

**AUSTIN CITY COUNCIL
MINUTES****WORK SPECIAL CALLED MEETING
TUESDAY, FEBRUARY 22, 2012**

The City Council of Austin, Texas convened in a Council Special Called Meeting on Tuesday, February 22, 2012, at Austin City Hall, 301 W. 2nd Street, Austin, Texas.

Mayor Leffingwell called the meeting to order at 10:07 a.m.

3. Direct the City Auditor to conduct a review of Austin Energy's revenue requirement.
Council discussed the scope and timing of the review with Kenneth Mory, City Auditor. The motion to direct the City Auditor to conduct a review of the Austin Energy's revenue requirement by the end of April, with the following direction, was approved on Mayor Pro Tem Cole's motion, Council Member Spelman's second on a 7-0 vote. The direction was that if the City Auditor determined outside review was needed, he was authorized to spend up to \$70,000 for this service but should advise the City Council before this was done.
2. Discussion and approval of a work session schedule to consider Austin Energy rates.
There was a motion to approve the schedule shown below that was made by Mayor Pro Tem Cole and seconded by Council Member Leffingwell.

Feb 22 – Special Called Council Work Session

- City Council Process
- City Auditor Review of the Revenue Requirement
- Overview of PUC Process
- Bond Ratings

Mar 6 – Special Called Council Work Session

- Cost Allocation Methodology
- Customer Assistance Program
- Schools
- Worship Facilities

March 20 or 21 – Special Called Council Work Session

- Out of City Customers

April 10 – Special Called Council Work Session

- Financial Policies
- General Fund Transfer

April 25 – Special Called Council Work Session

- **Rate Structure**
 - Flat Rate vs. Variable Rate
 - Tiered Variable Rate

May 16 – Special Called Council Work Session

- **Revenue Requirement**
- **Direction from Council on Rates (Structure, Phasing, Etc.)**

May 24 – Regular Council Meeting

- **Council Action on Rate Increase**

There was a substitute motion that was made by Council Member Martinez, seconded by Council Member Morrison to approve the following extended work plan.

Revenue Requirement Issues**March 2012 Session 1**

Debt Service Coverage

CIP Debt-Equity Ratio

Reserve Funds (Number/Scope of Funds, Funding Levels, Replenishment Rates)

Session 2

General Fund Transfer (Amounts, Options for Calculating)

Addition Transfer (EGRSO, Corporate Services, Other)

April 2012**Session 3**

Distributed Solar Goals

Energy Efficiency Goals

Customer Assistance Program Goals (Depth and Breadth of Program)

Session 4

Preliminary Council Action of Issues from Sessions 1-3

AE Budget Reduction Recommendations

Line Extension/New Service Cost Study

(Dis)connection Fees and Charges

May 2012**Session 5**

Other Related Issues

Review Austin Energy 2011 Audited Finances

Off-System Sales in a Nodal Market

Cost of Service**Session 6**

Cost of Service Methodologies (AED, BIP, 4CP, Other Alternatives)

Rate Design**June 2012****Session 7**

Preliminary Council Action Issues from Sessions 4-6

Fixed Charges and Alternatives
 Inverted Block Structure
 Bundled Plan for Low-Use Customers
 Fuel Charge (Components and Calculations)

August 2012 Session 8
 Consideration of Rates for Specific Types of Customers
 (Faith Community/Nonprofit Organizations, School Districts, Out-of-City
 Ratepayers, Industrial Users)

Session 9
 Preliminary Council Action from Session 7-8

Review of Rate Case Elements
 Phasing Options for Rate Increases

Final Policy Direction

Sept 2012 Session 10
 Potential Rate Impacts from the Generation Plan Update
 Council Action on Policies Related to Revenue
 Requirements, Cost of Service Methodologies, and Rate Design

There was a friendly amendment from Council Member Martinez to amend the schedule to add the word "Potential" in front of all the items that read, "Preliminary Council Action." This was accepted by the maker of the motion and Council Member Morrison who seconded the motion.

Mayor Leffingwell recessed the Council Meeting at 11:51 a.m. without objection.

Mayor Leffingwell called the Council Meeting back to order at 12:04 p.m.

Mayor Leffingwell recessed the Special Called Meeting to go into Executive Session at 12:05 p.m.

EXECUTIVE SESSION

The City Council went into Executive Session, pursuant to Chapter 551 of the Texas Government Code, to receive advice from Legal Counsel, to discuss matters of land acquisition, litigation, and personnel matters as specifically listed on this agenda and to receive advice from Legal Counsel regarding any other item on this agenda.

The Mayor announced that Council would discuss item numbers 1 and 2 on the regular agenda during Executive Session.

Executive Session ended and Mayor Leffingwell called the Work Session Meeting back to order at 1:34 p.m.

DISCUSSION CONTINUED

2. Discussion and approval of a work session schedule to consider Austin Energy rates.

Council Member Tovo made the following friendly amendments that were accepted by the maker of the motion and Council Member Morrison who seconded the motion:

- o Remove the dates from all items on the schedule
- o Add consideration of the Auditor's report at Session 5
- o Pull the "out of city customers" from Section 8 and create as Session 9 for that customer class.
- o Move Session 9 to 10 and session 10 to 11.

Mayor Pro Tem Cole proposed the following friendly amendment: That Council consider the interim financial revenue operations from Austin Energy during Session 1. This was accepted by the maker of the motion and Council Member Morrison, who seconded the motion.

There was a friendly amendment from Council Member Riley to move the items in Session 3 to Session 7 and to break session 7 into two sessions. This was not accepted.

There was a friendly amendment from Council Member Morrison to add Distributed Solar Goals, Energy Efficiency Goals and Customer Assistance Program Goals (depth and breadth of program) to Session 8. This was accepted by the maker of the motion.

The substitute motion, with all the friendly amendments, was approved as follows on Council Member Martinez' motion, Council Member Morrison's second on a 7-0 vote.

Revenue Requirement Issues

Session 1

Debt Service Coverage

CIP Debt-Equity Ratio

Reserve Funds (Number/Scope of Funds, Funding Levels, Replenishment Rates)

Consideration of interim financial revenue options as presented by Austin Energy

Session 2

General Fund Transfer (Amounts, Options for Calculating)

Addition Transfer (EGRSO, Corporate Services, Other)

Session 3

Distributed Solar Goals

Energy Efficiency Goals

Customer Assistance Program Goals (Depth and Breadth of Program)

Session 4

Potential Preliminary Council Action of Issues from Sessions 1-3

AE Budget Reduction Recommendations

Line Extension/New Service Cost Study

(Dis)connection Fees and Charges

Session 5

Other Related Issues

Review Austin Energy 2011 Audited Finances

Off-System Sales in a Nodal Market

Consideration of the Auditor's Report

Cost of Service

Session 6

Cost of Service Methodologies (AED, BIP, 4CP, Other Alternatives)

Rate Design

Session 7

Potential Preliminary Council Action Issues from Sessions 4-6

Fixed Charges and Alternatives

Inverted Block Structure

Bundled Plan for Low-Use Customers

Fuel Charge (Components and Calculations)

Session 8

Consideration of Rates for Specific Types of Customers

(Faith Community/Nonprofit Organizations, School Districts, Industrial Users)

Distributed Solar Goals

Energy Efficiency Goals

Customer Assistance Program Goals (Depth and Breadth of Program)

Session 9

Consideration of Rates for Specific Types of Customers

(Out-of-City Ratepayers)

Session 10

Potential Preliminary Council Action from Session 7-8

Review of Rate Case Elements

Phasing Options for Rate Increases

Final Policy Direction

Session 11

Potential Rate Impacts from the Generation Plan Update

Council Action on Policies Related to Revenue

Requirements, Cost of Service Methodologies, and Rate Design

1. Discussion of the Austin Energy rate proposal.
4. Staff update regarding Austin Energy customer care and billing system.
The briefing was done by Larry Weiss, General Manager, and J.J. Gutierrez, Vice President of Customer Care, Austin Energy.

Mayor Leffingwell recessed the Special Called Meeting to go into Executive Session at 3:58 p.m.

EXECUTIVE SESSION CONTINUED

The City Council went into Executive Session, pursuant to Chapter 551 of the Texas Government Code, to receive advice from Legal Counsel, to discuss matters of land acquisition, litigation, and personnel matters as specifically listed on this agenda and to receive advice from Legal Counsel regarding any other item on this agenda.

The Mayor announced that Council would discuss item number 4 on the regular agenda during Executive Session.

Executive Session ended and Mayor Pro Tem Cole called the Work Session Meeting back to order at 4:11 p.m.

Mayor Leffingwell adjourned the meeting at 4:12 p.m. without objection.

The minutes for the special called meeting of February 22, 2012 were approved on this the 8th day of March 2012 on Council Member Spelman's motion, Mayor Pro Tem Cole's second on a 7-0 vote