



MEMORANDUM

TO: Mayor and Council Members

DATE: June 24, 2024

SUBJECT: Exploring the Potential Sale of the District Energy and Cooling System

Austin Energy recently shared a proposal with me that could benefit Austin Energy’s customers, result in a positive impact to their financial metrics, and make progress toward some of our environmental goals. In order to determine the viability of this proposal, we will need consultant support. Therefore, at the July 18, 2024 City Council meeting, we will bring an agenda item for your consideration to enlist the help of an external financial advisor to provide strategic advice, financial analysis and general guidance as we carefully evaluate a potential sale of Austin’s District Energy and Cooling system (district cooling). With the consultant’s help, we will determine the range of interest and value before taking further steps. We expect the exploratory process to continue into 2025 and we will provide updates to Council throughout. Ultimately, any sale would require City Council’s approval.

Background – District cooling uses electricity to chill water during off-peak hours which is pumped through a network of pipes to cool large buildings. Instead of each building having separate air conditioning systems, these facilities share common infrastructure. District cooling benefits the community by reducing peak energy demand and improving overall energy efficiency. The district cooling system is separate from Austin Energy’s core electric system, and a potential sale of these assets would have no impact on providing electric service to our more than half a million customers. We are proud of the district cooling system—it is efficient, it benefits the environment, and it serves customers well.

Potential Benefits – Building on the past two decades of system growth, a transition to a new owner would maintain existing benefits and provide opportunities for further growth, resulting in even greater environmental and community benefits. In addition, a sale could improve Austin Energy’s ability to provide clean, affordable, reliable energy to customers by paying off debt and freeing up capital dollars for grid enhancements. Currently, the district cooling system is at capacity and needs substantial investment to continue to grow at a pace that is needed for Austin. Austin Energy is financially limited in its ability to maintain and improve the core electric system while also growing district cooling to its full potential.

Communications – We are communicating with existing district cooling customers to ensure awareness that contracts remain firm regardless of system ownership. The majority of these contracts don't expire for many years, so current customers (including City facilities) would not be impacted.

We know the heart of our operations are the people who run these facilities around the clock. I want to assure you we are committed to supporting our employees through this process. We have contacted these employees to ensure them that they will not be negatively impacted during this evaluation process or in the event that Council ultimately decides to sell the district cooling system. We will have constant communication with them as we move forward in the process.

For more information about district cooling operations, please refer to this [website](#) or contact Bob Kahn at bob.kahn@austinenergy.com or 512-322-6002.

A handwritten signature in black ink, appearing to read 'T.C. Broadnax', written in a cursive style.

T.C. Broadnax
City Manager

cc: Bob Kahn, General Manager, Austin Energy
Jon Fortune, Deputy City Manager
Robert Goode, Assistant City Manager
Ed Van Eenoo, Chief Financial Officer