

Closed Caption Log, Council Work Session, 05/29/12

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before we get started -- before we start I've got this list of things which is kind of hard to decipher because it's like this and I think some of these we have covered.

Do we have a check sheet?

>> Yeah, we're going to have a slide.

It's in that packet.

Slide 1, mayor.

[13:34:26]

good afternoon.

I guess this is on?

I'm austin mayor lee leffingwell.

A quorum is present so we'll call this work session of the austin city council to order on -- what is today, tuesday, may 29, 2012.

We're meeting in the council chambers, austin city hall, 301 west 2nd street, austin, texas, and we are called to order at 1:35 p.m.

So I'm going to turn it over weis, take us through our agenda.

We have this list, which you're going to show us in just a moment about some dig points that we need to address -- decision points we need to address today.

>> Thank you, mayor, council members, larry weis, general manager, austin energy.

Yeah, if we could put up slide one, please.

Okay.

There we go.

So today we have planned to talk about the residential

[13:36:01]

rate design specifically, and at the last meeting, the other outstanding issue was the outside city customer general fund transfers.

You know, we had proposed some kind of discount, and i think we just need to have a decision point on that that was suggested at the last meeting.

So if there's any -- no questions on that, I thought we would go into the residential rate design.

Before I do that, on the next slide, the december 2011 proposal on the left-hand side and the may 2012 phase 1 proposal, this is where the revenue comes out and the increases by customer class and it has the total system increase of 7%, but the revenue by class is a function of these rates as we've presented them today, and I just wanted to show you that slide.

The residential bill format, we'll go into some of the actual examples in the next slides, but this is what we did to breaks.

At every 500-kilowatt hours and for five tiers, and the fuel adjustment is a line item, and then we have the four individual line items, as we've discussed all along in our rate process.

The customer assistance 50, street lighting energy efficiency programs and a regulatory charge.

I want to also say that there's a little history about how we got to five tiers, I want to talk about, and the purpose of tiered

[13:38:00]

rates, of course, is so incentivize energy efficiency and to also reflect the lack of charging demands to residential customers.

Normally the larger-use customers put a larger demand on the system, for example multiple hvac systems on a home.

So this is a national trend.

It's happening among any utilities that -- or states where energy efficiency is one of your first orders of business for your power supply, is to make sure that you're saving as much energy as possible, and that was really the birth of a lot of these.

We've had teared rates at austin energy, two tiers.

The euc and the public involvement committee for about a year we've met, as you know, and they came away, both bodies, with an opinion that five tiers is what they recommended, so we've carried that forward.

We actually had them look at three tiers.

That was one of the options in the public involvement committee, three or five.

Five is more flexible, i think, because it is conceivable that a couple tiers could be the same price, for example, and at some point later you have the flexibility to change the shape of that.

So with that history I'll go into the first example here of how we've brought forward three designs for the tiering.

Now, these all achieve the same revenue.

They all meet the revenue target, and this is a pretty busy page, so I apologize, but we have a flat tier, which is a fairly flat 3 cents per kilowatt hour on up to 8 cents per 6, and you can see what our existing rates are with the two-tier on the left.

5 cents and then 8 cents.

A moderate tier design, in

[13:40:00]

fact, this is our recommendation, goes from 4 cents for kilowatt hour.

And behind this we'll have some bill analysis and some examples of how this affects different customers.

The steep tiers off to the right is -- we're calling it steep, but I will say that there are several utilities around the country that have far higher rates.

Our idea was to come out with fairly moderate to low tiers initially as we introduced the rate design.

At the bottom of this page 4 there is -- this is an annual analysis, and it's difficult with tiered rates to do an annual analysis because as we know there's a shape over the year of customers and how they consume energy, a lot in the summertime and then not as much in the colder time.

But in the profile you have a flatter profile over the season.

But all that considered this is a breakdown of where the bills would fit, 75% of the bills would be in the 1,000 to 100-kilowatt hour, 50%, 500 to 750 and then 97% of bills in that area, the larger.

>> Tovo: mayor?

council member tovo.

if you wouldn't mind could I ask you a few questions about this before you move on?

>> Absolutely.

I want to understand this chart.

The existing rate is column 1 and then the flat tiers, are there any proposals on the table that you've heard that -- your recommendation is the moderate tiers, which is the third column.

>> Yes, correct, the moderate tiers.

I've heard people referring to the steep tiers and I'm not clear on whether they're referring to the proposal that my colleagues brought forward or some other proposal.

Is there any proposal out there that you would classify as steep tiers?

[13:42:00]

Where do the steep tiers and the flat tiers originate?

>> Well, the -- we brought this forward for discussion because we've heard from consumers and others that there's some concern about how steep the tiers are, and we knew that this discussion with you today would have -- we need some policy direction on this.

And at this point we did design residential rates with some tiers in there.

They were pretty close to the moderate.

I see, okay, thanks.

So your proposal for moderate -- are moderate.

My there's who brought forward a proposal with slightly different tiering.

Is their proposal reflected in the flat or the steep category here?

>> Well, these are very similar.

Of course the revenue requirements changed since the euc presentation, so i think that's what you're referring to.

So these are very similar to those, but we do have a flat that is similar to something that we proposed at the euc, and then we had a steep.

>> Tovo: okay.

>> To my knowledge the proposal that came forward from council members, i don't think they had exact tiers in there, did it?

10%, something like that.

We talked about it a little bit at the last session.

Okay, so for the purposes of understanding this chart, you are showing us what a flat tiers look like, what moderate look like, what steep are, so we can provide you with policy direction today for your method along, where it must come from.

>> Yes, precisely.

council member morrison.

before we move on, can you -- what I see is changing are the amounts per kilowatt hour in each of the tiers, but you're not shifting at all, and I'm not suggesting that you do this, but I want to understand where you got this -- you're not shifting what the different chunks are.

It's always what's less than

[13:44:04]

500 kilowatts, 500 to a thousand, 1,000 -- could you talk a little about how you got those and why you wouldn't shift those?

I'm not suggesting that you do.

I'm just trying to understand --

>> well, I know that historically there was a lot of discussion on austin energy's existing rates back IN THE 1990s, THERE WAS A Lot of discussion about the two tiers, and there was analysis done to set the first tier at 500-kilowatt hours, because without air-conditioning, it was felt that that was the number, 500-kilowatt hours would be your base energy use outside of air-conditioning.

Now, it changes for lots of folks, but on average that's the analysis that was done IN THE 1990s.

And for the most part i think we presume that to be still fairly accurate.

So then after that first 500, to keep our system simple and to measure it the way we did, we did it in 500 blocks.

Clearly you could do it differently, but this was our -- internally we felt this was the best recommendation we could make.

So it all came off that first 500 that was set in the process and -- so barring any other driving factors, it looks like dan -- she has some insight.

>> We talked to our energy efficiency experts and solar and energy efficiency programs typically target about 500-kilowatt hours.

So we wanted to make it easy for people to move down to a lesser block, so you'll see up to 1500-kilowatt hours they move in 500-kilowatt hour blocks.

And about 83% of our customers are in that -- use up to the 1500-kilowatt hours.

So we wanted to give the majority of the customers the benefit of using the program.

>> Morrison: okay.

And I notice for non-summer periods, 40% of our bills are below 500.

[13:46:00]

So that's -- that seems to go along with the essential argument, essentially usage argument.

>> Right.

Right.

and then we're going to see that -- I think the other important thing to look at is 9% of the bills in the summertime, over 2500-kilowatt hours.

So those people would be the ones paying, of course, the premiums, and with a --

>> right.

-- with a motivation to really cut back there.

>> Right.

Yeah, and there's -- there was a big market for energy efficiency in that block of customers.

We can come back to this chart.

I wanted to show you the next one because it's related to it -- before we leave that point because I disagree to an extent.

It is just simply a matter of deciding to cut back or not, and I talked about this at the last work session, was in many cases there is a disparity between the ability cutback.

I mean, if you're -- if you've got the means to go out and improve the energy efficiency of your home, for example, if you've got the ability to buy new appliances, to install double pane windows, to install new united stateslation, you may be in a much better position to conserve energy than someone who doesn't have that ability.

So it's not strictly a matter of making the decision to do it.

There's also having the means to do it.

And I think that some of these summertime rates don't look so bad in non-summertime, but what we're talking about for 25% of the homes for our billing structure, we're talking about almost a 50% increase in the rate.

And that may not be as strictly -- it may not be strictly a choice on the part of a lot of people.

It may be an inability to effect the means to achieve

[13:48:01]

that conservation.

And, you know, you talked about how a lot of progressive utilities around the country have gone to this kind of rate structure to achieve conservation, but I think, correct me if I'm wrong, none of those utilities are around us, potentially our competition, and I don't think any of them are in the state of texas.

Correct me if I'm wrong on that.

So while it is going on in some places of the country, it's not widespread and it's certainly not widespread around here.

mayor, could i ask -- council member morrison.

you said we're looking at folks in the -- what was the number you looked at that are looking at a 50% increase?

I just wanted to follow your -- modera modera te tier, for example, summer period, 1501 to 2500, going from 7 point -- I just did this in my head so it may be 8 at 50%.

you're talking about the kilowatt hour increase.

>> Mayor leffingwell: right.

and then in terms of the folks and whether or not they have the ability and opportunity to really bring down their usage with conservation, i guess that sort of brings up the issue of our ability to fund weatherization for low income folks that are high users, that's one thing, and hopefully we

would have a program making that available, but the other element might be low-income folks in rental property that aren't going to be really in the market for investment and weatherization.

Is that correct -- is that a correct assumption that -- in rental properties?

>> Well, we -- excuse me.

Our programs are working with rental properties.

In fact, our low-income

[13:50:00]

weatherization program that we ran through the grants, a lot -- a lot of that market -- in fact, we were asked to really step up in that market because a lot of the other agencies that were using that money couldn't deliver in that kind of market.

So we did a lot of rental properties and we would -- in our new program, we would specifically target high-use, low income customers and apartments, we'll continue to run our own program that way.

and is this -- are we talking about multi-family or single-family or both?

>> Both.

>> Morrison: both.

>> All of it.

and do we have any idea of the numbers of people that would fall into this category of low-income, high-usage and how much we're able to meet that presumed demand?

Because I'm trying to follow up on the mayor's suggestion that people might not have a choice of bringing down their utility --

>> well, with our separate funding, you know, our separate funding line item, I don't foresee that we're going to have a funding issue unless we have a real run on it by everybody at once.

It's typically been a pretty tough market to crack, but we are going to be just as aggressive as we've been with our federal funding program, so that's been real successful in terms of getting to those.

But we could find out what the market is.

I don't have the information today, but we could find out what that is and try to reach that.

I know that our new program, the folks that are working on it in anticipation of rates being approved were working on a new program that we would roll out that would be an austin energy program for low income and would address our real strong -- we have 800 megawatts of energy efficiency.

I guess I'm trying to get a feel for order of magnitude.

Like to really serve that whole market of high use, low income folks, how much money does it take?

A billion dollars?

\$100 Million or \$10 million?

And how much we might be able to, you know, fund that over the next five years and whether we can actually hope

[13:52:01]

to even come near achieving this.

>> It's all encompassed in our energy program, so i would say that we've spent about 8 to \$9 million on the federal program.

>> Morrison: 8 to 9?

>> I can it's more than that.

I'll have to have somebody check on it because we did some editions to it.

But funding at that level again and penetrating that market again is probably very doable, and we built up an enterprise to do it.

right, and then my question is, if we do that again, how many are still left out in the cold, so to speak?

>> Right.

Right.

We'd have to do that research.

okay --

>> find out what that market is.

obviously it just needs to be estimates.

>> Right.

because I think the mayor has an important point that we need to be realistic about.

>> Right.

yeah, and keep in mind it's not just weatherization we're talking about.

Someone has the ability to put down, I don't know how much it would take, \$5,000 and even with a rebate for an energy-efficient air-conditioning system, that's still a lot of money for -- it would be a lot of money for me, I'll tell you.

I'm in the going to make that decision right away, and trying to recover your costs over a lengthy period of time for -- lengthy period of time for some people, it's not something they want to engage in.

But I will tell you, regardless of how you figure that long-term recovery on it, there will be people who are impacted, especially with summertime bills, at least the first time around, and that impact is going to be adverse, and we're going to hear from them, it's going to attract a lot of attention, and I think that attention is something we don't need right now.

>> Tovo: mayor?

council member tovo.

weis, I just wanted -- I thought at some point you had provided us with some information about low-income, high-use customers.

Am I right in thinking that that was a response to an rfi?

It's possible it came from robbins, actually, some estimates, but I thought we had some material, some estimates about how many

[13:54:01]

customers fall into that category.

>> I think you're right.

I do remember -- I do remember a request for information some time ago about what the market was for --

>> council member, we'll have to look back through the materials we've provided you.

I seem to recall that we looked at that.

I'm just looking at our december 14 presentation, and it shows that about a little less than 5% of bills for cap customers were customers in that highest tier above 2500 kwh.

So with 10,000 customers in the original cap program, that would be somewhere under 500 customers out of that program.

So expanding the -- if the expanded program population looked like the original population, maybe we're talking 750 or a thousand customers in that highest tier.

would you mind just reviewing those numbers with me again?

5%, You said, of cap customers --

>> under 5% of cap customers in 2009 had bills above -- or -- above 2500 kwh, so that's the total cap bills.

At that time there were 6,000 cap customers, so that's 300 bills, so fewer than -- actually fewer than 300 customers in the original cap program in 2w5.

>> And you said if we expand the eligibility we may be expanding that pool and if it's similar, about 10 -- we could anticipate about 10% of those would fall into that high usage category.

>> That was total bills, not total customers, so it would be a little lower than that.

But we'll go through our materials and we'll -- okay, and I'll keep looking in mine.

I think you did return that information to us.

Thanks.

>> Spelman: mayor?

My apologies for coming in late if you've answered this.

Feel free to answer it very quickly for me.

The dollar increases and percentage increases and the

[13:56:02]

average monthly bills impact that you're outlining here for each of these three classes on the bottom, is that all in including chris charges, cap charges, everything else?

Or is that only including the base?

>> That's everything.

She said yes.

so what we can get out of this is, you had to pick a number between 501 and 750 to clalg calculate exact \$54 or \$57, but somewhere between 501, and 750, about half the customers have bills less than that, half have bills higher than that.

>> Yes.

and for that median customer the current charge of 54, it would go up to 57, 59 or 58, depending on which of these three tears we picked?

That's the way to read this chart?

>> Correct.

>> Spelman: okay.

Thanks.

>> The next chart that i said was connected to this, we did kind of an affordability, conservation and volatility comparison of these rates.

I'll go -- I'll flip back to the rate chart itself, but i apologize, the word volatility is misspelled and we didn't have time to get it there, but anyway, the flat is less affordable to low users.

It's less of a signal for energy conservation and so forth.

So we tried -- tried to put this together like that.

I know you had an analysis that was done on water rates, and so this was our best look at it.

The volatility side of it is a little bit less for electricity because the volatility of electric use doesn't fluctuate as rapidly, unfortunately, as it does in water sometimes with drought conditions and different things.

But there still is a volatility.

The flat is more stable due

[13:58:00]

to weather because we have more of the minimum charges associated with lower -- you know, low cost.

-- Higher cost, excuse me, for the base rate.

But I'm going to go back to this chart here and see if there's any more questions.

One point I want to make is that -- I guess address the comments that the mayor had, was there are some utilities that do not imloa -- do not sploa tiered rates.

They have them in the summertime, not for the wintertime.

Other places with respect to it is they can be fairly linear, that is between the tiers or they can be different shapes.

So we didn't play around with a lot of that because i know this is a lot to take in in the beginning.

This is about it.

All of these meet that test.

The bill impacts -- you go back to page 6 now, and this is what happens with real customers.

These are examples of real usage.

We made these charts simpler.

We used to have every month's consumption in there, but what we did is we made august and february, to show you the high and low, and that's what's real important about the tier rates because in a lot of months the tiered rates really don't come into play too much because you're not using air-conditioning, and in some months they do.

So the three-month summer season is really where the impact of tiered rates takes effect.

The other parts of the season, less effect.

Now, we do have a lot of customers, a lot of -- part of our service area does have electric heat, so we do have a fair amount of that, and electric hot water, but these are real good examples of the different mixes of customers in our service area.

There is a percentage increase, and we have each one of the tiers listed there for these, and what the percentage increase would be on the flat, so looking at an apartment, for example, under the steep and moderate tiers they're receiving a 15% increase of \$5 and \$6 per month.

The flat tears, 5% increase up to \$1.

That's how they charts go through.

Our average customer with gas heat, 14%, 14%, 13%, so despite what the tiers would be, they're seeing an increase, it's about the -- an increase, it's about the same no matter what tier you're picking.

You go to larger homes on page 7, and while there are very few of these homes in some cases, I would look at the top one, a large home with electric heat and large home with gas heat, those are very large consumptions for august, 5800-kilowatt hours for large home and gas heat, that's a lot of energy.

They would -- on the flat, they would have a 13%.

For that one month of august they would have a 35% increase but that is for that month.

It's not for the season.

So that's the hard part about looking at these tiered rates.

You have to look at really month by month.

>> Mayor?

council member morrison.

>> Morrison: quick question.

On your small apartment with electric heat at the very 6, their usage, it looks like it goes down in august.

They use less in august than they do in february?

>> Yeah.

how does that work?

>> Well, they have electric heat.

>> Morrison: oh, okay.

So it's actually cheaper for them in the summertime than the winter?

>> That's what I'm presuming.

This is an actual customer but -- was this february of last year or this year?

>> I believe it was 2010 because we didn't have 2011 when we ran all these.

>> Morrison: okay.

So it wasn't the year we had the big ice storm?

Thank you for that.

cheaper in february 2010 because we had black-outs.

[Laughter] we did.

We had black-outs.

is that when we had the ice?

>> Mayor leffingwell: yeah.

so it is when we had the ice.

>> That was 2011.

2011 we had the ice.

>> The -- let's see what other point.

See if there's any questions.

>> Mayor?

council member martinez.

>> Martinez: thanks.

Larry, I wanted to ask.

So if we contemplate these very steep tiers and as you look at other utilities, obviously you see an increase in conservation because of the steepness of the tiers, but do you see it to the effect that it's financially detrimental to the utility?

So if you get enough folks conserving to a point to where you don't generate the revenues because they don't want to stay in those high tiers, did it work -- is there a tipping point?

And if so, what is that and how do you avoid it?

>> I have not experienced that in the tier design, the elasticity of use will -- there will be -- there will be some, but what we're trying to do is to encourage off-peak usage, and this will -- this will encourage that.

So the energy efficiency improvements that we have loan programs for and typically are done, air-conditioning improvements in particular, will -- they will see big rewards by getting out of that tier.

In fact, their cost-effectiveness to making investments in that is -- the payback is a lot faster.

So that's the idea.

I know -- the comments that the mayor made about the energy efficiency programs, that also is a caution in not having the tiers too steep.

If you go with some utilities putting them in very, very steep and have, in fact, changed them back to flatter because they overdid it, frankly.

They had too many complaints.

The tiers were too big.

So we've tried to propose something here that's fairly moderate to make sure that we address that.

>> Martinez: thank you.

council member riley?

larry, looking at the impacts on different groups of customers, it seems like some additional information might be helpful, because as we look at the groups set up here on slide 4, the group that we're looking at, the lowest -- the lowest data set we have are those within 500 to 750-kilowatt hours and that's inclusive.

That includes everybody under that level as well, saying 0 to 500, and that's -- we've heard some concerns that folks at that end of the spectrum may get hit pretty hard, depending on, of course, the tier structure we arrive at.

But that is a particular concern that small users would be hit especially hard, and right now all we have is the lowest 50% of users.

One figure that I -- that was brought to our attention is that as of 2009, 32% of all residential bills were for 500-kilowatt hours or below.

Does that sound right to you?

>> I think that sounds about right.

so it seems like it could be helpful as an additional data point to look at those users, the below 500-kilowatt hours, about a third, and just see how they would fair under the different proposals.

What we've got here just shows -- it shows the lower half, which somewhere between 500 to 750 and then the next two tiers are really just -- those are also cumulative.

So, for instance, the -- we don't know exactly what the impact would be on the really big users.

What we have is the 90% -- 97% of bills that are below 33,000-kilowatt hours, but we don't have -- we don't have data currently that shows the impacts on -- within each -- you know, within each level of use.

>> Well, I think your first question was on 30% of the customers use less than 500-kilowatt hours, and that increase is a \$5 increase and it's 16%.

Was that your first question?

>> Riley: yes.

So 16%?

And under which -- under the flat --

>> oh, I'm sorry, that's under the moderate.

Would you like to hear the others too?

>> Riley: sure.

>> Okay.

This one is steep, and it's 9% increase, and that's for under 500.

68 and it's 36.3% increase.

and for each of the three options do you also have impacts for each level of use as opposed to the cumulative impacts as you move up in usage?

>> Like, for instance, did you -- you mentioned higher usage levels.

So like between 3,001 to 3500-kilowatt hours.

For the moderate, that's 84 increase and it's 24.5%.

34, and it's a 10.5% increase.

And for the steep it's 5% increase.

So you can see the impact of the tiers by changing them.

>> So just for that one block.

>> Spelman: mayor?

>> Mayor leffingwell: mr.

Spelman.

is there a possibility you could make a copy of that for us?

I didn't write all those things down that you were announcing a moment ago.

>> Yes, we can send that to you.

>> Spelman: okay.

I'm trying to cross-walk between the numbers we're getting on no. 4.

This is apropos of the same kind of question.

On 4 we've got three different group and then on pages 6 and 7 we've got some case studies, and if we're going to get real specific rules from ann in just a minute then maybe I don't need to ask too many questions about this, but i want to get a rough sense for -- we've seen these case studies before and I want a reminder for about how many customers we're talking about who would fit into each of these cases.

In particular it's my best guess that there are like 12 customers in the entire city who qualify as very large homes, who consume 6,000-kilowatt hours on an average month.

It's a very small amount.

I'm exaggerating for effect but it's a pretty small number, I'm guessing.

>> I'm trying to dig up the bill -- remember way back we had a bill distribution curve that -- I can dill it up too but I thought you guys might be able to put your hands on it faster than me.

>> This shows you the distribution.

>> Excellent.

We brought a quiver of packet slides.

>> Morrison: a quiver.

[Laughter]

>> so on this you can see -- this is millions of bills a year, so --

>> spelman: okay.

>> You can see there's 44,000 bills that go out in a year that are higher than 4,000-kilowatt hours.

>> So 44,000 bills greater than 4,000-kilowatt hours.

>> Uh-huh.

>> And how many total bills?

I don't want to try to add all those numbers up but --

>> it's 415,000 times 12, roughly.

>> Spelman: okay.

...

so we're talking about 1%?

>> Right.

and at 6,000 we're talking a a lot less than 1%.

So that very large home with electric heat, with gas heat, we're talking about a really small percentage of customers will be taken care of here.

>> Very small -- very small.

>> For large homes, about 3,000, it looks like maybe 2 or 3%?

>> Uh-huh.

Yeah, if you look at everything above that, if you looked at 2500-kilowatt hours higher, then you're looking at one, two, three, four -- 5% of all of our homes, roughly, if I did that right.

>> 415 Times 12 will be roughly 450,000 bills.

>> Excuse me.

This is residential customers, so we have to go 365,000 times 12 is the number of bills.

365 times 12, excuse ne.

>> This is just residential.

So you're at -- at 365,000, it's about 1.5% 3%.

So you're still in the neighborhood of 6%, somewhere in there.

For about 2500-kilowatt hours for all that group.

it's a very small number.

>> A very small number.

>> Qualify as having large homes.

>> Yes, and what's key -- what's key also is large homes, large volume.

So what happens is you have months where that energy use is high.

So their profile in some homes depending how they use it, they could have a real tall curve.

In other words their usage in the pint time is really low but in the summertime that big-volume home will use a lot of air-conditioning.

sure, depending whether they have gas or electric heat.

>> Yeah, so if you look at their annual use of energy you might not see -- everybody's use is so different so that you really can't taylor it around specific use.

And there's people that have big homes that take off for the summer so there's all kinds of uses.

these two things have the same level, large home with electric heat, large home with gas heat.

The profiles are very different for february, two very different houses, but collectively we're talking about a very small number of bills.

>> Right.

Here's another chart that we have in our selection that we brought over today.

And I apologize, we didn't print you out giant packets of paper.

We've given you so much and we can get you negative that's up here -- anything that's up here.

This is another way of looking at it.

This is the analysis, you can see the different tier marks on there for average use, and bill distribution that's on there.

So the way to read this chart is you got usage on the bottom and then you have the price per kilowatt hour on the distribution on that y axis.

that suggesting average home with gas heat, that's about your median, between a thousand and 1500-kilowatt hours it's going to be about the 50th percentile, in there.

>> Right.

>> A small apartment with electric heat will be around 15 --

>> 500-kilowatt hours, right, and I think i commented earlier, I think it's kind of interesting THAT BACK IN THE 1990s When this rate was going on they picked 500-kilowatt hours and it seems to still be holding true, that that's kind of your base use number, and I know there was quite a bit of work that was done on that at that time.

>> Spelman: okay.

I'm just -- because I'm on the subject let me finish it.

Small apartment is about the 15th percentile.

Average home is about the median.

Medium size home will be about the 80th percentile, large homes are the 95th percentile and very large 99 1/2.

So we're looking at trying to spread the pain out in a reasonable way, then it doesn't pay to spend a lot of time worrying about that very large home because it's a very small number of customers.

>> Yeah, I think it -- it's a policy decision.

>> I understand.

I just -- I did not want the fact it absorbs two lines on your two-page chart for it to absorb that percentage of our attention because it is a much, much smaller percentage of our total customer base.

>> Right.

Right.

We have broken out even more of these residential impact charts.

You can go to slide no. 38.

This is the same one you have in your packet only this is -- this is broken out month by month, so these are the busy charts.

So when we were doing rate designs these are the ones i like to look at because it shows the profile month by month of what the impacts are.

So that's where you could go.

You looked at this apartment we were talking about earlier, how it has 565-kilowatt hours in february, in august 541, and how it -- how that moves around month to month.

Similarly the average home with gas heat is interesting to look at because you have this profile where in february the average home with gas heat uses less than that apartment did.

And so -- and that apartment has electric heat, probably the answer to that.

So we've gone through these and we've tried to do the rate design around looking at all these different profiles for customers, and it's difficult to do.

We didn't do it for all 415,000.

But that includes commercial, 365,000 residential.

We're going back to slide 4.

are you waiting for questions or --

>> yes.

>> Tovo: I'll ask.

council member tovo.

just to clarify, council member spelman asked a question, I missed what it was, but I think it asked whether the average monthly bill impacts that are listed on page 4 include the preliminary -- reflect the preliminary decisions we made about fixed charge.

>> Yes.

and allocation method.

>> Yes, they do.

>> Tovo: is that right?

And I understand that there was a need to clarify our allocation method a bit because we passed a resolution.

Is now an appropriate time to take that up?

These are based on ae for cp?

>> Yes.

>> Tovo: is that correct?

>> Correct.

and I just wanted my colleagues to be aware that the chart we looked at our last meeting had four -- rates for 4 cp, not specifically for ae, for cp, but it's my understanding that the numbers are substantially the same.

Is that correct?

>> Correct.

and I -- will we have some information forthcoming just to verify that?

>> Well, I think it's been verified.

Mark, do you want to handle that?

>> The numbers under the method that's called 4 cp and the numbers under the method that is used by the public utility method, na 4 cp are essentially the same and that's just a mathematical result.

So whatever was the motion, the numbers are essentially the same.

>> Tovo: great.

And again, because I believe I may have made the motion or been involved in it in some way, I just wanted to clarify to my colleagues that there was a slight discrepancy in terms of the numbers on our chart and the actual motion, the intent of was ae 4 cp and I think we can talk a little bit about -- I did have some additional questions about that, but I'll save them, i think, for a different point of the meeting.

i think what we need to get at is basically a recommendation on a tiered structure, or whether to have one and if so which kind to have, and I think we're at that point in the discussion because in a little more than a week we're going to have to be making a formal decision.

So I'll just offer up my opinion.

I would say that this is a change from what we -- granted, we've had two -- a two-tiered system for a very long time but that was for a specific purpose.

But basically a fundamentally a financial aid, is what it was.

That was the purpose of it, I believe.

To move into tiers I think is new ground for us, especially into five tiers.

And given the fact that we are facing scrutiny from the public utility commission, this could enter into that, this tiered structure could enter into it, and potentially from other oversight bodies as well.

I would -- my suggestion would be that if we're going to do this, that we ought to trip in, because once the phases are established, we can -- we'll have the ability to see -- sort of project what the impacts are going to be and we can always go back and change them.

To me it would be a lot better to steepen, and a lot -- I shouldn't say better but a lot easier to steepen the tiered structure than it would be to flatten it out once it's been there.

So my preference would be for making any tiered structure -- I'm not necessarily advocating for the flat tier numbers.

I see some figures in there that I know pose difficulty, but certainly the flat or moderate would be -- it would be a big step in that direction, and give us the ability in a difficult time to keep as low a profile as possible and to see where it leads us in the future.

Mayor pro tem?

I have a couple of questions.

I think council member spelman established that we have so few customers in the high-use category that we can -- that we're just not going to have an impact by the whole city by thinking through that too, too much.

But I wanted to understand the difference in your average versus your median classification when you were talking about homes.

Medium size and average size.

>> Of course looking at the bills we don't -- we did not look at the homes, so we did not go out there.

But we know, because we do this all the time, that where we have typical customers, and so when we looked at the average home with gas heat, what we tried to focus on there is that's were the average consumption, when we look at an average home in our system, we looked there.

So then we went this and we looked at an actual customer and looked at their profile, so this is their actual use over the course of one year.

And I put up a busier slide on that before that had every month, and I'm looking at that one, and it ranges between -- on the flat years it ranges between \$79 to august being \$240.

And I think that's what the chart that you're looking at too is.

The average home.

-- \$44, \$211, Is existing.

>> Cole: okay.

>> And on the flat tiers they're actually -- their base usage would go up a little bit.

Their lower tier usage, the dollars would go up a little bit, and the higher tiers would go down a little bit in that case.

>> Cole: okay.

Well, now I'm looking on page 4 and wanting to talk a little bit about the average monthly impact that we're making, and I notice that the flat tier has the greatest amount of monthly impact with what I think is the highest number of our customers, between 500 and 750.

>> Right.

>> Cole: is that correct?

>> That's correct.

and is that 50% of the bills is this is that the way I'm supposed to interpret that?

>> 50% Of the bills will fall in that category, correct.

And then when we look at between a thousand and 1250 -- and I guess that's cumulative.

>> Cumulative, that's correct, you pick up another 25% of our customers when you go -- that's correct.

okay, and so then we see the smallest difference -- well, about the same difference, i guess, between the moderate, the flat and the steep.

>> Right.

and that's about 25%.

>> Correct.

>> Cole: okay.

Well from all of my colleagues' comments together with establishing that we really need to focus on, probably, our lowest income users and together with the most of our clients, then I think that we should give direction to you to adopt what you have already recommended, which is the moderate tier.

motion by mayor pro tem, second by council member spelman.

Is there any more discussion?

>> Spelman: yeah, mayor.

council member spelman.

briefly one of the issues that you identified as volatility in your revenue stream created by changes in weather and it seemed to me that the steep tiers would create a lot more volatility than the moderate or the flat tiers, him I right?

>> Absolutely volume volatility in the steep tiers would not because you don't all all that many people.

So you wouldn't necessarily be volatile in that regard.

>> Spelman: okay.

>> For example, if you -- you wouldn't do this, but if you had a rate that happened to be really high for the middle, and [inaudible] were cheap, then you would have volatility, right?

People people because the people in the middle --

>> because you're putting most of your high price at the largest numbers of bills.

>> Spelman: right.

>> So that -- that would be a very volatile situation.

So weather will not affect -- that's the only really -- the only way we could really look at volatility is weather.

You could also look at a rate -- elasticity too, elasticity of usage too, but that wouldn't be affected by these tiers either.

Spell certainly would, but i notice the difference, except in the very highest tiers, is sufficiently small.

What's the short-term -- what is the shot run elasticity of demand?

Are we talking about 10%?

Just in the next year two?

>> I don't know if we know the -- on a numeric level what the impact would be.

I understand that.

I just wonder if you could give me a sense for how big is the short-term elasticity of demand?

Is it around .1 or .1?

>> Right, it's small like that.

and in the long run people will adapt to the amount which we're trying to do but in the short run we shouldn't expect a big effect of people trying to avoid that steepest tier in the next couple years.

>> Right.

And that's the incentive, and so we would steer our programs and everything around that, moving people off of tiers.

One of the questions that you haven't asked today that I get sometimes is why 5, not 3, if you have it fairly steep you have these big jumps between those tiers, and some customers get really irritated at big jumps between tiers because I didn't really want to be in that price category.

I'd rather have something in between.

So the more tiers you've got, the smoother it is.

So I think you get that.

council member morrison?

I think it makes sense to go with the motion, from my perspective, because at this point it feels like it's a little bit more of an art than a science in terms -- and since we don't have any -- you know, one single definitive reason to go in another direction, there are so many different things that we're trying to juggle, it seems to make sense to go with the moderate, although we do have to remember that the only thing in the middle of the road is a dead armadillo, so we might --

>> I don't like you pointing at me when you say that.

but I am curious -- so I'm going I'm going to support this motion.

But, you know, if you look at the difference in the rates, summer -- for each of the different categories, moderate to steep, going from moderate to steep, some of them go up, some of them go down.

And basically going from steep to moderate you're trying to scrunch it, compact it a little bit.

But it's curious to me that the energy charge for summer periods are less than 500 3 cents, so it's going down, but during the non-summer months it's going up from 2 to 2.2.

Is there any sort of qualitative explanation for that?

I'm just trying to get a sense --

>> I don't know.

You know, they ran the cost -- our consultant runs the cost of service models on this through the whole revenue requirement, and i can't -- I can't explain what it is.

I mean, obviously it has something to do with the amount of kilowatt hours used in the wintertime and the way that that spreads.

>> Morrison: right.

>> Do you have an answer for that?

>> Well, I think with the steep tiers what they're trying to do is -- I mean, since it's to encourage energy efficiency, they do try to lower that smallest -- the lowest tier and increase the highest, and so you've kind of -- if you start with the highest tier and you back into them you're going to just come up with those numbers.

So it's kind of a fallout of those.

>> Morrison: all right.

But as I said, I do think that, you know, with some -- getting some experience with this, starting with the moderate setting and getting some experience with it might help us figure out where to move to in the future, but I think it makes sense as a place to start.

>> I'm going to be directing the staff to do -- we have a market research group within our -- just within our energy efficiency group, and we will be watching this for the elasticity and behavior, and that I anticipate going forward -- bless you -- that there would be an opportunity, you know,

that we'll come back in our budget process and say, well, we need to change one tier or modify it, and i believe this gives us flexibility to do that.

>> Mayor leffingwell: okay.

So I think I'm inclined to support the motion too, but I want to -- the bottom half of this chart you have on the screen here, but the dollar amounts, that is average year-round?

>> Yes.

is that right?

So without having to direct me to some chart that we have buried in this paperwork here and I don't have my reading glasses with me, just estimate the impact, the differential between average and summer, our peak bills on the moderate class, for example.

You take the 1,000 to 1250, which is 113 right now, off the top of your head, what would that be in the summertime?

>> Well, I'm looking at a medium size home with gas heat and I'm looking at the actual bills, and it would be a -- ann, if I've got this right right here, right?

This would be about a -- it would be about a \$48 a month average increase for that customer that uses around \$3,200 a year, is what they would be under the moderate tiers.

>> Mayor leffingwell: 3200?

>> \$3,200 A year total is what they would use.

yeah, because that's over \$200.

\$250.

>> Okay, I'll go back to slide 6.

>> So slide 6 you can actually look at an august month, and you can see the flat, moderate and steep.

>> What you wanted to know is what the annual impact -- that 113, that's the average year-round for that one class, moderate tier structure, 75% of customers.

What would that look like in the summertime, if it's 113 year-round, would that be 170?

Would it be 200?

Would it be 150?

>> You're talking about dollars?

Dollar s, I'm talking dollars.

>> Okay.

In july, a moderate customer under existing rates today, under august, and I'm looking at a medium size home with gas seat, they spend \$332 in august.

Under the flat tiers proposed, they would spend \$379.

The moderate, \$427, and steep tiers would be \$447.

so \$427 a month for moderate.

>> Correct.

-- in that class, so that 113 that's the year-round average for that same class would be almost four times as much?

>> No, that's -- that's --

>> that's just august.

>> That's a different usage.

For exactly the same customer, the bill in the summer would be \$128, and it's about -- that's a \$17 increase and it's 15% increase.

>> Mayor leffingwell: 15%.

>> Just for the summer, yes.

so those numbers that you had on that previous slide, a good rule of thumb would be a 15% above that for summer use?

>> For that particular group, yes.

for that particular group being --

>> a thousand to 1250.

>> Kilowatt hours.

and that was 75% of the customers?

>> Yes.

>> Right.

okay, and would that same trend sort of follow for the line item that was 97%?

Included 97%?

>> Okay, that would increase to a \$372 bill and it's about a 26.7% increase.

It's about \$78 per month increase.

>> Mayor leffingwell: okay.

All right.

And so I think that --

>> and I'm looking at the moderate on those.

that kind of -- I think people are looking at this and probably trying to say am i average -- an average sized home or average home or whatever.

But -- I did take note of council member spelman's comments, which I think were right on point.

If we're trying to achieve a whole lot of energy efficiency and we're looking at 1% of the population, that's not going to be very effective.

The effectiveness of that would be just to make people mad, I think.

Wouldn't have anything -- and that would happen, I'm sure.

The other -- the other part of that is just because you're in a small group, just because you're 5%, whether you're the top end or the bottom end doesn't mean that you should be ignored.

All classes of customers have to be looked at for the effect on them, and just because they're not in the majority doesn't mean that we shouldn't pay attention to that part of it.

>> Spelman: mayor?

council member spelman.

if we wanted to avoid making people mad we shouldn't be on the austin city council.

[Laughter] point well-taken, council member.

But we don't have to go out of our way to do it.

It happens in a matter of course.

>> Spelman: I agree.

[Laughter] any more discussion on that?

All in favor say aye.

>> Aye.

>> Mayor leffingwell: aye.

Opposed say no.

It's a 7-0 vote.

>> Well, I just want to say I appreciate your patience in trying to muddle through these numbers.

It's really difficult.

you did dazzle us with data here, mr. weis.

That was a real challenge.

>> You're probably getting real tired of it, I know.

All right.

The last issue that I was requested to put on here from our last work session was to -- if there's any guidance whatsoever on outside city customer gft.

As you remember back, our proposal that we brought forward in february had a 1% discount for outside city customers, and the only thing that's changed since then, of course we had the meeting in lakeway, and we've looked around the state.

There isn't a lot of different rates for different cities.

We didn't get a lot of guidance from our peer group in the state of texas on this.

So this is strictly a policy decision that would have to be made by you.

And as austin energy staff i don't think we have one hard recommendation or the other.

And we're just reacting to a lot of pressure that we've received from outside customers, you know, wanting to look at our costs and everything else.

So that's -- that's about the size of it.

council member martinez.

>> Martinez: thank you.

I'll try to get this conversation going.

When we met out in lakeway representative workman was out there and he very as a matter of factually said he'd love to just work this out between us, meaning the customer base that he represents outside of the city of austin, work this out among us.

What kind of conversations have they had to work it out?

What is their request?

No increase at all?

Or a reduction in costs?

>> Well, it's real unclear to me who represents the outside customers.

There are particular groups that are representing munic utility districts and others.

We've had outside school districts.

As you know we've satisfied the school districts with respect to the discount.

And we've had some early-on meetings of whether or not there would be any possible discount for outside customers, and again, it's such a policy area that as business people we couldn't put any real hard logic to it but we did have discussions to standpoint if there was some kind of discount, perhaps that would allow some pressure to not be on us as much and to reflect what benefit you have if you're inside the city versus outside the city.

So working with the city manager on our first proposal, we brought that forward in our proposal and worked out a way to handle the gft, which is really where it started, and then put that piece there.

But we have had little, if any, staff interaction with the folks that are from the outside on this.

and in your -- I guess this would be your opinion based on this whole last six months of the rate proposal, do you see any way to avoid an appeal to the puc by an outside entity, non-city of austin customers?

>> Based on the knowledge that I have, no.

>> Martinez: thanks.

any other comments?

Council member tovo?

I assume you're looking for some direction from us on whether or not to provide a discount in the rate -- exactl y --

>> tovo: out of city?

I'll move that we not provide a discount to out of city rate payers as part of this rate proposal.

motion by council member tovo, secked by council member martinez.

Go ahead.

so -- and I'll just say, you know, I think we've had some discussions in our session, but also I've looked into some of the numbers about other city services.

I think -- I think some of the services that -- I would argue that some of the services that are supported through our general fund transfer are ones which benefit those in our service area, regionally, our parks, our roads, some of our other programs.

I've gotten some information from our parks department that is very general, but does show that out of city ratepayers who are in our austin energy service area do make use of our park facilities, either in venue rentals or through summer catch programs.

We don't have different rates for out of city residents, for nonresidents versus austin residents.

In looking at the data that austin energy provided us with on april 3 -- excuse me, april 5, we see that our customer assistancing serves people outside of our city 7% of total participants are living outside of the city of austin.

More interestingly, i thought, given some of the comments we heard out in lakeway, in our energy efficiency programs for the air conditioner rebate program, 24% of the total participants are out of our service area, you know, far beyond what their share of total customers are.

They're also making use of free weatherization programs, solar rebates at 20% -- thank you for your --

>> I live --

>> tovo: thanks.

20% Of solar rebates are used.

So I think there is evidence that they're using chef those other programs as well.

And capcog ransom data for us looking at their -- ran- some data looking at their computer data that suggests 57% of all people living in the austin energy area, but not in the city of austin are using some of our roads and other things that are supported by the general fund transferment that's : that's part of my asian al for not -- rationale for not providing a discount.

>> All good points and i tend to support it as well, and I would point out that two-thirds of the fun is public safety and those services are generally not provided outside the city limits.

So council member martinez?

I completely agree with that point you just made, but I also know that when 911 is dialed we don't ask you to show your address.

We take care of you and we don't charge you for that.

So there could be points made on all sides of this.

But again, I think our automatics of the city customers are getting a good deal.

They are getting a great utility and a great service, and so I look forward to this exchange actually when it goes to the puc because there are appoints that can be made as to what the citizens of austin are funding that applies to noncitizens, and I daresay it's significant.

and i think that discussion will be had and just to emphasize what you just said, during the wildfires last labor day, we deployed city of austin public safety personnel to spicewood and to leander and to pflugerville and to bastrop and many of those, of course, are austin energy customers.

So all in favor say aye.

>> Aye.

>> Mayor leffingwell: aye.

Opposed say no.

Passes on a vote of 7-0.

I think that's all the decision points that we were asked to arrive at today, and I think we've completed that work.

So we could either adjourn or we could talk about something else.

The agenda is pretty flexible.

[Laughter] council member morrison?

I would love to be done with this.

[Laughter] I think we all would.

It's been -- it's been great, larry, but -- [laughter] but there are -- there are a couple of things.

I know that one of the issues that came up that i know our budget staff is looking at is the whole issue about egrso and the possibility of a different funding strategy through multiple enterprise funds as opposed to, for instance, just austin energy.

And -- and we had -- I was looking forward to seeing how that might impact how much funding austin energy needs to set aside to -- to fund egrso because that can actually impact how much money we need to ask for in our rate increase, but as i understand it, that's still being worked and it's going to be sort of discussed during our budget process in the coming three months.

And so what I want to make sure we don't do is make a rate increase that's enough for austin energy to fully fund egrso but then in three months -- three months from now we're not going to need that much funding.

So eileen, I suspect maybe you can help us figure out how we can balance that.

>> Sure.

We are still looking at the allocation and trying to correct both the sustainability fund and address the funding of egrso working towards reagenting some of the economic development costs to -- reallocating some of the economic development costs to some of the other enterprise funds and blending our economic activities into one -- one, place, one fund, including the incentives and the economic development office.

So we're still juggling several balls.

We're looking at having legal look at some legal questions about 380 agreement funding and that sort of thing, so we've still not got all our questions answered.

The bottom line is that i don't believe there will be a significant reduction right now based on what I'm looking at in the economic development funding by austin energy.

Being -- being more specific, I don't think it's going to be sufficient to affect their rate increase at this point.

And that's because we have one set of funding and we're trying to fix a multitude of problems and shuffle things to the general fund and then segregate other things over here and then balance,

and in any event, if you reduce the ae funding someone else has to pay for it, like your water utility or the general fund.

And so at this stage of our budget process we haven't determined what goes up, what goes down and how much that would affect tax rates, water rates or those kinds of things.

So we're still not ready to give you a recommendation.

But I don't believe that it's going to have a significant impact on the funding level such that it would make a substantial impact on their rate increase.

so we're -- if I remember correctly, when we look at the funding of egrso by austin energy, that's about -- is that at about 10 million, right?

>> It's close to 10.

>> Morrison: okay.

So if we -- if -- so you're not thinking that that will, for instance, be cut in half?

>> Oh, no.

>> Morrison: okay.

>> I'm looking at my boss.

i might, I think probably a good guide would be the same proportion that is currently a part of the general fund transfer, about, roughly, 3 to 1.

So if you went by that you're talking about austin energy -- austin energy contributing about 30% less than what they do now to egrso, for example.

That's just one way to look at it.

so -- I mean, three -- so 30% -- that would be 30 million -- i mean, 3 million.

[Laughter] so we could, in fact, be looking at -- i mean, w been whittling down, being very careful in whittling down the revenue requirements and I mean, 3 is not a trivial amount of funding to be removing from the revenue requirement.

>> Well, the mayor's comment, it's a reasonable assumption, but again, obvious times, you know, when we're dealing with numbers, the devil is in the details, as you've learned by going through this process.

So we'll be mindful of that thought, but as elaine caked, we've still -- indicated, we've got a number of unanswered questions, some of them legal, and we're trying to balance a number of factors but certainly we'll go down some.

well, I think all of us are trying to be as cautious as we can in this rate increase, and so i presume if we find that there is some amount of money that we can be back out of, we'll have the -- backing out of, we'll have the opportunity to decrease what we've planned in terms of a rate increase.

>> That's right.

council member martinez?

I just wanted to throw this out there.

I don't know that it's possible to do, but it's a thought that comes to mind.

You know, we called the department economic growth and development services and one of the way we justify funding the department is to do some of our enterprise funds, because economic growth and redevelopment causes an increase in demand on those services, water, wastewater, electricity.

So it's kind of how we've used it over time to justify paying for that.

Have we ever tried to quantify what egrso does in relation to the transfer in terms of true growth and true increase in demand from the utilities, and are they commensurate with the transfer that's actually happening?

>> It certainly seems like we did something like that in the past with respect to funding egrso.

I think there was a fairly substantive document put together for the council in that regard, and if my recollection serves me, we talked about it not only in the context of the support that egrso gets from austin energy, but we also acknowledged that there is a general fund contribution to economic development as well, and we talked about -- we talked about all of that in the aggregate relative to its impact.

And your other comments are right in terms of the other enterprise operations that, in fact, do benefit from, you know, the outcomes resulting from our economic development efforts.

Their customer base increases.

>> I was going to say that we have from the utilities' perspective, looked at analysis on that.

It's a little bit tricky, though, so if you have a large industrial customers that come, because we are cost of service, so we really don't make a profit, so to speak, on any industrial customer.

But the way that it's always benefited public power, the way that you analyze it is you look at the jobs that were created, and from those jobs the homes and the infrastructure and all that that comes with that.

And that's one of the -- that's one of the big benefits that public power has always looked at when they look at these economic developments.

They're trying to build jobs, which creates a stronger utility, builds diversity in the types of jobs you have.

And, you know, austin is doing everything right in all of those -- in all those categories, and so that's -- that analysis has been done.

We did a short one a little bit ago, our staff did, our key account staff worked with kevin johns and his department to do an analysis of that.

To see how many customers we acquired and the load and et cetera.

>> And so I just hope that we can continue this conversation, even in light of the general fund and building up the budget this year, the same question -- i think the same policy premise should apply, even from a general fund standpoint.

If we're not funding it out of a utility, we're funding it from the general fund, that we somehow quantify the work that's being done, which I think we can, and i certainly am supportive of egrso so I'm not saying this to be critical.

I'm asking these questions and making these statements so that we can explain to the public, this is why we have it, this is how we benefit from it.

Because in large part --

>> from the department.

from each department and from the general fund, because, you know, as the mayor listens talk show driving home, he knows that a lot of times fact and reality are not a premise in a talk show, and that transfers into sentiment from the citizens.

You know, they believe that this is just millions of dollars being thrown at nothing, and I want us to be able to demonstrate to our citizens that it is a huge value to the city and to them as residents, but also to our utility departments as well.

and i think it is now a part of the [inaudible] analysis, the benefit to the utility is part of that analysis right now.

That's part of the --

>> I made the statement before that if the city did not own this utility and austin energy was an independent power company, we would have economic development staff working [inaudible].

A lot of work.

>> Cole: mayor?

mayor pro tem.

I would just like to add to council member martinez's discussion that the economic development department specifically benefits, not only austin but as we discussed, the entire region, and when we talk about the collaboration that has occurred, a lot has occurred throughout the region on our economic development -- well, just the companies that have come and the companies that employ people from all over the region.

And if we didn't have it we would have to replace it.

So I think it would be helpful in that analysis to be able to show that in any discussions that we have, and I anticipate that we will have discussion -- more discussions with the out of city ratepayers and our vote today should not be taken as closing off that discussion and it's all over, but we need to still continue that dialogue as we go through, potentially, the puc case and even some discussions at the legislature, and that information would be helpful to have.

>> I should have mentioned too that on the economic development front I have met with our egrso and making sure that we focus with -- in the city of austin, but also in austin energy service area it goes outside.

So there is a synergy to the utility having this economic development.

So kevin and I have had good dialogue about that and i think that we still have to keep working on our entire service area from the perspective of austin energy and what they do for us.

>> Cole: exactly.

Thank you.

>> Mayor, before you wrap up the meeting I just want to take a moment to acknowledge the austin energy staff.

This has been, as you well know, an incredibly long and complicated and difficult journey requiring a great deal of work on their behalf, and there are others that have been involved from austin energy that aren't sitting here today.

Of course we've had outside assistance as well.

So I certainly wanted to acknowledge their efforts collectively and single out weis here, who sort of walked into this as the new general manager over a year ago.

So Larry, thank you for your leadership.

And of course we want to acknowledge you, Mayor, and the council members for your hard work as well.

It's an incredible commitment on your part of your time and your energy and your collective and individual intellect and certainly don't want the day to end without acknowledging the absolute value that you've put into getting us where we are today.

You've been working and they're working to bring action items forward but simply wanted to say thank you to you as well.

>> Mayor?

Council member Tovo.

Did you want to add -- I was just going to add never has -- to say never has so much been many to so few.

Council member Tovo?

I appreciate your comments to the manager and I want to echo my thanks but also my apologies because I have some other questions before we wrap up the meeting.

So I'm not sure how close we are to the end after all.

[Laughter] Just regard to the subject we were just discussing, economic growth and redevelopment services, as you move through the budget process what are the enterprise funds that are not -- that are being looked at for possible contribution to economic growth?

>> We're looking at the water department and the Austin resource recovery department.

I don't think we can look towards the airport because of some of the FAA rules.

We -- the hotel tax supports the convention center and I believe that may be already earmarked, but we are looking at questions on whether either of those two could be tapped, and we don't have answers to those questions yet.

But that would -- it would really primarily be Austin energy, Austin water and Austin resource recovery that we could demonstrate that they do benefit from the economic development activities by the increase in their customer base, and because I'm looking at those three with a definitive answer, I don't think there's going to be a significant shift in the costs.

[One moment, please, for]

>> that may be on the revenue sources, so I've got a number of both financial commitments to bondholders as well as some laws I've got to look at and I just don't have any answers yet.

>> Tovo: I guess the general point is in some very specific ways, the airport benefits from some of the activities of economic growth and redevelopment services --

>> I know that they do and i have to make sure they are legal.

i appreciate you taking a look at it but we have been over this many times before and any money that the airport spends out of their revenues has to be inside the fence of that airport.

That's basically it.

You are welcome to loo it any time.

Anything else?

>> Tovo: Yes.

I have some questions if my colleagues don't have any questions.

I would like to talk briefly about street lighting.

Several folks who have watched this process have raised some questions about street lighting, and I just wanted to be clear on how these costs are covered now and to whom those are allocated in our current system?

>> Well, I am going to see if I -- I will try to get this right and somebody will correct me if I get it wrong.

But we today don't have a separate line item so austin energy takes care of the street light.

We have separate crews, the energy fort and operations maintenance and all of that is part of our operating costs.

Now what we are going to do is we are going to have a separate line item in there to pay for it.

This is also inside service area and out.

We have lighting that is outside the city, so this is inside the city.

So now we will have this separate line item and we will accrue revenue that specifically pays for our lighting program which has specific crews and operations and that's how we will do it going forward.

>> Tovo: I am sorry.

I am still not clear how, under our current system, how these costs are covered.

Are those allocated to my customer class currently?

>> No, it is just taken out of our overall revenue.

>> Tovo: I see.

>> So everybody is paying for it.

It's just now we are going to have a line item that distinguishes it specifically for alighting program.

>> Could I chime in with a question.

So it has been suggested if we got rid of that line item, we could reduce our revenue requirement but somehow that doesn't make sense to me because we still need the money somehow.

>> Right.

It still comes out of the revenue pie.

That's right.

That's right.

Legitimate -- the only operational item that we have coming forward in the future is a study on our line extension fees.

Remember that, we were working on that and it will be a work in progress, it will take some time to get there and we will have net costs because we will have staff associated with implementing that type of policy out there today.

We don't do that -- so we are trying to get a handle on that number, too.

That's along the lines of street lighting, kind of an operational cost and we will recover that cost directly from our customers now.

>> Morrison: And there was a comment, a suggestion that came in about street lighting that suggested there could be problems in terms of some of the incorporated -- the incorporated areas receiving street lighting without paying for it.

Is that something that has been of concern?

>> No, I don't think so.

..

>> Morrison: Incorporated areas.

>> We do the street lighting in our service areas so there are lights that are added to our system.

>> Morrison: Right now we do all of it?

>> Right.

In some of the cases of some of the municipalities that are inside here, like lake way and some -- there is some lighting they take care of directly, too, is my understanding but i haven't seen any discrete inventory on that.

>> Morrison: So what I am getting from what your comments are is this is a way to explicitly ask various customers to pay for it as opposed to just absorbing it --

>> correct.

>> Morrison: -- And as an overhead.

>> It is a transparency program for our street lighting program and to be set aside and have our customers pay for it.

It is a very, very small charges that in there but that's the way we are moving forward to it.

>> Morrison: And alchera classes are exhibit -- and all customer classes are contributing to it?

>> Yes.

>> Tovo: That was my last question on that issue.

anything else?

All right.

Council member tovo.

>> Tovo: Yes.

weis, in your memo of may 25th, with regard to the school and sanctuary discount, the response - - some citizens had raised the question about how those charges would be applied to schools and sanctuaries to basically respond to the motion that we passed at our last meeting and from what i understand from your memo, those are going to be -- the discounts will be aimed at effective

discounts to handle the issue of whether the discount will be off the base rate and the fuel rate or how they will be managed.

So is the solution you are proposing going to require a manual adjustment, or is that something that our billing system will be able to handle?

>> What we are recommending is that, for instance, for a school, while the discount will be exactly 10% off the bill, the discount will be implemented through adjusting the customer charge, the distribution charge, and the energy charge but not the fuel charge.

So it will be the same total amount but it will be allocated on those components of the bill and that will all be done through the billing system.

>> Tovo: So they will receive more than 10% on those three components to reflect the fact that you are not going to be taking a discount from the fuel but the effective discount will be 10%?

>> As I understand it, the customer charge will be discounted exactly 10%.

The demand charge will be discounted a little more than 10% and the energy charge will be discounted more than 10%, and by making all three of those adjustments, each individual bill will be discounted by exactly 10% of what it would be adjusted off the total bill.

>> Tovo: And then with regard to schools, we had a discussion at our last meeting, asking for some additional information with regard to metering and to -- i forgotten -- aggregating meters for school campuses and I think we were waiting on some information back about -- about how those could be managed through the billing system.

Is that something you are ready to talk about today or can we anticipate that on June 7th?

I believe we responded with respect to what the numbers looked like.

>> Tovo: I got the numbers.

>> But as far as the management through the billing system, we got that is a one off manual process we will have to do, in order to -- if we were to really provide bill aggregation of all of the meters on individual campuses.

>> Well, we -- we have not prepared to recommend that at all because there is a concern there.

The concern is that we have a large commercial class and if we get into aggregation of meters in a large way, then that really opens the policy door for us to have significant reduction in revenue and so our recommendation is to stay with our existing policy.

If a customer wants to move their meters and master meter, they can spend the money, fix their electric meters and do all the work they need to do and then they can reduce what that cost is.

And for us to implement that from just a metering and an administrative standpoint, this is not a - this is not an issue that hits austin energy.

This is a utility issue and it's one that I -- personally I have faced before in policy, of what is the right thing to do and what we did with the school districts is we came up with this discount and our hope was that would take care of all issues.

They have a lot of portables come to us.

That is about \$500,000 a year in revenue if we were to allow that to happen, allow those meters to all be aggregated to one.

So, again, it is just another source of money that we would be losing, and that's not just for the school districts.

We would -- I don't know that we could be -- we would be able to just offer that to school districts and not to other commercial customers and it starts to be a big problem.

>> Tovo: I understood that to be your recommendation based on our discussion last time.

However, we are offering schools a discount we are not offering to others in the class.

We are treating them differently so there is precedent for treating them differently with regard to the metering and council member spelman, you were the one I think who made the motion and you did have language in there.

I am having trouble remembering what it was, but it was -- i thought that we had agreed that there was an interest in further exploring this issue of waiving -- waiving the charges for accounts beyond one -- beyond the first one for campus locations and at least revisiting that issue today with additional information on what our billing system could handle and somebody else would have to remind me what the different options are we discussed.

One was one off and I remember making the point at least twice but it didn't seem to be the best logistical decision to that issue.

I thought we were waiting for an answer about whether the billing system could automatically waive fixed charges for an account at a particular address beyond the first account, ie a school location -- the school building proper pays those charges.

The portables don't.

>> Council member, I think there are two options.

One is bill totalization, and as we have discussed, that's a manual process.

So your question, can the billing system do that, I think the answer to that is no.

What we responded to in the rfi was that we could calculate an equivalent number, \$250,000 per school district acts or per school -- for a campus, and then just, based on what that approximate number is, we could increase the discount so that it all came out about the same number.

That's kind of an elegant way to accomplish the bill totalization but that would be our other option, where we could automate it.

can i jump in and just speculate that none of these options have to be a part of the rate case.

They could be -- they could be done at any time if you choose to find a way to aggregate bills or if you choose to negotiate a special discount.

You could do that apart from a rate case, could you not?

>> Well, depending on -- on how we go forward with doing the business with austin energy on fees and charges and rates, i would presume that, yes, you could.

You could visit this -- we have done it before, haven't we?

Negotiated contracts with specific organizations outside of rate case?

>> Right.

Right.

so i guess my point is, there is time to look at ways to see how we could work better with the school district to make their position better so that it doesn't basically disrupt our rate case or -- disrupt is the wrong word but kind of try to move those marbles around, we can continue to work on this in the future without having to finally settle it right now today or next week.

>> Tovo: Okay.

That seems like we were focusing a lot of energy right now on rates and this is the time to take it up.

I appreciate your poi.

I guess I would want to hear from our attorney whether or not -- whether or not -- how that would work legally, if we were to make a decision like that six months from now outside of the formal areas of a proposal, but I think I can ask that question at some point of our outside attorney either in an executive session or in ..

>> Well, how we have discussed this going forward is that we would bring changes and other factors to the rates on a budgetary cycle, so as we would -- for example, this is phase one of this rate increase.

We have talked about another \$10 million that would be phase two.

We anticipate that we would come to that fy '15, that process and we would address that need, if it's still there, for the additional revenue, and, also, any other changes that might go.

My suggestion on this totalization is we will continue to work with the school districts.

If there is -- my initial concern always was we are doing a large discount for the school districts to start with and i think that -- frankly, I think that's enough doing the totalization of the meters, again leads us to operational issues with other groups as well.

I realize we had a 10% just for the schools but really it is a policy decision about how far do we go for the school district.

I think what mark suggested -- i think what marc suggested was right, a simpler solution was the right number that gives them a right place because complicating totalization of meters is nothing operationally I would like us to do.

A meter is a customer and electrically they can go and change that themselves.

They can we require those facilities if it is really in their economic best interest to do it.

>> Tovo: And I think they have in their request that we look at that option, I think they made the point that -- for them to change the equipment would be -- would certainly defeat the -- would not be economically in their best interest to do vis-a-vis the cost of the additional meters.

>> I have heard that, too.

>> Tovo: Thank you.

maybe somebody will come up with an app that will do it -- maybe somebody will come up with an app that does it.

Anybody else?

Well, in that case, we are adjourned at 3:15.