and frequency. And you can see that Austin energy's numbers are

well below the Texas utilities average. However we recognize that our customers, unless they've lived in another place in Texas and experienced this for some period of time and then moved to Austin, they think it's wonderful, but if they've lived in Austin for a period of time, then really it's what they feel over time that matters the most. And so for that reason, we look at a more granular trend over time to see if we need to make adjustments and that's on the next slide. Please so here are our trends quarter over quarter. Each one is a rolling 12 month average and they show either duration or frequency of interruptions. I'm going to focus our attention to the bottom right, which is the cfe metric, which represents the

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frequency of interruptions across our customers, across our system. On average for our customers. As you can see over the past several years, the and more recently the trend has been going up. And that's not a good thing. More frequent outages for our customers is this. There's two items I want to highlight here. One, it highlights the importance of grid reliability. We focus. So asset management replacing poles, getting those crews out there and focusing on the maintenance of our work. And we do that work and have a heightened focus on it as well. I'll speak about that in another slide. The other thing, as you know, the extreme weather has caused our major event days, which are pulled out of these numbers. It causes our threshold for a major event date to get even higher, and that allows more localized storm data to come into these. So the storms we've experienced over the last several weekends, that kind of data starts to show up in these numbers as well. And that also is indicative of the trend

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moving up. We recognize that our customers don't only focus on what their experience is on a blue sky day, that if it's a stormy day, that impacts them just as much. And so again, heightened focus on maintain attaining our distribution system. And then if you could excuse me, move forward several slides, I'm going to look at the final slide. One more. Thank you very much. So one of Austin energy's strategic goals is grid resilience. And there are a number of different strategic initiatives under that heading. The first one speaks exactly to what I was just talking about improving our distribution system, reliability. We've spoken to you about this before. Our focus is on the underperforming feeders and the high wildfire risk areas. But I want to highlight for you a couple of opportunities that we've recently taken on. The first is to apply for federal funding through the department of energy's grid resilience and innovation program, or grip grant application program. And we submitted an application last

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month. And if the department of energy stays on schedule, then we will hear in the summer whether or not we were successful with that federal funding opportunity. Another opportunity through the Texas department of emergency management collecting funds on behalf of FEMA, we received a notification Ann at late April of an award for the building resilient infrastructure and communities grant. So this is a grant that we applied for in December of 2021. After winter storm uri and the focus of this award excuse me. Thank you. The focus of this award is to not only do an engineering assessment of our system to see how we can most efficiently use our funds to enhance the resiliency, but also to enable more granularity when it comes to load shedding. And so we'll be coming back to council June eighth to request approval of this award and we'll keep you

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informed of that as we go. Moving down the Paige transmission system of the future, this is what, you know, as the transmission study and we remain on track for getting that completed with our third party vendor in June. And we'll be returning to the commissions and committees in July to present the outcome. And then finally, you've heard about the resiliency as a service or the program and that is another strategic initiative under our grid resilient school, which continues to make headway. This calendar year. With that, I will end and ask if you have any questions for me. Thanks, miss martin. Any questions? Yes. Councilmember Allison alter. I don't have a question. I just wanted to thank miss martin and your team for joining us for the wildfire symposium. Earlier this month, you know, wildfire is one of our biggest risks for Shea Austin energy. It's a big risk for our community. And I think miss martin showed up with something like eight, eight members of her team. And it's really representative of how we're moving away from simply thinking this is Austin fire

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department fight, but this is every department's fight. So thank you for showing up with that. And while I'm talking about wildfire awareness, I just want to remind my colleagues that on Thursday, I'll be doing a proclamation Ann for wildfire awareness month. I wanted to invite you to join me and smokey bear, who will be both outside and inside to come join us and help us spread the word. You know, a big part of preventing wildfires is getting our community involved in that preparedness. And I would invite you to help spread the word on that. Thank you. Thank you so much. Thank you, miss martin. Our next briefing is us on Austin energy's portfolio, the generation portfolio by Michael Enger, city manager. Did you have a comment, Robert? Is this where I'm supposed to say something? Hang on. Mr. Didn't I didn't have it. I didn't have it on my notes. Just give me just a second. One of the things that has been high on our list has been to improve our information to the council so that you can

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function in the role of oversight and in order to be able to do oversight in an effective way, we needed to provide you more basic and granular information on a whole host of issues that are important to Austin energy and so that's we had a report last time we did this meeting, the oversight, and this is the second chapter. If you will. And part of that is to get to some key policy questions that you'll need to be debating during either this budget cycle or future budget cycles, because it's important for the council to kind of understand not just the finances, but the operations and all the things that are important to have a healthy utility. And I think there's a lot of work to be done. I think the staff is doing a great job. And I think when we get the oversight function hits on all cylinders, we can even do better. So that's part of this educational process. And we want to thank the chair for allowing us the opportunity to be able to present this information. Thanks for that. I think we all appreciate that. And I was noticing the quality of the information was really, really good. There's a depth to it and the I think the fact that we had some good questions pretty

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indicative that we're definitely taking it in. So thank you all so much for that. Mr. Riley, where are you for sure? There you are. Okay. All right. Mr. Enger so on that note, provide us some additional really good information so that we can understand the generation portfolio. Zo, please. Yes, thank you. And thank you for that introduction. Ann my name is Mike Langer. I'm the director of energy and market operations for Austin energy. And this is a follow on to the presentation done on the power supply adjustment last time around, which talked about the different components of our cost as well as revenues. We have a large load cost in our power supply adjustment and one of the largest offsets to that is our generation portfolio. And the way we dispatch it within the ERCOT market. Next slide please. And I want to be talking about I want to tie this together and talk about our generation mix as well as our future challenges and opportunities as we look to do a new resource plan this fall upon the completion of the transmission study. So what I have here on the first slide is just a generation or a map of Texas where our generation assets sit throughout Texas. And

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I think the first thing you'll notice is Austin energy has a very diverse generation portfolio. We have a combination of wind, solar, nuclear, natural gas, coal and biomass in the form of waste wood in nacogdoches, plant. You'll also notice that we're spread out throughout the entire state of Texas. You will notice that a lot of our wind is up in the panhandle, down through the north, as well as along the coast and down through the south. We have done that intentionally to try to spread out and catch as much of the renewable resource as possible. The wind does not blow everywhere in Texas. All of the time, but it blows somewhere in Texas most of the time. You'll also notice that our solar for large part is out in west Texas, where the sun sets a little bit later in the day. That is where solar really started in

Texas. But our most recent ppa for solar is right here near Austin, Texas, just about 20 miles or 20 minutes northeast of the Mueller building or our headquarters is if you look at our overall capacity, you'll notice that we have about close to 4700mw of capacity. And that's first close to a 3000 megawatt load in the summer. Next slide, please. I

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wanted to compare our generation portfolio to that and what you see in the overall ERCOT market. So on the left you have Austin Energy's generation portfolio where you can see the different capacity components. This is capacity, not energy produced. So this is just the capacity that our nameplate, what something could produce at 100. And I think what you'll notice or see right away is Austin Energy is a little bit heavier weighted on wind or and solar than what you will see in ERCOT with ERCOT with a little bit larger slice of natural gas generation. If you look at the Q in the ERCOT market, you will notice that there's a lot of wind and solar looking to get built in ERCOT. So I would say that Austin Energy has just been a little bit ahead of the curve with ERCOT in the in the overall generation transition we are seeing in Texas and our natural gas slices gotten a little bit smaller over the past 3 or 4 years as we have retired. Aging assets that were commercially available or came commercially online back in the late 70s with our peaker units here in Austin. Next slide, please. So I want to talk a little bit about the

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different different generation. Resources are very diverse portfolio, but they all operate a little bit differently. So I was going to first talk about the generation, how they produce it. Then I'll talk about a reliability product and whether or not they can carry it, and I'll move on to congestion and then explain what congestion is in the very next slide. So let's start with our nuclear power plant, our South Texas nuclear project. It generates the same level of generation every hour, regardless of price. So it's an output schedule. It is just going to produce energy as long as it has the fuel to produce that energy. When we look at our Fayette power plant, our coal plant, it has some similar attributes and some different attributes. So about a quarter of it, 25, needs to produce at the same level. That's kind of your minimum of having the motor run. If you will. And then the other 75% of that capacity can move up and down with the market as load is higher. And when prices are higher to help offset the cost of our load. And natural gas, we have two different technologies for the most part, we have a combined cycle which

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is more of a base load unit, similar to coal and similar to nuclear. There is a level about 40% that is going to produce all of the time and then the additional 60% can move up and down with the market with higher loads and with price to help offset the cost to our load. And natural gas turbines are a little

bit different. They're very quick start engines, if you will. Knell and they have 100% dispatch price. They can go from not being on line at all to fully online to full load in less than 30 minutes. So there are more of that quick start unit that really helps with forecast error as well as increasing load levels and dropping solar profiles. Next we have solar and wind. I'll kind of cover those both because they generate as the resources available as the sun is shining or as the wind is blowing. They are not going to dispatch with price or as load levels change. And our final unit is the biomass unit, nacogdoches, which burns waste wood. It is for the most part an output schedule because it is designed as a base load unit doesn't like to move up and down very fast, but it does dispatch some of it to

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price. So it has a little bit of both attributes moving over to the next column is what we call ancillary services. Those are products that ercot procures to ensure reliability within the ercot system. Some units can provide reliability services, some cannot. So nuclear power plant does not provide any reliability services for ercot, coal, natural gas can provide reliability services for ercot, solar, wind and biomass do not. And then the final column is congestion risk. So congestion risk and I'll talk about this in the next slide is a situation where the revenue you are getting paid for your generation resource is different than what you are paying for your load. So coal and nuclear, we have owned those assets for a very long time. Before we deregulated the ercot market. And so that congestion risk is mitigated through preexisting agreements or rights. So that is offset financially natural gas, since those units are very close to our load center, the congestion

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risk is very, very low for those assets. Solar and wind have higher congestion risks based on where they are and how far away they are. From our load center in general. And then biomass has very low congestion risk just based on where it is sited in the very strong transmission in that area. Next slide, please. So congestion Ann and what is congestion? I mentioned a little bit. That is where the price of power, the generation location is different than the price of power at our load location. And I guess the way I would try to describe that or give you an example is thinking about the road congestion or the road flow traffic here in Austin. So most congestion is caused by a transmission constraint. And what that means is if we think about Austin and the roadway, ercot is monitoring those roads , if you will, or transmission lines and trying to ensure that if any road has to close that that traffic can be diverted and continue to move. Because if we have the traffic hit, gridlock, that's like a blackout. It's very unsafe for traffic, not be able to move it to be in gridlock. It's it can be unsafe for people to not have energy being provided to their homes

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and so that's really congestion. We want to be able to look at if we close this road or if this transmission line goes out, can we divert all of the traffic and keep everything moving? Now, when Austin energy's load is high, we have kind of another nuance on that, which we call a load zone price separation. And so what is that? That's localized congestion. Ann and the example I give there is we've all seen the fast food restaurant where the drive through backs up on the road. The feeder road, and the cars are not moving. So there's a couple of ways that restaurant can address that. One is to add more drive through lines which are transmission lines, and that will get the cars moving, which we have seen some of these fast food restaurants here in Austin do. But the second thing is, at some point, you can only do so many drive through lines where the kitchen can't keep up with the demand. And so that is building yet another fast food restaurant or another generation resource, if you will, somewhere within the city of Austin to help divert some of that traffic. And so that's really what we mean by load zone price separation, Ann versus congestion. Next slide, please. And so this is just an example

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of what happened last summer. I know we talked a lot about congestion and congestion costs, but what I have here is on the going left from right on your horizontal axis, you have demand. So our load and you can see Austin energy typically uses 1600 megawatts, up to 3000mw of load throughout the month. And then on the left side are the your vertical axis. You have the dollars that you have separated from the rest of the market. And so what you'll notice is as our load gets very, very high, as we get those peak hours, those our our load zone can end up paying five, 6000, \$700 more per megawatt hour than what generation resources are getting paid, which can lead to some of those some of that pressure on the power supply adjustment. So some of that load zone price separation can be corrected with those additional drive thrus or transmission lines as well as building additional generation resources in the local area. Those additional fast food restaurants. Next slide. And then the last thing, I just wanted to leave you all with is I know it's been in the news a lot, the ERCOT's summer Sara, or the seasonal assessment of

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resource adequacy has recently come out. There have been headlines that ERCOT may not have enough power to serve a load this summer and some concerns there. So I just wanted to touch upon that a little bit. We have been looking at the report for the last 20 years. Honestly and so ERCOT provides seven different scenarios of varying probabilities when they look at the forecast, when you look at their base and moderate risk scenarios. So base forecast Wright and moderate risk scenarios, there are no resource adequacy concerns. There's only one resource adequacy concern, and that is in an extreme risk scenario. And that is a scenario where you have very high peak loads, so much higher than forecasted. You have extreme unplanned outages, so double the amount of units break unplanned than what is

typical or what is normal. And you have extremely low wind virtually no wind at all. So under most of the scenarios ercot has very good resource adequacy. This summer you will see the reserve planning margin on the side is 23. That is the highest reserve

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planning margin we have had in the last seven years. And so while there are certainly concerns that under the wrong situation where you have 3 or 4 improbable events, all coming together at the same time, there could be resource adequacy concerns under base forecasts. The market should perform fine. That's all the I had to present. But I'm happy to answer any questions anybody may have got a couple of questions. Let's check councilmember vela and then councilmember Ryan alter with regard to the biomass plant. I'm sorry, go ahead. Is that operating on a on a regular basis? It's running right now. Actually. We run it when it is more economic and we do have it in a position where we can run it for the balance of the year economically. Okay. Because my understanding, again, I, I, I followed it over the last it's about, what, about 15 year old, 20 year old plant at this point ? Yeah it's getting closer about

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12 years, 12 or 13 years old. Okay is it it responds to price signals in the sense that again, please correct my understanding of its wrong, but my understanding was that that would be run at the appropriate price levels. In other words, when there is demand and we see the price, the wholesale price for electricity rising, then Austin energy would basically turn on the biomass plant to capture the, the value and to provide electricity to a tight market. Is that essentially the case with the biomass plant? That is correct. Just one little nuance of that is since it is a slower starting plant, we typically hedge part of the revenue out in the forward market in order to ensure the economic when we bring it out to run and we're not subjected to those real time market prices. How what is the timeline for turning it on, turning it off? It takes about 2 to 3 days to start it up. If it's been left offline for a long period of

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time, if it's warm, then it's much quicker. But you can take it off very quickly. It's just that we operate in a market that is a day ahead market and so it's not necessarily a great asset for day ahead. Price signals we like to use week ahead, month ahead or year ahead. Price signals to lock in part of the revenue, then bring the unit on and let the rest of that unit then be exposed to market prices. So I guess in that dynamic, it's similar to a coal plant. Yes very similar to a coal plant. It was designed to be baseload much like a coal plant. And so then would the biomass plant mostly be turned on during the summer when we would expect kind of higher demand and the need for it? So typically that is where we will see it. However, ercot has been changing to where we're seeing a lot bigger prices in the winter as well. And

so, yes, we typically look at that unit to help offset the cost of our load in that December through February time frame as well as the June through September time frame. And the biomass plant now is completely owned by Austin energy. That is correct. All right. Before there was again, some kind of I think you all had purchased the power or something

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to that purchase power agreement, much like we do most of our solar and wind. Yes okay. Got it. And the last question, when did we convert from a purchase power agreement to full ownership of the plant? I would have to double check that. I believe that was 2019 or 2020, give or take 2019. Okay okay. Thank you very much, councilmember Ryan alter and then councilmember Kelly. I was really interested on the general Ann mix slide to see see the it's a sliver, but it's there of the utility scale storage in the ercot market. Do we have any plans. To add that to our mix or how is how is that looking? Certainly so we have been studying and looking at and evaluating the economics of batteries and how it fits within our portfolio very closely. For over a decade, we have yet to find without perfect knowledge where we're getting a large return on investment for those costs. We have seen battery

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costs rise over the last 3 to 4 years. We do have an rfp going out here very shortly to look at some very large scale utility scale batteries. So it is something we're looking at. We do see the value and the need within our portfolio. Pto add it, we are just looking for the right opportunity where we have a good value versus a potential revenue and this is kind of an unknown question, but there are a few very notable bills up at the legislature that affect the generation mix going forward as things as as you prognosticate looking forward are any of those going to have an impact that you see on our generation mix or is it more geared at the ercot market statewide? So yes, to both. Yes, there will be some impact. There's a lot of uncertainty still on how those bills will roll out and all the details of those bills. We are both a load as well as

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generation. So depending on the way it is structured, it could be an increased cost or it potentially a slight decrease in cost and certainly the way those rules are formed will help inform form the way we want to move forward with our resource plan this fall. As we see different attributes or opportunities will want to take that into account as we look at how we want to build out our portfolio. Thank you very much, councilmember Kelly. Thank you, chair, and thank you for this presentation. I have quite a few questions, so I may follow up with an email with them afterwards just so that I can get more clarity on the issue. But my first question is how does congestion impact the overall cost of electricity for

consumers in areas where the price of power at the generation location differs from the price at the load location? Sure. So much like when Erika Bierschbach was talking about the supply power supply adjustment, we bought all of our load in the wholesale market from ERCOT. At that price and then we offset that with the revenues we produce from our generation. Dispatch as well as of our risk management trading activities. And so an example, I would give is last year when we hit our

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peak load, I believe our load separate ERCOT from the market by about \$1,300 per megawatt hour on about 3000mw of load. So if you multiply 3000mw times 4300, I believe you get to \$4.2 million. That is \$4.2 million. Your load is incurring in costs greater than what your generation, even if you were fully volumetrically hedged, is getting paid and so if you think about that, that's an additional \$4.2 million that is incurred by the customer passed through to PSA, which is about 1% of the entire net cost of the PSA that was accumulated in just one hour. Thank you. My next question, are there any plans or investments underway to reduce congestion and minimize the impact of price disparities on the power grid? So in ERCOT in general, yes, that is an ongoing process. Entities transmission entities bringing forward projects to build. When they meet a certain criteria, they get built. That is still a regulated market. So those costs are borne by everybody within Texas. I would say that one of

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the things we do see is much like as a new highway gets built, the neighborhoods pour right onto that highway as we see new transmission lines built, a lot of the renewable generation tix right back onto that. So it's sometimes those fixes are not long in duration and you may see congestion pop back up or pop up in a different area shortly afterwards. Thank you. And then my final question is, how does Austin Energy collaborate with other stakeholders such as power generators and transmission companies to address congestion challenges resulting from varying power prices? So we participate in all of the different market participants subcommittees within ERCOT, with many other market participants. We work with our regulatory team, with the PUC to issue comments as well. When a new legislative bill comes out. And we are also a member of a couple of different public power associations such as the Tapia APA IRLPC where we are working and forming comments through those processes as well. Thank you very much. And this did bring up a lot of other questions. I had, so I will be

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emailing you so that I can maybe start that discussion more to understand a little better. But in the interest of time, I'll pass it back to the chair. Thank you. That's great. And I just had one thing that maybe in a future meeting I'd like to dig into a little bit more the nuclear sector of energy production. Now I'm

old enough to have remembered things like three mile island and chernobyl and Fukushima and of course, the second World War. I wasn't alive for that, but that's say don't get default Wright Wright. But it informed a generational thinking about nuclear and the hazards and safety. I understand . And that there has been a lot of improvements in that there's like new or next generation Ann standards out there where nuclear is actually much safer and one of the things is in the disposal of the rods, the energy rods, they are used much longer so that the energy that's in them actually is deteriorated at a much larger rate than the ones that we have been burying. So I

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wondered if we might have a look at that energy sector in a little more detail like we are doing here with these conversations and also understand that the standard that's out there right now is actually on the ground in France . There are many new nuclear plants in France and they're all built to the same specs. So you have an interchangeability of parts. And if there is a need for more maintenance and so forth, you actually have of all of the plants have similar parts, kind of like on a on a car. Schiera I like how you use analogies. So that will be mine here. And I'd like to perhaps take a look at that energy sector at one of our future meetings, if that would be great. I'd be happy to do it. Great. Thank you all so much. Yes. Council member harper-madison, thank you very much, chair. I appreciate the recognition. I actually it seems, you know, not necessarily entirely applicable to this discussion, but I was on an

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airplane recently and we were flying over all these buildings that are just completely flat with concrete, and I just could not wrap my head around why we're not producing energy in all these empty spaces that are just sitting there. I'd like for us to share, if it's at all possible, at a future meeting. One of the things that I've been actively trying to do is talk to students about how we generate power and how we, you know, are being more productive. I would love to have a really good briefing about how much wasted space that we could be producing energy in. I would just love to know why we don't and what are the impediments and why we don't. So as a future item, I'd love to be able to get that information. I think that sounds great. We can dig into solar and community, solar and rooftop solar and see what additional information. I'd really appreciate that. Thank you, chair. Thank you so much. Thank you so much for the presentation . Yes. Council member Alison alter. Thank you. I wanted to ask about the biomass fuel and

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what we use as the fuel source. Yeah, it's waste wood. So a lot of times it would be either leftover wood from lumber mills, like sawdust, but more often it's clearing out, knock down trees and all the property

in that around that area. That's where the most of the timber and a lot of the forestry industry in Texas is. And so as you have land where trees knocked down that would otherwise decompose and create methane, we're pulling that. We're collecting all that, shipping it up and then utilizing it to build power or create power. So I've lost track of how many tons of debris that we have at Hornsby bend. Is that at all economical or reasonable to be? We could Singh as a biomass source. We could certainly look into that. I think the largest cost in wood is the transportation portion. So when diesel prices are higher, it's a little bit more expensive. When diesel prices are lower, it'd be less expensive and I think diesel prices have come off a little bit here lately. So we can definitely look at that. Yeah, I think that would be great. I don't imagine that we still have

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some challenges with storing that material and would love to see that cycle closed if it's economical. It may not. It may not, may not be great. Thank you. And then just one last thing that prompted me to think of the inflation reduction act. It's primarily a climate and economic bill. It allocated \$2,200 million in subsidy and tax credits related to building or replacing outdated energy sources like coal power plants with renewable power generation. So I'm wondering with related, as it relates to Fayette power plant, if the IRA funds Luz have been considered and has the IRA been looking into tax credits to help accelerate the closer Singh? So we certainly are studying the inflation reduction act quite a bit. It is very exciting for municipal utilities and tax exempt entities to be able to get direct pay and move to a ownership model as a way from power purchase agreements and still receive those economics. And there have been Ann

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preliminary looks at how you could take advantage of that area, that energy community around Fayette, to get additional incentives to help build renewable energy in that area. Well, maybe we can get a little more information on that as well. Sure. Okay. Thank you so much. Thank you. And let's move now to our next item, which is distributed energy resources, new technology innovations to further DER integration and we have Richard Genesee and Tim Harvey. Welcome, Mr. Genesee and Mr. Harvey, good to see you both again. Yes, good morning, chair, and good morning. Council members. I'm Richard Genesee, the vice president of customer energy solutions. With me is Tim Harvey, who's the manager of customer renewable solutions. And today we're going to be discussing Singh. We're going to be presenting three innovations that we have recently implemented, which all have to do with distributed energy resources. Our customers are

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very interested in accessing and utilizing energy and storage in new and different ways. These innovations that we're going to present today have the added benefit of making us easier to do business with and streamlining our operations, reducing lead times for customers to benefit from these technologies. And now I will turn it over to Tim for the 5 to 6 slides of the innovation. Thank you so much. Welcome, Mr. Harvey thank you so our first innovation is to the billing system itself. We have added the ability to incorporate an additional read from the pv meter. Traditionally, when solar is generated, you can see it starts at the right hand side and moves to the left across that pv meter. And that's delivered energy to the load. So when we started the value of solar, we integrated that into the billing system, but we did

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not integrate the received read that goes the other way and so for DC coupled batteries and that's where the solar energy goes straight to the battery. It doesn't get inverted first, so it requires that that battery is on the solar side of the pv meter or the right side, as you see on the screen. Another issue was, is that if the customer is charging that battery from the grid and the energy flow is going backwards across the pv meter, we were unable to register that in the billing system. So we've updated the billing system to allow that read to be in. And now we can determine exactly how much of the energy that's stored in the battery came from the grid as opposed to the solar array. And so we can facilitate proper billing with this new enhancement to the billing system. Next slide. So here you'll see an example of a DC coupled battery. And so this is

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the Tesla, powerwall plus. It has the inverters and the battery all as one unit. So it's required that that storage be on the solar side of the pv meter and they typically want to couple this with what they call a meter collar disconnect. So this is a device that sits in between the meter socket and the meter. And as such, it's a customer owned device that Austin energy will have to handle. And so we need to make sure that that power quality and our reporting is still capable and all the functionality of the meter and to make sure that it's safe. And we have a system and procedures in place to handle this. So in order to facilitate the integration of that into our system, we have entered into a

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demonstration process with Tesla where they installed five of these systems on existing homes. Some of them had existing pv, some of them had new pv. Next slide. And so this allowed us to see a multitude of different configurations as they're applied in the field. We went out there with Tesla to demo straight the different functionalities of the powerwall plus, which include stormwatch mode, where that the

powerwall plus and the you know, before an event will charge up from the grid. And also to the functionality of it severing from the grid to form a micro grid in the event of a grid failure. So we make sure that we're not pushing any energy back onto the lines where we may have linemen working on downed lines and such. And so we

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went through a lot of different functionality of that inverter slash meter collar disconnect and tested everything. Next slide, please. So we're looking at power quality, ability. To still function our meters properly. Processes for setting up these types of customers and the billing system processes for handling their equipment in the field and. To make sure that there are no harmonics issues and things like that. Next slide. So the next steps are to update the interconnection guide and design criteria manual. The interconnection guide has been updated and is in place. The design criteria manual goes through a bit more review, so it's in the process of that review. All of the updates have been made. They're just moving

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through the review process, so we're able to allow DC coupling today. We're going to announce this to all of the contractors that the monthly contractors meeting this Thursday and we'll also send out a communication Ann to all of the contractors. And once that's done, then DC coupling can be enabled and then when the design criteria gets approved later on, I think it will be about a month. Then we'll send out that communication to allow the, the integration of the meter collar disconnects. Any questions on that? Council member Vella. Let me try and kind of re explain that to get it through my own head. So in the prior situation, without battery storage, you had your solar panels on a home

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. They're generating power. Some of it goes to power, the use of the home, some of it flows back onto the grid. Correct. Now with the battery storage, then there is solar power that goes to both power the house and rich, large. The battery that it is installed and if you could explain what was that the inability to read or what was the distinction there where you were saying that you were not able to bill appropriately for the power that was flowing to the battery? Yeah so if the power flows from the grid to charge the battery, then it's getting mixed with the solar energy that's in that battery. And we needed a way to distinguish between grid power in that battery and the solar power because we provide a separate credit for solar energy. So we didn't want to give them

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the solar credit for energy that they drew from the grid. So we needed to be able to measure that draw from the grid so that we could subtract it from the total amount. Okay I understand. So the battery can be recharged multiple ways then it's not just a solar powered recharge, but it can also be a grid powered recharge. That's correct. Okay got it. And then the and have gone the battery storage. This would be in a situation for black outs or those kinds of things like that. Would the battery still be able to power the home in a situation where there is some kind of outage that's correct. So the meter collar disconnect provides an isolation. So it opens up so that it can't back backfeed any energy back onto the grid, which could be dangerous for our linemen and then it allows that battery to take over and then supply the power to the loads of the home, creating a miniature micro grid. And with regard to the power that folks are with solar arrays are putting back

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onto the grid again, I had some experience with the kind of the net metering concept years ago, but what is the credit that folks are getting Singh for the energy that's flowing back onto the grid and for the use of Austin energy and others? So in Austin energy, we don't have net metering. We've moved away from that. So what we have instead is a decoupled Eid arrangement such that the customer still pays normal prices for all of their consumption and then they get a credit for all of their production based on the value of solar, which is for not only the production pushed back to the grid, but also that production that's consumed on site. So we have to measure that production independently and that credit is 9.91 cents currently. And what is the kilowatt per hour price. For Austin energy. Yes. Yeah for residential customers it varies

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based on their usage because there's an inclining block rate. So I'm not sure what the average is, but it's close to the value of solar. Okay, great. And the net metering I guess would have been just kind of where you were just paying for your net usage. But in this case, it's kind of a separate you're separating the billing where you have you pay for your usage, you get credit for what you put back, but you're not kind of balancing it out. It's just a completely separate account for each transaction. I guess. Well, yes and no. The value of solar credit is applied to electric charges on the bill. And so to the extent that it covers the entire bill and there's leftover electric charges, those credits move forward to the next month, continue only until they're used by the customer and how significant, how much power are

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home based solar arrays generating for Austin energy, the Austin area? I mean, how large of a proportion of our energy needs are being met by that? I think right now we're somewhere around 115mw of power production on the distribution grid. So I mean, that would be the equivalent equivalent of a, you know, a decent sized gas power plant if I'm about half that, about half that. All right . All right. Thank you very much . Thanks. And I think you have some more. I have one more slide . Vehicles. Great. Yeah thanks so zo. Yeah so another exciting thing that that we've done recently is we've integrated our first vehicle to home system. So what this does is allow the vehicle to power the home and the event of a grid outage. It doesn't that energy does not go from the vehicle back to the

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grid, but it can go from the vehicle to power the loads of the home locally. So this also has an isolation device that keeps that from going back onto the grid. And it provides DC power to the home, which then goes into an inverter similar to solar and then can be used in the home to back up power. So we anticipate more of this coming down the line in this system is capable of integrating pv into that same inverter. But this first one did not do that. But that's something that we also anticipate as we move forward. What does that then do to the battery in the vehicle? Is it then essentially could it be run down to I mean, I think it's I think it's essentially the same as operating the battery for powering the vehicle. You know, it's akin to that. It does, you know, deploy the battery over

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time. And you would have to have a source to recharge it, you know, so it's limited. But if you have solar there, then you could potentially have a co-located battery on site as well and extend the autonomy from the grid, if you will. And how many how many hours would you think that this I guess that's one of the things you're finding out. Wright the F 150. How many hours that battery can provide the backup if it was the sole source of the backup power, I would have to research that. I don't know that off the top of my head, but I can get back to you with that. It'd be interesting. Any other questions here? Yes, councilmember harper-madison, thank you very much, chair. Along those lines, I'm curious, are there any particular types of vehicles that are most appropriate for this particular vehicle to home installation? Does it have to be a big Dooley or could it be something else? Just curious. It could certainly be something else. But right now they've just been one of the first to the

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market. Okay with that. But we do anticipate that other vehicles being vehicle to home capable and then the next step is vehicle to grid awesome. I'm very interested in following along with that conversation. You said something earlier about design criteria. I'm just not familiar who is the regulating body for the design criteria. I believe. And so that's not my area of expertise. Okay. But I believe that Austin energy makes all of the design criteria, rules and they basically are rules that supersede national electric code. So they're basically improving upon national electric code. And then we go through a series of review to internally and externally before putting those into place. And so those are intended for the safety of our linemen and first responders. For the most part. Thank you. I appreciate that. City council approves

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those. No, the design criteria. I see Mr. Riley shaking his head . I know we have some electrical standards, but these are there. There are there are codes. But the in terms of the rules that rule process under city code, there are administrative rules for how to then administer those codes and so that becomes gets out of kind of the policy realm and more into the administration Ann of how those codes are implemented. And so that's that's the staff process. But that rule adoption process gets reviewed by all the other city departments. And it also goes through an affordability impact assessment. Great. Does that help? Councilmember very helpful. And then my last question is, we spoke briefly earlier about, I think the line of conversation was around new lines Luz like what the implications are for the installation of new lines. I couldn't help but think about our project connect process. And you know, we're going through zo

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thinking through equity oriented, transit oriented development Swint just thinking how adjacent are those things and how can we, you know, reduce duplication, Ann and effort if we're thinking about installation of new lines, if we're thinking about burying power lines, we're thinking about doing all this work from an infrastructure like transit infrastructure perspective. I'm just trying to figure out how adjacent these things are. Yes great question. We are constantly Fauci collaborating with our partners at both project connect office and other other entities. Capital the corridor program to make sure that when any of these new transit projects or roadway projects are coming along texdot we're working with as well on some highway projects. We're involved with them on relocating Singh that infrastructure, if necessary, and always part of that conversation, and especially now as part of council's direction, is working with all of those entities to look at if there are opportunities as part of that to

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be able to go underground. It gets very crowded, so that becomes sometimes a lot more challenging because you have the water, wastewater, gas, you've got all these other things. But that's definitely something that we is a constant project for us and partly why we wanted to add the additional crews, because keeping up with all of these projects that are in the queue in terms of transit and transportation is just a lot of upkeep. That's very helpful. I think my office will definitely be actively engaged in keeping up with trying to figure out is there a comprehensive way for you all to share that information with us? Like if we could just have, you know, kind of a series of projects, what's in the queue? What's moving? I know that, you know, my northeast Austin district planning process is going to deeply include taking an area of town that nothing has happened in, and we have a lot to do. And so I want to make sure that we're always in constant communication about how best to do it. So I look forward to being in touch. Thank you. Thanks. That's great. Last question real quick for you. Two

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parts. I think is the pilot on the batteries limited just to Tesla? Are there other. Okay. And so what other companies, I believe solar edge and. Solar edge is one that I know has a couple battery. There's also a sunnyboy. But there are a number of other inverters that do have DC coupling potential. A lot of them also have a coupling. So that would be where the battery sits on the other side of the pv meter, and we've been enabling that for some time now. So great. Yeah. And we launched a resolution to create a battery tariff and rebate process. How would this idea work with those newly created processes? Yeah. So customers with a battery, whether it's DC coupled or ac coupled, could potentially

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participate in what we're what we're about to propose for that. So that would be the, you know, the intent of that would be such that they we signal them or take control of the battery to kind of fill in the gaps and help with that price separation and Eid and market volatility. Great. Thank you so much. All right. Yes, last question. Councilmember Allison alter. Sorry I guess hard to see me over here. I'm really excited that we are moving in the direction of the b2 grid. Eid option. We talked about that in 2019 with the electrification of transportation resolution. And so I think this is, you know, all moving in a in a good positive direction. And we have to obviously catch up. Technology has to be there as well. I wanted to ask, though, about part of that resolution had to do with building code and

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ev ready Ness. And we do pass the building codes as a council . And so I wanted to ask about the status of those codes and when we'll be adopting those. Yes, we are actively working with development services and we have met recent with Jose Roig and we are actually going to be partnering together and

bringing together a whole package to council for adopting the 2024 codes so that is in the works and as you know, ev ready and electric ready are part of that package. Paige great. Thank you. And then I just want to call attention to a question that I have in the Q and a for the city manager, which has to do with how we are applying for the various federal grants that are available for our ev infrastructure, both in terms of charging stations and with respect to fleet, I have some

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concerns as I would like to make sure that we are accessing that money as much as possible. And I'm wondering if we need to be providing some staff resources or grant writing resources to be able to pull down those funds, which are considerable. So I'll just call your attention to that question. And, you know, to just a fabulous opportunity. It sounds like we have some things in the work, but I do wonder if we need to be devoting more resources in the short run to getting those grants so that we can really make the investments that we need to make. So thank you. Thank you so much, gentlemen. Our last item is future items and mayor, I wanted to make a note just to remind everybody that we have canceled the June Austin energy oversight committee meeting in deference to the tri party meeting that's happening on that day. So our next meeting for Austin energy oversight will be September 19th. We have a pretty packed

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agenda already, but there were at least four things that came up today. And you all add in if there are some items that you want to be included. If they're not all in September, we will definitely get to them. One is an update on the battery, ifc more information on solar community, solar, rooftop solar, nuclear power. Next generation with France is the example and status of fast chargers. The locations where they will be and how many of them and this was also in response to an ifc. I think that will do it for us today. There being no other questions or comments, I may or I will call this meeting of the Austin energy utility oversight committee adjourned at 10:41 A.M. Thank you all. Thank you, madam chair.