

**AUSTIN CITY COUNCIL
MINUTES****WORK SESSION MEETING
WEDNESDAY, MAY, 16, 2012**

The City Council of Austin, Texas convened in a Special Called Meeting on Wednesday, May, 16, 2012, City Hall at 301 W. Second Street, Austin, Texas.

Mayor Leffingwell called the meeting to order at 9:06 a.m.

The following staff were present to answer questions: Mark Dreyfus, Director of Regulatory and Government Affairs, Ann Little, Senior Vice President of Finance and Corporate Services, Rusty Maenius, Director of Austin Energy Finance, Elaine Hart, Chief Financial Officer, and Ed Van Eenoo, Budget Officer. 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.

The following motion was approved on Council Member Spelman's motion, Council Member Morrison's second on a 6-0 vote. Mayor Pro Tem Cole was off the dais. The motion was to direct staff to include in the rate proposal going forward a 10% discount on the cost of service for schools.

The following motion was approved on Council Member Spelman's motion, Mayor Leffingwell's second on a 7-0 vote. The motion was to direct staff to include the following for churches in the rate structure: to move sanctuaries from their own class to the appropriate commercial class, to calculate the demand charges based on week days instead of weekends, and to put a cap on the average cost per kilowatt hour at 12.5 cents.

Because connection and disconnection fees are a fee and not a part of the rate structure, a separate fee study will be done in the future but will not be a part of the rate hearing.

Council Member Spelman indicated he will be sponsoring a resolution directing staff to find out what other utilities have for a governance structure that ensures representation for the customers who reside outside of the City limits and include the pros and cons of each alternative. He will ask staff to distinguish which alternatives would require a Charter amendment.

4. Discussion and possible action to schedule additional rate work sessions and Council meeting dates for further discussion and action on Austin Energy rates.
There was no discussion on this item.

Mayor Leffingwell adjourned the meeting at 11:45 p.m. without objection.

The minutes for the Austin Energy work session of May 16, 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.