

Austin Energy Utility Oversight Committee Meeting Transcript – 08/27/2015

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 8/27/2015 6:00:00 AM

Original Air Date: 8/27/2015

Transcript Generated by SnapStream

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[9:08:42 AM]

>> Gallo: We now have a quorum and as chair of the Austin energy oversight committee I will call us to order at 9:07. Before we get started, I just want to take a moment to reflect on what happened yesterday, take a moment of silence. The two -- I can't imagine that anyone doesn't know, but a reporter Allison parker and a cameraman Alan ward were both shot doing their job? Virginia. We have a group of reporters that's with us always at city hall and around the city and we just want you to know that we appreciate what you do. We don't often think of your job as a risky job, but obviously it is. My daughter is a reporter and this really hit home for me in a couple of ways. One, that's what she does, and -- excuse me, and 2, many of you know Melanie Lofton Smith, who is a staff member, Melanie before coming to work in April was an investigative reporter with KEYE and actually worked in Virginia and this young lady was an intern for her when she was at her station. It's been a hard time for us and just I want the public and community to know that we're thinking of these two people, also wishing the best for the other person that was involved that evidently is still in the hospital. Let's just take a moment of silence to appreciate the fact that we're all safe right now, that we are all at risk in what we do every day, not really thinking about it and our hearts go out to these two people people's families and that they will be missed. Thank you.

[9:10:42 AM]

Okay, we will now call our committee meeting to order. And we have five speakers which have signed up for citizen communication and I will remind them it will be those five speakers that can speak under citizens communication and they are each limited to three minutes. I'm going to read the names so that if you are a part of this list, if you will be ready to start immediately after the previous speaker, that would be great. We have a very busy day, just to talk a little about our schedule. We have this meeting which will have a hard stop at 11:00 and the reason for that is we have a special called city council meeting following that and then we have our citizen communication portion of our budget hearing which will, I'm sure, probably end up being lengthy because we at our last public hearing had lots of speakers with good information that they wanted to share with us. As part of our citizen communication we have the following speakers, trace Selena, trace Halpin -- excuse me, we have you down both for citizen communication so we'll start with that. It looks like maybe Gus reed, Cyrus reed and Paul Robbins.

>> Thank you, chairperson Gallo for your kind thoughts and remarks. Thank you members of the Austin energy board of directors. I'm here on behalf of the coalition for clean, affordable and reliable energy.

We would like to address a few important issues surrounding rates. As you are aware, Austin energy has begun a cost of study survey. Austin energy staff is going to brief you about some of their financial policies. It is important to note that ae's published financial policies should affect rates equitably for residential, commercial and industrial.

[9:12:46 AM]

Austin energy is requesting approval of financial policies that include collecting between 123 and 165 million dollars for the rate stabilization fund. This reserve is intended primarily to defer or minimum nice future rate increases, currently asking current customers to pre-pay for future rate adjustments. At a time when affordability is a challenge for austinites, the challenge should be Carol not to inflate electricity costs. The cost for such a large amount for the contingency capital and rate stabilization funds, we ask there be much more detailed discussion on the matter. Also c-care is asking for assurances from city council that these financial policies will be up for discussion during the rate case. As ae revenue requirements are debated and established. The rate case will be establishing revenue and customer class rates moving forward so this will be the time to debate and revise policies moving forward. Waiting until after the rate case to revise policies that drive rates pretty much guarantees that the policy discussion will never happen. Lastly, we are asking that the cost of service study and rate case not just be based on a revenue requirement necessary to balance the budget of the city of Austin. But to be based on what is required to deliver electricity to ae customers with an arena return on the ratepayers investment. The financial dynamics of generation changed when ERCOT moved to a modal market and the study should evaluate revenue to be recovered from Austin energy's generation portfolio and ERCOT as well as customers receiving power. Lastly, we are asking the city council to direct city staff to adhere to a standard and accepted practices for these types of studies such as the federal energy regulatory commission FERC chart guidelines for cost of service or state office of administrative hearings studies.

[9:14:50 AM]

Ccare will be following up with a letter to council outlining these issues and many more important ones we are going to ask you to consider as you deliberate the budget. Thank you for your service and for the time this morning.

>> [Inaudible].

>> Thank you.

>> Gallo: Thank you. We have Richard Halpin next and Becky Halpin if you would be ready to speak after him, please.

>> Good morning, councilmembers. Thank you for your service. Thank you for all you do for our city. I'd like to speak to you about three issues today and I swallowed a frog so don, probably won't bother me the rest of the day. The three issues I would like to discuss with you is to move up the item on solar later today, madame chair, so that it can be seen this morning on this agenda, this 600 megawatts of solar item. It's that critical that we talk about that today and that it get the effort of your attention and intelligence because it is so important to us. Number 2, decide, all the evidence is in, 3.8 cents is a much better deal than Warren Buffett got on his last solar purchase so we think it's a great deal and urge you to decided to it. Third, please consider doing it now because the time line is such that if you in your wisdom decided to it now, then we can do a contract to rent to own and we can take advantage of the discount and we can have it all done and ready to go before the discount goes away, and over the next couple of years we can rent it, councilmembers, and then we can own it and it's a far better investment for our citizens at 3.8 cents than anything we've seen so far. Having been on your low-income task force

for the last several months and listening to people who can't make their bills every month, can't pay their utility bills every month, we must make decisions that will make their rates affordable.

[9:17:01 AM]

And I know that you care deeply about this and that this is a real strategic choice and option for pathways out of poverty for some of these folks to be able to pay their bills and have affordable electricity. Thank you.

>>>> Gallo: Becky. Following Becky will be Cyrus reed.

>> So I also would like to ask you to move up agenda item number 7 about the 600 megawatts of solar. The euc held a special meeting about this so they could bring this issue to you in a timely fashion. They appointed a subcommittee made of Karen Hadden, councilmember kitchen's appointee, Brent hideabreck, councilmember Gallo's appointee, derrick Norris, council member Houston's appointee, and Carey fertchel, the mayor's appointee. And this subcommittee worked at light speed because it's a very time sensitive issue. These contracts are not going to be out there forever. Probably you are going to have to settle in the next couple of months if you want to take advantage of this. So to honor the work and the time and energy that the euc put into this and their subcommittee put into this, if you don't get to it today, you are letting it slip through your fingers. So I ask that you consider moving this item up to make sure that you talk about it today. Thank you very much.

>> Thank you, it's a pleasure to be here, Cyrus reed representing the Sierra club. I wanted to talk about the reserve policy and I wanted to remind the council that when the generation plan was approved by the last council, one of the key components of that generation plan was as one of the -- either as part of the reserve or a separate reserve setting aside money to pay off the debt on the coal plant so that when those debts become due in 2022 we can pay off those debts and begin the retirement or shuttering of that coal plant in 2022.

[9:19:25 AM]

I just wanted to urge you as you discuss the reserve policy to keep in mind Austin energy has answered some questions and said it's approximately 200 million in debt, 225 million that we owe on the coal plant, so beginning the process now as we set up that policy of deciding is that a separate fund, is that part of what they are calling the capital fund, how do we do that needs to be considered and discussed now because that's a lot of money and the sooner we can begin setting aside some money, the sooner we can get out of that coal resource. Just wanted to urge you to look at that issue. Thank you.

>> Gallo: Appreciate it. Thank you for bringing that up. That's the next item on the agenda to discuss and mayor pro tem tovo and I believe at our March meeting had requested a report from ae. The report was finished in June and unfortunately we did not have a meeting in July so this will be the first meeting we're able to discuss that report that we requested in March. Thank you for addressing that.

>> Council? You want to cue that? I recently read part of a fascinating report by M.I.T. Called the future of solar energy. It detailed the problems in integrating intermittent energy into the conventional grid. I emphasize that this report is highly supportive of solar in general, but I want to show you a couple charts. And this is the cover of the report and before I show the chart, I want to show today's mascot. The Loch Ness monster. I use Nessie because this is what statisticians call the Nessie curve. It dips down, then it rises. Here's a chart from the report and here's a summer peak demand model on the ERCOT transmission system.

[9:21:26 AM]

It shows the nessie curve for solar production, and you can see conventional generation in brown falling to only 42% of peak load at noon, but rising to 92% of peak load by -- excuse me, 100% of peak load by 6:00 P.M. But solar clips only 8% of peak load by 7:00 P.M. When solar falls off entirely. Proponents of west Texas solar state that the output follows peak demand, but my point here is that it's apparently not doing that good a job of it. Now, I realize the analogy to nessie does have its limits but unlike the Loch Ness monster, solar I want Mitt even Sitzman is real. But my question is how much will it cost. Here's a second chart from the study. After 8% solar penetration, economic and security related strains will start to push solar, wind and nuclear plants off the grid. The grid can't accept any more without problems or accommodation. Now, I grant you ERCOT is nowhere near 8%, but 5 or 10 years into this 600-megawatt contract, grid saturation could be higher, higher, and it will affect the real costs of the contracts we sign now. In short, this contract is not as black and white as some advocates have made it out to be. And providing we do not lose our options, it will not hurt to wait a month for the consultant that you have paid to analyze this and report to you. One last thing --

[9:23:28 AM]

[buzzer sounding]

-- I estimate this cost will be somewhere between 1.3 and \$1.6 billion over its life. I am on record asking for a public vote on the proposed gas plant under consideration. I ask the same thing for solar. Thank you for your attention.

>> Before you go, councilmember Gallo, so talk again about what you know about the study and I guess before you go on, we have a ph.d. Electrical engineer that's done a lot of studies about the grid and how solar fits into the ERCOT grid, and that's something that is virtually never discussed here, so I appreciate you bringing up that point because if you put a solar photovoltaic, PV was photovoltaic on the last slide.

>> I'm sorry, councilmember Zimmerman.

>> Zimmerman: Appreciate you bringing up the points, Mr. Robbins.

>> Gallo: Are there any other questions? Mayor pro tem?

>> Tovo: Actually, chair, I just wanted to get a sense whether we were going to have public testimony about item 7 later or are we having citizens communication and people are speaking to those items?

>> Gallo: We're limited to five citizens communication speakers. Mr. Robbins would be the fifth. We have one person signed up for agenda item 3, two for 4 and one, two, three, four -- 11 people signed up on agenda item 7.

>> Tovo: Okay, thanks, so we will have testimony about that later. Okay. Thank you.

>> Gallo: Yes. Thank you to the speakers at citizens communication. We will now do approval of minutes. If I have a motion to approve the minutes of the Austin energy utility oversight committee meeting of June 25, 2015. Mayor pro tem. Seconded by councilmember Houston. All in favor? Any opposed? Passes unanimously.

>> Chair Gallo?

>> Gallo: Yes, councilmember Pool.

[9:25:30 AM]

>> Pool: I wanted to request a point of privilege and in recognition of the number of people, I think they are all wearing green who are here for item 7 and the associated item 6 to speak, and this item actually has been, as you mentioned about the briefing as item number 3, the discussion and possible action on the resolution regarding the procurement of solar generation has been pending for easily that long. And these folks have come here this morning to talk with us about that and to hear our deliberations. And I would ask that we bring up out of order item 6, which is the update regarding the distributed solar

incentive program and then lead in directly to discussion and possible action for item number 7 so that folks who are here -- and it may even be that they are willing to forego speaking from the podium to us if we would honor that request that a large number of people have made to move this item earlier in our agenda today.

>> Gallo: Thank you for that suggestion. The solar item was added at the very end as we were putting the agenda together, it was the last to come through to us. Previous to that we had worked with Austin energy staff to determine where priorities should be for this meeting. The number 3 agenda item is a briefing and discussion regarding Austin energy's reserve policy, that is time sensitive since we'll be discussing that with the budget. So we definitely need to address that since we're in the middle of budget discussions right now. So we will leave that third. Then the staff update regarding the gap plan would be the next item on the agenda and my plan was as part of that, because solar is to be considered as part of that, is to ask staff during that presentation the time sensitivity of the discussion for number 7.

[9:27:35 AM]

And so we can -- we can see if that is a -- an issue with time sensitivity to staff. My understanding is that's a decision that we need to be made by October, but I do want to give the council an opportunity to make sure that information can be verified. So that would take us to 4 next. The number 5 is actually, councilmember pool, that was an item that you have asked to have put on the agenda that I think may have gotten transferred from previous agendas and it's just the point at which it's appearing, but that is a question from you for number 5. If I would like to move that down to the bottom of the list, I would be happy to do that. So that would be your choice on that. And then the update on distributive solar incentive, if you feel like it's important to discuss that prior to number 7, then we can leave that in that position and then we would be discussing 7. We do have a lot of speakers. We want to encourage to you speak, but because we are at a hard stop at 11:00, it may be you choose not to speak but we want you to feel comfortable not speaking. Do you want to take 5 and move it to the bottom?

>> Pool: It's the dais that sets the priorities for the issues we take up and the order in which we take them up. And because we have talked from the very first since the first time we had our oversight committee on the Austin energy department about the time sensitiveness and the deadline and expiration of these solar contracts, and the long lead time for staff to work through the process once we do our actions for consumers to be able to take advantage of those contracts, we need to act as expeditiously as possible and so I would again request a point of privilege to move -- and as the vice chair of this committee, to move items 6 and 7 up.

[9:29:36 AM]

I would be fine with talking about the reserve policies, but I would like this to be discussed then after we complete item 3 and I would also request that we ensure that we have sufficient time in order to have a full conversation about items 6 and 7. I appreciate your consideration.

>> Gallo: Thank you for your comments. Mayor?

>> Mayor Adler: There's a threshold question that I really -- if you would ask staff to address the time sensitive time sensitivity question. The issue of these contracts can't be decided based on timing. We should not find ourselves in the position where we have lost the opportunity to be able to exercise these contracts because of how we worked our calendar. So I recognize there are other important things to have happen. I don't want us to have missed the opportunity to execute those contracts because we hear those things. At the same time, if we're not going to lose the opportunity to exercise those contracts, then I think that there are probably more than 11 people in the community that would like to

address this issue and if it was set at a time when -- so long as we wouldn't have past that time, then we could have potentially people talking about this, talking about the gap study, talking about the analysis all at the same time and we could have a real robust community conversation on that. But to me it comes down to that threshold question which is I don't want to miss the opportunity to be able to execute those contracts because of how we do the calendar. Would you ask staff to address that?

>> Gallo: I would. I think that's a great suggestion. Councilmember Garza, would you like to say something or may we pull staff up?

>> Councilmember Gallo, I have a point of order. I think she has the right to make a motion to change the order and it could be seconded and then debated. I don't support her motion, but she has a right to make it and I wonder if she would make that motion and get a second.

[9:31:41 AM]

Let's kind of get back to process.

>> Gallo: That is fine. I did not hear a motion. Would you like to make a motion to change the agenda?

>> Pool: I do.

>> Gallo: And be specific in the order.

>> Pool: I would like to take up items 6 and 7 immediately after item 3 and recognizing that our discussion today is time limited to a hard stop at 11:00, and I think that people in the audience who are here in support of item 7 may be willing, but it's up to them, to forego making comments at the podium in order to buy us some additional time.

>> I'll second.

>> Gallo: Seconded by councilmember Garza. If I could quickly comment, thank you for putting this on the agenda, chair. We were waiting for decisions from the euc and that's why it's on there like this so I appreciate you putting this on the agenda. My staff has spoken with some of the advocates and they are willing to not all speak if we can take this up earlier because we understand there's a lot on the agenda and that there is a hard stop at 11:00.

>> Gallo: That's good to know because at this point we now have 27 speakers as three minutes apiece, that's over an hour on this item. Thank you for bringing that forward. There's a motion on the floor.

>> Houston: Some more discussion. When it's time for the staff to speak, can we ask them when can we expect the consultant's report.

>> Gallo: And I think he is standing there ready to answer those questions. We would like to hear staff first before we vote on that motion.

>> Mayor Adler: I need that information.

>> Gallo: All right, staff.

>> Good morning, Larry Weis, general manager of Austin energy. I think that -- if I could take the liberty to say that we would like to do item number 4, which is the staff update regarding the energy resource plan. The other -- the distributed solar has to do with our consumer solar program, item 4 the utility scale program.

[9:33:51 AM]

So it would really be important that the council hear from our staff regarding the update on the generation resource plan which was approved by council, the last council. It has not been addressed by this council, resolution approved last fall. So that would be the order in which we would request the information go forward. I will also say that the idea that time is running out is really not our recommendation. Time is not running out. We need to be very careful

[inaudible] With this action. And it's significant. So there's a financial side to this that seems to be

ignored sometimes. And so with that, I would request that the staff go with item 4. That the staff update on the generation resource plan prior to making any decisions about the 600 megawatts.

>> Gallo: Any other questions? Mayor.

>> Mayor Adler: I'm unclear as to the answer. The specific question I have is with respect to the 600-megawatt purchase, we have some rfps, proposals sent to us where we have the opportunity to buy. Not just timing generally, but timing as to those particular rfps that have been received. Do we lose the opportunity to be able to execute on the offers that have been sent?

>> He's busy loading the slide. Cleo. The study -- with respect to the study -- first of all we have to do a lot of analysis and frankly -- we have to bring it back to council twice in that process so there's some time involved there.

[9:35:57 AM]

And the question was on the timing of the study.

>> Mayor Adler: The question is we have some contracts that have been proposed to us. I've heard that there's a limit amount of time to be able to execute those contract proposals that we have received. The concern is is that if we don't execute those contracts, if we lose the time to be able to do that, that the year will end, subsidies will go away and I understand -- I understand over time you think the contract prices will be coming down. I'm not asking about that, I'm asking about these particular contracts, do we lose the opportunity if we were to postpone this until October.

>> Yeah, the -- Cleo shalloby. I'm trying to get a slide that has a time line here. Unfortunately it's at the end so just bear with me.

>> Gallo: May I make a comment to your comment, mayor, it would actually be postponed to September.

>> Mayor Adler: Okay.

>> I would say the contracts are time sensitive. There's no doubt about that. When you have an rfp and people submit bids and prices, those are subject to time. But we feel that we can wait until October. So our proposal is, number 1, we feel comfortable right now with the announcements that we've done to bring forward at least 200 megawatts by October 1st. You know, at a point fairly soon we would bring 200 megawatts for your consideration in order to sign the contract for that amount. We got initial reports on October 1st. And we plan to take those and start reviewing them expeditiously at that point. The final report is issued on October 15th. We need the opportunity to get back some feedback on the report and we feel that by the oversight committee on October 22nd we can come back with a recommendations on the gas plant, which is really the genesis of this navigant study and additional solar if we feel that's what we need to do.

[9:38:14 AM]

So that's our proposal right now.

>> Can I add just one more thing? We're not just sitting around, we didn't just get the prices, put them aside and not do anything. We are in deep negotiations with the developers right now, all right? Up to the point we have our lawyers and their lawyers and we're working on contract conditions and negotiations. So it's not like nothing is happening. So all that is happening right now. This is just a proposal as -- us to start work or not work on these contracts.

>> Two things. One, we will be talking about the size of the rca. I see you have 200 megawatts on there. We have specifically called for 600 and that's an additional 600. And the other thing that I would say is this is a very optimistic time line. And if, for example, something happens that you are not able to meet these benchmarks, we don't have any margin for fall back. Colleagues, this time line looks good on

paper, but my guess is that it will slip and the amount of time that's needed for consumers to get out and make their applications and for all the reviews to occur in order for them to achieve the subsidies will likely put them beyond the deadline, and that will be no fault of their own but rather will rest with this council for delaying its decisions here today.

>> Gallo: Councilmember Zimmerman.

>> Zimmerman: Thank you. Fog back a few years last time the pressure kind of got this imposed artificial pressure to do a deal, that probably would have been the east Texas biomass plant. You know, council was rushed into that, council was intimidated by that. They were told about global warming, what have you.

[9:40:16 AM]

We rushed into that biomass plant. The council didn't even read the contract. Now we're locked into a terrible 20-year deal costing us over \$50 million a year for zero energy. So that's what happens when this council gets political pressure to get rushed into a decision. So I do not support rushing into this solar decision. I think it's going to lead to some terrible outcomes.

>> Pool: Chair Gallo --

>> Gallo: Excuse me. We have other people in line to speak.

>> Pool: If I could respond, this is not a political response on my part. I actually believe in the solar plan and would like to see it move forward.

>> Gallo: Councilmember Renteria.

>> Renteria: I'm in the same position. We paid for a consultant for it to come back and I just don't feel like I'm in a position to make a wise -- a wise decision so I recommend that we wait until the report comes back. So I'm going to be voting not to move forward on this.

>> Gallo: Councilmember Garza.

>> Garza: Yes, I want to clear some things up. The gap study and this proposal are not the same, they are two different things. These were set out in the gen plan as two parallel pass forward, but I don't want to confuse the gap study consultant with -- and it's clear in the generation plan, it has them itemized out. One is for the gap study and the third one is issuing the rfp for the 600 megawatts of solo. Also want to point out this simply moves the process forward. It's not committing us to anything, it just moves the process forward. This conversation on Tuesday I made comments about the mac and how, you know, how sometimes these things get stuck in memos and back and stuff that happens -- I'm not blaming staff and I appreciate all your hard work and I'm not accusing you of getting the rfp and putting it aside, I'm just say this is meant to move the process forward, it's not committing us to any contract.

[9:42:27 AM]

That is why there is time sensitivity. The euc met twice, called special meetings for this because they believed and they are made of appointees this council made and I believe it was a 10-0 vote to move this forward. So I would appreciate if we could hear this today and first.

>> Gallo: Mayor pro tem.

>> Tovo: Thank you, and I agree with a lot of the comments my colleagues have mentioned and I believe that we have some individuals here who could help us talk through -- who would like to hear from in terms of the difference that councilmember Garza just referred to about the difference between the gap study and what the resolution is. I don't want to really get into the issues right now and talk about -- debate the merits of the resolution, I just want to say that I am very supportive of moving it up on the agenda. We have five councilmembers who have sponsored this item and several of us have asked if we could please at least take it up early in enough in the agenda we have some certainty we'll get through

it. Otherwise I don't believe we will. And, you know, we're -- this is coming in the right process. It's coming to the committee first rather than going right to the council agenda, though there are five council members. All that we're -- sonars. All that we're talking about is the opportunity to talk about it today and we certainly could have a vote at that time not to take action, but I mean that's not going to be my position, I'm just saying all we're talk about now is whether or not to move it up on the agenda so we have an opportunity to discuss these issues and an opportunity to hear from the public who has come to talk about them. I'm absolutely going to support the motion on the table.

>> Gallo: Thank you. Councilmember Casar.

>> Casar: I would like to propose a friendly amendment that we hear item 4 next since that's related to item 7 according to staff. Then hear item 7 and limit the amount -- the time for testimony at 6 minutes total so three for, three against or -- so we can get through it.

[9:44:29 AM]

Item 3 is related to the budget, but I would be supportive of either hearing that next or hearing that during our budget deliberations. Obviously we need to discuss it before we approve a budgeted, but I think we have lots of different venues and avenues to do that. I would amendment for us to hear next from staff, move on directly to item 7 with six minutes of testimony being maximum.

>> Gallo: Any other -- mayor.

>> Mayor Adler: Sorry. All right, so I'm persuaded by some of what I've heard in terms of how this can move forward. It's almost 10:00 now. We have now an hour and 15 minutes left in this meeting. I look at the recommendation that came from the electric utility commission, which is a recommendation that said basically we want the staff to come back telling us how they would meet a 600-megawatt utility scale program no later than 2017. I think that's a good thing to get. Whether or not we opt to do it by 2017, whether it's wise to do it by 2017 is not something that was covered by the resolution from the -- from the electric utility commission. It was just to say come back and show us what a plan would look like if you were to execute on 2017, which is what I understood Ms. Garza to say. When I read the resolution, however, the resolution is asking us to adopt the policy that we should do this by 2017 even before we see the plan and what would be involved. And maybe that was inadvertent that it was not 2 intent to ask us to actually adopt the policy decision before we could see the plan and the study, which I think then goes to the concern that councilmember Zimmerman had. I mean if this is a question of just ensuring that we've started the process and we're asking staff to come back and say if you were going to do this by 2017, what would it look like, I'm fine with doing -- in fact, I'm fine with just voting to approve that and then we can get to the other items and we will have asked staff to go ahead and get us that study.

[9:46:41 AM]

So if we were going to adopt what it was that the utility commission adopted in their be it recommended clause, I would be fine with pulling that up right away and just going state to a vote and voting yes. Let's get the staff to come back and tell us what a plan would like like if you are going to do the 600-megawatt by 2017. And then we could move forward then with the rest of the agenda. And then I think we could hit everything maybe still by 11:00.

>> Gallo: Is that an amendment to the amendment to the motion?

[Laughter] You are going to lose me in this before long.

>> Mayor Adler: You know, I don't know if there's sentiment on the council to do it that way and it's not quite -- there was a motion to set the order on the agenda and I'm not sure that changing the substance of the resolution would -- would get us there. But if -- if Ms. Pool and the others who I think want to get

this report and keep the process moving forward and get staff to come back with that, if that's an amenable change, then I'm going to support the motion to pool item 7 up earlier because then we take a quick vote on it, staff is ordered -- or requested to provide us that study so that we can have that. And then we can move forward. So I guess I would like to hear if that is an acceptable resolution.

>> May I ask staff a question, please? If we were to have your presentation on number 4 and there were no questions from council, which I doubt would happen, but if you just did your presentation, approximately how long would that take?

>> Councilmember Gallo, it's a long presentation. My recommendation is that you start with the reserves, but what the mayor proposed I think staff is amenable to that, that we could bring a plan by October 1st.

[9:48:45 AM]

It's the policy making end without any further study that we have an issue with. So --

>> Pool: Chair, I would be happy to accept the friendly amendment that was offered by councilmember Casar to do item 4 and then item 6 and 7 or just 7, but I want to defer to the author of the resolution on the mayor's question.

>> Gallo: Okay. Would it be the pleasure of this committee to vote on this particular motion first and then discuss the mayor's motion to do something different? And let me just clarify, I think your motion was to do 4, then 7, but limit the speakers on 7 to six minutes total. Six would not be included in that. It was not included in his motion. And then we do have a couple of speakers that have signed up to speak on 4. So would you want to put my time limits on those?

>> Mayor Adler: I think we have to get to item number 3 today as part of the budget process. We don't have any choice but to get to item number 3 today. And if that means we have to extend the meeting and hold off the public comment on the budget, we have to have the conversation on item 3 today. So if -- if we're going to vote on item number 7 as it was described by Ms. Garza and Ms. Pool just to move this process forward and get the report back by October 1st, I think we can dispense with item number 7 right away. And what I would like us to do is to see if the votes are on the dais to do that, to see if we can approve number 7 as it was recommended by the euc to have staff come back with that report by October 1st, which would be their implementation plan for 600 megawatts by the end of 2017.

[9:50:47 AM]

>> Gallo: We have a motion, we have an amendment to the motion and another amendment.

>> Mayor Adler: I'll treat it as an amendment. To amend our scheduling discussion here so as to go to an immediate vote on item number 7, but amending number 7 so as to provide the language that was recommended by the electric utility commission to have the study that the staff give back a report by October 1st.

>> Gallo: Mayor pro tem?

>> Tovo: Not to take us in a different direction, but in looking over the recommendations that are part of your presentation about the reserve policies, I understood from the presentation that the staff are recommending that we adopt this year's budget with the existing policies and that we discuss changing those reserve policies in the months ahead. So am I misunderstanding that or are we actually going to try to review the reserves policy, make changes to those policies potentially today so they can be incorporated into the budget? I thought we were -- again, well, that's my question.

>> Good morning, chief financial officer of Austin energy. That's correct, today's report, as requested we're coming back to the committee with findings of our independent review of the reserve study. We're currently asking council to consider adopting the financial policies as they are currently written

and during the cost of service study to look at these alternatives to the reserves plan and that would be adopted in a set of policies that we adopt for next year's budget.

>> Tovo: So thanks very much. I guess I would say -- I mean I'm eager to talk about the report and the plan, but it's not critical that it happen in the context of the budget because staff are recommending we stick with our existing policies, not make changes based on the discussion we're about to have. So I don't -- I don't see that that's as time sensitive as the solar item. Thank you for that clarification.

[9:52:48 AM]

>> Mayor?

>> Mayor Adler: We had someone who asked us to change the reserve policies in the communications. My concern is is that that will come up in our policy conversations because at least there's some members of the community 245 are asking us as part of our budget conversations to change them. I understand the recommendation is not to change them and quite frankly I would like for the community and that person and his clients to understand the rationale for not changing policy because I think it's something that could come up. That was my concern.

>> Tovo: I didn't understand that. Thank you, mayor pro tem. In the context of the reserves maybe you can tell us what that change was. I'm not clear on who recommended that.

>> Gallo: Mayor, may I ask a question first? I'm getting a sense that you feel like that there is the potential to discuss agenda item number 3 within the budget process and probably -- and possibly we could do that today as we start the public hearing or before we start the public hearing and move out of this meeting? What --

>> Mayor Adler: I don't think that we are noticed -- well, we would just not conclude this -- your committee and we could move it to the back and we could call that presentation up at the end. We would do it as part of this meeting, but you would do it as the end of this meeting. We couldn't call it up as an item I think on the budget conversation.

>> Gallo: Okay. So we have --

>> Mayor Adler: So my motion would be to adopt item number 7, amend it to contain the language of the euc which is to require the staff to come back by October 1st with the policy on how they would implement this plan by the end of 2017.

>> Gallo: Okay, so and in trying to wrap my arms around this discussion, we have a motion on the floor and amendment to the motion that are dealing specifically with the order of the agenda items this committee is going phosis.

[9:54:51 AM]

Now we have another motion on the floor that is actually recommending action on one of the agenda items. So it just seems like -- and somebody with Robert's rules can certainly point out the direction that's appropriate she but seems like we need to either remove, withdraw the motion discussing the agenda so that we can take up the motion for the specific agenda item.

>> I was going to raise that point of order. I'm not sure, but I think we need to consider the order of the agenda item and deliberate on that and then maybe consider other matters. Can we do that first?

>> Gallo: Okay. So we have an amendment to the motion for the agenda that would put the agenda in the order beginning with number 4 and then 7, limiting 7 to six speakers -- six minutes, excuse me, thank you. And my concern that I don't feel like I got a really good answer to is how long the discussion of the presentation of 4 would be, whether that allows us to get to the motion that the mayor is making on 7. And I heard that it was a long presentation, but I don't know what long means and if --

>> I can probably get through it in half an hour.

>> Gallo: Okay. With no questions from council. All right. So if we -- if we allow staff to make the presentation with fewer limited questions from council, that would leave us time to then move on to number 7 and address the mayor's motion on number 7 in the remaining hour that we have left.

>> Houston: Madame chair, I would like to call the question on the amendment.

>> Gallo: Once again, there was a question about limiting the speakers. We do have speakers on number 4.

>> Casar: We just have one, right?

>> Gallo: No, we actually have one, two --

>> Casar: Do we usually allow speakers on briefings?

[9:56:52 AM]

>> Gallo: We have four speakers on 4.

>> Casar: I would move that we ask those folks to include in my amendment that we ask those folks to shoot us to shoot us emails, otherwise we're not going to get through thing. I think councilmember pool accepted my amendment.

>> Gallo: Okay. So, let me see if I have absorbed all of this correctly. We have a motion with an amendment that would say we take the agenda items first 4 with no speakers, 7 with a limited number of six minutes' worth of speakers. We have a motion and a second on that. Are we ready to vote on that motion?

>> Yeah.

>> Gallo: All in favor, raise your hand. Any opposed? Okay. It looks like the motion passes with the exception of councilmember Zimmerman and councilmember Renteria, is that correct?

>> Houston: Madam chair, I'd like to entertain the motion from the mayor -- regarding how we deal with item 7. Mayor, could you repeat your motion, and I will second it?

>> Mayor Adler: I would move to approve item number 7 so th that -- but in a language similar to what was in the board commission recommendation, which is most of the recommendation. And I understand the intended recommendation of the re resolution, which is to have the city manager to bring a plan for the council, approval no later than October 1st that outlines how the city will meet a 600-megawatt utility solar goal no later than 2017.

>> Gallo: There is a motion from the mayor.

>> Houston: I'll second.

>> Gallo: Councilmember Houston seconds. Is there any discussion?

>> Take councilmember Garza first.

[9:58:52 AM]

>> Gallo: Councilmember Garza.

>> Garza: I appreciate the effort to get this moved out quickly, but while, yes, it is to move it further, I believe using the language from the euc -- the resolution I proposed does have more teeth. There's more teeth. It calls for some policy that is actually already in the generation plan, so it's just moving that forward. So, there is some -- it's different. There is differences in the two. Because I think that it's been clear in the generation plan. It's clear from many members of the community that they want this 600 megawatts. The other thing that changes, I believe in the gen plan it was up to 600, and there was mention of, there is plans to buy 200. The goal of this is to make sure it's not up to 600, it is 600. So, I just want -- there are differences in the two.

>> Casar: I have a point of order. I thought we just voted to move to item 4, and now we're discussing item 7. If we want a motion to discuss item 7, I understand you're trying to make this easier, but, we all

voted to take up item number 4 as a majority.

>> I make the motion that we take up item number 7.

>> Gallo: Is there a second to that motion? The mayor seconded. Is there any discussion? We're going to discuss our way through this whole meeting. Mayor.

>> Mayor Adler: My understanding, councilmember Garza, is that it -- two things. One is, it says not up to 600, but, we want to plan for 600. And I am in favor of that, because I want us to do 600. And I want us to do 600 as quickly as we can do 600, not up to 600. I want to see as part of the conversation we're having right now what the plan is to do that, because I think it's timely given the rfp proposals we have, as well as all the studies that we're doing that are going to inform.

[10:00:57 AM]

But, the gen plan actually -- that this makes a really substantive change beyond that to the gen plan, even in addition to that. I don't think that the gen plan adopts the requirement that we get there by the end of 2017. And it may very well be that that is the right thing to do. And I hope that when the study comes back, it is the right thing to do. I look at the report that came out that my appointee to the euc, chair of the subcommittee on that was able to determine that solar at this point is a better deal than any of the other options that we have. So, it might very well be for us to do that policy, but I am not prepared, as we sit here today, to adopt that policy until we've had a much larger conversation than we could possibly have here this morning. So, that is the part -- that is the substantive change to the gen plan that while I might very well support it, do not think that it is prudent or wise for us to do it as quickly as we would have to do it this morning, and that's why I think we should just adopt the regulation, hold the teeth for just a second, until we can actually have a measured and reasonable discussion on that.

>> Gallo: Councilmember kitchen.

>> Kitchen: You know, I'm thinking that we might really all be saying the same thing, because if I look at the language of the resolution, I read it as two parts. You know, the second part is the city manager is directed to bring a plan back to us for our approval no later than October 1st. And that plan will outline how the city will meet the 600-megawatt utility scale solar goal, okay. And the first part of it is adopts a policy goal. And just in my personal reading of it, to me, I read that as a policy goal, because for me, I will have to see how it comes -- you know.

[10:03:03 AM]

What we're asking is the city manager to come back with how this can be done. And we'll have to evaluate at that point how it can be done that we can actually do it. But I'm willing to say at this point that my goal -- my policy goal is the 600 megawatts no later than 2017. So, I think that that might address the concerns that others have raised that we're not saying right now -- we can't say right now that we are going to -- you know, we're not signing a contract. We're not saying we're definitely meeting the 600 megawatts, but we're saying that that is our goal. And so to me, that is in line with what everybody is saying here. So I think we're saying the same thing, that we want to adopt a policy goal and we want the plan to come back to us to tell us how we could do that. Then we'll have to decide whether we agree that we can actually do that.

>> Gallo: Okay. I'm going to try to rein the cats in here. So, we have a motion that was approved to take up agenda item 4, and 7 with specific speaker requirements. We have now another motion that is on the floor to take up agenda item 7. I feel like this discussion is moving into not a discussion of that motion to move it up on the agenda, but it instead is moving in the discussion of the agenda item. So, did we have a second? I think the mayor seconded that motion. Is there any other discussion on moving number 7

and opening it up for discussion now? And then the motion, does that include speakers, or not include speakers? Excuse me. Does that -- does your motion to bring 7 up on the agenda right now include speakers?

>> Yes, yes.

>> Houston: Madam chair, I think that there was a motion already on the floor. The mayor made the motion. I seconded it. And so, that's where we are before we got to councilmember kitchen's motion.

[10:05:04 AM]

So, that's --

>> Gallo: Y'all are killing me.

[Laughing]

>> Gallo: You're killing me.

>> Mayor Adler: I will not support changing the agenda to put this in front of number 4 if we can't resolve it on a quick vote. If the quick vote is defeated, then I want us to go to number 4. So, I would ask for -- I made a motion. It's been seconded. I would call the question on that motion, and let's see if we have the votes to approve it. If we do, then we have handled it and staff is required to come back with that report. If it's defeated, then I'm -- personally, I'm going to vote for us to go to item number 4 on the agenda.

>> Gallo: Is there a motion to call the question? Mayor. Is there a second?

>> Zimmerman: I'll second. What are we voting on? I'm ready to vote --

>> Gallo: Restate your motion.

>> Mayor Adler: The motion is to approve item 7 with wording as amended to say that the city manager is directed to bring a plan to the council approval no later than October 1st, 2015 that outlines how the city will meet a 600 mega-watt utility scale solar goal by no later than 2017.

>> Casar: I have a point of order of how we can vote on item 7 if, without a motion to discuss item 7.

>> Mayor Adler: I made a motion. It's been seconded.

>> Casar: To discuss item 7?

>> Mayor Adler: No, I just made the motion.

>> Casar: My motion was to hear from some speakers on item 7. That passed. So how can we vote on item 7 if the majority of council said we want to hear 7 with speakers?

>> Mayor Adler: I would say that the majority of the council at any point in time can set its agenda.

>> Mmhmm.

>> Casar: Understood.

>> Gallo: Okay. There was a motion to call the question. All in favor?

[10:07:05 AM]

Any opposed? Okay. There is a motion on the floor once again, mayor, would you restate your motion?

>> Mayor Adler: The motion is to have the city manager be directed to bring a plan for the council approval no later than October 1st, 2015, that outlines how the city will meet the 600 mega-watt utility scale solar goal no later than 2017.

>> Gallo: And the second for that motion was? Remind me, it's been a couple of sentences before. Councilmember Houston.

>> Mayor Adler: This is only a recommendation to the council, because -- the council of the whole, but, I would hope the city staff, on hearing this recommendation, will just go ahead and start doing that even without full council action. Sorry.

>> Gallo: So, is there any other discussion on this motion? Mayor pro tem tovo has had her hand up.

>> Tovo: Thank you. One, I guess it makes me -- I'll say I'm not sure I can support this motion, because it makes me uncomfortable that we've invited the public to come and we're not allowing them to talk on this issue. That's first of all. And two, I would like an opportunity to talk a little bit more fully, including with our community, about the change that's been contemplated. Reading from the gen plan, if looking at it, I believe we already have an adopted policy goal of 600 megawatts of utility scale solar." The plan recommends a new rfp be issued for up to 600 megawatts of utility scale solar in 2015. Austin energy will contract for up to this amount by 2017 if available and affordable. If not, Austin energy will continue to pursue the 600 megawatts of additional utility scale solar within the 2025 generation plan." So in essence, the resolution and the line being stricken was restating what is already a policy goal and an adopted plan for our utility.

[10:09:06 AM]

I support keeping it in. I'm not at all -- again, I would prefer that we had a conversation. If we're going to have a conversation about the issue, I'd like to have a conversation with the community and see whether they feel that change is meaningful. It seems to me at this point it is. And, again, we're just recommending this to the full council, who is, of course -- but, you know, it's not like this is our last opportunity to talk about it.

[Laughing]

>> Anyone else? Councilmember troxclair.

>> Troxclair: Can we call the question?

>> Casar: Can I clarify whether your amendment leaves it 600 megawatts, or is it up to 600? Mayor. I will support it at 600 period.

>> It says 600.

>> Mayor Adler: By 2017.

>> Gallo: There was a motion and a second to call the question. All in favor? Any opposed?

Councilmember Garza and Zimmerman and mayor pro tem tovo opposed. Motion passes. So, we now have a motion on the floor. Do we need to restate it again?

>> No.

>> Gallo: Is everyone clear on the motion? Everyone good? Seconded by councilmember Houston. All in favor of the mayor's motion, please raise your hand. What? All in favor of the mayor's motion, please raise your hand. One, two, three, four, five, six, seven, eight. Any opposed? Approved with councilmember Garza, pool, and mayor pro tem tovo against. So, motion passes. Okay. That allows us to now go back to the agenda item 4, if we could have staff presentation. Once again, the motion for the agenda change was that we would have number 4, then number 7.

[10:11:08 AM]

I'm not quite sure where that is at this point. We did have speakers, we did have a limitation of speakers for both of those two items at this point, but if you would like to start.

>> Good morning, council. This is agenda item number 4. And what I'm trying to do here is kind of recap the generation plan. And we did this with the prior council, so mayor pro tem tovo actually went through this whole thing with us last year. So, there's really only two objectives I'm trying to convey here. One is give you a little bit of history, kind of what happened over time. So, this has been going on almost for two years now. And then actually review the resource plan. And this is really sort of a good preview of what the study is going to be all about. They're going the whole analytics we went through. If you sit through this, you essentially are sitting through what they are doing in their offices right now. So, I mean, one of the things we try and emphasize is that when we go out and procure for resources, and

we do planning, it's -- we've said this before, it's a package. We operate in one market. %Úyou can't make a decision about one resource without knowing what's going on with other resources in your portfolio. So, they're all tied. The answer on whether 600 megawatts of solar, for example, is affordable and competitive really is dependent on what happens with our other generation resources, whether decker retires or not, whether we replace decker with a 500 mega-watt combined plant, it's all tied together.

[10:13:18 AM]

We can't just look at one thing in isolation and make a decision on that. So, it's a fairly complex process, probably one of the most complex planning processes that you'll see in the utility environment. But it spans, you know, the financial aspects, the cfo is involved, environmental aspects. And environmentally, it's not just CO2 emissions, it's all of the impacts that we have on the environment with our generation resources. And we have impacts on water. We have regulatory compliance issues. We have criteria pollutants. So, you know, the emissions that we have are not just CO2 but nitrous oxides, sulfur, all of that figures into the planning process. We have many supply options that we go through. And also, behind the meter, that also affects how you're going to invest in your generation plan. As you increase your programs behind the meter, as you increase distributed solar, that affects your load, and also how you supply it from a bulk generation point of view. This is actually a slide that we put up when we started the generation plan. We envisioned we would start in the first quarter of 2014, and we would be done September 2014. So, we thought we would present this to council September 2014, and we'd just go on. And obviously it didn't work out that way. Now we're a year, almost, after the date we thought we would be done. And we really haven't, in essence, approved the generation plan. So, we've started in the first quarter of '14. We may approve this in October of '15 after the study results come back. Sort of a historical slide of what the major actors did and what happened. I won't go through this in detail for you, but this is a reference slide for you. But Austin energy and council did some stuff. Stakeholders were extremely engage.

[10:15:20 AM]

And the euc also had some actions having to do with the resource plan. So, a bit of a historical slide for you, if you want to go back and see in order, sort of what the main actors did and how we kind of got here. So, when we look at sort of the results that came out, and going into the generation plan, there's wants and needs by all different parts of the community, the utility, and council. And the way we saw it was broken down into sort of three major components. There's, sort of, customers out there that are just paying their bill, the utility for the most part is, you know, I just turn on the light and I get a bill and I pay it, right. For most of us, that's what the utility is all about. And we surveyed those customers -- we did an extensive survey to see what is it that they think about when they think about Austin energy, and specifically, what do they think about when it comes to generation resources. When we surveyed them, for the most part, we found they're fairly satisfied with our generation MIX. They didn't want major changes in our generation MIX. So, there's a slide here that sort of breaks it down by residential, commercial, and key accounts as to what they want to do. Do they want lower coal, lower nuclear, more gas, more coal. If you look at the Numbers, there's no major dials. Maybe the biggest dial is that most people wanted to increase renewables, right. So that was probably the biggest dial. But it's not overwhelming if you look at the survey. So if you look at just general, blanket of, you know, our customers, the answer is a little bit different than, you know, what we see sort of inside this building. And in terms of, I'm going to increase renewables, but how much are you willing to pay for that, that came across all over the place.

[10:17:21 AM]

For the most part, most people didn't really want to pay more on that bill in order to increase renewables. Some people were willing to pay almost a hundred dollars more per month, but for the most part, the most frequent response was that people didn't want to pay any more for renewables. And if you look at our green choice participation, that's a bit of, what am I willing to save, versus what am I willing to do. That stands at about 7 to 8% right now. I think this is resolution 157 that was adopted by council last year. It's probably most reflective by our environmental stakeholders. And, you know, it makes sense from their perspective. They want to eliminate CO2 sooner rather than later, by 2030. And that would mean retiring all of our power plants. That's our coal plant, our co2-emitting power plants. The coal plant, the decker plant, and the sand hill power plant all by 2030. In order to do that we would have to do some major transmission upgrades, and they wanted to aggressively increase our renewables. Additional 600 megawatts by 2017, that's what we've been discussing here today. [Chuckling] An additional hundred megawatts of local solar by 2020. Renewables up to 50%. And then to further increase to 65% by 2025. And go up to 65% from 55% by 2025. So, as you can see, that was really reflective of what our environmental community wanted. It's also a mirror of what the generation task force that was appointed by council last year, that was a recommendation that they came back with for the most part, it's reflective of that.

[10:19:23 AM]

Austin energy came back with a plan which we call the 500 plus plan. I wouldn't say it's a whole lot different than what came out of the generation task force, with one caveat in that we don't retire our power plants as quickly as stated in the gtf. And we propose replacing decker with a brand new 500-megawatt combined cycle. You'll see later on in the presentation why Austin energy wants that. It's not like we're wedded to gas or we really love gas turbine plants, it's just the economics beg that we needed to still keep our power plants in production in order to maintain affordability as we increase our renewable portfolio aggressively going forward, right. So that was sort of the tie. And that's why I say that from a planning perspective, everything is tied together, right. You can't just make a decision on one resource without knowing what we're going to do with the other resources. We wouldn't know what the economics actually say at that point. So, let's backtrack. And so that was sort of my first objective here, was to go back through a little bit of history. The second objective is to go through resource planning and what that means to do a resource plan. So, I think I put this before you before. But we use a production cost model called you plan. And it's a computer program, quite complex. And what it does is it models the market going forward. It essentially gives us the answer of, if we put all these inputs in, it'll crunch the Numbers at 6600 data points that are reflective of every single electrical bus that's in the market. So, what we do is we model that on an hourly basis going forward to 2025. We know the prices -- we don't know them, but we've modeled them going forward.

[10:21:26 AM]

That type of analysis can only be done with this production cost model. Navigant is using the same plan model in order to do their analysis. We can take spreadsheets and make approximations, but we can't do this type of analysis without a production cost model. During the whole generation task force deliberations, and subsequent to that, you've heard from a lot of people that would come up with analytics -- spreadsheet analytics and say, this is going to be affordability, this is what the answer is. And we use the spreadsheet models, but, at the end at the end, in order to make a good decision on this

resource, we have to use a production cost model. We have to use this process that shapes policy, because it takes all the inputs in. It takes all the wants and needs of the community in and then kind of spits out an answer for us. You know, one of the things we did -- because a lot of our methodology was sort of coming under doubt through the deliberations is, we hired a consulting firm, bradel. They're used -- the folks that run the market. And said, we'll come in and take a look at what we do. They came in for about two weeks. Their conclusions were that the way we do our analytics -- and they have a very extensive report, it's on our website -- the way we do analytics is consistent, fairly accurate, and the way it should be done in order to come up with an answer. We feel that navigant is using the same process. Their answer is going to be different, because the inputs have all changed. We know that. So if we do the same plan right now with the inputs as we see them today, the answers are going to be different. But, like I always say, we can't predict the future. We can model it out. The thing we need to be comfortable with is the edges.

[10:23:28 AM]

What is the risk? And that's one of the things that we can really do well with these production cost models, is, you know, what's the up-side of this and what's the downside. And if we're comfortable with the downside and we're comfortable with the up-side, then we make decisions going forward on that, because the expected outcome for the most part is going to change over time. These are the key assumptions. There are many, many assumptions, but this is what moves the dial, okay. What's the load. By load we mean, how much electricity are people using over time. And we need to try and predict that from now until 2025. And what's important is what's the load in Austin, and what's the load curve going forward. So, that is a big component of the resource plan. The next thing that moves the dial is natural gas prices going forward. And as you can see, our ten-year base was \$5.95. Right now, gas stands below \$3, right? Like I said, inputs change every single year. The other thing that moves the dial is CO2 pricing. There's no real CO2 pricing in the market right now that's transparent. However, there's always a thought that that's coming around. And now with the EPA issuing this clean power plan, that's becoming a lot more solid than it's ever been before in the planning process. But we do vary it from 0, so, up to \$54. We get that pricing, it's the same assumptions that ERCOT uses in their planning process. We try and use inputs that are defensible in front of the analytics community. So, where do we get our natural gas prices? We subscribe to McKenzie, a service that does a complicated model. And they do, on a continual basis, what is the gas price going forward. We don't come up with that. And what we do is, for the first few years, for the first four years, we actually use forwards.

[10:25:33 AM]

We look at the market. And after that, we sort of marry that with a long-term gas price that we get from our subscription with McKenzie. Those are the three things that move the dial, but, there's other assumptions you have to make, as well. So, this is as we stand now, if we don't add anything, this is our capacity of going forward compared to the peak load of Austin. As you can see with the prediction that we will be retiring some of our older gas plants, the difference between how much we supply into the market and how much we buy from the market starts to grow over time, right? And this is fairly Normal at a utility if you don't invest in resources going forward. From an energy perspective, the gap doesn't look as big. The reason for that is we have a lot of renewables compared to other utilities. When you have a lot of renewables, they tend to produce at hours that are not peak. So, from an average perspective, since we have a lot of renewables, that gap is not as big. But it does, as we lose our gas plan portfolio, it does go down other time. So, this is what we use as an input, the supply we have right now, and this is what the demand is going to be going forward. Fuel prices. These are the fuel price curves

that we use. I talked about the edges. We vary the gas price up and down by one standard deviation, so, high gas case, \$7.8, and the low gas price is \$4.42. This obviously is a lot different, especially in the close years from 2015 to 2018. You're going to see gas prices really lower in the \$3 range, and the low point will be down in the \$2 range, and the high point will be a little bit lower, as well. And that should be reflected in the navigant study. As we analyze the solar contents, we update inputs, we don't use these old ones.

[10:27:37 AM]

We update them on a monthly basis when we do analysis going forward. This is one of the observations from the brattle report, long-term gas price outlook. They agreed with the methodology we use. They agreed, okay, what Austin energy is doing when it comes to gas prices is, you know, consistent with the way the industry does planning. But essentially, the summary here is that gas prices are expected to remain low for a long time. If gas prices rise over time, the more they rise, the better it looks to invest in any sort of generation resource economically. So, solar looks better when the market is higher. New gas looks better when the market is higher, because it's a sales opportunity. And as prices rise and you sell into the market, you make more money, right? But, you know, one of the conclusions from the generation task force is that they didn't believe that gas prices were going to stay this low for very long. And that's inconsistent with what most of the market believes, that we have a lot of supply right now, and gas prices are going to remain low for a long time. So that presents risk for investment in generation, both conventional generation, and in renewables, because both of them kind of look worse the lower the market is, because you're going to make less revenues as you sell those resources back into the market. These are our CO2 prices and the ranges that we use, and these are dollars per ton of CO2 emitted. Essentially, what that does is, the higher the price that you use, the worse off conventional generation looks in your plan, right? Because renewables don't emit any CO2, so they're not punished by this price, right. But if you emit a lot of CO2, like a coal plant, the higher the price of CO2 is in the market, the more that type of resource is going to be punched in the market.

[10:29:44 AM]

And that's the reason you would actually price that externality. CO2 is in the air, nobody is accountable for it. The way to make accountable is you put a price on it in the market. The higher the price, the more it favors renewable generation in the plant. And in real life. So, these are -- I'm going to run through some slides really quickly to show you there's other inputs we use in the plan. We have to make a lot of other assumptions. These are all the capacity additions. Not only do we have to make assumptions about what we're going to add, but also about what everybody else is going to add. We use some ercot data. Our model says, in order for the market to maintain its reliability, this is what economically would be added over time. So that's another really important reason to actually use a complex model as opposed to excel spreadsheets. It's really hard to figure out what happens with the resources going out unless you have a production cost model. That's another assumption we have to do. Here's -- we use this from ercot, how much wind generation is going to be added into the market. We are 4% of the load in ercot. I think we contract for 14% of the wind. If we do contract for 600 megawatts of solar, we would've contracted for a lot of the solar that's in ercot, while we are only 4% of the load. We have to make cost assumptions as far as renewables. Now, some of these prices are a little bit laughable right now with the prices we got back from our rfp on solar. But, like I said, we always update our inputs with new information, and that was one of the decisions council made a few months ago, let's issue an rfp and see what the pricing is. We were all pleasantly surprised with the pricing that we got that was below 4 cents. Water usage, how much water do our gas and nuclear plants use, our coal plants use, and also,

a new combined cycle.

[10:31:44 AM]

How much water would that use? The technology combined cycle, just like wind, it's getting cheaper and better. Just like solar is getting cheaper and better, you know, GE is not standing aside when it comes to gas turbine technology. That technology has in the past five years really kind of advanced. Number one from an efficiency standpoint, it's a lot more efficient and it's cheaper to produce energy from those gas turbines, but also, it uses a lot less resources. Because water is not just an issue in Texas when you build gas turbines, it's an issue all over the place. The less water these resources use, the more attractive they become for developers and consumers. We have to make assumptions as to what the peak load forecast is for ERCOT. We have to make assumptions as far as demand side management, how much demand-side management and local PV in the market, affecting our load curve. The more DSM you use, the more take you use, the lower that load curve that you have. And what happens is it tempers prices. That's the way we see it, it prices start to get lower because of that. We have to make financial and economic assumptions when it comes to the plan. So, in investing in resources, we assume that we would use an 80% depth financing, a 5% interest rate near term, beyond six years we use 5.5% interest rate. And this all applies into our capital plan. We use a general inflation number of 3%, and a discount rate for Austin energy of about 10%. As you'll see, when we compare resources, we use a metric called net present value that takes future money and brings it to what it's worth today. So, we can say, okay, if we spend this much money every year over 25 years with the solar plant, with the gas plant, if you lump all that money back at a 10% discount rate, that's how you kind of compare them.

[10:33:51 AM]

These are the evaluation metrics that we use. What is the expected in the present value. That's probably the main metric most people use when they do resource planning because it's an easy number to compare resources and plans across. We also use other type of metrics. What is net present value the fixed cost, because when we invest in owning stuff, whether it's gas generation or solar plants into the future, that goes into base rate. So, how that affects the customer is different. We look at the net present value of the fixed cost versus the variable cost as well. We look at affordability. We measure the average system price. So every single plan is measured from an affordability standpoint. We look at cost at risk. I'll talk quite a bit about that when it comes to risk. When you use just net present value, all you're doing is, this is my expectation if all the inputs held constant. It doesn't look at what could happen if all these inputs change. And that's where your cost at risk is. We use a 95th percentile type of metric. What happens if your changes are about, you know, two or three standard deviations away from where you expect it to be. And then we have environmental-type measurements, CO₂, carbon intensity as in pounds of CO₂ per megawatt hour, and renewable energy percentage of load, and the amount of water you use. By the way, just a little tidbit, if we were to procure this 200 megawatts of solar before October 1st that we had proposed, under our present load forecast, by 2017, I believe we'll be at 50% renewable. So -- and that's the effect of, you know, our load has sort of been stable. It hasn't been increasing that much. And we also contracted for a couple of wind contracts just recently.

[10:35:55 AM]

And that increased our renewable percentage. So, we're sort of getting up there quite early in the plan from what we expected. So, risk. So, these are just illustrative just to show what could happen when you compare two different plans, okay. So say you have two different plans, but they're identical when it

comes to the expected cost, right? And that's sort of right in the middle of that hump, that's your 50 account percentile. Two plans, we predict they would cost the same, that's what we expect. But if you look at the ranges that these two plans would have, they're different. The one in red has a lot more risk of variation than the one in blue. Right? So, if I had my druthers, just from an economic point of view, I would prefer the plan in blue over the plan in red, because it costs the same, but there's a lot less risk associated with it. These are the plans that we studied. And we got input from the stakeholder community as to what to study. So we had eight plans. The plans had variations to them, so they're bucketed into eight buckets. We cited about 30 plans. And then when we do this to them, you get about 200 different scenarios. Right? So, we looked at just meeting the 2010 goal. So this was two years ago. 35% renewable, so on and so forth. We looked at -- so that's sort of a base case, because we had committed to meeting those goals. Another base case -- and this is just mostly intellectual -- what if we didn't do anything, right? So that looks at what your opportunity cost is, or your opportunity benefit would be. What if we didn't do anything, that's another type of base case. Then we looked at other plans, and we sort of increased renewables in dsm at an incremental basis.

[10:37:56 AM]

Plan number 3 is to increase renewables to 40%, dsm to a thousand by 2020. Number 4, 50% renewables, 1200 megawatts dsm by 2025. Five, increased renewables, carbon-free strategy, very much resembles the resolution on 57, retire the power plants, don't build another plant, increase renewables. Number 6, 7, and 8 are all sort of the same variations of, let's replace some of our older plants like decker with a new plant, right. And let's see what it looks like with different variations of renewables. I'm not going to go through all of these, but if you take those eight plants and make them into 30 scenarios, this is what we studied. And we coded them, so sc6, sc6-2, all different variations of what we talked about. Here's the results, okay. So the way you read this is that if it's below the curve, that means it makes money. And if it's above the curve, that means it costs money. And the dashed line in the middle is let's just meet our 2010 goals, that's our base case. So what happens if we move away from what we said we were going to do two years ago? What you can do is bucket what happens by major actions you would take in the plan. So, from an economic standpoint, your biggest bang for the buck is having new generation inside your load zone, right. So those are all the way to the left. The ae500 plus plan is the green one. The blue ones are to the left of that are bigger plants like 800-megawatt plants. Your next best bet is to keep the current fleet, don't retire it. For the most part, that's, you know, slightly accretive to you. If you start retiring the fleet, it starts to cost you money quickly. The two yellow plans, those are plans we worked on with Sierra club as variations trying to see if there's anything we could do in order not to build or retire generation that wouldn't cost Austin energy and its customers a lot of money.

[10:40:06 AM]

If you start to do exotic things as well as retire the plant, for example, if you go big storage, that costs even more money. What we found is from a dsm perspective, we're a little bit on the knee of the curve, as we increase our programs beyond the 800-megawatt, that's going to cost us a lot of money. We came up with a compromise from the plan. And you'll see that this adjusted plan is really a compromise of what happens here. Now, one question here is, where's renewables? What's the effect of renewables on this plan? It's not in the buckets. We found that by increasing renewables from where we are up to 50, 55%, it had no effect on cost. It doesn't move the dial up or down. But what it did do is increase risk. Right? So, I talked about when it costs and what the risk is. From a cost perspective -- and you'll see when we start bringing forward the 20600 megawatts of solar, you'll see those cost Numbers. Initially it

costs us money, but, these are net present values for 20 years. If it's short-term, the answers might be a little bit different. Even the ones in blue that make money over the short term cost money because we have to invest capital in building a new plant. Over the long term, this is how the plan behaves. My hope is when nav comes back, you can sort it in the same buckets, but it's how big the bars are because the inputs have changed. But, does the plan behave from this perspective the same. Generally, do the dials of the plan work this way. If you put new generation in the load zone, does it provide a benefit. Does retiring our current fleet, is that bad for our customers? Does it cost us money? Does doing exotic things really cost us a lot of money, right. My hope is they come back and we can sort of marry these two things together. The bars -- obviously the length of the bars are going to be different.

[10:42:09 AM]

>> Chair. Chair.

>> Gallo: Yes, councilmember pool.

>> Pool: I just wanted to check in with our presenter. We had asked for a presentation in 30 minutes so that we could take up some actions. And I just wanted to put that out there that we're looking at about a quarter to 11:00, I think.

>> Gallo: I'm not sure what your question is.

>> Pool: Can I ask how much longer the presentation will take?

>> Give me ten more minutes, and I'll wrap it up.

>> Gallo: And that should be fine in our time constraints. It looks like the next agenda item we would move to is 3, and my sense from the previous discussion was that we would recess this meeting. And if we had time to allow us to come back into that discussion during the day we would. Is that the right sense from what we talked about before? Okay. So, I would say, continue, please.

>> Let me just hit some highlights.

>> Sorry. I think the reason that we asked how long it was going to take was because there was an interest in the council to getting to item number 7. Now that we have passed item number 7, this is really important. So, I hope that we're taking the time and energy and attention that we need to pay attention to this presentation. I don't want you to feel rushed.

>> Gallo: Thank you for those comments. I think this is a really important discussion as we're trying to absorb all of this.

>> Okay. I'll try and be time-sensitive and move through this to the important parts here. So, if you look at the -- I'm going to move into the affordability now of the plan that was proposed. This is a variation for the 500+ plan, really reflective of the five actions that you see in the approved plan. But, essentially, we would build a 500-megawatt plant, move to 55% renewables by 2025. We would add a small amount of storage locally, not big storage, but ten megawatts.

[10:44:14 AM]

And this is an attempt for us to learn about what storage does in our substations. We're very excited about that. We would add a hundred megawatts of demand response, on top of the 800-megawatt goal, we would add another hundred megawatts. Just real quick, the difference between dsm and demand response -- demand response is a time of dsm, but really it's a controllable resource that tries to reduce your peak, right. Insulation, for example, is something put in that reduces your energy usage in a building. But if you can clip your air conditioning at a peak hour, that's demand response. That's the difference. Okay. And then we have some provisions for local solar from increasing it from a hundred megawatts to 200 megawatts as a goal. Okay. So, here's a chart. And this chart is something that council really looked at hard last year. It's important to understand what this black line is. That is the 2%. So it's

not actually 0. If you're below this line, you're below the 2%. You're above this line, you're above the 2%. Okay? This is our expectation of what would happen. Like I said, if we were to build a plant, there would be an early bump. There would be a capital spend which would be over the affordability. The way we have our capital plan laid out right now, that could probably be mitigated by shifting stuff around, but, as it's laid out right now, there would be a slight early bump initially. As the plant goes into production, you have a lot of revenues that gives you a lot of margin of psa. And our expectation is that you'd be way below the 2% mark as a result of the plan. This is the -- if things kind of don't go our way from an input perspective. So, if -- as we vary gas, as we vary load, and as we vary CO2 emissions, this is sort of the high side.

[10:46:21 AM]

So you can see that at some point, there is a risk with this plan that in some years, you would exceed affordability. And that's true of really any plan. And this is sort of -- okay, I have it backwards. I'm sorry. I haven't looked at this in a while. The 500-megawatt plan is the green. There is a legend on the side that you can look at. The red one is 100 megawatts of local solar, and then the blue one obviously, if you increase the local solar, that's going to be an additional cost that we have. The good thing about local solar is we can monitor our cost and put it into our budget on a discrete basis. It's not like utility scale solar or a gas plant. So it's something we can smooth out over time. But the message here is that there would be a capital spend initially for the gas plant, but the plan as stated would generate revenues and margins over time that would pay for that.

>> Chair. Can I ask a question about that?

>> Sure.

>> Troxclair: So where would -- you said the 0 line is the 2%.

>> Right.

>> Troxclair: That's assuming a 2% increase in rates every year.

>> Correct.

>> Troxclair: Where would the line be of 0% increase? Do you know?

>> Yeah. It would be hard to describe that.

>> Troxclair: Okay.

>> But, yeah. So, for the most part -- yeah. I would have to send you that chart. It would be kind of hard to describe that up here. I'm going -- this is -- I'm going to skip over this chart. This is just a variation. The variation here is what we did is, instead of retiring fpp -- because fpp generates a lot of revenues for us. Instead of retiring it, we do kind of a gradual ramp-down over three years. And that kind of smooths out the bumps. And the lesson here is that as we go through time and we update the plan, there's a lot of things that we can do to maintain our affordability.

[10:48:29 AM]

This is just our look right now going forward. And if we make a decision on a portfolio, over time, we can smooth out the bumps. We can change our capital plan. We can change how re-retire resources in order to maintain our affordability year-to-year. So, these are conclusions from the 500+ plan, and I think they're applicable to the plan that was approved by the previous council. Early bumps, new plant revenue start in 2018, and those drive rates down. The fpp retirement account drives rates up in 2020, but you're still under the affordability curve because now you're losing revenues from the coal plant. The capital on the utility scale solar -- in this plan, we envisioned 200 before 2017, and then owning solar in subsequent years. So just like the gas plant, there would be a bump-up in the investment early on in the capital investment of the solar plants. And then loss of fpp revenues are seen in 2025, but

rates are still stable due to the combined cycle. Early retirement in 2022 of the fpp, sort of the same thing except you accrue a little bit more losses early on because you retire the fpp. This is an affordability chart we did of 157, resolution 157. So, this is reflective of retiring all our generation early by 2030, and trying to meet pretty much all these renewable targets that we're talking about. So for the most part, we end up being above the curve. The reason for that -- the biggest reason for that is not that we're adding renewables. The biggest reason is we retired decker without replacing it. That's the reason we start to increase our affordability in 157. Now, I talked about risk. If you look at that chart, the up-side and the downside and you compare to the previous chart, you see that it's a lot wider.

[10:50:36 AM]

The difference between the up-side and the downside is a lot wider than the previous plan. And the reason for that is that when you add renewables, it does present a lot more variation to the plan than expected. This is cost versus risk. In the interest of time, I'm not going to go through all these docs, but let me just quickly explain this chart. The Y axis is what you expect the plan to cost. So you see these plans going forward are in the billions, up to 7.8 billion. And the X axis is your expectation of risk. So that's your 95th percentile. The lower quadrant, lower cost, upper right. Right quadrant, higher cost, higher risk. So, if you look at the dots now in the upper right-hand quadrant, these are all the different plans that I showed before that retire generation. And then -- oops. So that's what happens when you retire generation. You increase your cost, and not only that, but you increase your risk from the base case, which is the blue dot in the middle. If you were to invest in the 500 500-megawatt plan, not only do you reduce the cost, because now you're generating revenue and additional load zone benefits, you're also reducing the risk. You're moving from the right to the left, right. So -- and this is just economic risk. We're not talking about operational risk, for example. So other risk charts could show what happens to operational risk. The more stuff you own, the higher your operational risk. But, from an economic perspective, lower left, investing in new generation reduces your cost, reduces your risk.

[10:52:36 AM]

Retiring your generation, investing in renewables will increase cost, increase risk. The difference, for example, between the two lowest dots on the Y axis is the amount of renewables. So, remember I said before, by adding renewables up to 50%, we don't increase cost in the plan, but we do increase risk. The one on the right has more renewables than the one on the left. That's the only difference, is we increase our risk when it comes to the 95th percentile. So, these are things you learn when you look at a portfolio holistically using this modeling methodology. I'm going to move. Okay. The next charts are really talking about what the new 500-megawatt combined cycle would, kind of, look like. It's clean, it's efficient, flexible, and affordable. I talked about how gas turbine technology has really moved forward in the past five years. This is a chart that people in the market look at. It's your dispatch order, right. So if you're lower on the chart, lower on the Y axis, you're being dispatched first. So look at stp, all the way down there, because the marginal cost is so low it's one of the first units in the market that's dispatched. It's always on. If it's available, it's on. Fpp is way down there. The new 500-megawatt plant would be very low on the dispatch curve. And that's why we expect to make so many revenues. With gas prices the way they are now, it would be even lower. These are emissions. If you look at the difference in emissions, nitrous oxides, for example, which is the lower left graph, this is how much decker produces in nitrous oxides pounds per megawatt hour. And pounds per megawatt hour with the new ccgt would emit is much, much lower when it comes to nitrous oxides.

[10:54:37 AM]

The story is the same when it comes to sulfur dioxides, carbon dioxides. Per megawatt hour produced, the new technology is much, much cleaner than the old technology. Location, we talked a lot about location. We talked about load, so I'm going to skip this a little bit, but it's important for generation to be within the bounds of Austin, because that provides what we call a load zone benefit. It's something that fpp and stp do not provide because they have to be transmitted into our load zone. One of the things we tried to show, that the decker location is very discrete when you look at it compared to the rest of the park. It's a very, very small area. This is the steam plant. The new combined cycle is like one tenth the size of that. It's -- even though it produces a lot more energy, it's a lot more efficient, it's much, much smaller footprint than the current decker location. The technology has advanced so much in the past 30 years. This is where the decker plant is cited now compared to the rest of the park. Very, very small footprint. The sand hill location, this is a combined cycle, so it's a smaller footprint and the new combined cycle would be even a smaller footprint than that. Maybe I'll close out with this slide. So, these are other, kind of, market observations that come from the plan. Some of these are repetitive. Affordability in the plan going forward is dependent on two things. It's not the amount of renewables we have. That's not what affordability -- we said if you add renewables, that's not going to really affect the dial up or down. But what really affects the dial is do we maintain generation in the load zone or replace it with new generation. It may be easier to say, decker, we'll just let it run. At some point, you know, decker becomes so old, spare parts become so expensive that it's just not worth it to keep it running, right?

[10:56:44 AM]

Despite all the benefits that it provides our customers, right. So we cannot assume that decker is just going to run forever. So at some point, we have to assume that if we come back and make a decision that we're not going to build a new plant, we're not going to replace decker, there is an assumption decker will retire in the next few years and our costs will go up. So that's sort of a linchpin of the plan. You're either going to maintain generation, keep decker and sand hill running, or replace them. Or over the next 20 years, your costs will go up. The second thing, a significant amount of renewable energy can be added economically with a marginal improvement to cost and risk if a gas fleet is maintained. This is not the case, however, if we add renewables without making a decision on a gas fleet. And that's why Austin energy is pushing towards, let's see what's coming out of the study. We know what the Austin energy study says. We did not take a decision on a portfolio. We can't just make a decision on the 600 megawatts, because the assumptions are very important going forward as far as affordability. The last point I want to make is it's environmental. And it has to do with CO2 emissions. What Austin energy does or doesn't do, whether it retires generation as renewables, has an impact on actual emissions on the market. Let's say we retire decker. What happens? Well, another plant out in Texas is just going to generate more. You can't just shut down the emissions. So, if you do what we call environmental accounting, do you just take it back to Austin and say, this is what Austin is responsible for? Sure, by shutting down decker, you reduce CO2 emissions. But, in the market, from an environmental standpoint, there's very little that happens when you shut down decker, because another gas plant or even a coal plant will replace it.

[10:58:46 AM]

So, that's an important, kind of, concept to get in our mind. The opposite is, but adding renewables, we have a de minimis impact on CO2 emissions, as well. It's something we can claim to ourselves. But, from a market perspective, CO2 emissions, we are 4% of load. CO2 emissions don't drop that much by investing in a lot of renewables. This is the recommendation. We looked this is the recommendation we

looked at before but this is what the current plan adopts and I'll close out with this, the 2025 plan, first of all it's by 2025, right? We're discussing 600 megawatts by 2017, but all the planning effort that we looked at with our stakeholders was what are we going to do by 2025. Because we had goals to meet by 2020. I think we've forgotten we had 2020 goals and Austin energy just met them early. 35% renewables was 2020, 220 megawatts of solar, 800 of wind, 800 of dsm, keep the fleet as is and no storage. Now the 2025 plan says from 35% to 55%. Solar goes from 200 to 950. So what we did is by moving the goal post just five years from 2020, we drastically changed the goals. So I'm done. Thank you for listening to me and I'll entertain questions if there's time.

>> Gallo: Thank you. That was a wonderful presentation and really good power point slides we can take with us and try to digest. Questions from our councilmembers? Mayor.

>> Mayor Adler: This has been handed out,, assume this is going to get posted with this meeting. I think there's a lot of data and I want to open source that as much as we can so that the community has the ability to be able to see how -- how you got to the Numbers and what was said.

[11:00:58 AM]

Is that possible?

>> We're happy to to do that. The only things we can't give out is what we consider competitive and that's very little data.

>> Mayor Adler: And what would be the best and most efficient way for people to see --

>> We've given a lot of that stuff already but they can just email me and I'll provide it. Whatever they are looking for. A lot of that stuff is

[indiscernible]

>> Gallo: Is it possible to get copies of the power point that we could follow?

>> Yeah, I think --

>> Gallo: All of the information, that would be great if you could get that out to the councilmembers. Vice chair pool had a question.

>> Pool: Thanks for the presentation. Could you go to slide 21, please? And when we get slide 21, I understand from reports from last night's oversight committee meeting that the Numbers on that slide may be different from what is current, that the Numbers are higher than we're seeing now, that they are going up instead of down?

>> You are right and I said that during the presentation. I think I used the term laughable, but yeah, they are much different now.

>> Pool: Would you be able to update that slide for us or is that --

>> That's one of the ones navigant is using. We can't put it from what we're seeing the actual prices in the rfp, but like we used that below 40-cent, we can put that in there.

>> Pool: Okay. So we can get it as accurate as we possibly can.

>> Right. So we -- we gave the new prices to navigant. So when they do their updates. And the analysis we're doing on the contracts right now all use new prices.

>> Pool: All right, so everybody is using the same data.

>> Correct.

>> Pool: That's great.

[11:03:00 AM]

Thanks.

>> Gallo: Councilmember Zimmerman.

>> Zimmerman: I've complimented you before on taking something that's incredibly complicated and

trying to present it where we can digest it, but even given the great job that you do, there's still loads of confusion. If you can back up to slide 15. So I looked -- we don't have time so we breeze through these, but I went back and looked at this, it says load obligation forecast. Versus energy supply. And the more I think about that, the less I understand it. And then we have a purple segment there, right, the biomass segment. And so I think when the average person would glass at this, they would kind of think of this as a makeup, kind of a graphical representation of a makeup is how our load is being satisfied. But it's not because we're getting nothing out of the biomass plant, yet it shows this big purple bar as exceeding the solar. And so we need to spend a minute or two on this --

>> That's later. That's in 2022. We assume market prices go up and then the bioplant is in the money. It starts to run.

>> Zimmerman: Back in 2015 which is where we are now, it's not in the money right now and it's showing that it's a bigger piece than solar right now.

>> Prices were higher when we did the plan, but yeah, right now -- it would look different now.

>> Zimmerman: So when was the data generated?

>> In 2014, early 2014.

>> Zimmerman: I don't think it was in the money back then either was it?

>> It ran for about a month last year.

>> Zimmerman: But a year is 12 months. So if I ran in one month -- is this talking about the capacity it could have generated as opposed to what it did generate?

>> This is the plan -- what we expect the amount of energy it would have produced. The slide before that is capacity so it would be bigger than that.

[11:05:03 AM]

>> Zimmerman: Okay, so, I don't think this is right. I think the data is wrong. Something is wrong here.

>> Our expectation with prices going forward is that it would have run. Right now prices are about 25% lower than they were last year.

>> Zimmerman: Okay.

>> Gallo: Are there any other questions, councilmembers? No? Anyone else? Councilmember troxclair.

>> Troxclair: Can you just tell us about the time line again? So this is October 22nd is the date that we're looking at to I guess have this conversation again or what is -- what is the plan moving forward?

>> Right, so by October 22 we should have the report by navigant digested. It's the -- October 22 is the date you meet again for the Austin energy oversight committee. And we should be in a position to talk about what the navigant study says. We won't take you through this whole thing because we just did now. They did the same thing using different input, but we would look at the outputs at that point, just the outputs.

>> Troxclair: Okay. Thanks.

>> Gallo: Anyone else? Vice chair pool.

>> Pool: Could I ask when we get to the October meeting, if we don't have this conversation in September that it be one of our first items to discuss. The solar is really going to be time crunchy at that point.

>> Gallo: I think after today is really appropriate pre-planning. Thank you.

>> Pool: It will be one of the first agendas on the agenda in October.

>> Gallo: I would assume it can be towards the first yes.

>> Chair?

>> Gallo: Councilmember Houston.

>> Houston: I have a question. So am I to assume that we're going to go forward with the 200 megawatts of solar in October?

>> Yeah, before October. We'll bring you a recommendation for at least 200.
>> Houston: At least 200.

[11:07:04 AM]

Thank you.

>> Correct.

>> Gallo: Any other questions from the council? Do I hear a motion, I guess the motion we need to make, mayor, can accord nature the schedule with you. I think the motion we need to make is a motion to recess. The question is do we want -- are we going to want to try to discuss agenda item 3 at some point today just as planning for the council, but also I think planning for Austin energy staff to get a sense of whether they are finished or whether they would need to be available.

>> Mayor Adler: Sorry. So what we have is the highstar, which is the airport issue we're going to need to discuss. I think the hope was that would either be worked out or clearly defined, I think it went to a committee, so we could take a quick vote on that issue. And then we have the -- the public meeting on the budget. At this point with respect to the public hearing, we have 46 speakers to speak. We have seven here to speak on highstar. We have two on setting the maximum rate. I mean if there was a way to hear the -- I don't know how long it would take to get the briefing on the -- on the -- on item number 3.

>> Gallo: Is Austin energy here? Could we get a sense on how long the briefing on the reserve policies would be? Without council questions.

>> Excuse me, Larry Weis, general manager. My suggestion is, first of all, this reserve policy, we're not changing anything for this budget cycle.

[11:09:07 AM]

We came back for this meeting today because we were asked to by council. So you can certainly -- you can certainly do it another day. We can distribute it for information and you can ask questions later, but I think during the budget deliberations we can certainly bring it back later. So I don't think you need to make a place holder today and have it come back today. We can work around that.

>> Gallo: At the very least, I like your suggestion of distributing the report, the presentation to the councilmembers so that we would have that.

>> Mayor Adler: And then specifically if there were some questions raised about the reserve, you can make sure you address those.

>> You bet. You can direct those questions directly --

>> Mayor Adler: I think there were questions raised during citizen communication. If you would take a look at that and make it part of your response, that would be good.

>> Gallo: With hearing that, it seems we would need a motion to adjourn, not recess. Is that correct?

>> Mayor Adler: Yes.

>> Gallo: Do I hear a motion to adjourn? Moved by councilmember Renteria and seconded by councilmember pool, vice chair pool, excuse me. All in favor? Any opposed? Passes unanimously. Thank you and thank you to those of you that have come for the meeting today. We tried to indicate on Tuesday that -- that we were really pushed for time and that we might not get to all the agenda items and not be able to have a lot of speakers. So thank you for your patience and please feel free to email us with comments that you would have made. We would always appreciate those so thank you for your patience and tolerance.