

## City Council Special Called Work Session Meeting Transcript – 8/25/2016

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>> Mayor Adler: Set us for a work session for the hour prior to the beginning of the meeting. This is the time and I apologize for my tardiness today. But this is a chance for us to go through the concept menu until the meeting starts at 4:00. I don't know -- so I'll call to order the work session. Today is Thursday, August 25, 2016. We are in the city council chambers. The time is 3:30. Where we were yesterday when we started was working our way through. There was an issue about whether or not we had to vote affirmatively to stop or to start staff from looking at things. I think where we ended up was anything looked like a lot of work they wouldn't start unless they were told to start so we didn't need to tell them to stop or that they didn't have to do it. I think that worked for the -- >> Can you talk louder, mayor? >> Mayor Adler: So yesterday we had talked about whether we needed to vote to stop staff from spending time or vote to tell them to start spending time and the way we we solved that anything Ed and the team thought would take a lot of time they wouldn't have to work on, anything they were working on we knew that so council could start them if they wanted to. We could continue going through that list, but I also think the mayor pro tem had some additional issues or other people might, but I'm comfortable picking back up where we left off. If we want to go through and see if there are agreements on those things. Yes, I think we were on page

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36 of 48 before. Mr. Zimmerman. >> Zimmerman: Thank you, Mr. Mayor. Before we get started, could I jump ahead to page 42, qt1.15. That was the pilot program to have city council testimony at a local district office. Ot1.15. I don't think that's going to be a large item and I almost think that should be an expense we should be able to cover out of the existing city council budget. But I just wanted to bring that up. That might be something that we could take off because I think it should be economical enough that we support it right out of the council budget we have for district 6. >> Mayor Adler: So you would be voting to move off of the budget item qt1-15 on page 42 of 48? >> Zimmerman: Right. I don't have the information yet for the estimate for what it costs, but I would like to have that information, but I don't see it as a decision the entire body has to make. Does that make sense? The things you were talking about earlier, there were things could be done with Q and a off line and if the entire council doesn't need to concern itself with it, I thought that was one item that fit in that category. >> Pool: I'm not sure how I feel about that mostly because I was planning to continue on the road we were already on so maybe we could table that and get to it when we would get to it normally. >> Zimmerman: That's fine. I just wanted to offer it as something we might lighten up with. >> Mayor Adler: I think it's a good

program and I would like to see other council offices even able to of able people remotely to possibly participate but I don't know what's involved with that. So I thought that was a good idea. >>

Zimmerman: I think it's a

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great idea too, I just think we'll be able to fund it out of our own little budget. >> Mayor Adler: And I think staff is close to being able to give us that number. Let's hold on to that a little bit. I'm back to page 36 of 48, which is where I think we were. Did we take a vote on ut3-01? I think that's where we were. >> Zimmerman: I can lay that out if you would like to, Mr. Mayor, for what's at stake here. >> Mayor Adler: Okay. We're on the top of page 36 of 48. This is item ut3-01. It's about increasing the cost of reclaimed water. >> Zimmerman: So what we're trying to do with this item based on the data that we got from Austin water, we asked the question as to why we would be raising existing water rates to support the reclaimed purple pipe project. So in my view we should -- this is a program that should pay for itself. So if the water utility feels like it's economical to do reclaimed water, let's make sure that we charge the cost of production and piping so we don't lose money. That's basically all this is saying. This is not money that the council has to spend on other priorities or projects. It's also not additional money for the water utility to spend on, you know, with discretionary spending. It simply says let's make sure we cover the cost of the reclaimed water through the billing for reclaimed water. It's that simple. >> Mayor Adler: Mayor pro tem. >> Tovo: I had a couple questions and maybe these are for the water utility, but is this your estimate or the staff's estimate? >> Zimmerman: We came up

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with this based on the data from staff. I brought up much of that -- I think we had an agenda item with full council that I voted against and I had a conversation with our director Meszaros. It's on the record already, but we did use the data we got from Austin water. Austin water did not propose a price for reclaimed water that would pay for the production of reclaimed water and I don't think they are interested in that. They want to subsidize it so we put this number in. >> Tovo: I guess one question I have is that I believe -- I may be wrong about this, but I thought some of those will be city facilities probably, like our golf courses. And am I right in thinking the university of Texas is another in that we have a negotiated price with them? But I would just welcome your feedback on why the -- who the major customers are and whether we have the ability to change their rates at this point or whether we're involved in a contract and then I guess the other point was, I know this has come up before, not just in the conversation councilmember Zimmerman researched, but in prior years and there was a rationale not setting it at cost of service and I want you to help us remember that, if you could. [No microphone on] [Inaudible] >> In the past that was to provide some incentive for actual connections in a small growing utility system that is very capital intensive. To increase the rates we would have to more than double the rates for some of our customers, and we only have about 66 customers.

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Primarily those are paid through the golf fund in our golf courses owned by the city as well as other uses within paid. And then the sand hill energy complex, our next customer, and a big portion -- or more than half of our total consumption. The other additional customers, we have about 66 total customers. I think one of them is U.T. As well. They have some cooling tower and irrigation demands with continued transitioning of some of their cooling towers into the future. Now, obviously we're continuing to expand our system into the downtown corridor to serve the capital complex area and will continue to get more

customers as we move forward. For the customers of the park and the golf fund, they would see an increase -- if we had to recover the full \$3.4 million of transfer that we -- transfer from water and wastewater into the reclaim, if they had to recover the rates through that, park would have to pay about 1.3 million of that. And sand hill would have to pay about 1.5 million of that with the remaining going to the additional customers in increased rates. So that -- that's what would happen if we were to fully recover the costs. What that would do then, it would allow Austin water to reduce the transfer that \$3.4 million to the reclaim fund and in that. >> Tovo: May I ask a followup? Mr. Andrews, it sounds like that would create a gap in our current proposed budget of 1.3 million for park. And then 1.5 million would -- additional would accrue to

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Austin energy which would have to be made up in their utility rates. >> That is correct. >> Tovo: And that gives us another -- so you concur with the \$3.4 million figure. >> Yes. >> Tovo: So that's about .6 and I guess that gets us back to the U.T. Question. I'm starting to remember little bits of the discussion about the golf course and I believe that was a recommendation of the golf advisory commission or a priority of their because they are an enterprise fund and they were having the conversion to reclaimed water would have been an extremely expensive one to sustain -- market rates. >> In Austin water's presentation earlier this month, we did propose a park rate reduction down to the \$1.15 currently in place and that was to help out that struggling golf fund be able to pay for the water services and we proposed that in this budget year. That would have to be reversed and more than doubled to off set the total cost of the transfer. >> Mayor Adler: Mr. Zimmerman. >> Zimmerman: So it wasn't that long ago that we had a lot of hand wringing about development not paying for itself and how terrible it is that developers would come in and want to put up new developments and housing complexes -- pilot knob. Anybody remember pilot knob? Development is supposed to, parenthesis, pay for itself. But yet now we have city bureaucracies that are subsidizing their budget by demanding existing ratepayers make up this 3.4 million that will show up as a profit to government bureaucracies like the park or Austin energy. Can you see why I'm concerned there is a double standard between all the indignation

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about how private business is terrible because they want to be subsidized, but city bureaucracies are being subsidized. I can't accept this double standard and I'm really concerned. All of my constituents -- 90% of them are complaining the existing water bills are too high. They say their water bills are too high compared to cedar park or Georgetown or Round Rock. Just people in the local vicinity and central Texas area, that water bills are more expensive in Austin. They are complaining they want relief and this sends news the wrong direction. That's why this is on the concept menu and I'll appreciate it if we keep it on here. >> Mayor Adler: And that wasn't a question so thank you, you can sit down. My view of the water reuse is a little bit different than yours. I know that the city's entered into a contract that gives us water at a certain price over the next 50 years, but only so long as we don't go over a certain level. When we go over that level, the cost of water to everybody in our city goes up pretty dramatically. And I think that if we wait until we get to that place, which I think is pretty much inevitable as we grow, some point over those 50 years, then we're not going to be able to pull back. And I think at that point everyone will have wanted the city to have shown the foresight to figure out how to conserve water and reuse water. There are a lot of cities in the country, a lot in the southwest that are making even more active uses of -- reuses of water than what we're doing. So to tie it to the present day cost of providing that I think is -- is to miss the real important long-term financial goals and needs that the city is going to have. Any further discussion on this item? Those in favor of taking off ut3-01 raise --

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>> Zimmerman: Could I make one more point before we vote? This is a very important point to me. The amount of water -- and Mr. Anders and the Austin water utility can correct me if my numbers are incorrect, but I took them from Austin water so they are correct. We're talking about saving about 4,100-acre feet average per year, say over five years. About 4100-acre feet. This year I cra released -- by that we mean they just flushed into the gulf of Mexico because nobody wanted it, we flushed 400,000-acre feet. Just in like the last nine months. So does anybody in their right mind think that it's economically feasible or justifiable to spend millions of dollars for 4,000-acre feet when we throw away 400,000-acre feet? If we want to do something that makes sense conservationwise, we should scrap the purple pipe program and go to aquifer storage and recovery so when we have big rains and flooding events we can store that water underground. 100,000-acre feet, 200,000-acre feet. Store it underground so when we get to dry seasons we can pump it back out. That would be a smart use of resources. Also the mayor is right that we did pre-pay \$100 million of your money went to purchase water rights up to 200,000-acre feet. We're currently at about 145,000-acre feet. So in other words, we have 55,000-acre feet a year that you already pay for. What sense does it make to spend millions of dollars to use 4,000-acre feet when we've already paid for 55,000-acre feet? I don't know what else to say.

>> Mayor Adler: The vote is on ut3.01. Those in favor of taking it

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off the concept menu please raise your hand. Those opposed? Mr. Zimmerman is the sole vote no. Ms. Troxclair is off the dais, others voting aye. That gets us to the next item. This is ut302. Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. I have a question on this from Austin water. I'm happy Mr. Anders is here. I'd like to get a few comments as to how these changes relate to the PUC lawsuit that was lost by the city of Austin. And are are these changes ordered by the PUC? Are they forbidden by the PUC in that administrative law judge decision in how does this relate to the PUC water case the city lost?

>> The proposed rates for the four petitioner wholesale customers are set at the -- are proposed at the PUC ordered rates. As far as the final order that was issued in January and finally became final in March time frame. It's to align the budget to the PUC ordered rates. Part of that order also requires that before those rates are changed for those four petitioners, we must go back to the PUC for approval. So we would expect to do that at this time next year after the conclusion of our cost of service rate study and then propose some change. The PUC would have to approve those changes before we could implement those.

>> Zimmerman: So I mean for purposes of, you know, the budget discussions and what's going to be available to the Austin water utility as far as revenue, I mean is it your expectation that none of what

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you have proposed is going to be challenged by the PUC? I mean -- >> Well, the proposed rates are PUC ordered rates -- >> Zimmerman: Are there other things besides rate? Are there fees that didn't come into the PUC decision? Are there other charges, other fees or other things besides rates that are not encompassed here? >> As far as the petitioners and as far as all of our other wholesale customers, the utility decided to not make any proposed changes at all until after the cost of service rate study to avoid any possibility of PUC challenge. We don't propose any changes in fees or anything that would be able to be challenged.

>> Zimmerman: Thank you. So Mr. Mayor, I guess I don't have an objection to having these removed based on what I've heard here.

>> Mayor Adler: Makes sense. 3.02 and 3.03 are both taken off. Again I'm moving past the tbts because staff is not going to work on those unless there is a

vote to move those forward. And that includes the one you had raised on qt1.15. So I would suggest we leave that on since the number is almost available so people can see what it would cost them to do within their budgets if that was the way that ultimately was going to go. I think those were all the things that had been marked. On the concept menu that I had marked. I don't know -- anybody else wants to do any further work

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on the concept menu. Mayor pro tem. >> Tovo: I had an item I had thought had been added to the concept menu on Monday and I think I believe what happened is that while I had two sponsors, the third didn't co-sponsor. So I wanted to just pitch it for consideration. It is something I'm going to bring up and so it would be great to get it on the concept menu if there is a will to do so just so we can discuss it. And that is to provide a security guard for the o'henry and overnight security for the o'henry and Suzanna Dickinson museum, together they make up the brush square museums in the vicin of the convention center and I believe we've all received a letter from their board about some of the -- some of the problems they've experienced. They've tried to provide for some security through a fence and through some other means, but the properties are being damaged and vandalized and it is causing costs associated with that. I believe and I'm -- will need to confirm this probably in an executive session, but I see this as a eligible expense under the tourism and promotion fund which we talked about last Thursday and reserving and holding back some of the tourism promotion fund that would have flowed to the acvb, created a fund for uses eligible under state law and this is an expense that I believe would be eligible. The estimated cost is about \$60,000 and so I would ask council to consider again putting this on the council concept menu though it didn't have the right number of sponsors on Monday. Again, I think we got to three and if a fourth spoke up and there was a will to change the process a little bit, we could get it on the list and kind of consider it moving forward. >> Mayor Adler: For the purposes of conversations, I

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would join in putting this on the concept menu. >> Tovo: Thank you, mayor. >> Mayor Adler: Further discussion? Ms. Pool. >> Pool: I was going to ask who all was on it. Am I on that one? >> Tovo: Just one minute. Let me consult my notes. I believe -- I believe you may have been, councilmember pool. You were -- yes, I have the list. I just don't want to call them out because one of those on my list decided not to. Two others of you on the dais -- [laughter] Were asked to sponsor. One agreed and I won't say witch -- anyway, councilmember pool, I appreciate it and I think, maybe, if you joined them and the original person who had agreed speaks up then we're at four. Sort of like a board game. >> Casar: I wasn't one of them but I'll speak up. >> Tovo: Thank you, councilmember Casar. >> Casar: The one other item I wanted to address and I apologize I was late so I don't know if it was addressed, ps2.01 on page 22, that's the up to one percent, we had mentioned at last work session it would take affirmative vote to get staff to do the work. And on this one I would -- if we haven't already, I would like to direct staff to do the work. I think councilmember Garza made that request, but if we need to take an affirmative vote to have staff find the money and cost it out, then I would ask for that. >> Mayor Adler: My understanding was that councilmember Garza when we discussed this said that she didn't need for staff to strictly pursue this in terms of trying to hit that mark, but to go back and revisit with those departments and associations to see if there were other things that could be turned up. My understanding was staff was going to do that. So I think that with that understanding that work was already downloaded. And accepted. Is that right, Ed?

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>> Our understanding on that item we were moving forward with our departments we're working with on that, working the labor groups on that but not necessarily a mandate to come up with one percent, take a look and find what they could find. >> Casar: That's fine with me. If we don't need on vote for this one because it's already in progress, then I won't burden us with a vote and move on. >> Mayor Adler: And I think that's because we demonstrated that consensus so that number of people while we were talking about it before. Further work on the -- Mr. Renteria. [No microphone on] >> Mayor Adler: I don't think your mic is on. >> Renteria: Kind of forgot which button to push. >> Mayor Adler: You are in a different place on the dais. [Laughter] There's an item up there on -- 1.21 on page 31. And my concern with this item is that it's -- it's come to my attention that the description of the project has been changed three times. You know, first it said that it was going to be funding for -- for -- for affordable housing by a contact team and planning team in the govalle terrace group. And, you know, it concerns me because contact teams are not supposed to be handling money. It's a contract that they made with the city. And so -- and then it came back and the contact team was deleted out of it and then about affordable housing, and then it came back and deleted that again and I don't know who is doing all the changing of the description of this item. I would like to know exactly

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what -- what are we going to do with the 350 because, you know, -- we're going to fix up the Jay lane and have a lot of affordable housing there. So I'm kind of wondering what's this money is going to do because we have such of a need, high needs for that kind of funding, especially in -- either in community policing or human services. You know, there's a lot of other projects. And I'm just kind of confused. I'm willing to hear any kind of information about what really this money is going to do. It is in my district and I have no understanding or no knowing -- knowledge about what is this money for. And if I can't get a good explanation, I would like to strike it off. >> It sounds like there's some moving parts and so -- if it's okay, I would like to ask some questions and see what the final plan is and what the intent of it is. I'll be speaking to some members of the hispanic quality of life tonight and this is where this recommendation came from. If it's okay to table that and bring it back. >> Mayor Adler: We had talked about giving people a day notice or something before things would be stricken. So I think that's consistent with that. So let's note that as one that, you know, fair notice is given to. There are also in a similar vein some additional items that staff highlighted last night that I'm just going to give notice to but we might be able to take up the next time we're in this position. They are budget reductions on my list, which is the 8-23-16 list, which is not the most recent one but the one that's in front of me.

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It's on page 44 of 48. And these would be items ot2- 01 -- >> [Inaudible] >> Mayor Adler: That's okay. It's page 44, 48, council concept menu other. Ot2-01. Ot2-02. Ot2-03. And the \$136 million reduction in ot2-04. So just by way of notice, I'll probably call those up for discussion the next time that we are together. Ms. Pool. >> Pool: If I -- can I ask a question on a different item? >> Mayor Adler: Absolutely. We're done with those items. Move on. >> Kitchen: I just missed the first part of what you said, these are being flagged -- did you say someone brought this up to be flagged? I missed what you said. >> Mayor Adler: In the last three, staff had highlighted those. If you go to the version not that was handed out yesterday, but if you look at the online version, those are highlighted at this point. >> Kitchen: Okay. >> Mayor Adler: Ms. Pool. >> Pool: Question that I had is on the public safety one, it's 2.01. >> Mayor Adler: What

page are you looking at? >> Pool: Page 22. And I'm also using the 8-23-16 version of the concept menu. I'm sorry, that's not it. The one I'm looking for and,

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of course, I've lost it in the shuffle of papers. It's the one where it is use of H.O.T. Taxes and sxsw. My question was for public safety, I thought that our -- our contract with sxsw included that the needs of sxsw, they paid for that through a contract. And that it is the nonsanctioned -- here it is, okay action I found it. Page 46 of 48. Ot2.07. So I was -- this is the use of H.O.T. Revenue for marketing and associated expenditures for south -- for sxsw. I wanted to get information from staff on the contract south by does have for its public safety costs and then -- and then to separate out the nonsanctioned events and -- nonsanctioned activities where we still have to have public safety coverage but they are happening around south by but not sanctioned by south by. I see them categorized as differently. Mr. Van eenoo, can you help with that? >> I don't remember the exact dollar amount, but last year the fee waiver agreement that the city council approved with sxsw waived a number of the fees but not all the fees. It did waive the fees associated with public safety costs were part of what was waived but there were a -- waived but there were a number of that sxsw would pay. >> Pool: What other public safety costs do we incur outside of south by? >> In my understanding we broke that out. We looked at the entire event and said here are the public safety costs related specifically to the street

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closures at sxsw has asked for, not general nonsouth by related events. There would be other police protection associated with those, but those weren't part of what was being waived by sxsw because they wouldn't be assessed by sxsw. >> Pool: And we did a resolution that allowed the overtime needed for our public safety officers to be on site during south by that came out of the balance in which fund? >> It came from the budget stabilization reserves in fiscal year 16 and we've put that in. That's now part of the police department's operating budget for fiscal year 17. >> Pool: And so that additional cost is now part of the public safety budget. >> Yes. >> Pool: Which as I recall is what we asked to happen. So then my question comes from that too is does this change that agreement that we had by ordinance and resolution put into the budget to have the police department program and plan as part of its budget for the -- >> It doesn't change the need for the fee waiver because it's still have event, council still passes a fee ordinance that says these events will are to pair these fees unless they are waived. The money is in the police department's digit to do it. We are not -- budget to do it. We're anticipating in the budget that we will need to expend the money, about out there will be no fees. Because the fees will be waived. That's our budget assumption but it does require council action. >> Pool: If you are able to break those numbers out and send them in the questions or just remind us. Thank you. >> Mayor Adler: Ms. Gallo. >> Gallo: Thank you. I seem to remember from the discussion last year, I mean the way the public safety cost is paid is -- is through the police department budget and so it is paid by the citizens of Austin to -- for sxsw. And I think that we had the

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conversation last year of moving into a format where we tried through both the official sxsw contract and the -- the nonofficial entities to start recapturing some of that cost so that the festival -- the spring festival would be paying for more of the public safety. And I think that's where the conversation was moving and it just seems like if we have -- I think the difficulty is I think we found that the public safety costs for the spring festival coverage can't be paid from the hotel cost, but this idea of using the hotel

tax to pay for the marketing cost of sxsw and then asking those festival organizers to pay the cost would therefore keep the citizens and the public and the general fund from having to pay the cost of that public service. I think that's where that conversation came from and my understanding we were going to roll into a discussion this year. We were on a start time constraint last year and the police department was able to move out of reserves money to cover the overtime, but the conversation was also we would start a dialogue of trying to figure out a way that the festival organizers or the spring festivals could participate in more if not all of the cost of the public safety entities. >> Mayor? >> Mayor Adler: Mr. Casar. >> Casar: I think it's important that I think both of you all are sort of right. My understanding of what we did, it's not that the festival covers all the costs the festival doesn't cover, I think it's so much more complicated. The last lines, last section of the ordinance is that we need to move away from the simple fee waiver discussion because it creates those misunderstandings in the community to a real contract.

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Councilmember pool, I don't think we actually have that contract so what ends up happening, you have south by events and nonsouth by events all on the same street. To actually break down who is doing what, we did that in a very rough way last year. South by paid more than the traditionally have, but it is hard to know whether they are doing enough or not enough because we don't have a contract. I think moving to that system will help clear up these sorts of questions to say you guys are doing that, we're doing this and what you guys owe us we negotiate should be X as opposed to what is currently, as you all know, a misunderstood and difficult the wrangle process. But I think that I would be interested in what the separation is between the marketing and the public safety costs, they are all bottled into one item here, but I hope that in the future we can move away from the -- the fee waiver discussion because it's so complicated and get into just a more strict agreement with the major players so that there's more clarity about what's going on and people know that it's fair. >> Gallo: And this seems like to be the potential of kind of a creative way to address that. You know, I think our dilemma is that we -- we have limitations on how we can use our hotel tax, and if this is a potential way to use it that we can also recapture within the system a way to pay for the public safety cost as a wash seems like it's worth -- it's worth talking about and investigating and figuring out the information that we need to really move that forward. >> Mayor >> Mayor adler: any further conversation, discussion? Mayor pro tem. >> Tovo: I have a quick question and then I want to raise some questions about my own item that I just want to let people know I'm trying to sort out. The quick question I have is about -- on page 4 out of 48, there is an item to reduce the transfer into the economic

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incentives reserve fund to draw down the ending balance, which was -- is similar to the motion that -- is the same as the motion I made last year so I'm certainly very supportive of it. What I want to does is, in my conversations a couple weeks ago, if -- with Mr. Van eenoo, it sounded like the unallocated -- it says it here in the description, the unallocated ending balance is 771,619. So I wanted to ask the sponsors whether they were envisioning transferring just the 771,619 or the -- if you could help me understand whether that's the proposal to transfer the unallocated portion or more than the unallocated portion. >> Kitchen: The intention behind this is to transfer the unallocated portion. However, there's a remaining question, which I'm not certain that we've actually sent back to Mr. Van eenoo yet, and that is, this item comes up with the amount of the unallocated based on transfers -- if I'm understanding correctly, it's -- it doesn't -- I thought we were transferring every year. So my thought was that there would be another transfer that's not reflected in this calculation, that -- another incoming transfer not

reflected in this calculation. So, yeah, if you didn't have another incoming transfer, then, yes, you'd only have the 771. >> Tovo: Okay. >> Kitchen: But I thought that transfers were made every year, and that's really the question I need to articulate back. So I left this on here when I submitted it at the 1.9, subject to a response to that question. >> Tovo: Okay. >> Kitchen: Are you understanding what I'm saying? >> Tovo: Yeah, definitely. I just want to say, again, I mean, this was the intent in

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doing it last year, so we're not employee paying for incentives that we're gonna have to pay out down the road because we don't really do that in any of our other expenses, and it makes sense to put that money to work. So I'm all for the concept. Then I just want to figure out how much it is. >> Kitchen: Yeah. >> Tovo: Because I -- >> Mayor Adler: Would you talk to us about that transfer? >> Kitchen: Mr. Van eenoo, did my question make sense? Do you want me to articulate it again? >> I don't know that I need you to articulate it, again. Mayor, the way the fund largely works, it is a reserve fund. >> Kitchen: Right. >> Money that we're paying out next year will be money that we collected this year. So we collect money this year and then when all the dust settles we actually pay it out, hold it in reserve and pay it out next year and the money we collect next year been paid out in '18 so there's always this one-year lag on the reserve fund so when you're looking at the numbers there's always going to be a large balance there, we're reserving money, it's money we're holding in reserve to pay out in fiscal year 18 because under the agreement we owe it to those companies so accounting-wise we need to set aside and hold it in reserve to meet our obligation to those agreements. Now, we do -- the dollar amounts are significant, and the math on it is not always precise. We're making assumptions about where the tax rates are gonna land and evaluations are gonna land so we have historically recommend to council that we maintain a 5% contingency contingency so we're not short. If we hit them spot on we have a 5% contingency there and don't need to transfer as much the following year. There is a 5% contingency, about \$771,000 that we don't need from gas by accounting requirements to hold in reserve for those agreements. >> Kitchen: So co I ask a follow-up? Let me make sure I understand. So I'm looking at the notes here. So the proposed ending balance

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is the 14,391 and it's -- that's the amount that you're proposing to have at the end of this fiscal year to pay the next fiscal year. Is that right? >> That's right. >> Kitchen: So the thinking is that 14,391 is needed because the payments next year are going to be the 13.6. >> Estimated to be 13.6. >> Kitchen: Estimated. Our best guess. >> You're estimating what they're going to be be. >> Kitchen: Right. But is there any -- so that 14, but what was left in -- what was left in and transferred over? Does the 14.3 account for that already? In other words, previously -- so if we're putting in every year for the next year, okay? That means we put in last year for this year, but did we use it all? And did we have any left over? Does it carry forward? >> It's all in that ending balance. If that happened and I don't know the answer, but if there was more money in the fund -- more money being transferred than what we actually needed to pay out it would be reflected in that \$14.3 million. >> Kitchen: Okay. >> Anything that's not spent goes to that ending balance. >> Kitchen: Goes into the next transfer? >> That's right. >> Kitchen: Okay. That answers my question. >> Mayor Adler: I'm happy to answer -- it answers yours. I'm real confused now. Bottom line what I would want to know is if there's money that's left in that account that exceeds what our reserve policy would have us hold -- >> Yep, \$771,000, which is 5% higher than what we estimate the payout will be in 2017 2018. >> Mayor Adler: That exceeds what our reserve policy asks us to hold. So after we've established the reserve our reserve -- our policy would have us create, there is in

addition to that 771,000, would you agree that's available for a one-time expense in this year's budget?  
>> I would. I would only caution council that if we -- if we miss our

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mark on that, if the valuations for some of these large companies ends up being higher than what we anticipated or we have to make assumptions also about what the tax rate is going to be because the tax rate plays memo it, if we miss our mark we would need to transfer more money which may create downstream issues for council. >> Mayor Adler: Do you have such doubts or concerns such that we should revisit our policy in this regard or are you confident with our reserve policy? In other words, that contingency and those risks should be taken into account when we set the reserve policy. >> There's not a formal council adopted policy related to this fund. >> Kitchen: This is just the 5% they normally do but that's not part of our reserve policy. >> Mayor Adler: But this is above -- the 771 is above the 5% reserve? >> Kitchen: No. It is the 5%, is it not? >> The 771 is the 5% that we like to have as wiggle room in case the calculations move around on us, which they do. >> Kitchen: But that's not part of a formal reserve process. It is a practice that y'all are involved in. >> Mayor Adler: Okay. So then what I would like to hear is, I mean, are we missing a place that we should have a reserve policy? What is -- or does this not warrant a reserve policy? >> I don't know -- I don't know if it's -- warrants a reserve policy or not. It's really, you know, an accounting basis. When we're looking at -- meeting our accounting standards for holding these funds in reserve, to meet our future obligations for commitments that have already been made we would need to hold \$13.6 million per our calculations. I like to have that extra 5% in the event the calculations move around on us but it's not required. >> Kitchen: Could I ask a follow-up question? >> Mayor Adler: Well -- >> Kitchen: Could you tell us more about what the 13.6 is based on? In other words, I know it's our estimate but based on what? >> It's based on -- >> Kitchen: What could be the moving parts.

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>> Based on the 380 agreements we have with large companies, by far the largest is the one with Samsung and they are the largest single property valuation on the city's tax roll of something close to \$2 billion and so, you know, depending upon -- that number can move around by hundreds of millions of dollars depending upon what equipment they put into their fabs at any -- in any given year. So it can move around. We have other agreements based on sales tax dollars so just like we're estimating for fiscal year 17 they get a little more wiggly when you estimate a year down the road so we're estimating out for some of these businesses and how much of that would be abated to those businesses. >> Kitchen: I can submit a question. I'd like to look at the detail there and maybe others are familiar with it. Because I'm just trying to understand what we could miss the mark on in terms of the estimates and I'm not as familiar with what exactly we're calculating in order to determine what we're paying these companies. >> Mayor Adler: Okay. >> Kitchen: I'll submit -- >> Mayor Adler: All right. So let's have the final few comments we have on here were we're past 4:00. >> Zimmerman: Point of order periods 4:00. >> Mayor Adler: We have people of that signed up to speak. I can either adjourn this budget work session or I could recess it to bring it back. Know that we're set to do this again on Monday and on Tuesday because we're set on every day. But, yes? >> Tovo: I think the other -- so, again, I'm in favor of it generally. I do appreciate your caution and I'm gonna look back at that as well. I wonder if one piece of information that might be helpful and maybe this could be a question for the q&a, too, would be to go back through, I don't know, five years or so and see how close the estimates were to the actual payout but I take your point that you can't control what the companies are gonna do and if they

suddenly make a big investment we may have a larger payment due or if they have a lot of jobs and some of them are in phases, it could

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be a problem. But I think seeing what the history of the last five years or maybe the last seven years has been would tell us how conservative we need to be in that coverage. Then I had some other things but I'm gonna leave it there for now. >> Mayor Adler: I misspoke a second ago but it's all one work session meeting, different items so I would just go on to the next item. There's no need to recess or adjourn anything. >> Zimmerman: I was gonna make the motion we adjourn the budget concept menu for today if somebody will second that. >> Mayor Adler: I was gonna go on to the next item. >> Zimmerman: So that we could go to -- >> Mayor Adler: Yeah, we're gonna head there right now. So item number 1 was a briefing related to the city manager and interim city manager. There is none today so there is no number 1. Discussion on the concept budget menu we just had. That gets us to item none three, which is discussion possible action related to the appointment of the city manager and interim. I don't think that better going to actually do anything on the dais but I put this on the agenda so that the public would have the opportunity to come and speak to us on this issue. And we do have two citizens of that signed up to speak to us on this so we're gonna give them that chance. Is Gus Pena here? Is John Neeley here? Okay. I just wanted to give the public an opportunity to speak to us about the interim if they had wanted to. So -- >> Pool: Mayor, I have a question. >> Mayor Adler: Yes. >> Garza: Will there be another opportunity for the public? Because I don't -- >> Mayor Adler: Yes. I have set and will continue -- there's a -- it's set on our executive session both Monday and Tuesday of next week. Also set it for possible action Thursday of next week. If we took action it would be

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in public and it's posted for people to come and speak. >> Garza: So it will be an item on our next council meeting? >> Mayor Adler: It is on the next council agenda on Thursday. >> Garza: So if I get questions I can tell them they will have the opportunity to come again on Thursday? >> Mayor Adler: Yes. >> Garza: Is that right? Okay, thank you. >> Mayor Adler: That is correct. That gets us to the fourth item. Executive session, which we don't need today. And that gets us then to our 4:00 P.M. Public hearings. We have two public hearings today. The first one is to conduct a public hearing to receive public comment on proposed changes to the energy fees and pass-through charges as part of the fiscal year 2016-2017 proposed budget. And then we have also a public hearing consider an ordinance sustaining the revised electric rate and charges for Austin energy customers. A lot of these speakers overlap each other. Is it appropriate for me to call both these items at the same time so the speakers can come up to speak to pass-through charges and rates? I'm seeing people shaking their head out in the audience so I'm going to go ahead and do that. I'm now calling items 5 and 6 and -- 6 and bring up speakers to speak. We'll begin with Cyrus reed. >> Thank you. For the record my name is Cyrus reed here on behalf of the Sierra club. The Sierra club earlier today

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signed on to the settlement agreement so I'm here to support the settlement agreement and just talk briefly why we're supporting it. First is, overall, it does offer a rate decrease for all rate classes, and, importantly, on the residential side it, lowers the initial -- the initial proposal had a fairly high rate for the folks who use the least amount of energy. That amount has been reduced through the settlement agreement. In addition, it maintains funding for our energy efficiency and solar budgets by creating a

uniform pass-through charges on energy efficiency fees so we're maintain being the budget and doing it in a fair bay and commits Austin energy to an additional \$2 million to be used for efficiency programs so I feel like these are good outcomes. The reason we waited to sign on, frankly, there were a couple of issues that both Sierra club raised that hadn't been addressed in the settlement and now they've been addressed and those two issues are how we're gonna meet our local solar goals going forward and how we're gonna deal with the retirement process for fayette. With this settlement, we have now created paths on both of those issues and be be happy to get into the details but it's in your settlement. But essentially over the next year on both solar and how we treat solar customers and on the process and planning for getting out of our use of coal, we now have a process in place with the settlement so I'm here to support that and happy to answer any questions. Thank you. >> Mayor Adler: David Cortez.

[4:15:50 PM]

David, take your time. You're ongoing. You're okay. >> Sorry about the delay. Thank you, mayor, council, Dave Cortez. Sierra club beyond coal campaign, resident in district 3. Got a whole crew of folks here ready to hear from y'all and talk about the rate case outside. I'll be brief. One, thank you to all the people. I'm not gonna name names. You know who you are up there behind me who have put in so much effort to make the rate case come together. We have not always been on the same side, a lot of us. You know, I was using the met metaphor of a couple dogs on the separate side of the fence who bark for a while and then you start hanging out and doing things together. I'm looking forward to more things to come. You know, I do have concern in some pieces that people in my community, my neighbors, low-income renters, people who, you know -- in montopolis there's a lot of speculators that own the homes we rent, live overseas and getting insulation, new thermostats, new lighting is very, very difficult. And to keep our monthly bills out of tiers three and four is so hard. You have to not run the ac at night. If you have a kid or animals at home, you have to make sure you keep it running during the daytime. So I encourage to you just please do as much as you can to bring relief to tiers 3 and 4 customers that are there and target as many incentives as you can for homeowners or landlords to make those home more efficient. It's a pervasive problem in montopolis, where I live. When I organized in the Springdale airport community, we see the same thing.

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Another piece of that I would like your attention toward is making these policies as equitable as we can, community solar farm is being built in east Austin, and we're organizing with the neighbors who are fenceline neighbors, frontline community folks who want to benefit from this project. I'm happy to say that the Austin energy solar team has been very collaborative and we're working together to find a way to expand access to cap customers on that program. We're not sure how it's gonna work. We'll find a way. But please keep that equity -- in the forefront as you go through hearing testimony and making decisions on these policies. And thank you for all your work on the fayette coal plant. Good news. >> Mayor Adler: David, thank you. >> Thank you. >> Mayor Adler: Next speaker is Ophelia silpata. And then Gus Pena. John Neeley. Trey Salinas. >> Good afternoon, mayor, council, I'll be very brief, Trey Salinas. I think I'm one of the dogs that David Cortez was referring to, but I'm not sure. We'll be brief, again, we just want to tell you that we're here to voice our support for this settlement in its entirety. Dave Schneider, Katherine Morris from Samsung are also hear to show their support, mayor, but they're not gonna need to speak but I want to let you know they are here. Any questions at all, we'll be in the audience. Thanks. >> Mayor Adler: Thank you. Bob batland.

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>> Mayor, mayor pro tem, council, the agreement from the various interveners relative to the Austin energy rate case is a cause for celebration. The fact the parties to the agreement will not dispute the rate case is moment Tuesday. Austin interfaith is satisfied with the house of worship agreement. We believe that the unique peak demand structure of the houses of worship -- of the house of worship rate simply is a recognition of their usage reality. Retaining the Monday through Friday measure is of particular importance to the financial health of nearly 300 small houses of worship served by Austin energy. We welcome the commitment to study houses of worship usage, to allow for more database analysis in the future. The agreed -- agreement to a continuation of cap funding is another area of celebration, improvements to prevent ratepayers from getting behind will help low-income ratepayers and reduce Austin energy debt. We believe the pick your own date program, the temporary elimination of late fees and a separate effort not related to the agreement implementing an arrearage management program will help everyone. Like others, Austin interfaith did not get everything we he wanted from the agreement. The only item we beneficiary to change should not disrupt the settlement. We ask you to alter the residential tiered charge structure, specifically we are not asking for any change to the total amount charged to residential customers. We're simply asking to redistribute the rates so that Austin energy rates not penalize those who conserve the most while decreasing the rates for those that use the most. The fact that the tier 1 rates are proposed to be an amount essentially equal to the summer rates all year long can in no way be viewed as supportive of conservation. We are also concerned for

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low-income ratepayers and ask that rebalancing the tiers reflect the fact that only 6% of cap customers reach tier 5 even in the summer, I understand it's less than half of a percent in the other months. [ Buzzer sounding ] And that Austin energy can help these customers in other ways. Austin energy has spoken to intervenes representing large customers, residential and small beys businesses, houses of worship and environmental groups. It was no concern that a change impacted their commitment to the agreement. Most indicated that the agreement would be proved if tier 1 increases were reduced. Thank you. >> Mayor Adler: Thank you. Craig nasur. >> I think I signed up against but now that I understand what's gone on I think it's a good compromise. >> Mayor Adler: Thank you. >> Every major religion warns us about agreed. It is one of the seven deadly sins. If we want a good city, we must be aware of the negative impacts of agreed. As for this electrical rates issues many organizations contributed to a compromise. Is it perfect? As with most compromises no. But it is a compromise that can help us move forward hopefully to a better future. But those who could have most helped this agreement brought less to the table than I would have wanted. I'm referring to the eight largest corporate electric users of the city's energy output. Years ago I was talking a fellow austinite. He was complaining about how much taxes he paid. He told me that although he made over seven times the

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amount of money I made per year -- I told him that although he made over seven times the amount of money I made per year, I would gladly pay a thousand dollars more in taxes if it helped the poor or helped prevent more environmental destruction. He insisted that he would not. And I asked him why? He gave no answer. So I asked the eight largest corporate users of electricity in Austin. The majority of private citizens are going to pay more money so that the poorest among us might not be so negatively impacted by electric rate increases. A fraction of a cent increase in your rates would help us achieve everything we need to help make Austin more affordable and to quickly move Austin into a clean energy future. You benefit greatly from being in our city. Why would you not want to do this? Please keep in

mind that the difference between those who have money and those who do not in America's rapidly rising which will not be good for the future of America, a new study has also come forward that has determined that climate change will reduce the earning power of all millennials by \$8.8 trillion. If we do not like -- if we do not make major changes more quickly. So I ask, people, corporations who get a lot from the city, why not? Thank you. >> Mayor Adler: Thank you. Paul Robbins. >> Do I have three minutes or six minutes? I would think I'd have six minutes. >> Mayor Adler: For those that wanted to speak about each of them, I'll give them six minutes. >> Thank you. Good afternoon, council.

[4:25:56 PM]

At a recent council discussion on Austin energy rates, the mayor said he wanted to resolve this through settlement. He urged all parties to work with the utility to resolve things if potential. With one of my issues, I proposed a resolution to Austin energy's attorney. I came to find out later that the attorney did not even convey this discussion to the utility. About another issue, I tried -- not you, Mr. Perney. One of the other utilities. With another issue, I tried to reach a key utility staff person repeatedly, and my requests for a conversation were, again, ignored. So I'm going to state my two issues of contention again and, mayor, I tried. First, you have been asked by Austin energy to change the current tiered system of residential rates to one that does less to encourage conservation and raises bills slightly for low-income customers. I'm asking you to keep rates as they are, and I agree with Bob batland on this, with the exception that I think you should distribute the \$5 million in rate reductions for the residential class proportionality amongst all the tiers. To my knowledge, this does not harmony of the interveners. Mayor, to something that you said earlier at a press conference, you said, billion, we are helping low-income customers by this settlement because cap customers use the same as Normal customers. And I have to remind the council that cap is only a

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subset of low-income customers. There are many poor people that are not on cap. It is common knowledge in the utility field that price elasticity drives down usage if you don't have the money to pay for things. It's been proven statistically over and over. Second -- my second issue is that I strongly oppose the rate break for out of city ratepayers. This is not cost justified. Austin energy is trying de facto to make the major council policy decision without giving you enough time to deliberate or enough information to make your own decision. When this case began, the utility could have conducted studies that would have likely proven that our out of city rate payers have no grounds for a discount. Instead, the studies would have probably proved that out of city costs were higher. It is simply -- it's pretty simple. It takes more infrastructure to serve the same area and more staff to serve the same area. The utility chose a different direction, without providing you the information, without providing you the option. I remind council that, in addition to this unjustified rate break, Austin energy pays eight cities outside of our service area a franchise fee amounting collectively to \$1.2 million a year. I have read the contracts for these franchise fees, and I believe we have the legal ability to revise some or all

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of them so that customers in those cities pay that fee and not in-city rate payers. And I sent you documentation for this in an email this morning. It makes no sense to allow these cities a franchise fee that pays for their general fund services while depriving the city of Austin of the same thing. I urge you to make these franchise fees a part of the rate discussion. I sent you all a two-page letter about the franchise fees this morning. I certainly don't have time or inclination to read this whole letter to you, but

I am gonna emphasize one point. With the 5.6% rate decrease and with the 3% franchise fee, these customers in these other cities are probably getting their residential electricity at below cost. West lake hills, in 2013, got a rate break -- excuse me. They got a rate break of about 6.7%. Add that 3%, and that's even lower. That's even lower. They're getting their rates at even lower cost than the average person in these eight cities. And with that, I appreciate your attention. [ Buzzer sounding ] >> Mayor Adler: Yes, Mr. Zimmerman. >> Zimmerman: Thank you.

[4:31:59 PM]

You're the first one to bring up that franchise topic. I haven't heard that before, but -- >> It's on your email server. >> Zimmerman: You're aware, right, that pec is being required to pay franchise fees so I'm serviced by pedernales electric co-op. The city forces them to pay fees. All the cities are forcing -- everybody is after money. Have you looked at the amount of money that the city is bringing in from franchise fees instead of what's going out? >> At one time I did. I cannot recall all the figures. You are right. We get money from southern union gas. >> Zimmerman: I think the big pun is pec. There may be a little bit of bluebonnet towards cold we will county discretion. I'm glad you brought it up but I'd like to get the complete picture. >> I understand. I think the policy question here is who pays for it. With the southern union gas franchise, if you look at it, it's an add-on. It's a multiplier. You pay a disciplinary it's 5% -- dollar and it's 5% more. With the Austin energy franchise to west lake hills, it's not based that way. Instead, it is paid through the general revenue, and I know contractually, in four out of the six cities I have contracts for there is an exclusive ability to renegotiate the franchise into something that at least my lay reading is an add-on. I think -- I don't deem to practice law, but I think you have the ability to do this. >> Zimmerman: Thanks. >> Mayor Adler: Okay. Next speaker is Patty Stevens.

[4:34:05 PM]

On deck is Johana [indiscernible] >> I'm Patty Stevens, district 10. I'm here representing the faith and energy action team. What our group does is it brings together faith-based groups to look at what we can do together to address the crisis that we're in in terms of our energy practices that are contributing to the demise of our nature and our Earth. So we are very excited about the fact that we've gotten all the parties together to talk and to come to a settlement agreement. The disappointment is that, overall, it does not really represent the kind of conservation that you went to Paris to put together for Austin to be the model of what to do about our carbon emissions and so in the future, we'd like more attention in that direction. And so that we have a future for our kids and our grandkids. So thank you. >> Mayor Adler: Thank you. The next speaker is -- >> Pool: Mayor? >> Mayor Adler: Yes, Ms. Pool. >> Pool: Did you -- I'm not sure if the last speaker knew about the press conference we had this afternoon about the agreement to close the fay et power plant or move in that direction. I wondered if maybe, mayor -- because you had some remarks about the 80% or maybe it was Cyrus reed, the 80% reduction and carbon emissions that comes from closing fayette which will actually do a lot. That was why that piece was so very important that the Sierra club and public citizens were

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working on with Austin energy. >> [Off mic] >> Pool: Exactly. We have about 600 megawatts of solar in the purchase -- we still have a ways to go to get to the 900 but we are moving in that direction and I think there is a commitment from the dais for that. So I just -- since this was -- >> [Off mic] >> Pool: Yes. A lot to celebrate. Thank you. >> Mayor Adler: Thank you. >> Pool: Thank you so much for coming and speaking. >> Mayor Adler: Richard Halperin will be on deck. >> Good afternoon, my name is Joanna and

I'm a employee at native, local solar energy company, almost precisely one year ago I spoke to you all in support of 600 megawatts of solar to be used municipally. Thank you very much for proving Austin for a greener future. Here I am today, here to voice the importance of the value of solar tariff to be extended to business owners in Austin. In 2012, Austin became the first city in the united States to sustain the value of solar tariff, which it fairly rewarded Austin energy customers for the solar energy they produce. From a business owner point of view, every investment made must provide an attractive payback or roi for the health of their company. That's certainly the number 1 thing that we talk to every single day with potential customers. Solar panels, truly, they provide a stand alone advertisement that a business is fiscally and environmentally savvy enough to harness free energy. My question is why not make this the norm for a city that fights for these ideals every day. Please help make Austin a more profitable city for businesses to invest in a greener future for environmental and economic health. Thank you all for your time. >> Mayor Adler: Thank you.

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Mr. Halperin. >> Hello, mayor, councilmembers, city staff and community members. I'm Richard Halperin and I speak to you on the rate case as a member of the faith community. Kudos for the break throughs in opening Austin energy information and data for the people of Austin owners. We have a better chance to participate now in helping you manage this utility treasure. Thank you for this excellent rate case and settlement leadership. And thank you to all the Austin energy employees for all you do to keep us all cool, warm, and full of light. Many of us in the faith community feel strongly that the weekend demand study agreed to in the last rate case must be done in the first year of the new rate case. After all, why make changes until you know what you're changing? It's, like, well, you know, putting the dirt before the armadillo. That would be dirt armadillo when it should be armadillo dirt. You know, cart before the horse and cloud before the mule, so to speak. We ask you to fine tweak this settlement in a very simple and important way that will not disrupt the settlement. We ask you to make a motion and vote to approve funding to implement the long-awaited house of worship weekend study with house of worship customers involved from the very beginning and done independently with but not by Austin energy. We all know that the devil is in the details and this is where we have to and must be vigilant. You have shown success in hiring high quality independent experts. In so finding them to do this study should not be difficult. To make this happen, one scenario is you'll need to direct Austin energy to come

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back to you with study costs and a description. Main by the way of the euc September meeting. Then through your September committee meeting with chair Gallo. And then for consideration at the council meeting at the end of September. This is common sense idea. We who have worked on the how energy rate for years feel this will be closure to a previous commitment and a follow-through on fairness to hundreds of houses of worship. I also want to does to you fine-tune first tier rates to correct the apparent mistake of charging ratepayers more for using less. This is counter to our environmental core values. And a disincentive to our environmental city vision. Many folks here have spoken to you about this today. Lastly, putting aside funds to clean up and decommission our largest poisoning -- air poisoning coal plant is smart, responsible, and visionary. Thank you for your consideration and action on these important items. [ Buzzer sounding ] >> Mayor Adler: Next speaker, does Todd Daley want to speak in N damage rin -- Katherine Morse is available but not necessarily speaking. Next speaker on deck would be Dave Schneider. >> I'm Todd Davy, nxp. Thank you, mayor, thank you, city council. I'd like to thank everybody for putting a process in place that allowed the kind of dialogue between the utility and

the interveners about something that's very important for the city and very important for the ratepayers of all different classes. I'd like to thank Austin energy and the staff for all the work that they've done and I know they've quantified the number of rfis and other work they've done and we really appreciate the efforts

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and all the investment that the interveners have made in this process to come up with a settlement, and I would just like to voice my support for the settlement as it's outlined and be available for any questions in the future. >> Mayor Adler: Thank you very much. >> Thank you. >> Mayor Adler: So zipping past Katherine Morse and Dave Schneider, that gets us to Betty Dunkerley. Is Ms. Dunkerley here wishing to speak? >> Thank you very much. I'm Betty Dunkerley and I represent the Seton family of hospitals. We participated in this -- in the Austin energy rate review process from the very beginning, and it was a wonderful process. So I'm really happy to be here today to say we support this proposed agreement in its entirety. I think that not everybody got everything they wanted, but everybody got more than we would have gotten had we gone it alone, and I think that's the beauty of this agreement. So thank you very much, and thank you for putting the process in place. >> Mayor Adler: Thank you. >> May I ask a question? >> Mayor Adler: Mr. Zimmerman. >> Zimmerman: Ms. Dunkerley? Sorry. >> Mayor Adler: Ms. Dunkerley. >> Zimmerman: Before you go. >> I thought I was gonna get away. [ Laughter ] >> Zimmerman: You have too much experience just to get away like that. There are gonna be some requests for us to make some tweaks and, you know, we'll hear people say, well, you can just change or adjust this, that, and the other and it won't materially affect other areas. But you might have a different opinion, you know, based on your experience of dealing with these complex agreements. I mean. . . >> Well, let me just tell you, I've never participated in a rate process from this side. I've always been on that side. So I think that, as a group, we all work together. And we saw that there were some things that we could

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agree on, some things we had to disagree on. But I think, overall, it is a good proposal, a good settlement. And I think it will serve us well over the next four, five years. >> Zimmerman: Okay. Thank you. >> Thank you. >> Zimmerman: Thanks for being here. >> Mayor Adler: I had a question. >> Mayor Adler: Ms. Garza. >> Garza: Sorry. [ Laughter ] >> Okay, councilmember. I mention -- I just love this job. I come up there and join you again maybe. >> Mayor Adler: You've done that before. >> Did you have a question? >> Garza: Just don't move into district 2, please. Just kidding. [ Laughter ] >> Garza: I do have a question. It's the question that councilmember Zimmerman was basically asking because I think there is the desire for many of us to keep the residential rates the same and not see increases, especially to the first four, but all of them really. So that being said, my hope is that there can be direction from the council that we keep all the residential rates the same and it doesn't affect the settlement and Austin energy will figure it out. Do you think that that's a possible direction to give? >> You know, they made an allocation of \$5 million to the residential ratepayers and there's been a lot of negotiations, and I'm not in that category here either through my representation or as a citizen. But I think the consumer advocate and the low-income folks worked with Austin energy and came up with an allocation that I think is fair. Can it be tweaked? Sure. I don't know exactly -- I'm not sure I heard all of your questions, but I -- >> Garza: If it were possible to keep the settlement but leave the residential rates the same, my assumption would be all the partners of the settlement would be okay with that. >> I think if everybody agrees it's okay with Seton, as long as the settlement agreement

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itself doesn't change. >> Okay. >> In any principal way. We worked really hard to come up with this agreement and, like I said, all the parties gave up something. The residential, the commercial, the big guys. And Austin energy, remember, they were at this table too. So to make a good agreement, you've got to have all of those parties feeling comfortable about the agreement, and I think at this time we all do. So, like I said, I'm not the consumer advocate. >> Garza: Sure. >> And in some ways -- and yet I am in others. So I think that's something that Austin energy and you and the consumer advocate could talk about. >> Garza: Thank you. I appreciate your perspective. >> Thank you. >> Mayor Adler: Thank you. Next speaker is -- >> Casar: I think I just want to clarify. Councilmember Garza, I assume what you mean by keeping the residential rates the same is the -- that the rates to the different tiers and how separated they are, you don't mean bringing the residential rates -- you obviously don't mean bringing the residential rates up to where they are? You mean leaving them decreased but leaving the tearing at the current tiers? >> Garza: Yes. >> Casar: I have your back on that bun. While we may disagree on the tiers. >> Garza: Misinterpret what I said. >> Casar: Think you want residential rates higher. >> Garza: You're correct. >> We want all of them as low as we can get. I would like to say one thing if I could, since y'all asked me some questions. I think we have come very close to getting to our cost of service. Not there yet. I think after you go forward over the next five years we need to start looking at that competitive rate that gets us to that midrange of the Texas utilities. It's a long way down the road, but that's something we all need to work on. >> Mayor Adler: Thank you.

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Jeanine breis micester. Robert Hendrix is on deck at the other podium. >> Good afternoon, councilmembers, my name is gene any, I'm with the independent consumer advocate. John coughman who spoke you to last week is unable to be here. He's in a rate case in Florida. As you know, the independent consumer advocate was hired by the city to represent residential small commercial defined as the s-1 class, and houses of worship in this case. And we are signatory and I'm here to support the settlement. The very top line of our case after the hearing and evidence is that we thought there should be a greater revenue reduction than Austin energy proposed and that some of that should be shared with the residential and the small commercial class. And the settlement achieved -- and we wanted to maintain the houses of worship rates and weekday demand. The settlement is a compromise on all of those issues and it removes the litigation risk and it provides benefits to residential and small commercial customers that were not in Austin energy's case. There were no reductions to residential and small commercial rates at all in Austin energy's case. And this proposal brought together all the customer groups in a way that, frankly, no one ever would have guessed a couple of months ago. But there has been a lot of discussion about the first tier so I do feel like I need to talk about that a little bit and answer any questions that you might have. As you probably know, revenue stability is a big issue for Austin energy. It's a priority for them. In the 2012 rate case, they proposed a pretty significant increase in the customer charge to achieve that goal. It was very controversial. In this case, they proposed to achieve their revenue stability goals through increasing the first tier. This was not supported by ica in the case. Nor by the low-income customers or some of the other groups. But the impartial hearings

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examiner did agree with Austin energy. We did not prevail on that with the hearing examiner. Yet throughout the settlement, ica sought to mitigate the increase to the first tier. And we insisted that there be a revenue reduction to the customer class and that it all be applied to the first tier. So the final

outcome was not our first choice, but it does mitigate the increase that was proposed to the first tier customers. And it was a very hard fought \$5 million, let me tell you that. It was one of the very last things settled in the case. In the context of the revenue that was on the table and meeting the needs of all the parties, it was the best outcome that we could achieve. I'd like to point out a couple of other benefits for residential customers in the settlement that haven't been identified yet. It does roll back Austin energy's proposal to almost double the amount of the energy efficiency services charged to residential customers. That would have been a \$9 million increase to residential customers. [ Buzzer sounding ] That's removed. Pick your own due date has been mentioned. Austin energy agreed not to try to change rates during the budget process, which is something they had somewhat indicated that they might want to do before the next rate case. And they also agreed to have stakeholder participation and planned studies that could affect rates and rate design in the future. And, finally, for the smallest commercial customers, the s-1 class got a \$1 million decrease, which is a 5% savings for them. So thank you very much, and I'm happy to answer any questions that you have. >> Mayor Adler: I do have a dumb question. >> Yes. >> Mayor Adler: Thank you. And this is the same question I asked during the work session on Tuesday. The Austin energy staff has presented us with -- we asked for how do low-income folks

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break out across the scale? Tier -- across the tiers. And what they came back to us and told us was is that it was difficult for them to be able to do that by low-income, but the closest that they could get to that, in terms of shorthand, would be to take a look at the distribution of cap participants. Is that the best shorthand that we have for something like that? >> Yes. Because obviously Austin energy does not collect income data on their customers. So the cap is the best way that we have to look at how low-income customers might be distributed across the usage categories. >> Mayor Adler: Okay. Here's my question. So the next thing they did when they looked at that was they gave us a chart and the chart showed -- they looked at distribution across tiers in April and then they looked at it in August. August being the summer and April being non-summer. And it looked like on the chart that they gave to us that tier 1 had a greater number of non-cap users than cap users in both the April and in the summer month period of time. So if I drive the savings to tier 1, I'm certainly helping everybody in tier 1, but I'm -- but there's a greater percentage of non-cap, I mean proportionality, it's disproportionality non-gap customers. But if I along at tiers 3 and 4, then I'm looking at Mississippi something where it is disproportionately greater cap customers than non-cap customers and in terms of total people, the cap customers are greatly weighted toward tiers three and four in

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the summer months. And which made sense at some level if we think that a lot of the tier 1 people are people in downtown small condos that are very energy efficient and they're not using much energy, and many of the people that are in tiers 3 and 4 are folks that perhaps are renting properties and homes that are not weatherrized to the degree that they could be. And thankfully we're moving on programs to address that. But it looks like, if I really -- and that's the period of time where the bills are the highest, because it's the summer month. So as I look at their numbers with the cap and non-cap and I look at it based on periods of time and if I'm trying to drive relief to people that need it the most at the time that they need it the most and disproportionately to them and not to folks that don't need it, it looks as if similar to what David Cortez said, please don't -- I mean, keep it weighted toward tier 3 and 4 relief, not tier 1 relief if you're really concerned about helping low-income people. Am I reading the charts wrong? What am I doing? >> No. I think just to -- it depends on how you're looking at our starting point. If the

starting point -- its current rates, the way the tiers are structured now, the rates, then any reduction to the residential class we would have supported it being spread out across the tiers or perhaps giving more relief to the higher tiers. But under the way Austin energy presented the rates in January, which was our starting point, as you recognize there already is a reduction to the upper tiers because of the way that they redesigned the rates. Therefore, our priority was to mitigate the increase on the bottom tier. >> Mayor Adler: Okay. So let me see if I have that

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right. So they -- so Austin energy, forgetting for a second low-income folks, but thinking about conservation, has made it so that it is more expensive the higher you go in order to meet a conservation goal? The more -- to encourage people to use less electricity so that they move down in tier? >> Although in the case they adjusted those rates so the rate increases are not as much in the higher tiers. That's where you're seeing those savings. >> Mayor Adler: Right. >> In the summer. >> Mayor Adler: So I want to put aside for a second the conservation issue and just focus on the low-income issue. Where we are right now with tier 1, tier 2, tier 3, tier 4, tier 5, from a low-income basis, it would appear to me we wouldn't want to take any of the money out of tier 3 and 4, put it into tier 1 because that's taking it away from the people that immediate it the most during the time that they need it the most. >> Again, and I don't mean to be confusing -- >> Mayor Adler: I'm just -- >> It depends on whether your starting point is current or proposed rates. I think you can achieve your goal if you take current rates and take the -- and I don't want to say anything to undermine the settlement, but if you took current rates and applied a revenue reduction to the higher tiers, you would get to the place that you're talking about. >> Mayor Adler: If we took further revenue reduction -- >> Based on current rates, as proposed to the proposed rates. >> Mayor Adler: That would have us going outside of the class. >> Not the class. That would all be within the residential class. It would not affect any other class. >> Mayor Adler: But if I were going to take one and adjust it, I'm -- this is the -- can you put this? This is the one I'm looking at. And maybe this will help. And then I'll pass it to someone else, because I am -- >> Casar: Mayor, I think -- >> I have a question. >> Casar: The confusion may be stemming from whether or not we're talking about Austin

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energy's original proposal, or modifying the settlement as it stands. >> You're talking about current rates. I believe councilmember Garza was mentioning. >> Kitchen: I think I have a cut to the chase simpler question that gets to the same thing you're asking for. >> Mayor Adler: I'm going to describe the chart so people outside might be able to follow what I was saying, and then I'll pass it down, because I kind of -- I'm trying to establish this issue. So, this is the chart I was looking at. On the left side is April. On the right side is August. Tier one in both of those graphs are on the left side. Tier one has more Orange than blue. Orange is not C.A.P., blue is C.A.P. The summer -- in tier three and four are the C.A.P. Folks. And they're disproportionately weighted, especially during the summertime, in tiers three and four. So from looking at that chart -- and there may be other solutions to this -- what I don't want to do is cut the rate for tiers three and four even if I'm adding it to tier one. And I especially -- I wouldn't want to do that, right. I wouldn't want to take anything away from tiers three and four and put it into tier one, because then I'm disproportionately helping the Orange line, which is the non-c.a.p. People, and taking it away from the blue graph people for the summer month. So that's what I was looking at. If someone has a better way to attack this or to address this, Mr. Casar. >> Casar: And I think the point that I was trying to make is I think while you were talking about Austin energy's current rates, I believe from having heard the mayor describe this in other venues that his concern was modifying the settlement to give less

relief to three and four than is proposed in the settlement. Is that correct? >> Mayor Adler: That's correct. >> Casar: I think that's where you were talking from different starting points. I think the mayor's concerns, as

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I've heard them described, is changing the settlement to provide less relief to three and four than the settlement currently. >> Mayor Adler: And more relief to tier one. >> Mr. Mayor. >> Mayor Adler: Ms. Kitchen. >> Kitchen: I think I'm understanding this. So my question -- coming at it a little bit differently -- might be, so, if we're wanting to lower the tier one impact, how would we do that? I mean, what we're talking about is in the context of taking that from three and four. But maybe there's another option. So my question to you is -- >> Mayor Adler: And still staying within the residential class. >> Kitchen: Right, right. I'm not talking about taking anything away from other classes. So really it's just my question. Is there another option that you could suggest to us, or not suggest to us, but if we were to look for another option, where might that be? Because really what we're looking for is where are some additional dollars to lower the impact. >> That's an option. If there were additional revenue, we would not support taking anything away from any other class in the settlement. If there were additional revenue, that would be one way to do it. Adjusting the rates within the tiers without adding additional revenue is another way. >> Kitchen: Okay. Is there another place to look for additional revenue, or is that something that we need to talk to Austin energy about? >> Our number is the settlement number. >> Kitchen: Okay. >> Our recommendation was a \$63 million rate cut, which is more than the settlement. And other parties had larger numbers than that. >> Kitchen: Okay. >> Mayor Adler: Okay. And we still -- I'm going to recognize everybody who has their hand raised. We're still in the middle of speakers to speak. Mayor pro tem. >> Tovo: I just wanted to say, you know, one of the ideas -- I can't remember if it was yesterday or the day before, or

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maybe Monday. But I had asked Austin energy for some information and actually we followed up with some formal questions asking what would be the revenue impact if we went to some differences in our reserves. So currently, under the rate case, we would be making some changes in our reserve policy to extend that would lengthen it. And I can't right now tell you the days. But it would go beyond what was recommended in one of our analyses, and it would go beyond what our current policy is. And that would be potentially one way of lowering the revenue requirement. The other analysis that we've asked Austin energy to provide us with some information about is what the replenishment rate would look like over five years rather than the projected three years. And that would lower the revenue requirement. That might be money that we could apply to the tier one. So we submitted those questions to Austin energy. And I don't want to put you on the spot asking you to comment on that, but I think that would achieve a lowering of the revenue requirement that we might be able to apply in that way. I wanted to say thank you very much for all of your work in this process. >> Mayor Adler: When we're done with public questions, we'll bring back staff to answer those questions. >> Casar: I believe I asked Austin energy to provide options during the work session about this. I don't know if I can get a thumbs-up, but I'm pretty sure they have options. That's a thumbs-up. Those questions about how could we do this, they prepared options I imagine they will present when speakers are done. >> Mayor Adler: Ms. Gallo. >> Gallo: I have more of a process question than anything else. Because we're in the middle of citizens communication, but we've launched into a policy discussion. [ Laughing ] >> Gallo: The mayor's in charge of this meeting. [ Laughing ] >> Gallo: But I know Mr. Robbins has addressed some of this, so I think it would be appropriate to call him back up. But I think the appropriate time would be after we finish

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citizens communication, unless you feel like we want to continue the policy discussion at this point. >> Mayor Adler: I was only asking the consumer -- the low-income advocate because it was a low-income question, while she was here. >> Gallo: Okay. >> Mayor Adler: I was targeting my question to the presenter. >> Gallo: You would prefer -- I think he could add some comments to the discussion, but you would prefer to wait until after citizens communication is complete? >> Mayor Adler: Yes. Thank you very much. >> Thank you. >> Mayor Adler: The next speaker we have is Robert headricks. And then white. >> Thank you for this opportunity. My name is Bob Hendricks, district 7. I'm a volunteer with a number of organizations working to slow global warming. First of all, I applaud the many green environmental programs Austin energy and the council have implemented. The green building program energy audits, wind and solar, energy star, just to name a few. I have bragged on Austin's initiatives to actives elsewhere. But we still have a lot to do to cut carbon pollution. And the top one of on the list must be the fayette coal plant. I've prepared my remarks before I knew that there was something on that. But I still think it's worth mentioning that this coal plant, when operating, spews over 14,000-tons of carbon dioxide each day, half the CO2 our electric generation puts into the air. And coal adds nearly twice as much carbon pollution as an oil or gas plant. So I urge you to retire this as quickly as possible and end in the final negotiations.

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Don't let this one drop for the sake of all of our's future. Thank you very much. >> Mayor Adler: Thank you, sir. After cayeba white would be Susan Lipman at the other podium. >> Good evening, I'm here on behalf of public citizen. As you heard earlier, we are very happy to have joined the settlement, and thank you all for the support that you gave. And thank you to Austin energy for working with us. Just so you all know, the progress that is made in the settlement really does put the ball back in your court. So you're going to be getting information from Austin energy no later than June. But I encourage you all to make sure that that process stays on track throughout the coming months between now and June. I do want to address this rate issue that you all have started discussing about the tiered rates. I do think it's important to remember that there are two changes being proposed to residential rates. One is this flattening of the tiers. The other is moving from summer and winter rates to just a single rate. So if you were to only merge the summer and winter rates with either a simple average or a weighted average, that alone would provide relief to those in the upper tiers in the summer. It would provide relief, in fact, to call customers in the summer, because those summer rates would, by definition, be lower. So I don't think you necessarily have to be looking to provide a lot of additional relief beyond that, assuming that there's not a question about moving away from -- or assume that you all are okay with moving away from summer and winter rates. We did advocate for keeping them in place, but the settlement does have them going away. So I just wanted to point that out. And I -- you know, we do support the settlement, but I do think

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that to answer councilwoman Garza's question, that there could be change without destroying the settlement on that front. Certainly we as residential advocates, as well as environmental advocates, would support some changes. But you would have to talk with all of the other residential parties, I think, to figure that out. So, I also want to, kind of, address this issue of current rates versus proposed rates. Compared to current rates, tier one would still be increasing. So just to make sure that that is clear on

the table. It would be closer to the summer rate at all times. So just as you're deliberating, just to try to clarify some potential confusion. Thank you. >> Mayor Adler: Thank you. And after Ms. Lipman, then Ed Latson. >> Councilmembers, this is a good day. This city council and this city makes me the most proud when we prioritize both equity and justice issues, and climate protection in particular. So I'm delighted with the support, and I support the proposed rate case settlement, because it does protect lower-income ratepayers, and for its solar provisions, and for starting a process to retire our carbon and pollution-spewing gorilla, the fayette power plant. I'm thrilled the settlement moves us forward with a plan passed by the previous council, and which that council and many people in this room, and many others who aren't here, fought very hard for. Because of that plan, many people in this room encouraged council to ask for bids for a big hunk of utility-scale solar power last year, not just a study. And you did that. And when the bids came in at 5 cents a kilowatt hour, it created waves of astonishment

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around the world. And I heard mayor Adler went to Paris and came back and bragged at people came up to him and asked about that five-cent per kilowatt hour bid. And then, this just in, within this week, someone put out bids for solar power. And that came in at 2.91 cents. In dubai, 2.99 cents recently. So this is the right direction to go. We're not going to be sorry. And as these costs fall and as the cost of storage falls, the cities that have already got a lot of renewable power in place will be sitting in a position to benefit. But ultimately, no matter how much social progress we might make, if the climate breaks down, nothing that we care about will succeed. We see this when we have tight budgets that can barely help out our flood victims, and that's just a tiny taste of what we are risking. I'm proud when our city is in the forefront of protecting a livable climate for everyone's future. Thank you. >> Mayor Adler: Thank you. After Ed Latson's going to be Clifford wells at the other podium. Mr. Latson. >> Mayor, council, thank you very much for letting me speak. I stand here and represent manufacturing companies, with the Austin regional manufacturing association. We support this agreement in entirety. As an intervener entering this, I expected it to be contentious, especially at this point. It's an honor to be a part of a group that represents so many different sectors in Austin proposing a unified front. So I'd like to speak just for a moment on my constituency. There's 57,000 jobs in the area. Manufacturers are the leading user of green choice. They're some of Austin energy's

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best customers. And I think one of the things that's important to point out is we're highly intensive energy users. This is a very important issue to us. We do things for the city in return that you might not be aware of. We employ people that other sectors don't. We give jobs to people with no college education, to people that are hard to employ. And in turn, that helps lift economic development within the city. So, that being said, I'd like to say the average wage for manufacturers is \$106,000 a year. I don't know if that surprises anybody, advanced manufacturing is \$118,000 a year. Middle scale is \$80,000 a year. Fantastic jobs. I think the one thing that the council can do to support us is provide low energy rates. Here's an opportunity to do that. We appreciate your time and an opportunity to speak, and we appreciate your support on this proposal. Thank you. >> Mayor Adler: Thank you. Mr. Latson, I happened to notice, just as an aside, that the Texas association of manufacturers had listed their priorities for the legislative session. And anticipating probably that we weren't going to be able to do what we were able to do here, Austin energy was at the top of that. I hope and trust you'll share with them the settlement that we have here so that we move off that list, and the association can focus on those other things. >> I will definitely personally relay that message. But if I could also say that as a

member of the community, that we'd be happy to move beyond those contentious points. And very pleased with the proposal that's offered today. >> Mayor Adler: Thank you, sir. >> Thank you. >> Mayor Adler: Clifford wells. And then after Mr. Wells we have Julia Von Alexander. >> Mayor and city council, I am cliff wells, and I was an intervener representing Bethany

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methodist church, and also all of the 441 houses of worship. I signed on and endorsed this plan. I think the end result is a very good compromise. I was asked by one of the councilmembers if I thought it was a good plan. I think it is -- number 1, the discount is a C.A.P. Rate, which rices up and gives us a chance to give a slight incentive for improvement to be made. Most importantly, it has another part which is important. And that was the part that said that the measurement will be made on weekday usage. One of the things that came out of these studies is that houses are a unique class. I mean, it's a different class, because we're low usage, but we have a lot of demand. So the end result is that by keeping that on, and also continuing the study as Richard talked about, and Bob batlin, having the study that checks these non -- they call -- it kind of confuses me, noncoincidedent peak usage, we ask you to help fund early and provide gentle encouragement as we will to complete the study to once and for all get a settlement that will take care of our small but important class of people. Again, I commend the process. As other people have said, it certainly brought out a lot of information. It helped us as users, but it helps you. I encourage you to approve the rate case. Thank you again. >> Mayor Adler: Thank you, sir. Julia Von Alexander. Kristen leetly.

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And I think that's all of the speakers. That gets us up to the dais. If Austin energy could come on up. >> Good afternoon, mark Dreyfus, vice president of regulatory affairs and corporate communications for Austin energy. >> Mayor Adler: Do you want to talk to us about what the options are with the residential tiers? >> Sure. I have a short presentation that I think will, kind of, tease out these issues. We have developed three options based on your conversation yesterday. And we listened real hard to develop those options. I want to start with this chart that we've shown you before. I think that this chart best captures the issue that we've been trying to discuss with you about striking the balance between the rate tiers, revenue stability, conservation incentives, the changes that are going on in the fabric and urbanization of our community, and on our dependence on high usage and weather. This chart, as we've noted before, shows that our average customer's usage is down there in the second tier. Since we originally presented you this chart, we should actually update that to 895-kilowatt hours a month is the average usage of a residential customer. But we're under cost of service just fundamentally because of our tier structure for all customers whose usage is below 1400-kilowatt hours a month. And we'll have to reduce that a little bit after the adoption of

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the new revenue requirement. And so we are highly dependent on the steepness of the tiers and the small number of customers in tiers four and five to complete our recovery of our cost of service, who are highly dependent on warm weather in the summer to ensure that we make that recovery. This is why we've shared many times that we're -- our revenue stability concern is about high usage and hot weather, which is not consistent with our goals for managing the energy usage of our community. I would note that the settlement agreement that you have before you, which as all the speakers told you involved a lot of comp -- compromises, including commiseses -- compromises from the staff, who are

looking from the perspective of protecting customers and the long-term financial health of the utility and the city, we believe that the rates that we've presented you in the settlement proposal strike the right balance between these things, the conservation incentives, the tiers, the changes in our community, and our revenue stability. I want to try and tease out a little more why we're concerned about this revenue stability issue with the two following charts. These -- this chart shows you our monthly net revenue over the course of the year, beginning in October and ending at the end of the fiscal year. And this is for 2015. And this was a good year. In 2015, we were behind on collection of our net revenue early in the year. And that's fundamental to our tier structure, which has lower rates in the winter, and also to the seasonal rates.

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And so we were under-collected on net revenue until -- March of that year. It got hot in June, July, and August, and that's where we really caught up. And we were able to have positive net revenue. And 2015 was a good year. This is 2016 through June. And this is why we're concerned about the revenue stability issue. You'll recall that until, really, July, 2016 was a very moderate year weather-wise. And for a number of other reasons, we had -- partly related to the weather, and partly external factors, we had very low prices in the market for electricity. And we under-collected revenue through the entire winter and spring, and did not catch up until June. And now you'll note that August has been -- since the weather broke -- a very cool August. And so this is really where our revenue stability concern is, that we're dependent on the summer, and we're dependent on high usage of customers to achieve our revenue targets. And, you know, this was a mild summer early on, but if you remember the summer of 2007, which was mild for the entire summer, I think we'd see that we hadn't recovered as we did in June this year. And that's really where our revenue stability concern comes from. I want to show you the progression of our rates for residential customers since 1996. You'll recall that we last set rates in 1996, and they stayed in place through 2012. And in 1996, we had a two-tier rate and a \$6 customer charge. And tier one was \$3.55. And then we had a differential rate in the summer and the winter. And in the summer we were \$7.82 for tier two and 6 cents -- I'm sorry.

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7.82 cents for tier two, and in the summer, and 6 cents in the winter. In 2012 as you know, we adopted the rates that are listed on the screen as current rates. We adopted the seasonal rates. And we brought that tier one down because we created the five-tier structure. And so we adopted a very tilted rate structure. With the current winter rate as low as 1.8 cents, and the summer fifth tier rate at 11.5 cents. And then the final column shows you the joint agreement. And that's at 3 cents, essentially. And you'll note that tier two is at 5.6 cents, the lowest rate of any rate that we've had for that tier since 1996. And so I think you'll see that the progression of the rates reinforces the revenue stability issue that we are -- we've been since '96 lowering the rates for where the bulk of our usage is in tier one and tier two, and in tier three. So here's the structure of the rates that I showed you on Monday. The Orange is the current summer rate structure. The green is the current non-summer rate structure. And the blue line represents the residential rate tiered structure that is in the joint agreement of the parties. We talked about its relative steepness compared to the rates -- the current summer and winter rates, and that we've kind of brought down the rates in the top tiers compared to the summer, but brought up the rate in tier one. And so based on your discussion

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yesterday, we developed three new scenarios. Those scenarios were designed to reduce the tier one rate and lower bills for a larger number of customers. You will recall that I told you that over two-thirds of customers would receive a reduction under the joint agreement and a little less than a third of customers would receive -- residential customers would receive an increase. These three options all are at about 7:1 I'd say. One customer gets an increase for every seven customers that would get a decrease. And then we developed these options to maintain the same amount of revenue in the residential segment -- in the residential class as in the settlement agreement. And the three options that we developed are listed there. And I'll explain what I mean by the weighted average rates. So the first option is that we weighted the current summer and winter rates to -- in each of the tiers. And then when we did that, we didn't collect enough revenue. And so we raised tier one for that. And I'll show you what I mean. So here's the current summer and winter rates. And so by a weighted average -- and this was councilmember Casar's recommendation when we looked at options -- we looked for the middle in each one of those tiers, and we weighted them by eight months of non-summer use and four months of summer use. And then because that new line that we would've put in the middle did not collect enough revenue to meet the residential rate class revenue target, we raised the tier one rate to collect the rest of that revenue. That was option one. Whoops. Excuse me. Option two is similar.

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Again, we did the weighted average, which came out the same. But then in order to adjust for the additional revenue loss, we raised all of the rates for all the classes equally. And then option three was really in response to councilmember pool's comment not to change the amount of revenue collected from tier one as we have today. So we first set a rate for tier one to collect the same amount of revenue that we collect in tier one today, and then we adjusted the four other rates according to the weighting process that we did for one, two, and three. And I'll show you what the new charts look like. They follow a similar pattern, but where you should really drill down is into the tier one option one rate, because those change for each of these options, and then that revenue is distributed significantly into tier two in most of the other tiers. So this is option one where we did the weighted average adjustment, and then we corrected tier one for the insufficient revenue. And you'll see that the tier one rate would be 2.545 cents per kilowatt hour instead of 3 cents. If you'll also look at, kind of, the slopes of the dotted line, you'll see that it's a more relaxed line so that there is -- based on the discussion we had on Monday about the slopes of those lines really being the indicator of economic incentive for investment and conservation

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programs, you'll see that that is a more relaxed line and not as steep. So I would say that it has -- is likely to have less conservation impact. Now, this looks similar. This is option two where we did the weighted average adjustment, and then we lifted all the rates equally in all the tiers. And you'll see that now option two, tier one is 2.4 cents compared to 2.545 cents on the prior -- on option one. And option three is driving -- or is retaining the same amount of revenue from the first tier without increasing the revenue that is received from tier one. And that would bring you down to a tier one rate of 2.36 cents. And again you'll see that the rate line is not as sloped as what is in the joint recommendation. I've got a new piece of data to tease out the discussion we've been having about C.A.P. Customers. And I showed you a chart on Monday that was made up of those red bars, or rust-colored, or burnt Orange bars. And so it is the percent of customers whose average usage falls in each of the tiers. So if you just look at the burnt Orange bars, which is taken exactly from what I showed you -- I think taken from what I showed you on

Monday -- 17% of non-c.a.p. Customers average usage over the course of the year is in tier one. 45% is in tier two, etc. Now, the light blue bars are the new information. And that is C.A.P. Customers in 2014.

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And so this is a relationship that the mayor was just discussing that in tier one you'll see that there are proportionally fewer C.A.P. Customers whose average usage is in tier one, and a much higher percentage in tier three. And again, higher in tier four. And this gets to your discussion about balance across the tiers and whether that -- those changes provide value for C.A.P. Customers or not. And so we reproduced these same charts that we showed you on rate impacts. These are the same customers that are in the charts that I showed you on Monday. And I will remind you that these are just example customers who fall into each of the tiers. Some would be higher, some lower, it's all dependent on the pattern of their usage over the course of the year. But if you look at the tier one customer, in the rate settlement, that tier one customer whose average over the course of the year is 460 kilowatt hours a month would have had a slight increase. The number escapes me, but in this case they get about a dollar a month decrease. I have these same -- and this is option one. I have these same charts for the two other options, but I think what you might want to drill down into is this chart. So this chart is grouped into the five tiers. So the first four bars are tier one, and the next four bars are tier two, etc. And the colors relate to the options. So purple is the recommendation from the joint agreement. And blue is option one. Red is option two. And green is option three. And so you can see that under the joint agreement, customers

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in tier one -- these are all customers -- no. I'm sorry. I'm back to the five customers we presented you. So these are the same five customers that are in these charts that we've been showing you. So they're not representative of all customers, but they're just these five customers. Some customers would have a little larger impact, some customers would have a little smaller impact. So of these five customers that we've showed you, tier one would have a slight increase. Tier two would have a \$33 decrease, etc. If you look at the options, you'll see that in all three options, the tier one customer would then have a decrease -- go from a \$3.50 increase over the year to \$11.50 in option one, \$16.73 in two, and \$19 in option three. But then there are impacts in the other tiers. And again, that gets to that -- to two issues. One, again, the revenue stability issue that we've been discussing that we remain more dependent on revenue from tier four and tier five as you move across these options. So each one of these options as you move across the three options does less to address our concern about revenue stability. And then if you think about the C.A.P. Customer issue, there is the issue of are these customers getting as much benefit whose usage comes into tier three and tier four during the summer. I have the same analysis for the three customers that we've showed you several times. And then if you flip down to the impacts, you'll see that the C.A.P. Customer whose usage was around 500 kilowatt hours a month, just based on the

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specific pattern of the usage of this customer, not an average for all customers, just one sample customer, that customer would have a \$7 increase over the course of the year. If the customer that had a more average 974 kilowatt hour a month usage would have a \$32 decrease, and a larger C.A.P. Customer with 1509 kwh average usage would have a \$51 decrease. That is what I have for you today. I just want to close by noting that we worked diligently with these parties to come to this agreement. I

think if we had targeted greater relief in tier one, we might have done things differently in the way we approach this. We might have looked at the tiers differently. We might have looked at season Alty differently. But, we came down where we came down with these 20 other parties, I believe. And we believe that the result we arrived at strikes the right balance for the community and for the customers. >> Mayor Adler: Thank you. Questions on the dais. Ms. Pool. >> Pool: Thanks, Mr. Dreyfus. Can you tell me, if you're looking for predictability in revenues, which of these options the has the least volatility? And which tier is the least volatile? >> Well, the option that's in the joint agreement that has the least volatility. It's kind of hard to see from these charts because these charts are, you know, they all

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kind of look alike. But if you think about -- >> Pool: I like those. >> In this way. So you'll see that option three leaves the most revenue in tiers four and five. So we are -- you know, our proposal is remove some revenue from tier four and five and add some to the utility in tier one. And that helps with the revenue stability issue. So option three does the least movement. And so it makes the least progress toward revenue stability, and option two makes the next-least. And option one makes the next-least. >> Pool: And that's because in option three you have bigger cuts in the rates. >> It's not that there's bigger cuts, it's just the shift into tier one from the other tiers is larger. So you'll see -- I think if we were to compare the rates, look at the tier four rate in option three. It's 9.433 cents. And then it's 9.383 in option two, and 9.267, so there's just more revenue anticipated in tier four and tier five in option three. >> Pool: And then one more question on volatility. So in my mind, the volatility is people moving up and down within the structure of the rates. And how long somebody is in tier three or four versus how long they're in tier one. And what you're saying is they're always in tier one, everybody's in tier one, until you hit the 500 kilowatts.

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>> Yes. >> Pool: The other chart that you had, does that one show how long people are in the upper tiers? I know you've got numbers of people who are in the upper tiers, but how long are they in there? >> You know, this chart is denominated in dollars, and not in kwh. But I think you can kind of look at the pattern of the usage across the months and get a sense just of the magnitude of the increase. And that's by the length of the bars. But what I would say from a higher-level perspective is that our community is changing. And we are -- it's clear if we look at our last five or six years of average usage that year after year, average usage in our community is coming down. It didn't in 2011, kind of an anomalous year. Inevitably, we must change the tiers. Because as that usage comes down, down, down, down, we have a bigger and bigger revenue problem. So I think the question for you is, you know, how much effort do you want to make today to address that issue, or how much do you want to leave to another day to make that issue. And we're just talking incremental progress. We're not talking about enormous, but, incremental progress to raise a little additional revenue in tier one and take a little additional revenue out of tiers four and five. >> Pool: Thank you. . >> Mayor Adler: Mr. Casar. >> Casar: I just want to thank you and your staff for obviously putting a lot of work into this. And it's my first time, I expect it's the rest of the dais' first time seeing it, so it will take some time to adjust. On its face, it seems to me that the parties agreeing to the settlement is important. And the settlement number is something we hopefully could get

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comfortable with if other folks have gotten comfortable with it. I appreciate that if we're going to deviate from that, having options for what those different deviations would be is very helpful. And so thanks for laying it out so that we don't just have the settlements in option three, but options one and two as potential middle ground or something I'm willing to explore with folks if that's the desire of the dais. >> Mayor Adler: Anything else from the dais? Ms. Garza, then Ms. Gallo. >> Garza: Yeah. I appreciate the options that you laid out for us. And I guess my thoughts are . . . You know, I feel like we're here -- we have an electric utility that we're so lucky that is city-owned. And in many ways, I feel like it has to reflect the issues that the majority of us on this council believe in. And that is -- and I know there's others that won't agree, but that people with more of an ability to pay should pay more. And we should help out our lower-tier customers. So I know we're not making any decisions today, but I will be grappling with how we get to, in my opinion, properly represent the people that we represent. [ Chuckling ] Especially when we're, you know, in a city that is becoming less and less affordable to live in. And we had long discussions about, you know, our ability to be able to have an independent consumer advocate. And so I just -- I know we've had a lot of stuff to read, you know, over this issue. I just want to point to some of the key recommendations of the

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independent consumer advocate. And they were residential customers should receive a meaningful electric rate reduction. There should be no increase to the first tier of electric usage for residential customers. Those are the first two recommendations. So those recommendations are weighing heavy on me as I try to understand the options that we have before us, and try to best represent the folks that we represent. But thank you for everyone who's put in a lot of work to this settlement. >> Mayor Adler: I hate to -- as we go through this, because there's another public hearing on this. Is there not? Or -- procedurally, it's posted for possible action. Do we approve something on first reading? Do we not approve something at all? What do we -- what's the -- when do we need to approve this by, and have we done all the public hearings? >> I think that's a question for Mr.-- >> Well, we currently have another public hearing. I don't know if it's posted yet or not, but we've talked about scheduling one for next Monday. >> Mayor Adler: That's my recollection as well. So we probably wouldn't want to take any action until we have that public hearing. >> Right. >> Mayor Adler: I -- from what we've talked about so far, I'm disturbed with the messaging of having a rate increase in tier one. So there's part of me that would like to see an option that doesn't have an increase in tier one. But I'd like to minimize the drop in reduction that we have in tiers three and four, because that seemed to be targeting most the people that needed the most help at the time that they needed the most help. So I wonder if there's yet another option that's between

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what you proposed and option one. That took us up to -- didn't have an \$11.59 reduction, but didn't show an increase and was able, then, not to lose as much of the decrease as we're showing in tiers three and four. That would seem to follow if you were trying to shape a curve. >> So let me just say that the options that we presented today were presented based on some thoughts you all had about how to structure that change. And so what you're asking now is to preserve -- do more to preserve the current rates in tier one, but push that into other tiers in a way that has less impact on tier three and four. And so we're talking about more art than science, let me put it that way. And so a lot of judgment involved in the rate designers and the team. And so I will ask them to look at that, but I don't know how that would come out. >> Mayor Adler: Okay. And maybe it's a bad question. I understand the need for stability. The chart that showed us losing for all those months, and then hoping that the summer months are hot

enough to be able to pull us back -- I understand the stability issue of -- that you and staff have. I liked the way that the settlement structure was sent, because it had the most significant increase in tiers three and four, which lined up with the C.A.P. Charts that showed that there were

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disproportionately, in the summer months, in those tiers where C.A.P. Customers needed the most help. So I liked that part of the rate. What I think might be causing some anxiousness or concern is the fact that we have, in tier one, a rate increase in tier one. Which is disproportionately non-c.a.p. People. But it's still a rate in a residential class. So I guess the question I was asking was -- and I don't know if it makes sense to take a look at -- trying to maintain as much stability to the system as you can and not have the fluctuation, which was the original goal, preserving the rate decrease for tiers three and four, because that's where the people who needed it the most got the most, but adjusting the first number so there's not an increase in any residential rate class. I don't know if that's an impossible ark to build or not. Mr. Casar. >> Casar: To add to that, I do think that option one, or a place between option one and the settlement could -- again, more art than science. If there was just a slight decrease to tier one so that every tier -- saw a decrease, tier five seems to have very few of the lower-income and C.A.P. Customers. It shows here in option one that tier five's decrease is greater than the settlement. So maybe your artists can look at that. And I just do want to make clear, also, in response to councilmember Garza's very good point about what came out from the consumer advocate's first piece is that I think the challenge is we are charging more -- significantly more than the cost of electricity to tier four customers, many of whom I know are low-income customers in rental housing that have no

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choice over weatherization of their home. And so it's that segment of people who deal with the most impact of their electric bill at the worst time that I'm trying to weigh that against the conservation and financial stability goals. >> And those, as you know, are the customers we're working to target with the low-income weatherization program. >> Casar: That brings me to my question, I also heard -- maybe I'm wrong -- that out of this settlement, there's going to be extra money dedicated -- coming -- from the rate stream to the weatherization programs. Is that -- >> There's 2 million additional dollars for 2017 that we're intending to dedicate to residential and small commercial energy efficiency programs. >> Casar: And so I would urge, without dictating it now, that we work -- it seems to me that if we're going to have a weatherization program, and a residential one in particular, it seems to me that the very first place that money should go should be to the people who need it the most, and also who have the least choice about weatherizing. That seems to me to be the low-income renters who -- again, this rate design is supposed to send price signals so that people conserve. That's the idea of having a sloped rate, that people say, my bill is going up. I should do something to my house. These folks receive no price signal. They just suffer the higher rate. And so if we're going to have a program, it seems to me that we need to be targeting those folks. I know we have pilots going on, but if we can figure out what's working in those and dedicated lion's share of the \$2 million to helping those people, I think that provides an even greater good than our working on the tiers. So, anyway, my two points being, I like the mayor's idea of coming somewhere between the settlement and option one. Perhaps with a slight decrease to tier one, and not as much benefit to tier five. And some spreading of that to

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tier three and four. And also the idea of us really focusing on the weatherization as the core issue that we're grappling with here. >> Mayor Adler: Councilmember pool. I'm sorry. Mayor pro tem and then Ms. Kitchen. >> Tovo: I want to cycle back to a different -- a slightly different question. As I mentioned, I'm looking at the reserves. And as part of this, we're also being asked to change the policies with regard to the reserves. Can you tell me if there were any changes in the settlement agreement that impacted the way reserves factor into the revenue requirement? >> I'm going to have to ask M Mr. Dumbraski to clarify that. >> When we had originally made our proposal, our revenue reduction was \$24.5 million. And as a part of the settlement, we settled on a \$42.5 million revenue reduction. And so the -- one of the ways we'll be able to make that work was to eliminate all funding for future reserves. So we zeroed that out. And right now we're comfortable with that because with our current cash position, we can maintain adequate reserves, assuming no catastrophe happens. If that happens, we will come back to council at that point. But we have no additional dollars in the revenue department to fund future reserves. >> Tovo: By reserves, are you also including the working capital reserve? >> That's correct. Working capital is a function of the cash flow in and out. >> Tovo: No. I guess I don't understand what you're -- what the affirmative answer meant. >> No. >> Tovo: The reserves you're talking about are the stat the strategic and emergency reserve, or it includes working capital? >> It includes working capital.

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>> Tovo: That's not factoring into the revenue -- >> Correct. We have no additional funds to hold in working capital in the forecast. >> Tovo: Okay. And were there any changes as part of the settlement to any of the proposed -- I'm using changes too many times in this sentence. You have proposed some changes to our financial policies with regard to the reserves that are increasing the days. >> No, it actually decreases the amount of reserves. >> Tovo: As far as the settlement goes, or the proposed changes in the financial -- let me give you an example. I'm just trying to track. It's a little complicated, because I'm looking at three different charts, the names of the reserves have changed now multiple times. So, for example, the working capital was, I believe, initially -- or is currently the financial policy is currently 45 days, and was proposed for 145? >> It's -- I don't have it in front of me. I believe it was 45 days plus the additional capital needed to hit 150 days cash on hand. >> Tovo: Wasn't that the proposed change in the financial policy? >> Yes. >> Tovo: That's not the current policy. >> That's correct. I don't have it in front of me. I believe it's a minimum of 45 up to 60. >> Tovo: Yeah. I guess what I'm trying to say is, again, one of the things we're being asked to make some decisions about here very quickly are these changes in our financial policies. And that's just one of the changes that's being contemplated, working capital, which was called operating cash before, I think, I believe is changing from 45 days to what you've described, 60 days o&m less power supply plus amount needed to reach a minimum of 150 days cash on hand. >> Correct. >> Tovo: Are you still

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recommending that chance to the financial policy, or has the settlement altered your recommended policy change? >> That is -- that . . . >> I think that's correct. We're recommending 60 days plus the additional days cash on hand to get the 150. >> Tovo: And so the contingency reserve, as another example, the funding policy change would change to 60 days. And I believe that may be consistent with the existing policy. >> That's correct. We had the -- if I remember, the strategic or emergency and the contingency, they were both 60 days. So we're combining those into a single fund. We're going to maintain that at 60 days. >> Tovo: Okay. And you have eliminated revenue requirements, I don't need to talk about -- it had been proposed for a three-year replenishment, but that's been removed as part of the settlement. >> Correct. That's been removed. In our forecast, we forecast to have 173 days cash on

hand starting next year, approximately. And without replenishment, because the o&m grows over that time, we'll finish at 163 days cash on hand according to the forecast, by 2019. And that assumes that, you know, we don't use those reserves. So it's marginally better than that 150 days cash on hand. >> Tovo: Okay. Thank you. And exactly when revenue are we approving them in the budget? >> In the budget document. >> Tovo: Super, thanks. >> Mayor Adler: Ms. Kitchen. >> Kitchen: I think mayor pro tem was getting at my questions, but let me just ask it another way. You may have already answered it. But that has to do -- what we've been talking about in terms of options to deal with tier one have really been a balancing kind of approach between tier

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one and the other tiers. And so my question, really, is to just step outside of that for a moment and ask whether there is another option. And there may not be. But if there's another option -- in other words, is there another source of dollars to lower the impact, or to mitigate the impact more on tier one? And I had originally been thinking to ask in terms of the cash reserves, perhaps. But my basic question is, if we were to ask that question, would there be another place outside of this balancing approach that we could look to funds to address the concerns that we're raising about tier one? Does that make sense, the question I'm asking? >> Yes, ma'am, it does. >> Kitchen: And I guess related to that would be -- let me just ask one related question. I mean, we just talked about the change in the -- the proposed change in our financial policies. My related question would be is if we were not to make those changes, or were to make a modified version of those changes, would that impact the answer about whether or not there would be another source for us to look to to mitigate the impact on tier one? >> No. Changing the reserve policies would not change the source of revenue. Cash is not a source of revenue. So it wouldn't impact that. >> Kitchen: Okay. So then -- but we're back to my original question, which is -- really goes to the options. And I don't know if -- that may be a question for you. I'm not sure who. But what other option might we have so that we're not faced with just having to do this balancing between the tiers? >> Right. >> Kitchen: In other words, I asimpler way of asking is, can

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you buy down the impact on tier one? >> No. >> Kitchen: Okay. >> It's a set amount of revenue we need to achieve. The only way to do it would be to take some of the settlement amount from another class and give it to residential, but that was the purpose of the whole settlement negotiations, was to get to that equilibrium amongst the parties. That's how much we would use the \$42.5 million reduction in each class. That's where we settled on. >> Kitchen: So there's no other source of funds that we could use to deal with the tier one? >> No. >> Mayor Adler: Ms. Gallo. >> Gallo: So when we were talking a little bit earlier about the tiers and the pricing levels, I know Mr. Robbins had provided our office, and probably most of the councilmembers some research that he had done that talked about income levels and tier pricing. And so I just asked and said that, you know, it would be -- he could come up, if that's okay, to address some of that, because we were in the middle of citizens communication. So Mr. Robbins, this might be a good time for you to share with us some of that information. >> Thank you, councilmember. In the 2012 rate case, I did a study that correlated income to consumption by zip code. [ Clearing throat ] The association was remarkable. Looking at it by income quartile, the top quarter of income used almost twice as much as the bottom quarter of income. And the data came from Austin energy for consumption. And it came from census for income. And I can actually show you a

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chart, or I can send this to you by email. In fact, I'm pretty sure I've sent it to a couple of you already. To you by and it would show graphically, that respectfully, Austin energy, is in error regarding cap. Most of the people on cap. Not all of them but most of them are low income. But, you also have a lot of people that are low income that are not getting the C.A.P. Discount. You just can't call C.A.P. A good surrogate for low income. There's also a national study that I could send you, that shows a similar trend between income and use. Again, I'll try to come to the next meeting and show this to you. But I really disagreed, when you're arguing about tier 3 and tier 4. Do we want to hear C.A.P. In tier 3, I think you're only looking at part of the universe of poor people. >> Thank you. Mr. Zimmerman. >> Thank you, your explanation makes more common sense. But if you could put your data into some form that's comparable to what we've seen from Austin energy, that would be helpful. It would be in one chart. >> I know you've been in here talking many, many times talking about C.A.P. That are on home of people that have multiple

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properties. Buts it a a question of quantity. You know, are there -- >> We won't know until they run through the opt-out letter, and I do my renewed assessment. But, yes, that does -- it leaves slightly skew the trend upward. >> Okay. Thank you. Also, Austin energy has concerns about revenues. No one here wants to see the utility go bankrupt. I know it's pretty late in the game to recommend this, but for the future, you might consider a weather stability fee in certain situations. Thank you. >> Thank you. Is there a motion to close the public hearing? >> I just want to make one comment. I recently thought of. I may not share it again. If I don't say it now. As I do, to Mr. Robins' point, I do think one place C.A.P. May serve as an additional surrogate. Since they receive a discount and therefore less of a price signal to pay less. There could be some skewing, potentially upward also. Than your non-cap customers, low income people that are not low enough to become C.A.P. Customers. I think we face a challenge and need to work on this. I'm glad it seems to be the final pending issue on the table. >> It's been moved, second to close the public hearing? Those in favor of ending the public hearing, those opposed? That's all of the business we had in the special meeting. If there's nothing else, we'll stand adjourned. We're adjourned.