Closed Caption Log, Council Work Session, 05/17/12

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May 17, 2012

this is mayor leffingwell. I will call the work session of the austin city council order, may 17, 2012. The time is 1:10 p.m. We are meeting in the council city chambers, 301 commerce street, austin, texas. And we have basically the same agenda today that we had yesterday, which is somewhat fluid. Basically it listed everything that has been discussed in a number of work sessions every couple of months. If there is no objection, council, I would like to go ahead, as you know yesterday i asked for some advice from our bond council on how -- on bond counsel on how these various changes would change our financial status, in particular our bond ratings and I would bill newman if there is no objection. newman, what we would kind of like to hear from you -- I don't know how familiar you are with the various proposals on the table, but in particular, in -- and we can go through it point by point or you can speak generally if you would like on -- with some -- in some detail about the proposal that was recently made by mayor pro tem cole and council member spelman and council member riley and the potential financial impacts of that, if you are ready to do that. Otherwise, you can just speak in general terms. [13:10:25]

>> Mayor, if you don't mind, i am not real familiar with that. I would not rather speak to it but speak in general terms if that's okay.

>> Mayor leffingwell: okay.

>> I would like to hand out books and I think dennis whalely will start the presentation. we can do that. Thanks for coming by on short notice.

>> Thank you for having me.

>> Good afternoon, I am dennis whalely with pfm. if you can get a little closer to the mic. They are not turned up, I guess, so to make sure everybody can hear you.

>> We put together a brief presentation to walk through a few of the things that the rating agencies looked at when they rate austin energy bonds, also some of the comments that had been made by the rating agencies in the past about austin energy. On page 2, just an overview of credit ratings and how the various rating agencies rate bonds, you can tell moody's s and p and fitch and start with triple a rating and go to bottom with b double a three or b double minus rating ae is i would say in the middle high rating area, ae has an a1, a plus, double a minus rating. One of the things that's assigned to a rating is a rating outlook and you will notice at the bottom, they assign positive, stable, or a negative outlook. On the next page, page 3, it talks specifically about ae's rating. On the far right is the combined utility bond lien. That lien is rated a1 double a double a

minus. This lien is closed and was closed 2002, 2003, when ae began to issue bonds with its own revenue pledge and then water issued bonds with a separate revenue pledge. So the working lien for ae is the middle column, and ae is currently rated by moody's a1 stable with a positive outlook from s and p and fitch double a minus from the stable outlook. One thing to keep in mind as far as ratings and the importance of ratings is there is no longer bond insurance available to issuers. There were about 8 bond insurers back in 2008 and after the problems with the housing crisis and credit problems, there now remains one bond insurer and they have been downgraded from triple a to double a minus, so to keep that in mind, the importance of the rating -- these bonds are not only held by large institutional holders, they are held by individuals, and anything that could impact the rating positively or negatively will have an impact on the value of those bonds to that person. The next page, an overview of rating criteria, all of the rating agencies basically look at the same thing. The area economy, debt, ratios and the structure of the debt. They will also look at the finances, in this case of austin energy, revenue and expenditures, liquidity is very important, and then management of the utility. Then on page 5, just specifically from moody's, they weight the various factors. You will notice 25% for service territory, 25% for cost recovery, management, rates, and then factor 5, 30% of their rating is based on financial streak on liquidity. That is a basic overview of what the rating agencies are looking at and the ratings of ae and i think we will skip over to page 10 and I will turn it over to bill.

[13:14:43]

>> Again, mayor and council, thank you for having us. I will go back briefly and mention, you folks know this. A credit rating is basically an indication of what your credit is all about and how much you are going to pay when it gets time to go pay your debt, an issue bond. Higher your rating, the lower interest rate you are going to pay. That's what it's all about. Higher rating is equal to lower borrowing cost and rating outlook dennis mentioned, you have a rating everybody is aware of, triple a, aa, whatever, the outlook is where you are headed. Positive headed up, stable means you are in the middle and negative means probably headed down. So kind of a warning, as I view it. Dennis pretty much covered everything. I would like to reemphasize the fact that you do have 7 billions of debt outstanding combined water, sewer and electric debt outstanding and that debt is hold by casualty companies for the most part, investors, investment companies, and it's also held by grandmothers, grandfathers, uncles, aunts, nieces, so forth that are effective. When that rating goes down the value of their porter space portfolio or retirement goes down as well. To move on to page 10 and to give you fair warning, I won't go through this thing I along winded enough as it is and we will hit the highlights. On page 10, if you look at the factors that are on triple a, a rates and b rated categories, look at a and b double a. Under a category, liquidity, debt ratio and debt service coverage, an a usually has 90-149 days of liquidity, that ratio will be 50%, 75%, debt service coverage, one and a half to 2 point times, if you have $1,000 worth of debt, you need $150,000 revenue to cover it. That's one and a half times cost. Let's skip over to 11 and 12. My numbers are probably older than ae's, this is an april version at that point in time. Your current balance versus your target amount was negative to the tune of about $218 million. Page 13, again, looking at financial metrics, equity -- the debt equity is 50% and that's good and compare yourself tom so of the peers down there and the days on cash on hand, at 55, which I assume is still fairly current, probably less than that now, according to ann, but your numbers are somewhat lacking there. Then to touch upon briefly on page 14, some of the things that have been said by some of the rating agencies and their reports. Rating

agencies put out reports on you every year and for every time you issued it and in your case, in 2010, s and p looks at you strongly and says if your financial performance continues to look good, you can probably look for a rating increase, that was back in 2010 again. S and p said if you don't look at progress, you can look at a potential problem. Fitch said you face declining margins in the absence of early rate increases, in 2010. Moody's is the more blunt of the three in my opinion. I always say moody's is moody. I think they are. I know they are listening so i will probably get in trouble for but on page 15, we talk about moody's and their comments back in 2010, they said that an increase in the base rate will be key for long-term financial stability, more importantly in the next bullet, stable outlook that you currently have reflects moody's acknowledgment of uncertainties related to the utility's budgetary and depositions for the next couple of years while expecting management and policy makers will take steps to provide the financial stability of the system. Rating could change downward if debt service coverage margins decline or transfers to the general fund increase. At the bottom, 50% debt equity ratio is very good. Your coverage and your cash on hand is probably below the a rated category. I won't touch on 16. Seventeen, you kind of always like to see how you fit with your peers. Austin electric is one of the top ten utilities in country. That's just kind of what your ratings are, their ratings are and when they last changed and who is under review. Not real important here. I know everybody likes to look at san antonio, since they are a neighbor, and kind of how do we compare to those. Everybody always talks about san antonio general's fund transfer and it is 14 and ours is only 9. Why is that? San antonio is double a credit, but take a look at these fitch reports where it 2 times which is very strong, unrestricttive cash balance of $814 million, 243 days of cash on hand. Normally rating agency f you have a week owned debt service coverage and still have a lot of cash, ought to be okay. You have a lot of coverage and you have weak on cash, it is probably okay but weak on both, they see your margins declining and not much ability to move upward, for lack of a better way to put that. Notice in moody's comment on the bottom of the page, we calculate the ratio after the annual transfer of funds to san antonio and I will show you how you compare in that category later on. They do look at -- while your coverage may look reasonable prior to if general fund transfer, but they consider -- they being them -- if you transfer the money to the general fund, then you won't have it available to stay in the electric utility and make cash capital contributions, whatever the case may be, so we will show you a comparison in a minute of what your coverage looks like with that transfer. So in san antonio's case, you are adjusted debt service coverage after the transfer, one and a half times and their ratings would probably be diminished. Let's focus on the next page, page 19, and I don't want to get go into these numbers. Let's focus on coverage on, middle of page, debt service coverage 2011, expect it to be 06 for 80 which is really good. However, let's come down the page a little bit where it shows on the left debt service coverage after the general fund transfer, then your coverage drops to 1.46 times. It is even worse in the earlier year, in 2010 at .14. And if you consider the other transfers, which amount to well over $50 million, then your 82 in 2010. I am pulling good news, aren't i? Skipping to the next pages, 21 will show you you've enjoyed some very good rates in selling debt for austin energy in the past, 2010, under 4%, barely over 4 in 7, 470 is the highest one . That was number 6, darn good rates. I want to show you impact of downgrade. Just in average, we took sales based upon a rated pricing over the course of the years and average -- after average differential if you would on vaa which is below you of a rated credit which is 1.21%. On an average basis for you to be downgraded to that it would cost you $27 million every time you issued $100 million in I would mention right now, that spread is probably 2 percent but it can get as high as 2% or even higher. Only the average spread is about 1.2%. So, in summary, I will ask you to focus on page 23 and all of the things that -- all of the good news I brought to bear. Ae's financial margins have declined significantly over the last two years. I think moody's, s and p and fithch have picked up on that, cash reserve are below the requirement of a rated electric utility. In 2010 all three rating agencies perked their ears up and said we will watch you but things need to get better. Comment, the fourth bullet there about staff is defined as rate increase, only mention that, because fortunately or unfortunately, we have rating analysts that live in austin, that live in dallas and they -- you don't go to new york to see those people. They get the paper every day and they watch this event, they watch your council meetings and so forth and so you've got a good track record in the past of raising rates and they focus on that in their rating reports. They said that. Y'all know I am a sledgehammer diploma mat to be 18 years without rate increase is not good. Those folks see that and then they look at san antonio and other utilities and say we raise rates every two years and stay on top of it. It's just not good. The last comment is the most important I can say in immediate and adequate rate increase may prevent ae's rating or houston look to be downgraded. I think the outlook for here I think there is a strong potential that the rating can go down. Again, the sad part is that 7 billions worth of bondholders and affects their portfolio and how they look at you in the future when they get ready to buy your debt and whether or not they are interested in buying your debt. I am sorry to be the sledgehammer diplomat that I am and that's the way I see it and they will probably see it that way. Those folks are more conservative than I am, if you believe that, keep in mind and they look at the stand point from bondholder and a what that's the worst that can happen. I am sure you have questions. if we were to experience a downgrade and given the fact, also, that we -- there is general direction at this point to increase a percentage of debt, whereas it has been 50/50 to 60/40, can you give us some idea, a ballpark estimate of how that would impact us in terms of dollars?

[13:25:03]

>> Mayor, I would like the answer it this way, if you don't mind. I think your current level at 50% debt equity funding is good. If you were to take a forward look at your debt over the next five years, if you said, hey, form, I am going to change that to 60/40 and move in that direction, it may take you a while to get there. I don't think that will hurt you as badly as continuing on the path that you have today of no cash and low debt service. When you combine all of these things together, unfortunately, it looks like a further deterioration of credit quality. and so can you come up with a number -- how many -- an incremental downgrade, what that would cost in terms of additional interest we would have to pay for borrowed money?

>> I mentioned on the other page that the average for the past ten years where you look at the difference between an a and a b double a, on every $100 million you issue, on the average, it will cost you $27 million per 100. Rate differential of 1.21%. and the total debt of the utility, i think you mentioned 1 billion --

>> 1.7 billion. with utility and water combined.

>> Sir? The number for the entire city, isn't it, not just --

>> that's austin energy. That's their portion of the water, sewer and electric combined debt as well as their own debt is 1.7 billion. so I am trying to do the math on that in my head, but this -- this would be only on new debt. It would experience that additional cost?

>> Yes, on new debt, that's how much in addition you would pay for 100 million borrowed, the existing debt. If you were a holder -- let's little was holding a thousand dollars in a rated bonds and it went down to b double a and instead of selling them at 100%, she would sell them 97 or 96% on the dollar because it is not worth as much as it used to be. it sounds like it would be a significant amount of money, additional new service with the new debt?

>> Yes, sir. with the downgrade?

>> Yes, sir. And I guess the additional down side is you can get downgraded this year. It will take you five or six years to get back, if you put good financial policies in place, it takes a while to come back. so a do you know grade would affect us not only -- a downgrade would affect us not only the next time you go to the market but it would affect several times over the next five or six years?

>> Those folks will want to see a history. They have seen in the past for you a history of raising rates, keeping high debt service high and they want to see a history of three five years before they say, okay, it looks like you are back in the high life again.

[13:28:03]

>> >>Professor: mayor pro tem.

>> Cole: I want to make sure we kind of walk through this and really understand the implications.

>> Surely.

>> Cole: First of all, on your summary page, you talk about financial margins have declined significantly. Are you talking about the reserves? What do you mean by financial margins?

>> When dennis spoke on the earlier pages about the various criteria related to rating. He mentioned economics and so forth and so on, the two most important criteria when you are looking at revenue bonds is revenue and how much coverage you have and how much cash you have on hand. So financial margins there is the three most important that we focused on here, is debt service coverage, liquidity, cash on hand, debt to equity.

>> Cole: Okay. You said that you thought if we moved from a 50/50 to a 60/40 and gradually went into that, we probably would be fine, especially if we were only contemplating a short period of time that we were going to stay at 50/50. Is that correct?

>> Yes, ma'am.

>> Cole: Okay. Now, we really need to try to nail the numbers on the financial implications as far as debt service on our choices, and I know that you don't want to comment on the specific revenues requirements that some of us have proposed and that type of but I know that you've prepared schedules for us in the past showing a downgrade in austin energy revenue bonds, and I heard you say that that would cost us -- or did I hear you say that would cost us $27 million a year?

>> Based upon the average rate applied to an a rated credit and a b double a rated credit over the past ten years, the differential of that is 1.21%. 21% to 100 million-dollar transaction, the additional cost is $27 million.

>> Cole: That's annual cost, right?

>> No, ma'am.

>> Ten year cost?

>> Lifetime cost.

>> Cole: Lifetime cost.

>> Thirty years.

>> Cole: Thirty years. 7 billion that is on new debt. Can you articulate a little bit more about how that's calculated?

>> No, ma'am. That's not on new debt. That's how much outstanding debt that austin energy has incurred on its own or combined with the water and wastewater utility. You have two kinds of debt outstanding for austin energy. One is combined debt, water, sewer and electric debt, and the other is separate lien debt, which means the only lien there is separate and it's electric 7 applies to how much you have issued to date and that's 1.7 billion.

>> Cole: And do they have to be bundled? I just want to be clear that 7 billion and that's on the entire debt that we still are focusing on implications of what we do on austin energy.

[13:31:10]

>> Yes, ma'am. Now, there is additional debt beyond that that goes for water and wastewater utility, airport or general obligation debt.

>> Cole: And then in your third bullet, you mentioned the fact that all three of the rating agencies have put aap on notice with regard to their credit concern. Does that go back to the debt equity ratio or the financial margins or is it all of it?

>> Primarily the financial margins and we talk about financial margins, mayor pro tem we talk about all of the margins to look at. Again, the primary ones we indicated for the debt to equity coverage and cash on hand.

>> Cole: So --

>> I would like to mention. Sorry.

>> Cole: Go ahead.

>> Dennis, we negligented to mention, there is additional requirement for reserve funds going forward?

>> Yes. If coverage falls below 1 and a half times, per the bond covenants, ae would need to fund a reserve fund for the outstanding bonds, and the size of the reserve increases, depending on how low the coverage is, so 140 is a certain amount, 130, 120, 110.

>> Cole: Let me ask larry or ann. Any -- as we contemplate a 50/50 to 60/40, is that going to impact our bonds covenant coverage? I just want to make sure that anything we are currently contemplating is not going to make matters worse. It's actually going to make it better and how much better does it need to be?

>> I will take a shot at that. Capital, not cash putting in but capital, I have worked for a very highly rated utility that actually had 60/40 and maybe even some years 70/30, because you can vary it, depending on projects. So it's not the same every year. So from my -- my opinion is that moving towards a 60/40 will not hurt our credit as long as we have the other metrics in place of the cash and the coverage.

>> Cole: That's what you are suggesting, that we have to have that reserve, I guess, it is almost like a reserve contingency for the potential fluctuation? Is that the way to put it?

>> Right. We have to have a target where we are going by policy and, you know, as you know, our proposal is that we work towards rebuilding those reserves and we have had recent discussions with the rating agencies and we know they are watching us and we work closely with them and I think that we have all intent of fulfilling and maintaining our credit and not going negative and that's always been our -- our drive here.

[13:34:06]

>> Cole: Well, let me ask you this. Since you have had some discussions with them, I don't know if you have done that lately because I think we are still currently proposing a two phased process and a graduated contribution to reserves in initial 0 reserve -- reserve neutral policy.

>> They understand that.

>> Cole: They do understand that?

>> Yes.

>> Cole: All three agencies?

>> Yes . In fact, recently it was fitch.

>> Cole: Are you calling or are they calling?

>> They are.

>> Cole: All right.

>> It is a fair question but they are.

>> Let's touch on that for a moment if you don't mind.

>> Cole: Okay.

>> To be very candid with you, we haven't spent any time than necessary with them as of late because of the financial margins and the condition they are in. I mentioned earlier they look at you annually or every time you go to issue debt in any event, and you are going to issue debt again when? Probably september/october. So that's when we will go under the microscope first sure and they will look at you very closely then. Until then, hopefully there is no call for them to come down and put you under a microscope. They will wait until then.

>> Cole: So they are closely watching these proceedings and what we have planned to do on july -- on june 7th? I am assuming that's --

>> yes, they know -- I don't think it is date specific in their minds. The analysts I have talked to, they know we are in the process of restructuring and getting a rate increase. They know -- they are watching, but, you know, there is others fects of the utility they want to know how we are managing, too. That's pretty routine, and for me personall I have worked with a loft of these same folks for a long time and so they are doing their job. And from new york and from here locally, they are watching.

>> Cole: Thank you. Thank you, mayor. council member spelman.

>> Spelman: Thank you, mayor. Bill, I would like to ask you a hypothetical question, and the reason for the hypothetical question is because I want to get a sense from how much money we are talking about that is at risk here. And I also like to have a sense for how we can balance a low rate now versus the potential for a much higher rate down the stream if we are risking a downgrade and I want a couple of numbers that I can use as an an anchor to help me get ha sense of that. Hypothetical would be something like this, we don't raise your rates by enough to avoid a downgrade and so we trigger -- what would the cost of that be.

>> Can you say the last part, please.

>> In case anybody in the bond rating agencies is listening to what it is I am saying, I want them to understand this is truly a hypothetical question.

[13:37:07]

[Laughter] I am only asking a truly hypothetical question to get a sense for what is at risk. Suppose we took some action, didn't raise rates enough, didn't react quickly enough that would trigger a downgrade, which would cause us $27 million per $100 million of bonds that we issued. We know that, we expect to issue something like $200 million in capital improvement projects each year for the next two years, and we are expecting that this rate that we are talking about setting here is going to cover the next two-year period that right, marc, two year period, three year period? When does it phase three start?

>> Two years.

>> Spelman: Two year period. So here is the hypothetical and we do something dumb and moody' s and p and fitch, say that was bond. We are going to have to issue debt to cover our cip for the next couple of years and the cip for the next couple of years is expected to be around 200 times 2, about $400 million, and given the way we are talking about doing that now, the debt would be about 60% of that total money or 2 hundred million dollars in debt and we are doing it from co's and followed by long term and the instruments aren't as important but we are going to issue $240 million in debts that going to be rated by these three agencies at some point over the next two, three years, based on what is going on here now, $240 million at a downgraded rating is going to cost us $27 million per 100 million moreover the life of the 30-year note. Is that accurate? Of what you said.

>> Based on the ten-year average that we showed you.

>> Spelman: So if we are issuing $240 million in debt over a couple of years -- let's see. That would be -- I get 8 million over the 30-year cost of increased costs if we were downgraded. Is that close enough?

>> I did a ballpark, it is 63.

>> Spelman: 240 Million time 8 and so it is a life of 30 year note and we are costing ourselves about 2.16 million per year. I divided by 30, and so $2 million a year roughly. On the other hand, two things, one of them is that $2 million a year is something we are going to pay for a 30 year period and if we wanted to get a sense for how valuable that was to us now, we can put a cap rate on that of roughly 5%. That's about the value of money for us. And I come up with a number for -- if I am using a cap rate of 5, of about $40 million, 43.2 million. Does that sound about right?

[13:40:07]

>> About right.

>> Okay. So if we do something to try and save our ratepayers a little bit of pain now, the effect of that pain, if it triggers a downgrade, is to cause $43 million worth of pain over the next 30 years? Is that accurate? Is that a right way to think about this?

>> I wouldn't think about it that way. That's a snapshot.

>> Spelman: Okay.

>> A couple of things I would mention. You are assuming -- we are assuming that that rate differential is only 1.2%. It could be higher. What was left urn said is -- those austin ratepayers, there may not be many, that hold that 7 billions worth of debt that you have outstanding. How much are you costing all of those people that hold austin's debt? When the value of their portfolio goes down as a result of the downgrade? How much more will it cost you 21% because the casualty companies that view you annually and buy your debt, some of them out there hold hundreds of millions of dollars worth of austin energy debt, and they say, well, I may buy austin debt in the future but they are going to have to pay for it. 2% but even more than that because I am skeptical they won't turn this trend around, so the cost is not, council member, that 50 or 40 million-dollar worth of debt. That cost is significant.

>> Spelman: The promtion I am making with my hypothetical is that monitoring agencies are unhappy with, we could then, in phase two, two years from now, do something they are happy with, all will be forgiven and somehow our monitoring will come back to where it is now.

>> I don't think it will come back in two years but five.

>> Five, if we are on good behavior five year period, they would consider bringing us back to where we are, but a downgrade will last more than a couple of years?

>> Yes.

>> Spelman: And we are continuing to issue debt at something like 120 million bucks a year, and then 27% of $120 million a year is the kind of cost we are talking about, more like five year period than just a 2 year period? So that $40 million might be $100 million?

>> It could be.

>> Spelman: Thank you.

>> You are welcome. One thing I should mention at this juncture, I know based upon comments you said that they think you did something -- to use your words -- something dumb, I don't know the exact words you used.

>> Spelman: I don't know exactly what I said.

>> Sorry. Keep in mind that they aren't going to tell you if you said, well, hey, if you ask me, bill, what would they say about a two-stage 4% increase versus a one time 14% increase, what

would they say? They wouldn't say anything until after they did it. They aren't in the business of telling you how to run their utility. Once you do everything or haven't done anything, then they take those financial matrixes and look at them and see where those folds out and how it looks to them today. I have gone down that road and ask them, hey, what would you do if, they don't go there.

[13:43:27]

>> We have to buy the box on the display floor before they unveil it and tell us what is in it.

>> Yes, they will slide down there with the purse and then tell you how hard it hurts.

>> The comment, the other important aspect that these rating agencies look at is how we compare with our peers. That's really the measuring stick that's out there and so i guess if all public systems are at a certain level of metrics than what we are seeing, in reserves in cash and everything else, that's how we get measured against, so when you want to know what's perfect, there isn't really anything that's perfect, it is really that higher peer group and where they are. Austin energy is number 8 or number 9 in the country in size so it is the larger one we get compared to.

>> Yes, that's accurate. council member martinez.

>> Martinez: Thanks. Mr. newman, thank you. I certainly appreciate the information that you are giving to us and I know you only want to speak in general terms. I think my comments will be equally general. But I do want to point out what appears to me to be a general direction that almost indicates that if we don't raise rates, we are going to face a certain downgrading. When I read through this and when I see terms like management of generation risk, that to me also means managing your assets, managing your cip program, managing what your revenue requirements would be moving forward and ultimately, managing what you pass on to your utility customers, and none of that is reflected in -- in what you have presented to us as, for example, under factor three of the moody's score card, is there any contemplation from the rating houses as to how we are fiscally prudent in managing the utility in and of itself? And wouldn't things like restructuring a cip program to better fit in line with the resources that we have available as opposed to just raising rates to cover what we project in a 200 million-dollar per year cip program? What if we were able to reduce that cip program to 150 million a year, wouldn't that equally factor in how they would look at it from a rating perspective?

>> You bring up some good points, council member. I would mention any categories you have here, look at the various weights on some of them. Certainly that management of generation risk costs are about reliability of power is a big issue here, particularly in a high-tech community. The folks that are in that business are -- they pay what they pay because they want that power to be reliable. One little dip in power can cost them millions of dollars so that reliability is a big issue. When you look up, however, factor number 2, willingness and ability to recover cost with sound financial metrics, that is more of a broader category, as is factor number 5, financial strength and liquidity. Under those two categories is where the coverage, cash on hand, and how you compare with your peers, that larry mentioned, comes into play. They don't look at just you in an isolated

case, quite frankly. You are fit into -- and to use your example, if you say, okay, I will drop these costs. I will drop this and drop this, your revenues may be a lot lower, your capital may be lower and you may have lower coverage. You may also be a b double a credit. That's where you fall now as a result of it. That's all. And that's the way they will see it, excuse me.

[13:47:17]

>> Martinez: So there really isn't -- it sounds to me like you are saying there isn't really an art or finesse to this rating system? We are thrown into very general broad categories and compared with our peers, even if we lowered cip and tried to bring it more in line with projected revenue that could be lower in the years coming forward, that necessarily wouldn't increase our rating? We could still be facing a risky future based on cutting costs to cip plans?

>> I will be very straightforward with you. You could raise your rates today at the highest rate that you would propose in this process, and your financial matrixes have dropped significantly. I think it would be very helpful to you to do so in showing a good sign that you are trying to put remnants in an a category should be, but I wouldn't tell you today that if you did that, you are going to maintain that a rating. I am just being very honest with you.

>> Martinez: I appreciate that. So for me, what that says is that it's worth it to me to go through all of this, because, really, at the end of the day, the people that are affected the most are our utility customers, whether it is through a downgrading in rating or raising their rates, 14, 15,%, they are the ones ultimately affected by it so it is worth for us to go through 11 work sessions and try to understand the true revenue projections that are being made for future years and whether or not we can somehow alleviate some of that because I think what you said leads me to believe that the rating that we are at right now and we are headed in the short and near short term pretty much is established, even if we raise the rates as high as possible right now, probably couldn't avoid that in the short term?

>> I won't disagree with you. I would offer that you are looking at that from one perspective and how it affects your local ratepayers and understandably so and I am sure they understand that as well. They are going to look at it from the perspective of a bondholder in those 7 billion -- and those people are going to buy and say, this is or is not an a credit. It is now this level of credit, and so that's what you base your future interest rates on and how risky or not risky this credit is. It's perspective.

>> I understand.

>> Thank you very much.

>> Martinez: And so when you -- when you -- when we do the simple risk ratio that was mentioned earlier, 43 million over 30 years, I am comparing that risk to 71 million over the next two years to our ratepayers, and that is how i look at it, from a risk and financial perspective with the customers. and i would just think with regard to saying -- we can partially fix things by reducing planned capital spending over the next few years, that might actually turn out to be a negative because if they view it as not being able to keep up our service level up and our

reliability up, to serve the customers that we have in a responsible way, I can see where that would actually be a negative, to not meet the minimum needs through capital expenses. And the other comment I would make is I think there is a tendency to think about -- talk about management, how the utility is managed. We are not just talking about weis and other senior members of austin energy and the city manager and his staff. He is talking about us, because I know from past experience that they look at the city council, and of course we are ultimately responsible for approving rate increases and expenditures and that kind of management of the utility, and so they look at us to see how good of managers we are. That's my perspective on it.

[13:51:17]

>> Mayor, I wouldn't disagree with you, either. I would love to say we could blame this all on larry, but we can't. He wouldn't like that too much.

[Laughter] if worse comes to worse, we will just blame it on dennis.

[Laughter] and all -- in all seriousness, though, when you talk about those factors and not being able in the future on capital -- on the capital side to meet the capital needs of the electric utility, you heard that in rating meetings on the general obligation side. If you don't raise taxes enough to fix streets and to fix this and fix that, they feel the same way about that. You are supposed to keep that credit quality, if you would, up, and, yes -- they would be -- they would view you quite frankly as you are the board of directors of this corporation. This corporation is austin energy and it is a company that generates cash and coverage, et cetera, et cetera. Management is both he and this group. any more questions for mr. newman? Council member tovo?

>> Tovo: Yes. Thank you very much for your talk and I appreciate my colleagues' comments and in looking through some of the comments on page 14 that are specific to austin energy I do see several references to the city council and one of the things that it seems to me, the bond rating -- the bond rating agencies are looking at as the council's willingness to raise rates as appropriate, and so that's -- I appreciate you putting in these comments here. But I do see several comments here that are really talking about raising the ratings as well, and so I thought that was also interesting, that they are talking about, you know, in some cases they are talking about what -- I am just looking at the first one, although fiscal 2009 results indicate weaker debt service coverage, if management can restore financial performance, there is a historically stand level and maintain strong liquidity, we could raise the ratings, so some of these are pointingsing to ways to raise the ratings as well and we are doing what several of them suggested which is evaluate the need for rate increase.

>> I would disagree, I am sorry. 2009, They were just saying that your debt service got weaker and if you can restore in terms of coverage and cash at hand, they could increase your rate but i don't think they are saying lower debt service coverage that you had in '10 and '11 is good news. That's on page 19. And 29, your coverage, 2009, your debt service coverage after the general fund transfer 10 times to 136 times and I think that's the referral that the coverage dropped and I think their indication was you could get it back to levels it was in '6, '7, '8 and may be in better shape and see upgrade.

[13:54:25]

>> Tovo: Right. I don't think that's not different from what I said.

>> I apologize if i misunderstood you. Sincerest apologizes.

>> Tovo: Because they were talking about the rating now, that they could raise the ratings beyond what they currently have assigned? I guess we are not maybe well understanding each other. I guess, you know, I wanted your comments about all of the discussions we have had about debt equity in terms of shifting that to 60/40, it would seem to me to be a good thing, that is still well within our existing financial policies, and i wondered if you could comment on that. We are not contemplating changing our existing financial policies and I do see a lot of references in this document but also some of the previous documents you have provided us with, about the stability of financial policies being an important component as they evaluate the stability of the utility.

>> Specifically your debt to equity ratio is a very strong number for an a rated credit. Look in the criteria we showed you, it goes up to about 49% for a rated credit so you are in good shape there. If you go to 60% debt to equity, I think that would be fine. As I mentioned the important components of the revenue and most important financial matrices they look at are debt service coverage and cash in hand so that is a small portion of the three matrices we are focusing on.

>> Tovo: I think we are not contemplating altering the debt service coverage, either, so it seems like we are in decent shape in terms of sticking with our existing financial policies, I would anticipate that that would be in line with some of the advice we have gotten from you in the past ability how the rating agencies view the stability of that.

>> If you could achieve your target, yes, I think you are below what your policy say for your averages, and that's the problem.

>> Tovo: Okay.

>> Yes, ma'am.

>> Tovo: But in terms of 60/40 we are still good --

>> if you change that tomorrow, I don't think that will be the factor that kills you.

>> Tovo: Great. And I have one more specific question. Hopefully I can find it in here. There was a discussion in one of the rate agencies -- one of the specific rating agency, on page 7, moody's score card factor 2, under aa rating, it talks about fuel and purchase power cost adjustments 10-30 days and characteristic of an a rating would be adjustments 31-60 days. I wondered if you thought it would be a benefit if austin energy moved to a more regular fuel recovery adjustment? Would that? It seems to be a factor in these ratings.

[13:57:30]

>> It is a factor, yes, ma'am. It is not as strong a factor as the things I mentioned earlier. But if you are in an a category and your power went within the 31-60 days, they will be neutral when it comes to assessing that criteria.

>> Tovo: Right now our field recovery is annual, is that right?

>> Yeah. If it changes more than 10%.

>> Tovo: Then you have the ability to go back?

>> I will just take -- while i have the microphone, I will say on if fuel adjustment, I think the pfm would back me up on this, all of the utilities do it differently. Some of them have a lot of methods to do it and I -- i haven't seen rating agencies be real particular about your method of doing it as long as you have a method of doing it and you adhere to the policy and you operate per the parameters that you set up and which this council has approved, and so in my time here, I have met with all rating agencies at least once and that has not come up at any time.

>> Tovo: Interesting. And that supports what you said about it not being -- I said that supports what you were saying about it not being as critical a factor as the others you mentioned? weis, while we are talking about this, I wondered several points, whether it would be a value to have a more regular or more frequent, i should say, fuel recovery?

>> Well, I will just take -- i will go at liberty here that i really contemplated overhauling our entire fuel recovery but as you imagine, everything else we are doing here with rates, i decided maybe I should leave that alone for a while. We are recovering it but there are other methods to do it. I will also say that the wholesale market is not vigorous and there isn't money to be made and it's a rather dull market these days and so it's probably a pretty good time not to address it right now but it should be addressed in my opinion at some point in time. And there is a variety of methods to use and I won't go into that but it has been on my mind. We decided with all of the other rate work we needed to do, we would leave that where it sits for now and we will come back to it.

>> Tovo: Thank you. I have one more question. I am a little uncomfortable asking it but I will throw it out there any way and I know you can only give us your advice, no hard answers. Is there a potential effect on bond ratings, credit ratings as a result of appeals of -- appeals of the public utility commission, potential changes in the way the utility can do business as a result of legislative action? Does that factor into that? Could that factor into it?

>> I would probably ask you to be more specific but my general certainly any appeals process, mayor, even in this case, if it got drawn out for a year, for instance, it's going to delay your ability to implement the change and further reduce your margins, would be my assessment of that. Rating agencies view any regulatory and sometimes political body as an obstruction, if you would, to the rapid implementation of rate increases and other changes needed for financial reasons. frankly that makes sense and, also, the potential for big changes in the way the utility would operate with regard to deregulation or partial deregulation or some combination of that.

>> I will give you an example. It might relate to your question and hopefully I am touching on what you are thinking about. Rating agencies in my opinion and in years past -- many years past has looked at san antonio electric utility being run by a separate board aside from city council as in austin, because they see it as a lack of a layer of approval of 60/40 in the process of rate fitting. They see it as more a direct correlation to running the company. they view that more favorably?

>> Yes, sir. that sort of confirms my suspicions.

>> I will be happy to pull out -- in the '90s, they used to say that regularly in the report. anything else for mr. newman? Council member morrison.

>> Morrison: I just want to follow up real quickly on that. Think my colleagues will be bringing a resolution forward to ask for an evaluation and ideas of different kinds of government structures and that might be, yet another element to add to the evaluation of each one of them, of how it affects the perspective of the bond rating agency.

>> I will send you a copy of the reports and what their comments were and let you decide for yourself. That was my notion.

>> Morrison: It points out that everything we do, we are trying to balance, as council member martinez said, our customers as well as the -- how we serve all of those in optimal ways is a huge challenge.

>> I admire the job that every one of you do, but, I am sorry, I wouldn't want your job for anything. It is a very difficult balancing act and I don't envy you. thank you.

>> Again, thank all of you and i am very blunt with what I say. You don't pay me to tell you what you want to hear. You pay me to tell you one perspective. I hope you appreciate it. I am grateful for the opportunity to be here as I am sure dennis is, thank you. you are exactly right. We want to hear the facts. We don't want anything sugarcoated. We want the -- your honest opinion. Thank you.

>> Thank you all.

>> Morrison: Mayor. how many morrison.

>> Morrison: I have another topic, hopefully shorter than that but I would really love to get some of our staff's advice on and that is, I want to make sure I understand the process going forward on june 7, the proposal -- we all have been working really hard on this and I think everyone is obviously clearly committed to finding a sound and fair and balanced rate design, et cetera, to forward. And I think I heard the mayor mention that it requires five votes to pass on first reading. no, all three.

>> Morrison: To pass on all three readings. actually two or three readings, more than one reading requires five vote majority.

>> Morrison: Okay. So we could, if we don't have a majority -- I mean frankly i think that it would be great and it looks like we have a lot of consensus here so far and hopefully we will be able to find that balanced solution, but we could -- so if we only have four votes we have to do three separate readings?

>> Mayor leffingwell: correct. As long as it stays that way.

>> Morrison: All right. Great. Thank you. But will we be posted on june 7, for, I presume, a public hearing and for all three readings?

>> Ott: We were looking at this in in terms of council making the final decision on june 7. The mayor was indicating yesterday that what earn tailed and I presume a public hearing but also you all -- voting, doing all three readings which would require a minimum of three council members to vote in the affirmative and so that means with respect to today, in regard to june 7, that you would need to make your decisions today, to meet that schedule.

>> Morrison: Well, we would hope to be able to come to consensus, three I want to throw out at the end of the day, that we might consider possibly reconvening a work session, say, on may 31st, which is the thursday before june 7, and we may well have -- excuse me -- right. So we could have a work session and we can look at this again at the end of the meeting but there may be some information out and who knows if we are going to be able to really be able to finalize, but more than that, it would give staff the opportunity to potentially run some rates that we could actually see some rates and have one more crack at it, and I guess, then, lastly, it would also give the public a good opportunity to see -- we have been through so many different options and all -- to see what may have the momentum going into june 7.

>> Council member, if I may, when we have been talking about planning and preparing june 7th, if, at the end of today's session, you give us comprehensive guidance on all of the -- all of the aspects of the rate review, then we are preparing to go back and revise the revenue requirement, revise the cost of service and allocations and conduct quality assurance of those numbers, in particular what we call the proof of revenue, which is, yes, at the rates that we designed, really do generate as much revenue as we need and the rate design and we think that will take us about two weeks. It was our intent to have the new rate package, the full tariff package as well as a draft ordinance filed on the time line -- regular time line for the june 7th meeting. If we were going to have a may 31st meeting to discuss that, we might be pushing that schedule a little forward by a couple of days, and we are just in a very tight situation. We do what we could.

>> Morrison: I understand that and I think t what we are trying to balance is make sure we leave enough openness so that we can really productively and openly get to a good approval on the seventh.

>> Of course. I think what we have to do today and i think you all have this page, is there are nine items -- nine decision points that we have not given direction of at this point and I would suggest that we try to work our way through these, and then if we can address all of these or nearly all of them, then you could go back and begin preparing your analysis based on what these decision points are. I don't think it does much good to have another work session when these

decision points are -- have not been arrived at. Because you really can't do your analysis, the one that you need, to present the final numbers with, until you have -- until you know what your parameters are.

>> Yeah; mayor, there some -- for example, some -- you have to be discussed -- like solar rates and some of those others that can wait, but you are right. What we need are the key ones down so that we know how to run the models to produce the revenue, and the production -- the pending items here -- let me put the slide up here -- the pending items is the production demand allocation method, for example, that's real critical. We can't run the model until we have that. why don't we start right there. Let's start right there.

>> Morrison: And mayor, let me jump back in real quick. I was not suggesting that we put off any decisions. I was just suggesting that we would be able to get a preview and discuss a preview of what we are going to be discussing on the seventh. That's what I want to leave on the table to discuss at the end of the meeting. all right. Well, let's start working our way through these. The first is production demand allocation methods.

>> I think that we have intent probably a considerable amount of time and technical detail with you on the different methodologies and I don't know if you will want to re re view it or -- do the thumbnail review. What the decision point actually is.

>> Okay. We started out with three methodologies. We started with the average in excess demand and we used combination of the ncp, the class -- the class p with that. The second one was the peak demand and we used 4cp, which is in line with ercot space and everyone uses that to some extent for transmission and so it's in line or it's common to use that for production as well. And then the third one is base load intermediate peak, dip, and we reviewed all three of those and austin energy looked at those as a band width and so we looked at the highest and the lowest of those within each rate class and then applied either a plus or m and we felt like it would keep it within the band width to still be within cost of service for each class so when we did that, we chose the average in excess demand, using ncp for the excess demand, and then we applied plus or minus 5%, so we reduced the residential by 5%. We reduced the small secondary voltage 5% and then the rest of them picked up the difference. So that's our proposal and i think that's still on the table. We talked about various different applications and they all come very close to that. In fact, that is the lowest for residential in all of the illustrations we looked at. and give me an idea -- my understanding is it would have very little effect which demand allocation method you chose on residential rates.

>> Using the method we came up with, came up with a compromise that did -- it did that. It made it so that the rate impact was less.

>> Mayor leffingwell: okay. And that's the proposal that austin energy had on the table right now?

>> That's the proposal that austin energy has >> and that is the aed method?

>> The aed adjusted by the plus or minus 5% to keep it within the bandwidth of reasonableness. so residential rates would be within 5% of cost of service?

>> That's correct.

>> Mayor leffingwell: okay. Ninety-fiv percent on the low side?

>> Yes.

>> A table was handed out that shows the different methods and the dollar impact on residential and the goal that austin energy had and the four coincident p, four cp, how it compares as well, and it was asked -- asked of us to do that, so this is about as simple as this very technical issue can be demonstrated right here.

[Laughter]

>> so this is the same chart that we've provided you before, comparing the aed method, the 4cp method and bit method. As well as the aed method plus or minus 5% and a new column on the right-hand side and that is the 4c peak method with a band width of plus or minus 5%. so actually for residential, there is actually no difference between that and the bit method.

>> Well, again, it's an average for the customer and generally speaking, there is not a lot of difference between any of them, and so -- a lot of difference among different customers but this is the average?

>> Yes, among residential, yes. council, do we want to give any direction on this item?

>> Tovo: Mayor. council member tovo.

>> Tovo: You know, this has been a point of controversy, I think, throughout the rate proposal -- throughout the rate process. We have heard from lots of people who -- many consumer advocates who have really advocated for the base load intermediate peaking and I think that was the earlier discussions we are using that. We had a good discussion with chernick and he proposed tweaking the allocation method and I hope he will be able to chime in here soon, but in much of our recent correspondence, we have heard from some consumer advocates saying that another option would be ae 4cp med and we have at least one industrial customer that has agreed as well and in looking at the numbers and I appreciate austin energy's quick turn around time on this, council member morrison, martinez and I looked at some of this this morning with bercotto and austin energy was able to provide this chart with us and it seems to me that this might be a good compromise to consider the four coincident peak with the plus or minus 5. It brings us -- we are using the same -- I am not sure what the term is -- modification, if you will, that was going to be used for the aed but I think it gets us a little closer to mitigating the impact on residential consumers, which is certainly important to me and I know to all of us.

[One moment, please, for change in captioners]

>> the other advantage is that this has been consistently approve by the p.u.c. since 2002. This is the method that in my -- it's my understanding has been consistently approve. dreyfus, do you want to weigh in on that?

>> This is the methodology that is used in transmission cost allocation, and it is used commonly in all transmission cost allocation cases in front of the public utility commission. So it is a methodology that the commission is very familiar with and very comfortable with. We used it, in fact, in our most recent transmission cost allocation case in front of the public utility commission.

>> Mayor Leffingwell: Mayor pro tem.

>> Cole: I just have a question for staff. I'm following the fact that the consumer advocates would like this and that y'all have worked with some of the councilmembers, so -- but you still have recommended aed. To what extent are you comfortable still with the incident peak?

>> I think collectively if we pack took a poll we would have differences in how we would like to see it go, but I think you can see the differences are close. And my perspective is if we have sound logic and we presented you with as much logic as we can, that is really a policy decision. It makes since that it's used at the puc, so that rings well to me. But we're trying to bring the best business case forward, so that's what we tried to do is we tried to bring something that modified it in such a way to make everybody happy. And really it has -- at the end of the day that's what we're trying to do, but i think as a business we can live with what the council decides here between these -- I particularly early organization the method really shifted costs heavily and it became a war between the classes of customers we have. And our job was to try to get everybody to come to some type of consensus. So that's why we came up with the recommendation that we did. We could live with the four cg as well.

>> Cole: In light of the fact that staff has not expressed any serious concern and has worked with some of our colleagues on this, I will be supporting this method.

>> Mayor Leffingwell: Is that a motion to give direction for the four cp, plus or minus five percent allocation?

>> Tovo: I'll make that motion.

>> Cole: Second.

>> Mayor Leffingwell: All right. Motion by the mayor pro tem.

>> Cole: No, I think it was a motion --

>> Mayor Leffingwell: Motion by councilmember tovo. Seconded by councilmember martinez.

>> Tovo: If I may, mayor, chernek is on the line and I just want to hear his feedback, if he can quickly chime in here.

>> I think moving away from the non-coincident peak certainly makes sense. Certainly on a logical basis, and moves closer to a fair allocation. I would urge the council and austin energy to continue looking at the extent to which the investment and generation is driven by energy use, but it doesn't sound like the council is really ready to grapple with that point. So the four cp is --

>> Tovo: Great. Thank you, and thank you, austin energy for weighing in on this as well.

>> Morrison: I think we've made a lot of progress the last two days. It's an interesting process and I'm glad everybody wanted to throw in and get this done. It seems like a really good compromise to be able to address all the issues.

>> Mayor Leffingwell: So the directions on this motion for the costs for the allocation is four cp, plus or minus five percent. Motion with a second. All in favor say aye? Opposed say no. It passes on a vote of seven to zero. Check mark!

[Laughter] and we'll move on to fixed charges. I think we discussed this quite a bit yesterday. Is there any more discussion on that.

>> Morrison: I wanted to talk about something that would effect us and that is the issue of off-system sales. I know there's still a question out on that in terms of the -- which will affect the revenue overall. Some historical information about off-system sales.

>> I think the question was how much of off-system sales did we have in the test year of 1994. And that was approximately two million dollars. We're still unclear -- we think that it was much less than that just like we make known and measurable, i think there was a known and measurable then and I think it was less. People have told me it was as low as 500,000, but the two million was the actual off-system sales.

>> Morrison: And the number we heard from chernek was 35 million yesterday. What does that represent?

>> The 35 is in 2009 actual.

>> Morrison: 2009 Actual. Okay. And that's one of the issues that I wanted to bring up. I think that we have a responsibility as much as possible in addition to being careful about maintaining our balances and all of that to be reasonable and decrease the revenue requirement as much as possible, especially for our residential. And I know we were talking about the option on the table right now is for recouping that amount of money -- giving credit for anything that we might get in off-system sales in the fuel factor. The reason I'm still uncomfortable with that is because that gives a benefit in returns to the commercial -- the special industrials, which is a lack of a benefit or a hit to our residential. And so what I'd really love to be able to do would be to find a very conservative approach to accounting for some off-system sales. 35 Million is the recent history. Say five million dollars to account for in our revenue requirement, knowing full well that if that doesn't happen we are planning a phase two and we can make adjustments if needed for a second phase of our rate increase. From my perspective we have a responsibility as much as possible to be helping out the residents that are really going to be hit with a substantial rate increase at this

time. So I don't know if there are other ways to recoup the funding, the money if it actually doesn't come through earlier than a second phase, and is there any way that there can be actually a surcharge or adjust the fuel charge up if it doesn't come through?

>> If what doesn't come through?

>> Morrison: If the forecast really doesn't hit it. Let's say we take a very conservative five million dollars that we include in the forecast for the revenue requirements. For off-system sales or the equivalent. And one option if we're wrong about that would be to adjust a phase two, do a different phase two to bring that five million dollars back that we may have lost. Is there anything in realtime like we have the fuel factor that you can adjust on a more regular basis that would be an allowable way to recoup that if in fact the off system sales didn't even hit five million?

>> Well, I think the answer is yes, it would actually be in the fuel that everybody pays going forward after the nodal market because I know you've had a lot of discussion about the off-system sales, but let's put this in perspective a little bit. In 1994 austin energy ran its own balancing authority, dispatched its own generation, did everything totally differently than it did. And in recent years, including the 2009 test year, since the energy markets in 2009, the energy crisis in california and everything that happened, off-system sales or wholesale sales, even bilateral sales have really dropped to the point that they're really negligible and we really can't forecast them. But can we come up with a method that captures what to do with the revenue that we make from those sales, the answer is yes.

>> Morrison: I know and you've provided that, but the reason I'm still uncomfortable with that is because it gives a shift of the benefit to our special contracts. And I'm trying to find a mechanism to keep that shift from happening. So I'm trying to find a mechanism to move some of the benefit to the base rate.

>> Well, I think our forecast is that those contracts would go away, so that takes care of that issue.

>> Morrison: In 2015. So between now and 2015, that's what I'm looking for, some mechanism. And I understand we have to be very conservative about t I'm not going to suggest it be $35 million, I think you'll be glad to know. I don't think that's reasonable. I think it makes sense to be conservative. That's why I'm throwing out the number of five or 10 million. And I do know that we can come back and adjust the phase two rate increase as one mechanism, if it doesn't turn out that way. Asking if there's another, but I do want to be -- to push hard to be able to achieve this for our residential customers.

>> Mayor Leffingwell: I think going back to the discussion, and your next, councilmember, we had yesterday, I think there's general agreement that introducing something that is harder, nearly impossible to forecast into the rate structure, is problematic. The rate structure should be based basically on forecast -- things that we can forecast and introducing a variable that we can't forecast into the rate structure to me doesn't seem like a good practice.

>> Morrison: I would agree with the general agreement.

>> Mayor Leffingwell: Councilmember spelman.

>> Spelman: Is there a way -- I'm sensitive to the principal issue that if we have locked in a long-term contracts to an assumption of a certain off-system sales rate and off-system sales are greater than that rate, then they're getting a benefit twice. Once for having assumed it, which we're not assuming now for anybody else. And second for getting the fuel factor adjustment reduction. On the other hand, I wonder how big that second value would be if we're talking about within the ranges that we think are likely to happen in the future. If we in fact had about two million dollars in off-system sales in 1994 and that was a reliable number, not a one time only number, and it sounds like you are unable to be sure that was a one time only or whether it was something that happened fairly frequently.

>> That was the actual off-system sales in 1994. 1995 Was a similar number. 1996 Was a little bit higher. The question that anne was referring to that we don't clearly know the answer to is whether that is the amount that was included in the rates in 1994 or it was some smaller number.

>> Spelman: I understand. Okay. I just looked it up. Somewhere in that pile of backup it turns out you had the revenues for 1994, which turned out to be $509 million and two million dollars is less than half a percent of the total revenue of 1994. It seems to me if we're talking about less than half a percent built into the rates for one class of customers, even if they do get a slight boone from our selling a little bit more off system than expected, it's going to be relatively small percentage, particularly given the factor of plus or minus five percent for setting rates in the first place. Seems to me that we can ignore it for a two year period and we can go back and readjust it in two years in phase two when we've actually got a track record.

>> The way I'm thinking about it is for 100-million-dollar revenue requirements we're look take 10% basically increase. So every five million dollars is a half a percent overall of a decrease in the increase.

>> Spelman: Right.

>> Morrison: Didn't mean to put it that way. So raising rates by seven percent versus six and a half I think overall is significant to the people that are our customers. So a five-million-dollar accounting for it could make that difference of a half a percent. From that perspective it seems non-trivial.

>> Spelman: Here's another way to think about this. We just decided to use four cp and not aed, and the effect of using four cp and not aed was approximately the same as less than half a percent. But it -- that half a percent was generally to the detriment of the large industrial customers. They were in classes which would be paying a little less than half a percent more under four cp than they would under aed. So that's another way of satisfying our concerns about justice is we've already taken care of it.

>> But those are rates for the non-special contracts that we're talking about.

>> Spelman:

(Indiscernible).

>> Cole: Can I ask a question?

>> Mayor Leffingwell: Mayor pro tem.

>> Cole: I appreciate your argument, but the part that is most disturbing to me is that it's volatile and we don't know it, and difficult east just said if you had to track it, he could, but we're making a decision on based rates based on a volatile number. So I'm wondering -- I want to ask you -- we know that most of that has been, according to our energy staff, is two million dollars when we had 509 or 2 revenue. So I think that is a reasonable number to be tracking what it is. We don't know what it is. So we could track that amount well we got to phase two and then you could make a lot of decisions about where you want to go. We could think about reserves, we could think about whether it should go in the base rate or the fixed charges, but at least at that point in time we know what the number is and we're not affecting our rates.

>> Morrison: Actually, i thought we did know what the numbers are for the past few years. He was suggested he can't know the number every -- eke do an annual accounting now.

>> Cole: Well, he could do an annual accounting now --

>> Morrison: Or a monthly accounting. You can always check and see --

>> Cole: If we did an accounting, could we make a decision about what to do with that revenue about what we actually have at a later date as opposed to actually trying to make that a part of the fixed charges right now?

>> Morrison: I think we have those numbers now. So we could watch them for the next two years, but we also have them for the past two years. We do have those numbers.

>> Cole: Okay. We do have the numbers?

>> Morrison: Yeah.

>> Cole: Okay. Then I guess the real question is can we -- would you be willing to support the motion if we did not make them as a part of that dollar amount and we can debate what that's going to be and how they calculate it at a later date and look at the numbers again and scrub them based on their representation. But we're not going to make that a part of the fixed charges.

>> Morrison: The interesting thing is that it's this three-year period where it's most important to get some into base rates because that's when the special contracts are still operating.

>> Mayor Leffingwell: Okay.

>> Cole: Thank you, mayor.

>> Mayor Leffingwell: I think the purpose of the fixed charge is so that you can adjust it every year based on real data. And it kind of defeats the purpose of having that. I know in a very small way, but to me it makes more sense to go with the method we talked about and not -- and have it in a fuel charge and not in the rate structure itself. So I think we all can -- maybe we can get a motion on the table and then we could know what we're discussing.

>> Tovo: Mayor, can I ask a few questions before we get there, if that's all right? I want to get back to the discussion of off-system sales for a minute here. And I'm not sure -- I think we started talking about fixed charges, but what we're really talking about here is whether or not -- whether we have a figure in there to reduce the base rate a little bit so that as you were calculating out in numbers and percentages, we reduce the rate increase to our customers, if that seems appropriate. I would like to continue discussing this because it seems to me like if we could come up with a very conservative number, I think that would be appropriate. But I just wanted to go through the numbers that you had available. I apologize that I didn't get these questions to you in advance. I know you calculated the revenues for 1994 and 1995, which is when the special contracts discussion happened. And you said those were two million each year?

>> Yeah. It was approximately two until in 1994, two million in 1995 and six million in 1996.

>> Tovo: Then I know what it was in 2009, it was 35 million. Do you happen to have data for 2010 and doubt with you? I apologize for putting you on the spot.

>> We have people behind us that maybe we can try to get it.

>> Tovo: That would be great. It seems like early '90's, mid '90's it was two million, increasing to six. We know at 2009 it got up to 35. Were there any of those years in between where it would have been zero that you know of?

>> I wasn't here, but i would suspect that between 2000 and 2009 there were some similar years where there were sales because of the way the market worked, but we'll have to dig those numbers up as to what they were. And as the utility grew and you used your generation in that way, that's pretty typical. Now enter the nodal market so when we did our rates we wiped the slate clean to take this issue out of play because it does change and is very volatile year to year. And I have no idea five years from now what our operations are going to look like with respect to sales.

>> Tovo: Right. I appreciate all of your discussion about that and how the nodal market has changed the situation. It just seems to me if we are looking -- a certain amount of what I've learned about rate-making process is that a certain amount of it is based on historical data and we have historical data to show that it's never been zero. And that is in effect the number we're using for the process of setting rates right now, and it just doesn't seem to me that that's -- that we wouldn't be -- it wouldn't be completely unreasonable to come up with a very conservative number like five or 10 and apply that to base rates, which would reduce our revenue requirement, which would have the effect of reducing rates a little bit. And then again we would have the

opportunity to evaluate that in faces two if we agree on a phase two, and it sounds like we're all talking about with one. So there's a safety gap we need to readjust if indeed there are no settlements, i guess is the term you've encouraged us to use, if there are no settlements here in the next year.

>> Mayor Leffingwell: We've already seen a 300% variance in the data you just gave us, from two million to six million.

>> Our professional opinion is that going -- our recommendation is that going forward this issue is handled through our fuel. And through how we do our fuel charge and everything else. I do understand there's a reconciliation of this issue and how it works with the contract customers, and I'm not sure that we have any type of specific al go rhythm or -- algorithm or fix so come up with what you're talking about. I think we're at a little bit of a loss. We know that what we did in 2009 is we wanted to make sure it was a non-issue, so we took it out. Going forward -- again, i don't know what the issue is, but I think it all gets moved to the fuel, which is not a rate per se. It's a very complicated policy that we operate under. So going forward it all gets handled in fuel. But I don't know that we have any solutions for the issue that I think -- we understand it, but I just don't know. And it's a two to three year problem, and --

>> well, I would just like to say that there's a tariff in place for the industrial customers and we will follow that tariff regardless of the revenue requirements that are set. The revenue requirements are for the subsequent tariff. So if you're concerned with the three-year period and it's not really -- I guess you could readjust it in one year and change it in the next one, but it's just moving the money from base to fuel. And if you wanted to do that, maybe a reasonable way to look at it or something that we could justify would be 10 percent of the 35 million because it has been common in the past that the public utility commission to allow the utility to keep 10% of the off-system sales. So that would give some justification to the number rather than just trying to come up with one.

>> Morrison: Thank you for that. I appreciate it. What do you mean they allow the utility to keep 10%? Don't we keep all of it?

>> No, it's passed through the fuel factor.

>> It's a return, right?

>> Morrison: I thought you meant we had to give it to some other utility. I was like wow, I don't understand this at all.

[Laughter]

>> no.

>> Morrison: So you're suggesting -- so was it 35 last year or in '09?

>> Last year it was around 35 million.

>> Morrison: I thought you were recommending 35 and maybe it was 43.

>> There's been some adjustments and some of it's ancillary services, so it depends on what you're calling off-system sales. The 35 million I think was close to the off-system sales.

>> Mayor Leffingwell: Councilmember riley.

>> Riley: Have there been periods in more recent times, any intervals in which we were a net buyer of energy?

>> We are today.

>> Riley: We are today, that buyer of energy, in which case off-system sales aren't really --

>> well, that's the complicated part about it because sometimes you're selling, sometimes you're buying, all the time, every hour. And it's like any commodity. Some years you do well at it and some years you do poor. Right now with the markets the way they are it's not very robust so there isn't a lot of sales. That's what makes it so difficult to predict.

>> If we're currently a net buyer of energy and our own utility staff is telling us they have no way to offer a reasonable number, anything known, measurable, predictable, any kind of number in terms of what we can call off-system sales, i just don't know -- it it seems like any number we come up will be pulled from the air and it seems like that will be hard to defend. I think I'm inclined to support staff's recommendation on this.

>> Mayor Leffingwell: Well, I think we need to just give some direction on this. That doesn't mean it can't be changed. When we actually consider it on june seventh or subsequent meetings. But obviously we're -- there are points of philosophical disagreement here, and i think we need to make a decision where we need to go and move on to the next item. Councilmember martinez.

>> Martinez: I just want to make a couple of comments before we move on. I know everybody is ready to move to the next item. I appreciate the conversation we're having, i think it's really helpful. There are good points being made. But the one point that's very significant is the second phase of the rate increase. And that is to me the fail-safe of any risk that we take in phase one we can emile rate those risks in phase two if necessary. So trying something for a couple of years may be worth it in my opinion. It's not going to crush the utility. It's just going to need an adjustment in 2014 when we come in with phase two if we don't hit off-system sales as we may project. And maybe the 35 million is a number that we give it a shot at. Again, I think it's worthy of having this conversation again because ultimately it effects our customers. And if it doesn't work then in october of 2014, which is staff's proposal for phase two, we revisit that.

>> Mayor?

>> Mayor Leffingwell: I think you're right on that. I think we've had some indication from the utility that the 10% is something that would be an acceptable risk. And it would enable us to move on from this point. Councilmember morrison.

>> Morrison: I would like to make that motion then that we do take the number that staff has recommended of three and a half million and account for that as revenue, decreasing the revenue requirement by three and a half million.

>> Tovo: Second.

>> Mayor Leffingwell: I think I understand the motion.

>> Would we put that in phase two.

>> Morrison: Phase one.

>> Take it out of phase one, reduce the revenue requirements in phase one, but put it back in phase two?

>> Morrison: No. I would leave it out of phase two and we'll adjust it before phase two happens, if it really --

>> Spelman:

(Indiscernible) in the event if you needed to do that.

>> I think what i understand, I thought -- i got deep into this issue a little while ago with our accounting folks, and i understand that we'll have in a couple of years or maybe sooner an ability for ercot to settle out on our nodal markets and how we do. Right now we can't discretely see the difference of how we perform for sales inside the market versus not? And so because it's new and the way that we dispatch the generation I'll try not to get too complicated with this, but we will know more in a couple of years about exactly how we perform in the marketplace that we currently do not. And so that's something that we're looking at really hard. So that is consistent with what we have to do within the next couple of years is to figure that out.

>> Mayor Leffingwell: Okay. Recap the motion for me.

>> Morrison: The motion is to account for three and a half million dollars in phase one of off-system sales or settlement so it decreases our revenue requirement. We've taken 71 sort of as the base number down by three and a half.

>> Mayor Leffingwell: Seconded by councilmember tovo. Is there any more discussion?

>> Riley: Question. I think councilmember morrison referred to the staff recommendation. Is this staff's recommendation?

>> Morrison: The 10% was staff recommending a number. Acceptable?

>> It was not your original recommendation to phase one is the answer to the question. But have you said in the course of this conversation that you find what is proposed acceptable or not?

>> The answer is yes?

>> That it's acceptable to the utility going forward, yes. But it was not in our original recommendation.

>> Mayor Leffingwell: And going further, you don't think it imposes an unreasonable risk or risk that you can't tolerate?

>> No, I do not. And I think that in the next two years I expect that we have a lot of different pieces of work to do. And so we're going to have to fully evaluate. This off-system sales I will say has been an issue the euc and others and it's very others and we need to do a better job of explaining it and making sure everybody understands really what this is. And with the nodal market and a couple more years of operations I think it will become a lot clearer and we'll have a better understanding of it ourselves.

>> Acceptable risk; however, you have pointed out the variable nature of this and the unpredictability of this. And so we maintain -- that's the qualifier. We maintain that concern, but we also appreciate the fact that phase two represents a recoverable opportunity in the event that this doesn't pan out as anticipated.

>> Mayor Leffingwell: Councilmember spelman.

>> Spelman: Just want to point out that if we guess right and in fact it's okay for us to be a little bit low and have only 67 and a half million dollars additional revenue, that means we don't have to raise rates as much in phase two if we guess wrong, and we in fact needed those three and a half million dollars it would be a lot harder for us to get that revenue back. So I think the asymmetry is something that has caused me to vote no on this.

>> Mayor Leffingwell: Well, I still have some big concerns about it, that and other factors such as philosophically why are we doing this? Why are we introducing this uncertainty at a time when we would like to have as much certainty as we can possibly have. So this is not a final decision. It's a direction, can be changed, but I would like for between now and then to have a more -- to have from the staff a more positive statement about the effects of this. All right. Motion on the table with a second. Is there any more discussion? All in favor say aye. Opposed say no. It fails on a vote of four-three with councilmember riley, might self, councilmember spelman, mayor pro tem voting no. All right. Do we want to take an additional action?

>> Martinez: Yeah, mayor.

>> Mayor Leffingwell: Councilmember martinez.

>> Martinez: One of the things that has been brought up and I just want to ask staff to help us, I'm going to make a motion to give direction just to see the cause and effect of this. As we're talking about, 71-million-dollar revenue requirement in phase 1, and then your proposal is phase two would begin october of 2014 and then in actuality there's a phase three in may of went to 15 because -- in some of 2015 because your contract utility customers move off of their contract and

will be adjusted accordingly. What is the impact to revenue requirements in phase one if we move phase two up to the -- to the last day of april 2014 to capture the entire summer months of 2014? Right now your proposal is to begin october 1. So if we move from october 1 to, say, may 1, what is the request a revenue requirements in phase one and would that have a reduction effect, and if so what and how much?

>> I don't know. We would have to analyze that. To make sure I'm clear on what you're asking, we would not do the second part of the rate increase with the beginning of the fiscal year. You would wait until the following april or you would move it forward.

>> Yeah. Not pushing it back, moving it forward. You would push it to summer of 2014.

>> I got you. We would have to analyze that and see what it would do. It would obviously change it down.

>> Martinez: Long-term it's a leveling effect, but in the short-term it may reduce the impact in phase one on our customers.

>> And the reason we picked the timing for phase two is that we -- we projected that we would do in the budget cycle. So that means doing it as you proposed, that means we would have to signal something in the 2014 budget that we were going to do that.

>> Martinez: That's what you did last year, you proposed your budget based on an april decision this year of us raising rates and that didn't happen.

>> Exactly. Well, yeah.

>> Martinez: We've done it before. I just want to know what the effect -- if we can eliminate some of the impact on our utility customers in phase one by potentially adjusting that.

>> Right off the top of my head I don't know that it changes. I mean, it's really our total revenue requirement. So we're looking at the total over this entire period. And that was the business case we brought forward. And we would have to -- doing the different timing and everything, we would have to change. Do you have a comment?

>> Well, if you look at our forecast there is a cash flow in there, and the problem that we're having now is our cash constraints. So by reducing the 71 million, it will not help us any in the immediate, as far as our immediate needs. So we'll just be at risk for more months before we can start recovering. The recovery would be a little bit faster because we could start sooner, but we would have to run it through our models and just see.

>> Martinez: It doesn't seem to make sense to perspective that it wouldn't reduce the revenue requirements in phase one of 71 million in you're moving phase two up in time.

>> But we're having cash flow problems now. So in order to correct that, in our forecast we assume the 71 million, and even with the 71 million, it did not cure our situation. In fact, it grew

progressively worse until 2014 when the second phase was implemented. So moving the second phase up would definitely help us, but reducing the first phase would hurt us in the current state.

>> Martinez: Is there any way that you guys could provide what -- an estimate of the impact of that would look like in phase one and then potentially phase two?

>> The reduction in revenue requirement?

>> Martinez: Yes.

>> Okay. And I think what anne is alluding to is under the current circumstances, given the $71 million that we're talking about, and I think i provided it in the memo, when you look at the minimum reserve requirement 2014, we're about $183 million below that.

>> Mayor Leffingwell: Councilmember tovo.

>> Tovo: I guess the second part of that, if we could also calculate -- i assume this was part of probably what you were committing to doing, but i would also like to see the increase reflected of getting those summer revenues, the additional revenues that getting that rate increase in place before the summer of 2014 could have. So in other words, I think one of the -- what i understood from what councilmember martinez was saying is that we would reduce the first part. As you said, it would make that gap larger, but it sounds like we're not going to close the gap anyway in this first phase. So it made that gap larger, but on the other hand it would enable you to start getting the benefit of the rate increase over the hot summer months. The second phase rate increase over the hot summer months of 2014. And so that additional -- i hope that we can see a model that reflects that additional revenue as well.

>> Well, it will help. And usually when you move anything up like that in a rate, that softens what that overall second increase might need to be. But to reiterate what anne said, the business case we brought forward in the two pieces, the first piece is the minimum we need to hold where we are, and then we can start rebuilding reserves when we get to the second piece. If we do anything less than that what happens is we start eating into more cash that we don't have. And that is on top of cost constraints and the other things that we're doing. So that's the -- that's the -- why we put the recommendation out, but i mean I understand the idea very much, but I'm afraid that it does not do anything to really improve our situation. In fact, it raises just another concern from my perspective on our total revenue needs because we're going to be -- this first phase doing this, I hope we get past this and get going, we have to roll up our sleeves and make sure we're running the utility as efficiently as possible because this is the minimum that we feel we need in order to keep it going, everything that we do.

>> Tovo: Okay. Thanks. I guess I have another -- i have a yeted, but really on another issue. So why don't you jump in.

>> Mayor Leffingwell: I guess at this point we have nothing on the table. So we can either take another motion or we can decide not to make a decision at all because there will be no direction on this item. So councilmember morrison.

>> Morrison: I just want to understand the phasing. I know we've all agreed previously about the debt equity and that lowers i think $21 million. So we've gone from 127 to 106. I know in your february recommendation you were talking about what really seems to be three phases because you were pushing off some of the revenue that can be accounted for by the special contracts to 2015. So I want to make sure as we talk about this, I guess make sure I understand the numbers, if we're reducing 127 to 106 and that 20 million was the special contracts that you were suggesting putting off until 2015, are we talking about 71 because of the cash flow issues to start, then 15 two years later and then 20 still after 2015? So we're really talking about three phases at this point?

>> Right, that's right. There's the initial rates, initial, and then you have the contracts, which is the last piece. And then in between there was about a three percent increase in total revenue for the second phase of the rates.

>> Morrison: Okay, but that three percent would actually be less in the middle because it's 15 now, not -- our total is 106.

>> When you do the revenue requirements it reduces that. When it was 25 million, it reduces it down to a lesser number.

>> Morrison: Okay. Thank you.

>> I just want to pick a little nit that's important to me from a regulatory perspective. As far as the cash flow you're right, there's three cash flow phases, but from my perspective, as we move forward with this on a regulatory basis, it's kind of two phases. Phase one is the 71 million and the approval of the rates that the contract customers will be on once their contracts roll off. Phase two is the additional revenue that we've set aside for phase two in october of 2014. So from a regulatory perspective it's a two phase process. From a cash flow basis it's three phases.

>> Morrison: I appreciate that clarification. That's important to my understanding. We're really talking about 71 and then phase two will capture the faller number, 15. And because of what we've done in the adoption of our phase one rates, additional revenue of 20 million or whatever will come in and starting in 2015.

>> That's correct.

>> Morrison: Okay. Thank you.

>> Tovo: My last question follows directly on this one. The special contracts that we've talked about a lot here today, they're ending in 2015. There were four or five new ones in the memo that you responded. On april fifth there were fourish, fiveish new contracts that were entered into. Are those also expiring in 2015 or do those expire in 2016?

>> The final long-term contract expires may of 2015 is my understanding.

>> There are no contracts that expire in 2016?

>> Not as far as I know.

>> Not as far as I know.

>> Nope. Legal counsel confirms that the final contract expires in may of 2015.

>> Mayor Leffingwell: They were all negotiated so that they would all expire at the same time.

>> That's right. I believe that three of the contracts expire a little before may of 2015, but the bulk of them expire may of 2015.

>> Tovo: Okay. I had heard some information to the contrary. That's why I was confirming. Thank you.

>> Mayor Leffingwell: Okay. Are we ready to move on? Apparently there's no --

>> are we on the fixed charges?

>>

>> Mayor Leffingwell: We're supposed to be.

>> I'm a little concerned about y'all taking a pass on this one and not giving us something to work with. I'll take you back to dreyfus in terms of the work we have to get done in terms of the tariffs and ordinances and so on. You tell us in the absence of any decision on this, will you be able to do all of the work that you need to do relative to tariffs and ordinances?

>> On fixed charges?

>> Yes, revenue.

>> The revenue requirements?

>> Revenue requirements.

>> Mayor Leffingwell: We've kind of been all over the place in the discussion on this. We're really supposed to be talking about the fixed charges.

>> I believe we already have direction on debt to equity at 60/40, which would bring the revenue requirement down from 127 million to 106 million total. Phasing, we've talked about a lot, but I think you know where you're going on that. So you may take a vote, but we're pretty clear on that. So the issues that remain are really the fixed charges and other issues listed. But I think we have the opportunity to continue down the list and have clarity on all the issues today.

>> What's really important -- I guess I'll step in here and say that we have to have this fixed charge of $22, $15, $50, whatever it is. That's really key decision for running our models. We've got to have that.

>> Mayor Leffingwell: Is there a motion on that? Councilmember spelman.

>> Spelman: Mayor, I'm comfortable with the fixed charges you've got for all classes of customers, except for residential customers. And like the residential fixed rate to be $10.

>> Cole: Second.

>> Mayor Leffingwell: Motion by councilmember spelman, seconded by mayor pro tem cole. Any other discussion? Councilmember morrison.

>> Morrison: I realize that $22 there's a strong sense that's too high. What would be the rationale for 10 versus 11 or seven?

>> Spelman: Application of inflation rates over the six dollars since 1994.

>> Morrison: That takes you to $10? And I know that we spoke a couple of weeks ago. goode, I know when you were sitting up here about the work that the water utility had done in terms of looking at the trade-off and minimizing volatility, maximizing affordability and maximizing conservation. Was there any ability to -- so that's all about where you set the fixed charge and the tie-in to the tier grades. And I thought there was going to maybe an attempt to do so translation there because there's a lot of information you can do to see all of those trade-offs. I wonder if staff is able to get anything on that.

>> We did sit down with robert and the water utility folks, and they showed me a very well constructed matrix. And I thought about trying to do that on electric rates and I almost passed out. It would be a very tough job. But I think -- I'm not sure what your question is, but i think that we -- there's a lot of different philosophical arguments about what fixed charges could be. And I think it's probably one of the areas that is really difficult for us to do. Now, we always strive to do the best towards cost of service. And I think that we came out -- as you know our total cost of service for residential is around $33 a month for everything. And then we've moved back from that. And there's a lot of logic to having a larger one, but it also is a bill impact to customers. And we have run the numbers I think at $10, have we not? We've run the numbers at $10 and we've run the numbers i think in a variety of different numbers.

>> Morrison: Do we know what percent of our revenue then comes from fixed charges at $10 versus 22? What percent of our fixed costs come from fixed charges? Because that's sort of -- it's a simple way to go about it is to say we'll just make any amount of fixed charges covered by -- I mean fixed costs covered by fixed charges, but that's really not tenable. There's way more things to be dealing with like conservation and affordability and all of that. And so I'm just wondering have we done the calculation at 10 or 22, what percent? Is it a strict we can just compare it to 35 or whatever?

>> We haven't compared that to the fixed cost.

>> We're having a sidebar over here. It's not linear because the commercial customers and it gets kind of complicated, but we don't have a sheet right in front of us that shows that. But --

>> Morrison: I realize that we have to find some number less than 22. I want to say that I think that the folks working on the water rates have done a stupendous job. I would be happy to sit down and help do a translation and maybe we'll have to leave that to when we get through this one rate case, but I think it absolutely makes sense to look at the trade-offs between affordability, conservation and volatility. And you can do it in a very systematic way, and I think we're sophisticated enough in this town to be able to do that. We've proved that. And I realize we can't do that apparently at this time. But I'll look forward to follow-on conversation about that. I realize we just have to make a decision.

>> Spelman: Mayor, I did not try and come up with a trade-off between volatility and affordability, particularly for small ratepayers, but what I did ask, anne, and I think we've all got a copy of this from the ae staff, is the effect of a 10-dollar fixed fee on customers of different sizes who use electricity at different rates. Some are obviously taller and shorter than others. It was a joke, but it's the time of day when nobody is going to laugh at anything.

[Laughter]

>> Morrison: I was thinking did he just say !??

>> Spelman: If we have a 10-dollar fixed charge, the small -- customers in small apartments, which you're modeling roughly as people who use 400-kilowatt hours per month, would be paying the same increase over their current rates as the average residential customer. And that struck me as being about the right kind of trade-off to make. If $10 is sufficient to keep the increase for small customers the same as it would be for the average customer, then that's doing what I think is needed to do. If it were anything larger than $10, then 400-kilowatt hour per month customers would be paying a higher increase. And that would be unfair.

>> Tovo: I have a couple of questions. I don't remember seeing the document you just referred to. Did you say we were sent it by austin energy?

>> Spelman: I believe we all got it. Maybe I just got it because I asked for it. I'm not sure. I could find it.

>> Tovo: It may be that I'm overlooking it, but i don't recall ever seeing it. I guess my second question is one for you. And that is does the 10-dollar -- our motion, does that include 10-dollar fixed fees including a fee for a cap, or is it in addition to?

>> Spelman: The 10-dollar fee -- the mayor appropriately understands my motion. There would be a cap -- we have not made a decision yet about how to pay for cap oh, to pay for energy efficiency and so on.

>> Tovo: Got it. Thanks.

>> Mayor Leffingwell: All in favor of the motion say aye. Opposed say no. It passes on a vote of six to one with councilmember tovo voting no. All right. So the bundled plan for low use residential customers is the next box we need to check. Can you give us a 30-second presentation on what austin energy has on the table?

>> That is the 200-kilowatt hours that we proposed on february the 2nd to be included in the fixed charges.

>> Mayor Leffingwell: Very good. Councilmember martinez.

>> Martinez: Can you remind me what the average amount of customers fits within that class?

>> How many bills were in which -- in the residential?

>> Martinez: Yeah, residential, I'm sorry. 200 Kilowatts?

>> There's 420,000. No, no. 3 -- I'm sorry. --

>> Martinez: That's all of our customers.

[Laughter]

>> 307,000.

>> I think if you're asking how many use less than 200-kilowatt hours a month --

>> Martinez: Yes.

>> Less than 200 kill bat hours, it's 12 percent, i think, of the customers.

>> Eight percent.

>> Eight percent of the customers, that's correct.

>> But it's difficult. As you know customers vary their usage every month.

>> Martinez: Just trying to get a sense of how many folks would fit within that discharge.

>> Mayor Leffingwell: I thought I heard you say a couple of meetings ago that if you left the refrigerator on all month that was about 150.

>> Yeah. If you have a refrigerator, normal refrigerator, it's about 150 and lights and so forth.

>> Mayor Leffingwell: So that puts it in perspective. So with the fixed charge decision that you just made, I guess what we're talking about here is whether or not there's any energy in it. That's what we were talking about.

>> Mayor Leffingwell: That's what we're talking about. To include 200 megawatts in the 10-dollar fixed charge.

>> Not 200 meg combats --

[laughter]

>> can't say we don't have competitive rates.

>> Of pure solar.

[Laughter]

>> we have 22-dollar fixed charge, we included 200-kilowatt hours. So if you think about it you had 10-point something cents per cal watt hour whether you used it or not, but you had no fixed charge really. It depends on how you want to look at it. So what we had thought is that if you have a fixed charge as low as $10 there would not be any energy in there. We could not afford that.

>> Mayor Leffingwell: So that's your recommendation on the 200 not be included.

>> No energy included in the fixed charge of $10.

>> Cole: I move staff approval.

>> Mayor Leffingwell: Mayor pro tem moves the staff recommendation, which is no bundled amount in the fixed charge. Seconded by councilmember spelman. Councilmember martinez?

>> Martinez: Yeah. I will support this, but obviously I want to hear more about the tiered classes and how that's going to impact conservation and the thought behind conservation. Part of the contemplation for including a certain amount of power for a fixed large is for the conservation aspect of incentivizing folks. I understand the recommendation, I'll vote for it, but I look forward to this conversation that we're about to have about the tiered system.

>> Spelman: Actually, mayor, councilmember martinez is right. It might make more sense for us to flip nonresponsive those and talk about the five tiers first and talk about the bundling after that.

>> Martinez: I like that.

>> Mayor Leffingwell: Well, mayor pro tem, you're withdrawing your second? Withdrawing your motion? Okay. It's off the table. We'll go to the five-tier residential rate structure.

[One moment, please, for change in captioners]

>> the next page, is really interesting. In our peer group, the utilities that have the most aggressive energy efficiency in the programs in the country, a lot of them happen to be private utilities. There are -- we are kind of sort of quasi regulated on some of this because of our texas puc. A lot of these are private on the most part and the structures of how they use these are california, edison and others and they continue to experiment year to year with this. This is a chart that's in flux, because a lot of utilities are headed a direction. In fact, some state commissions have actually ordered utilities to start investigating these types of rates. Now, the real part that i skipped over -- I should have point -- the point I wanted to make is why would you do tiered rates, and the answer is to promote energy efficiency, so that there is a higher incentive in those higher blocks of kilowatt hours, your pay back for new air conditioner and improving is a lot better and that's the single purpose of it. In addition, there is another purpose that happens to capture cost recovery and that has to do with demand charges in residential customers. We know that the largest demand residential customers on this system are the largest energy users in general. We do not want to put demand meters on residential homes. It is a very complicated issue and this is another reason that tiered rates are used, to do that. For example, a home has three air conditioners and a swimming pool will have a different impact on our system at 00 o'clock today than a home with a single air conditioner and maybe no pool or maybe one. So on some decision points on this is that on page 6. , The first tier positions that we have -- that we looked at are these, and this came out of the work session you had yesterday. We have not had a lot of time since yesterday to really do a lot of work but we've -- ann and her team have been working constantly on this and I will let her talk about what we are about to look at.

>> Okay. We wanted to focus on the first tier, because in the proposal yesterday, it said that the first tier should capture about 10% of the bills. In order to do that, we have to --

>> [indiscernible]

>> no, it's probably not. We just finished it right before we came in the door.

[Laughter] I am sorry. We can furnish it later. This is as close as we could get to 10% within reason, so this is about 12% of the residential bills in the first block and that block, then, at that point would be 0 to 250-kilowatt hours. And what you can see at that level with the fixed charges and the required charges, like the community benefits and the regulatory, your energy, right in the center, you will see is at 0-cents per kilowatt hour and because we were also looking at the target that I believe was mentioned at around 8%. This would be a 13% increase, but it's only $3, and in an average bill in this block would be 134-kilowatt hours, so if you look at the next column, we also looked at making that first block 0-350, and that is very similar. It is about 19% of the customers, but the energy per kilowatt hour would be almost or closer to 1 cent, so it makes a little bit more sense. We did go back and ran some real rough numbers, using the 10-dollar customer charge and then looking at the block starting with less than 250-kilowatt hours, and it's not on this slide but I thought i could kind of walk through the numbers by tier. So if we use the 106 million-dollar revenue requirements and looking at this category, but changing the numbers a little bit in just rounding it up to 1 cent, the less than 250-kilowatt hour block would be at 1 cent. The second block would have to go to 4-cents, and then you have some options, then, on the next five, but the highest that we just calculated was 11-cents.

>> I want to show you a chart that helps you with this a little bit -- I know you don't have this in front of you but you can pencil this in. We took two utilities in arizona that used rates designed this way. One is public, one is private. Salt river project, one of our peers, arizona public service, and then you see our proposed stair step at the bottom, and i think the way the rates -- i wrote them down off of ann's chart that she just finished about 30 minutes before coming over here, it said the first tier is a penny, the first step 4 centss. Next step is 8-cents. The next step is 10-cents. The last step is 11-cents. Let me say that having these tiers is probably more important -- that's one issue. The next issue is how steep are they? You can see that srp has a pretty steep run-up and if we graph all of these utilities we showed in the peer group, you would see some of them are really steep. In fact, some of them in california, the last tier has been as high as 40-cents a kilowatt hour which is rather punitive more than incentive in some cases. That's the preliminary numbers that we have run to fit with what was discussed yesterday, and we need to do some more work and we will get that out to you based on ann's work that she's done. what is the rate in the first tier around what is the rate in the top tier?

>> One cent in the first tier and around 11-cents in the highest.

>> The highest.

>> And this for comparison, back in december, using the 127 million-dollar revenue requirement, the first tier was 8 centss and the last tier was 10.6 centss. how does that square to our current rate structure?

>> The current rate is only two tiers.

>> Mayor leffingwell: yes. 3 centss for the first tier and 7.8 in the second. council member tovo.

>> Tovo: I need to ask a point of clarification. I don't remember actually talking about this yesterday in our work session. Is this -- are you -- I asked the question to give us this information.

>> Tovo: Is this -- so I am assuming that this is the proposal that council member spelman, mayor pro tem cole and council member riley put forward to have the top 10% to be in the top tier and bottom ten in the bottom tier? Is that what we are looking atmosphere?

>> I think we analyzed it and tried to get as close to it and right 10 at the button is very hard.

>> Tovo: I just missed the context of what we were looking at here. But the rates themselves would be as you propose them for those five tiers?

>> Well, the top tier is pretty close to what we had originally proposed but the bottom tiers changed based on revenue requirement and based on the minimum charge and the other factors that we put in there.

>> Tovo: Okay. Thank you.

>> So that changed.

>> As well as changing the blocks, too. We started with 0 to 250 here and our proposal in december, it was 0 to 500 in the first block. one more real quick one. Can you give me an average monthly bill for somebody right in the middle, that looks like it would be somebody in the fourth tier, somebody in the fourth tier?

>> The average customer bill under this scenario that we ran -- and these are real rough -- would be about $120 and it's a 13.7% increase. The dollar change is around $14.

>> Martinez: What tier would they fall into? they would fall into probably the first four, I would think?

>> It goes over, like a thousand -- a little over 1,000, so it would be the first tier, which would be less than 250, the second tier is 250 to 500 and then this one would end -- well, 500 to 1,000 and 1,000 to 2,000, so they probably crossed into the 1,000 to 2,000 a little bit.

>> I think the -- if you remember, we did bill impact sheets. We would have to go update those. Those are the colored ones with the bars and are really confusing to look at. Based on -- we need, as most of the pieces we can get together and then we can rerun those and then you can see the real impact, because the question that was asked, it is really important -- and I have emphasized this before, i know -- you cannot analyze tier rates on an annual basis, because it is the load shape of the home, right. So if you have a home that has a large summer use and a small winter use, you are going to have a totally different bill impact than if you have somebody that is fairly flat. So all electric home, et cetera. There is a difference and that's really important that analysis is done. So those bill impacts -- the reason we haven't run some new ones because we need all of the pieces together to run them. And so that's -- we are getting really close that we can run those on these scenarios. so that's an important point, I think. So the number you gave me, the 120, that's a year round average?

>> That is average. Yes. That is annual average.

>> That's why those bill impacts are really important because in those bill impacts, we have electric apartment, average home and gas heat, and those are real customers and that's how the analysis is done. I think what I would be really interested to see is what is a differential between summer and winter and how does that compare with the current structure.

>> We can do that. on average shown.

>> We can do that. And the more the other pieces of the puzzle that we have here together, the more accurate, really, we can do that. I don't want to inadvertently get in a situation where we are increasing a lot of customers' bills by 20, 30, 40% in the summer time.

>> Right. Right. and this looks like -- actually, it is, in 11 to 1 differential between the first and fifth tier. Tier, which is -- now it looks like we have a little bit more than a 2-1 differential. That is substantial.

>> When you reduce the first tier, then -- and since -- for kwh, then it's naturally going to increase the average customer. That's why it's higher than probably what you had seen in the past bill impact. if you are in the first tier, it is almost bundled energy, actually.

>> Yeah, at one cent, it is.

>> Mayor leffingwell: yeah.

>> Well, I know it's difficult for you to give us guidance on this but what we have tried to do is tried to be very cognizant of the slope of this.

>> Mayor leffingwell: right.

>> So keep in mind this is a cool we will use forever, i hope, that we can come in and we might want to modify one tier. We might want to modify that, and it gets to -- your example, council member morrison, looking at the water rates and how that is and so as we come into a year, we might find that we need to change the slope of these tiers, whatever. So the direction I have given is let's do it moderately. Let's make sure we have a fairly flat tier design and I think that's really, no matter what we do, we end up with the same -- austin energy's business ends up with the same money in how we design it in that. For example, you could have all five tiers the same, right, and so that's where we are. Today we are on two tiers. I think it's important to keep in mind that I think your chart -- your tables show no other utilities in texas do this.

>> That's right, not to my knowledge, not on electricity. and this does happen to be the state we live in, the subject that we are going to be regulated by the state of texas, not by california or by illinois, and if we stand out, I think it really behooves us, if we are going to tiptoe into these waters, we tiptoe in very gingerly until we know where we are.

>> Let me correct, there are tiered rates in texas, just not five.

>> Mayor leffingwell: not what?

>> They are not five tiers. We currently have a two tier rate right now.

>> Mayor leffingwell: yeah. Right. We have a two tier rate but it was basically a subsidy for very low users, what we have now. Council member morrison, i probably am going to have another question about this but go ahead.

>> Morrison: I have to confess all of those numbers you read off, I didn't absorb any of them and so I am wondering how we can move forward on this because i would like to be able to have you all really lay out some scenarios for us, look at the impacts. I mean, obviously we -- I am not ready to make a decision on this today, and I am wondering -- i know that our colleagues have

proposed something. You all have proposed something, and I wonder if we could maybe give some general guidance for maybe something in between or something so that in a few days we would have some numbers to look at and compare and wouldn't get down the line of, you know, perhaps what's been proposed is too steep, but there was, i assume there was an effort to -- and some thoughtfulness about trying to improve on what was the recommendation.

>> Based on the 10-dollar fixed charge? It is easy for us to run those now?

>> Morrison: And we will be able to compare what the --

>> you can do multiple --

>> with what the colleagues did and maybe guidance did in between and that would be helpful.

>> Try to provide bandwidth and what the mayor said, a flat one to a steeper one and, you know, staff, we had that discussion with rw beck in doing their modeling but the most important decision we make today in terms of doing the model is the 10-dollar charge because it really helps because the fixed charges at the bottom of the residential -- the cap and everything else, that's not a part of this.

>> Morrison: Right. Right. So that would be very helpful and I would like to hear from our colleagues that made that proposal about the rational -- therational how you got to the 10% users in the top and bottom tier. I am not sure how the rest was cut up but how -- where that came from. it would be helpful to have numbers on the vertical and horizontal scale.

>> I know.

>> We ran out of time.

>> Yes. I know. We were trying to come up with a quick graphic and it was 30 minutes before.

>> Mayor Wynn: So we get the good picture.

>> Morrison: You are doing fast work but if my colleagues want to chime in to provide contacts for any of those numbers.

>> I would like to hear from council member spelman their recommendation, what it was -- this seems to be at least based in part based on that?

>> This.

>> Mayor leffingwell: yes.

>> Well, the numbers that we ran for today, that ann was running, is trying to capture as close as we could to the two buckets at the end, right, but the graphic of this chart, I think, is not specific to it.

>> The green line at bottom is austin energy, the proposal. We didn't have time to get that done.

>> The proposal we developed and described on monday had five tiers on it, 10-dollar fixed charge and five increasing and planning rate block structure. I am -- do not remember the lowest and the highest number at this point. I will have to go back and look at some notes to find out exactly what that was. I was under -- I believe it may be 2.8 and 10.6. It may be some other number. I have to go back and look.

>> Say again.

>> I don't know what the numbers were but I will look at them and happily report back to everybody when I actually go back and take a look. council member morrison.

>> Morrison: All of that based on our landscape of users have to come up to the residential revenue requirement, right, so you can -- and -- did you all -- you worked that way?

>> We did. Yeah.

>> Morrison: Got you.

>> So we hit the residential number. I am not sure how steep that curve was.

>> Morrison: Okay. Right. Do you have an idea compared to what austin energy recommended the difference in the slope?

>> Not right now, but I will happily tell you about it as soon as I do.

>> Morrison: Excellent. In a public meeting, I am sure.

>> Spelman: No. I can post it actually online and everybody can take a look at it. As long as I tell the public at the same time I tell you guys, it is perfectlye, i is one of the most important parts of the entire case, because as a potential -- i don't want to see any big surprises next year when we see the rates in effect, and we get a lot of wows out of this. The old story about the average rate increase. You have one hand on the refrigerator and one on the oven and on the average you are I don't really don't.

[Laughter] I want to get full information on this tiered rate structure to make sure we don't have any big surprises. Okay. Council member tovo, did you?

>> Tovo: I appreciate that comment. I agree. I just wanted to get some sense, in more global terms r do you have a sense right now of whether -- with the ae proposal how many users fall into that top tier? Percentage wise?

>> In our original five tiered proposal, I believe we had 5% of bills, total annual bills in the top tier.

>> Tovo: In the top tier.

>> And a much larger number, more like -- ann is shaking her head at me. Go ahead.

>> It was more than -- I don't have that with me, but it was more than the 10% because our top tier was 0 to 500. But I do remember that about 80 --

>> [indiscernible]

>> Morrison: Other top.

[Laughter]

>> the other top tier, which started at 2500kwh was approximately 5% of total bill.

>> Morrison: I do have that with me. It is the april -- I believe it was in the april 23rd briefing. If anybody has their --

>> Tovo: Which date, april 23rd?

>> Morrison: April 23rd on slide number 6 and the less than 25-kilowatt hours, the bottom tier, I am calling it the bottom. It is 6%. Next is 14%. That's 201-500. 501-1,000 Is 30%, 1,001 to 1500 is 23%. 1501 To 2500 is 20%, and then the top -- what I call the top tier, above 2500 is 7%.

>> [Indiscernible]

>> you calculated it, sir.

>> I didn't bring my suitcase of charts today.

>> I am sorry. I didn't bring my suitcase with notes.

>> Tovo: Council member morrison, april 23rd, page 6. I am looking at that, but i don't have the same document.

>> Morrison: Preliminary. So anyways, these are a lot of numbers we will want to have a chance to -- I agree with you, mayor, that this is a really delicate setting that we are doing here.

>> Tovo: weis, I guess, would you -- around it may be that you would like to take time to answer this question, but do you have some general impressions about what shifting from your proposal would do? I want to say, it seems to me based on your discussions earlier, that the five tiers make good sense. What would, in your opinion, be the impact of shifting from the tiers you've set to the tiers that have been proposed? The modifications that have been proposed?

>> Well, the total revenue impact is neutral, because it all generates the same. My recommendation is, is to start the tiers not too steep. It's a new concept to keep it relative, not flat

but to at least provide an incentive and it is a judgment call as to what our consumer impacts are going to be relative to the steepness that we start out with, so we've talked with our consultants with that. I spent some time talking to my peers about that and then in being cautious and yet innovative, it is skill a judgment call on how steep it is. I definitely don't think it should be too steep. Some utilities have gotten in trouble with that. We don't need that. So one cent to 10-cents and how that impacts based on the statistics versus two cents, 8-cents. It is an analysis we can do but until we can have some real experience with it in our system, we are probably not going to have a real good feel on how the consumers are working with it and is it doing the job that we want it to do, if that makes any sense to you. So we -- we kind of want to reserve, in the future, the idea of, like I said earlier, being able to change it and everything. So at least we will have the tiered structure in place and be able to modify it in a budgetary basis going forward, in a small rate modification.

>> Tovo: So you set the too tiers in the original proposal so they wouldn't be too steep?

>> Correct.

>> Tovo: Well, I look forward to talking more with -- more about the different options and why there might be benefit to tweaking from austin energy but it sounds like we will have that fuller discussion another day. When shall we have that fuller discussion? Maybe now is a time to ask? Do we need to schedule another work session to do that? Are we planning on trying to get some information from austin energy and work this out on june 7th in the context of our council meeting? I would prefer to get this information, do some more work, present more information, because I've got a feeling that if we come back and have an initial work session, which still is not going to be ironed out totally until the time that we have to make a decision, that would be my preference, but I would like to hear from other council members about scheduling another work session. Yes, sir. I don't think I am hearing much enthusiasm on the idea.

>> Ott: Let me take away with what I think we will do --

>> let met take away what we will do, mayor, we will get them in place and we can run the numbers and we can project the different scenarios of the tiering and get them out to your office, as best we can, and we certainly could stick by a recommendation and get it to your offices and try to make it as easy as possible. yes, i think with the general direction, which you have already suggested, that we proceed cautiously here, that even though we -- at least I can say speak for myself, I support the concept of tiered rates but I think it ought to be very, very flat and we need to be very careful and analyze what the effects are going to be on a large number of our customers as a result of the actual tiers that are put into place. So will we have that kind of analysis, average bills, high average bills, that kind of thing. And I think we need to be when the high usage occurs.

>> Right. Right. The bill impacts -- you will see this in the form of bill impacts so it won't be annualized as much as it will be these various examples of customers and how they do that, so we will go get to work on that and -- we need to be talking about peaks, too.

>> Morrison: Right.

>> Right. and, you know --

>> august and july. I said this before and I will say it one more time. While there is some impact on conservation, there are also impacts on people that don't have the ability to take advantage of conservation, people that don't have the ability to go out and buy new -- more efficient air conditioning unit, for example, that kind of thing. Don't have the ability to reduce the size of their house or install double pane windows, all of those kinds of things. So it is not necessarily a direct -- there is not a direct tie, in my opinion, to conservation with these tiered rate structures. A lot of factors that are sort of beyond conservation. I mean, idealistically, they are kind of -- they encourage conservation, but in practical terms, people may not have much control over that. So -- and as we pointed out, this is kind of a new concept in our neck of the woods, and we need to be cognizant of how this is going to be looked at by others. So I think the general direction is we get more information from you, more detailed information, and hopefully we will be in a position to make a decision on june 7th.

>> Cole: Mayor. mayor pro tem.

>> Cole: You really have done a great job pointing out the importance of this decision, and I would be open to having a short second ae session to talk about this and the other items, that I would really like to see us be able to give staff more clear-cut direction before june 7 as we possibly can. I think we've made a lot of progress today. I don't know if there is any other items that you absolutely need direction on from us today to be able to give us a very crisp meeting on the seventh -- I mean, not only on the seventh, on another date and we possibly be posted for -- we can just think about that, if we -- it would have to be before the seventh.

>> Cole: I mean before the seventh. I think council member morrison talked about the 31st, but -- that we would be posted for more and even possible action. is there any objection to doing that? Now is the time to voice any objections. All right. It sounds like we have consensus that we are going to ahead and establish another work session to 5:00 a.m.

[Laughter] it was just an idle suggestion there.

>> Did you get enough direction from us to get -- we were concerned if we waited until the 31st.

>> A couple of more items.

>> Cole: Let the mayor know.

>> I guess the way I will state it is that we will say this, we are going this way unless you think there is a big problem. One is energy efficiency service charge. We are going to have a line item on the bill that has our conservation renewable, you know, all of that in there, and so that -- that's how we are going to stand that out and move forward and -- explain say that again.

>> A separate charge that will be at the bottom of the bill and it will be energy efficiency charge that's on the bill. This was recommended by the euc, and so we want to make sure that we are going to move forward with that. Correct? is there any objection to that?

>> Morrison: I do have a question. I am concerned about that. I know we have had this conversation before. What options do we have besides that?

>> The option we have is to embed it in the rates and not have it be a separate line item.

>> Morrison: So it would be in the base rates?

>> Second option is to put it in fuel, and that's what cps does and some others. And -- but that's not been advised to us in terms of -- per regulatory standpoint but because it is not normally done in the 's world and the other option is to have this separate line item and this is what was proposed by the euc originally and withheld the public involvement process and everything, is to put -- is to have a separate line item in there. The criticism from it has been that it shows it stands out and it -- people might criticize it. From my perspective, there is a lot more people supporting it and very few people saying that that's a problem. That's what we have heard.

>> Morrison: I guess the trouble I am having is we decided explicitly not to do that on our water bills. So what is the rationale that it makes sense on our electric bills and not on our water bills? I don't think that is a question for you -- you are welcome to comment but I am looking to my colleagues for some help here.

>> Riley: One benefit to having a line item on energy bills is it will be able to make annual adjustments to it without going through a whole rate case and that way we will be able to make sure that we stay on track toward meeting the goals that we've set in our generation plan. And I would suggest that in addition to endorsing the idea of a separate kilowatt hour charge, in support of energy efficiency, that we also direct staff to come back with projecttions on -- to make sure that we stay on track towards meeting the goals set in the generation plan, for energy efficiency settings, to make sure that we don't falter in our efforts to reach those goals and this way, we will have -- we will be able to keep an eye on our progress to the extent we are not achieving these savings that we need to, then we can make adjustments on an annual basis. And we -- and without a separate line item, we wouldn't be able do that.

>> Morrison: We would have a full -- change the base rate case?

>> Right.

>> Morrison: And you are calling weis -- staff recommendations energy efficiency programs, but does that include solar?

>> It includes the incentives for solar, right.

>> Morrison: Incentives for solar?

>> Right. Right.

>> Morrison: So right now it is set to match whatever we have in our budget for next year, i presume?

>> Right. And the way -- I guess I have been involved in two budgets here so far. I have always -- you have to market these programs to consumer demand and our budget has been set by how much do we think we can spend and how much the consumers are going to take and so that's going to be how the budgets will be generated, is how many solar systems do we think we can possibly get in this system, and that's the way we generate that number. I don't think we artificially put it out there and we looked backwards on what has been our past performance, how have we done, how much money did we leave on the table last year, that kind of thing and also suggest that we are on an accounting basis if we, in effect, overcollect on it. In other words, we didn't spend it all. We need to make sure we reflect that going forward around use that funding.

>> Morrison: Decrease the --

>> right.

>> Morrison: Decrease it the next time around?

>> Right.

>> Morrison: Well certainly our local solar committee that we are going to start tonight, actually, and I know there is interest in delving into some maybe more fully involved energy efficiency plans like how are we going to get to the 800-megawatts, that there is a lot of interest in this now. So council member riley, i appreciate your pointing that out. I take it that's like the main driving factor, would you say, of pulling it out?

>> Riley: I think that's probably the main benefit.

>> It has been a very passionate issue with electric utility commission. When I first came to work here in the fall of 2010, they had been -- they had been asking for that for quite some time -- a separate rider because they were concerned about what council member riley was talking about, that we -- that we keep our goals and we make sure that we are fully funding our generation plans achievements for solar and for energy efficiency in particular.

>> Riley: And if I could add a little bit of context, over the four years from 2007 to 2010, we actually saw our energy efficiency savings falling, from 65-megawatts down to 64, 52, 41, and I think that raised concerns about whether we were really staying on track, to be able to meet the goals set in our generation plan and so this provides a mechanism that will ensure that we will stay on top of this issue and that we will be able to achieve, at least the 800-megawatts currently in the plan and there is still ongoing discussion about whether that would be 1,000 megawatts and this is not just a luxury. Energy efficiency, of course, is in part cheaper than generation. We are talking typically it costs us about 15-$20 per megawatt hour, whereas traditional generation is $35, so it's significantly cheaper, and I think we will be able to defend it. I think we want to be out in front. We want to be national leaders on energy efficiency and this will enable us to do that.

>> I want toker size that we are -- I want to emphasize we are nat -- we are national leaders with energy efficiency and through this, it has been difficult supervisors to see their piece -- for consumers to see their piece of it and that's why it's been hard, because consumers have had a tough economic time to invest and this has been tough and this has been a decision point for us. what is the cost impact of this?

>> What would the charge be?

>> Mayor leffingwell: yes.

>> A third of a cent. A third of a cent. per kilowatt hour?

>> Yes, sir. and it is mandatory?

>> Yes, sir. so in a way it is a mandatory green choice program?

>> It's --

>> no.

>> Instead of being better -- i guess it's mandatory, but it is really not green choice. It's really part of funding energy efficiency programs overall. which reminded me of another subject, I guess you could argue that the aggressively tiered rate structure would discourage people from using electric cars, couldn't you, because they are going to -- it doesn't matter what time of day they plug in --

>> we are going to pile up time of use rates and we are going to work with pecan street and all of our -- which is really our test, -- the rnd lab and we are going to -- the cars are smart, too, so we want to make sure they charge at the right time. But the answer -- that only effects pqs, it doesn't affect your bill.

>> But time of use -- if we have time of use rate around somebody is on that. Electric consider, we are going -- electric car, we are going to experiment with that and figure that out but the answer to your question or comment about does it have an impact to them, the tiered rates, yes. yes. They will be using more electricity, is your point.

>> Mayor leffingwell: right. That's my point.

>> Morrison: I have one more question. council member morrison.

>> Morrison: So when I see the -- this is a question about the terminology you are using because is it standard to include solar incentive in the term energy efficiency? I usually think of them as two separate things and I just want to make sure that we get clear to our customers what it is they are paying for if it's not --

>> it's the -- we call it the crif, conservation, renew usual incentive fund is what it is called and it is everything. So it is all the funding we provide consumers.

>> Morrison: I know what it is. I am just concerned about the terminology on a bill on energy efficiency when it is also including solar.

>> We struggled with a title for it. it needs to be zippy and short.

>> It does help us achieve demand side management goal, the solar does, as well as the electric vehicles so that's why they have energy efficiency.

>> Morrison: Okay.

>> Tovo: Mayor. council member tovo.

>> Tovo: I fully support the goals of making sure that we are working toward our generation plan. But I want to talk about the other option that you mentioned for collecting this revenue. You had talked about a line item, burr you also mentioned collecting it through the fuel.

>> Right. Right.

>> Tovo: So that would be an option? Because that is another way of --

>> right.

>> Tovo: Of adjusting up or down as necessary to make sure we are on track and we are investing enough, but not overcollecting. So I wonder if I could just hear either from my colleagues or from you what the benefits are of including instead of a rider rather than collecting it through a fuel charge, if that is a legal option available to us?

>> Personally I think it is real subjective whether one is better or not. I can say that we went through the pick process, the euc has been after this for a long time and at the end of the day, that's the recommendation that we followed, by putting in the fuel is easier, it is not as visible, but it also has some -- it is not normally handled that way at the commission.

>> Tovo: Sorry, which way?

>> At the p.u.c.

>> Tovo: Not normally handled as the fuel.

>> Fuel for the commission, is my understanding and so it always puts it at risk of whether it is done that way or not but to our consumers it shouldn't matter one way or the other because it is still being collected, based on fuel or based on -- so our customers are paying for it the same one way versus the other.

>> Tovo: That gets back to the question, council member morrison asked, which is why -- we had a discussion about this with regard to water bills, you know, about line items, you know, what we call attention to in the bill and there are, of course, all kinds of things that our bills reflect, and I see, you know, kyle robins is here and he's mentioned some about that and I think they are valid ones, so for me it is a toss-up whether we collect it through the fuel or as you have proposed and through the fuel would seem to make good sense. Which allows a faster recovery rate? Which could you adjust more rapidly if you found you were overcollecting or under collecting for those programs?

>> The one we proposed.

>> Tovo: The surcharge or rider?

>> In fuel, the way fuel works, we can adjust the amount of money we need instantaneously, so I guess -- I guess that's actually faster.

>> Tovo: The fuel?

>> Well, in terms -- in terms of getting approval to get more money to pay for it, we have a risk oversight committee that would have to fold in the energy efficiency role and that would be a budget subitted and we would do that and forecast that fuel going forward. So, in other words, if our energy efficiency and our solar programs were really good and the customers went crazy and spent more money than we thought, we have -- we covered the amount of money we spent for customers but we still did the program. It is just the fuel charge for the following year, we would have to adjust how much money we spent, if you follow that so we would make instantaneous adjustment. I think the charge, if we go below, we need to increase that charge, we would have to catch up in the next fiscal year in the budget cycle. So it's --

>> Tovo: There is a lag either way, it sounds like, but --

>> again, it was the euc, our advisory commission and the public involvement process that guided us to where we are today.

>> Tovo: Would you say their concern was primarily the need for the funds and the need for flexibility, versus the mechanism fuel versus --

>> I think council member riley hit it on the head. They wanted to be assured we didn't have a budgetary problem going forward in any way, shape, or form, with meeting our goals of solar and energy efficiency in the sector, and that if it's in base rates and there is big budget problems or anything like that, then it could be impacted. That was their concern.

>> Council member. could i say -- I want to make -- I want to make this point. We have policy. We aren't going to increase rates, all inclusive, more than 2% per year if we make this adjustment and we main bottom 50% and the fuel charge is not a way to escape that commitment. I just want to reemphasize that point.

>> Tovo: If I could ask you a and so by that logic, putting it into the fuel could be a way of avoiding versus the rider? The rider puts it within the 2%? my understanding is that we are going to remain in the bottom 50%, all inclusive, whether it's a fuel charge or a fixed -- or the rate charge. All inclusive. And I asked this very question about a month ago, to confirm this, and my understanding was that you did confirm it, that it was all inclusive, that policy. And certainly, I can say that when we adopted this policy, that was my understanding of it.

>> Tovo: I would say I agree. I definitely don't want the fuel to be a way of -- become a way of avoiding that council adopted policy, certainly.

>> My professional judgment would be that this issue of energy efficiency and solar will never be the predominant fiscal issue for us. I don't think so, either.

>> It is not that big of a number. I just wanted to make that point and i totally agree with council member riley, this is the right way to do it because you have more flexibility but I also want to understand the constraints that we are operating under. Council member riley.

>> Riley: has ever approved using a fuel charge to support energy efficiency services?

>> Experienced as I understand it, my experience with public utilities at the commission is limited, anyway, publically owned utilities, but i understand that it is not normally put in fuel and so the risk we would take putting it in fuel is we would go there and have a problem with that and have to go back to square one, i guess, or something. bercotto is jumping out of his chair. I wonder if we could get some input.

>> Sure.

>> The commission has a long history of very narrowing -- interpreting the their rule rule, 25.236. That rule specifically sets out what types of cost can be recovered through fuel and identifies the specific accounts, the things that are put in -- the listed perk account can be included in fuel and that's all -- I am not aware of any instance where the commission has ever authorized the recovery of energy efficiency costs for fuel, and, indeed, there is a separate provision adopted by the legislature a few sessions ago, which provides for a separate eercf, energy efficiency cost recovery factor, for costs all over the state, every year may 1st, two weeks ago they make annual filing and they identify the amount of energy efficiency costs they are going to occur and they true up what they actually spent versus what they collected for the prior year.

>> Riley: The legislature has specifically authorized a line item to support energy efficiency?

>> That's right.

>> Riley: has never approved the use of fuel charge to support energy efficiency?

>> Not that I am aware of.

>> Riley: Okay. thanks. do you want to try to reassess where we are right now. We do have a little more flexibility now since we agreed to have another work session, but we still have unresolved the bundled plan, the five tier residential rate, reserve funds. I don't think the cap program is -- I think we can address that and get it off the table very quickly.

>> Morrison: We already have a motion that we approved on that. Did you all -- are you familiar with that?

>> Is it a dollar amount that we are --

>> Morrison: It is not the dollar amount. It is the number of people that we wanted to cover that I assume would imply a dollar amount.

>> Well, not necessarily. let's take that up. Let's take this item up, then, because --

>> our proposal has a dollar per month being collected per residential customer. That's what we wanted to know. that's projected to serve 25,000 customers? Is that right?

>> The number that we discussed at the work session on -- i guess on the 30th was 25,000 or I believe that 50 customer charge for residential plus the 65-cents per megawatt hour that everybody agreed to long since for commercial customers that we can cover that number of customers should we waive the 10-dollar customer charge and provide an additional 10-dollar discount and that should -- sorry, additional 10% discount and that should get us to the 25,000 plus it's -- it's -- I have to say and I know this is a bit frustrating for everybody. We don't really know how many customers we are talking about with these various qualifications that we've discussed because there is so we have numbers, for example, how many households in the county qualify for snap and how many of those are in our service territory. We just don't have that, and it will take us to do the study, to do the qualification in order to get a good handle on that. I think that's the number that came from consumer groups, is 25,000.

>> That was the number volunteered by ms. bagisky, yes.

>> Morrison: Maybe the clerk can help us remember what the motion was but I thought that it was that we just wanted to target 23,000.

>> Right. That's right. I think we need to know the number.

>> Morrison: And obviously the study is going to be needed to see about those programs, that they are funded to that level.

>> And to the extent possible, we will use automatic qualification processes, where we do list matching for customers earn rolled in those programs and customers in our system, to the extent possible, we will try and do that automatically to get to the 25,000 customer number.

>> Morrison: But the important thing that you just stated was, then, the dollar 50 plus the commercial customer charge would cover a waiver of the 10-dollar fee and --

>> and 10% discount.

>> Morrison: And a 10% discount on everything else?

>> Yes. And I -- I believe -- ann will have to validate this once we run out the rate flums, that those -- the rate numbers that those 15,000 or so additional customers who qualify for the cap program will not have a rate increase as a result of this process. They will actually have a rate decrease. similar to what happened with the water utility, almost exactly the same. I think what we need is a number. Entertain a motion for a number on the customer assistance program. The details can be worked out later but I think that's the guidance we need right now. Mayor pro tem.

>> Cole: Mayors this consistent with the proposal we made and also with the testimony of austin energy and that number is 25,000, number of customers to cover with a 10% discount on energy and a dollar 50 additional fee. is that a motion?

>> Cole: That is so moved. is there a second.

>> Spelman: Second. second by council member spelman.

>> If I could clarify, it's at -- the proposal is dollar 50 on the bill.

>> Mayor leffingwell: correct.

>> And then the program benefit would be a waiver of the 10-dollar customer charge, a waiver of the dollar 50 charge, and a 10% discount, targeting 25,000 customers.

>> Cole: Exactly.

>> Mayor leffingwell: yeah. Including people in customer assistance don't have to pay the customer assistance charge.

>> Cole: Exactly.

>> Tovo: Mayor. council member tovo.

>> Tovo: I just want to go over what our last motion was because it was a little different, so i think there were three components of what we approved last time. One was an expansion of eligibility, two was a target figure and I think -- I am not clear now whether it is 23 or 25,000, and the third was automatic enrollment. What we did not discuss was what those benefits would include, our existing program -- and i may need help here -- waives fixed charges but includes a lower kilowatt hour charge.

>> There is a discount on the fuel factor today.

>> Tovo: So what I would like to know I guess is what a typical bill would look like under our existing program versus what you have just discussed -- we are clear on the waiver of charges. You waive them now and waive them then.

>> We have to rerun them.

>> Tovo: But I would like to know know whether our customers fair better with a 10% discount which is what you just proposed versus the existing system of a discounted kilowatt hour charge -- discounted fuel factor charge.

>> We will run all of those comparisons out when we produce but we had those in the original rate package but with the changing landscape, we don't really have that.

>> The difficulty of doing it on fuel, I guess I wouldn't suggest doing that, but going forward, because we don't know what fuel is going to be. Fuel could be -- fuel could be low. Discount could not be as much but if it is a 10% discount, actually other state commissions I know have ordered it based on the percentage discount, because then it doesn't get into the -- some of the issues that can come from it being a discount on one part of the bill or others. It is just a confusion issue, so that's why we put the recommendation forward the way we did, to change it the way we do it now because the fuel changes and it is not predictable. Not predictable for anybody. that is not in the motion that's on the table right now.

>> Tovo: I don't know what the motion -- I guess I would say i am not sure we need to vote again on eligibility or the number because we already tentatively agreed to that.

>> Withdraw that.

>> Tovo: But I think as I see it, the decision points ahead of us are what the benefits are going to be and how that will be collected from other customers, whether it will be a fixed charge or a volume it trick one, I think we had some discuss or a volumectric one, I think we had previous discussion on kilowatt charge or energy efficiency versus cap. Maybe we didn't. weis --

>> you mean the actual recovery of the revenue to fund it would be based on --

>> Tovo: Right, per kilowatt hour versus energy efficiency. Maybe I was thinking about it and didn't raise it, sorry.

>> Maybe because we haven't run -- I don't think we have run numbers that way. Sticking to -- we have been been -- the way we do it today we have a budgeted amount we use in the budget and we do that to cover as many customers as we can and so the goal here is, again, to have certainty, is to have that number be what we need to fund right now as mark said, waive the minimum charge, 10% over the whole bill, and then the -- and then that would cover it, so that's the proposal that we've got there. my recollection was that the 25,000-dollar number has a little bit -- the 25,000 number has slack built into it. It was actually thought it would be fewer than 25,000.

>> As mark said, we didn't know. We don't know until we roll it out and people start signing up. exactly right. Council member spelman.

>> Spelman: Go ahead.

>> Tovo: If you don't mind, i have some follow-up questions. You said and I want to clarify, it is 10% discount on the total bill, fuel and base?

>> Yes.

>> Tovo: Okay. And what is -- how does this compare to light up texas? Is that how they assign their benefits as well?

>> The light up texas program is a 10% discount on the tote hall bill for the 5 -- on the total bill for the five summer months. That is reset every year by the public utility commission. A couple of years ago it was 20% discount. Currently it is a 10% discount, and so I think this is a much more substantial discount than that is offered under the light up texas program.

>> Tovo: Thanks. And you did say you might be able to get us to some average bills of what that might look like pre and post.

>> When we bring the rate proposal prior to june 7th meeting, that will all be incorporated.

>> Tovo: Thanks.

>> Mayor. council member spelman.

>> Spelman: Why should the cap charge be a fixed charge as opposed to a volumectric charge?

>> What if I told you there is no exact answer for that? It is a matter of predictability and, you know, you could do it either way.

>> Council member, our recommendation goes back to the -- to the public involvement committee process that we had now, a year ago. There were several residential representatives on that. We had lengthy discussions on this issue, and our market research staff had some data that showed that customers have reported in surveys that they are willing to pay a dollar a month to provide assistance for low income customer assistance, and we discussed, should it be a dollar a month, should it be a variable charge, if we had a variable charge for larger user customers, they would pay more. For larger user customers, they would pay more than a dollar so the recommendation from the residential members of the public involvement committee and the recommendation adopted by the public involvement committee was a dollar a customer a month and that's where that number came from.

>> I wasn't arguing with you. I wanted to know the background. Thank you.

>> Thank you, mark, I had forgotten about that part of it, the public involvement.

>> Thank you.

>> Morrison: Mayor. council member morrison.

>> Morrison: Thanks. So can you remind me what -- you said the disdoubt now is on the fuel. Can you remind me what percent?

>> The discount on the fuel the kind of a funny legacy because when we started the cap program, what we did was we switched the cap program customers on to batch -- on to green choice batch one which has a fuel 7 centss so when green choice batch one expired, we kept the charge change the program a little bit so customers continue to get that 7 cents charge in lieu of the fuel charge. 615, I think, residential customers so it's about a 2-cent discount today on the fuel portion of their bill -- I was looking at this before the 10% discount equated to about the 2-cent discount portion of the bill.

>> Morrison: That's the question we want a sense for, how it compares to the kind of discount we are getting, although 2 out of 3-cents is a pretty hefty percent discount, but it is just the fuel. I realize that.

>> Right.

>> Morrison: So when you run these numbers, will you be able to show us sort of a typical discount before and after?

>> Yes, and we did -- we did that with the original proposal and we will replicate that with the materials we will bring you.

>> Morrison: I guess I am a little confused because the original proposal will cover 8,000 people per customer and now we are talking 23 but only changing the dollar to a dollar 50?

>> Well, in our original proposal, we proposed a dollar. And we talked about waiving the 22-dollar fixed charge and i provided you a spreadsheet that was ugly a that had different customers and a dozen different ways we could do the discount, 20-dollar waiver, 10-dollar waiver and so it was just an array of different proposals but the one that you have is a waiver of the 22-dollar fee and a 10% discount and that's what we provided.

>> Morrison: And we are committing to -- what we are planning for is to cover many more people but we are only increasing the costs by 50-cents, we will end up with something a little less beneficial than what you originally proposed and I am gathering that is because of the fixed charge going down?

>> Yes, and it will be a different impact for different customers depending on usage.

>> Morrison: Okay. Thank you very much. all in favor of the motion, say aye.

>> Morrison: What is the motion. the motion for dollar 50 with the enumeration of what all was covered.

>> Tovo: I am sorry. I need that enumeration.

>> It is to cover up to 25,000 people.

>> Mayor leffingwell: 25.

>> Cole: 25,000 People with a dollar 50 customer assistance charge and a 10% discount on that.

>> And a waiver of the customer charge and the cap charge.

>> Martinez: Waiver of the customer charge and cap charge.

>> Morrison: And there is no phasing in or anything. This is what we do. council member martinez.

>> Martinez: I want to get the actual effect of this policy direction at our next work session before we get to june 7th, because I don't think it is going to have the intended effect of hitting 25,000 customers but I would like to show that it will fairly demonstrate that before we make a final decision on june 7th. I think in general terms what has been stated here is that the general effect would be that customers on the -- on this program, their bills would be less than they are now under this plan.

>> Tovo: I am going to say i will support the motion but I am a little concerned because we already adopted a motion expanding the eligibility, i guess I would like to hear from staff -- maybe not today, maybe the next meeting, about what will happen if it turns out that there are 30,000 people who qualify under the eligibility but we only have -- we gotten our policy of only supporting 25,000 and so I guess I liked it a little bit better when we had an understanding that that would serve about 25,000 but we -- the criteria was set but the number wasn't.

>> What I would -- what we are striving to get approved is the ability to come back and get that revised at any time that we -- for example, if we don't have that many people that need it, that we are overcollecting, maybe we need to change it down.

>> The motion is up to 25?

>> Yes, so I guess to answer your question is we want to make sure we have that built-in flexibility to come back probably through the budget process and say, you know what? Our program did x amount last year. We can drop the charge to dollar 10-cents per month, something like that, so we have that flexibility, but do it in the budget cycle.

>> Tovo: Great. I wanted to be sure you have that flexibility because I don't want to continue to be in a position where you only have the money enough to fund 38% of the people eligible. So as long as you tell me you have the flexibility to adjust up and down, I am satisfied.

>> We are trying to build the flexibility in all of the charges so we can move them around so at the outset we don't need to worry about setting them so hard and making sure they are exactly right, that we would have that flexibility going forward to look at that. council member spelman.

>> Spelman: Very briefly. Mayor pro tem, it is my understanding of the motion that we anticipate that dollar 50 a month from residential customers would allow us to serve 25,000 customers but it's my understanding that your motion would not cut off the number of people served at 25,000 exactly and the 25,000 first customer would be left high and dry. It would be our understanding that we would be able to serve all of the customers would automatically be eligible for the cap program and it's also our understanding that that should be about 25,000 customers which is what is motivating that $1.50 charge.

>> And we will report to you when we come back how many customers we believe we could serve with the dollar 50 charge and where that is with relative to the 25,000 customer customer.

>> And where it is relative to the 25,000 eligible customers.

>> That's the difficult one because you have given us array of eligibility criteria and without doing a full study, i don't even want to take a swag at what that number is. bajisky said 25,000, I have given you some other information based on a conversation I had with the public utility commission staff that said 40,000 for a lesser set of eligibility criteria and we really just don't know what that number is.

>> Cole: It is my understanding, council member spelman, that the public involvement committee really struggled with this because they were trying to decide whether to go wide, meaning lots and lots of people, or to go deep, which is give it a discount for the people that most knead it and so I am hoping that we can come back and have that conversation but we kind of have thrown the ball down to the middle with what we can afford and the amoun money -- and so that's the idea.

>> I think the business idea here is to get this going and to have it be flexible, that if we have to make any substantial changes to it, that we can incorporate it in the second phase or whatever we need to do. I think it's very important that you know that the austin energy staff, we will be re aligning how we deliver our programs and how we do a lot of this and we are talking about having some advisory folks and it is any intent to ensure that the austin energy staff and the professionals involved in serving this community have a real good alliance and that we are working together.

>> Cole: We have a steering committee working on this, also?

>> Right, right.

>> Cole: With one voice and lots of people. Seven-9 people working on it so we have some help.

>> Getting to really good starting place is the most important piece of this. all in favor say aye? Opposed say no? Passes on a vote of 7-0. So that leaves us half an hour past our scheduled time

to adjourn, and we still have the bundle plan coupled with five tier residential rate plan to be discussed at the next work session along with reserve funds and the secondary voltage less than 10-kilowatt nondemand rate. All of the boxes that I have.

>> Morrison: I wonder if we've left one line offer. I don't believe we ever come -- I believe we left one line off -- I don't think we came do conclusion about out of city rate payers, I know the -- pardon? If there is a differential i think the proposal from staff on the table from february actually included one.

>> Had one, yes.

>> Morrison: And so I would like to be able to discuss not including one as a possibility. all right. We will put that on, also.

>> Morrison: and in deference to people who may be graduating, family, things, i think the 31st might be a problem and --

>> it is. I am in the process of calling your offices right now to see -- don't call my office.

>> I am talking to nancy.

[Laughter]

>> I am telling nancy you have to be there until -- set up a meeting with the staff.

>> [Indiscernible] no it hasn't been settled yet.

>> Morrison: We need to take the action to say, please, if we could have staff find a convenient time for everybody that week of the 29th, I guess it is.

>> Martinez: Everybody is free on labor day.

>> Morrison: Not. yes, staff will set up additional work session meeting. Yes.

>> [Indiscernible] set a public hearing or take public testimony? ..

>> [Indiscernible]

>> that is the plan, yes. I think that's already in the plan for june 7th. Without objection, we are
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>> I'd like to dahl to order or austin mayor's committee for people with disabilities order to meeting. Thank you all for attending. I'd like to go through and do introductions. And know manner, we'll start with you.

>> Norman kieke with the texas department of licensing and regulation.

>> George luc, commissioner.

>> Mitchell rappaport, member.

>> (Indiscernible) with university of texas students services for students with disabilities.

>> [Inaudible].

>> Bryson smith, a community partner with the coalition of texans with disabilities.

>> Juan munoz, guest.

>> Jim dewitt, guest.

>> Tanya winters, commissioner with travis county constable precinct 5.

>> I'm chip howe, commissioner with the mary lee foundation.

>>> Dolores gonzalez, city of austin and liaison to people with disabilities.

>> Jesus lardizabal, commissioner.

>> I think everybody got the minutes to our last meeting. Were there any questions or discussions on previous minutes?

>> Do we have a motion to approve the minutes.

>> Motion to approve. I'm sorry.

>> I have a motion to approve.

>> I'll second.

>> Okay. And so that all in favor please say aye.

>> Aye.

>> Anyone opposed? It passes. And I don't see any listing for old business. But before I forget, anybody who is looking to speak -- has everybody signed up?

>> I think we have one more person from cap metro is here. I think he's in the restroom. I'm pretty sure he wants to speak.

>> If anybody else wants to speak, you can please let us know and we'll sign you up. And we'll start off with new business. We have a presentation by christopher florance, did i pronounce that correctly? And he will provide us with an update on discussion regarding the city's website. So whenever you're ready.

>> Hi. Thanks for letting me talk today. My name's chris florance. I'm the city's web content manager. I work in the public information office with communications director doug matthews, who has also joined us in the audience. I was one of the team leads on the city's successful website redesign that occurred the first phase of it in 2010, throughout that year where we had the vendors on board to meet with different community groups internal and external users. But more significantly during the kind of the six-month sort of the hard-core implementation and design of the site that we did the last six months of 2011 that culminated in the official launch of the city's website on january 26th of this year. You know, briefly we'll cover why we had to redesign the city's website. org was kind of built on a very outdated technology structure. It had been a very cutting edge website when it was first launched in the mid '90's, but the time had passed and unfortunately our technology and our offerings had not kept up with those changes. There were new ways people were using the web, the content management systems were clearly the best way to handle and maintain and govern a website of the size of the city's. Our old system, there was absolutely no way to govern any content, including accessible content on the site. We had a very narrow range of things that my team was responsible for updating on the corporate side. Very little control over what up of hundreds of different departmental users were doing. No way to offer any kind of oversight. If there was anial text added to images, no way to have any kind of oversight if people have an accessible pdf or not that was added to the site, very little control over the third party widgets and things that had become more popular as the website had become less usable. The-- that lack of governance was one of the reasons we needed the redesign. The old site was generally rated positively in terms of general a.d.a. compliance. It was -- you know, that was something that we had heard in the gaap analysis summary report from our first phase one vendor, that it staed up fairly well. Something for us looking at the entire community's needs, something that we often wondered is is something accessible if you have, for example, a search engine that you can't find any content that you're looking for on the site, that if you do a search on something and you know that that file is there and you search on it on those key words, nothing comes up and you end up seeing like documents that are 10 or more years old. Really we had kind of gotten to a point I think where the website had become a barrier for everyone that was trying to use it. In the first phase the vendor reached out to different internal and external groups, the users of the site and the people that were using the site, including this community, and one of their redesign recommendations was of course that we adhere to all of section 508 standards. That recommendation is on line in the end user needs analysis document and I've provided a link to it here. All of those documents are org, which is the project's website. We chose droople, both the decision was made by the city of austin, the vendor had looked at a number of good options for web content management systems. We chose droople. It rated highly in comparison to the other cms's that were considered in regards to accessibility and also met a number of other technical and user needs that have been identified. One of the bes things about droople is that it's supported by that passionate user community. It's an open source product

which means that the user base of it can consistently add improvements and refinements to that, create new modules that you can add functionality of the website. Accessibility is very important to that community. There are a number of user groups sit up where they talk about some of these issues. If they are made aware of a problem in one of the core modules or any of the modules, they treat that as a bug and address it like you would address any other bug that is found in the system as something that needs to be fixed, not worked around, not ignored in favor of another solution, but something that needs to be addressed and fixed. We've noticed over the years that droople has become the virtual standard for new federal websites. And clearly one of the many reasons why is that it does lend itself to making an accessible -- a website that's accessible to everyone. They deal with the issues as bugs that can be addressed. Included in this presentation you can go to org/ accessibi org/accessibi lity to learn more about some of the things that droople does. But pretty much across the board droople was the obvious choice for us. As I said, we had a fairly aggressive six months time frame that we not only designed, but implemented it, worked with the 30 plus democrats across the city to clean up their content and migrate that in. We did accessibility audits throughout the redesign process. The most significant one that we did was at the very end right before we launched. At that point we had the most real content into the site. This one was done in early december before the beta launch on december 19th. In that the site did well. There was one major problem identified that we still have kind of a solution had eluded us that involved faq's. The reader does not pick up all the text in the faq. Identified several smaller issues that we dealt with. After the launch we received a lot of community feedback that was very useful to us in making some decisions about what to prioritize to fix. The one that has been common -- well, the one that we've heard actual feedback on were issues with the color contrast, that the design issue, we have advised people that through firefox they can set the background image and the text image and address that through their browser, but it's something we want to look at to fix in the future. Certainly any other improvement or issues need to be addressed. We have the opportunity -- one of the most important things to us as the project team on this is that we never get in the position that we were in saddled with this decade old technology that is impossible to make a true global improvement to it. We are in the process with ctm with an ongoing eight week sprint cycle is the project management term for it, where we will identify issues for global improvement, work aggressively in those eight weeks on a solution and we just completed one where we've put out some new content types and some new functionality for the site. We will deal with those on an ongoing basis. You know, the wyatt redesign, it's presented us with a number of challenges and opportunities and also the passage of time. We've had significant staff changes on my team and the loss of a knowledge base of an employee who retired. Kind of our a.d.a. Compliance officer who had felt so passionately and did so much for the website. We have replaced her and we have some good people on the team and something that -- a reform that I want to make is I don't want that to be the person responsible for that. I want it to be all the team members, that all of us have an equal share in that and all of us have the skill set that we can identify and fix these issues. One of the big benefits of the governance that we have now is who has access to the system. We can limit access to the system only to people who have gone through training. We have a very extensive compliant section in the training that we'll offer. That training will be formalized in the city's internal training schedule. And we will have even probably a more significant section on that writing for the web, use of the droople content management system and the city's new data world. Another challenge, video. We're seeing more and more demand for video on the site, with that greater command in the new website it's even easier than ever for users to embed video in the site. That could be a potential challenge for us. Fortunately youtube has embraced that kind of out of the box captioning, so if we have it in youtube, there is a captioning feature available to make it a little bit more accessible. And we can go in and clean up that transcript where appropriate. It continues to be a funding issue. The overall captioning, a lot of the coverage of the city meetings, it's expensive to provide that live captioning for those meetings. Another challenge, third-party sites. There are still a number of these that get made. These are sites that are not built in droople. My team and ctm may or may not have any oversight over those. We're addressing that by the creation of a new type of website in droople that i think will be a better solution for the city when we have these major initiatives that have some funding behind them we will have a nicer look willing, more modern marketing site. We call them campaign sites. And these would be things that you could use with initiatives like imagine austin. We would be able to keep that kind of in our droople implementation and have a lot more oversight on whether it's accessible or not. We're concerned about outside users that can see the site. We also want to build an intranet that is accessible for city employees that might have accessibility issues. That's something that we're working on with the team right now. Since we are working closely with them and defining the requirements and the needs for that, we can put that in as a requirement that the site be accessible. We worked very closely with the ctm, the web developers, and we're kind of able to build those things in from the ground up. With my experience if you can do that at the beginning you typically avoid a lot of the problems down the road. As I stated with the training, we've centralized that right now. We're handling that. We can incorporate that in. There actually was no training available for users of the website. So we couldn't put anything in in terms of a.d.a. Compliance or anything else, any other standard, but that's much easier to do. The biggest opportunity that we have right now since we have sort of started with slate with the new website is that we are looking to the community to help us. We're looking for you all, everyone in the community. We've received probably close to 1500 individual pieces of feedback. It's been instrumental to us tomo -- to move forward and see what needs to be approved. I know we haven't seen every piece that's come in. But we are working our way through it looking for patterns and what will bring the most improvement to the biggest groups of people. That's something we'll continue to do. We'll never stop doing that. You can offer feedback via a link at the bottom of any city web page. That's the website feedback link in the footer. Should be able to find it on any page that's available. You can click that. There's an online form with a simple quantitative survey and then a longer field that you can offer your feedback. You don't have to take the survey if you don't want to. You can just give us a message and the team will get that. You're also free to email me. My nail is florance@austintexas .g g ov. And again, I appreciate the chance to talk to you today. If you have any questions, I'm here to answer them.

>> Thank you, chris. Do you have any questions?

>>

>> I was a big fan of the old website and I've used this one now. I found the old front page easier to navigate when looking in the various departments. It seems like I have to go on a little hunting trip now to find what I'm looking for.

>> You know, it is a huge change. I'm curious, is it more a look and feel that you're not seeing on the page or you're actually having an issue navigating over to it?

>> It's a look and feel. I'm actually not having an accessibility issue as much as the front page is not as explanatory -- maybe it's just because I was used to the old one so much. That could have something to do with it, but I find it harder to have -- I have to do a lot of work to get to where I want to go now more than I used to.

>> And it has been a challenge and we've definitely seen that. And kind of the anecdotal evidence that I have, it is difficult for that 20% of our users, and I'm sure you were one, that really had taken the time to learn that old site inside and out. And there was no user architecture, there was no consistency from page to page.

>> Yeah, probably.

>> And we really have tried to put it all into a very consistent, across any department, across any resource, a very consistent look and feel. And I apologize, it has been a bigger burden for you all that have learned and taken the time to really use that site we did do think that the vast majority of people are able to find what they need. That was such a consistent thing that we heard in all the outreach that we did, that people just couldn't find anything on the site. So if there's ever a specific resource that you guys can't find, please just email me and we'll let you know where it is. To find a department list there is a pull-down on the homepage and there is in the header of every page there is a link to a department list that has actually the official name of every department that you can find. And the search engine does work a lot better now.

>> Ron?

>> Yeah, a couple of questions.

>> Ron, the microphone.

>> Thank you.

>> My name is ron lucey. I'm a commissioner. I had a couple of questions for you. Tomorrow the largest web accessibility training conference in the southwest is taking place here in edwards university sponsored by a local partner of ours, knowbility, are you sending any of your staff to that training conference?

>> I am not sending any staff to the conference, but if I can at this late point, I will definitely do that.

>> I bet you could.

>> Yeah. It has been daunting for us as a team and definitely there are opportunities and stuff like that that have fallen through the cracks. We are in a better place now and I feel like that we can kind of take a deep breath and step back and kind of start sharpening the saw and doing things like that. That's something in the path that we've sent people to and yeah, that was just -- sorry about that. That was off our radar, i think. org and I'm sure they'll still take your registration.

>> That would be great.

>> You talked about testing. Do you have an enterprise level testing tool that does a comprehensive scan of all of the city web pages and provides reports to you on the section 5078 failures or wik act failures.

>> Right now we are in a gap on that. We had worked with a site check on the old website. We got out of that contract last september because it would have been very expensive to renew it for a very short period of time. They base the fee on the total number of pages on the site. We went from I believe about 13,000 pages on the old site. Now we're probably well under 2,000. I think it would be a good time to touch base in them and give them a quote on what that would be. We were happy with that. That was a great cool tool that we used and the two or three years that we used it we had never had any sort of real control over that. So we'll look at that. We are using a free tool google web master. Unfortunately none of us have really had the time to spend to really learn how to use it. There are some limited compliance check tools in there. We're optimistic that maybe that could affordbly replace site check, but we'd like to still touch base with them and see. There's also a possibility that there could be something in droople that we could install and handle at least some of that functionality.

>> I would encourage you to be open minded to just doing a competitive bid, writing the specifications for what you want and seeing what the marketplace will respond to. There are other better known web accessibility checkers watch fire, rational policy tester, and dq's world space accessibility checker that seem to be much more common. I was unfamiliar with the first one that you mentioned, but whatever one provides the best level of service at the least cost to the citizens of austin and your department would be the right choice.

>> And something that we want to work with ctm on is on the content creator side on that infer face when they log into add content. We'd like to add some tools, for example, right now. It doesn't kick it back if you don't put alt text when you upload an image. That's something that we think would be an easy fix to just say wait, you can't upload that image. You need to add some sort of descriptive text. I think that would be another thing that we could do and look at that I think would make the system kind of on the user side, the content creator side just really not accept certain types of content if they're not compliant. So that's something that we'll definitely look at too. It would be the most affordable option.

>> The pdf's documents can be challenging to make accessible. You said that you do test the -- you have some sort of control in place for dealing with pdf's. Do you deal with their accessibility based on training the awe thursday or creators of the pdf document or do you test them before they're published? What is your approach to dealing with pdf's.

>> Pdf's are still a little bit of a challenge. It doesn't give us a report on new pdf's that are added, but since they basically -- more or less they don't have to be, but they typically need to be linked on a page, we can go in and see every page. Everyday we get a report of every page that's been created. We go in and click on those links and make sure that there's no obvious problem. I do think in the end that it's something that the most efficient way to do it is training for the people that are generating the pdf. And the time that I've been web content manager, the most specific or

the most common complaint that we get about accessibility is there's a pdf here that is just in no way compliant. And always's happened is someone has scanned a document in or converted it from a jpeg in generating that from word or whatnot. So I think it is something that we can address there through our training and let people know if you have any questions -- if nothing else, if you have questions on whether something is compliant, give us a head's up. That's one of the things easiest to see is if an individual pdf is compliant or not.

>> There is some cost effective tools out there that you can share with you offline beyond this meeting that might help with you this regard. And acrobat 10 has an accessibility factor built in. But maybe a more expense active tool than some of your contributors need.

>> At least as of last week my team is all on acrobat team. You're right, it would be expensive across the city.

>> My last two questions are not technical, more policy related. Is accessibility of the city's website required by ordinance, policy or just project specification?

>> I mean, to my knowledge -- I mean, I think it's required by federal law. In practice I think, you know, my team is tasked with sort of making sure that the site, you know, is accessible. The ctm is certainly -- certainly wants to build an accessible site as well and certainly see this committee, what the sponsorship of council, it's something that's very important to the city. But I'm not aware of like a city ordinance that requires it, no.

>> The reason I asked, title is the civil rights law that came into being before the adoption of the worldwide web. So title two doesn't specify web accessibility standard. It sounds like you've picked section 508 of the rehab act as the city's standard. Section 508 is under refresh and it looks like it's going to align with wcad 2.0. The advantage of having a city policy or ordinance is that you could go beyond just addressing city developed web pages, but also including requirements for when the city purchases electronic and information resources or information technology and communications to having contract language to ensure that accessibility happens not just where your team has control over it, but when the city extends what it does through third party contractors. Just throwing that out there as consideration that there might be an advantage to having an ordinance or least a department policy.

>> Sure.

>> A point of information. One of the ways you can do that is by specifying when you go to purchase any droople or anything else, specify that and the cty would have to be able to comply with it.

>> I'm thinking more along the lines of the city health and human services, if they have a contract for health education services and those services end up being delivered through a website, for example. Well, the contract should specify that those services that the city is purchasing, that that website has been accessible to whatever vendor they award the contract to, something along those lines. My final question is this city commission we had some content, some historic content on the old website that disappeared with the new website. And fortunately

our hard working city staff liaison was able to find some of that content, but what could we have done hint differently to include that content in the transition. Did we just miss the communication saying let us know what we need ported over?

>> I don't think you missed any communication. I think it was more that sort of just the requirements of our deadline and the way that we did it in phases where we had different releases of the site. And I believe you guys were moved in along with the human resources departments. That would have been the second release. It was just kind of that crush of time. What we did was we looked at analytics to sort of drive what came in. And if there were under a thousand unique page views a year, we pushed back. Now, I don't specifically remember if if there was, and I certainly wasn't with each contact, with each department. If there's some key information that you need online regardless of analytics, definitely now we're in a place where we can add that back in. It's also possible that there was just an oversight and it wasn't included. We can work with dolores and make sure that the things that you guys need are restored.

>> Is that historic content backed up somewhere?

>> Oh, yeah.

>> So it's retrievable?

>> I can't speak with something more commission related or committee related in edim. It's possible there was -- there could have been a document retention issue, but we don't really -- edim's is a separate vendor supported site. But it maybe sounds like this was more just things that were on the old website. It should be simple enough to restore.

>> Thank you. That's all I have.

>> I have a couple of questions. You know, my experience is more in the built environment when it comes to accessibility. And often when you talk to architects or engineers, there's sort of a hierarchy of design. There are safety code, fire code, and then accessibility depending on who you're talking to is toward the bottom end of the design. Can you explain when doing a website how does accessibility fall and where is it in the priority, for lack after better word? How do you see that?

>> I think it was a key priority in the redesign. And we did try to -- we did try to deal with it at the most strategic level, which was throughout the 2010 process where we looked at the needs of the organization and the current technology structure that we had. And then the identification of the cms. So we tried to take it at that high a level that if we chose a cms droople that builds an accessible site, then everything would sort of fall into place after that. And you know, I don't think it's been a perfect process, but I mean, we tried to make it one of the foundation of our outreach and when we built this site. We didn't want to put a site up that was not accessible or far less accessible than what we had. So it was a very important component of our decision.

>> As a follow-up, there's a whole department within the state that sort of looks into accessibility and ensures compliance. What do you have on your end to sort of help monitor and ensure

compliance, not only what's produced internally, but maybe brought on board. And I know ron sort of touched on this a little bit about third party vendor brings anything on board.

>> You know, it is a resource issue. My team right now is three people. We are probably going to -- we do have one more position posted. And we are pretty much responsible for the maintenance of the content on the city website. And we did have an individual that retired in january and that was kind of one of her top job responsibilities. Like I said, I'd like to sort of devolve that out and make everyone responsible. And I think it would be through training that all my team members through participation in like the training tomorrow that we all sort of have an equal ability to go in there and not have to rely on just one person to sort of shoulder that. And I think that's something that the web link content proposal, that's something we can extend down to them as well. So I think that that would be the best way to do it. And really on everything, on both accessibility or the quality of writing on the site, the quality of the graphic design and things, that we sort of provide standards for those individuals and you know, kind of police them and make sure that everything is up to that standard.

>> And my last,, question,.

>> I know they did outreach, possibly to members of the commission or to individuals that were identified through the commission and we did said up a user focus group to talk out what their needs were for the new side. And that was incorporated in the decisions that we made during the implementation. We did additional outreach and invited the community and tried to get a good cross-section of people to come in and that was another opportunity that was there.

>> I think I'll let -- we'll let our resident techy guy go.

>> There are a lot of tech guys here. I think you guys are definitely moving toward the right direction. I like the branding aspect of it. But as a couple of city commissioners pointed out, there's probably a lot of potential enhancements and feedback in regards to the information architecture as well as the user experience that I hope that you guys will hopefully enhance. My worry is I'm not sure how big the (indiscernible) is. I'm sure you guys got a lot of feedback. I'm just wondering is the team in-house or is it a third party vendor?

>> It's pretty much all -- it is all in-house at this point. We did have some contract support. Mostly droople experts that came in and helped us during that six-month implementation. But they've been gone since the beginning of the year. And it was -- we were able to work closely, both the communications side and the ctm side very closely with those contractors and kind of a shared -- in a shared environment project space that we had, which was really good. And there was a lot of knowledge transfer and everybody kind of learned from one another. As of now it's our website. There's no contract involved anymore.

>> So with regards to creating a website for the city of austin and there's about a million of us, how do you guys prioritize in regards to what needs to be expedited? What needs to be fixed? What is the backlog?

>> That's definitely the big challenge as we embark on these sprints, what we've really seen is -- if I had to say what's one of the biggest priorities right now is that we do want that mobile accessibility. The site was launched with an adaptive grid so that every page adapts to whatever mobile device that you're on. The big projects that we're working on now, which will be a new airport site, the campaign site that i mentioned, the blog tool that we just launched, all those will be built around that adaptive grid. What we've seen is probably about this -- if not now, then very soon up to 60% of the traffic that we'll see will be mobile traffic, so it's just vital.

>> What's the percentage again?

>> I read something probably close to six months ago that almost 60% of the web traffic right now is mobile. That wasn't what we saw from the user logs and stuff that we looked at from google analytics here in austin, which sort of surprised us, but certainly it was growing. I think it was about 30%. So there are still a lot of people going through traditional web browsers to see the web, but I think we'll just see that explode.

>> What does ga say for our site?

>> Like just general traffic?

>> Yeah. I'm sorry, for mobile traffic.

>> I want to say it was 30. And you know, I haven't looked recently. It may have been a little bit higher, but I can find that out. We actually kind of want to get the -- at least some of the google analytics out on to the portal. We used to have a pretty nice analytic section that people could go to. It was basically just pdf's, but we think we can get that all into the data portal and people can kind of crunch those numbers to their heart's content.

>> The reason I want to go back to this backlog of items is I think in terms of providing a website for the masses of austin, I think it would be nice since you guys are a small team, to actually see the progression that you guys are having. I'm not sure if there's a way that you guys could socially and publicly display your backlog and how -- and empower the city of austin residents to go to stint website and rank what should be developed first or enhanced.

>> We definitely -- we have a project site and a project blog and that's all at austingo.org. And you can also follow us on twitter at atxgo. And we try to share as much there. But somewhere some good tools that we have in the pio office for doing that kind of idea ranking and things like that. It could be we can both throw out the things that we're considering and then have users come in or visitors to the site go in and rank what they feel is the most important. And that's something we've talked about doing, but it's easy to do.

>> Cool.

>> It's a great idea.

>> And also to touch on what ron was talking about in terms of testing. There are a lot of free tools. I'll throw out web aim. I think if you are trying to create a community for people to go back to the city of austin website and they're potentially going to create profiles or whatever, I think it would be kind of also a cool opportunity to incentivize a lot of domain experts, which are also city of austin residents, to determine which pages are accessible and which aren't. I think there's opportunity there.

>> That's a great idea.

>> We really, we're kind of banking on the community involvement and kind of crowd source some of these issues. It's something we want to do more with the translation resources online. Certainly in regards to accessibility. Any support that the community can give us, whether individual or at another level would be a huge help.

>> Is austin energy part of this new site or are they separate?

>> They're still separate. We would like to get them in the fold at some point, but there's numerous challenges there with requirements that they have from the federal government. We should have sites that are kind of off now on their own. and homeland security. By the end of the summer they should all be into this

(indiscernible).

>> I know austin energy for a long time had been using watch fire testing tools. So you might want to look at leveraging that contract and extending it to the rest of the site once you pull them in. There have been members of austin energy who have also chaired the air austin accessibility rally. So there's some collaboration opportunities just within city government with what they're doing, what they have over there is not perfect, but the accessibility is part of their business. Homeland security is important to all of us, especially to people with disabilities. I would argue that that would be an area where there should be no compromise on accessibility with any part of that site. Preparedness and response and alerts.

>> Definitely.

>> Again, thank you so much for inviting me and pase don't hesitate to contact us if you're aware of an issue or if there's anything that we can do. Really appreciate the support you've given us and the help that I know you will give us in the future.

>> Thank you for the presentation and thank you for fielding all our questions. Appreciate it.

>> No problem.

>> See you tomorrow at the conference.

>> I hope to be there. Thank you.

>> We're going to move on to subcommittee reports. And first is action and youth initiatives. Tanya?

>> Okay. I think it's on now. Okay. I have a couple of things to report to you. Number one, I attended a city sponsored sort of collaboration meeting between the city and the county regarding disabled parking abuse. So we're continuing to collaborate and explore ideas on that particular subject, so that continues. Two, our austin access awards are fast approaching. The access awards ceremony will be on august the 2nd here at city hall. So right now we are requesting people to make nominations of businesses both corporate or local that kind of just go above and beyond, you know, the spirit of the a.d.a. And do all that they can to serve customers with disabilities. So I believe that our nomination form is going to be online or is online, dolores. Is online. And that's going to be at the new website, gov/access awards, is that right?

>> Okay. Great. So please, please, please get out there and nominate some businesses. We've had all kinds of different types of winners, such as target, starbucks, texapheldia. We've also had local winners such as jerry's art aram ma. When is the nomination deadline, dolores?

>> We haven't determined a nomination deadline yet.

>> Okay. So get on there now. And nominate. And that's all I have to report right now. Unless, george, you have something about youth?

>> Yeah. This is going to serve as a reminder for me to reach out to lauren. I have reached out to the stakeholders that i essentially gathered over the past few years. Hopefully we'll set up i guess a committee meeting for all of us representatives from different schools without -- in and around austin to formally plan the university open house later this year.

>> And then I guess, george, I want to -- I just want to let you know that on the austin access award nomination form there is something regarding web accessibility like you requested, because the form has been redesigned. It's a lot easier now to make a nomination. So please do that.

>> With that moving on to employment awards. Ron?

>> Sure. The mayor's committee just wrapped up a really great event on april the 30th, the business of work job seminar. I have a few final things to wrap up administratively with thank you's to partners and summarizing debriefing notes from the team members. We had approximately 68 participants. These were job seekers will disabilities. The event was held at the goodwill community center. The partners that were involved were first of all our friend jim dewitt at the university of texas did an awesome job of planning the launch panel with both employers of people disabilities and successfully employed people with disabilities. Goodwill did a phenomenal job and I really appreciate them being tremendous hosts for the business of work. And then workforce solutions, our friend marcell la patrick did a great job of teaching classes and helping co-sponsor the event financially with a donation from her board. And then the criss cole career guidance department, which is part of dars division for blind services, very grateful to their help. They taught a class and supported the planning of the event. And also dars

division for rehabilitative services, they helped with registration and general logistics and planning. So I'm declaring the event a success. The very next day was the community career expo, and the city was a co-sponsor of that job fair. And that was led by goodwill. They did a great job with the job fair as well. So I -- I would say the three most important things for our partners and for this committee is employment of people with disabilities, employment of people with disabilities, and employment of people with disabilities. That could be because i chair the employment subcommittee. Our next -- looking forward to the rest of the year, the next event that we'll begin planning in early june is the city's employment awards program, which is going to be held in october during national disability awareness month. And the purpose of that event is to recognize austin employers who do a significant good job of hiring people with disabilities. There are other award categories in there as well. A media award category to recognize local journalists, print and broadcast media for positive accurate depiction of people with disabilities. We also have an entrepreneur award for a disability-owned business. We have distinguished service awards and things like that. So open invitation to anybody in this room if you want to join the employment subcommittee to plan that next event, I'll be getting out invitations for our first planning meeting likely the first week of june. The invitations will go out before then, but the meeting will be the first week of june.

>> All right.

>> That's all I have to report.

>> Thank you, ron.

>> I just wanted to add a little bit. The city awards will be nominated for the state awards. This year we have a deadline by june 30th. So dolores sent me all of the winners, and I'll be contacting them individually. And I'll be helping them submit for the governor's award's ceremony n that regard I wondered if the committee was interested in a nomination -- let me read it how it states. The governor's award, martha arrest buckle recognizes the most innovative community project and is in memory of a long time advocate, marla arbuckle. It's given to committees throughout the state, the best that that has the most innovative project for the year.

>> Let me throw out an idea. I don't know if it was this year or next year was the -- either last year was the 10th anniversary or this year the 10th anniversary of disability mentoring day. And although it's not innovative for us, it will be innovative for other communities. I checked with the american association for people with disabilities and right now austin is the only active community doing a disability mentoring day program. And denise sonleitner has done a phenomenal job of caring for and maintaining that program every year and has built it up to be really large and successful. I think it would be a good g way to honor denise and create a model or template for the rest of the state by nominating dmd. I don't recall that we ever received an ward for the governor's committee for that initiative.

>> I support that 100%. I was there with kathy tovo introducing her and it was just phenomenal. The enthusiasm and the support and the participation, it was very, very impressive.

>> I have a newsletter article that I wrote last year and you could probably pick out pieces of the text of that article for part of the awards submission. It might be good to look back at the list try over how the program has grown and also mention the interlocal partners. It's really the partnership that makes it successful.

>> No doubt. Is everybody else in support of that?

>> Yes.

>> Beautiful. I'll get that done. That's all.

>> Okay. So we'll move on to citizens communication. I believe we have martin to speak, martin carthini, our ,,

>> there it is. Thank you, commissioners. My name is martin and I'm the accessible transportation specialist with capital metro. And I just wanted to make an announcement that after a lengthy procurement process, that capital metro outsource its work with star tran, our current contractor, that we've selected two new contractors, mcdonald transportation, to oversee our fixed route service, and mv transportation to oversee our paratransit operation. There will probably be some rounds of community outreach, two awards. As we move closer to implementing these new contractors and we look forward to communicating and discussing things more with the community. Thank you.

>> Martin, I want to quickly apologize. I forgot to mention your support and capital metro's support at the business of work. I thank you for teaching the job seekers how to access transportation resources to go to work. Your participation was very much appreciated.

>> Thank you. It was a great event for all those who didn't get a chance to make it. It was pretty successful.

>> Martin, this is chip howe. Do you know when the transition will occur between the old contract and new contract?

>> Yes. The new contractor will begin operations I believe august the 19th.

>> Martin, could you give us the names again of both contractors?

>> Yes. The fixed route contractor that will be taking over bus operations is mcdonald transportation. And the contractor that will be taking over the star tran's current transportations is mv transportation.

>> Thank you.

>> And martin this is chip again. On party rappaport transit contract, will they just be taking over the logistics of along the physical corporation or will they be doing -- assessing the -- who will be approved and eligible for services?

>> Capital metro will retain the eligibility department as well as schedule and conservations. They will be responsible for safety, maintenance, training and putting service out on the street.

>> Thank you.

>> Recently I've been copied on complaints from passengers with disabilities on paratransit related to cleanliness of vehicles or lack thereof and customer service issues. In the future if a passenger with a disability has a paratransit complaint, and that's sent to capital metro, does capital metro then hold the contractor accountable or do you directly supervise and address that with the driver? Capital metroanagement addressing that with the contractor-driver. How will that work?

>> As customer complaints come in, they're typically assigned to an action officer to follow up. The follow-ups take a lot of different forms. In the future that process will still exist and the contractor will have a certain amount of defined time to respond to the customer and then the contractor will probably handle driver related issues with some management oversight from capital metro. That's -- some of those processes are still being developed as we move forward.

>> Is the labor now unionized or collective bargaining for the labor or is there no longer a drivers union anymore with these new companies?

>> Yeah. Both contractors, mcdonald and mv, are required to recognize the at as a bargaining unit and they will continue to do so. Operators and mechanics will continue to belong to the same union and the contractor will also need to negotiate a bargaining agreement with that union as well.

>> Is this contract cost neutral or is it costing capital metro more?

>> I don't have any clear information on that. Part of this operation is to save money. So I'm sure that's a heavy consideration. But I don't have any numbers to share right now.

>> All right.

>> Okay.

>> Thank you, martin. And with that we'll move up to our budget update.

>> What about the -- this other --

>> we have another citizen, I think.

>> She's not here.

>> She's not present.

>> Okay. All right. We have no expenses this month, so we are still at a balance of $6,005. And just a few things to report. The barbara jordan awards, myself and my boss karla scales, we attended the event at texas state university. One of our members, boone blocker, who was also our act in our psa, accepted the award on our behalf. He did a good job and gave primary credit to channel 6 and highlighted the accessibility parking for people with disabilities. I wanted to let you know that I was recently -- I've worked with some pard, parks and recreation department staff, to develop a training for them. And we held a pilot and we are now in the process of training all of their employees. So that's going to take us a few months, but I think it's going really well. And that's all we have.

>> Okay. With that we'll go with our calendar of vents. This time in -- calendar of events n honor of chip I'll start to my left. Dolores, do you have anything?

>> Some of the items on our calendar are disability mentoring day. Our access awards on august THE 2nd. We have -- I'll let you handle the ptd stuff. We have october the 16th is our white cane day at republic square park and october the 17th we have disability mentoring day, which is going to be held at the mexican-american cultural center this year.

>> I wanted to announce that there's a state conference on june 14th, 15th and 16th and I'll give more information about that at the next meeting.

>> I don't have any calendar items.

>> Okay.

>> As I mentioned during our presentation, knowbility incorporated is having their access -- john slayton access u web accessibility conference tomorrow at st. Edwards, 3001 south congress. I'm pretty sure they will take walk up registration. org, spelled with a k. Knowbility.org. And that conference goes tuesday through thursday. Thursday I believe is an additional session fee. It's usually a much more technical presentation. That's all I have for calendar announcements, but I would like to pass along congratulations to mayor leffingwell and to the councilmembers for their reelection.

>> The coalition of texans with disabilities is having their convention in McALLEN, THE 2012 Convention, on the 14th and 15th of september, followed quite closely by the ctb film fest at goodwill night on september the 29th. Then on october the 5th and 6th wire having the rest of the ctd film fest at the alamo draft house south. One other thing, vsa arts of texas is having a casino night sometime in september, but that has not been finalized yet.

>> Kathy, anything new?

>> No.

>> I'd just like to thank jeff for announcing the -- chip for announcing the conferences.

>> I do not have any dates.

>> Nothing.

>> May 25th, we bit a fond farewell to kevin coleman, executive director at easter seals. He's moving on to greener pastures. So I don't know how quickly he's leaving after that, but it's been a transition plan. Jean langendorf will be serving as interim executive director at easter seals. We will miss kevin, good-bye, kevin. And our next meeting, JULY 11th.

>> Is there any chance that jean will carry on --

>> I don't even know if she's applying.

>> Are you?

>> No.

[Laughter]

>> have you thought about it?

>> No.

>> Ron talk you into it?

[Laughter]

>> so with that do we have any future agenda items? To discuss or any ideas for presentations?

>> I wanted to suggest do do some training at the mary lee foundation for family training about 18ized water awareness and they can come and speak, a 15 or 30 minute presentation, whatever, but I'm not here to promote it, but just to promote the awareness and the use of it and its help with health and wellness issues.

>> I think now that we're through the city elections it would be good for us to plan in june to make our individual presentations or setup meetings with our councilmembers to talk to them about support moving forward with visitability initiatives to changes to the building code and electrical code. I don't think it was a good idea to try to pursue that before the election, but now that the election outcome is known, I'm in favor of each of us going to our appointed councilmembers and doing that with unified talking points.

>> Thank you for that.

>> And also the follow-up to the boarding home regulations.

>> I think I will be recommending to the council later this year either an ordinance or a written accessibility policy for information, technology and communications. It's a little bit more comprehensive than what we heard about today. I think there's some opportunities there to

extend accessibility beyond the three people that work on the city website. More and more government services are going digital. The accessibility is still very important, but I think putting some -- an ordinance with policies in place would provide a better blanket of accessibility.

>> May I add that I'd like to see somebody from the invited to one of these meetings and hear what they have to say in terms of input, what the new requirements are.

>> [Inaudible - no mic].

>> No, it's federal.

>> Kind of out of jurisdiction for us.

>> Okay. Did you get a chance to take all that down, dolores? So with that, do we have a motion for adjournment.

>> I motion.

>> We have a motion from kathy. Do we have a second? All in favor? Anybody opposed? Thank you all.