



**AUSTIN CITY COUNCIL
MINUTES**

**AUSTIN ENERGY WORKSESSION MEETING
THURSDAY, MAY, 17, 2012**

The City Council of Austin, Texas convened in a Special Called Meeting on Thursday, May, 17, 2012, City Hall at 301 W. Second Street, Austin, Texas.

Mayor Leffingwell called the meeting to order at 1:10 p.m.

Bill Newman and Dennis Whaley, Managing Directors, Public Financial Management, Inc. did a briefing to Council on Austin Energy Rate Case: Municipal Bond Ratings. Larry Weiss, General Manager, Mark Dreyfus, Director of Regulatory and Government Affairs, and Ann Little, Senior Vice President of Finance and Corporate Services, Austin Energy, were present to answer Council's questions. Paul L. Chernick, President of Resource Insight Inc. – the Consumer Advocate, was available by phone to respond to Council's questions.

1. Discussion regarding the City Auditor's report on Austin Energy's proposed revenue requirements.
There was no discussion on this item.
2. Discussion of departmental conditions including horizon issues, unmet needs, key performance data and financial forecast for Austin Energy.
There was no discussion on this item.
3. Discussion and possible action to make preliminary determinations and give direction to the City Manager regarding the following matters: financial policies governing debt service coverage ratio; capital projects debt-to-equity funding ratios; reserve fund policies; interim revenue options; general fund transfer levels and calculation methodology, other transfers, and payments for shared services; distributed generation and energy efficiency goals; the design and funding of low-income customer assistance programs; budget reduction options; line extension and new service charges; revenue regulation and decoupling; cost-of-service methodologies for allocating costs among customer classes; rates for specific customer classes, including faith-based, community, and not-for-profit organizations, school districts, industrial users, and out-of-city ratepayers; rate design for distributed solar and energy efficiency goals; allocation of off-system wholesale power sale revenues; connection and disconnection fees; other Austin Energy revenue requirements not addressed in prior work sessions; fixed charges and alternatives; inverted block rate structures; bundled rate plans for low-use customers; the components and calculation methodology for the fuel charge; phasing options for the implementation of rate increases; potential rate impacts from Generation Plan updates; the total utility revenue requirement to be recovered through the revised rates; and the rate design and structure to be brought back to Council for final consideration and action.

Production Demand Allocation Methods: The motion to direct staff to run an analysis for Production Demand Allocation using a methodology referred to as "4 Coincident Peak (4CP) Average (+/- 5%) Monthly Bill" was approved on Council Member Tovo's motion, Council Member Martinez' second on a 7-0 vote.

The motion directing staff to adjust off system sales to decrease the revenue requirement by \$3.5 million in Phase I and adjust in Phase II, if necessary, failed on Council Member Morrison's motion, Council Member Tovo's second on a 3-4 vote. Those voting aye were: Council Members Martinez, Morrison and Tovo. Those voting nay were: Mayor Leffingwell, Mayor Pro Tem Cole and Council Members Riley and Spelman.

Fixed Charges: The motion directing staff to set the fix charges for residential customers at \$10.00 in their final rate calculations to be presented on June 7 was approved on Council Member Spelman's motion, Mayor Pro Tem Cole's second on a 6-1 vote. Council Member Tovo voted no.

Five-Tier Residential Rate: Staff was directed to provide more detailed information on various proposals for Council consideration at the next Austin Energy work session.

Bundled Plan for Low Use Residential Customers: There was a motion to approve staff's recommendation that there be no energy bundled into the fixed charge that was made by Mayor Pro Tem Cole and seconded by Council Member Spelman. The motion and second were withdrawn.

The Electric Utility Commission recommended there be a separate line item at the bottom of the residential bill to reflect the Energy Efficiency Service Charge.

CAP – The motion to direct staff to include the following in the Customer Assistance Program (CAP) for up to 25,000 customers was approved on Mayor Pro Tem Cole's motion, Council Member Spelman's second on a 7-0 vote. The direction to staff was to include the following:

- ◆ \$1.50 CAP fee per month would be added to every residential customers' bill;
- ◆ Eligible customers under the CAP program would be given a waiver of the \$10.00 fixed fee, a waiver of the \$1.50 CAP fee, and a 10% discount on the total bill – both fuel and base.
- ◆ It includes the previous motion approved by Council to expand the Austin Energy customer eligibility program to include citizens who are currently enrolled in the Supplemental Nutrition Assistance Program (SNAP), Telephone Lifeline and CHIP in addition to those already covered under the program. The motion includes development of an automatic enrollment program and to include adjustments to the assistance program in the annual budget to reflect the numbers of citizens needing assistance.
- ◆ Staff will provide a comparison of average bills from the CAP now compared to this proposal for Council's consideration on June 7.

Remaining items to be discussed at the next meeting include:

- ◆ Bundled Plan for Low Use Residential Customers
 - ◆ Five-Tier Residential Rate
 - ◆ Reserve Funds
 - ◆ Secondary Voltage Less than 10 KW Non-Demand Rate
 - ◆ Out of City Ratepayers
4. Discussion and possible action to schedule additional rate work sessions and Council meeting dates for further discussion and action on Austin Energy rates.
Council agreed to have another work session during the week of May 28. Staff was directed to find a suitable time for this meeting.

Mayor Leffingwell adjourned the meeting at 4:27 p.m. without objection.

The minutes for the Austin Energy work session of May 17, 2012 were approved on this the 7th day of June 2012 on Council Member Martinez' motion, Council Member Spelman's second on a 7-0 vote.