



Recommendation for Action

File #: 23-2819, **Agenda Item #:** 18.

9/14/2023

Posting Language

Approve an ordinance authorizing the issuance of short-term obligations through a private placement in a maximum amount of \$100,005,000 at any one time outstanding; authorizing obtaining a related letter of credit to support Austin Energy's activities in the ERCOT market; approving the execution of all related agreements, including a Note Purchase Agreement for any related credit facilities; and approving payment of all related costs of issuance.

Lead Department

Financial Services Department.

Fiscal Note

This item has no fiscal impact.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885.

Additional Backup Information:

Austin Energy is a participant in the Electric Reliability Council of Texas, Inc. ("ERCOT") wholesale markets, including the real time market, the day ahead market, and the congestion revenue rights market. As a participant, Austin Energy is subject to the provisions of the Nodal Protocols established by ERCOT and is required to provide financial security pursuant to the terms of the Nodal Protocols in a form acceptable to ERCOT. If a market participant such as Austin Energy fails to provide financial security, it could be required to post cash collateral or face being excluded from some of the ERCOT markets. Continuous posting of cash as collateral could impact Austin Energy's operational reserves. ERCOT previously provided certain of its market participants with unsecured credit limits but is ending this practice on October 1, which is requiring Austin Energy and certain other utilities to meet its ERCOT financial security requirements through an external source such as a letter of credit or surety policy with a bank.

An unconditional, irrevocable letter of credit issued by a bank to ERCOT is one form of acceptable financial security under the Nodal Protocols. Therefore, Austin Energy seeks an Irrevocable and Unconditional Standby Letter of Credit to assist with its obligation to provide financial security under the Nodal Protocols. The proposed short-term obligations will be privately placed with Wells Fargo Bank in order to secure this letter of credit, and any obligations purchased by the bank will be in the amount of any draws by ERCOT on the letter of credit. The bank's letter of credit fee is 75 basis points. The proposed short-term obligations will be secured by a two-year note purchase agreement and be backed solely by the revenue of Austin Energy. Under State law, the bank does not have a right to seek payment from property taxes.

Austin Energy has determined that a \$100 million letter of credit is sufficient to support Austin Energy operations in the ERCOT market.

For this transaction, PFM Financial Advisors LLC will serve as financial advisor and Norton Rose Fulbright US LLP will serve as bond counsel.