

## Austin Energy Utility Oversight Committee Meeting Transcript – 05/26/2016

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[9:05:48 AM]

>> Gallo: Good morning. Everyone, we will start our Austin energy oversight committee meeting when we have a quorum. We have two people. We now have three people. As soon as we get three more people we'll start.

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>> Gallo: Good morning, it is Thursday, May 26th at 9:10 A.M. And I'm Sheri Gallo, chair of Austin energy utility oversight committee and we'll call this meeting to order. Item 1 on the agenda is approval of minutes. Do I have a motion to approve the minutes? Councilmember Garza approves. Councilmember Houston seconds. All those in favor? Unanimous on the dais. Agenda item number 2 is citizen communication, and we have two speakers signed up. Speaker number 1, Cyrus Reid. And Carol will be next if you're ready to speak after him. And you have three minutes.

>> Thank you. For the record, Cyrus read, Sierra club, lone star chapter. I have two items. First I'll put on my resource commission hat and let you know one of the items you're discussing in briefing is the energy code. It is something good for Austin. We did, however, also begin

[9:11:54 AM]

discussing a separate amendment to that code that I believe will be discussed today, which is a solar ready position to make all new buildings in Austin ready for solar. It doesn't mean they have to install solar, but means there's room on the roof and the electrical box. So I have a memo that we're discussing at AMC with some language. I want you to be aware of that. We haven't taken action, but we intend to possibly as early as next month, meaning that it may come to you guys at some point. I want you to be aware of that. The second issue I want to talk about is talk about the generation plan. We've done a lot of great work on the generation plan. You guys took up the solar issues. We've taken up the study of the gas plant, which apparently now has been delayed five years because of the prices. But one of the issues that was brought up in the generation plan, and again I'll pass this out with the appropriately in yellow sections, is we said we need to start talking about Fayette, about the coal plant. As part of the agreement on the generation plan was we need to start setting aside money for the eventual defeasement of that debt so we can get out of that somewhere around 2020, 2023. We want you to be aware of that as you start the budgeting process and be aware that Sierra club, public citizens and other groups will be calling for money to be set aside in that process so we can begin squirming away that money so when the debt is callable we can actually begin the process of getting out of that coal resource. I have highlighted parts of the generation plan that was passed in 2014 so you're aware of what city council at that time actually adopted and said as the second thing they were going to do with the Jen plan was owe gen plan was going to start putting away money so we can start paying those

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debts. I won't mention anything more about it that might come up in other proceedings. But I want you to be aware of both the solar ready provision and the

gen plan to set aside money for the coal plant. I have papers and I'll give them to somebody. So at some point you can pass them out. That's all I have to say.

>> Good morning, my name is Carol fujitski. I want to say a few words about the presentation you will be hearing in number 5 about the customer assistance program. We all know that there's been a lot of press and publicity about a rather small number of people who may be inappropriately receiving the benefits. This is not a good thing. This is something that really should not be happening. And I don't know. I know that I don't support having people who are not eligible for the program receive the benefits. I don't think anybody does. What I do want to call to your attention is that controlling some of this is very expensive. I would like to avoid a situation where we're spending \$50,000 to monitor something that allows us to -- that allows us to cull out five accounts. I would very much like to see a cost effectiveness test be acquired for some of the fixes that are in the works. They cost, you know, tens of thousands of dollars. And we don't know if we'll get any return on that investment. And that's too bad when we have customer assistance money that's being collected to help people have affordable bills, to help people in need, who need it.

[9:15:54 AM]

And instead we're spending it on automatic enrollment changes to the system that may or may not pay for themselves. So I would just like to encourage you that yes, we do have to monitor the program and we do have to be diligent about making sure that people are not receiving benefits who should not be, but we also should make sure that we do that in a manner that is economically sensible. And that's -- those are my comments.

>> Gallo: Thank you. Councilmember Zimmerman?

>> Zimmerman: Thank you, councilmember Gallo, chair. Do you have any objections to what Mr. Robbins has continually asked us to do? Because what I like about his approach is he has some pretty specific -- he doesn't speak in abstractions. He speaks specifically about what steps he would take to improve the program. That's why I like him so much. He speaks specifically to what he would like to do. So do you have any objections to any of his specific recommendations?

>> Actually, I think that I'm pretty much in line with the conclusions that Austin energy has made about their implementation. I have extreme reservations about the matching of the names on the account with the names in the database and I have that reservation because, number one, this affects different people like who are out there. For instance, there are a lot of widows and widowers where the husband dies and the electric bill is in the husband's name and it never gets changed over. I know a lot of people who are married and most of them don't have the same name. Husbands and wives do not share names, and the electric bill is in one of their names. So this would eliminate a lot of people. This is, as Mr. Robbins has stated many times here, this is what the state program does.

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The state program did not start out doing that. Whenever they started matching names, the enrollment in the program was reduced by half. And at that time there was a conscious effort in the state legislature to not spend the money that was in the account so that they could use it to balance the budget. And that was in some ways a ploy to make more money available for, you know, backing the general fund. So I just

think that that one is too strong and we want to -- we don't want to pay benefits to people who shouldn't be receiving them, but we also don't want to eliminate a lot of people who really are eligible for the benefits because of something like name matching.

>> Zimmerman: Okay, thanks.

>> Gallo: Any other questions? Thank you. I'm going to mention on the vote to approve the minutes I mentioned that it was unanimous but at that point we had four committee members that were off the dais. Mayor pro tem Tovo is on city business and should be joining us at about 10:00. Councilmember Troxclair, Renteria and Kitchen were off the dais. Councilmember Renteria is now here. Item number 3 we're going to begin the briefings. Agenda item number 3 is regarding the process of filling the position of Austin energy general manager.

>> Thank you, chair. As you know we're very excited to welcome Jackie Sargent as the new GM. She will be here in mid August. She brings us 30 years of experience in the industry. General manager experience as well as Austin energy experience so we're very pleased to have lured her back to Austin and look forward to her joining the executive team.

>> Gallo: Terrific. Committee, are there any questions? Councilmember Zimmerman?

>> Zimmerman: Thank you. One quick question. Could you let us know what her position was, if any, or

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what -- what connection she had to the northeast Texas bio mass plant?

>> Sure, I'll pass along a resume and what other role was when she was with Austin energy.

>> Zimmerman: Okay. And does she -- has anybody talked to her about the future of that contract or that plant?

>> I don't think we've done that yet.

>> Zimmerman: Okay, thank you.

>> Gallo: Councilmembers, any other question? Councilmember Pool.

>> Pool: Thanks, chair. I just wanted to make a real quick statement. I'd like to welcome the new general manager of Austin energy, Jackie Sargent, back to Austin, and I'm looking forward to working with her on the various issues that are ahead of us. Since she's coming to Austin in mid August during the rate case and we just having had the new navigant of feasibility of building the gas plant, I wanted to make a couple of statements. The consultant report from Navigant rates the gas plant in a virtual tie with wind and solar. The current gas plants are losing 60 million a year in the market. Even with the wholesale market improving, the case for a new 500-million-dollar gas plant hasn't been made and as Cyrus Reid just pointed out, we need to turn our focus toward preparing financially to defuse the plant and close Fayette. And the decision will be made by the city council sitting as the board of directors on behalf of Austin ratepayer stakeholders. So with our solar purchases that we have made, we have adequate capacity to meet peak demand even with the closing of Decker until about 2021-22. I've previously stated my reluctance, if not actual opposition to building a new gas plant and I just wanted to get this on the record with our new Austin energy general manager coming to town. Gas plants are old technology. Austin needs to be looking beyond coal, beyond gas to

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the future renewables market with solar and wind. This council made significant progress in that direction with our ppa's last year to close to 1600-megawatts of solar. It was a big deal. We demonstrated our desire to move that direction and I'd like today to emphasize, to underscore my continued focus on renewables and my belief that for us to achieve our net zero goals in our climate protection plan we must die vest the city of the old fossil fuels and move boldly toward the clean future.

>> Gallo: Councilmember pool, I would just suggest that we're not posted for that discussion. If legal could help us as we move through the process of this meeting as we are getting close to being in violation that I would appreciate that. I appreciate your comments, but we need to definitely stay with conversation of the items that are posted, but thank you for your comments.

>> Pool: And this was my message to our new general manager. Thank you very much for the point of privilege.

>> Gallo: Are there any other questions? Thank you. And I would like to also mention that in the process, the interim process before the selection had been made, our city staff really has stepped up to fill in the voids and continue as you've said previously keeping the lights on in the city. I think all of us would be unanimous in our thanks to you and to everyone else that has been working so hard during this interim period. So thank you.

>> On behalf of the executives, I appreciate that. We have the general manager report item number 4 on this item under the agenda we had the customer assistance staffing update. We initially had a follow-up on an item from last month and this included the staffing options for the

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customer service representative center. We are not yet prepared to present those Numbers to the committee so I ask your patience. We're going to prepare a follow on number here shortly to each of you and your staff and then we're prepared to bring that next month at our committee meeting to answer your questions. We have our vice-president of rate and regulatory, communications, Mr. Mark Dreyfus, who is going to discuss our pending rate review schedule that's coming up, and those dates that are coming up fast. We have our hearing next week and it will be coming to council shortly. We also have a number of presentations that have already been discussed, which was the customer assistance program and the Austin energy code update. We have two additional ones I would like to bring your attention to. The Austin energy wholesale market utilization. This is how we operate in the Texas market with our generation resources. And Missy [indiscernible] Will be presenting that. And also the storm response and outage restoration. I've talked a lot with the council about outages so we thought it would time for a presentation on what Austin energy does when we have a pending storm coming like we do today. A little background and a little understanding of those mechanics. So if there are any questions, we'll go ahead and start with our briefings.

>> Thank you.

>> Good morning, councilmembers, chair. First this morning you have in your packet at your request a short list of the meeting dates that we've set out for the council's

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consideration of the rate proceeding. You will note that next week we have a live hearing on the proceeding. On July 15th the impartial hearings examiner will release his report and then we have scheduled a hearing at the electric utility commission meeting scheduled for July 18th. And then as you directed, there are five council committee hearings and public hearings set up in August, and the dates and scheduled times for those are set. You'll note that we tried to set the public hearing dates at different times to perhaps accommodate more members of the public and your final decision date is set for August 29th and we'll incorporate those decisions into the final budget adoption at the end of September. And we will work with the chair to set the agenda for those meetings so that we use your five set aside work sessions valuably. I'm going to give you an update on the rate proceeding as it stands. I want to note that I'm going to tread very carefully today. We have a live hearing next week and anything that I say to you or discussion that you may hold on substantive issues could have an adverse impact on our position in that proceeding, so I'm going to do my best to keep from engaging you in the substantive issues that have been raised on factual and policy issues in our proceeding and I'm going to ask you to do the same. And in the event that you can't resist and you ask me substantive questions, I promise to artfully dodge those questions. [Laughter]. So let me give you an update first on where we are in the

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proceeding. When I was here last month we were winding up the discovery phase and responded to about a thousand discovery questions from the interveners, the 23 interveners in our proceeding, questions that we responded to in 10 days. That was an intensive amount of work from our staff. Following that we received testimony from 11 of the parties in our proceeding. They were 12 feudal and those filings came from the Austin regional manufacturers association Bethany methodist church, Mr. Paul Robbins, the independent consumer Oklahoma City Sha we hired for the city to represent small, residential and commercial customers. Data foundry. Data foundry and the chamber of commercial filing together, npx and Samsung filing together who provided two witnesses with testimony. Mr. Jim Rourke, the Austin energy low income customers group and Seton health care family. That was followed a week later by cross-rebuttal filings. That is testimony of one party on or about the testimony of other parties. And we like that a lot because for once that's other people gauging and not just picking on Austin energy's proposal. The cross rebuttal came from data foundry. Data foundry and npx. Samsung and npx. Public citizens and Sierra club filing today and the independent consumer advocate. You know, when we started this process I expected this proceeding would lead to a great debate about the

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policies that the city council the city council has given energy to carry out and how we deliver on those policies in a most cost effective manner. I was surprised that was not what the substance, the flavor of most of the issues is in this proceeding. Really what's come up is revenue requirement. This is a revenue requirement case. How much money should Austin energy collect to serve the needs of its customers and carry out your policy objectives? In that revenue requirement area I would say there are three primary issues that were raised. One is what is the extent of financial reserves that the utility should carry? Another is what is the extent of the reserves that the utility

should develop for decommissioning of its non-nuclear assets, that's the gas and coal plants. And the other issue is the scope of our capital improvement spending. Outside of the revenue requirement, other key issues raised in the testimony are the allocation of the costs of our production function. Also the revenue -- what we call the revenue allocation. As you know, we're proposing a rate decrease and that decrease is proposed to be allocated across different types of customers so the allocation of that revenue, whether to this customer class or that customer class, is a key issue in the proceeding. Then I would say the last issue is the city's treatment of Austin energy. There are really three main issues that have been raised there. One is the recovery of service area street lighting costs from utility customers instead of from city customers. The second is the treatment

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of the economic development department reimbursement. And the third is reimbursement of the value of property that the utility transfers to the city. This was raised by Mr. Paul Robbins. So for example, how the city treats the transfer of the Seaholm power plant on the books of Austin energy. There were a number of other issues. The first I'd say is the distinction between the rates for inside city of Austin customers and customers living outside the city limits. We've proposed to continue a rate differential of \$5.75 million for customers outside the city. That received a lot of attention. There's another issue that goes by the regulatory moniker of piecemeal rate-making. And that is the issue of how broad is the scope of a rate proceeding and are all the costs of the utility considered in the rate proceeding? And in this proceeding we have proposed to consider base rates because the pass-through charges that we have for fuel and power supply for community benefits and for regulatory charges are set in the city budget or in other proceedings under tariffs that you have approved, so there is a question whether the proceedings should have been expanded to include those charges as well. There is also testimony on the residential rate tiers and Austin energy's proposal to squeeze down those tiers somewhat. And there's discussion of Austin energy's proposal to sunset the house of worship discount according to the policy adopted by council in the prior rate case. There's some other issues that are not addressed in the proceeding and I just want to point them out to

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you. First is with one noted exception that I'll mention to you. This case is not about Austin energy operations. No one in this proceeding has challenged the business excellence of Austin energy and its team. No one is challenging that it's a well run company. These issues are about policy and accounting treatment and not how we run the utility, with one exception as I'll note. Another issue that was not addressed in any of the testimony was Austin energy's proposals for discounts for certain types of customers with the exception of the house of worship discount. There was discussion about rate design in general and this is a rate case and I anticipated to see a lot of discussion about rate design and while we do have some discussion about the structure of the rate tiers, for the most part there's an acceptance of the current rate design. And then there is very little attention to the general fund transfer with the exception of the economic development department funding. The original proposal was to reduce rates by 17 and a half million dollars. 17 and a half-million-

dollar reduction in our base rates was recommended. Following the review of the testimony from the parties, we have adjusted that recommendation to 24 million to recognize an accounting change in the way we had treated the revenues that we received to fund the customer assistance program. We feel that's a technical correction to recognize a proper accounting practices. So our recommendation has been amended to \$24 million.

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There's been a recommendation to reduce total rates by \$39 million. Nxp and Samsung have made a recommendation to reduce rates by \$185 million, though I would note that 70 million or so of that is the reduction in the power supply adjustment that was passed through in April and that we discussed with you last month or two months ago maybe. Data foundry has made a recommendation to reduce rates by \$784 million. Seton health care family, Austin energy low income customers have a few other recommended reductions. Primarily these reductions fall into, as I mentioned, reserves, non-nuclear decommissioning reserves, capital improvement spending and miscellaneous other cost issues. Let me mention about data foundry. Data foundry recommends the exclusion of the entire 784-million-dollar expenditure for the production of power. And this -- the basis of their argument is it's something we've told you many times, that we operate in the wholesale market, we sell all of our power into the wholesale market and our retail service is supplied fully from the wholesale market and so data foundry has said since this is a wholesale market service you should receive your revenue from the wholesale market and completely exclude it from residential rates. And I would also note, I mentioned to you earlier this is not a case about the business excellence and operations of Austin energy, with one exemption, and -- one exception, and that one exception is data foundry. And I would summarize their testimony, these are my words, not their words, as suggesting there is widespread incompetence in the management of Austin energy. Moving on to cost

[9:38:15 AM]

allocation, you will recall that our recommendation is that we allocate these costs of production based -- yes, ma'am?

>> Gallo: Councilmember Garza has a question.

>> Garza: I believe data foundry is in my district and I have a meeting with them tomorrow. Can you explain that again, what their suggestion is and why you don't think it is feasible?

>> Well, I would say first that I have responded in my rebuttal testimony to the specific arguments that were raised by data foundry. So as I mentioned in the beginning, I'd prefer not to engage in that debate, but their basic argument is we have stated that we operate in the wholesale market. We sell all of our power into the wholesale market and we serve our customers entirely out of the wholesale market so that our production function should be limited entirely to wholesale market activity and not to passing through those costs to our retail customers. That we should get all of our revenues out of the wholesale market or some other source, and no production, power production revenues from retail customers. And my -- I have very extensive rebuttal testimony on that issue.

>> Garza: So the suggestion is to not charge residential ratepayers?



>> They would reduce -- we have recommended to reduce our revenue requirement by \$784 million that we would not collect from residential ratepayers, we would collect from the wholesale market only or some other source.

>> Garza: And that's not a good idea because?

>> I have discussed that extensively in my testimony and I anticipate that we will discuss that in the hearing next week.

>> Garza: Okay. Where could I see your testimony?

>> We can direct you to the city clerk's website where all of the materials are collected. And I would say we have really appreciated the

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cooperation of the city clerk's office, which has created an area on its website where every single document -- and we're up to about 400 documents in this proceeding -- is publicly available.

>> Garza: Thank you.

>> I'm going to move on to production cost allocation. So this is the allocation of the costs of production and which customer classes pay for those. We recommended a method called 12 coincident peak, which allocates the cost to different customers based on their peak usage over the course of the year. The -- excuse me, lost my place for a second. The independent consumer advocate has recommended a separate method called bip or base load intermediate peak, which allocates production costs only on the amount of energy that is used. Ours is based on the peak over 12 months. Their recommendation would allocate it only on the amount of energy that is used. That shifts more costs from residential and small commercial customers to certain business classes. Data foundry and the cam, we are, nxp and Samsung have called for [indiscernible] Peak which we use today and was adopted in the 2012-2013 rate proceeding and that method shifts more of the production costs on to residential customers because it is based on usage in the four month summer peak. So you look at the average peak over the four summer months, see who is using power at those times and allocate those costs based on who is using power during the four summer peaks. This will be a very active issue in our hearing next week. Revenue allocation.

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That's the issue of who gets the discount, how do we allocate the discount that we're recommending across different types of customers. Our recommendation was that the original 17 million would go entirely to mid and large commercial and industrial customers because of the imbalance that we saw in residential and small commercial customers being below cost of service and that the majority of that would go to mid-size commercial like office buildings and some of it would go to larger commercial and industrial. Nxp and Samsung have moved that we bill to cost of service and move all customers to cost of service, but recall that they are recommending a rate decrease on the order of several hundred million dollars so they would have the rate decrease and then everybody would go to cost of service in the process. Data foundry and the chamber have recommended a two percent increase for customer classes that are currently below cost of service and that would be the residential, the smallest commercial and some of our lighting customers. So a two percent increase in meeting with the two percent annual affordability goal as they see it for classes currently below cost of service, residential and smallest commercial. And then share the additional

reductions among all the commercial classes based on how far they deviate from cost of service. Those are the most broadly contested issues in our proceeding, and then there are issues raised by one or more parties. The first is to extend the house of worship discount and expand Austin energy's outreach to assist houses of

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worship. That comes from Bethany research and the public citizen advocate. We have maintained the current differential between summer and winter rates and you will recall that we recommended -- today we have a very stark differential between summer and winter rates and we recommend that those come together and public citizen and Sierra club have recommended that be maintained. Public citizen and Sierra club have recommended that the current 10-dollar residential customer charge be reduced for multi-family properties. They have also recommended that we extend the value of solar charge from which today applies just to residential solar installations. That we extend it from residential to include solar commercial installations as well. They also recommend that we raise rates by \$31.5 million annually to fund the defeasance of the debt at the fayette power plant and they recommend that we raise the services fee to expand services. Mr. Paul Robbins has recommended some reforms to the cap program. Mr. Robbins also recommended that we accelerate payments on our current outstanding debt on the south Texas project. The independent consumer advocate and Austin energy low income customers have recommended that we expand review of proposed pilot programs and in some case eliminate pilot programs that Austin energy has initiated. Mr. Jim Rourke recommended changes in the solar tariff to include more calculation in the value of solar in that tariff. Austin energy low income

[9:46:22 AM]

customers have recommended that we eliminate seasonal adjustments in base rates and that we eliminate the late fee penalty, the late payment penalty for customers who are late in paying their bills. That's my summary of the issues that have been raised in this proceeding and that we will be contesting next week. On last Friday the 20th Austin energy and city staff filed formal rebuttal testimony responding to all of these issues, those as I mentioned were online and you were able to review them. And then we have a live hearing beginning Tuesday for four days next week and that will be a cross-examination style hearing like you're familiar with. And as I mentioned the impartial hearings examiner report is due in July and we'll have an opportunity to file closing statements and closing briefs in mid June. I have one other note and that is on Monday of this week we invited all of the parties to come to Austin energy and to have a dialogue to assess common ground. I guess you could loosely call it a settlement discussion to see if there was common ground for settlement of the proceeding. I don't anticipate that's going to happen right now and I am certain that we will hold the hearing next week. But we will continue to look forward to opportunities to find common ground and reach settlement with our diverse parties. And should the opportunity arise we'd be very happy to bring a settlement for your consideration. And that's what I have for you today.

>> Gallo: Councilmembers, any questions? Councilmember Garza.

>> Garza: Someone from the clerk's office kindly sent me the link to that, but

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there's 351 documents. Is there any way you could send me the one specific to the data foundry?

>> Yes, we will.

>> Garza: Thank you.

>> Mayor Adler: You went through a list of the issues. In the filings is there just a list about commentary of the issues or would it be possible for you just to write those down?

>> I've provided a list -- like the one I just gave to you to the electric utility commission last week, and we'll forward that to you as well.

>> Mayor Adler: Thank you.

>> It's straight out the notes that I've given to you.

>> Mayor Adler: Thank you.

>> Gallo: And just to mention before we get any further, that it is councilmember Garza's birthday. Not today, on June 4th to be specific, but we will not -- we will probably not be having a meeting until then.

>> Garza: It's June 5th.

>> Gallo: Her birthday is on June 5th. Happy birthday to you. Should we sing?

>> Kitchen: Yes, we should sing and councilmember pool will lead us.

>> Gallo: And all the rest of us will have your microphones off. If you would like to start, councilmember pool?

>> Pool: I don't know. It's up to Delia. Is it okay?

>> Gallo: This is the chair's -- yeah, yeah. [Singing happy birthday song lbgt lbgt. Song].

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>>> [Laughter].

>> Gallo: Sorry for the diversion there.

>> That was fine by me.

>> We love celebrating birthdays on the dais. And I think councilmember Zimmerman going to get us back on track here.

>> Zimmerman: Let me go back. We had a brief conversation yesterday about a couple of things about Austin energy. Namely the risk. There was a bullet point in the presentation that talked about the risk. And then when I asked about how there's risk in a monopoly utility, it was pointed out that we do sell into ERCOT. We do wholesale sales into

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ERCOT, which is true. And yeah, there's always risk if you're producing energy of your cost and you don't know what the market is going to be, I got that, but isn't it true that Austin energy has the decision-making power to produce energy and sell it into the market or not? Isn't that our choice as a utility? And I think the reason we do it is we have to sell energy at a profit in order to cover our losses for the renewables. That seems to be the motivation for us to take the risk to sell energy into the market. So tell me if I'm wrong.

>> Let me speak first to the general issue of the risks that we bear and then answer your specific question. In my mind Austin energy bears the exact same

risk profile as another similarly situated market participant, but imagine an electric utility in the state that like us starts at retail, operates wires and has a whole stale business. Wholesale business. They bear certain risks in those markets and those risks are shared between their customers and their shareholders. And sometimes the shareholders take losses and sometimes the customers pay for those through their rates. In my mind we are no different except our customers are our shareholders, so we bear the same amount of risk and the utility and the city bear that risk on behalf of the citizens. So when you had your discussion yesterday about the extent of risk that the utility bears, the city bears because it's a monopoly, in my mind it's the same risks it's borne by the citizens who are putting a rate of return of their capital at risk and it's managed by the city. On your specific issue it is certainly our choice to offer power into the market, subject to certain rules of the public utility

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commission that address it by offering or not offering, but it is our practice that we offer our resources at marginal cost. So in other words, we only offer our resources into the ERCOT market at a price where we at least recover the marginal or variable cost for operating those resources. So that we hold the line on cost to our customers and bring them the cheapest power possible. We bring the power from the market, supplied by the market. If that's the cheapest opportunity. Or we bring them power backed up by our own resources bid into the market at cost if that's our opportunity. So we never would bid above our marginal costs because then our resources may not get dispatched when they're in the money and we never bid them below marginal cost without some other constraint because then we would lose money for those resources in the ERCOT market. So it is our choice to offer those resources, but our objective is to offer them in an economically optimal way.

>> Zimmerman: Let me say quickly I object to that comparison because Duke Energy, for instance, is one of the power providers that I as an investor can buy into that. It is my choice to buy in. And I look at their return on investment, which maybe it's three and a half, maybe four percent. That seems to be the market realm. And it's my choice. If I don't like the decisions of Duke Energy, if Duke Energy spends more money on wind or less money on wind and I don't approve of their management, I can sell them and get out if I don't like the return on investment. I can sell them and get out. Austin Energy consumers have no choice. That's why those are not valid comparisons in my view. The second point I think that ties us back to data foundry is that maybe the point they were making is that if Austin Energy closed

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down their gas plant -- gas plants, just got out of the energy selling business entirely, there could be some fixed costs associated with that wholesale energy production and sale that could be eliminated. Okay?

>> Councilmember, you're really getting into the substance of my testimony in response to data foundry. As I mentioned when I started, I want to be very careful not to influence the hearing next week with any of our conversation, and so I would love to engage you in this conversation after July 15th when the impartial hearings examiner has rendered his report, but until that time I'm reticent to have that conversation.

>> Zimmerman: Fair enough. I haven't seen any of the hearings, just FYI. But your point is made.

>> Mark, may I add one item? Elena ball, vice-president of power production. I'm currently serve as the interim chief operating officer. I was at yesterday's proceeding and heard the comparison in our market. I would offer one additional perspective. So Austin energy is still a vertically integrated utility. The risk we bear from a market perspective comes from the fact that we have load that we have to serve. We buy all our energy from ercot. Regardless of our generation decisions, the load that we buy from ercot is ultimately the exposure and risk that the utility bears. We deploy different types of programs in order to manage that energy risk, but just to give you an update and we'll talk about this in a little bit, ercot is one of the most price elastic markets that exists. Image unyour own vehicle, you're driving around. I pulled up this morning, it costs about \$30 to fill up my vehicle this morning. That's generally about how much ercot is charging for power right now. But at any time when you're driving around the price could go up to nine thousand dollars.

>> Gallo: Excuse me. The microphones need to be turned up. The volume is really low.

>> I'll lean in. So if at any time you could drive around and know that

[9:56:33 AM]

you were about to potentially have a 1,500-dollar fill-up or a 3,000-dollar fill-up or 9,000-dollar fill-up, you would deploy strategies to manage that risk. So I just wanted to highlight that duke and southern and other companies you mentioned do not have retail load in this market. So the risk profile does look different, but we have risk because we serve load. Is that helpful?

>> Zimmerman: That is, but so do all the other providers in Texas. Austin energy is not alone in the risk that you just described. Everybody else has that. It's not unique to our situation.

>> Correct. Thank you.

>> Gallo: Councilmembers, any other questions? Okay. If you could continue, please.

>> That concludes my report and I'll look forward to giving you a fuller report following the hearings and then beginning in our proceedings in August really having a deep substantive discussion on these issues. Thank you.

>> Gallo: Thank you. Agenda item number 5 -- do we have customer care contact as part of this discussion? No? Are we moving to 5?

>> Good morning. Your question is do we have a customer care contact?

>> Gallo: Center staffing update was also posted as agenda item 4. Are you addressing that?

>> I am not addressing that today as our acting GM mentioned, that will be provided to you guys a little bit later in a memo form and then I'll be available on June at this meeting to answer questions regarding the memo.

>> Gallo: Thank you for that clarification. We will move to agenda item number 5, customer assistance program update on automatic enrollment.

>> So good morning. Jj Gutierrez, vice-president of customer care services, currently, but that's changing. I have a slide presentation that's basically three slides. The first slide -- thank you. Simply is a recap of the

[9:58:36 AM]

changes that have been made to the automatic enrollment process for the customer assistance program. And I just wanted to reiterate we've already discussed many of these changes, but I did want to reiterate that there have been quite a few changes made to the process, and enhancements made to the process since its inception in 2013. We began with an opt-out process, where we can flag customers who choose to opt out of the program in our systems, and that way they won't be automatically reenrolled the next go-around when they are matched on the list. We also added a Travis county appraisal district screening process, where we can identify those participants whose home improvement value is greater than \$250,000. We've implemented that screening process, and it happens currently on a monthly cycle. We also have implemented the vash housing criteria that allows veterans with the voucher to be automatically enrolled and finally we've implemented the removal of a wait list so there's currently no wait list for the discount program. There's also been several recommendations that were led and provided by consumer advocate Paul Robbins, and one of those included an identification and removal of duplicate payments. We've found that to be an error in our process and our contractor, a third-party contractor, will be repairing that soon. So that is underway. I mentioned our third-party contractor, and one of the issues that we've come up against is with all the

[10:00:36 AM]

changes that we've made to the contract, we are currently out of scope of that contract we've added enough significant or substantive change that we are now outside of the scope of the original contract. We saw that coming, and we also knew that there were additional changes that were being requested that staff agreed to participate in. So we have developed a new contract, a new contract with the same vendor, solex, and we will be bringing that contract to you in its extended scope, it will include all of the items listed on this page so that new contract will include scope for quick action, which is modifying the current process to allow that opt-out letters are sent to all participants who have home value, not -- at one time, not waiting for their monthly certification period. That was a recommendation by Mr. Robbins and it's one we agreed to do. I want to point out that it will come at a cost and it will take about 60 days and that we can't enact that change until we have this new contract approved -- authorized and in place. We also are adding to the contract scope the recommendation that we look at consumers or customers who have more than one property, where their values add up to greater than \$250,000. We also agreed that that would be a good screening criteria to add to the process. Again, it comes at a cost and some time, but it will be included in the scope of the new contract.

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The last -- the next two items, income verification and dual enrollment -- dual enrollment both are recommendations, again, from Mr. Robbins that staff requested that we wait to see whether those measures will be necessary after we've implemented the first two, quick action and more than one property. We would -- we ask that we come back and we assess whether there's need to further implement these changes after we've seen the impact of the changes that we've already made with the first two items. Again those come with a cost. That scope will be included in the contract so if we decide to move forward the contract will cover it in scope, but we will not proceed until we've brought back the results to this committee.

>> Chair?

>> Gallo: Yes.

>> Casar: During citizen communications, Ms. [Indiscernible] Brought something up and I didn't want to break the rules and does her a question, so I'm going to risk paraphrasing, I believe she raised the concern some of this estimated cost would come out of cap funds. Would that be the case?

>> So it doesn't come out of the cap change fund, the fund where we collect dollars from the customers. It does not come out of that fund. It comes out of our Austin energy budget. So the o&m budget has been and continues to pay for the contract with solex.

>> Casar: Thank you. I apologize if that wasn't her concern but what she said stirred it perhaps as a concern for me. Do we have a -- does Austin energy feel that the amount that will be saved in the cap program will significantly outweigh most likely the estimated cost of making the

[10:04:41 AM]

change?

>> In two of the recommendations we do agree that they are fairly inexpensive and the costs will outweigh the results of improving and enhancing the screening process. But there are several others of that a one-time and an ongoing cost that we feel may be exorbitant and not necessarily be cost prudent. We will bring that information back after we've had a chance to assess just how many customers would be impacted and the savings that would be resulting from making those kinds of changes.

>> Casar: Thank you. I do have one last question but it will require putting the presentation right back on quickly. Here next to income verified participants and scope change it looks like the sentence is cut off a little bit.

>> It's \$33,000.

>> Casar: Sorry, under scope change.

>> Oh, yes, there's a -- it's truncated, performing income verification for customers whose income -- home improvement value is greater than \$250,000, and it's been truncated there.

>> Casar: Thank you. Under the dual enrollment system would mean offering a self-enrollment option for those customers who may be very low-income but not qualify for the programs that auto enrollment --

>> That is correct. Dual enrollment also applies to the situation where the name-matching process is implemented, and if the customer does not automatically receive enrollment because their name matches or their name does not match, they can also use a self-certification process.

>> Casar: Right. So that's if we change the name matching, that would be useful -- a useful tool. But then I also imagine that

[10:06:41 AM]

it may be a useful tool if we suspect that there are large Numbers of low-income folks in our community that aren't getting signed up through the auto enrollment program, which would require some study.

>> That is correct.

>> Casar: Thank you.

>> Gallo: Councilmember kitchen.  
>> Kitchen: I have a question related to the second line. So -- so the scope of this is -- is it simply to identify the owners of multiple properties? Is that the scope?  
>> That is the scope.  
>> Kitchen: I'm just curious about the price. So this \$50,000 that would need to be added to the solsx contract, is that how it would be?  
>> Yes, that is correct.  
>> Kitchen: I don't know if y'all had the opportunity to dig into the task that would be performed as part of that contract because I guess I'm making an assumption that may not be correct, that basically are bouncing data against each other. Why is it so much?  
>> This is a task that can't be automated and so this is a manual process.  
>> Kitchen: Okay.  
>> There's no database right now that has that has all the information within it to be able to discern whether a customer, John doe, is the same John doe who owns property at two different locations. And so this is basically an audit process that the vendor would have to develop an audit process where they would be comparing two or three different databases to try and match and discern whether one customer is the owner of several properties. And so this is a manual process, and that's why it is as expensive as it is.  
>> Kitchen: And that's because there's a concern about matching the correct customer because otherwise you could just download data from the two databases and match them against each other?  
>> You could.  
>> Kitchen: It requires a manual process to go in, eyeball it and see if that's really the same person?

[10:08:42 AM]

Is that the deal?

>> Even beyond eyeballing you want to -- we are looking at yet a third set of data, which is a mailing roll to see whether that same customer has mail going to the same location. And that's another way to verify whether it's the same person. This is not an exact science, and so there's going to be judgment and a lot of manual review to ensure that -- as best we can that a customer with the same name is actually the same customer.  
>> Kitchen: Okay. And so then what happens as a result of the audit?  
>> So once those are identified they would be receiving the opt-out letter if the property does add up to more than \$250,000 threshold they would be receiving the opt-out letter and the opt-out letter is one that asks the customer to verify that they should and want to continue to receive the discount or to receive the discount. If they don't respond, they are not enrolled. If they do respond and opt out, they're not enrolled.  
>> Kitchen: Okay. Thank you.  
>> Gallo: Any other questions? All right. Thank you.  
>> Finally, on this page, we've got the last recommendation to eliminate the 10% discount for the top two tiers for customers that -- whose consumption exceeds the third tier and is in the fourth and fifth tier. At this point staff does not agree with that recommendation, and we did not recommend moving forward with it. We move to the last page, and that will give you some idea of timing, and when you can expect to



see some of these items in play. We hope to bring to you in June, on June 23, the rca for

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the new solex contract. It will go to the euc on that Monday and it will contain all of the scope enhancements or scope increases that we've discussed. Once implemented, if authorized, we will begin making those changes to the process and to the system. The one where we're eliminating duplicates that's truly an error so that one we actually have underway right now and we hope to have it complete within 60 days. The others would start after the contract is in place. You'll see that quick action for the opt out, which is sending letters all at once and the audit for the multiple property would all be concluded by August. And we would -- in August we'd want to have a discussion with you about whether you feel we should move forward with income verification and dual enrollment. And that's all I have.

>> Gallo: Thank you. Any questions, councilmembers?

>> Casar: I have one.

>> Gallo: Okay.

>> Casar: On your last slide you mentioned that staff is not recommending reduction of the discount in the higher tiers. Could you give us just a couple sentences on why that is?

>> Sure. The discount -- removing the discount for those customers that have consumption in the higher tiers we feel may be un-- there may be unintended consequence where we're actually harming low-income customers and so I guess the assumption with this recommendation is if you're spending in the higher tier you're either high income or you're wasteful. And we think that there's maybe a third situation where customers are living in conditions where there's no option other than to spend --

[10:12:48 AM]

to consume at that higher rate. They are just doing the best they can. And we feel that removing the discount at those higher tiers actually will harm these customers that we're really trying to help. In conjunction with that, we do recommend that we identify and we are -- we have identified those customers that are -- those discount customers that are spending in that higher tier and we're actually suggesting that they go through the weatherization program, the free weatherization program and that will help to reduce that consumption and help to bring them out of the fourth and fifth tier.

>> Casar: Thank you. I think rather than us having to theorize about whether it is higher income or wasteful folks or whether it's people in those sorts of conditions, if you have some of those case studies at hand for the council to understand and the community to see, then that may be helpful to sort of pull it out of theory for us and make the decision a little bit more clear. I appreciate that. Again, I think I've said this a few times but never really followed up thoroughly with Austin energy, on the dual enrollment issue, for me more than just assessing the need for future enhancements in September on dual enrollment, just based on how things went with the changes, actually for me I would be interested in understanding whether -- how many people we think are actually falling through the cracks that need to get enrolled because of state and federal mandates that keep people from benefits

programs. And so I don't know how many people, especially potentially -- from the Austin energy fairs and schools at stuff, how many folks we encounter who should be signed up and that we could sign up through dual enrollment so that would really be the metric for me, if y'all could follow up with me about that.

[10:14:49 AM]

>> Sure.  
>> Gallo: Any other questions? Councilmember kitchen.  
>> Kitchen: I just wanted to -- as part of identifying the situations for those that are using the higher, it would be helpful for us to understand, too, if there's certain situations that fall between the yeah, for example, that the whetherrization program might not help for one reason or another. There are some programs -- there's at least one program out there called healthy homes. Are you familiar with that?  
>> I'm not.  
>> Kitchen: I can share information. That program is designed if I'm understanding correctly to hit those circumstances that there's just some difficulties in the funding streams for those folks that can't be helped by this program or that program and they need some kind of other solution so it will just be helpful to understand if there's any people that fall in that --  
>> Through the cracks.  
>> Kitchen: Yeah.  
>> Sure.  
>> Gallo: Councilmember Houston.  
>> Houston: First of all, Ms. Guiterrez, I want to thank you for all the work you've done over the year and some months now, almost a year and a half. You've really tried to hear the concerns people have about people who are not eligible for customer assistance programs being able to not get those services. Can you tell everybody when your last day might be?  
>> My official last day is end of August. So August 30 or 31. And I will be here and at the meeting through July. We don't meet in July but I will be here and workingthrough July and then I have some vacation planned in August.  
>> Houston: We're going to miss you it thank you so much.  
>> Thank you.  
>> Gallo: Any other questions? And I think we all would express the same comments as councilmember Houston just made. Thank you. Thank you very much for your service to the community and to the city.  
>> You're welcome.  
>> Gallo: Next on the agenda

[10:16:49 AM]

we have item number 6, upcoming update to the city of Austin energy code?  
>> Zimmerman: Could I be recognized for the point of reconsidering item 1, the approval of the minutes to add a sentence regarding the city manager's absence from the last meeting? That was agenda item none eight. I'm sorry I didn't notice that sooner. But if there's interesting therefore in that, just to -- interest in that to reflect the minutes that the city manager was not present when we had scheduled to have a conversation about the Austin energy executive.

>> Gallo: So my understanding is that we would need a motion to reconsider --  
>> Zimmerman: I just made that motion but it would need to be seconded.  
>> Gallo: Is there a second? I hear no second. Okay. Back to agenda item 6.  
>> Good morning, madam chair, mayor, councilmembers, my name is Debbie Kimberly, vice president of customer energy solutions. I'm here to talk about amending the energy code for the city of Austin for new construction. This is an information item. It will come before you in the month of June and it will be brought to you by the development services department but Austin Energy serves as the city as a's energy advisor and we're pleased to be able to brief you on this very quickly today. So there is a building technical code, it's big, and it's got a number of chapters. And the energy code is a small part of that, but obviously for someone like myself and the people that I work with very, very important. And I do apologize in advance because the building codes contain more acronyms than you have ever seen anywhere. So I'm going to try to stay away from those and I know that if I accidentally use one I can count on you to tell me.  
>> Yes, thank you.

[10:18:50 AM]

>> So development service department is actually the entity that enforces all of our codes whether it's the energy code, whether it's fire, residential plumbing, mechanical, property, maintenance. You have an example 80 here that shows you the little slice that I'm going to talk about. Oftentimes the entire code comes to you at once for action. But in this case we're proposing to take the energy code forward independent of the other code changes. And why is that? It's because during the last session of the Texas legislature a law was passed that creates a statewide energy code based on the international energy conservation code otherwise known as the IECC 2015. So by point of reference, we're on the 2012 code currently and we did not want to be out of sync and have a statewide code that was frankly more ambitious than the code that we're on right now, which is why we're taking just that little slice, the energy code, forward now. So the IECC is revised every three years. We, acting as the energy advisor for the city of Austin draft local amendments to the city energy code and then development services takes this forward to you and they will come to you in the, you know, time frame. Typically what we target is a level of efficiency that is 10-15% more efficient than the posted code. So that's what we've done with the 2012 IECC and that's what we've done with the 2015 IECC. Why? Because that is consistent with the policies that you have all set, which is to achieve high levels of energy efficiency or conservation as well as demand response to achieve ambitious goals that have been set in our generation resource plan and those codes are divided very simply by residential and

[10:20:50 AM]

what's not residential. That's commercial. And for the better part of the last year, my staff and the development services department and others have been soliciting input from stakeholders. Who are those stakeholders? Well, they're builders, they're trades allies, architects, the people that we work with when we go out in our green building program and, frankly, it's because we have a green building program and this year we will celebrate our 25th anniversary of that program, but this is not something where we

see a lot of push back from stakeholders. So if you consider that 20-30% of the new construction be it residential or commercial is built to green building standards which are at a level higher than the energy code it really mitigates against any push back. The fact is that already in the city of Austin you see buildings that are built to the 2015 IECC. So unlike other communities, this is not really a big deal. We are already there. As I said it will go forward in the month of June for your approval, and then we allow a 60 to 90-day time frame for this to take effect. Why? Obviously the code department needs to have the ability to do the enforcement. They need the training. Stakeholders need to be communicated with. But the intent would be to sync up the effective date of our code with the state code. The residential would take effect in September, and the commercial codes in the month of November. So let's talk. I've got one slide each, one on residential and one on commercial. So -- one on commercial. So what is the residential code that we're proposing apply to? It applies only to new construction for single family and multi-family homes. And in the case of single family, that is -- and multi-family, it's any building that is four stories or less. And here's the value proposition. If you are looking at what it takes for a new home to comply

[10:22:51 AM]

with the code, for a new three bedroom, 1200 square foot affordable home that adds to the construction costs of roughly \$350. But what will the residents see in terms of savings? They'll see savings anywhere between 37-\$72 a year in a reduction in their annual utility bills. That's because of the changes made relative to cooling requirements, heating, lighting, and in the case of new construction, it amounts to 100% high efficacy lighting, so LED lighting. Right now in the 2012 codes, it's 90%. So you can see just in terms of why this -- we don't anticipate will be a big deal, it's a modest change but one that will yield savings. And in the context of the goals that we set and that we can take credit for in our generation resource plan, depending on whether a home has mixed fuel, in other words gas and electricity, or all electric, that home will see anywhere from a .4 kw to half kw savings for an all-electric home. The other thing this code does, it allows for trade-offs, trade-offs between how efficient you can make the home in terms of envelope improvements versus mechanical, mechanical being as you can see from the slide in large part cooling and heating. And I'm not going to get into -- unless you'd really like me to the home energy ratings scores or HERS scores that are the basis for the code amendments. Then in the case of commercial codes, what we've done and what we've done in consultation again after all of the stakeholder input and reviewing with the development services department is to say that commercial buildings can meet either the 2013 -- this is one of those acronyms, ASHRAE, the American Society

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of heating, ventilation and air conditioning the engineers, 90.1, 2013. So this is a version of the HVAC heating, ventilation, air conditioning requirements. So then meet either an ASHRAE requirement or they can meet the International Energy Conservation Code requirement. They just can't MIX the two. What does that mean? It's not as prescriptive. It gives our community choices but still to get to more efficient construction within the city. And here what we've looked at is based on work that was done by Pacific Northwest National Lab. What the payback would be when you look at

the cost to build to the new standard and you can see the paybacks are really quick. For a small office building you're looking at an immediate payback. The longest you see up here is for a large office building, 6.8 years. And the mixture here is partially air conditioning and heating but a lot more in terms of the envelope improvements, lighting and additional measures. So, again, allowing different paths to efficiency, which we believe is a good thing. Now the last thing I'm going to talk about is the proposed --

>> Gallo: Excuse me. Can we pause for a second?

>> I'm sorry.

>> Houston: That's all right. Thank you. On slide five, how do you calculate the savings? The paybacks?

>> What you do is you look at the cost for all of those construction materials. You look at the cost associated with what you have to do in terms of fenestration, how and where you position things like windows, doors, vents and the like, what you have to do in terms of overhangs from -- over those windows and building openings, if you will. So you look at the additional cost. Here's a cost that -- for those of you who like to enjoy

[10:26:54 AM]

the -- like to enjoy the dining scene in Austin -- and I'm one of those people. So you go to a restaurant and the restaurant has garage doors that open up and allow for dining outside when the weather is nicer than it is right now. The codes will require that there is an automatic hvac or air conditioning shutoff when those doors open because you don't want to be cooling the great outdoors. That's wasteful. So the new code -- that's just one of the features of the new code, which is if you open up those doors, there's an automatic shutoff that will shut off air conditioning so you're not cooling the outdoor area. All of that comes with a cost. So you look at that and then you look at the savings on a utility bill as a result of those measures. And that's how you get to not unlike what I showed you in terms of a home, that's the payback. Those costs will be paid off over a period of, say, immediately versus six years.

>> Houston: Is it unusual we do those look behinds to see what the payback is or if we actually, because of the changes that we've made, that in fact there was a payback in what it was is this do western do that?

>> We do. In fact the green building group does that and we're proposing to put in a new incentive program in the future for our green building program that will provide a performance-based modeling incentive that allows us to look at that as another option we could give customers. In the case of this, we used a model that Pacific Northwest National Labs used to model those results.

>> Houston: So is the animal shelter kennel, is that a green build or is that just a lead certified building?

>> I would have to check on that, councilmember Houston. I'm happy to get that to you.

>> Houston: Because I would like to know what the payback is.

>> I'm happy to look into that for you.

>> Houston: Okay. Thank you.

>> So then if you're okay I'll

[10:28:55 AM]

talk a little bit about solar ready.

>> Gallo: Sorry, one more question.

>> Zimmerman: Thank you. One more question before you move on and this adds to what councilmember Houston has already brought up. These Numbers are estimates. I think the people that produce those will readily admit that. They are estimates.

>> They are estimates based on a rigorous energy model that looks at the costs that would be incurred and then the savings associated.

>> I can glee it's rigorous. I can even bet that it's very complicated but it's still an estimate and it could still be off very dramatically and the point here that I'm going to make again later to what councilmember Houston is saying, the increased costs are guaranteed. The payoff periods are not. In other words, when you make these impositions and these mandates and impose these costs, costs go up, economic segregation is accomplished. Perhaps the payouts will be realized in later years. But what is guaranteed is more economic segregation because these mandates demand that the cost increase and already our costs in Austin are out of control. And we need to be reducing costs instead of increasing costs with the promise that, well, you should get a payout within, you know, two years, five years, ten years, whatever it might be. So I want to second what she's pointing out, that people see these increased costs up front and then may or may not realize the benefits. In any event, this may price more people out of our city.

>> Reminder, again, it's for new construction only. Moving along to solar ready, this is a proposal that was taken up by the resource management commission and it is one that has the support of Austin energy. And the goal is very simple. It does not mandate solar on new construction. It merely sets forth a goal to reserve designated space in a new building, whether it's

[10:30:56 AM]

residential or commercial, and to orient those buildings in a way that they frankly harvest more sunlight. It also ensures that when a new -- for example, let me talk about a commercial building. On the roofs of commercial buildings, not necessarily ones on the downtown chiller network that you heard about last month, you will see chillers on the roofs of buildings, you'll see equipment. This merely says orient those in one spot so you can -- you reserve roof space for future solar installation should the building owner or the residential homeowner choose to have that. It's that simple. So it's really just that. Now, it is ambitious to put that on the same time frame as the energy code, which will come before you next month. We are engaging in stakeholder input right now. We've gone out with surveys. We've held meetings with stakeholders. We've talked about this with both the electric utility commission and the resource management commission, and we estimate that this would be on the same approval time frame as the remainder -- recall that pie chart I showed new the early slide -- as the remainder of the building codes. But, again, this is something that is not saying you must put up solar. Rather, it's merely how you orient a building, how you orient vents and the like and equipment so it can enable cost effectively the installation of solar the a future point should the building owner choose to do so. That concludes my presentation. I'd be happy to talk through some of the details. These details you can read through. We were mindful, council, of the potential for exceptions. And so if you live in Hyde park and there are lots of trees you maybe precluded from shading -- from putting solar up because of shading. The proposed kodak knowledges

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that. It also says for tiny homes there's an exception. Doesn't mean you can't do it. It just says it recognizes there's an exception. There's an exception in the downtown network because of the underground mesh network you have serving downtown, rooftop areas insufficient or accommodations in the case of a hospital, heliport, it's very simple, intended to be affordable to the point that was just made. It's intended to ensure that there's space on the electrical panel reserved for solar. Again, it is intended to be very thoughtful and mindful of the environment that we see here in Austin. I'd be happy to answer any questions you have.

>> Gallo: So I have a question to start out the questions. Could you remind us the stakeholders that were involved with this process? I'm particularly interested if the architects and the building trades, contractors were part of them.

>> In the case of the residential stakeholders, there are -- we have a listing, about 100 to 120, builders, architects, design firms. In the case of commercial, it's a smaller group, but, again, they're builders, architects, stakeholders. We've had meetings where that you have come in and talked to us. We've reshaped some of our proposals as a result of that input. So, I mean, there have been meetings that have really covered the last year and we've done so in partnership with development services because, again, they're the ones that enforce this.

>> Gallo: So if we needed to get a copy of the meetings and the stakeholders that participate in those meetings we could do that?

>> Sure.

>> Gallo: I appreciate that. As we all try to reach out make sure we reach out to the community in a time-appropriate way so there is input into the different policy decisions. We appreciate that. Thank you. Were there other questions? Councilmember Zimmerman?

>> Zimmerman: Thank you, chair Gallo. So I want to go back to

[10:34:59 AM]

page 7, if we could, and make some points here. I also want to remind everybody, again, we are the most unaffordable city in Texas, and there's a reason for that. City government is contributing in many ways. For instance, do you know how many constraints are already in place for builders and architects that are trying to use land to put apartments, single-family homes and buildings on? For instance, the heritage tree ordinance that is a constraint on how you can use your space. Watershed ordinances for drainage and runoff, there's a constraint. How about the visibility? The wheelchair ordinance constraints regarding slope for sidewalks and what have you, another constraint. When you add up dozens and dozens much these kinds of constraints, that contributes to the unaffordability of building in Austin. So what this proposes to do is to pile on top of all that bureaucracy still more constraints, okay? When you say 160-240 square feet of clear roof area, you're talking about roof that didn't have any drain waste vent pipes or any gas utility pipes. And if it's gonna be oriented towards solar that means 180 degrees pointing towards true south. Constraints. They're more constraints. Maybe it's that our council does not appreciate that -- the discipline of systems engineering, of how incredibly complicated it is to take a huge array of constraints and put all those together and make something work in an affordable fashion. So my argument against this is this moves us in exactly the wrong direction. We already have too many constraints on our builders and on properties that

add to the unaffordability problem. And here we're proposing more.

[10:37:00 AM]

And it's all these constraints that we add have the same excuse, it's not going to cost that much. You'll see a payout in 4-5 years. But the point is we're the most unaffordable city. This is part of the reason and this proposes to make the problem worse. From my view on council it's kind of like watching a train remembering in super slow Mo, impending train wreck and I just see this moving along. This is another piece of unaffordability that's going to price, as you said, new residents, for new construction, meaning people that aren't very wealthy can't afford to move to Austin and we're going to make it worse with this. It's a terrible idea.

>> Gallo: Any other questions? Councilmember pool.

>> Pool: Miss Kimberly, I wanted to thank you and staff for the hard work you've done in moving the ball forward in this specific area. It's a tremendous benefit for the community, in particular those of us who understand the reasons why we're moving toward our renewable energy sources. So let's thereby any lack of -- belief that there is a lack of support on the dais for the work that Austin energy is doing in this area, let me assure you that's not the case and I thank you.

>> Thank you, councilmember pool.

>> Gallo: Mayor?

>> Mayor Adler: There was something a little afield from this only because we have spent so much of this year focusing on the development review process and you're working with development review. And we've committed to the community that we're going to streamline the review and the inspection process. Sometimes when we started this process we heard of some inefficiencies or delays that were associated with development review being in a different department than

[10:39:01 AM]

Austin energy and thousand coordinate that. While you're here, can you speak to that a little bit and whether or not this code change is an opportunity to do anything institutionally or structurally to help with the permitting process and inspection process to work well some.

>> Thank you for the question. It is something that I do think poses some opportunities for Austin energy as a city department and other city departments. There is no doubt that as a function of our rapid growth there's extraordinary pressure on development services and in particular on the inspectors. I will tell you we have inspectors on Austin energy staff and one of the things I shared about the resource management commission a couple of weeks ago was the fact that I have solar inspectors. They're all master electricians. They all have the license that is required to do that. One of the things we've talked about doing is partnering with dsd to enable our inspectors to be matrixed to their organization. We've got to work out all of the details - to provide support. Here's an opportunity, an opportunity to say divide the city into quadrants all right and each one of our inspectors can cover one of those quadrants and work with dsd to enable faster inspections so you don't have to go out multiple times because the way it stands now you'll often have someone from code inspection go out and then one of my inspectors go out. Is that an easy and pleasant way to do business, Mr. Mayor? No because someone has to be there not once but twice. What can we do to blur the lines between our two city departments and work together? And I have no



doubt as a result of all the discussings you've had that not just because of these changes, which are limited to new

[10:41:03 AM]

construction, the development services will probably come forward during the budget process to seek support for a department that is stretched very thin. And I know resource management commission so spoke about that at some length a couple of weeks ago, the need to have more boots on the ground, boots on the roof.

>> Mayor Adler: That would be great. And it's good if it's possible to visit with Rodney about that, maybe the next I'm he's with us or during the budget process, because I think -- as I talk to the community, there's a -- encouragement. People are seeing the process work better now with the additional attention, with the changes that had been made. But I've also heard there's the desire, especially in the inspection area, for that to move forward as well. So this idea, figuring out how to have one inspector comethat can do everything rather than multiple inspectors sounds like a real good idea and I'd like to see movement on that. Thank you.

>> Gallo: Mayor, we're actually working on a resolution to address that that I think will be seen shortly, but I appreciate you bringing up that as an issue and a concern within your department also. So thank you. Were there any other questions?

>> Zimmerman: One more question.

>> Gallo: Councilmember Zimmerman.

>> Zimmerman: Thanks one more quick question here. Again, back on page 7. I need to point out some conflicts here under the column that says residential and the 160-240 square feet of clear roof area of good solar orientation, that would mean pointing south. In another bullet point that says promotes simple parentheses affordable roof designs, these statements are absolutely in conflict. It's nonsense to say that I'm going to impose an arbitrary requirement of 160-240 square feet facing the south and then claim at the same time that that simplifies and makes things affordable.

[10:43:04 AM]

It is exactly the opposite, okay? It's exactly the opposite.

>> May I --

>> Zimmerman: It's kind of maddening. Then over here on the exceptions column it for exceptions insufficient rooftop area or roof used for parking or heliport. Insufficient rooftop area, that is a purely subjective statement. What's insufficient to one bureau considerate could be sufficient to another architect and vice versa.

>> If I may comment, which. It doesn't require only a south-facing roof. Frankly it's more than south facing. It's west facing and there are other orientations other than just south facing so if I can allay your concerns. There will be in the detailed document that we are circulating now very specific definitions of what solar ready looks like, and they dive way into the details and we're happy to share those once we've garnered what I think all of you would agree is appropriate stakeholder input. We look forward to that. Again, it will come forward at a later date during the year, but it doesn't require just one orientation and it acknowledges the fact that you may have a roof that cannot support solar.

>> Gallo: Are there any other questions.

>> Zimmerman: I'm not quite done.

>> Gallo: Do you have a question?

>> Zimmerman: I do.

>> Gallo: Thank you.

>> Zimmerman: And I have a statement. If opinions are being offered about whether it's south or west I'm the one person on this dais who passed the north American board of certified electrical providers for solar power and installations. You have technical understanding of what this is about. I also have a technical engineering background. I need to keep reminding you because I think rationally, okay? There are subjective statements in here. Can you tell me who is going to decide what insufficient rooftop area is?

[10:45:05 AM]

My theory is it's going to be unelected, unaccountable bureaucrats who are going to make that judgment call. Am I wrong? Or is it going to be the builders and people who are buying and developing the properties, are they going to decide what insufficient rooftop means or is it going to be unelected government bureaucrats? It's going to be one or the other. Isn't it going to be unelected, unaccountable government bureaucrats that make this subjective decision about what it means?

>> Building experts and architects and it requires roughly 50% of the roof space be reserved and I certainly respect your views and technical background. Thank you.

>> Gallo: Any other questions? Okay. Thank you very much for the presentation. We will now move to agenda item number 7, overview of Austin energy's utilization of power.

>> Good morning, Elaine Ball, currently serving as our interim COO. Before we get started on the presentation which is very short, I only have four slides for you today and I certainly hope this is interactive and if you have questions please stop me and don't wait until the end. I certainly want to provide you the information that you all need. This presentation is an extension, continuation of what Mr. [Indiscernible] has hoped this meeting would evolve to, really sharing some of the inner workings of the utility and how we operate our assets for the ultimate benefit of our community and customers. Before I get started I did want to share an announcement that we provided to the electric utility commission earlier this week, earlier last week. We presented our financial forecast at that time also shared that we have recommended in our budget proposal, which you all will be working on this summer, to delay our new gas plant by approximately one year. I wanted to provide a little bit of background as to why we came to this conclusion. The gas plant, when we

[10:47:05 AM]

recommended this as a part of our resource plan in 2014, was really a function of the conditions at that time. We continue to see historically low natural gas prices and low ERCOT prices and we're very committed to making sure that any investment that we make supports directly our goals of affordability. We are not going to invest in resources if we do not believe they're going to help lower bills for our community. With that being said, Navigant did indicate this was a good selection. However, things are changing. We've had extensions of the investment tax credits, production tax credits and as I mentioned natural gas prices continue to stay at historically very low levels. Right now we actually are going through an update of our resource plan, putting in new assumptions and evaluating technologies and

options and expect to bring that back to the council later this year. So I just wanted to provide that update to this body since we did provide that information to the electric utility commission. So with that I'm going to go ahead and jump in. The purpose of this presentation is to share with you all how we use our controllable resources in the ERCOT market to control price and buy-down energy for our customers. I'm going to start off with what assets does the city own? And this list here shows the assets that we currently own, and I also wanted to share how we use those assets. Not all power plants are created equal. Some have very low fixed costs. Some have very high fixed costs. Some have very low variable costs, some have high variable costs. Each of these assets can respond or perform differently in the ERCOT market. So I'm going to start with our joint ownership of new nuclear assets we own on the Texas Gulf Coast, we own those units with two other partners, CPS Energy as well as NRG, we own roughly 16% of that project. The nuclear facilities we own provide very, very affordable power. They are high fixed costs. The nuclear industry is very

[10:49:06 AM]

regulated so compared to other types of resources, we do have a large fixed cost associated with those units and a very low production cost. That being said we benchmark our units against units all across the United States and the world and we consistently rank in the top five when it comes to total cost associated with the project. So it's a very valuable asset to this community and we've operated it safely since 1985. Those units, however, are not price responsive. Just by the nature of the technology, we operate those units at full output and essentially will sell all of that power into ERCOT based on our market desk and how we monetize those assets. We also as you all are aware co-own two units. FPL project, which is about 75 miles south of Austin. Those units have a much lower cost than the STP units from a mixed-cost basis and a little higher production cost. Those units are price responsive. We don't turn those off at night like we do gas units when prices get low but we do back those units way down. Again, we're only running those units when we see price signals that indicate it's advantageous to our customers over and above purchasing directly from the market. Then we have a variety of natural gas units. We have a unit over at Sand Hill, which we've called combined cycle, which is a newer technology, more efficient, has a little higher production cost than our coal units, but a lower fixed cost. That unit is very responsive. We can move very agilely around in the market and we shut those units off when the market does not indicate that we need them. Then I will group the other units together. We have gas turbines, which these are units that are very, very quick start, the engines you take when you fly on an airplane, tied to a generator. We work and strive to have perfect dispatch of those

[10:51:07 AM]

units. We only turn them on when the market price ticks up. Our goal is to get the units on within ten minutes at full load and we turn them off when they're no longer needed. We also have the two steam units when I mentioned earlier about the replacement with the new gas plant. Again, given current market conditions we are looking at deferring that investment and maintaining these two units in our fleet. We still run those units somewhat like peakers, only turn them on when we need them, cycle them off almost every night when we use them and sometimes we only run them for a

few hours in the day when required. So I guess that's a fleet overview. I want -- if I could leave two messages with you. The first is do we have to manage and have wholesale thermal resources? And the answer is no, we don't. Our wholesale business is in place for cost reduction and risk management for our customers. As I mentioned earlier, in a separate q&a, ERCOT and our load exposure over the cost to provide power to our customers, it's a very dynamic market. Energy prices currently are very low but the market is designed such that there's a tremendous amount of upside risk. These units here roughly equate to over 2500 megawatts 2534 megawatts of generation just so you know our peak load at highest consumption of energy is around 2700 megawatts. So in a \$30 environment we'd be paying about \$76,000 to cover our load. In those extreme pricing events up to 9,000, that can equate to \$23 million an hour. That's the retail exposure that we can potentially have. And that's why we have controllable resources. Just for -- to understand what \$23 million means from an overall perspective, when you look at our 2% affordability goal of not growing on a compounded annual growth rate higher than 2% a year, that equates to roughly \$25 million. So the inability to cover that

[10:53:10 AM]

realtime price we can go through our 2% affordability goal in one hour. Does that make sense?

>> Gallo: Are there any questions at this point? Okay, sounds good.

>> So in conjunction with the dashboard that Mark has been guiding us through developing, I wanted to give you a negative preview of the two metrics that we use to measure the effectiveness of our thermal resources or controllable resources. The first is something called commercial availability and this is the percentage of the time that a generator is available when the price of generation is less than the market. So you can think of this as when the generator would be profitable, when it would actually earn money that flows directly to our customers to buy-down their bills. Our goal is to have the highest commercial availability we set some very stretch target. That is measured across the summer. We measure June -September. Last year June -September across our fleet we exceeded 99% commercial availability and I'd love to tell you that's me. I just have a tremendous team that does a really good job of managing these resources and doing their very best to keep the units up and available. A secondary measure we - metric we measure, arrow derivative units we turn off and off -- on quickly, when the market does pick up it will get volatile very quickly, very low calm prices up to over a thousand dollars in a matter of a -- five-minute intervals so these units really help us mitigate that price risk for customers. Our goal is to have the highest reliability. We want perfection. Any time I see an anomaly I'm responding to my team within a couple minutes because we really do see this is high risk and really key activity for our utility to manage affordability and keep customers' bills low. So the goal is number of times that the unit is dispatched or called on and did it successfully start within ten minutes, defined as on line,

[10:55:11 AM]

synced to the grid at max output. To the right you can see historical trends. Historically we have managed those units pretty well in the 95-97% range. Over the last three years we've had a focused effort on increasing the reliability. We're now headed to top decile in comparison to our peers not only around the United States but around the

world. It's real small font but through September of 2015 we started those units 1,330 times and so we had less than a 1% failure rate. Again, goal is 100, but wanted to share with y'all how we use these assets every day. So, you know, the summary of these two metrics are highcommercial availability and successful starts result in earned revenue, translates into a lower -- ultimately price protection for our customers. Does that make sense? Do y'all have any questions? So to reiterate, the utility doesn't hold any part of the fuel. This is truly a physical hedge. We don't retain any of that revenue, goes directly to our customers' bills. Another item I would share is how have we adopted to thischanging market? We've seen a lot more renewables. We've been very bull issue and active in the renewable market to help minimize and decashnize our grid. Others have been in that space. What that has resulted in is a market that doesn't have persistent high pricing around the clock. We've tried to make strategic smart investments and decisions to make our units more flexible. You can see some trends here. The take away from this is from premarket -- the market -- substantial market change we had in 2011 to today, we have been cycling our units a lot more. We don't run them all the time. When they're not in the money we turn them off. You can look at the steam units, decker units, back in calendar year 2011, we started

[10:57:12 AM]

those units 45 times, two units. So couple of times a month for each one. And now you look at where we're at, we're -- we can range from 100-200 starts a year and, again, ultimately earnview back down and buy, ultimately solving for lowest cost lowest cost to our customers. And a lot of these have declined. We're not in it to produce as much power as we can. We're trying to support affordability. And this is my last slide and I'll entertain my questions that you may have. What have we been working on over the last three years? How at south Texas we've been working with energy and cps and we've really focused on site wide cost control. If you remember stp has the high fixed costs so we're working hard to bring the costs down. The team have done a tremendous job and delivered a tremendous amount of value back to the owners. They've put over \$30 million out of fixed costs over the last three years. They've reinvested may some of the dollars, but done a tremendous job ultimately making sure that safety and reliability aren'tcompromised. We've been working with them to focus long-term reliability. We want those unit on all the time to provide that good financial hedge for our customers. And ear also working with them on longer term investment plan for south Texas project. At fpp we've been very busy with environmental retro fits to make sure we have the cleanest units we possibly can and also given the market pressures have been working with the lcra on cost control and making sure our costs are not going up, they're levellized or declining over time. Over the units that we own and operate at sand hill and decker I mentioned this on the previous slides, but the focus has been improving margin on cycling and turn down. Ultimately excellence in operations ties to customer bills so our teams are very

[10:59:13 AM]

much focused on that as well as controlling costs and reducing costs where we can. And I already covered the story on the gas turbines, which is it's all about start reliability. We only run them when ourcustomers will benefit. We want perfection. And I

think the other item -- I can't see my bullet because of the prompter, but the one thing I would say is that all really focuses on the realtime market. And how we use these units in realtime. We also have a trading desk looking at longer term transactions. I'll give you an example of a trading strategy. Our two decker units that don't run a lot, but when they run market is up and they get a lot of revenue. Our team did a real creative thing last summer. There's a start cost, amount of gas to start a unit, they marketed that start cost forward and had another entity buy it. You pay for us to start unit. And then we'll keep that incremental capacity for our customers. So we've got revenue off of that transaction and we got the opportunity to earn revenue. It's not going to show up in the realtime pricing, but the value of that transaction roughly equated to nine million dollars across summer which covers almost all of the fixed costs of decker. The other message I would say is power production is working really hard to make the units as reliable and profitable to our customers, but additionally we're working hard in the market to find ways to monetize them in different ways ultimately for the benefit of our customers. That's all I have for you all. If you have questions for me, I'm happy to take them.

>> Gallo: Thank you very much and thank you for the presentation. Commitment?

>> Zimmerman: One quick question. Go back to the slide you just had there. Where are the renewables on this list? I see nuclear, coal and gas. Where are the renewables?

>> The purpose of this presentation today was to talk about controllable resources, resources we can turn on and off and how we monetize those in the wholesale market.

>> Zimmerman: Terrific. So in that context the point is that the renewables were forced to pay for the energy

[11:01:15 AM]

they produce whether they're profit only or not. We have to pay to push that into the ERCOT market.

>> A couple of things. If you talk about controllable resources or renewable source resources in financial terms they act differently. They are like a call option to turn on. We still pay for the units. We pay in the form of fixed costs to exercise that option. Renewables are like a put. They're available, on and they are not price responsive for the most part. However, we have -- I'm sorry. I don't mean to cut you off.

>> Zimmerman: It was a straightforward question. Aren't we required by contract to pay for renewable power even when it's out of the money and loses money for our customers?

>> We pay the contract price that we executed at the time of the contract and the market price varies.

>> Zimmerman: Irrespective of whether it makes money or not. The point being that when it comes to our controllable resources like the gas we can turn them on or off for a profit motive to make money or to balance load, but when it comes to renewables we are forced to sell that power at a loss and charge it on our customers. That's a correct statement, is it not?

>> We have contracted for the resources and we get the revenue earned that the market has. And that's for all of our resources, but to the point of --

>> Zimmerman: To the answer is yes. There's an answer of yes. Yes, we're forced to sell our renewables into the market at a loss and then we charge our customers for it. That's a correct statement, thank you.

>> If I may add one item, renewables are not always at a loss and they are certainly in our portfolio to add other policy objectives that this council has adopted. And we really work to make sure not only thermal resources, but renewable resources are negotiated at a best value for our customers. I wanted to add that and I respect your comments, Mr. Zimmerman.

>> Gallo: I think you mentioned that this discussion and presentation was really based on the controllable.

>> Yes, ma'am. We're trying to show some operations to this

[11:03:15 AM]

group so you get a flavor for what we do.

>> Gallo: Thank you very much. Mayor pro tem tovo has joined us and been here for a bit. Thank you.

>> Tovo: I simply wanted to ask, this is just -- Austin energy, all the issues related to it are so complicated and I wanted to ask my colleague if we could just let our staff finish their sentence. It gets very confusing when some of us, I'll speak for myself, when I'm trying to follow a thought and our staff are interrupted mid sentence. If we could let the staff finish their sentences before they respond, that would be very helpful.

>> Gallo: Any other questions? Councilmember Renteria?

>> Renteria: I just wanted to ask you a question on the decker. I know it's an older gas plant and I guess the operation costs are just a little bit expensive. But how long of a life do you give the decker lake gas plant?

>> That's a great question. I would share that the decker units actually are very low from a fixed cost perspective. They're one of our, if not the least expensive units that we have, but they're not as efficient. So the thought of replacing those units with more efficient units was really to be able to produce energy for a lower cost on the available side, which is what ERCOT uses to dispatch units. To your question about the life, every year we look at those units. We look at the revenue earned, we look at the strategies we have in place and alternatives. And make decisions around recommendations actually for all of our assets, not just the decker steam units. If I could use an analogy, and I hope it's not a poor analogy, where we're at right now is we have a car that maybe stinks the most fuel efficient. It doesn't get the highest gas mileage that you can possibly buy, but gas is so inexpensive right now that we can't justify going out and buying a

[11:05:16 AM]

new car. Does that make sense? That variable component just doesn't pay for it. We're constantly looking at that. We do believe with this deferral of gas plant while we study alternatives and look at this evolving market that we will run the units a bit longer. We're doing creative things to monetize the units, but I want to leave you with the message that we don't put those units on except when it benefits the customers.

>> Renteria: That's what I wanted to find out. Building a new gas plant is very senseless, so if we could continue just keeping that online longer, a little bit longer so that we we want have to invest that kind of money right upfront, right away. And really look at the big picture and see where we're really going to be at in a couple of years down the road. I think that would make a lot more sense than going out there and trying to buy and build a brand new gas plant.

>> Thank you.

>> Gallo: Councilmember Houston?

>> Houston: Thank you. And I just wanted to thank you for your information. You always do a very good job of helping lay people understand. And to councilmember Renteria, I'd like to say that decker is sort of like some of us on the dais. We may be old, but we're not inefficient. And we can make it a few years longer if pampered. [Laughter].

>> What I tell my team is the units are old, but they're still valuable.

>> Houston: Thank you.

>> Gallo: I think those of us on this end are looking for the pampering. Thank you. Mayor?

>> Mayor Adler: Sometimes I think it is confusing or difficult to look at the Numbers in terms of what it costs to operate a plant. You have the capital amortization costs associated with building or buying into the structure. And if it's something that we own ourselves we in essence have the mortgage payment that we pay. And separate from the

[11:07:16 AM]

mortgage payment there's the incremental costs that we pay to actually turn it on and run it. The cost that you're looking at here from an operational standpoint are not looking at the mortgage costs, but the cost it takes to turn it on and run it at any point in time, right?

>> That's how the market looks at it, yes, sir.

>> Mayor Adler: Then when we look at the renewables and the purchase agreements that I think councilmember Zimmerman was speaking to, that's a payment that we pay that includes both the capitalization costs, the mortgage cost, except that where in essence it was a build to suit so it's all one payment, plus the operational costs. So if we were to do an apples to apples -- apples to apples comparison, we would have to take out of the price we pay for solar are, we would have to take out that component that was the capital amortization and just look at the operation costs. And my understanding is that the operation costs of a solar plant or wind plant are very low, is that correct?

>> Yes, sir, it is. I think you very well couched that comparison. And I would also add, we are in the process of updating our assumptions and Numbers and we'll be bringing back an updated resource plan that we'll do in comparison that you can look and make the most informed decisions.

>> Mayor Adler: That would be helpful because sometimes we see Numbers that I'm not real sure are apples to apples when we look at the cost of operating renewables versus the cost of operating because sometimes the Numbers have the capital amortization cost and sometimes they don't. I have seen some Numbers that gives rise to the question that you said. I want to make sure that I heard it correctly. Are you saying that we only run our plants when they're -- when they're in merit, when they make us money?

>> That is ultimately our goal. And we only turn the units on either when we have a guaranteed forward transaction that gives our customers

[11:09:17 AM]

benefit or when day ahead or realtime pricing shows that. I would state that that's for



the gas units and also the coal unit we dispatch in that manner. The nuclear unit is somewhat different. Technologically it can't move around, but yes, sir, that's exactly how we operate.

>> Mayor Adler: And if that's our goal, what percentage of the time are we meeting the goal? Asked differently, how often do we end up in reality running the gas plant or the coal plant when it's not in merit, when it's not making money?

>> We track both commercial availability and non-commercial production. I can't give you a number right now. I don't want to misstate it. But what we could do is prepare a little look back for you and present that back in the form of a memo or briefing, whatever your preference would be. Would that be helpful?

>> Mayor Adler: That would be helpful.

>> We can certainly do that.

>> Gallo: Councilmember pool?

>> Pool: Thanks, chair. The slide that has the -- I think it's the one right before the end, the slide -- they don't have Numbers on them, with the -- all the plants on the left and then the graph on the right. Would you be able along with the information the mayor is asking for, can you send us the real Numbers that are attached to those bars?

>> Yes, ma'am, I can. We will submit that in a confidential format. Yes, ma'am, we can do that.

>> Pool: That's great. Thank you. That would be helpful.

>> Gallo: Any other questions?

>> Casar: I have one last question. I'm over here. I know the speakers are everywhere. So given that in the gen plan generally we were headed towards getting off of some of the steam units at decker, at the end of 2018 -- I think I'm right, end of 2018. What is the plan now?

[11:11:18 AM]

Are we still on that road given what y'all are deciding with tabling the new gas plan? When do we get an update on that and what's the timeline?

>> Right. That will be part of the resource plan update, we'll provide some projections associated with the future value of decker. And again, we're making those decisions largely based on economics. I will say we're in kind of-- wearing my transmission hat, the transmission side of the business, there are -- part of the value that gets created there at that junction that we've talked to you about is unique transmission configurations. So we have reliability challenges there, and it's very unlikely we could solve those by 2018. We will bring the economic analysis, but I also wanted to let you know that any time you move these large plants or remove the large plants from the grid, ERCOT has to go through a very robust planning process to make sure that we support reliability to import power so that work has not been kicked off. But all of this will come back in the form of the resource plan update.

>> Casar: And when is that coming?

>> So the team members that are working on the rate case are also part of the resource plan. And so I would say later this summer, early fall, would be the earliest. We haven't set a specific date on your calendars when we will bring that back, but certainly the same staff working on the rate case will be involved and we'll need to get through this activity right now.

>> Casar: Thank you.

>> Gallo: Any other questions? All right. Thank you. Thank you very much for the presentation and also the answers to the questions. Next is agenda item number 8, which is Austin energy stormresponse and out stage restoration process. I might mention that there will be several councilmembers leaving at 11:30 to attend council business, so councilmember pool has graciously offered to continue the meeting, but you will have most of the councilmembers here for about another 20 minutes during the 20-minute part of your presentation.

>> Thank you. My name is Dan Smith and I'm the vice-president of electric service delivery, the wire side

[11:13:19 AM]

of Austin energy. I have the privilege of really helping 550 employees that largely do the significant portion of the back office and really the majority of the field activities involved in restoration. But I also get to represent really all of Austin energy, which really is an integral team as it relates to storm restoration. As Mr. Dumbroski, that is a lively presentation in light of the weather. There seems to be something unique about holidays and it seems like the storms love holidays. If you recall last memorial day weekend we had a pretty significant event, actually a tornado touched down, high winds, a lot of lightning. We saw 185,000 customers impacted by that storm. Of course there was flooding as well. And so I will tell you right now I check weather multiple times during the day, and it does not look like it's going to be that type of event, but it is looking like we'll see maybe the magnitude of two to four inches of rain. Could get higher and that may mean some flooding. That's kind of what we're looking at moving forward. So to start off, I think one thing that I would like to highlight is we are a highly reliable and resilient utility. These are two graphs that help to really best depict system reliability for the distribution system. In fact, these are going to be regularly updated on a monthly performance dashboard that you will see and you will be able to help track it. Probably the only thing that's not really good about these particular ones, they don't show the multi-year historical trend, which has been downward. And I will explain these two graphs just briefly. The first one on the top

[11:15:21 AM]

left there is called saifa, system average interruption frequency index. That is saying the number of outages per customer. And it's one that the whole industry uses and what I would say upfront here is that we consistently perform in the top quartile, in many cases top decile for reliability as we compare ourselves and benchmark ourselves with other utilities. The second one in the bottom right is related, so this is called Saidi, and it's the system average interruption duration. So the first one talked about the number of customers -- outages per customer. The second one talks about how long on an average their outage would last. That's in minutes. So we have set a goal and that goal is well below the industry average. And I would make a quick anecdotal note is that the slight uptick that's occurred here has largely been related to some increased analytics. And those aren't something that every utility has. We monitored this and analyzed this over the years the way most utilities do this, but based on some new systems we put in place we've got increased level of visibility and analytics on that. So just a reminder. This is the type of things we see and we see all of it. The remnants of hurricanes. We've seen tornadoes. We definitely have storms that impact us. High winds. The fires that occurred in bastrop,

steiner ranch, and then of course flooding. And then wouldn't leave out the fact that we have a lot of other things that can occur. Things like animals' interference, foreign interference, buzzards, snakes. We see quite a lot of different things that

[11:17:21 AM]

give us restoration opportunities. So this is meant to just give a picture of what the system looks like that gives us a good context for restoration. The power is generated through one source or another. Could be renewable, wind, gas or nuclear, but the power is generated and it's typically stepped up to a transmission voltage and transmitted throughout our service territory. And that voltage is usually 138,000 or 345,000 volts. I've shown just one transmission line in this picture, but it's actually a network of transmission of which we have about 623 miles. And then as that power is transmitted it is then stepped down at distribution substations. And that step down to voltage is most commonly for us 12,470 volts. We do have some 35,000-volt transformation that happens for the downtown network, but predominantly all around what you see around town is 12,470 volts. And once again I've shown just one distribution substation. We actually have 60 of those and 14 transmission substations. Once the power reaches a substation that's where it's transformed down to the distribution voltages of 12,470, brought across not all lines are overhead. This happens to show it, but that's predominantly, we have 12,000 plus miles of overhead -- of overhead transmission lines -- distribution lines, excuse me. And that power is then brought into the neighborhoods, into the commercial industrial areas and then transformed down to the utilization voltages or the secondary voltages

[11:19:22 AM]

that customers use. Typically 120, 240 in a house or 12,470 or 27,480 for commercial industrial facilities. So that's the context. This is an analogy using a tree just to kind of talk about how restoration occurs. So if you start at the base of that tree you've got at the roots power plant or it can be just the source of power, can be transmission lines. The trunk of that tree is a substation and the large branches represent those distribution lines or main line circuits that come out of a distribution -- out of a substation. And then you've got smaller branches or limbs that are tap lines, and then you've got the actual customers that are the green leaves there. So kind of stepping you through what we sometimes deal with -- and this is a pretty significant event where an actual substation has been impacted and experiences an outage. So if you look at this, that substation has lost power and everything connected to it loses power and all the customers connected to it are represented by the gray leaves. So our restoration efforts, the first thing that we're after is we've got to restore power to as near to the power source or the largest element out. So we start with that substation and restore power there. As you can tell at that point, there are no customers yet restored. So our next step after we've restored a substation is we work our way through each of the distribution feeders. And as we restore these distribution feeders, the only customers that are restored quickly at that point are the ones that may be directly connected to a distribution feeder so some of the large primary customers that receive power at 12,470,

[11:21:22 AM]

they would be some of the first would be restored at this point in this example. So obviously customers still served off the tap lines and the fuse lines are still out at this point. So then that's our next step is then we start working on all the fused tap lines and the branch circuits that head out. And at this point, you know, more and more customers are being restored. You'll notice that there's still a handful of customers that are connected to the smaller tap lines or there may be actually transformers in a neighborhood that are currently out at this point. And finally, those are the last areas we work. And I would state that those are often some of the most difficult ones at that point from the standpoint that they've been out the longest. But they're also way disseminated into our distribution system. And you can probably understand why if we started at the leaves being out, one, you likely won't find the problem and, secondly, there's just a myriad -- it's a needle in a haystack. That kind of gives you an idea of how we systematically go through the system. Even though we don't have often substation outages thankfully at all, we do have the feeder ones. So that kind of -- that analogy still work as we go through that. So what I would talk to you about right now is just what are our key focuses or our objectives are with restoration. And it really starts and the real key of that is preparedness. And I'll talk a little bit more about what preparedness looks for us, but that obviously is where things start in our success of bringing restoration. Though I will tell you our highest priority is that second bullet and that's personnel and public safety. So obviously we've got crews that quite honestly are modern day heros, what they do. The type of conditions they're working in, what

[11:23:23 AM]

they are faced with and the hazards not only with electricity, but floods, water, lightning, storm, wind, all that type stuff provides extreme challenges. When we're buckling down those are the ones out doing some significant heavy lifting. But the public side is extremely key because there's multifacets of the public side. There's the fact that many of our customers have medical dependencies on equipment. There's obviously the life safety, hospitals, things of that nature, but there's also just things -- things normally like police stations, traffic lights, all the different things that play into this. And then you have just the common thing that could occur and that's obviously an energized wire down. All of this puts the fact that public safety is paramount all the time for us, but in a storm event it's even heightened. Key to anything and essential is communication. So this is communication that relates to internally how we're communicating and how we're mobilizing, but then also externally. And that involves the communication coming in, meaning the customer calls in concerns as well as what we're communicating out. I'll talk more about that as well. Then when we get more into the heart of what restoration looks like, one of the -- the first things that we have to do is do a damage assessment, really determine going back to that analogy of okay, how many trunks, how many branches, how many different things do we have out? Where are they? What customers are affected? What's our situational awareness, what's the storms, the roads, all those things look like? We're all trying to get predictive of how long an event we might be dealing with at this point. All of that occurs and that leads us into the key part of prioritizing and assigning restoration crews and activities. And just to give you a quick overview, when we prioritize, one thing that we have to be

[11:25:23 AM]

concerned with is system stability, which means we can't get into some form of a cascading event. We need to contain what's happening. So there are times where certain elements would be impacted that would cause us to have to put our first and foremost priority to contain what's happened. But the next major priority is life safety, public safety and those medically dependent customers. We then prioritize the largest number of customers. So we're going to go to where we know we can get as many customers back on and then we prioritize the longest customers out. So when you get into a big event, these things really start to matter, but I would state, and I probably didn't mention this upfront, but we're 24 by 7, 365 days a year doing restoration and customer support and customer calls. So that's a reality. So we're set up, these type of things are not the same problems that we face when it's a major event. One thing I would state, which I'm proud of really, is every event we do a post-event analysis. We do a lessons learned, come up with action items and we're Tinsley improve -- continuously improving. From my point of view we're doing a great job. I think we do an excellent job, but we're continuously looking at how to improve the system, both in our processes and in our people, but also in the technology as well. I'll share a little bit about where we're going with some of that. So talking about preparedness, and we could talk a lot about it, but I'll hate upfront that we do have this dedicated organization that are working 24 by 7, 365 days a year. We also have some leading operational technologies, some stuff that is really helping us to better respond to

[11:27:24 AM]

customer needs and respond to customer outages. To the right there of that first bullet is that's our system control center. We do have a backup control center as well, but that's where we dispatch and actually have our 24 by 7 dispatchers that are continuously monitoring the system. And then they're dispatching crews to respond to troubles. It's also where we will operate out of when we have a storm event. In fact, that facility has an incident command room where when we do activate incident command that's where we're housed and how we're working. The other part about it too is we have what we call system restoration or troubleshooters that are not just on call, they're actually stationed in our facility 24 by 7 so they're handling trouble on a continuous basis. Our whole response structure is really geared around national incident management system, which -- or NIMS. It's an emergency response system that our personnel are trained in and then we do fully staff an incident command structure and emergency management system. We meet quarterly to continually work on our processes and what we're doing. And then we do periodic at least annually drilling and tabletop exercises and we participate in the city's activities as well in that area. And that's the second bullet -- that second part about part of the -- part of the city's emergency operation center, of course. The other element of this is we do have at our access mutual assistance and I'm honest to tell you that we're more often than not participating, meaning we're offering crews into mutual assistance. So it's a network of utilities both investor owned as well as municipalities that are part of this, but that also helps in how you

[11:29:25 AM]

handle major events like Katrina, Rita, those type of major type storms. So one thing as I talked about, safety is paramount. And as we remotely -- as we basically remotely communicate and control our tnd, transmission and distribution assets, and these are kind of ways that we do some of that. We've got our metering. Our meter infrastructure does a lot more than just providing meter reads so we can getcustomers. It also provides operational data. It lets us know when customers are out. So that's a key part of what we're now integrating into our infrastructure. That second picture shows you a picture of the remote operation distribution switch. That's on the 12,470 primary distribution line and this allows it to remotely open and close that switch. And by just providing these type of functionality, we really reduce truck rolls, which in itself is safer, but it also reduces exposure both to the customers and to our staff that are responding both in the perspective of exposed energy, but then also the elements themselves. Talking about the communication part and how things happen with the call center itself, we obviously operate the utility contact center. In addition, 311 citywide information center. We're continually monitoring what's happening with the storm and we're sending innovation to our first responders and our captains that are operating at the call centers. Just in preparation of how we would need to gear up for an event. And that happens in both areas and of course the

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311 is actually working with the city's emergency operations management. During a storm the wall centers are taking calls and with that they're providing customers updates on restoration, they're giving them the opportunity to request a call back after power is restored and confirm restoration. We're working with the key accounts. And then as the volume can increase, those calls can go into 311. 311 is up andoperational all the time, but it also is handling after hours response, but then we also have another call center rollover, which is 21st century. If the volume gets really, really high, there are ways that these calls are actually being handled by our operations. And then lastly, and I'll close out, that we have the customer may request, we'll call back and confirm that they have power. Now, one thing that I would state and it's in there in red, is that all of this is inputted on into our call taking app, which is called ae call, and that's integrated into our call management system which operates and is part of our advanced system. We're operating our distribution system in a much more advanced way than what we had in the past. We're able to remotely monitor the condition of our distribution system, there's a lot of automation that's built in now to better locate faults when they occur and then we have the ability to do certain levels of control. We take all of the information that comes in through ae call, that call-taking app, and now we assign it to trucks and crews to do their

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work and we're continually updating the status of where we are in the restoration efforts. Maybe sometime I'll be able to talk about what we're doing on the distribution side of the business. So where we are today, outages are largely reported through customer calls or the web. And if it's possible can we pull up that storm center. I don't know how many of you can used this before, but if you go to [Austinenergy.com](http://Austinenergy.com) and open up the portal there you will see at the top right corner there's a place where you can report an outage and there's a place where you can

actually check the outage map. In fact, I looked at it about 30 minutes ago before I walked up there and there were two active areas. Let's see what comes up now. Yeah. So those two red dots actually show two outage locations and actually there's another one which actually grabs my attention a little bit. That's over a couple hundred customers. You can actually go to the right there in the legend and the summary and you can see the details on it. Yeah, he's hovering over. You can get an aspect of how many outages are at that location and how many customers are affected. So this is updated every 15 minutes and obviously it's active all the time, including during storm conditions. So it's a helpful, useful tool. There's another part. If you can go to where it says to report an outage in the top right there, yeah, so the customer can go online and report an outage here. Additionally our ivr is set up that when it is up and running that is something that customers can actually report an outage through that method.

>> Gallo: Thank you. If I could stop you for one second. There are a group of us that are needing to leave at this point.

[11:35:29 AM]

Vice-chair pool has agreed to continue the meeting and cover any questions that are asked. But thank you for the information.

>> You're welcome.

>> Garza: Actually, I have to leave too but I wanted to ask a question quick. I know you're done yet, but I know you're close. Have you ever thought of -- my assumption would be the cost, but of burying lines? But I wonder has there been I guess a comparison if that would be offset. The high cost of burying lines would be offset by the fact that I'm sure we would have to pay a lot of overtime and not only on our technicians, but also on the customer service. Or is the price tag for burying lines way too high to offset that?

>> That's a great question. It is very high. I will state that a lot of our network -- our neighborhoods, that's become almost standard where a lot of the new neighborhoods going in, they are burying the infrastructure. The infrastructure isn't as exposed to the elements the same way, but they still require maintenance. So we do -- I didn't really talk a lot about it, but some of the activities that occur even deal with what we have to do with some of the underground. It isn't necessarily maintenance free nor is it restoration free, but you are correct, when you do start looking at putting distribution -- and certainly transmission, the main primary distribution circuits around line is heavy cost. And ideally you do things as much as you can in a green field situation, everything to come back after the fact and try to deal with things becomes even much more costly. It is factored, though, and I would say that what's happening with the esthetic part of that for neighborhoods, especially why most neighborhoods are doing it that way. Good question.

>> Gallo: Anybody else? Okay. Go ahead, Mr. Smith.

>> Thank you. Sorry for the audible there. So with this one, I started off just to kind

[11:37:30 AM]

of get us back to that slide is I started off with just that top left corner talking about how outages generally come in today. Where we're going -- this is going to take us just a second to catch up. I'm on slide number 15. So where we're going today, in fact, this just was stood up on that -- under programs under way, outages identified

through communicating devices, we just upgraded our advanced distribution management system where we more tightly integrated our metering infrastructure. So now meters are reporting what's called a last gasp. So a meter says hey, I just lost power. My last gasp information now is that it gives that feedback back into our control system and back to our system control center to say this customer has lost power at that point. What happens there is there's algorithms and intelligence built into that management system that predicts where the outage may be. For example, if there's several meters that in a certain area have experienced that same outage, then it predicts up to say what would be the common element that actually maybe experienced a problem. So obviously this type of advance moves us to a point where we can more pinpoint and dispatch our crews to areas that would have the -- it would reduce the time it takes to restore and also drives them right to where the problem is and gives them some idea of what they're going to be facing when they drive up. So one thing we're also doing underneath those programs underway is we're piloting the ability to move toward

[11:39:31 AM]

an automated method of this. So in addition to providing us greater indication and location of where the faults are or the problems are in the system, there's the ability that the system can also automatically isolate and then actually lead toward restoration, closing and -- opening and closing those remotely controlled devices. We're also piloting uav's. Sorry I didn't spell those out. Are unmanned aerial vehicles. We did get to use one and we worked with A.F.D., whose done some significant work as it relates to uav's, but during the Halloween storm that just happened last year in 2015, we had a distribution line that was out and -- but due to the flooding we couldn't access it at all. So we actually flew a uav and did inspections and basically damage assessment on that and then it actually proved to be quite helpful. So those are things that we're piloting. Obviously those will have to be done in conjunction with what's happening with the F.A.A. And doing those things properly and Staveland, but that obviously will provide some great value to be able to utilize these tools for moving into the future. As we talked about before, looking underneath today, power back is confirmed through automated call backs or when we have to make actual contact with the customer. In the future, and currently we're on that path right now, is we're upgrading that storm center portal, the the portal I just showed you, such that we'll have a much more proactive outage notification so we will be able to contact customers that sign up. It is something that they have to on a preference center agree to receive, but they could receive a text message, email, phone call that states, okay, we know your power is

[11:41:32 AM]

out, we can give them estimate mated restoration times, we can tell them a crew is on-site and we can automatically tell them we show that your power has been restored, do you have any further problems? Those type of things are things that we are just in the midst of getting that going. In fact, an item that went through the euc this month is to upgrade that system and you'll see it in an agenda, I believe, in June that will be a part of upgrading that system. And another item that we're doing is at this point we predominantly do all our dispatching through radio. We're now taking everything that we're doing in the control center and all the information intelligence that's headed there



and trying to drive that to the field. So that's another area that we're currently doing a proof of concept of and we hope to get to the field. Once again, that will provide greater situational awareness. I think a quicker response time. And I think actually it will enhance safety. One other thing I would mention as it relates to our advanced metering infrastructure is that we're -- we're currently bringing to you -- I know we already brought to you I think in a previous oversight committee meeting, 11-million-dollar rca to actually go out and buy commercial meters, replace our existing fleet, which went in around 2007-2008. I just want to remind you that's coming. Then we will be looking at doing something similar with our residential meters as well. And that will be another rca coming. So with that, you know, if you saw the first slide, the first slide said we need power. And this was nice, we love to see this. We have power, thanks. A little archaic in if

[11:43:33 AM]

the communication, but we certainly appreciate it. Anyway, with that I'm here to answer in I questions you might have. I hope it was helpful to give you a look under the hood at what we do at Austin energy.

>> Pool: Thank you so much, Mr. Smith. Are there any questions? Yes, councilmember Zimmerman.

>> Zimmerman: Thank you, vice-chair pool. Could go back to page 9? I enjoyed this presentation. There's a lot of good technical information in here that I always appreciate. If our city council had about 30 years of time to bone up on all this stuff we could make some really good decisions. We don't have that. But back on page 9, this is the distribution model that you aptly described that basically goes back to the 19th century and Nicola tesla and his alternating current plans. But we're here in the 21st century and what we're starting to see now is more local generation of power from the leaves, if you will, whether it be some kind of solar installations or other things that are pushing power back into the grid. And I noticed during all our presentation that there was no reference to any of that kind of local power generation, more local to the customer, consumer side. Is that because it's just such an incredibly tiny percentage of the production? Is there some reason you -- I think you completely left that out, right? And isn't that -- that's a factor, and especially when it comes to safety, because if you have a substation outage or one of these fused lines, transformers blown up, but the sunshining and somebody's still got their solar power on and maybe the cutoff circuitry hasn't been correctly engaged and there's a malfunction, there's a safety issue, right?

>> That's an competent point. I appreciate you -- an excellent point. I appreciate you pointing out safety. This presentation was meant to kind of give an overview, but you're absolutely right that

[11:45:34 AM]

we're seeing more distributed generation. You did accurately state that the inverters related to the sorrier distributive generation doesn't allow it to import when there is no line voltage. So at that point that's what's preventing that to be an issue.

>> Zimmerman: Provided they work.

>> Correct. And I'll certainly state that what our field crews are trained to do now is assume it's energized until they can confirm otherwise and isolate is appropriately. So it's an excellent point about safety and it is -- that is a continual understanding is yes,

there are distributive resources out there. We do identify where those are and it is part of our system that's taking that into consideration. Now, what -- I don't know if this is where your question was going, but it does get interesting to start talking about how those distributive resources could be of benefit in the case of an outage because they could be in the case of doing some form of microgrid type efforts. We have it on the roadmap to do that. I can tell you what we've seen some small examples of that starting to happen, however it is a complex subject and it will involve the ability for in my view the utility still has to oversee to safely monitor, manage and control that distribution no matter where it is.

>> Zimmerman: So another point I'm making which most assuredly will be lost on the council, but there are advantages to locally produced solar or other type power, but there's also cost and complexity. I'm always harping on that how we don't adequately talk about the complexity and the risk and the cost solar powered generation of local sites. We're always talking benefit, benefit. But it does add

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additional complexity and cost to the safety risk and other things you pointed out. Like I started with my remarks, the distribution system is over a century old in its technology. Tesla never envisioned that our local consumers would be pushing power back into the grid. Right? It hasn't worked that way for 100 years. Now we're starting to see that. So that's kind of a technological shift and a technological challenge if we start tackling that and that's going to incur cost, additional cost. We can do it, right? No doubt we can do it, we have the technology, but it's going to cost.

>> And I won't speak to economics. I will talk technical for a moment. Our system has multiple functions in which part of it is to address the fact that the grid is different. So councilmember Zimmerman, you bring up a great point that the grid used to be a one-way flow of power and communication. Today the grid is a two-way flow of power and communication. So it's a transformative time for us. The ADS was not installed just to address that issue alone. It was installed to handle a myriad of things, but that's one of the things that I do think Austin energy is well poised to be able to handle what's happening in that transforming. As I stated I think to councilmember Gallo before she left is to come back and town hall to you about what we're -- to talk about what we're doing on the distribution is something we're happy to do. I gave a few snippets of some of the work that we are doing at this point and there are other things that are on our horizon.

>> Pool: Thank you so much, Mr. Smith. Are there any other questions? Mr. Scar, did you have something -- Mr. Casar, did you have something?

>> Casar: This would be less of a question to Austin energy than to my

[11:49:35 AM]

colleagues remaining. With the storms we've experienced here in our first term in the 10-1 council, I've only recently started to hear from more and more constituents that it's not just the outages that have been problems, but the surges after the outages. And I don't have this mention this to Austin energy because I brought this up to them pretty repeatedly, but times it coming back on the limb has blown the leaves off the trees. And after years of having appliances blown, it's frustrating. And it's difficult to know how much of that is on Austin energy's end or those customer's end, but if anybody on the dais has these constituents that have experienced the same, feel free to

contact me because I'm interested in figuring out how to make the process less frustrating and more helpful for them.

>> Pool: I'd follow that up by asking -- I thought that was a really good graphic. It really expressed the issue pretty clearly. One of the best things for those homes that are way out in the fine little branches is for them to call into the city to let us know that they are without power, is that right? So that -- because it can be hard, you mentioned, to find where all the outages are.

>> You're correct. I will say we're really right on the cusp where that's going to change, but right at the moment, councilmember pool, that is the right thing to do is to contact us and all. So as I stated, we're in this transformation now where we will proactively know the customer is out and that will largely be through the metering infrastructure.

>> Pool: That's terrific. Any other questions? Mr. Zimmerman?

>> Zimmerman: One more quick thing. If we look at the market, say, in Houston, Texas. I know -- they have a competitive market but they still have, of course, the wires and transmission company. So if you're able to speak to it -- and maybe you're not. Are there any management

[11:51:35 AM]

or technology differences maybe that you can see today between the wires outfit, the wires business in say Houston where you're deregulated and the wires business here?

>> Sorry, sir, yes.

>> Zimmerman: Because one of the things that is possible in theory is you could have the Texas legislature say, you know, we're going to break up the municipal electricity monopolies. It could happen. So I'm kind of just thinking ahead as to what that might look like and what the differences are today.

>> It's an excellent question. I will tell you that in center point I know real well. When we meet with their management we have a bit of mutual sharing. We are doing things that are very consistent with the other wires companies within Texas and really around the country. So substantively there really aren't any things that I presented today that would be different in that particular model. And I would state their outage notification, how they're handling that and how they do their ivr, are two things that we have kept our eyes on. In fact, we're moving ourselves to that point.

>> Pool: All right. Well, thank you so much. I think -- is there anything else anybody wanted to offer? Any future agenda items, please do send them to the chair. And I think that is it for today. Thanks, everybody, for coming. [End of meeting].

>> Garza: I think we have

[12:15:12 PM]

a quorum. I'm Delia Garza, chair of the regional mobility committee. It is 3:02. We're in boards and commissions. I'll call the meeting to order. The first item is approval of the minutes so I'll entertain a motion to approve the minutes. Moved by councilmember troxclair seconded by Mr. Chadwell. All those in favor of approval of the minutes say aye.

>> Aye.

>> Any opposition? That passes 7-0. The next item would be citizens communication and I don't see any -- are you here -- no, you're here with Mr. Chadwell. Okay.

>> It's my sister center San marcos. She's very interested in this kind of stuff. I invited her to come.

>> Garza: Thanks for joining us. I don't believe we have any citizens signed up to speak. I think we'll have a pretty quick meeting today, just for those for planning purposes. Next item is the presentation and discussion on the status of the city of Austin tax challenge -- tax challenge petition. I can't talk. It's Monday. And I believe Jim Wick from the mayor's office is going to go over the current status of the challenge. Thanks for being here.

>> Madam chair, Mr. Vice-chair, members of the committee, thanks for having me today. I just want to briefly talk about the appraisal challenge lawsuit. I'll start with just a brief timeline, kind of how we got to this point. The current status is it's under appeal, in the third court of appeals. That appeal was filed in January between, but prior to that in 2015, in May of 2015, the city council voted to challenge the appraisal

[12:17:14 PM]

role of all F 1 and C 1 properties in the entirety of Travis county. F1 properties are commercial properties and C1 properties are vacant properties. It was based on a study that was ordered by the council in 2014, which that study came back in May of 2015 and showed that 27% of commercial land values -- that commercial land was undervalued by 27%. Vacant land was undervalued by 76%. That report was used as a base to file the challenge with the Travis appraisal review board. That challenge was heard in May and dismissed by the appraisal review board as part of an effort to move the challenge to district court. The city had 60 days to appeal and moved to district court. That happened in June of 2015. In November of 2015 the lawsuit was dismissed by the district court. The judge stated without merits to the lawsuit, but said that the city didn't have standing. In January of 2016 the city filed an appeal and that appeal has three major points to it. The first is who are the proper parties in a lawsuit that results in a petition challenging an appraisal role? That's a question that hasn't been settled. Who is the proper party to challenge the constitutionality of the tax code, is it a city related to the equal and uniform provisions in state law. And finally, what happened does it mean to exhaust the administrative remedies of an appraisal role challenge. Those are three questions that the city has asked the third court to rule on.

[12:19:16 PM]

Where we're at right now is the parties are gathering documents. The appraisal district is writing their response. That's due by the end of June. At some point in the fall the case will proceed. The city's attorneys have asked for oral arguments and the court can basically take it up at any point after June. It's expected to be some time in the fall, though we can't really say for sure. There's no date set for that and that's kind of at the choosing of the court. That's where we're at and I'd be happy to take any questions related to the challenge, with the caveat, of course, that I'm not an attorney and this case is currently ongoing under appeal.

>> Mr. Chadwell.

>> I think all very interesting. The city sued the appraisal district, it was dismissed and now you're appealing it, exhausting remedies. And it goes to June and then 76% undervalued for vacant property, so a vacant lot here downtown is only 24%.

>> Vacant lots are on average undervalued by 76%.

>> That's outrageous. And commercial properties undersignalled by 24%?  
>> The previous challenge was 27%. Post appraisal challenge they found about 40 to 45% undervalued, since almost every large commercial property value is challenged as a matter of course in Travis county. And so 40 to 45% after the challenge process is concluded.  
>> In Travis county we don't have nearly that -- in Williamson county we don't have nearly that disparity,

[12:21:17 PM]

but I always think -- homeowners have to pay that difference. So thank you.  
>> Garza: Anybody else? Go ahead, commissioner Shea.  
>> I'm not an attorney either so we may be pooling our ignorance here, but on appeal has been assigned to a judge or has that happened once they schedule it?  
>> It has not.  
>> So we don't know. We're loose looking at the family. One is just a sale that happened recently and whenever the sales price is made public it gives a spotlight on the discrepant on the value of a commercial property in particular and the appraised value. And there's a lag time, but one of the most recent properties that sold was the radisson downtown at the corner of Cesar Chavez and congress and it sold for 130 million, but was appraised for 54 million. Those kind of discrepancies are really what raise the ire of a lot residential homeowners whose property is in general appraised at around 98, 98% of its market value. To me it raises the argument even more fully about the need for sales price dischoir and since the main objection that they had was that they might be taxed and that is permanently prohibited by a state institutional measure, I I think it's time that we take action or the inequity will be intolerable for homeowners in particular. And the other piece of this is we did a study at the county level just looking at what was happening with the discrepancy between the original appraised value and the final appraised value

[12:23:18 PM]

after protests, challenges, lawsuits or threats of lawsuits. On just the waller creek tif property it was kind of a microcosm for us to think what's happening here, what's the disparity. And in 2015 the difference in valuation between the initial appraisal and the final was 45 and a half million dollars, just on the commercial properties within the waller creek tunnel tif. So that's a little slice of downtown real estate and I'm not blaming the commercial property owners. I'm not saying they're bad for using the provisions in the law that legally allow them to say that a comparable for consideration it should be between an H.E.B. And a meat market or a Jc Penney's in Austin or in Idaho, which is what they're legally allowed to do by law, but to me the problem is the law and the need for an absolute reform at the legislature.  
>> Do you have any questions about the challenge?  
>> If anyone has any questions I can show you the study we did at the county. It's just a slice, but it shows you some.  
>> You said this, but if you don't mind again because I'm trying to get it in my head, the grounds that it's being brought on appeal, can you read those to me again?  
>> Yes. The city is asking some questions because the case was dismissed for essentially lack of standing. The city is asking who are the proper parties in a lawsuit that results from a petition challenging an appraisal role. That's the first one. The

second one would be who if not the city, then who is a proper party to bring a challenge or to challenge the institutionalty of the

[12:25:19 PM]

tax code related specifically to the provisions of equal and uniform. And then number 3, what does it mean to exhaust the administrative remedies in a challenge petition before proceeding before the appraisal review board.

>> Kitchen: Basically it will get us to threshold questions -- they're not the core questions we were bringing, although it is interesting if we are able to come out of this understanding who has standing, then we're essentially -- part of the question is what is the route to question how this whole process. So it could be a very useful decision. It's not going to get to everything we want, but a useful decision, but it will take awhile. Okay.

>> Actually, madam chair, because I'm not a lawyer I need to ask a lawyer for this. Once the standing issue is addressed would it then be sent back to the lower court to --

>> Kitchen: It depends. It depends on whether we lose or win on the standing issue.

>> Let's say we were to win. So they would only be ruling on the standing issue and we would have to go back to probably the lower court to address the issue of the equity.

>> Kitchen: But it does give us -- it does -- part of the question in starting down this road is how do you question the constitutionality of these questions. So that does give us some clarity on what the route is for local government to challenge these things. So inherent in the standing is some of what we needed to know.

>> Just from a purely technical standpoint because you have quite a few

[12:27:19 PM]

entities here that would be doing budgets and setting property tax rates, from what I've just heard regarding the status and schedule, it doesn't sound like it's going to be any type of issue near term in setting in our budgeting and property tax rates or do we know that.

>> Kitchen: I don't think so.

>> I don't think so from what I was hearing.

>> Kitchen: Has the court given any indication on when it would rule.

>> The court has not, although it's widely expected to be sometime in the fall. So it will not have an effect on the roll this year.

>> Right. Yeah. Thank you.

>> The question I have is, you know, three school districts represented in here. I don't know. You guys are in the big lawsuit, right? I don't know about del valle. Round Rock was, that big one that was just ruled constitutional and that was a big blow to everybody because it's a terrible finance system and poor Austin has to send a huge number of theirs back to the state to be disbursed. I was wondering if it's the same court or if there's any clue on that because they were not sympathetic to schools in any way and it makes me wonder if they will be the same way with -- was that what your question was? Is that who they would go to.

>> This is at the appeals court. It was the supreme court that ruled on school finance. I think again I'm not a lawyer, but to my understanding is the state funding formula was

great and legal to all that as to say not our job to figure out the fair allocation of funding for schools.

>> So it's a notch or two below is what this one is.

>> Right.

>> Well, -- you're very generous your comments saying the business owners like it the way it is. So they're going to protest and they want to keep it equal and urban form rule now because like you said an H.E.B. Can go down to Jose's meat market or down the street in south Texas, the

[12:29:20 PM]

same with pennies or whatever, Jc pennies in Iowa. I know senator Watson worked real hard last session on a bill, I think senate bill 281, but that would have been a great help for all the taxing entities if you get rid of that. I don't know if he will try to bring that up again, but there was a big opportunity, but they were against it because they get their business from customers.

>> And madam chair, the other one that would be helpful and this has been going on for decades is the legislation of disclosure of sales prices. I don't know as various entities are crafting their legislative agendas, that would be something worth considering and discussing with others.

>> Actually, that is a great idea. We've had at the commissioners' court, and I suspect if it hasn't already come before your council, it will. A resolution related to a legislative issue that I can't remember now, but their effort was to have a broad indication from governmental bodies of support for legislative change, and I think I said at the time of the hearing, gee, we should be doing this on sales price disclosure. I think that would be valuable for us to consider because it's such a key part of how every level of government funds any service that's provided to residents.

>> Troxclair: I was just going to point out that the reason that homeowners are upset is there's a perception that the business community, the commercial properties are underpaying and that they're overpaying. But the only way to -- if the lawsuit is successful

[12:31:20 PM]

and something does change, the only way that the homeowners actually get to benefit is if -- if the entire tax rate is overall -- is reduced overall so that they see a benefit, they're paying less, while some of the bigger corporate -- some of the commercial properties are paying more. And this conversation started at council as a revenue neutral conversation. Oh, if we can just fix this homeowners will pay less and everybody will be equal. But -- I originally supported the lawsuit, but as it went on I saw less and less assurances that it would be a revenue neutral solution and it instead kind of seemed like some of the conversations turned to well, this will bring us additional revenue and we can do this and this and this. Then it's not fair to kind of capitalize on the homeowners' frustration right now because ultimately if we don't use it to benefit them, then it doesn't do them any good. So I just -- that's obviously a longer term conversation, but I think it's important to keep in mind if we're going to pursue it.

>> Yeah, I would agree that's the reason we went down the road. But there's no decision. We're miles away from any decision about what the impact of it would be. We have to first determine if there's any impact. I don't think there's any determination by the city about using those dollars -- how those dollars would be used at all.

>> Troxclair: I guess I only brought that up because I think councilmember Gallo offered is on my behalf because it was a special called meeting and I was out of town, but I had a resolution to ensure that if we were successful that it would be -- that it would be a revenue neutral tool and that we would in fact reduce the property tax rate in an equivalent amount so the homeowners wouldn't key the benefit. And unfortunately it didn't pass at council.

[12:33:22 PM]

>> Kitchen: I'm just saying that doesn't mean we would use it in a way that's not beneficial.

>> Thank you, Mr. Wick, for that update. The next agenda item is I believe 4, discussion and possible action regarding the possible transfer -- this is the tax swap. Our finance staff asked if they could provide a written update because they're a little busy preparing for budget work session, so there was a memo sent out explaining that, but if vice-chair Saldana wants to speak to this issue?

>> Sure. And I want to thank your staff for putting together just an update. I think we were interesting in getting an update in light of the recent council resolution that you all recently passed. It's my understanding that the city manager is supposed to get back to the city council sometime in November with I guess equitable ways and how we might potentially implement a tax swap scenario. I think we were interested in light of the recent supreme court decision on fool finance. As commissioner Shea alluded to, while it wasn't unconstitutional at this point, the only remedy would be the legislative action. And I think even if the supreme court would have ruled it was unconstitutional, it would have been contingent upon action from the legislature. So in the interim it doesn't really help us in any way, shape or form. As I've said many times here in these meetings, you know, our recapture payment this year is expected to go up 49% to over \$406 million, and over the next three subsequent fiscal years we'll lose over \$2.3 billion. And at this point I think

[12:35:24 PM]

we're certainly committed to trying to find bold and creative ideas, pragmatic ideas, and I think at this point we're open to looking at local options and what we might be able to do. And certainly I think the other issue is I know that when this committee was created I thought that pflugerville ISD may have been invited to participate and I'm not sure if they declined or what, but I know there are two issues. One is the issues associated around equity because there are seven 60's within the city of Austin limits and the other had to do with the impact to senior citizens and those are all valid concerns and I think the conversation regarding the tax swap scenario certainly will continue to evolve, but I think, you know, since initially this group was created to include the largest taxing entities and I'm not sure if pflugerville ISD just declined to be part of this. I know we have representative here from del valle ISD. I just felt it was important for us just to have this conversation. I believe I know our school board members have been making the rounds with councilmembers because obviously we have concerns about funding for the parent support specialist, for the communities in schools, for the family resource centers, all of those things. Our board meets tonight and on our agenda is to talk about the latest budget update from our superintendent. We are scheduled to adopt our budget on June 20th, which means



that we will be locked into making some major assumptions, keeping our fingers crossed that we'll be able to look to the city and the county for some help moving forward. And I totally agree and understand that at the end of the day it's in pickup bent upon us to make sure we're good stewards of the taxpayer dollar and more

[12:37:24 PM]

importantly providing a return on investment of the taxpayer dollar to serve the community, but I think all of us would agree that when we think about quality of life issues there are none or there are very few that are probably more important or as important as education, which really then sets the tone for how prosperous our citizens are, how prosperous the economy is. So I'm hoping in the spirit of cooperation that we can continue to work together to try and find some solution, knowing -- totally understanding and respecting fact that you all have your own budget adoption process, your own budget priority and you have your budget challenges. Certainly totally agree with that. I don't know if trustee Teich. Wants to add to that.

>> We want to reinforce that investing in our kids is probably the best thing we can do so we appreciate any assistance we can from any of the governmental entities that we can. That after school piece is really critical to our kids. I met with a school recently and one of their chief asks was more after school chair, enrichment for their kids because I think this is a good way to close that equity gap for our kids and to assure parents that their kids are engaged in something productive after school. I don't have much more to add than that.

>> Garza: I have a question. I don't know if the other ISD folks can speak to this or maybe Paul knows. What do the other ISD's -- what is their recapture rate? Because the discussion -- there's been discussion on council on whether we fund extra things, and an equity argument of the if we're going to do it it for this ISD we should be doing it for another. My assumption would be youguys face a higher capture than others.

>> Austin is the largest in the state is what I understand, still.

>> We now represent nearly 13% of the entire recapture of the state.

>> Austin ISD is by far --

[12:39:26 PM]

>> When this system of school funding was put into place originally, Austin was actually not part of recapture, but rapidly became one of the school districts that became part of recapture. And then rose to being the number one. As far as our surrounding school districts it really varies. We have surrounding school districts that are districts that are sending money out and we have surrounding school district that are infact receiving money from recapture. So it is a fix as far as our surrounding school districts.

>> That's the chapter 41, Round Rock, it's all based on the calculation of your total appraised value divided by the student. I forgot the number.

>> Average daily attendance.

>> \$400,000 or something like that.

>> But the only ISD in central Texas that is technically a chapter 41 except for us a eanes ISD, but at this point they do not pay. We are a property rich district, but 60% of the kids are low income, so I think that is an issue. And I would be remiss if I didn't say, and I've said this before, we are absolutely committed topaying our fair share

into the recapture, but I think our -- our position is again that we're seeing an increase in the number of low economic families. We have over 100 languages spoken in our schools these days. We serve refugees from over 40 countries. And then I think the other issue is that there are many families and students that we serve that technically don't meet the federal definition to qualify for free and reduced lunch, but that does not at all mean that they are not struggling. So I think that is what really separates us apart from other ISD's, certainly in central Texas. As I mentioned we're now 13% of the total payment of recapture to the state of Texas.

>> I thought eanes was -- I thought they did send some back, but maybe -- I thought eanes did. But Round Rock does not, even though we're technically chapter 41, but

[12:41:27 PM]

we are fast approaching that. Probably in the next two or three years we will have to send recapture. We're not growing as fast as we used to and you guys are still losing students which creates this disparity. Round Rock will be there eventually, but we've got a long way to go.

>> You have Round Rock, eanes, lake Travis, which is another, you know, higher wealth, and then as I said, you actually have districts that are recipients from those chapter 41 funds that are collected.

>> Our total recapture payment for last year, the 406 million, is more than the entire budget for pflugerville ISD.

>> Garza: Does anybody else have any? I believe for the most part, the memo, if you had a chance to read them, it's not being pursued for this year, but we'll still work to see if we can do something for the next budget year. And I've pushed really hard to increase our funding to health and human services because I know that the programs that help these families, and I mentioned it at budget work session, but I went to community in schools presentation and it really heartbreaking and touching to hear the stories of children who go home hungry on Friday and they won't eat until Monday. In a city as prosperous as ours that we have families in those situations. I'm definitely supportive of where we can, our entities helping each other, where we can, and spreading that help amongst us.

>> Madam chair, I wanted to ask trustee Saldana. It sounded in your earlier comments as though since you all were having to set your budget sooner than everyone else that you were going to make a leap of faith in setting certain budgets with the hope that the city and the county might be able to step up and fill in on the funding of some of these

[12:43:27 PM]

programs. Is that part of where you think the board is headed?

>> Yes, that's correct. Absolutely correct. So our proposed budget that the -- I'm sorry, the superintendent has provided to our board is proposed to be a \$1.3 billion budget. When you subtract the recapture payment of 406 that leaves a little less than \$757 million. And of that \$757 million, 87% of that pays for the 12,300 employees because we're the fourth largest employer in Austin. And that leaves 13% to educate 84,000 kids at 130 campuses.

>> I just have to say I'm so furious with the state. They have a constitutional duty to pay for the education of the children of the state, and instead they're coming into Austin and hurting us worse than any other community in the state and I don't think anyone

in Austin doesn't want to see the poorer school districts sufficiently funded, but the state is in effect stealing this money from our community and they're not even meeting their obligation to the poorer school districts. So they're not stepping up and doing their duty anywhere from what I can tell. And it has such a disproportionately harmful impact on this school district in Austin. To me it's just scandalous and I find it an intolerable situation. And it makes me wonder if AISD has looked at more drastic measures. I don't know what any of them could or would do, but what if AISD were to declare themselves an entire charter school district? Wouldn't they get more funding from the state since they seem to favor more charter schools and send funding there. Or what if AISD refused to pay the recapture? I'm curious, I think it's almost the point of civil disobedience that state has been so irresponsible on

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this subject and their proposal for a remedy is to put a cap in place because local governments are spending too much according to them. But under the formula they're forcing the school district to have to do whatever it can to cover the cost of education.

>> I should say that our Travis county delegation on both sides of the aisles have been very supportive and we've continued that conversation. I think our challenge would be at the senate. And until then we're just going to have to be creative and think outside the box. The chief appraisal values increased about 15% above the original projections, but we have a long laundrylist of things. So that will be short-lived. We're contemplating giving the highest raises I think we've given in the last 10 years because we're losing so many of our teachers and our staff to the point where they can't afford to live here. We've got teachers applying for subsidized housing and we have over 1100 employees that still make less than \$18 an hour. And I think if we raise the bottom wage, but we serve nearly 3,000 homeless students. I could go on and on. I know you're tired of hearing it, but we're doing all we can, and at the same time also be making sure we're being very diligent and being good stewards of the taxpayer dollars and cutting wherever we can and we'll have to make some very tough decisions, some things are just not going to get funded.

>> One of the things that has come up is a TRE tax rebate program and where you swap your M and O. Some school districts do that. Some -- I've heard some

[12:47:29 PM]

courts don't like that because your M and O money and your --

>> We could do a tax ratification election but 60% of what we raise would go to the state?

>> The m&o, the maintenance and operation you're saying would go back versus your -- for your facilities, your ins?

>> We would lose more. Because you're a chapter 41 there are other things that come into play, for example, transportation. We receive no money from the state of Texas for transportation, so transportation alone costs us on an annual basis a little over \$38 million a year. Because we are a chapter 41 school district. And so there are other things that kind of come into play and because just the needs of our students, we have 100 languages spoken at our schools, we have bilingual special ed, dual language, special education, all of those things require more cost per student. It's made up through the wad of the weighted. It never matches itself.

>> As we know that hasn't been updated in over 30 years and the cost of living index that they have is listed under Killeen aceISD.

>> We just did our budget and we looked at Austin's and we're always comparing our salaries compared to Leander, all of touching neighborhoods, Georgetown, pflugerville, anybody that touches our school district. And of course we watch what you guys do because, you know, we have to be competitive, but we don't want to break the bank either. We want to be taxpayer cognizant. And good stewards that way. I'm sure at del valle you guys do the same thing, but we all have -- you create this spiral. We have to pay teachers more so they can live there and what does that do, puts more burden on the taxpayers and it goes back to everybody would pay their fair share. And the same thing with us. I don't mind paying my taxes. I don't want to pay anybody else's. And the same with commercial properties, I don't want to pay their taxes and pick up the difference on that. I think it's starting to get -- people are starting to see maybe, maybe make some progress this session. I don't think it will be fixed, but -- and back to

[12:49:30 PM]

the taxpayer neutral, I don't want to see that. I want to create a revenue, a Boone of some sort, but we do need to make sure that we don't create this perpetuating, the way it is right now. It's going to happen to Austin ISD, Austin -- city of Austin, it's going to happen in Round Rock then manor, then Florence, and it's just going to be this ripple effect. Thanks.

>> I'm from del valle ISD. 50% of our students are within the city limits of the city of Austin. We do what we can and go from there, but I want to -- we're huge. It's a big district. Thank you.

>> Do you know if the city funds any of del valle's programs. And has there ever been an ask about del valle ISD.

>> I'm not certain. We would have to get back to the superintendent. I'm pretty certain there's not anything funded by the city and I'll double-check that.

>>

>> I want to the ceremony of college commitment at the high school. It was awesome. Is there any more discussion on this item? All right. The last one is our strategic plan that we keep putting off. So since we're almost done, because this is the last item. I think Katherine, did you want to go through it. And if we can -- maybe make some final edits and we can finalize it. I also want to talk about if you have the copy, I think councilmember troxclair is also going to propose some changes to a section of it.

[12:51:36 PM]

I was thinking of moving the context to the mission, but I was going to ask for some suggestions on wording because I think we need something in there I was going to see if we could have discussion on how we could best articulate our mission statement.

>> [Inaudible].

>> No, we didn't.

>> [Inaudible - no mic].

>> Based on your input last time I moved around a couple of things, but it's all there. I categorized them. It's the housing affordability where you guys were talking about the

big a. And so in there we talk about the liveable city document, the tax burden stomach that councilmember troxclair just -- the tax burden item that councilmember troxclair just talked about, item 2. Encourage affordable housing and jobs next to transportation. The raising awareness of child care cost and the raising awareness of health care cost. And there was talk about doing -- about smart housing and codenext, and so that got lumped to number six, which is work and engage with future land use and planning tools that will help provide policies that will impact household affordability. And then number 7 is support the creation of the equity office. So that was like the bigger housing affordability. That's the section a. Then section B is affordable and attainable housing, so y'all wanted to split. Last time you told me to split it into two so that's what we did. So in affordable and attainable housing then we have the -- to support

[12:53:38 PM]

housing corporation and non-profits and other community efforts, encourage the creation of permanent affordability in diverse parts of the city. Encourage the use of public land to increase affordable housing and associated supportive services for families. Number 4, support a strategic housing plan that will look at the needs throughout the community. Number 5 is analyze the impact of housing displacement caused by evictions in the city of Austin. Number 6, work with school districts in the city of Austin to determine what mechanism exists to transfer some functions or activities to the city of Austin as long as those functions or activities are served by the city. And then C was transportation, which was another big item that y'all talked about a lot. And so in transportation we have work with different entities to identify key actions to reduce the cost of transportation. Encourage the use of technology to help with transportation challenges in the city of Austin. That's where we have rmi and other things that councilmember kitchen mentioned last time. And work with policies and criteria in place for busing kids to school, which is what vice-chair Paul Saldana had addressed as well. So all the items were there from our initial brainstorm into the second version and now to this one. They just got shuffled into group -- big groups. So again, it's just bigger housing affordability and then transportation.

>> Garza: I will make a suggestion and we can make it more formal. Number 3, busing skids, because that's a kind of different issue, maybe for transporting kids.

>> Transporting, okay.

>> Bad connotation to it.

>> Yes.

[12:55:39 PM]

>> Garza: So last page, page 7-3, change in place for transporting kids to schools. And I guess if there's no opposition that's -- we'll go ahead and add that. And then I'll go down the row. I think I'll start with councilmember troxclair. Did you want to -- you just want to include your changes in the -- in that section?

>> Troxclair: Yeah. It wasn't really changes. I think our office had asked us to fill out that --

>> What was currently there, which is the draft you have, was a placeholder because I know we were going to talk more about what exactly action item was going to be. And so I passed out the changes that we would have on that section on number two.

>> Troxclair: She asked for action items so this is what I came up with.

>> Garza: So if there's no opposition we'll include those suggestions in the -- okay. And councilmember kitchen?

>> Kitchen: I wanted to -- do we have some recommendations [inaudible].

>> Garza: Your mic's not on.

>> We had some recommendations that came to us from liveable city and I think they just released their report so I don't know that we've had the chance to incorporate any of those that we might want to incorporate in here. So I wanted to suggest -- I wanted to suggest that we could go ahead and adopt this, but I know there's some out of liveable city report that I would want to include. I don't want to slow this down, but I'm not quite sure what process you want to follow for that.

>> I know that's fine. We can -- I assumed we were going to bring back a final next time. So maybe next time include -- I'll get -- we'll get with your office and --

>> I don't know if everybody got the liveable city report.

>> It was sent out this weekend. I did see an email about that, but it was just announced. I don't think --

>> Kitchen: Just now announced. I haven't had the chance to think through everything to include. Okay. So between now and --

[12:57:39 PM]

>> Garza: Sure.

>> And I can work with your office, like councilmember Garza said, like I did with councilmember troxclair.

>> Kitchen: Okay.

>> Just to be clear on the -- sorry. On the item 2 language, it will be added to, not replacing the existing language for item 2 under housing affordability?

>> Garza: Item T under a.

>> Under housing affordability? It will be adding to and not replacing, am I understanding that correctly.

>> It would be replaced, not added.

>> Garza: It replaces. This one replaces 2 here.

>> I'll want a little bit of time to think about that. Are we voting on this now?

>> Garza: We're just going over it now because I'm hoping that we can finalize it by our next meeting.

>> So this is a proposal to substitute for. Okay, good, thank you.

>> Garza: We did -- we kind of just agreed that -- I thought we did. I said if anybody has any opposition to replacing these two and nobody said anything. Do you have concerns about replacing?

>> This seems to be just focused on the cost of government, and I think that there's a broader concern about affordability than the cost of government services. So I would like for us to have a more inclusive set of criteria.

>> Garza: Well, I think that's addressed throughout the first paragraph. I think -- this is specific to government, cost of government. Number 2 is by itself. But the other points kind of addressed the broader affordability issue.

>> She hasn't changed the title from cost of government services. Okay. So that then is just a focus for that item. Okay.  
>> But each of the other bull less will be examining them and on liveability, the liveable city recommendations.  
>> Garza: Yes.

[12:59:39 PM]

I think that's the context that councilmember kitchen wants to add.

>> I do have a concern. I'm sorry I didn't catch this earlier. I do have a concern about identifying cost reduction opportunities by consolidating services, contracts and/or benefits, which I assume means outsourcing. So I'd want to have a better understanding of what was intended there before I do finally agree to, unless we amend and revise it when we come back.

>> Garza: Sure. Do you want to speak to what you mean by that? Councilmember troxclair?

>> Troxclair: Sure. Like I said, we were just asked to come up with some brain -- brainstorm some potential action items. Of course this document isn't committing to anything and that particular bullet doesn't say anything about outsourcing, but we're all -- we all have government employees, they all receive somewhat similar benefits. I think that that was one suggestion of maybe we could look at collaborating between government entities.

>> I'm definitely interested in collaboration. I didn't catch that from this -- if we can add the word collaboration that would be helpful for me. Okay.

>> Garza: Okay. We can add collaboration for that. I saw that one more as we talked about like shared facilities and for example, the parents -- the parent support specialist. My understanding is it's possible that the county might be helping out with that too. So that's a consolidation of providing the support for that service, for the parent support service.

>> I'm definitely in favor of that, but some of this language looked to me like saving money by outsourcing where -- where we wouldn't have to pay benefits and pay living wage and that kind of thing.

>> Garza: Do you want to send my office some suggested --

>> I'll take a look at this.

>> Troxclair: I guess I want to point out that it doesn't say outsourcing anywhere.

>> No, it doesn't say it, but if we're looking at cost reduction on benefits, the

[1:01:41 PM]

main way that's been done is by not having people be employees and receive the same benefits, which is outsourcing. So that's what I was concerned about when I saw this language.

>> Garza: Okay.

>> Can I add to that? And just add that I kind of agree with commissioner Shea. I want to maybe just clarify because on the tax swap analysis the city manager provided he refers to the consolidation and parent support specialists and the way we interpreted that is he was recommending that that service be outsource and they would no longer be aid employees and we were not comfortable basically telling potentially 60 or 70 employees that they would no longer have a job with the school district. -- Have a job with the school district. I wanted to clarify.

>> And I wanted to talk about the conversation at the beginning. All of you guys had talked about working with different entities, collaborating, like you said. So maybe we can use some language about that. But accountability on affordability was part of the initial bullet point. So if you guys can help me with some of the wording that would be very helpful.

>> Garza: Sheri?

>> Thank you, madam chair. This is only my second meeting as a member of this committee so I don't have the history with this document that some of you do. But I will take some time before the next meeting. I think that, for instance, under -- first of all, the strategic aims and objectives, are we looking forward or are we also summarizing information we've already received? Because some of this talks about things and you say, you know, it looks like it's already occurred and then some of this is forward. To me a strategic plan talks about our mission, our goals, our objectives, our strategies for the future. So I just didn't know --

>> Just a little bit of

[1:03:42 PM]

history. This started about two months ago. So some of these items were already taken care of. Like the liveable cities and all that were part of items already coming forward. Does that answer your question?

>> So to me as far as the strategic plan, I would think that I would maybe want to more focus not on kind of a checklist of things that we've done, but talk about moving forward our goals. And I think that we could talk about not just working with liveable city and incorporate some of that from their report, but housing works and other entities so that this is more robust as far as strategic plan going forward and not as much as, you know, a checklist. So that would be an overall recommendation.

>> That's good feedback.

>> That I would have. I would be happy to put some work to it. I think there was also an area where we could have mentioned workforce and another one like we could have mentioned health care in here. And I also think there's opportunities with -- there's a lot of research that I've been involved in with not just central health, but with UT, various departments that I can bring to bear in this. And also the smart city challenge grant that we're working on, there's an enormous amount of information that we have pulled together so I can cull through some of that too to see if it -- places where it could be added and helpful in looking at a strategic plan. -- Looking at the strategic plan. And as far as the strategic plan, it doesn't have a time limit on it, correct? And so that was another reason why I was thinking instead of a checklist that it needs to be a more broader, robust because it's going forward.

>> Garza: And just to give you more history, it was --

[1:05:43 PM]

we had a meeting where Katherine facilitated and everyone kind of brain stormed over.

>> I wasn't here then. I may be off base.

>> Garza: No. I think that's good feedback. And there should be -- if you want to get more robust, then we can definitely add those details.

>> I'd be happy to supply it.

>> Kitchen: Yeah. I think what we were -- we started out by thinking what are we going to work on as a committee. So we wanted to -- hence the checklist. In other



words, so we wanted to get pretty specific on what some action items were that made sense for the various bodies to collaborate on. That's why -- at least in my mind my thinking was okay, so let's -- what are we going to do? So what specifically are we going to do? And the we being what can the entities around this table collaborate to do? So anyway --

>> And that is -- makes perfect sense to me and I think that could be incorporated so you have your mission and goals and then your strategies and really you're talking about you need actual strategies with outcomes you want to see and timetables and deliverables, I totally agree, but I'm thinking we may want at a higher level too, some information that is forward looking.

>> Garza: Go ahead.

>> Troxclair: I forgot that was on. I don't know if it made it around the table, but I passed out, this was more of a brainstorming document. I thought it was informative.

[1:07:56 PM]

>> Garza: Questions or comments on the strategic plan?

>> So we'll take this up again at the next session with further refine minutes and amended language and that kind of thing?

>> Garza: I know we have a million things on our plate, but if we could get all that information maybe a week before the meeting at least, so we can -- so then Katherine and I and Brian can try to put it altogether and provide a final draft.

>> It sounds like some of Sheri's proposed language might be very comprehensive, so if that's available initially, that might be useful to sit around and draft and get comments to that, because that might be a really terrific draft to work off of. So we don't reinvent the wheel.

>> Garza: I think the staff told us for quorum reasons we shouldn't be sharing drafts like that. So that's why if -- I guess it happens either way if you all send it to Katherine, but maybe if we could bring back next time redline copies of what you want changed and we could incorporate that all and hopefully after that we could provide the file maybe at the next -- the final at the next meeting.

>> [Inaudible].

>> Garza: But she's a representative of me so could still be considered me. Or she is my staff. Not city staff. She's staff in my office. Is city staff is doing it that might be different.

>> [Inaudible].

>> Kitchen: I think that's a good approach. I was going to say this language is good language on here. Is it action 1, 2 and 3 fleshes it out a little bit more. You may want to incorporate some of this language in addition to this language because I think it -- you know, because you talk about identifying duplication of services, working together to identify services that might provide some opportunity for cost savings.

>> Okay.

>> Garza: So what we can do is use the feedback that was provided today and

[1:09:57 PM]

incorporate some of that into this and then everyone who has a concern on other areas just bring your suggestions, redline copy and we can have the discussion again and we can hopefully put it all together and have a final draft for it. Our next meeting is July

and I think the one after that is September. So September would be the -- shooting for the final-final.

>> I like the -- what councilmember troxclair has passed out. The only thing I would ask is that we put a footnote on aisd's property tax bill with a little asterisk that 30% of that doesn't come to us, it goes to the state.

>> Garza: Okay.

>> Kitchen: [Inaudible].

>> That's very helpful explanation.

>> Particularly given the conversation we just had.

>> And madam chair, on item 2, councilmember troxclair's language, this helps clarify for me, I had thought that your language indicated that we should be looking for cost savings on employee benefits, but I'm all in favor of identifying duplication of services and finding ways to, you know, collaborate on those in order to achieve cost savings. We're doing that now at the county. So I'm supportive of that. I had just thought that the language indicated a different kind of cost savings by eliminating the benefits paid to the publicemployees.

>> Garza: Okay. All right.

>> Garza: anything else? I think the next thing would just be future agenda items. So we discussed what the plan is for this strategic plan, is to -- some final edits at our next meeting and then hopefully have a final draft at our September meeting. Does anybody else have anything they would want to have for discussion our our future agenda?

>> Madam chair, thank you. It is noted in this draft strategic plan and it is item

[1:12:01 PM]

number 3 under B, goal to affordable and obtainable housing, encourage the use of public land, increase affordable housing, associated supportive services for families. I think it would be very useful for this committee to have, for lack of a better term, a database of what that means from governmental entities. And I don't mean we have, you know, 3 feet of right-of-way available here, but if we could get staff from for instance aid, the city of Austin, Travis county, Austin community college, capital metro, others to actually get together and look at those real usable parcels of land, put that together in some type of database and make that available to us into a presentation, that would be really helpful.

>> Kitchen: Yeah, I think that would be too.

>> Garza: Yeah I think we've discussed that.

>> Kitchen: Yeah, we have.

>> Garza: But I don't think that -- I think there has been that request from previous councils but they do get this giant stack that includes the right-of-ways.

>> That's not useful.

>> We can try to get some staff real parcels that could be used for, say, affordable housing.

>> Not just our staff but aisd, Travis county, capital metro.

>> Actually that was a request to our staff through the joint subcommittee, and we had in fact made it a top priority of the joint subcommittee that we look for -- parcels of land which could be used for affordable housing and that we make that a real priority of the group. So it would be useful to know where that stands as I recall from our last -

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>> Garza: So when did -- where a. Where -- it was a request from the joint subcommittee and there hasn't been a report back is this.

>> I don't recall if it was reported back in the last

[1:14:02 PM]

joint subcommittee meeting.

>> I think we had an abutts from a -- okay buds man from aid who is our intergovernmental regulations director, who talked about what we were doing with rfp that we're going to issue for the ten properties. We did also talk a little bit about the technical panel thing.

>> Technical advisory panel board.

>> As well.

>> That's right. But I don't know that we had any action items coming from it. We got an update on what's being done in some other school districts around the state, some of which were really innovative and it might be useful to have this committee weigh in on that discussion interlocal. I did have a couple of items for other -- for future agendas.

>> I guess I'm just -- to try to actually be able to have this information so that we can use it for policy making, is there a way that we can ask for these folks to get together to put together this database of information that is -- as I said that's the usable parse expels then have time frame maybe for a presentation to us or something like that?

>> Yes, complete with a map, going through the --

>> Exactly, right.

>> Garza: I guess that would be up to each of the entities that we represent. So we could ask the city, economist Shea would have to ask the county.

>> There was someone from the city's affordable housing department who I think was --

>> Neighborhood housing.

>> Neighborhood housing who I think was heading up the effort from the jointsubcommittee.

>> Bert Lumbreras who was going to lead the efforts and I think all of us from the different governmental entities had designated staff. Betsy was there, county staff was there and then our aidfolks were there as well.

>> So we can ask assistant city manager Lumbreras if he's -- where he is on that. So he was charged with getting

[1:16:03 PM]

all the different government entities?

>> I think that was the assignment he got, yeah.

>> Garza: Okay.

>> Did you get, that Brian? Okay.

>> Kitchen: We're not talking about just Travis county, right? We're talking about the region? We're talking about the region for purposes of this committee? I mean, like I don't know if this is a relevant task for Round Rock, for example.

>> Yeah I don't know.

>> Garza: I guess we will --

>> You're talking about the land, the easement?

>> Kitchen: Yeah, right.

>> I don't even know anything about it so I'd have to check but it's never an issue that's come up. I'm sure we have land ifthere's -- you know, a one-page summary what

have you guys are following that you can send and I'll send it to our cfo and our city manager and we can say, okay, we have 10% of the land is potentially -- you know, we could look at that but I rarely hear about it. We know there's property out there but I think it's minimal for us, at least that's what I've always thought so --

>> This is just a discussion within the joint subcommittee which I think is only city, county, aid.

>> Yes.

>> But I would think besides city, county, aid, we, for our purposes, would want to include capital metro, for instance.

>> And central health.

>> And central health, yes, I think that would be very important.

>> I think there's a lot of land they're redeveloping.

>> So I think it would be very important but we know that capital metro also has public land that they're looking at so I would want to expand it beyond just we could say within Travis county but that --

>> All public land.

>> All public land, not just the city --

>> I don't know if the universities have any land or what but I think the point here --

>> Austin community college is one I had mentioned, the comprehensive. Have a comprehensive database. So Austin community college is another one that I think would be important, yes.

>> Garza: Okay. Any other future agenda items? Madam chair?

[1:18:03 PM]

>> Garza: Yes, ma'am.

>> We had a report on evictions. And we had an offer from an attorney with, I think, legal aid to work with us on some either changes in the law or policy changes to assist with lessening the height -- number of evictions and displacement of families. And I don't have any particular update on that but I think if we have -- if we schedule a time to get an update it will motivate some activity on both our staffs and it's not clear if it would be city housing staff that would meet with the attorney. I mean, I'd certainly ask our county housing staff to do that and our county attorneys. But if we set that for a future agenda that would help provide a deadline for moving on it.

>> Garza: Well, I remember the discussion, and he said he had suggestions and so it was a weird conversation because then I said what are those, and he said I'm happy to come back at another time to present those. And so I guess the next step would be asking him to come back and present those suggestions on policy changes that would help the situation.

>> Yeah. And I could also, if we have a time frame for it, I could also loop back with him to find out if there's specific changes in policy that would have to take place at the county to facilitate and some of it or just to understand what some of those policy changes might be.

>> Garza: Can you work with, is it Robert doing it?

>> I'm happy to. Would we want this on the agenda for the next meeting.

>> Garza: I think it would depend on when he thinks he could provide that information. If he thinks he could, July would be fine. If he'd prefer to wait until the next one that would be fine too. Let my office know.

[1:20:03 PM]

>> July 25 or September 19? The two dates coming up next.

>> Garza: Yes.

>> The other one I'd like to put out for consideration, there was an excellent story in the "Austin american-statesman" I think in the Sunday paper about people who effectively are -- were we're creating a debtor's prison, we are putting people in jail because they cannot pay their fines and penalties and those fines and penalties accumulate and increase and people are literally being put in jail because they can't pay their fines. So I think that's something that we should understand as well and if there are action that's each of our various entities can take to deal with that. I mean, they did talk about municipal costar in the article and -- court in the article and I don't know how much of it comes before the county courts but there was specific reference to municipal courts. Would we want to try and schedule that for July.

>> Garza: Do you have any suggestions to who could invent.

>> I can go back and check the article to see if there were particular names that jumped out.

>> Kitchen: The city, we've started looking at that so I think that's a good item for the next agenda. I can check on that but --

>> Garza: Okay.

>> Kitchen: I'll work with you on that.

>> I'll look and see if there are any folks at the county in lar -- particular that are looking into it. We've been discussing it when we look at trends for increasing jail populations and one of the things that we had identified with our -- I think our public defender service was this sort gerbal wheel of people getting caught being sent to jail because they couldn't pay their fines rerearrested because they had outstanding fines. We had asked them to look at that, that statistic and try and get a better understanding of what was happening with that so I'll follow back up with them and see what we can find out there. Would we want to try and schedule it for the July or September meeting?

>> Kitchen: I'd say September if that's all right. I'm not certain I'm going to be here for July.

[1:22:03 PM]

>> Garza: That was actually -- I had a question about our July meeting, if -- what folks plans were for summer, if that was going to be a -- let's go ahead and say September for that.

>> So there's no June meeting?

>> Garza: There's no June meeting.

>> It's quarterly, right?

>> Kitchen: Every other month.

>> Every other month, yeah.

>> Garza: So what is the general feel for the July 25?

>> I'll be out of town.

>> Garza: Okay. You'll be out of town too.

>> Kitchen: I'll be out of town.

>> Garza: You'll be here.

>> I should be here.  
>> Garza: I'll be here. So I think -- you won't be here?  
>> Kitchen: I should be --  
>> It's the national convention, isn't it.  
>> Kitchen: That's right. I hope I won't be here. I don't know.  
>> And I'm not positive.  
>> Garza: Okay.  
>> I should be here on the 25th.  
>> Garza: Why don't we plan and if we don't have seven people we'll cancel it at that time but at this point let's plan to have. And if we have no other business, we are adjourned at -- the time just came off -- 4:10. Thank you for being here.  
>> Thank you.  
>> Thank you. [ Adjourned ]