Closed Caption Log, Council Work Session, 03/27/12

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>> Cole: The first item that we'll discuss is regarding austin energy's generation and energy efficiency goals.

Staff presentation.

Thank you.

>> Thank you, mayor pro tem.

I'm mark dry fuss, director of regulatory and government affairs at austin energy.

I'm joined today by carl robigo, vice-president of distributed energy services.

And jj gutierrez, our vice-president of customer care.

And again, we appreciate the opportunity to have a more informal conversation with you all about these important issues.

The up toics for today are -- the topics for today are revenue rick perry as it relates to energy efficiency, the solar goals and the customer assistance program.

As you know, rate design issues related to those programs are scheduled for a separate session on APRIL 23rd.

And so we have endeavored to keep our discussion and presentation confined to the topics of revenue requirement rather than rate design.

There is also a related issue, the generation plan update that we are due to provide you in the fall that will go through the update of our generation plan and the embedded solar goals.

We have provided you with short topic primers for each of the three issues today, including references that we have developed during this process on those issues.

And yesterday we released a short memo in response to some questions we had received earlier from councilmember martinez.

We have short presentations today on each of the three topics.

It would be our preference to make these -- each presentation, then handle the q and a and then move on to the next topic.

The first topic is energy efficiency and it will be addressed by mr. robigo.

>> [Inaudible - no mic].

>> Good afternoon, I'm carl robigo.

I'm here about the energy efficient di and distributed sole.

>> The rooftop type programs.

If you will follow along with me we'll make it about the first 17 slides in the deck that you have in front of you.

And I'll make sure that I'm using the clicker here to [inaudible].

All right.

Just to start with a little bit of background, no need to go through this in great detail, the first resolution cited most often for the start of the really strong focus on energy efficiency is 1999, but we know the tradition at austin goes back a lot further than that.

I think about 30 years worth of nation and even world leading energy efficiency programs here that have saved an awful lot of money and energy for the people of austin and community.

The most recent version of where we stand is set out in the 2010 amendments to the 2007 austin climate protection plan.

Sometimes called the resource plan or some people call it the generation plan.

And in that most recent round we upgraded the goal of 700 megawatts by 2020 to 800 megawatts of peak demand savings.

We upgraded the goal of 30% of renewable energy by 2020 to 35% renewable energy by 2020 and we increased the solar goal from 100 megawatts to 200 megawatts.

That's not specified as to where that 200 megawatts comes from.

We also added a climate specific goal which was to achieve a 20% reduction in co 2 emissions from the 2005 baseline by 2020.

So that's the framework in which we're operating as we go forward.

We do energy efficiency for a whole host of reasons, as I've already suggested.

Saving money is a really good thing.

There are two aspects to the saving money.

It's in the near term energy efficiency is cost effective.

Many measures pay for themselves almost immediately by saving electricity bills.

But also over the long-term, and that's through primarily through aborted costs.

That is to say, we avoid the construction of power plants.

I laid a lot of this out for you in a memo about the 800-megawatt goal, so I won't go into great detail.

We can talk about it more, but basically we manage a portfolio against a price of what new generation would cost and try to deliver that portfolio and have succeeded in delivering that portfolio of energy efficiency savings at a cost significantly lower than the cost of generation.

And that accumulates overtime into very big savings.

In fact, to port of share with you some -- to sort of share with you some numbers, based on 2010 energy information administration data, which includes all of the competitive or so-called competitive and other utilities reporting in the state of texas, in 2010 the average residential customer in austin used 16% electricity than the average texas consumer.

The average residential customer in austin paid 24% lower bills than the average residential customer in the rest of texas.

$32 Less per month for the average residential bill than -- in austin compared to the rest of texas.

So the long record of energy efficiency is big savings that have accumulated through consistent support from the council.

And the administration by austin energy over several decades.

The programs that are included -- I apologize for the headings here.

I think they will be clearer on your documents b the programs that are included in the rate review are those associated with energy efficiency services and green building program.

And this is just an effort to compartment allies those costs for the purposes of the rates and it follows government accepted accounting principles in order to do that.

It doesn't of course necessarily reflect that there's a whole lot of mechanisms in austin energy that support these programs.

People in accounting and you know, marketing and lots of other places.

But what we're dealing with here is the budget items for the purpose of the rate review.

And those include things that we do on the ground, technical assistance and recommendations to customers and cost effective measures.

And of course, the largest dollar amount is associated with the so-called crif, the conservation rebates incentive fund, which helps supply financially incentives in the terms of rebates primarily to customers for taking action to make their homes or businesses more energy efficiency.

The green building program is another part of the services, and they encourage the adoption of new and innovative approaches to make buildings more energy efficiency and sustainable through the rating program that has been running for exactly 20 years now.

It's just finished the 10,000th home.

And that accelerates the adoption of energy efficiency into the marketplace generally.

The team there also manages the other end of the spectrum, the city so when ideas become so affordable and so logical and practical that we really should require everybody who builds a new home or does a substantial retrofit to use those ideas, whether it's certain amounts of insulation or performance standards on windows or whatever, then they get put into the code.

So the program represents a full continuum from encouragement and ideas and reward for voluntary kind of action through green building ratings, through rebate and incentive programs, through mandates in code, when measures are truly cost effective and there's no reason not to do them.

When you compare -- I'm on slide 5 now.

When you compare the way we perform in our energy efficiency and how we invest in energy efficiency to the utilities that are tracked by the public utility commission in order to try to get a sort of apples to apples comparison here, you can see that we do invest more heavily in energy efficiency than those utilities.

Remember, in the part of this state where utility services are regulated or not regulated in the competitive market, if you will, energy efficiency programs are administered by the transmission and distribution utilities.

The companies that own the wire system.

So that's what we've gathered here is just for your comparison to see how we've invested and the bullets really share the highlights.

We put more money to work.

Again, it's still cost effective in the portfolio approach.

And we achieve more.

We use energy efficiency as a resource.

We've also -- because of this great record of -- like I said, over 25 years of performance and the experience base that's been built up and the teams like those in distributed energy services, we're also a really good bet for the spending of federal money.

So when the stimulus funds, the stimulus act was passed, we were able basically within a year to secure $27 million in additional funds that really has gone a long way towards helping us continue to deliver energy efficiency services, try out new things and not adversely impact the budget in these tough economic times.

And the list that we've provided for you here really gives you a sense of the wide range of clean energy activities that we have going on within the program areas.

The next chart is an attempt to try to put a lot of useful information hopefully together in one place.

This is the kinds things people talk about a lot.

So I'll work you from the top down.

count changing from 2007 through current.

And the important thing to notice on that is with the 2007 council resolution we created the austin climate protection plan and staffed up a group of about 12 people that was in distributed energy services.

That group was moved out and recently, about a year a or so ago, but basically a relatively count in distributed energy services, where all this goes.

And then below that four sort of different budget lines to give you a comparison.

At the bottom the solar rebate funds running just below five million dollars.

Pretty consistently throughout the period.

Some of these numbers vary a little bit.

These are our budget and program dollars and we've got other, like i said, rate-making dollars and they're not quite the same, but it gives you a feel for the trend.

The other lines that we've plotted there are the rebate fund with and without solar so you can see how that fund goes.

It's green on the screen here.

That's the crif fund that I told you about before, the conservation rebate incentive fund.

And then what happens also with cef's, o and m, that's salary, contracts, those kinds of things that are not in the crif or the solar so what you're looking at is relatively flat budget driven by personnel mostly on the o and m side, and rebates on the other part of the o and m side, in that special fund.

A few graphs quickly here to show you where things have gone and where they might go.

Historical peak demand reductions, the real message here is that energy efficiency generally is co-cyclical with economic conditions.

So if the economy is down, energy efficiency tends to be down, especially since we're a big part of new starts.

We get a lot of our energy efficiency savings from the code changes I talked about.

So that slows things down a bit.

And we had to transition more towards -- you can see that dip in green building in 2010, which was the result of that.

We had to transition more towards trying to drive things in the regular residential and commercial program.

These next two slides are sort of what would it take to get to the 800 megawatts using the crudest forecast, just a straight line forecast.

Not -- we actually have an actual forecast that says that it's more of a curved shape because of some technological measures we plan to implement in the later parts of the cycle of the 2020, but just in the crudest terms, we're talking about trying to get an additional 60 or so megawatts of peak demand reduction each year from now until 2020 in order to accomplish our 2020 goal of # hundred megawatts.

800 Megawatts.

Remember, we also have ongoing a technical and economic and achievable potential study that's going on.

It's the first time we've done one of those studies in about seven or eight years, so there's a lot of pent up technological progress and market sort of mechanism development progress that's happened since we last studied that.

We plan to complete that study about the end of the summer and use that to true up our -- where we stand in terms of whether 800 megawatts is still the right goal, is it too much, is it too little, trying to find the best goal.

And that shows up again in more generation planning.

If you -- if you extrapolate that 60 some megawatts and you again straight line assume improvements in increases in the crif budget, just the crif budget, this is the incentive budget, then you can see the kind of numbers we're talking about here on the little side column of what has to show up in the crif budget if that straight line projection is right and all other assumptions hold true.

So to wrap up, we've put together a couple of things here that are specifically related to the rate review.

First of all, the core budget for this stuff is in the revenue requirement.

The amount in the test year is $23 million, as you can see there in the second bullet.

It shows you the numbers that are included in there.

Since they are included in there and we're using an historical test year approach for the revenue requirement, then we conclude that there's no need to adjust the revenue requirement for that, but we do need to start thinking about how do we potentially increase and is that in subsequent rate cases or is it through other approaches?

And we're looking right now you remember the first proposal had that it would be an energy efficiency charge.

We'll look at those things and discuss those in more detail with you in this aspect, but in terms of just the amount we're comfortable with the 23-million-dollar amount which represents energy efficiency services, green building, operations and maintenance costs ant the crif fund as an historical test year number.

So with that I could run -- shall I run through the solar as well real quickly and have both conversations?

>> Cole: Why don't we hold up and see if we have council questions.

Councilmember riley?

>> Riley: Yeah.

Thanks for the presentation, carl.

Just a few questions.

First, on slide five we're comparing austin energy's commitment to energy efficiency with the performance of other electric utilities.

Just out of curiosity, why -- how did we pick those utilities to compare austin again?

>> Those are are the ones that are collected and reported through the texas public utility commission efforts as statewide numbers.

So whenever we look at things like the affordability index and others, we try to compare to the p.u.c.

Data.

So -- and of course, other municipal anies and owe cops are not regulated by the p.u.c.

And there might be some variation on how they track those numbers.

So this was the best we could get in sort of apples to apples.

We know there's one methodology at the for tracking and counting all these dollars.

>> Riley: But this wasn't include, for instance, cps?

>> No, it's not because they're not included in the report and we don't in the same way that these distribution utilities are regulated.

We were trying to find a statewide set that we could give you a comparison.

>> Riley: Okay.

Shifting over to to the trajectory chart on page nine.

I scratched my head when I saw this chart because when you first glance at it it looks like we're doing great with increasing performance each year.

And that struck me as odd because we know we have had some difficulty in actually achieving that kind of trajectory.

And what I realized on closer study is that this is -- those totals shown in the chart are cumulative totals t does say cumulative down at when you look at 2007, '08, '09, '10, it looks like we're steadily climbing, but in fact many times previously we've seen numbers for each year that show

the opposite, that actually show the megawatt savings per year is actually -- has actually been declining.

In fact, a number of documents, including the energy efficiency study that you provided to us, that one -- that memo that you provided on december 6 shows that from 2007 to 2010 we went 4 to 41.2.

We actually saw significant decreases in the amount of megawatt savings annually.

Which is troubling if we really do need to stick with about 60 megawatts a year in order to achieve our goals.

It seems like we've got an issue there, which the chart on page nine doesn't really call attention to because if we continue to see declines, then we're not going to hit our goals.

In fact, your memo notes that we'll have to be increasing the hardware purchases and other personnel costs by five to eight percent each year, right?

>> All that is true, and i appreciate you pointing out that that chart is a cumulative savings chart.

We do need a mechanism forward going for how we're going to accomplish that.

Megawatts have gotten more sense sieve in recent years.

I'm not sure I used the last five years to strictly extrapolate from -- things tend to go in fits and starts.

Maybe a big cost to deploy a particular technology like a term statistic, but once they're in you might get 10 years of work out of them.

So they're a mixed bag, but our general assessment is yes, we do need a consistent increase and funding mechanism for energy efficiency in the future in order to get to the 60-megawatt run rates.

>> And we have struggled with that recent years.

Even with state and federal funding we've actually seen declining levels of energy efficiency savings.

And especially a problem when we consider the cost implications because as you noted, energy efficiency tends to be cheaper.

Were you able to quantify exactly what the difference is in terms of the cost per megawatt of savings through energy efficiency as opposed to new production?

>> The target we used in managing the portfolio is about a 750, $760 per kilowatt of power plant capacity.

That's a number that's worked up by our operation side each year.

And the historical record in the energy efficiency programs -- I'm going from memory here, and I think i gave it to you in the 800-megawatt memo, has run from about five years ago 300 or so dollars per kilowatt.

In recent years we have actually over $400 per kilowatt for energy efficiency.

So we're at the stage where we're getting energy efficiency megawatts for about 60% of the cost of generation.

>> Riley: Okay.

On page 11 you talk about the energy efficiency programs I'm packet on utility's revenue requirement.

We've heard some interest in exactly what the impact is on the revenue requirement.

And in that regard there's been some discussion about san antonio, which apparently each year computes its net reduction revenue requirement from their energy efficiency and solar rebate programs.

Have we looked at conducting a similar analysis here?

>> We don't do exactly that kind of analysis.

We're actually -- I'm not sure whether they do the same thing we do.

I'll tell you what we do.

What we do is that we actually start with our megawatt target and enter it into the forecast prior to developing the budget for the coming year.

So we kind of hard wire energy efficiency in as a resource.

And reduce the amount of planned expenditures for power by that amount that has the effect of internalizing it and making -- and exposing what happens if you don't achieve those reductions because you end up having to go to market and buy it.

The kind of thing that san antonio does in trying to calculate whether it pays for itself is often seen as something that is done by utilities when they're first starting programs because they're trying to figure out whether or not it's truly cost effective.

Austin energy kind of crossed that, as I showed in the 1999 memo and actually before when council said it's going to be the first priority for these guys in meeting the needs of increased demand for energy.

So I think we could calculate it, but essentially it gets calculated, like I said, as those megawatts come in at a cost of what we report in the dsm report every year, and you can compare that to what we believe it would have cost to build generation for that same -- during that same year.

>> Riley: The bottom line is you feel confident that with the proposed revenue requirement that we would have an adequate revenue stream to put us on track to hit the goal of 800 megawatts by 2020?

>> It's a good place to start because we actually reduce the incentive and energy efficiency levels in the current budget, if you recall.

So this would actually increase it, bring it back up to the level of 2009.

So my staff feels that that would be a good bunt to work with -- a good budget to work with.

You can't like double the budget in one year and effectively handle it.

So it does take time to warm it up.

But I'm not speaking to what we have to do in the future.

This is a good base.

But we still believe we have to have a mechanism for increasing that on a forward going basis.

>> Councilmember, I think we would make a distinction between the number that's in the revenue requirement, which is an historical number based on an adjusted test year of what we believe we should be allowed to collect, and then on a going forward basis what we budget every year.

And those are related by two distinct exercises.

>> Riley: So we anticipate that the revenue requirement for some future year may well be higher.

And it may need to be higher in order to keep us on track to hit our goals.

But for purposes of the test year that you feel the proposal is adequate.

>> That's exactly right.

And it could be through another rate case.

You know, you do that a couple of years later to sort of true up.

You have mechanisms.

The utility is regulated by the p.u.c.

Use the energy efficiency cost recovery factor.

We were proposing the energy efficiency charge.

You have other mechanisms that you can adjust on a yearly basis so that you keep up with your budget requirement.

And that will be -- that's sort of part 2 of the discussion when we get the rate design, but like i said, for purposes of revenue requirement, we feel this is a good platform to start from and then we can do the building.

>> Riley: One option, for example, would be to build something into a fuel charge as san antonio does.

And we'll talk about that when we get to the rate design.

>> Yes, sir.

>> Riley: That will be especially important if we want to aim any higher.

For instance, there was a lot of discussion at the time of the generation plan was under discussion.

There was actually the unanimous vote by the taskforce to go to 1,000 megawatts instead of just 800.

So if we wanted to do that, then we should be aiming for some mechanism that allows for increased funding beyond the test year.

But for purposes of the revenue requirement, you're comfortable with the -- with the (indiscernible).

>> Yes, sir.

>> Riley: Okay.

Thanks.

>> Cole: Councilmember tovo.

>> Tovo: I just have -- i want to follow up on that quickly.

It was my understanding that the test year data also can encompass any known and measurable changes.

And if it's a known and measurable change we're going to increase the funding in that budget line or that we would need to to meet our goals.

I don't know why it wouldn't be reflected in the revenue requirement.

>> Well, I believe that the known and measurable change is updating 2009 to current.

We know what current expenditures are, but future expenditures are still unknown, so we wouldn't adjust, make a known and measurable adjustment to an unknown future amount.

So we will do that through budget planning.

>> Tovo: I'm sorry, I'm having a hard time hearing.

Budget planning.

Okay.

I wondered, we got some information today from some estimates from mr. reid.

I don't know if he feels comfortable coming and speaking to these.

Do you feel comfortable coming and speaking to these or would you prefer to let the information stand as its -- thanks.

Thank you, mr. reid.

So you have provided our offices about an hour ago with some estimates of what it might cost to achieve the 800 megawatts.

And I wondered if you would just kind of run us through some of those numbers and maybe then austin energy staff can give us some sense today or in the future of whether those sound about right.

I do think it's important that we keep in mind what our goals are, what the council adopted goals are.

And really work on a strategy for achieving it.

>> (Indiscernible) reid, sierra club.

Just to be clear, I did not have -- I did not have some exhaustive study that I did a careful analysis of.

All I did was took the numbers they provided to you and said if we were to base those numbers on the year 2009, what would it cost on an annual basis to get us to those 800 megawatts.

Or alternatively if we took those four years of data and the average cost, how much would we need to get to the 800 megawatts?

And all I was suggesting is if you used the 2009 numbers, you would need a little bit more than 23 million a year.

You would probably need more like 25 or 26 million.

But as they said, they took one year's data, and I was trying to do the second part of it, which was to extrapolate how much you might need to get to those 800 megawatts.

That's all I was doing.

Certainly I would welcome austin energy's input.

This was just me with an excel spreadsheet running some numbers.

So my suggestion was that i would -- I made two suggestion.

One, I think you might need a little more.

And if you were to take into account the generation plans' recommendation that we continue to put substantial amounts of money into weatherization for low income, which is a more costly program on a per megawatt basis, but if you were to make that commitment 9 million per year, again, it would mean you would need to put a little bit of additional resources into that program to meet those requirements.

So I was just pointing out some things from being on the generation taskforce that you might want to look at.

>> Tovo: I appreciate that.

Thank you for the additional information.

I have more questions, but I'll leave it for the moment because I know my colleagues do and I can come back to my other ones later.

>> Cole: Councilmember morrison?

>> Morrison: [Inaudible].

I just want to go back to it.

I'm very comfortable about knowing that we need more money next year, knowing that I think that your budget -- your memo on this (indiscernible), we know that the capital out lay, the dollars for the rebates and all, need to increase by five to eight percent and then there were additional charges on top of that.

So I'm uncomfortable of saying well, we know that we'll have to figure that out later.

And I guess I just would like to find some -- something we could sink our teeth into.

Are we going to do -- i don't want to be -- I'm uncomfortable with a line item charge for energy efficiency personally.

I know there's been a lot of concerns about that, so i want to make sure we're not setting ourselves up where that's a done deal and has to be done.

Couldn't we -- so let me just leave it at that.

I hope we can look at some mechanisms and we know what our plan is for increasing, getting the additional revenue every year.

Otherwise we're going to be in a struggle when we're budgeting and we're going to be having to do trade-offs and all.

And I sure hate to see us do a rate case every year.

So anyway, I don't know if we can talk about that some more.

If you call can help us brainstorm about that.

But I would really like to know what our plan is for getting enough money for our program.

>> Cole: Is this something you want to address now or you want to come back to us later?

Do you have any thoughts, immediate thoughts?

Larry or anybody?

>> I think that's an issue that we would have to get back to you on.

>> Morrison: All right.

And then so one of the things that we say is that we're going to have a virtual power plant, right?

And so with regard to that, if it's a virtual power plant, should I see it show up in our matrix of the generation plan?

>> That's an interesting philosophical question.

I don't think given the way normal reporting is done by utilities, we're kind of -- we're ahead of a lot of those others who don't consider energy efficiency a resource.

And who are still resisting working on the demand side of the equation, but that's how those rules were written.

And how those accounting processes and things like that were established.

So I'm sure we can come up with something where we can demonstrate the energy efficiency values side by side with the resource and of course when we do our resource planning, we do consider it.

We load it in, as I said before, sort of load it in first.

>> Morrison: Do we decrease what we think we need in 2020 because we're counting on the 800 or a thousand?

>> Right.

We treat it like the first power plant we dispatch because we sit there and say well, we think we're going to need a thousand megawatts and then-- and both in an annual budget and forecasting, but also in the resource planning we say okay, so what can -- what's the energy efficiency load?

That's 100 megawatts.

Okay.

We need 900.

Where are we going to get it from?

And only then do we start saying okay, well, we still have fayette, we still have this, we have that.

And we go through those resources.

Where it starts getting interesting in the resource plan, but not really sort of in the rate case is when you figure out what your next marginal vest is.

That was sort of the debate that cyrus mentioned, and councilmember riley mentioned about the taskforce.

Could we up the marginal investment in energy efficiency and maybe substitute for something else or purchase power or something like that?

But that's a resource planning kind of activity.

>> Morrison: Okay.

So this is then a natural follow-on question.

Do we consider investing capital funds in energy efficiency since it, as i thought you just said, it's just like fayette, it's just like all our other power plants that we use capital funds?

>> No.

For the accountants I think we're green because we're not generally buying capital in assets with the money and we don't consider them to be long lived capital investments in most cases.

There are a limited number of -- some capital investments are supporting customers making capital investments, but that's not our capital investment.

There is something that kind of comes close to that, and we're going to be talking back to you on a resolution about this to talk about using large funding mechanisms like bonds and things like that that normally support capital investments to do things like the so-called pace type programs where you -- where we act as a lender or

[14:46:01]

facilitate the loaning of money.

And we're just starting that with the better buildings program and the revolving loan program, but -- that's one way that it looks a little like capital.

It's sort of off this again, but it's a way that it projection mates what you're talking about.

Apox mates what you're talking about.

>> Morrison: That takes me to the study that you mentioned.

When is the timeline on the study?

>> The potential study should be wrapped up in about the middle of the summer.

I think we have a deadline of somewhere around the first of july.

I don't have it specific in my mind, but I'm thinking we're finishing it up in the summer.

We've just -- we're just starting to get the first round of the baseline, which is our critical element.

I just saw a draft of a kind of very high level baseline that we now have to tune to austin's specific market, whether technological conditions.

>> Morrison: Is it going to address financing I know as I talk to folks, that's one of the important issues of making sure that we're really being as open as possible, especially if we're keeping in mind like wanting to work with renters, wanting to work with low income folks, looking at -- I don't know if on bills cost for energy efficiency upgrades and all that are possible, but is that part of the study?

And if it isn't, how will we really get all those on the table to be as effective as possible?

>> When you do a potential study and you translate from technical potential, just theoretically what you do do if human services were involved and you were maximizing your efficiency, then moving through what they call economic and then achievables because we don't always do everything that's economic.

Those filters -- that transition process in the study will get us -- will be

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informed by idea like the idea that there are new, more cost effective mechanisms that get you more megawatts per buck, so that's important when you go from the economic or that if there's a couple hundred megawatts of energy efficiency potential say in the low income sector, but you have better programs for delivery and make a higher percentage up take on the achievable side, you can add more of those megawatts into what you ultimately call your potential.

Not that -- but the study isn't designed.

We didn't hire the consultants to do program design or to do product design around that.

We're just going to inform whether 100 megawatts of technical potential becomes 90 megawatts of economic potential, becomes 80 megawatts of achievable potential.

And they might say something like new approaches have resulted in these better values, and it's 80, not 75 because of that.

And then it's up to us to say okay, we really like that mechanism.

Somebody is having great success with an auction program, somebody has great success with a block approach to low income weatherization or something like that and we'll revise our forecast based on that.

And that includes the program construction and rollout to go with that.

>> Morrison: Right.

Which will then take us to our budget for that year or a budget options.

I know we're here to talk about money.

>> That's exactly the flow.

>> Morrison: Will that be -- will we have an opportunity?

I know we have a lot of folks interested in a lot of the energy efficiency issues and developing programs and maximizing them.

So is there going to be an opportunity for sort of public stakeholder, sitting down at the table once the study comes out?

>> It's absolutely going to be wide open.

The mechanism we normally use to review this stuff is through the resource management commission because those guys pay a lot of attention to our rebate programs and incentive programs like they do for a

[14:50:00]

couple of other departments.

And I'm certain we'll roll it out through them and because it has budget implications we'll roll it out through the p.u.c.

But the timing for the full potential study probably means we'll have written the budget, mostly anyway.

There's not a whole lot new under the sun and we have initiatives underway that we're trying to get done anyway.

But it will guide us I think for several years.

>> Morrison: Okay.

Last question about the study because I think this really leads to programs and funding mechanisms if they're even needed.

Sometimes they're so worthwhile as long as we do education, for instance, and make it accessible.

The -- someone shared with me an interesting chart that actually breaks down sort of the cheapest -- it by customer class basically and different ways of achieving efficiency and how much they cost.

And then the estimate is how much per each of those blocks you can achieve in efficiency, is that basically what we're looking at with the studies, something like that to come out for austin?

>> The study will include that kind of efficiency cost curve and it just basically tells you your first 50 megawatts comes at practically nothing or maybe negative costs because it saves money overtile like lighting does and then you cross that frontier of zero costs and it gets shaped steeper and steeper as it goes up.

And there are some things that are too expensive to procure.

You set your budget line and grab everything at or below that.

That's a good way to sort of have a look, and our study will include those kind of curves.

The only caution I will just lay out there now, and we'll get into later on, is that you don't want to cut yourself off from a non-cost effective measure -- from something that's very expensive, but if it can be more effectively bundled in with several other things.

So while you're doing light bulbs, do the ballast.

[14:52:00]

The ballast may not be cost effective by themselves, but if you're in the fixture, do them both at the same time.

We're looking for those things as well.

>> Morrison: This might be the same question that councilmember riley asked, just in different words, but when we're looking at the costs, are we taking into account sort of akin to the value of solar, but here we're taking into account the value of energy efficiency --

>> the value of savings.

>> Morrison: The value of savings that we're not having -- and it's not just the capital savings, but some of the near term savings.

See, you taught us well at our committee when you were talking about value of solar.

Because it seems to me that to be realistic we need to take that into account and that is probably the net revenue requirement reduction that councilmember riley was talking about.

Is that correct, that those are sort of the same things?

>> We don't do a value of savings calculation and use that as a threshold for determining investments strictly because we just use that portfolio target.

But that was one of the coolest things that popped into my head when we finally put the value of solar together.

It like wow, this works for savings too.

We know -- we are making baby steps towards that and part of it is because of the fact that we are somewhat dependent on things liker rot, the electric reliability council of texas, to harvest some of that value.

My point is this, we know that if -- let's say our thermostat program.

When we activate a thermostat and switch off that air conditioner through that thermostat, the customer saves nine and a half cents per kilowatt hour for not running the air conditioner during that 20 minutes.

But we know during the hottest part of the day that electricity is worth a lot more.

So it's the gap between what the customer savings, the

[14:54:01]

cost to capture it, the thermostat, the program and all that sort of stuff, and then the value that those savings could have in the marketplace where the things really get exciting.

Now, they need to know that they'll want to know and they're just slowly developing program rules, but they're moving in a positive direction.

They need to know how much certainty, how quickly do you have to be able to activate it, how do you report it, how do you claim it?

How do you play into marketplace with those savings?

And that's one of the most exciting things going on and it will get to be about 50% of our reductions in the later part of our traject terry to 2020.

It's called demand response and it's very exciting and that will reveal that value of savings.

>> I think that to get a true -- for us to do a true analysis of whether it's worthwhile to invest the money, as soon as we can start getting those numbers on the table and actually have value of energy efficiency listed there, i think it's really important.

Are you telling me it might not happen for five years or can we really start thinking it in a year?

>> We are getting great value out of doing it now with the thermostat programs.

We have items coming to council for commercial customers.

There's money opportunity there and we save money because we're an integrated utility.

When the guys have the competence in us that we're really having the reductions they can basically sell power that they either don't need now or are generating and can get extra value for.

So we have a mechanism to do it internally.

There is even bigger mechanisms to give to market.

But I want to stress that all these improvements will just make a stronger case for energy efficiency.

We're already rock solid in cost effectiveness now, but it will help us get more of those megawatts and make a stronger case for the demand side of the equation.

>> Morrison: I realize that operationally we're

[14:56:00]

doing that, but I'm wondering about the numbers that we see in front of us when we're looking at budgets and whether it makes sense to invest.

I think it's important for us to see the value of solar, so that's what I'm hoping that we can start seeing in the near future because that's what it really is.

And as we heard about like with the value of solar, it doesn't take into account the fact that for instance we don't have to -- that we're saving water because we're not generating that electricity.

And all those other less so i appreciate that.

I think that that will be really helpful for us to make those decisions.

Coil cole thank you, councilmember.

Martinez.

>> Thank you.

I really appreciate all the work and all the responses and questions.

It's really helpful.

But I do want to go back to a point that councilmember morrison and riley were talking about just so I can be very clear.

And I totally understand that when -- energy efficiency and rebate programs demand revenue, but they also create that efficiency in savings, if you will, within our portfolio.

But it sounded like you said, and let me clear this up, that you have to project what it costs to build and generate that capacity should we not meet those energy efficiency goals that we've set.

Is that correct?

>> Yes, sir.

Because we load it into the forecast.

If we don't achieve that the guys in operations have to go buy extra power from the market or run the power plant harder.

>> Martinez: But that's a very distinct point.

Buying it from the market and building and generating it sound like two different prices to me.

>> Mark is the expert on how the nodal price reflects all those things.

>> Martinez: Maybe that's why I don't understand.

But to me it's different when you say build a new power plant, generate it, staff it, pay all those costs as opposed to a ppa from some other source.

>> I think we have -- this is one of the fundamental puzzles of operating with

[14:58:00]

energy efficiency as a priority.

We have short-term cost and benefits and we have long-term cost and benefits.

And in the short-term if we don't achieve a kilowatt hour of energy efficiency, then we buy it from the market.

But over the long-term as we're saving hundreds of megawatts through energy efficiency, then we have a decision or if we don't save those megawatts through energy efficiency, then we have a decision down the road as to whether or not to expose ourselves to a lot of risks in the power market or to make an investment in a large lumpy piece of equipment that costs hundreds of millions of dollars.

So toes floor these marginal cost savings, but over the long-term it's a much bigger investment that we have to decide whether we want to make.

>> Martinez: So if we consistently see yourselves not achieving the energy efficiency goals, at some point we have to make a decision do we keep going out on the market and filling that gap or do we create that sustainable power source?

>> Correct.

>> Martinez: So of that 23-million-dollar price tag in slide 5 -- sorry, I lost my place.

Page 11.

Of the 23-million-dollar price tag, can you tell us how much of that in dollars is based on -- is what you're factoring in as revenue requirement to build and generate or buy if we don't achieve these energy efficiency goals?

>> Not reflected in that.

>> Martinez: It's not?

>> This is simply the cost associated with staffing the energy efficiency team, the green building team, and paying the rebates and incentives that we paid in 2009, the test year, which is about 18 million of that $23 million.

>> Martinez: But when carl's team makes a decision to fund a particular program at a certain level, they've done a test that says it's cheaper to fund this program than it is to invest in a new increment of a power plant.

>> Or it's going to be.

Again, it's a portfolio thing.

>> Martinez: Where in the revenue requirements can we find the amount that we're projecting as an assumption that we would need if we don't achieve our energy efficiency?

>> The place that shows up is when we have budget discussions.

We sit there and say --

>> Martinez: On an analyzed basis we have this conversation?

>> Yes, sir.

We'll say something like fred or brett will go it's 50 megawatts this year and he constructs a budget.

And we submit the budget through the process and say here's what it takes to get 50 megawatts, $63 million, six million in staff and 18 million -- 17 million in incentives.

If in the budget process that number gets reduced, that's when we can say okay, well, budget being reviewed and improved on september, hot summer following that reduction is going to take that 50 megawatts down to 40 megawatts.

That's five megawatts of extra demand that needs to be purchased the following summer.

And it will show up in the operating revenues.

It will also show up in the forecast.

And when we come back to the forecast again, which also includes sort of the next year, but also goes a long trend, the line for the forecast for every year that we don't achieve our goals gets steeper and steeper.

And at some point it gets steep enough that the resource plan says we -- it's time to make one of those big decisions that mark said.

We either invest in our own power plant or understand that we -- or strike a deal with somebody through a purchase power agreement or expecting to to the market every year for x amount.

So that's the ways in which a failure to achieve a goal would show up.

>> I think the other place you will see that is every two year we'll be doing the resource and generation plan and that's where we really do the evaluation of the large, lumpy investments and when are they needed, can we put them off, what happens if we don't make the targets related to the projections?

>>

>> Martinez: Thank you.

I apologize for making you go through all that.

For me the reason I ask these questions because we are making some assumptions.

And when we look at the trend thus far from 2007, if we're achieving our energy efficiency goals, we're tracking pretty well with what we've committed.

What is the amount of assumption we're making?

For revenue requirements and could we back that down?

And if so, by how much?

Because when I get a response to my questions about what it would cost to automatically enroll all of our customers that qualify for customer assistance we're talking about 3 fist thousand dollars, which isn't -- $350,000, which isn't chump change, but it's $40,000 we could help if we could find $350,000 of assumptions that don't have to be in there moving forward to pay for any new policy changes.

I realize that may seem like a small amount in the grand scheme of things that we're talking about, but to those 40,000 customers, it's everything.

It's their electricity, it's their livelihood.

That's why I'm asking the questions to try to get to that, find that number of are we making the right assumptions and is there a way to fluctuate on those assumptions to create additional revenue for other priorities that we might have as a council.

>> Your point raises some very good policy stuff.

We start with 800 megawatts.

Our current estimate is that if we reduce energy efficiency spending, we won't make that 800.

So then sort of we put that back on your lap, right, and say okay, so what number did you want us to try for and what do you think we can afford and based on what -- our best guess is the assumption as to what it costs to accomplish a certain amount of savings informed by these studies as well as our experience.

And yes, you're exactly right.

Everyday in so many ways there -- in every budget cycle there's trade-offs, sort of one to the other.

My job is to advocate within larry's staff team strongly for the energy efficiency.

And I tell them, you know, this saves everybody money over time and etcetera, etcetera.

And somebody else lays out the other values and that's how owe then it all gets sorted out by the city manager in budget proposal for these guys.

But yeah, I -- you hit the nail on the head.

Everything is sort of on the table.

And everything -- everything that costs has to be compared in terms of what its value is.

>> Cole: Carl, I have a couple of questions for you: I understand the push-pull between our energy efficiency goals and if we don't reach them that that costs us money and then we only have options to go out and buy on the market or through a purchase power agreement.

Is there any way to budget for those types of swings through our reserves?

>> Do you want to talk about reserves?

There is always cash operating, you know, needs that may vary and you never know with weather -- weather is still a major factor.

We had a particularly hot summer.

Even if I achieved all my energy efficiency, we may have to be in market for more power.

So I don't know which specific reserves are meant to tackle the need to go to market in the short-term.

>> Cole: It's just a number of councilmembers have of course expressed strong support for energy efficiency and also for taking care of low income customers that may be having trouble making their bills.

And that low income -- and i also recognize that a low income customer is not necessarily an energy efficiency customer.

So given all these competing concerns and policy goals of ours, it just struck me that we needed some type of reserve fund for this 23 million that you're calculating or we needed to be thinking in terms of that when we're doing our forecasting so it's not such an unknown factor, like councilmember martinez has brought up, okay, we all would like to see the customer assistance program expanded or to include a larger number of low income customers.

And is there savings in this kind of quagmire that we find ourselves in?

Is there a way that instead of waiting to the budget process and annually guessing about the amounts, like councilmember morrison talked about, for us to actually do a matrix or a forecast so that we commit certain funds to our reserves just for those types of swings?

>> I have to say I'm a little unclear on the question.

On just energy efficiency, if we achieve our energy efficiency objectives, then our customers save money.

By using less electricity.

If we don't achieve our energy efficiency objectives, we have more power sales, the cost of that will be traded off into the fuel factor.

So there's already a mechanism for that.

>> Cole: I want to break it up since we're not fully getting each other.

So that cost, that expenditure cost that we've been talking about that should be balanced against some value added, like with a -- not having to build a plant, but that is just such a big decision that we would make.

Is there a way for us to continue and not meet our goals, but to have forecast what that deficiency would be?

Does that make -- are you following me?

>> Councilmember, I have to say I'm really not understanding where you're headed with that question.

>> Cole: I guess I was wondering if we know that there are value added benefits, revenue from not building, can we forecast those?

>> Yes.

>> Cole: And I understood you to say that takes as long as one year to five years, is that right?

>> Well, we do forecast them now.

We have a forecast of energy efficiency savings going out to the planning period and we each year as we update the annual forecast, which it leads to the budget, we say this is how many megawatts we're planning to get this year.

This is what we think we can achieve and that leads us to the budget request.

And then we know if we don't fund the budget at that level, we adjust our goal, rereduce our expectation of getting that goal and we know what it will cost in the marketplace based on average place prices.

>> Cole: I'm only stopping you so I can go step by step.

So if we as a policy matter don't want to -- we didn't reach our goals, but we can't control the market, but we want to say within the next quarter to be able to not have any efficiency, not the way until the end of the year, can we budget annually for that in a reserve account?

>> There's two things that -- there are -- I think there are two things that are sort of-- first there are two sides to the equation.

First of all, one side of the equation is what if we need to spend more on energy efficiency?

More to get the same number, you know.

It's costing more for air conditioners or something like that?

That's a variable cost.

It may be beyond budget.

In the regulated world this leads to an issue they call regulatory lag.

You know, you're spending cash, but it wasn't in your budget and you don't like that and you want some mechanism to sort of true it up.

uses the energy efficiency cost recovery factor.

It's like a special fuel charge for energy efficiency.

For power, we use the fuel charge, right?

And the fuel charge is a variable thing that isn't set in the budget, isn't set in the rates, and it's for those variable costs.

So if it's more energy efficiency, and this is the discussion that councilmember riley was pointing out, and we'll have with you later on, one idea that we're looking at is maybe we put an energy efficiency component in the bundle of things that we kind of call fuel charge.

So you can make an adjustment upwards or downwards, by the way, if we didn't spend it and we want to credit back.

Same way if the energy efficiency program just fails and we don't get a single megawatt of our savings, the operations guys are having to go into the market and buy that power.

That's going to show up in the fuel charge.

We have those mechanisms for the short-term variable charges.

We have the idea for the mechanism for energy efficiency and we should come up with it, but for years we've had a mechanism in place for the power production side.

>> Cole: Okay.

Thank you.

That was very helpful.

>> Yes.

>> And I think you're asking a variant of the same economy that councilmember morrison asked, what are the mechanisms that we can use going forward to make adjustments.

And when we look at that we'll look at reserve policies.

>> Cole: Reserve policies.

Okay.

I'm going to have another commitment in about 15 minutes.

And I know councilmember spelman has not asked his questions.

And then after that he will be conducting the rest of our work session.

Councilmember spelman.

>> Spelman: Ultimately i think mayor pro tem cole asked the question where i was going.

I want to be sure I can recap where we are.

In any given year you've got a certain portfolio of opportunities available to you.

Some of which are producing large gains for little and some of which are producing small gains for a lot.

>> Yes, sir.

>> Spelman: And you can line them all up and the cheapest per megawatt and the most expensive and at some point you get to point where the cost of the next most sense sieve program is -- expensive program is too expensive to what it is you're getting relative to the trade-off for purchase trade agreements and the amortized cost of the newly purchased power plant.

>> The only modification I'll remind you of is where a particular cost is is not static.

So windows might be real expensive this year, but over time they'll get real cheap or something like that.

>> Spelman: I think that's what mayor pro tem cole was getting at is we can forecast in advance here's how much we think it's going to cost us to buy windows and doors and here's what the insulation is going to cost, but it will vary over the course of the year and we're forecasting what will happen.

So we have this portfolio and the portfolios will change from year to year as well.

>> Exactly.

>> Spelman: So we were kind of -- there's a fog here and we have an estimate for what we think that curve is going to look like and how far we can go, but over the course of the year we find that opportunities are better or worse and more expensive or less expensive than we thought there was, so there was some adjustment along the way.

And that's the adjustment that I think you guys were talking about is gee, we can get more for less.

Let's spend a little bit more and we can true the whole thing up at the end with the fuel charge.

Or some other means.

>> Or even quicker if we need to if you had a runaway cost.

Fuel cost -- if it has to run up real high we may be back for a midyear fuel adjustment or vice versa.

>>

>> Spelman: As frequently as we can get our rickety bill system to be able to handle it.

The reason I was asking in that way is to validate that that is in fact how we actually make decisions.

We look at a portfolio, we look at a curve and figure out where the break point is and that's where we estimate our budget for the year.

Essentially we buy things that are cost effective, because in developing our capability with that technology gets us on the curve now when we think it's going to be cheaper in the future.

Some customers are harder to serve and we're willing to make that investment because it's important to us to try to serve a lot of customers.

And we balance that against some -- some other measures that have lower cost so that we still greta portfolio target.

It's like an investment portfolio.

We're going to deliver to you value at less than the cost of power, but we like to manage the flexibility of what's in the portfolio, some t bills, some international, whatever.

[One moment, please, for change in captioners] IN>> Spelman: Okay.

That was the preamble of the question.

The question is, how reliableis that portfolio and how reliable is the cost from one year to the next?

>> Pretty reliable.

They're rung on a 25-plus year of experience and we're dealing with buildings and buildings don't change dramatically.

So there are a lot of factors i think keep it relatively collared.

I did share with you on that bar graph that there's also a time lag.

What you can get is a really bad economy in 2008, you know, moves through the system and slows things down and results, you know, in lower savings a year or so later, you know?

>> Spelman: Right.

>> So you are still -- it's cyclical.

It runs with the economy.

So you do get those effects as well.

>> Spelman: Right, which is why 2009 was lower than 2008 and 2010 is lower than that.

>> Then it ramps up again, right.

>> Spelman: Because the opportunities available is less to, relatively speaking, than there had been in previous years.

>> Special projects may take a couple of years, they may put the money down to build the estonian but you won't see it for a couple of years coming up on the savings that we book on to the system.

>> Morrison: I want to remind us that we're in a work session.

First-name rules are in force.

>> Spelman: Go ahead, laura?

>> Martinez: And this is a conversation for us to have too.

I appreciate all of the good questions and comments.

I just wanted to follow up on what you said, mike, in terms of the tradeoffs that we're having to make.

But it's important also that we keep in mind that if we keep -- if we set our goal that we want a lower expense for our low-income austinites, there's two ways to do that, through the cap program, through energy efficiency.

We also have to play -- put that in to the mix.

>> I really appreciate all of the comments.

And agree with a different points that have been made.

I'm aware of the study.

Can you provide us of the scope.

Is that something you have in a short fashion that you can show to us.

Our office might be able to help you with that.

>> I don't think there's a problem with it.

This is one of the contracting firms we hired.

We hired three and issued a scope to them?

>> Tovo: It's great if we just do the scope.

What the study is covering and what it isn't covering.

Are there opportunities to tweak the study if there are discussions or ideas out of this process that would be useful to incorporate?

>> I prefer not to.

One of the benefits is to say, you know, hey, I want to know what we can do.

We write up a real quick scope, you issue one of the three terms.

We give it back what does it take.

We budgeted for it.

We can be very responsive.

>> Tovo: That's great.

It's not, again, based on the answers you gave and the discussions we've had, it's not clear to me to what extent that study is going to give us.

It seems to be about capacity or capacity citywide for achieving energy efficiency, which I know is a concern.

It's not clear to me to what extent it is incorporating this notion we've been discussing here about the value of efficiency, the real dollar value of efficiency.

>> For markets not yet developed, it's not there.

It won't be there, obviously.

If ercot doesn't have a small scale command response market functioning, then I won't have that price.

You use the traditional internal price to determine the economics of the program.

So there is a potential for more value for some of the measures.

For some of the other measures, just determining economics will be done using actual market value.

They're -- I'm thinking about something like the large scale they used to call -- still call eils?

Emergency interruptible load service.

That's one of the things that the study will look at.

It might say there's 50 megawatts worth of demand production potential at eils.

We can go to the ercot data and find what the market value of that value has been.

We can take that potential and turn it to economic.

To what extent do we have existing or functioning markets or good proxies internally for the cost of the power, we are able to get close to that.

For some, we'll have to make some projections.

They'll become increasingly valuable or something.

>> Tovo: I want to emphasize some points that have arisen from this discussion.

It's important we understand, one, what are the incremental steps we're going to take to achieve the goals and the generation plan with regard to energy efficiency.

And what are the costs that are required of achieving -- I would like to see it, for 800 megawatts as well as 1,000 megawatts.

Also, what is the value?

What is the dollar value of that savings when we get there.

I think it would help to have that information as part of this process so that we can assess that against the revenue requirement.

And also, I think councilmember martinez may have mentioned this first, how could that impact the revenue requirement in different way s?

>> We have -- we can certainly do that for you.

You can do what cyrus did and just do a straight up extrapolation of five years' worth of numbers.

I wouldn't take that to the bank.

But it will give you boundary.

>> It will give us guidance.

At budget time it is laid on the lap of council to make that decision.

The budget has gone down.

We do need to understand what the value is, what the financial value is of that in addition to the costs of investing.

So you probably need to --

>> one last comment before we move on?

>>.

>> Mayor Leffingwell: If you can keep it quick.

>> I just want to note one theme I heard from the questions and comments.

There's something unsatisfying after 18 years of focusing on one test year and relying on that test year to fix all of the issues associated with our energy efficiency program, especially in light of san antonio has been able to make significant progress by charting a course that extends beyond one year.

In part because it leaves us in a position of relying on future budget cycles which may not coincide with our needs on energy efficiency.

A more satisfying approach would be to be able to chart a course over a period of multiple years, a five-year plan, be able to set targets for our revenue over the course of five years and some mechanism for investing -- shoring up on an annual basis, both with respect to the items within the fuel charge, which could well include the energy efficiency components and other types of revenue that would have the line on supporting energy efficiency programs.

I want us all to note that.

That something along the lines of a five-year plan would really be very helpful in terms of making sure we stay on course towards reaching our energy efficiency levels.

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>> Mayor Leffingwell: Thank you, chris.

Why don't you guys continue in the next segment.

>> Put me back on.

I'm going to move on the our solar pb program.

I'm not going to be discussing the solar hot water program or purchases like the weberville project specifically.

This is really just putting solar -- or helping customers themselves, actually, put solar on top of their roofs at their homes and businesses.

By the way, that is an important thing to remember if you look at any of these number, any of the stuff I'm talking about in terms of distributing solar that this is the one power plant where customers are making a substantial direct investment themselves.

It makes it a little different.

In other cases, we buy for them and then distribute.

They've got skin in the game, if you will.

Two major kinds of programs here on slide 14, and they have to do with residential versus commercial.

We've been through this a number of times.

But just the high level is that we use capacity denominated rebates for residential customers because the rebate is designed to overcome what some might call an implicit hurdle rate, a resistance to making a good investment.

And it's primarily centered on a perception of high first cost.

These systems operate for 25 years.

They're cost effective over that time period.

But you have to plunk down a substantial chunk of change.

So we target our rebates that the.

The value of solar rate which we're not discussing here.

As I explained to the committee it was designed to help on that, a certain amount.

But until solar is sort of everybody thinks about it pretty much in the same way they think about any other major investment for the house, we're still probably going to have a little bit of this first cost hesitation.

And that's what we're targeting with our rebates.

We -- right now that rebate is $2.50 a watt.

It's a little bit of a moving target out there, the market is affected by a number of factors.

Everything, german solar policy will affect our price of solar in austin.

We're such a market leader.

Our solar systems are going in much cheaper than say san antonio just to choose a random example because of the experience of our workforce, because of the strength of our market.

Yeah, I could pull that random example up.

But I won't do that.

Residential, one roof at a time, they're averaging somewhere between 4 and 5 kilowatts.

And the value of solar rate we're talking about later is an improvement on commercial net metering.

On the commercial sector, we -- customers generally finance these projectses.

So the first cost hurdle is not as significant.

What we wanted do a couple of years ago was switch the program to a performance-based incentive to align our -- align our incentive with everybody's goals.

So what we do is we make an arrangement with the customer where if they put in a system, we will give them a credit of 14 cents per kilowatt hour per ten-year period.

They can book that against the operation, the solar.

They intend to keep the solar system operating, which sh good, in order to earn that money.

And we recently found that the economies favor larger systems so we increased the size limit to projects that can enroll to 200 kilowatts.

We didn't change the budget.

We're just getting ten applications in one, if you will.

It should reduce the burden.

5 megawatts and 1600 solar systems around austin.

This next chart is an eye chart.

It's meant to give you the detailed numbers so that you can look at them.

The big takeaways is that we're getting more solar for our rebate dollar and helping to drive down the cost of solar by having this continuous program over several years.

The watch word in our solar group is sustained orderly development of the market.

Trying to make sure that business people who can make reasonable investments in staff and capacity to continue to play and we want this market to not go boom and bust with one-time big offers that don't materialize like it happened at some random utility in other places.

How many miles south?

So we're proud of the progress.

And we have been reducing the incentive required to get to the results.

From a rate-making point of view, then we look at the budget in the test year and it looks okay.

This is $4.3 million.

This number may not square with the numbers you've seen.

This is the gaap accounting rate making.

Once you true up all of the adjustments, the numbers are right.

It drives me crazy.

I have a two-page explanation from my financial person on how to walk from this number to that number.

But this is a good number for rate-making purposes.

But I will say generally speaking that all of our discussion about where do we want to go and how would we increase and all that applies to this as well, was the solar rebate funds are in the conservation of rebate and incentive fund.

That's one of the things that we could adjust with future adjustment mechanisms.

So I think that's -- that means the conclusion slide on 17 is that therefore no -- we don't feel this needs to be an adjustment to the historical test year for rate-making purposes for setting the rates, the review, and we'll talk to you more about mechanisms in the future.

>> Spelman: Questions?

Go, chris, go.

>> Martinez: Okay.

We got a lot packed in to these two pages and I'm not sure how much we're going get through in this session and how much we're going to save for further sessions.

But I want to touch on a few points.

Fist about the product-based incentive for the commercial customer, we haven't seen too much about how that's working so far.

Could you point us -- slide 15 covers the ground.

Could you highlight the performance we've seen in the changes -- those are all of the changes in years?

>> The program really is only been going a full year in 2011, on 515, you'll see we only got 160 kilowatts under the program.

So we're below target and goal on that.

The first major -- we gave ourselves room to adjust the incentive amount.

We're resistant to try to chase that pendulum too much because of variability.

We're going ride through this -- we made the 200 kilowatt thing is because the installers were telling us there's appetite for the projects, more cost effective, able to make better proposals to their customers.

We made that adjustment.

We're going to see how that, whos out in terms of committing this budget.

And the contractors have told us a couple of things.

And, you know, any given day, this is their job to tell us.

But it sort of -- if there's a higher incentive, they do more.

So that's good.

There's logic in the marketplace.

And sometimes some people said, well we do still have up front investment hurdles and maybe it would help.

I'm a little concerned that there is enough investment benefit to tax-paying entities.

And we do have to watch out for 2016 when some of the federal incentives will walk.

But, in essence, the proposal was to sort of split the baby a little bit and put some in to up front rebate and some in production incentive to kind of take a half a step back.

We're looking at it.

We hired a consultant helping us do modelling and comparisons for some other programs.

Nothing definitive to state from that yet.

Early in the program, like -- moving cautiously to make too many adjustments on the proposal.

On the program.

>> Some of the changes don't necessarily have an impact on the revenue.

Changing the cap from 200 kilowatts to -- from 24 to 200.

That itself would not change --

>> you're correct.

It may disappear in a fewer number of applications.

>> Riley: Right.

I'm glad to see the change from 28 to 200.

And I know there's an interest in raising that still further.

In fact as we look around the country, there are many places with caps, foreign access of 225 kilowatts.

Is that is that correct?

>> There's a difference in the way some of those programs are run that's obscured by using the national map.

Let me put it this way -- the issue you face is that at some point you're conceptually shifting from customer-owned generation on their premises to building a solar plant to be a commercial generator.

The response when you cross that threshold is either feed in tariffs which have interesting tax issues.

That's what broke san antonio's efforts or getting tall way to PPAs.

If you're in the business of using tax-enabled financing or building a two or five megawatt solar farm, they're playing in the big leagues financialwise.

So there's grey areas along that continuum, that's the issue we look at.

>> Obviously one subject that comes up -- the complex discussion -- the spectrum of possibility is the possibility of community solar.

That would essentially allow a lot more austinites to be able to participate in our solar program.

And, in fact, when you -- if we were -- if a private entity were to construct the type of facility that you're describing, a humongous facility, someone living in an apartment or a small house with a lot of tree cover, they would be able to participate in that.

There's obvious advantages in that bringing a lot of private dollars to the table to help us reach our solar goals.

Done a lot of work on community solar.

To what extent would our community solar program affect the revenue?

>> It won't.

It will if we put it in the captive budget.

If it's a part of that mechanism in the future.

If it's something incentiveized, it's a crip issue.

If we start investing in solar plants that we build, if you will, for the purpose of offering community solar subscriptions, you see it in the five-year plan, just like the five-year plan for municipal installations.

We're going to look at a couple of municipal installations to start the market in community solar.

Some high visibility ones, things like that.

Then move into some that we might invest in to our capital program at the same time open it up to possibly having third-party providers if that's the best way to get the tax benefit.

So that somebody does that private investment.

So we're looking at -- we're looking at exactly those kinds of trajectories.

They'll show up in a revised rate case if we've now increased the capital -- the rate-based request if we've increased the capital part of the budget sufficiently that we have to come in for the adjustment.

>> I appreciate the ongoing work on that idea.

There's a discussion at the euc and I expect we'll hear more about that in the future.

>> Mm-hmm.

>> Riley: One of the concerns raised is that the value on the solar approach will make it more difficult to pursue community solar programs.

Is that --

>> I don't know why those two --

>> Riley: Well --

>> why they would be related.

>> Riley: If value solar would replace net metering, that net metering is helpful for some folks who want to pursue community solar programs?

>> I'll have to think about that.

Off of the top, I don't know why they would work.

>> Riley: But just to think -- could we continue to provide net metering as an option with an alongside value solar approach?

>> Our approach right now is not to continue the traditional net metering side-by-side with the solar.

It would not be advantages you to any customer to continue under net metering if value solar was available.

>> Riley: We had some discus p cushions in the past about whether we needed to figure out all that's associated with both community solar and the value solar.

Now as opposed to dealing with that after the rate case.

Do you have an opinion at this time to see whether we're not going to get it all straightened out now?

>> Certainly not in the revenue requirement section.

It's not an issue we can -- in rates, we should consider it, because if we do -- anything that we do that sort of could substantially increase the appetite for it would have an effect on revenues and we might want to have the adjustment mechanisms like fuel factor, stuff like that.

>> Riley: Right, right.

Getting to a rate design discussion, that's the time to talk about the solar?

>> Yes.

>> Councilmember, I want to raise another issue.

It doesn't matter if we get that now or in the future.

But if we're going have a community solar provided by third parties, we have other rate development issues because those facilities may use our wires to deliver power to third parties, may use our billing system, our accounting system, depending on how the deals were structured.

So we'd have to set appropriate rates for the use of those utility services.

>> >> Riley: RIGHT, SURE.

Other utilities have tackled the same problems and come up with all kinds of approaches.

We'll have plenty of discussions about that down the road.

>> Morrison: Thanks.

Carl, I appreciate you coming to the etc, the committee, that was a really interesting discussion.

I'm looking forward to being able to get more in depth and community solar next month.

So, my question -- and this came up at the discussion at the committee.

And that is what is our goal for distributed roof top solar.

Or maybe we want to call italo call solar and be more all encompassing and include community solar in that.

We're hearing a huge potential.

Do we have a number?

>> 2300 Megawatts on soft shading in austin.

>> Morrison: 2300.

We heard from some of the community folks that they'd like us to set a goal of 300 megawatts.

I think -- do we have a goal?

>> We have 300 megawatt goal.

>> Morrison: For all solar?

>> All of it.

Mike wrote a memo about that.

Roughly speaking, most of that is utility scale and a relatively small amount will be local distributed solar.

>> Morrison: 25 Megawatt?

>> That's the number that comes to mind, the roof top under that approach.

>> Morrison: My question is, why don't we shoot for a larger number.

And I'm not sure -- maybe I need to read the memo again, but it didn't come out -- it didn't jump out at me as to how could we have too much roof top solar in austin is the question?

>> Where it would cost too much.

The advocates said if they thought it was $190 million to pay 300 megawatts for local roof top distribution.

It's one of the questions of money and when.

There's a number of factors we'll address in the resource plan.

If we go to the resource plan, look again at testing up, you know, sol of the numbers for some of the resources to see what happens.

I remember from the last it ration that solar is expected to be -- that the catch phrase is grid parity but close to competitive toward the end of our current planning horizon in 2020.

So maybe in another it ration, it shows more when you're there.

Then the question is how do we take advantage of the costs?

>> Morrison: That's the question we need to delve into a little bit more.

Of course, one of the things we hear is that with the long-term commitment by council to solar, it will support a more vibrant and thriving solar industry in town and that is what will create that.

You're saying solar is just too expensive.

So absorbing the 25 megawatt roof top isn't feasible.

Financially.

Practically speaking.

>> We take a number like 200 megawatts and say what's the most cost effective way.

Get the 200.

How do you solve it most cost effectively taking into account the time you have it, all that.

It looks like right now based on what we know and not necessarily and a little bit of what we project that you'll make more of an investment and utility skill smaller.

And if you make them solar, the more you'll see reductions in the market and that will help you get more from the distributed piece later.

This is just a 2020 goal getting closer all the time.

If you see the price shifts where solar is vernacular in price around that time, the question is, you know, is there more of a distributed goal in the time period that's beyond 2020.

It's again a research planning type of question.

I will say from the efficiency discussion not to reopen it, but goals help, they matter.

Our team can take the goal, divide it out, figure out how to do it and come up with a plan for it.

>> Morrison: Right, I think there was -- in the generation plan, numbers 35 and 36 were pointed to me recently.

Potential for establishing the renewable jrnlg goal.

So do we need to look at the 25 and look at it at the council?

Is it that or 110?

>> Yes, with'd like to use the planning process to sort of inform that.

>> Morrison: Number 35, develop a plan for the development of the full potential of solar energy, generation, conversion, and the utility service area, which I guess is to say --

>> that's even bigger.

Our idea with that is that's even bigger.

That's the idea of 2300 megawatts and 1700 in open land that could possibly be converted to solar use.

What we want to start doing, and there are a lot of pieces that sort of come before that.

But what we want to start doing is think through what would happen if we really were that big.

If we had 1,000 megawhereats of solar because it raises so many other interesting questions about education, workforce, manufacturing, and other things that really kind of paint the picture of what austin would be like.

It's a much bigger project.

We wanted -- we sort of liked the opportunity to think about that strategically.

>> I think that's what we're hearing from the community.

That's what it will create that industrial base.

And the other thing I would recall from our conversations at the committee were just in the pecan street project was it 100 homes, thank god, solar on their roof just doing that project, there were economies of scale.

So, we need to fold into our calculations that if we really do scale it up, it gets cheaper.

>> That's an excellent point.

The benefit of the labor, the training and the investment of the labor.

The people who run the program in san antonio and some other contractors and we were talking about that.

Is it three months incubation time from a new hire from a qualified solar installer.

If you have a big opportunity, we put a megawatt of solar on roofs in just three months.

That really does show up specifically in costs.

Good for customers, good for the industry, definitely good for the businesses.

>> I think I would be interested in being able to sit down with the egrso, and you all and other interested folks and say what do we need the goal of by 2020 to really grow that industry.

And then maybe I want's not 300 by 2020.

Maybe it's a lot lower by 2020.

But show a commitment to developing the industrial base in the city of austin?

To fold in the folks in the conversation is what I mean to do.

Back to the comment you made, energy efficiency and solar, very similar.

I hope for the same summing up point that chris made is wanting to increase the budget for solar, how we're going to be doing that, and set the goals and get a formal council commitment to it so we can really be letting folks work to it.

>> Comments, questions?

Kathy, see if you can have one?

So in terms of the questions from the generation plan or the next step from the generation plan, councilmember morrison talked about 35 and 36, I'd like to talk about 10.

The distributed programs to low and medium income customers and find the mechanisms to help offset such incentives.

Can you tell us about the status of those?

Has austin energy embarked on the study.

If so, what would have been the results.

This is a great interest to me.

>> We haven't done a comprehensive study in that regard.

We're looking at a couple of things.

We're looking at an incentive program, working with foundation communities, trying to find a way to monetize the fact that our solar system could 140e credit.

There was something done over the pilot protection program which was also contemplated in that idea -- excuse me, the idea of using carbon offsets or monetizing carbon offsettles.

That market has really gone way low in the last couple of years since the finals were to be finalized.

There isn't much value in the carbon independently.

So we are looking at trying to develop a lease program for nonprofits in a lot of low-income housing is -- could benefit from that.

We can basically obviate the up front costs by going to the program where we buy the mod use and they wouldn't have to do that.

>> What's the timetable on that?

>> Excuse me, we're starting at the legal contracts right now.

What we have to do.

Put the pieces together.

I don't have a specific date for when when he bought it.

It's a matter of -- pollen.

But anyway, it's a matter of just putting the pieces together.

So we've got a clear legal.

We've got to come up with the contract.

Oh, that's a good idea.

Come up with the contract mechanism and sort of establish the boundaries of the program.

At some point, this does show up as a capital budget item.

>> Spelman: Oh, we were done.

Why don't you go for it?

>> Martinez: Now we're going to switch to --

>> Spelman: My last question again.

There's always one.

Go ahead.

>> Riley: One last one.

Bearing in mind we're focusing on the revenue requirements today, which is very important.

I mean, if revenue requirements -- if the revenue requirement weren't a concern for us, then our solar goals would be easy.

We could have a bunch of utilities bills, spend a bunch of money on it, have a bunch of solar, no problem.

Given we have to be concerned about the revenue requirement, then it's going to be a challenge.

If we're talking strictly about -- about utilities on investments in solar.

To the extent we want to ramp up our solar program, the exciting thing is to talk about truly distributed generation and be able to harness the power of the private sector economic development and all of the community interest in austin in investing and solar.

That's where we really could see some progress.

If that occurred, it wouldn't necessarily have a direct impact on the revenue requirement because we're talking about private investment.

The key is to have a structure that's conducive to encouraging private sector investments and be able to hit goals for a distributed generation.

With that in mind, I want to come back to one question about community solar.

That is conceivably a way -- a far greater proportion that the austin population could participate in distributed generation.

Most are renters and without some programs, it would be difficult for them to do any generation.

The concern I heard about shifting to the value of solar is there are tax implications associated with the fail of power directly from solar panels.

And that is from a tax perspective, it works much better if we can have -- if we can provide -- if we can focus on or allow -- at least to allow net metering as an option so you get a credit against your electric bill.

So you're not directly getting paid from the solar power you're generating, but what you're doing is paying a bill after the solar production has been subtracted.

So net metering has some value on the tax perspective.

That's the argument I heard.

The value of solar poses a problem for community solar.

>> That helps, it's wrong.

The way we'll do the value of -- the value of solar is that we will charge the customer for all of the cost as if they have no solar, we will credit -- not pay them, credit them for the value of the solar generation at the value of solar rate.

So that is exactly -- it's just another way of doing the calculation on net metering.

When I know you do the calculation, you give them credit after residential retail rate.

Not even half that.

8 cents.

Every customer would benefit from it.

Never pay cash.

Because if we paid cash, we would say there's a tax problem of them being an income generator, it's an income generating operation.

It might frustrate the property tax exemption they enjoy in texas.

The rate is being constructed not to do that, not to threaten the federal tax credit.

Not to threaten the -- or to create or to make them to a for profit generator.

>> Riley: Okay.

>> When we do community solar, it will be a different thing.

It will be an on bill credit.

It will be something like each month we're going to put, for your $10 a month, we will give you all of the output from one kilowatt of the solar over there on the high school.

It will show up -- it will be more like a green choice program than the roof top net metered or value solar calculated.

>> Riley: I appreciate that.

I'll look forward to further discussion on solar.

At the work session where we talked about rate design.

>> Spelman: Laura has another comment.

>> Morrison: Followed by chris' comments.

I think one of the concerns i have is there might be differing legal opinions about what you just said.

If that's the case, we want to make sure we take some steps to get a final decision, or something that's going to make everybody comfortable that we're right, otherwise we'll be squelching any interest because there will be a risk.

I don't know if there's a possibility of doing that.

Maybe you can think about that, put on your lawyer brain and think about how that might happen.

So they might be let down.

They might, in the end, have a liability.

They didn't realize it.

They might be less likely -- i do think that -- are there steps we can take so there's not dualing legal opinion.

>> We can get you an opinion on that.

We've looked at the irs code.

Not sure if the irs actually ruled on feed-in tariff, per se.

But they have said they don't treat quote/unquote nonrefundable credits as taxable.

The idea here is to structure it oh so it does end up as a nonrefundable credit so that the customer never gets a check over and above the amount of the bill.

What we can do is get you comfortable with that, whether we can do that for everyone remains to be seen.

We've addressed that issue.

So we can have direct conversations about it.

That sounds good.

>> Spelman: Yes.

>> We -- at the work session, we talked about the reductions in the solar -- in the city's spending on the solar program.

reid said if it got to the point where there needed to been ane infusion of funds, there's more demand on rebate program than we could survive with the current level of funding.

Can you tell us where that stands?

>> We will be processing a 6 million, because the demand for solar has exceeded the amount it's approved.

It would be good to have other internal access, onm bunds.

We're doing exactly that.

That's really helpful because we didn't have -- we didn't have a stop or a discontinuity in the solar program.

That's based on watching the number of applications and things like that.

That's under way.

>> Tovo: Sorry, there has been a stop?

>> He's going to continue to go forward with that budget amendment.

We're going to go ahead with that.

And it raises an issue, we've had it in the past where you get a strong buildup of demand for a variety of reasons and you want to try to not shock the market by shutting things down or suddenly dropping the rebates, you know, too much and all of that stuff.

It's something we try to avoid.

It's also hard, it goes the other way as well.

Right?

You can budget small but throw in a lot of money you don't know what to plan for.

We plan against the approved budget.

In this case, we got to the point where the $3 million was going to be gone.

If we kept it at the current rate.

We were going to make one decision or another.

weis said is what we're doing.

Which is we're going to try to move some other money into it.

>> Spelman: Are we ready to move on?

Thank you, the next topic is the customer assistance program.

gurt yerz, vice president of customer care.

>> Good afternoon.

The slides I have today are basically a reiteration of some of the information we present in the past about the cap program, the discount program, and a couple of pieces of information about the automatic enrollment process.

The first line I'll speak to is the program itself.

Programs to assist low-income customers.

And I really wanted to point out on this slide that the customer assistance program is really an umbrella program, an umbrella title for about four different assistant mechanisms, the first being the discount program, which includes monthly waiver, customer size and fuel charge.

The second one is a support program.

We call that a plus one.

They're a one-time assistance mechanism we have to provide for our customers.

Free weatherization is a component of programs that can assist low income customers and that consists of free home weatherization systems and for qualifying low-income house holds.

And medically, there's an mvp program which we provide one-on-one case management to those customers who have specified medical conditions.

Modify the customer discount program.

That's really the focus of the rest of the remaining slides i have here today.

The customer discount program is under redesign in conjunction of the rate review process that we have in front of us.

That program today supports about 9,000 and 10,000 customers 1 million in funding today.

The objectives to modify that design and delivery of the discount program really are to coordinate the delivery of the low income assistance across all programs so that a customer entering into one of our programs has really a coordinated effort.

The city will look wholistically at all of the programs we have to offer and coordinate among the programs to best serve that customer.

We also intend to increase the funding level.

You heard this.

So that we can serve more of the customer base.

We want to target the highest usage customers and allow them free weatherization.

Finally, we want to expand the case management approach that we have today.

And ensure that the customers have a wholistic case in front of them.

As a result of that, there's been a three-component design process.

One of the components really begins with education.

That's what we plan to do in our new design, in our new program delivery is really included in developing an educational component.

And that education would be allowing customers to do some sort of self-assessment to identify what the needs are and what programs might best fit their needs.

We also plan to offer classroom instruction.

And we include the ability to provide free weatherization but it includes the energy audit itself and maybe just the weatherization kit is that is what the need requires.

Finally, I talk about another component of that program, the case management program is on the bill itself.

You can see it's on the bill itself to mitigate the cost of the bill.

I like to begin -- I'd like to talk a little bit about the engagement with our community partners.

Our community partners have been invaluable in this whole process.

We worked several years now in taking input from our community partner, the ones that work through us to recommend and refer customers to austin energy.

And also our community advocates who also have worked with us through several committees.

The focus has been on the plus one assistance program and the community advocates have been on the broader discount cap program.

That is the present.

In the future, we intend to increase the input from our community partners.

We intend to seek more information and feedback on the design itself from the programs that we are looking at.

We have created a new vehicle in which to do that called the discount steering committee, the dsc.

The dsc really is an extension of our partners.

Is created a subcommittee about seven members representing the religious organizations, elderly services, veteran services, homeless services, and our local and state government who provide low-income services.

That committee is -- the on set of that committee began this month.

We're looking at charter and a set of objectives but in the end it's to assist in the program development, implementation, and ongoing oversight so we can continue to improve.

I'll switch now to the mechanics of the discount program.

And one of the most discussed portion of this -- of the discount process really has to do with automatic eligibility and enrollment.

We received many questions about something called automatic enrollment.

We try our best to answer the questions as they're asked.

But really there's a key distinction between automatic eligibility and automatic enrollment.

When we talk about our program within austin energy, we talk about today which is automatic eligibility.

How do we define that, we identify customers who meet the criteria for our discount program via the fact they've met the criteria for several other assistance programs, federal and state.

We use that if the customer is already enrolled, participating in the medicaid program and the c-app and map program.

Then they're automatically eligible.

That's the automatic portion of this program.

There is automatic enrollment that could be discussed as well.

That says that once the match is made, the customer is eligible.

Automatic enrollment says you just simply move forward and have the data base and allow them to receive the discount on the bill.

That portion of our process in austin energy is not automatic.

We mainly flag each customer as they're matched -- as the list comes back to us matched as do many other utilities who have a customer discount program.

So, again, the distinction between automatic eligibility and automatic enrollment.

The current discount eligibility and enrollment practices really we use three qualification paths that allow customers to enter into the program.

We use the automatic eligibility process.

From that today we received a list of the hhhc.

And that list today provides us customers who are in that territory and that list provides customers who currently meet our cap criteria.

With that list, we match those customers to our internal accounts and make sure they're a customer of austin energy.

Once we do that match, we enroll them to the program.

That's one way to enter into the program.

Another way is through referrals.

This is a strong component of our program.

We allowed community partners if they identified a need with a customer who's come to them for help, they will refer the customer to austin energy through part of the cap program.

The community partners understand and know all too well our application and criteria and they know when that customer meets our criteria and can refer that to us.

A customer who may know and receive information about a pamphlet about our customer assistance program may directly contact us via our contact center.

That's another way for our customers to intervene or to become qualified for the cap discount program.

I want to reiterate that enrollment is a process.

Once we made -- we fully vetted the eligibility criteria, actually enrolling them in the program is flagging the customer in the data base to show up on the bill, it's done manually.

We had a couple of questions regarding a comparison of -- an improvement to the process which would be to utilize the third party agency to conduct the vetting or the matching component of the process to enroll cap customers, participants.

We looked at slix as an option, a third party vendor that could revise that service.

It's the vendor that provides that service today to about 60 reps in the texas area that participate in the light up texas program.

They're operating under the puc.

That manage and coordinate that program.

In comparison of the lineup texas program, utilizing the city of austin, I wanted to show this chart to share with you some of the similarities and some of the differences between the two approaches.

Both solex and austin energy both use 125% spil federal poverty income level as a target for our participant.

We use medicaid as a criteria.

The difference is that solex allows the camp holder in order to determine the eligibility of the discount to light up, texas.

So the person receiving the medicaid and other assistance must also be an account holder for that utility.

That is a distinction between solex and ae, austin energy will allow anyone in the house hold that creates the criteria, the account holder just has to be in the house hold.

There's the distinction.

Some of the other distinction, the lightup texas supports snap as a criteria where austin energy does not.

They support capps, mapps, and ssi where solex does not.

Both programs allow customers to self-enroll.

But where austin energy I think exceeds is reutilize the agencies for referrals.

We offer it year round as solex does not -- the discount percentage is consistent from year-to-year so customers can pretty much know what to expect.

They're not surprised each year.

A picture of what the program provides today.

Current cap funding at the top is $3.1 million.

Like I said earlier, that support is between 9,000 and 10,000 low-income customers.

The propose sal that's on the table today recommends that we increase, we double that slide 2 million for the capp component, at $1 million component for free weatherization.

The -- in order to support the 2 million total, we're requiring a $1 a month residential charge and that would fund -- to fund the capp 65 cent megawatt -- per megawatt hour funding from commercial and industrial customers.

2 million would support approximately 17,000 customers.

It's up from -- almost double from what we provide today.

Again, supports the $1 million in conservation.

I have also included a response to the scenario that councilmember spelman developed.

In that scenario, the customer charges about $15.

And there's a 40,000 target -- 40,000 cap participant target.

In that scenario, the benefit would be to waive the monthly customer charge to $15.

Also apply a 10% discount on the remaining billed charges, including fuel and to waive the cap charge which we estimate 50 perez den shl customer a month.

65 would remain the same for the commercial industrial customers.

This would raise the total of 2 million annually for a capp program and we would move 2 million of that -- reserve that for free weatherization.

The last slide I have is fairly detailed.

And I really don't intend for us to go through every line of the chart.

I do want to share with you that program designed for the capp discount structure can vary greatly.

It will vary -- depending on the amount of funding allocated in the desire to go very deep in our discounts with our customers, and serve few or go very shallow and serve very many.

And so and there's a spot in between.

So this chart simply shows some of the options that we considered with regards to if there's a specific customer charge in this case.

We've calculated that $22 in that.

In some of these, we had the customer charge waived.

For some of them, it's not in every case.

We've indicated that there be a 12-month all-year-round cap program.

And so there is this -- one of these scenarios where we're saying we mimic the five month as lightup texas does.

Just to look at one of these scenarios and the one that most mimics the proposal that we have on the table.

It's the third one from the bottom within the chart.

But it's a $22 discount plus 10%.

That's the one that we pretty much use as kind of our base, our preferred recommendation.

And that one would serve about 17,000 customers that i mentioned earlier.

Each customer would receive an average discount of about $31 a month.

They will receive another $30 on discount based on usage.

And the charge needed to supply, to fund this scenario would be 02 to support the 40,000 02 per month perez den shl customer.

If you look at the total cost to serve, it's 40,000.

2 million in funding for that program.

My final note there, under a fixed charge, waiver discount scenario which is $22 a discount, about 16,500 additional low income customers can be served with every $1 increase in the capp charge program for residential customers.

So it's up to us to determine how far we can take that residential charge.

>> Spelman: On this one chart, today's discussion is not on the rate design for this program, but we wanted to emphasize the total cost that would be related to the revenue requirement, depending on how far you want to go with the program.

And so since we already had run a comprehensive scenario at 40,000 customers, we tried to estimate for these different scenarios which had been in the amendment we provided you before what the total cost would be if we ran the program up to cover 40,000 customers.

That's the last column in that chart.

>> Paid for in many ways but -- okay.

>> That's all I have for prepared slides.

I can answer questions at this moment.

>> Spelman: Questions, comments?

Mike, you have something to say?

>> Martinez: I appreciate the information and the impact it would have on our customers.

I appreciate the response to the questions that we sent in also.

What -- if we were to take into account -- well, let me go back.

So under automatic eligibility, how many customers do we have that are automatically eligible but yet not ineligible?

>> There are quite a few.

The parts of medicaid that we do accept and I had someone e-mail me that number earlier in this meeting.

We have approximately 30,000 customers that would be eligible under the current criteria.

And we have served between 9,000 and 10,000 today.

>> Martinez: What did you say?

30,000?

>> 30,000 Under the current eligibility.

>> Martinez: So if we change the one, if we created automatic enrollment, but changed some of the automatic enrollment requirements, such as snap, do we know what that would do to that 30,000 number?

>> We don't know exactly what it would do.

I know and understand that it will increase the number that we've heard is somewhere between 40,000 and 50,000 customers would be eligible.

If we included snap.

What we don't know is the overlap between the customers who participate in those programs and the --

>> Martinez: Already enrolled?

>> Yep.

Yep.

>> Spelman: Councilmember, in competitive territories of this state where the lightup texas program is in place and that program is by solex, we require from the public utility staff their rule of thumb for how many customers would be eligible under the criteria which is medicaid and snap.

Based on the number of conversations we had with them, we estimate there would be between 30,000 and 40,000 customers will be eligible for the program if the eligibility criteria here were the same as in the state program.

>> Martinez: In your proposal, you talk about changing it to $7.2 million.

You're not proposing to change to automatic enrollment, just automatic eligibility.

2 million, we just stop.

And those customers that may be more eligible than others, so to speak, would just be left out for that budget cycle until the next year?

>> There's a constant --

>> Martinez: It rolls over?

>> Yeah.

So what we have today and in this scenario is a list as customers roll off each month.

There's an annual process.

So every month, a certain number of customers are up for recertification.

Some roll off.

At that point, we will reach those we haven't been able to bring on the program and bring them on.

>> Martinez: Do we have a prioritized waiting list in terms of need?

>> It's not prioritized based on need.

>> Martinez: What's the monthly or annual turnover rate?

>> I don't have that number on me right now.

But we can get that number.

>> Martinez: I would want to know at the current proposal to achieve what the magic number is, close to 40,000, how many nears of today's turnover rate could it be before we get close that.

That could be a long, long time.

>> Long time.

Correct.

If those are on the program and are certified, remain on the program.

There's a component of that turnover rate that many don't roll off of the program, they stay on for multiple years.

>> Martinez: Let me ask one other question.

If you're enrolled, you do whatever it takes to get enrolled in the program and you're automatically renewed on an annual basis, is there something that the customer has to do to remain certified?

>> There is a component that relies on the customer.

We send out a notification allowing the customer to respond.

We give them about 60 days and we simply ask they validate or verify they're still on the programs that we had originingally assessed them to be on.

So it's a very easy validation.

It's simply providing that verification to us.

>> Martinez: When we start to look into what we talked about earlier, the attrition rate and how long it would take us to impact, we have to factor in the fact that those becoming eligible on a month-to-month basis also increases.

I don't know that but i intuitively think that number, people enrolled in snap and other things that are automatic qualifiers increases on an annual basis.

>> Monthly basis.

I would intuitively think that as well.

I don't know that for a fact.

But if you change the criteria and you include snap, then you automatically will have larger base on the waiting list.

That number will probably continue to grow.

>> Spelman: Kathy, go ahead.

>> Tovo: Thanks.

I want to say councilmember spelman, I want to talk about the program of increasing the pool of 40,000.

It's really along the lines of what I support in the rate proposal.

I had a question, first for you, how did you come up with that figure?

Is that an attempt to include those eligible for snap and medicaid.

Able to expand the criteria of those eligible but will have an overlap.

I think the auditor said something about the neighborhood of $50,000.

>> Spelman: I think there was an early estimate of 40,000.

Did I use it there?

>> Tovo: You did use the number 40.

Is that how you got from 50 to 40 assuming there will be overlap under the existing criteria and those who become eligible under snap and medicaid?

>> Spelman: That was the idea, yeah.

>> Tovo: Okay, thanks.

When we looked at the auditors' report, you said you'd be doing additional work to figure out what the universe of overlapping individuals looks like.

How do we get to that figure?

>> It is a real difficult figure to -- you can't estimate it.

You could by taking the list of participants that we have.

The best way to do it would be actually gather the list of participants in the program, say, you know in the past year, do a physical one-to-one match.

And that's how we -- that's how we match the current list of medicaid applicants.

We'd have to do the same thing with snap applicants though it's a much larger list.

So it's a matter of resources, sitting down, physically getting the list, which we don't have at this point, but getting that list and doing a one-to-one match with our account data base.

>> Tovo: So you do that kind of thing?

>> Yeah.

It's -- both lists are electronic, so, yes.

>> Tovo: So I have some specific questions about your presentation.

You talked about classroom instruction.

I wondered if you could address what you mean by that?

>> Yes.

We already have begun to do a small amount of that in our community outreach event.

Just last year, we had a low income summit in which we invited the community out to the millennium youth center and we conducted classroom -- we had folks from carl robert go conduct classes on renovation on home, energy, efficiency.

What you could do at a very low cost to save, to lower your cost of your bills -- the cost of your bill, things like that.

We also are going to expand that from just a one-time yearly event to a more offering of classes.

And match the classes to the need in the community.

That's what we mean by education.

>> Tovo: Great.

It's education and helping people lower their bills through some of the other programs available to them?

>> That's correct.

>> Tovo: Great, an important initiative?

>> It is.

>> Tovo: So in terms of -- i want to go over the numbers in the rfi for marketing and mail out.

So it talks about the -- that if 40,000 -- if the program grows to 40,000 participants, you would need to increase your staffing.

>> About half and half, 100,000 in mailouts, which is materials and the printing of the items and 112,000 in actual postage to get the items mailed.

And then we actually pay for the postage for the customers to mail information back to us.

So all of that postage is included in that $111,000.

>> Tovo: I didn't quite catch that.

Was there any marketing -- i don't think I heard you say any marketing.

>> The marketing and the materials is the $100,000.

The actual labor -- the -- I'm sorry, the actual postage is $111,000.

>> Tovo: Do you know how much the marketing is?

If you need to get back to me, that's fine.

>> I don't know for sure.

Between the materials, the printing, the labor to go out and deliver that information, i don't have that break down.

>> Tovo: When you say marketing, marketing the program to potentially eligible customers?

>> Yeah, it's broader than just sending information to our current participants, it's going out and trying to inform the community, a much broader set of customers.

>> Tovo: I would like to see more information provided on the bill, just as an aside.

I know that there is a line item for the customer assistance program on the bill.

But I would bet a lot of people don't understand what that means or what their donation would actually -- or contribution would actually go toward.

And so I don't know -- I think they talked about it briefly in the work session, while we have so much attention focused on the rates, it seems like a good time to promote the customer assistance program to people who might contribute.

Six since we had that conversation, I went back and looked at my bill to see what it is.

If there was, I missed it.

I apologize.

It would be great to have that information available.

>> We have two months out of the year an article within our customer newsletter that targets and specifies kind of what the cap contribution is and what it does to our community.

It goes out in the article format twice a year.

We could increase that.

The timing right now is ideal for heightened information about that.

So I will take that recommendation back to our staff.

>> Tovo: People look carefully at their bills.

I thought having it on the bill was there.

And in terms of asking you about the marketing, I'm trying to get a handle on how much we spend marketing a program that is, you know, there might be other means of getting that word out through the parter ins, through others.

>> I want but I'm not exactly sure.

The component of that marketing also includes the -- the conference that we held for our low income customers last year, something like that is also included in the marketing where we do on the grand scale marketing to our low-income community.

That probably was 5% to 10% of the cost as well.

>>--

>> Tovo: Was that the instruction you were talking habit?

>> Yes.

That's the instruction and all kinds of resources available to the customer.

>> When you do the classroom we talked about, does that come out of the budgetline, or does that come out of --

>> austin energy funding.

Yes.

>> Tovo: Inthink I submitted this question last week.

And you may have more time to answer it.

But I don't know if you had an estimate for how many numbers of the customer assistance programs are outside of austin city limits.

>> We did have a chance to gather that information just recently.

I received it just yesterday.

The current number of capp-enrolled customers is about -- it looks like 9,000.

Rand right now, 8,000 of them are inside city.

And I have an exact number, 743 are outside of the city.

>> Tovo: So, let's see.

So about 700.

>> About 700 plus are --

>> Tovo: So not quite but yeah, sizable number.

>> Yeah, about 700.

Maybe 10% maybe of the complete population, a little less.

>> Tovo: I guess I'm still struggling to understand.

Of the budget process, i submitted a budget we were surveying, about 38% of those eligible.

Sounds like the number may even be a little lower now of those eligible.

I think to have that 10,000 participants, is it basically first come first serve?

>> Yes, it is.

It really is first come first serve.

There's no priority.

We don't prioritize.

The needy is still the neediest of the needy in line first.

Those that are eligible are put on the program.

And as they roll off, the next ones that come to us are rolled on.

>> Tovo: I wanted to understand how that worked.

I would like to ask, if she's willing to come up and give us a quick answer, ms. potigsky.

We're talking about automatic enrollment.

I wonder if you'll come up if you're willing and just explain why texas roads thinks that autd mattic enrollment is important.

>> I think automatic enrollment is critical for making sure that the customers getting the help.

I think there was information on the table presented to you about the puc's automatic enrollment that I don't think is exactly right.

I am also aware of the fact that there is screening that is done by hhs through solex to t and -- they try to identify the eligible population and call out people who may not be eligible for the program.

And one example is that there are people who receive benefits that don't live at home.

They live in facilities, they live in institutions.

Hhs knows that.

The reason it became a problem is when they first started automatic enrollment, someone got this bill.

This discount payment came in and it was huge.

It's a big group housing facility or a nursing home or something like that.

There are ways that that is done.

The other things about the table is they looked as though they weren't doing automatic enrollment on a monthly basis.

They do it monthly through solex.

Even in the month that's not the discount, they enroll people.

There are two rules that lightup texas customers are eligible for that no other customers are.

One of them is a rule that says they cannot be charged late fees on their utility bill.

The other rule that they're eligible for is a requirement that if they're due to pay a deposit that's over $50, they have to be given two months to pay that bill.

And those are rules that we have been asking austin energy to look at for the last three or four years and they keep getting put on the back burner because of other issues.

So I do know that it is -- it is -- the match is done by solex on a monthly basis and it is continually updated because of those programs, those other rules that are in effect.

From my own experience, we worked with a lot of companies that we have encouraged them to do automatic enrollment.

We've seen a major increase in the enrollment of all of the programs.

I will look those numbers up and I will send them to all of you sometime tomorrow.

We had been recommending this to austin energy for a long time.

And probably in about 2009, the -- I think that's about when the system was adopted that you're using now.

Where they were identifying eligibility but manually enrolling.

At that time we were all very -- we were fine with the process but told in april of 2011 when the new billing system went into effect we were supposed to have automatic enrollment.

That's another thing that's a concern to me is that are we shortchanging our low income customers as a result of this other problem that is going on.

And because it exists, does that mean that we pretend we can't do automatic enrollment?

So I think it's essential to having a program that does the best job that it can possibly do for the low-income community.

>> Tovo: In doing the best job, it makes it easier for them, less burdensome, but also captures --

>> it captures it.

>> Tovo: Captures it, okay?

>> That's the main thing, it captures them.

There's no other system that identifies the person and enrolls them.

That's the way you deliver benefits.

>> Tovo: Good, thanks.

I I don't know if any of my colleagues have a question before she leaves.

I'll yield the floor and get her back in a minute.

>> Spelman: Mike?

>> Martinez: A couple of questions.

One is a comment.

Whatever we end up on in the end, the concern I have from the responses I'm hearing, I don't think austin energy should have to be the social work agency of all issues affecting our citizens.

Look, I really do believe we have to come up with some type of criteria for prioritizing if we're going to -- if we're not going to enroll everyone who's eligible, we have to prioritize.

Because some families could be on the brink of losing their home if, you know, they end up paying their electricity one month and are juggling from check-to-check.

Some may not.

But we have to have some type of checks and balances where those who really need enrollment the most and are -- they're going to cost us more in social services, other areas of government where they need health care or whatever assistance they need.

Somehow I just want us to delve into that and try to find a better -- at least a policy premise on how they enroll folks on the waiting list.

That's a real concern I had based on some of the responses up.

The second one is, I just want to ask in general, are there -- so we build in a lot of assumptions for the revenue requirements.

And we talked about some of those today.

If we don't necessarily need all of the revenue generated in a given year, we sweep it in to reserve funds, typically.

Is there a budget policy in existence with utilities or even within ae that could say a portion of that revenue could be diverted next year to adding to the customer assistance program as

opposed to just continually throwing this money into the reserve stabilization fund in case nukes one and two go down at nrg?

Is there a way to balance that out?

That's a priority you know, stabilizing our base load is certainly a priority.

But it's -- you're taking that gamble.

We keep putting money into the reserve accounts.

I think this is also a priority.

Could we divert some of the funds as a budget policy to customer systems?

>> Riley: Councilmember, i think that's an issue for our city to examine.

But I think you have a lot of policy latitude in how you establish those financial policies.

So there's certainly issues that you all can grapple with.

>> Spelman: Thank you.

Any other questions while she's up here?

Go ahead, laura.

>> Morrison: Two questions that I really wanted to get your thoughts on.

One is basically our job when it comes to gig figuring out what we want to do is look at the breadth and the depth of the program.

The breadth is easy to measure.

How many people we're able to incorporate.

So my question we need to wrestle with and I love to get your thoughts on it, carol, is how do we measure the depth?

Like do we look at average monthly discounts?

Which I appreciate that you all have here.

Although if some of them are -- if we're not -- this lays out some possibilities of not actually doing it for 12 months.

And so it's really -- you have to actually look at the total.

And I can see the five months are the five hot months, when they're the highest?

So I can see a certain reasonableness in that.

Because, you know, it helps to level things out.

But what are your thoughts?

Do you have any thoughts to share on that, carol?

>> I do.

But my approach is a little different.

I think we should try to identify the size of the population, we go in there and reach as much of that population as possible.

We like the design of the capp program because it relieves some of the fixed fees.

It also provides a reduced fuel factor.

There are people out there with large families.

That part of the discount matters to them.

What's a little bit troubling to me is we don't know if the discount will work until we know what the rate design is.

As you know, I've been outspoken against the high fees, the fixed charges up front.

Well, if you include a waiver of the fixed charges in the customer assistance program, then you are automatically increasing the cost of that program to customers.

And I believe if the fee was not there, the electric delivery charge and it was recovered on a kilowatt-hour basis, then your capp program costs would also be lower.

>> Your point is everybody who's eligible, we ought to be able to serve.

Then we have to decide how deeply we serve them.

That's where we get to how much we have to charge.

And I want to -- one thing i just need to think about is how are we going to measure the depth of it.

The second question I have -- i do appreciate the point about the fuel -- related to the fuel.

In the proposal from staff at this point, is that still included?

>> It's include in the form of a 10% discount of the remaining fuel charge, including fuel?

>> So that's --

>> including fuel.

>> Morrison: You mentioned the design steering committee, i think it was.

I know we had the community advocacy group going for two years.

Were you a part of that discussion?

So the question is what's the overlap of those two groups?

Because what I see in the memo, it says that group, the new design committee will help develop the new program.

I'm wondering since we have the advocacy together, there seems to be a lot of continuity we have to maintain.

>> The overlap is small.

It was small by design.

We envision the two groups moving forward together.

The community advocacy group would continue to work and provide feedback and input on the design elements of the cap program.

The discount steering committee is really come prized with those that have to implement the program.

So they're more focussed on what's the application look like?

How do referrals occur?

The very mechanics of the program.

So we see those two committees going forward at the same time.

>> When we were -- councilmember, when we were approached by some of our community partners who said we're the people on the ground.

We're working with customers every day.

We're working in a variety of different program settings.

We have a lot of lessons we've learned that we would like to share with each other and for austin initial, they asked us for a platform to share the information.

That was the genesis of the discount steering committee.

>> Morrison: Maybe we need to get a better clarification.

In the memo, it says it's to work on a development of a redesigned recommendation.

So you're talking about what the forms are going to be and --

>> very detailed.

Very details.

>> Morrison: It would be helpful to understand the distinction between the two.

I have one question that I want to get in before 5:00.

I'll send it back to kathy but i need two minutes.

>> Spelman: Do you have questions for carol?

>> Tovo: No, I have other questions.

>> Spelman: I understand.

Carol, I have one for you.

I'll pass it back to kathy.

You'll get your answer before 5:00.

>> Tovo: And what about chris?

>> Spelman: Everybody is going to get their questions answered.

Carol, we increase the program and not change the depths, you presumably like that better?

Am I right?

>> I would like for you to broaden the eligibility for the program.

But the depth, keep it the same as it is today.

>> Spelman: From your point of view, keep the depth, broaden it, get to automatic approach somehow defined.

>> Spelman: Yes.

Thank you very much.

That's the only question I had.

Then you're on.

>> Tovo: I want to throw that out.

Thank you, carol, for all of that information.

For austin energy, I'd be interested in seeing as councilmember morrison says some descriptions of the two groups they may mungs together.

There are imply -- implementation.

I think some of the policy decisions will come out of this but there are some programs that the advocacy group could help us with.

You said there's a little overlap.

Is there any between the memberships?

>> There are a couple of members who have been involved in both.

Of course austin energy staff.

But members of the --

>> Tovo: Maybe apply the membership and a description of how they're going to work together.

I would also be interesting -- funding number three of the city auditor's report on the cap program talked about making sure that all of the plus one partners are using the same eligibility criteria that austin energy is using.

I want confirmation that's beginning to happen.

We want those who are really eligible to be -- we have such scarce resources, we want to make sure that they go to those who fit our current eligibility 3r50ir789s.

I was going to say to my colleagues unfortunately we're not going to have much time here to discuss what our policy objectives is with regard to this program.

I'm going to say I do agree, councilmember spelman, of increasing the eligibility.

I would include it to include snap and medicaid.

And at this goal, my goal would be to keep it at the current levels of assistance rather than going for a more shallow approach.

But we may have to -- well, i think that's my -- that would be my ideal.

And I'm intrigued by what councilmember martinez said.

If we cannot come up with a funding mechanism to fund that pool of eligible people, does it make sense to begin to think about prioritization.

I would be interested in your feedback.

Extend the eligibility and keeping the same levels of assistance.

>> Spelman: Chris, go ahead.

Laura, get your question before 5:00.

>> Morrison: I agree with the goals.

I think it's something to work toward.

My question is a little different.

Maybe you'll have to get back.

The proposal includes 1 million 2 million, not sure which for conservation on the folks on the cap program.

So I'm interested to know how many people we think that would serve.

Are they only homeowners.

And once they're served, does that change their status on the program?

Because presumably they're --

>> Spelman: In order.

If we hit the -- if those houses at $5,000 average per unit, roughly on the federal weatherization program, it's 200 units a year.

Some houses can be served for a lot less.

So maybe we get a few more out of that.

So it helps.

But it's compared to the -- if there are 40,000 house holds associated with the 40,000 customers, it would take a long time.

>> Morrison: Those are only homeowners or --

>> Spelman: That's the second part.

I would not -- we did not anticipate limiting it to homeowner occupied.

And given the increasing fraction of our low income customer base lives in rental unit, we're seeing a lot of value working in multifamily and rental units and not anticipating making -- discriminating on the basis of whether the qualified customer owned the home they were in.

>> You can go to a 40-year-old multifamily apartment and weatherize one apartment?

>> Spelman: Generally we would like to do it on an average basis.

A sort of a portfolio approach kind of where you say if the majority of them are a little bit of -- and the federal government allows this too, if one or two out of 20 in some percentage number of customers do not qualify, you can hit a unit, 18 or 19 out of the 20 who do qualify.

And we don't -- you know?

>> Morrison: These are not necessarily capp customers that are getting --

>> Spelman: Yes, for the capp program, we want to zero in on the most needy customers.

Chances are, it will lean toward single family in that regard.

It will be hard to accumulate.

But we want to run our austin energy, free energy weatherization program.

We want to leverage those resources as well.

Is

>> Morrison: Okay, the dollar amount I presume, how did we pick that?

We thought it could fit into the budget?

We could use $10 million.

>> Sure, sure.

And the number -- it was affordability within the context of the overall rate increase.

It was a number like that.

>> Morrison: So that's a thing we can look at in terms of a moveable number is more money in that.

>> Spelman: Let me break in because it's relevant.

If we were to pick a number for weatherization on the same basis, would that portfolio list until it hits the marginal value, what kind of number would you pick?

>> Just running the data on the federal weatherization program to figure out that.

But in the past, we have not subjected the cost effectiveness testing for the energy efficiency to including the free weatherization program.

Anecdotal data suggests those units come in 140% to 180% of the cost.

1200 Kilowatt for low income homes as compared to the 112 kilowatts.

We haven't figured it into the mouth for cost effectiveness.

>> Should we use a different standard for cost effectiveness?

>> Actually what I -- no.

I don't think so.

Because when we get to the cap program customers, we want to get in and help.

In other cases, we may be leveraging other access.

If we go to the window, we may go the coalition we're a member of.

Go get the window in there, do the weatherization thingings.

You add those up, I would not want to not replace the window.

I guess that's what I'm saying.

I wouldn't want to subject it to that.

There's another interesting opportunity that I -- the reason we applied to the federal weatherization program in the first place, it may be that some individual measures are cost effective and we can leverage our dollars by saying, like, for example, if you're on site doing caulk and solar screens, it may be that since the weather is -- if the cap program is covering the person being on site any way, it may be cost effective to replace the air conditioner at that time or replace the water heater at that time.

We may be able to run more dollars from our cost effective program, our standard program, into that setting and I want to have the flexibility to do that as well.

My inclination is to be able to resist the efforts to overstove pipe the programs with different metrics like that.

>> Spelman: It's going be a question that I'll probably think harder about later on.

>> Give you the.

>> Spelman: The uninformed version, just to give you a heads up, the value of the program to the entire system should be based on the same characteristics that you talk about.

What's the equivalent ppa or energy charges associated with bill/edding a power plant.

And I eenl not -- I'm not sure how to calculate the number, but we should have a different threshold given the value that folks can get energy from a different rate.

>> I agree with you.

We generally use participant test, golden state income task, prospectiveness on them.

The programs tend not to pencil out almost any of them although they -- obviously the participant catches the most percentage of how much is this worth in terms of cost effectiveness.

The direction that could be exciting to steer into would be the one that councilmember morrison was talking about early on is the value hoff savings.

And start getting in to monetizing, as you said, this sort of other -- today they're externalities, right, to the calculation?

So it would be good to start looking at them.

We know from the federal program that the weatherization contributes positively.

We know, for example, low income customers spending less on their energy bill therefore make their paychecks go further.

Proip right.

>> Riley: Right?

Foip we want to make sure we capture to end up with some sort of cost effectiveness.

Doip got you.

Thank you.

Christie, I believe you are --

>> Riley: I have a few questions.

00, I'll be happy to submit those in writing.

>> Spelman: You willing to hold off?

>> Riley: I'll submit in writing.

>> Spelman: Okay.

You and I were discussing another issue related to the next -- we have no more questions on this subject.

We have to discuss scheduling issues, I believe.

>> Riley: Yeah.

>> Spelman: You have the floor.

>> Riley: I think he mentioned we talked about scheduling.

>> Tovo: At the request of the mayor, I put it on the agenda.

I have a point too.

>> Martinez: I wanted to put one thing on the radar screen.

Bill and I have been working with the utility and relate tore systems exploring decomp yue lating regulatory in texas.

It's been used elsewhere in the country and it offers some very interesting possibilities in terms of resolve possibilities in the rate case.

It -- it would be a way for us to achieve the revenue requirement we have been talking about today reliably without having an alert on our customers.

So I think there's real promise in it.

We've been talking about at what point in the rest of our schedule it would make the most sense to talk about that.

The main guy we've been working with is jim lazare who's in olympia, washington.

He'll be down here next week, coincidentally, at the time when we're having our next work session.

Although I don't know it would make sense to have him address it during that work session.

He would be able to be back there april 19.

Which is when we're talking about rate design and the first item listed under that is fixed charges and alternatives.

That's where the discussion will be the most appropriate.

It's a way of achieving it by fixed charges but in an alternate way.

That would make the most sense.

I expect we could have conversations about the subject, but with our consumer advocate who's from california and familiar with the concept that we're talking about.

I hope the discussions about decoupling will be proceeding in the next couple of weeks and my incentive -- april 19, can stick more or less of the same schedule.

I wanted to give a heads up that we've been talking about that.

And if anybody wants to go into it, we're happy to do it now or future work sessions.

>> Spelman: Chris, even if we can put it on the 19th where it fits the schedule nicely, since he'll be in town on the 3rd anyway, if he's available, do you think he'll meet with councilmembers on an individual basis?

>> Riley: I think so.

He's going to be in town working on that co-on.

If people are eligible, they'll be in work sessionings.

If anybody is interested in that, you can contact my office and we can --

>> Morrison: Kathy and I had a chance to chat with him also and he told us about being down here and was going to stop by.

You know, I'm really excited about the decoupling thing.

It gives us a different model to look at.

And I wonder, I don't know formerly if we can live with adding like a half hour on the topic at the april 3.

It's a new way to think about things.

I don't think it would hurt at all to atlen introduction so we can all start thinking about it.

Then we'd be one step closer to being able to delve into it on THE 19th.

That's my thought.

I don't think it will hurt at all.

>> Spelman: I think you're right.

One additional benefit of that is that the public has the benefit of the discussion as well.

We can get the concept out of there.

So members of the public can do that, thank you, as well.

>> It means we would be making a motion to add an additional topic to section four.

That's decoupling, a presentation on decoupling.

Is that the right way to say it?

>> Yeah, I think so.

>> Spelman: If we were to add that, the presentation that he gave to chris and me on the phone went on for more than half an hour.

I don't know how long yours went, but it seems to me it might be in terms of the hour for the presentation including the questions and answers which I suspect will be inevitable and a response from the utility which may also be ineligible.

>> That gives us in a little bit of trouble.

We do need to address the issues on session four also.

>> Tovo: If I could just throw out an option.

>> Spelman: Please.

>> Tovo: We could extend our 00 to 5:00.

One reason why that is shorter.

Most of the work schedules are three hours.

That was shorter because we have a council work session here.

We'll spend all day in this room.

>> Martinez: Once I get a beer, I'll be fine.

>> Tovo: We could alout that 00 to 5:00.

>> Tovo: We could ask him to give just an overview.

>> Spelman: Are we asking ourselves to not ask too many questions.

>> Morrison: You and chris have done a lot of that.

>> Riley: Available early the 2nd.

EARLY ON THE 2nd, ALL DAY ON THE 3rd, AND THE MORNING OF THE 4th.

>> Spelman: It would be convenient if we could slide him into this area.

Will that propose any difficulties for you guys, from 00

>> Riley: We're preparing for the session on the topics scheduled.

We can be here for 2:00 to 5:00.

We have staffing challenges between today and that session.

So I don't think we would have an organized response at that session.

And if we needed that, withe would hold that off to a later session.

>> Spelman: Just as well, the point would be to put it in our ear and have some basic facts to work with.

>> Morrison: I'm looking at session five, rather light at this point.

It's got room.

Other related issues as well as we want to talk about all systems.

We could move some of the topics from 4:00 to 5:00.

>> Spelman: Comfortable doing that?

Or making further decisions on that over the next two sessions?

>> Morrison: We could do that.

And we could see where we are at the end of session four and the other related issues could be the ones that we didn't get to.

>> Spelman: Yes.

>> Morrison: Sound reasonable?

>> Tovo: Keeping it flexible is probably idea.

We don't have to wait to vote on it.

>> Morrison: I'm making a motion to add to section four and overview briefing decoupling rates.

>> Spelman: A second?

>> Riley: Second.

Job if we're posed for action or not.

But it seems like --

>> Morrison: We are.

>> Spelman: Do it formally.

All those in favor, say eye.

Passes by a vote of 4-0, we're done.

What else do we need to discuss?

>> Tovo: We need to make a motion to have that session for that topic folded in to session three?

Or do we all acknowledge it falls neatly into fixed charges and alternatives?

>> Spelman: We have a motion?

>> Morrison: Session seven, right?

I thought I heard you say three.

It's under fixed charges and alternatives.

>> Tovo: We need to clarify that or it fits neatly snuff?

-- Fits neatly.

>> Riley: I don't think we'll exhaust the discussion next week.

It will be helpful to have an introduction and then go to greater depth.

>> Morrison: The question is do we need to change what we say under session seven?

>> Riley: When you say fixed charges and al tern ties, we could say including revenue regulation?

>> Morrison: What?

>> Riley: Including revenue regulation.

>> Spelman: That's a motion.

Moved and second to include revenue regulation, comma, on section seven.

Right after fixed charges an alternatives.

Any discussion?

We're done.

What else do we have to discuss?

>> Tovo: Two other issues.

One is the mayor's office who raised this as a topic for today.

That is the fact we've tried to avoid two austin energy work sessions upon weeks where we have a city council meeting.

We violated that in several places, violated that ordeal in several places on our schedule.

Why don't we think about whether that's an issue and revisit that again next week if we need to adjust some dates.

The reason that poses some concern is april 16 because we have two austin energy work sessions and a budget session as well.

Session eight and ten are scheduled for the week of the council week.

We have two weeks that we've exceeded the two meetings and ended up with about three.

But I don't think we have time, right now, to try to move things around.

I believe that was an issue the mayor wanted to talk about.

>> Morrison: From our perspective, we were trying to avoid council weeks because we have a work session and council meeting so we wanted to add only one more.

So we have three opportunities to be together.

So if we have a budget session and two work sessions, it's -- we're left in the same situation with three -- three work session meetings together.

So frankly, for me, it's not that big of a deal, it's completely analogous.

>> Tovo: How about the week of april 23 to the 27.

We have a council meeting.

We have a council meeting, a work session, and two work sessions?

>> Morrison: It is a council week?

>> Tovo: That's according to the schedule I have in front of me.

>> Morrison: She's nodding her head.

That's a good one.

>> Tovo: We might contemplate a change.

>> Spelman: We may have more information later on on what's the right time to change that.

>> Tovo: Leave it for now.

Lastly, when we made the motion to amend the schedule at our special calmed meeting, we talked about moving down -- the motion included a provision to move down the topics by one.

However we do want to keep session nine constant.

April 14 should still focus on consideration of rates for certain kinds of customers for out of city rate payers.

We'll make that as a motion that section nine not be held out of sequence on april 13 but include the topic as listed in what we have before us.

For specific types of customers.

Out of city taxpayers.

>> Spelman: Is there a need for a motion on the subject?

That's what's written down on the current schedule.

>> Morrison: There was a little ambiguity last time.

>> Tovo: There was a suggestion.

>> Riley: Not clear if that meeting was going to be fixed or not.

I think everybody understands it would.

So the last motion that was made wasn't clear on that foot

>> Spelman: Let's clarify.

The motion again is -- let's restate.

The motion, again this, is for real.

>> Morrison: And we really mean it.

>> Spelman: Moved and seconded we really mean it about section nine.

It passes unanimously?

Any other things we need to reaffirm?

There being no further business, we're adjourned.

Thank you very much.