

Austin Energy Utility Oversight Committee Meeting

Transcript – 11/13/2017

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 11/13/2017 6:00:00 AM

Original Air Date: 11/13/2017

Transcript Generated by SnapStream

=====

[9:38:39 AM]

And start this if we can. Today is Monday, November 13th, 2017. It is 9:36. This is the Austin energy utility oversight committee. We're in the board and commission room here at city hall. We don't have a quorum yet so we're not going to take any action, but we do have the opportunity to listen to speakers that have signed up, and, Paul, you signed up to speak on item number 2, so we'll get to that in a second. You can come and sit down here if you want to, I think. Paul, why don't you go ahead and sit down. We're not going to approve the minutes because we don't have a quorum yet. Paul, citizen communication. How you doing? >> Hello. Okay. Are you ready to start? Good morning, council. I'm Paul Robbins. And I'm asking you to place an item for this committee on next year's agenda, dispatchable renewable energy and things that Austin can do to promote it and bring the cost down. Last August a public hearing was held where about 200 citizens told you they wanted to get 100%

[9:40:41 AM]

of Austin's power from renewable energy to stop global warming. I'm sorry. Can you take the caption -- thank you. Here's the average generation profile of the recently commissioned rose rock solar facility that is selling electricity in Austin. As you can see, it's only giving you 43% of its rated power when Austin needs it during summer peak demand, and 4% during winter peak demand. That's coincidental peak demand. Next slide? Here is the wind profile of west Texas during July. If we become reliant solely on intermittent sources of energy, I'm not sure most of your constituents would be happy. How would you explain the lights going out when the wind is not going? How would you compensate when the refrigerator's, air conditioners, or heat pumps were not working, they were breaking because the processors couldn't stand the intermittent throttling of intermittent power? Though there's been no

study conducted to ascertain how much intermittent energy that the Texas aircot grid can accommodate, without technical or economic problems, it is my informed opinion that this will be well less than half of all electricity on the grid, and probably less than a third. If Austin really aspires to be a leader in renewable energy, it will have to move beyond solar cells and windmills. Next slide. The real leaders in clean energy are pursuing dispatchable renewable power, and this would

[9:42:43 AM]

include concentrating solar power. Next slide. And compressed air energy storage, creating economies of scale for prices to fall, directing funding at research and development, and finding state and national partners to diversify risks, all need serious consideration and discussion. Again, I'm asking you to place this on your agenda for next year. And I did it in three minutes. Thank you. >> Mayor Adler: Good job. Thank you. All right. Let's move into briefings. Jackie. And we now have a quorum in the room. Someone want to move approval of the minutes? Mr. Flannigan makes that motion. Ms. Houston seconds it. All those in favor of approving the minutes, please raise your hand. Approved it, kitchen, alter,. >> Garza: , Me and Flannigan present. >> Good morning, I'm Jackie Sargent, Austin energy's general manager. I'm pleased to be here today to share with you some preliminary year end results for Austin energy. Over the past year, we've spent a lot of time discussing our monthly performance dashboard with you, explaining in detail how each panel -- about each panel and why we track each of these items, and then how those metrics help to inform our decision-making. Last month we completed a review of over two dozen metrics on our dashboard with presentations on two of the strategic goals, grid monitorrization and environment. Today and moving forward, I will use some of this information in developing my utility oversight committee report to you. Rather than having San alone presentations on each of the dashboard items, I will highlight some of the measures. And as we continue to work

[9:44:45 AM]

on Austin energy's strategic plan and to link our efforts to the city of Austin's strategic planning initiative, you may see some changes in the metrics that I report on over time. If you would like more detail regarding my report, please let me and I'll reach out to the chair, and we'll get something on future agendas. With that, let's go to my report. So today, I'm going to cover some financial and operational highlights. I'm going to give a brief regulatory update, and then I'm going to review with you some of the items that we have coming forward for council approval. And I want to give a shout-out to our employees and do some employee recognition. And of course I'm happy to answer any questions that you may have. So starting out with financial highlights, this slide provides preliminary financial information, fiscal year '17, compared to fiscal year '16. Please note that these numbers are unaudited

and subject to adjustment, but they are indicative of how we ended the year. Please note on this slide and following slide, I've included this as strategic goals this information ties to, and then also the associated city of Austin's strategic outcomes. You'll note that in fiscal year '17, our revenue was \$20 million lower when compared to last year. And that's due primarily to three factors. The biggest one is the rate reduction that you approved for 42 and a half million dollars in base rate decrease. And that went into effect on January 1st. Our power supply adjustment cost increased, and our community benefit revenues were higher because we had an increase in the service area. But with the rate reduction, the total budgeted base revenues were significantly lower than the previous year. On the expense side, they were also lower, but only slightly lower. Our power supply adjustment costs went up in conjunction with the increase in revenues. Our customer care system costs increased, and that

[9:46:45 AM]

was due to the transition that we had going from IBM to Oracle. But these increases were largely offset by a \$20 million decrease in debt service expenses, and that was a result of the debt refinancing effort that we did. We utilized commercial paper to fund capital projects. Our use of commercial paper increased. A couple of notable projects include distribution substation work at sand hill and Williamson, to increase load serving capacity. And then transmission work on the Gillian to techridge circuit. We ended the year with a significant increase in the customers we serve, over 11,000, up from 461,000 to 472,700 customers. We continue to advance our renewable energy goals. This slide has two rings. The inner ring is for fiscal year '16 and the outer year is for fiscal year '17. And when you look at the outer ring -- or the inner ring, you can see we served or met an offset of our load by a renewable generation of almost 30%. When you look at 2017, we were able to increase that from 30% to 36%. And we saw a significant increase in our use of solar this past year, and that was primarily due to the addition of three new wind farms that went online in west Texas, adding 435 megawatts of additional renewable capacity. And we have another 170 megawatts of solar that will be coming in 2017. This shows we're on track to reach our new goal of 65% renewable energy by 2027. It's important that our generation is available when the ERCOT wholesale market needs it to help meet peak demand or provide quick response to changes in renewable generation or changes in statewide

[9:48:46 AM]

customer demand. For larger units, we measure this in terms of commercial availability. Are the units available to respond when the market needs them the most? Our power production employees work really hard in the spring months to make sure that our plants are in good working order for the summer. This chart shows that we exceeded our commercial availability targets in September, which means the

units were available and our team is doing a great job. We measure starting reliability for the units that don't run much, but when they're called on by ERCOT to run, do they start and come online? You can see from chart success we were able to start up our simple cycle units more than 99% of the time. This is an important metric for us because when our plants are selected by ERCOT to run, they have to meet performance requirements the first time. They don't get a second chance. Good maintenance routines and reliable operational procedures help to make sure that our start success statistics are where we need them to be. Safety is my number one priority. I want all of our employees to go home every evening to their families, and I want them to come back to us every day. We monitor and measure safety performance, and this chart shows two of the metrics that we use to gauge our efforts to minimize incidents that can result in injuries. Recordable incident rate is a measurement of the number of safety incidents we have each year, and lost time incident measures the severity of those incidents. We have seen -- we haven't seen the improvement in these measures as we would like, and unfortunately, in 2017, we saw an increase in these rates. So we're working on several internal projects to help inspire a cultural shift across the entire organization. We're updating our safety manuals to help them be more relevant to the work we do today and to link safety precautions more directly to each individual work group. And we're really focused on building a culture of "Safety starts with me." And we expect to see

[9:50:46 AM]

improvements in the coming year. We track and measure our interactions with our customers. We saw a high interaction volume in August due to new students arriving and a large increase in calls related to tropical storm Harvey and the impacts. You'll recall that Harvey hit Austin in late August. We measure service levels by targeting a 30-second response time for calls to our 311 center and a 90 second response time to the utility contact center. As the number of interactions increase, it can become more difficult to meet our target. This chart shows the number of actions that we had each month, the bars, and the solid green line shows that in September, we were successful in responding 2090% of calls received by the utility contact center within 90 seconds, and the dashed red line shows that in September we responded to 91% of calls received by Austin 311 within 30 seconds. We saw a significant improvement of our response time over the course of the year, and this is largely attributable to your approval of adding additional staff in these areas. Moving on, I want to touch on several regulatory affairs items that I think are of interest. First, governor Greg Abbott appointed Dean Walker to serve as chair of the public utility commission of Texas on September 20th. This is for a term that will expire on September 1st of 2021. Before her appointment to the PUC, chairman Walker served as senior policy advisory to governor Abbott on matters related to regulated industries. Before joining the governor's staff, she served as associate general counsel and director of regulatory affairs at Center Point Energy. Second, lieutenant governor Dan Patrick entered an interim charge to examine the competitive nature of Texas retail electric system and what government competitive intrusion in the free energy markets may have in distorting these markets,

[9:52:47 AM]

to review the impact of competitive versus non-competitive retail electric markets across the state, and to consider the projected impact of establishing competitive electric retail markets statewide. We are actively engaged in monitoring this process, and we're working directly with the Texas public power association and with [indiscernible] Of the city's office of governmental relations. Staff of the business and commerce committee chairman Kelly Hancock said that this is a statewide charge, meant to examine areas that are both inside and out of ERCOT. No hearing date has been set and we don't expect that one will until later in 2018 because of the nature of this being politically sensitive. Likely areas of discussion will be to expand the ERCOT wholesale market to all areas of the state and to require deregulated vertically integrated utilities in areas northeast, southeast, northwest and far west portions of Texas. It could be easy for the discussion to move to deregulation of municipally owned utilities like Austin Energy and CPS down in San Antonio, so both Austin Energy and CPS are very engaged with regard to this matter. And, finally -- and finally, speaker Joe Strauss announced his decision to not seek reelection and plans to retire from the house. This is an important position because the speaker chooses members to serve on chairs of house committees, which is one of the most powerful authorities granted, and then helps to shape what legislation can actually be considered and move forward. Strauss has represented a more moderate wing of the Republican party in the state legislature, so many of the committee chairs had similar outlooks and were loyal to him. He represented San Antonio, so was open and thoughtful when issues were brought forward relating to municipally owned utilities. He will have served as speaker of the house for ten

[9:54:48 AM]

years. There's several upcoming procurements that I want to highlight for you. On December 7th, there will be an item to execute all three extension options of the construction services contract you approved last year with Fumbe for chilled water piping in the right-of-way. It was on track with approving the contract terms of the 24-month base contract with three 12-month extensions. However, a project not identified in the two-year forecast was recently added and that's to connect the independent at 4th and Rio Grande. This resulted in expenditure of base contract before the end of the two-year term. Austin Energy is requesting execution of the three extension options with this contractor to complete this project, as well as other work that's come up. I would remind you that we recover the costs for these additions from chilled water customers, and these services help us to meet our conservation and thermal storage goals. The next item is a follow-up to a presentation that you received last month regarding repowering downtown. On December 7th, we are bringing forward a \$1.4 million professional service agreement with Stanley consultants to provide engineering services for the design of future

downtown substation. Completing this new substation before additional downtown development is completed is critical to support customer energy demands and reliability, and as a reminder, the new substation will support the load transfers that are necessary to allow upgrades to occur at the Brackenridge substation. The selected firm will provide preliminary engineering, design, bidding construction and warranty services for the substation. They will also be responsible for conducting a community assessment and obtaining input from community stakeholders in conjunction with Austin energy. And although I can't discuss the specifics with you just yet due to the competitive nature of our negotiations, I want to let you know that we are working on bringing forward another power purchase agreement for utility scale solar energy.

[9:56:50 AM]

We had a lot of interest expressed in response to our latest request for proposals and we believe we can bring you a recommendation for action in late January. At this point we believe the project will have the following attributes. It will be 150 megawatts of additional capacity. There will be a contract length (15 and 20 years. And the projects have proposed either a 2019 or a 2020 commercial operation date, and the projects that are offering the 2020 commercial operation date are also offering substantial cost savings. The price will depend on which project is ultimately picked, and which commercial operation date is accepted. We're analyzing projects both in west and south Texas, and we're still looking at more than one project in case our project that we're working on should fail to come to final close on the negotiations. I'm really proud to tell you that our Austin energy's employees' support for the city of Austin combined parties campaign increased for the third year in a row, whether through individual donations, participation in our ae olympics, or creating gift baskets for a silent auction, our employees showed once again that their hearts are in our community. Eight employees led the city with the most pledges and the highest total donation. 187 employees contributed over \$96,000 to help support the 380 local, [inaudible], non-profit organizations listed within the Austin combined charters campaign. In just three years, Austin energy's employees have increased hire annual giving by a stunning 50%. This increase comes from an amazing display of friendly competition, teamwork, and a desire to help. I want to thank our campaign chair Jerry Galvan and the entire committee for helping us to find meaningful and fun ways to engage employees and demonstrate how we are a community-focused organization. And I really want to applaud all of our employees for contributing their time, talents, and resources to

[9:58:51 AM]

helping our community. With that, I'd be happy to entertain your questions. >> Mayor Adler: I think that's a good report. I like this format. It's a good format for the report. Kind of looks more like the

report that would go to a corporate board of a utility, so I like that. On the financial highlights page, on page 3, you look at year to year variance. Could we also look at year to budget explains. Year to budgeter variance? >> We do that. We were getting the information for the first fiscal year close, I wanted to just look at year over year because of the significant reduction we had with regard to the base rate decrease that went into effect. So I'm going to kind of change this from month to month, is the plan, so the next time that I present, I'll be looking at where we are to date with our budget. >> Mayor Adler: Okay. Councilmember alter. >> Alter: Thank you. I really appreciate all of the data and information. It really helps us to understand what we're making our decisions on, and I know a lot of time and effort went into that, and I can only hope that when we finish our strategic plan and our metrics that we will have a clear picture of other parts of our city business. Obviously, there was a \$20 million drop in revenue due to the rate case. In offline conversation, you mentioned that you had done some zero based budgeting. I don't know if now would be the appropriate time for you to share a little bit about that experience, or a future meeting, or if it's more appropriate in a separating meeting with myself. I'd like to hear more about how you approached that process and where it is that you ultimately chose to cut, and how that decision-making process laid out. And you don't have to do

[10:00:51 AM]

that right now. I know that's a big question, and you might want to think about it more than you can here. But it's a conversation I would want. >> I think that would be a good topic to either bring to a future meeting, our we're certainly happy to sit down with you and go through that in your office with you and your staff. But when I bring information at our forthcoming meetings and I talk about where we are in terms of a budget and where we are with our expenses to date and revenues to date and that, we can weave some of that into that conversation. >> Alter: Okay. That would be great. And then you mentioned, you know, having to have the power plants ready to go on when ERCOT said that they needed to. How does ERCOT determine -- obviously, it's demand-driven, but they could choose among many different plants, so how is that determined? >> They have a very sophisticated computer system that runs security constrained economic dispatch, and it's from that that the demands are issued to dispatch generation. So it's more of a automated process, as opposed to some individual sitting at a desk saying, okay, we need to turn that plant on. That's how it used to work, but we have a lot more sophisticated tools today. >> Alter: Okay. Thank you. >> Mayor Adler: Mr. Flannigan N. >> Flannigan: Thank you, also, excellent report. It's good to see some problem, especially in customer response. I previewed this question to your staff, so I know you're prepared to answer it, although it's only part. But one neighborhood in my district, in particular river place, has been having some challenging issues with the reliability of service, so I'm hopeful that you can provide some update on what the utility is doing to address that problem. >> So I wasn't advised, but I can see that my expert, subject matter expert is here, Dan Smith. >> Yeah, Dan Smith, vice president of electric service delivery. So, yeah, as you know, councilmember Flannigan, that is a challenging circuit for us that serves that area.

[10:02:53 AM]

It traverses kind of a high part of our service territory, then it also kind of comes down low. So it goes from kind of a rocky ground, which is difficult for terminal grounding, and then it goes into a lower area where it's heavily treed. Then it also crosses the river. So it's got -- it's an interesting circuit for us. So we've approached this with kind of a three-fold attack. The first one has just been increasing and expediting our maintenance routines there. The second one is actually expediting our line clearance tree trimming. The third is looking at the design and configuration. And so the things that we've done so far is, on our maintenance, we've actually added over 80 animal guards and some insulation on that line. On the tree trimming side, we found some hot spot tree trimming areas where we went in and actually trimmed the trees, and then the thing we've done also is expedited the actual -- it was scheduled for Normal complete clearance where we'd actually do an entire line this -- this coming next year, but we've actually expedited the schedule on that. And then on the design side, we have actually reconfigured the line. We were able to make a little bit of a change that reduced some of the overhead exposure on that, and I guess from an encouraging standpoint, we haven't had an operation since August on that, so I think I think we've seen some improvements in what we've done there. Long range, what we're looking at is -- we're looking at some alternative grounding type designs, to see if there's ways we can help that most of the problems we've been having are either directly or indirectly related to weather, so we think that aspect of being able to deal with that exposure that's up in the higher part of it will be a significant part. >> Flannigan: Excellent. Thank you. It's nice to hear there's a lot of activity. I know my constituents appreciate it. >> Mayor Adler: Do you want to introduce -- >> Yes, I would like to introduce item 4.

[10:04:53 AM]

A review of Austin energy's local, state, federal, regulatory framework. A few months ago I asked mark dreyfu; our vice president of, to detail regulatory environment that we work in every day. I wanted this information for two reasons. First, it's important for us internally to understand the magnitude and impact regulation has on our different areas of operations and for major projects. We need this understanding to think more broadly about our planning cycles and to integrate the requirements into our specific project plans. And second, I thought it would be useful to share this information with you in order to demonstrate how we work to implement your goals and directions within the framework of a vast number of regulatory requirements. My hope is that by sharing this information, it will provide you with confidence knowing you have an organization knowledgeable of, and actively engaged in managing the regulatory framework in which we operate. Just by way of example, mark's presentation outlines more than 30 agencies which have some level of oversight on our operations. That regulation can be as straightforward as a compliance filing with a state agency regarding workforce rules or issues, or

operating our facilities within the limits of our permits. To participating in a wholesale market that has hundreds, if not thousands of detailed requirements which we must follow every five minutes. Failure to comply with any of these regulations has some level of risk. And our team is focused on working towards our goals with the applicable regulatory -- within the applicable regulatory requirements. So now I'd like to ask mark to present to you a high level overview of our regulatory framework. Mark. >> Thank you, Jackie. Mark Dreyfus, vice president for affairs and regulatory communications. We struggled a little bit back in the office on how to present this information to you without being overly dry and academic. There's a great deal of detail in our day-to-day

[10:06:54 AM]

regulatory framework, and we are happy to follow up with you on any of these issues that you'd like to drill down into further. For today, I'm going to give you a quick overview of the broader framework, talk about how it influences our decision-making, and influences the items that we bring before you for approval, and then I'll walk through some examples that attempt to lay out the range of some of our regulatory interactions. This rather busy slide is a high level depiction of our regulatory relationships. State, federal, and local. And how they can fit together. It is by no means all of our regulatory relationships, but it does represent the most critical ones to us. The primary regulator is the public commission of Texas in the center. The PUC governs a wide range of industry activities. Most relevant for us are the operation of the wholesale electric market, which Erica beirsbach will be discussing following me, transmission rate-making, and that transmission charge is reflected in the monthly bill under the regulatory charge, and appeal of retail rates set on the local level. The PUC oversees ercot in the next box down, which operates the wholesale market, establishes protocols for participating in the wholesale market, protocols, I should say, that have the force of law, and ercot manages the financial settlements, the five-minute financial settlements for operation of the ercot market. Flip for a minute to the federal column where perhaps the most critical institution is the north American electric reliability council, or

[10:08:54 AM]

naerc. Naerc sets standards for the essentially the transmission network and other interconnected facilities like certain power plants. Naerc currently oversees 843 auditable requirements. Violations of naerc requirements have can significant sequences, fines of as much as one million dollars per day per violation have been levied on some utilities. You'll see an arrow leading from the naerc box back to a state organization in the middle called the Texas reliable -- reliability entity or TRE. The TRE is the organization authorized by naerc as the enforcement agent for these standards. TRE also serves as the

investigative agent for compliance with ERCOT and some public utility commission of Texas rules, although the PUC retains enforcement authority in Texas. We receive a full TRE audit of all applicable standards at least once every three years. Needless to say, the TRE is a key component of our regulatory framework. Note at the bottom of the figure, the relationship between the federal environmental protection agency and the Texas commission on environmental quality, or the TCEQ. Typically, the EPA sets environmental policy and rules while TCEQ is designated to implement and assure compliance with those rules. In particular, granting operating permits for various types of our facilities that have environmental emissions and releases. And that brings us to local oversight from the city of Austin. For all practical purposes, everything that is not governed by some other state or federal authority is left to the purview of the city council. Some of these key responsibilities include retail rate-setting, climate and resource policy, budget

[10:10:55 AM]

adoption, purchasing and procurement, and an issue that we touched on last month with the repowering downtown presentation, and that we will be discussing more in the next year as we continue to upgrade parts of our distribution system, routing and siting, including authority to improve eminent domain. Here's a list of authorities that have a hand in our regulatory framework, although usually to a lesser extent than those on the prior slide. And this is not an exhaustive list. There are more. You'll see a couple of authorities in these examples that I'm going to walk through in a moment. As Jackie said in her introduction, council establishes policies and goals for Austin energy. The staff is then responsible for implementing those goals as projects and programs that must operate within our larger regulatory framework. This slide shows a very simplistic depiction of how council policies and the external regulatory framework come together in our operations and council oversight. We receive policy guidance from the council, for example, the climate protection plan and the resource plan. We develop a strategic plan setting our priorities for implementation of those goals. In doing so, our plans may be shaped by the external regulatory environment. Following planning, we bring to the council for approval our budget staffing plans and then many procurements that you see every month that are essential to implementing our goals. Again, taking regulatory requirements into account, we execute on projects and programs, which are often followed up by some sort of compliance demonstration, perhaps to the public utility commission or ERCOT or the TRE or the council or the city auditor. This graphic puts the

[10:12:57 AM]

framework together, recognizing that we have distinct lines of business operations with different key regulatory influences. The generation business operates primarily under the PUC and ERCOT for wholesale market operations, and the EPA and the TCEQ for emissions, water quality, disposal, et cetera; and NAERC for certain operational compliance standards. The transmission business in the middle is subject to most of the 843 NAERC requirements, various ERCOT planning and operation standards, PUC rate setting, and again, EPA and TCEQ. As for the distribution and customer services businesses on the right-hand side, council has a wider scope of day-to-day oversight including retail rate setting, routing and siting, and terms of service. One key area of federal oversight of our customer service business is the fair and accurate transit transactions act requirements from the federal trade commission governing protection of customers' private information against identity theft, and again, there's jurisdiction of the EPA and TCEQ. Now let's look at some examples. This first example is La Loma, the community solar development at the Kingsberry substation located near Airport Boulevard and Springdale Road. The upper photo is an overhead shot of the site, while the lower photo shows the placement of the panels on the site, and then lists a few of the obstacles that we had to address on the site. For this type of project, there were a large number of City of Austin requirements to be addressed. Those included rezoning, meeting the requirements of the land development code, complying with the heritage

[10:14:59 AM]

tree ordinance, watershed protection compliance, and a unique aspect of this project assuring a safe passage for pedestrians across the site. Federal requirements involved were floodplain validation under FEMA requirements, the waters of the United States assessment required by the Army Corps of Engineers, and a federal aviation administration flight hazard assessment due to proximity to the airport. And there were state requirements. Certification by the Public Utility Commission of the qualification for renewable energy credits, meeting ERCOT standards for registration, ERCOT standards for interconnection, metering, and REC reporting, and, of course, environmental assessments and reporting requirements. La Loma is currently under construction, and is anticipated to deliver locally generated clean solar energy by the end of this year. In this second example, council set the original policy, but there were much greater external interactions from outside regulatory agencies. Council directed that Austin Energy shut the Holly Power plant along Lady Bird Lake. In fact, Lady Bird Lake was created to provide cooling water to the Holly Power plant. Council's direction to shut the plant kicked off a number of extended regulatory interactions. The photo on the left is a picture of the plant in 2012 prior to deconstruction. The second photo is from the same vantage point after dismantling the plant. ERCOT rules require that any time a power plant will be shut, ERCOT must receive at least 90 days advance notice. The purpose of the notice is primarily for ERCOT to conduct studies of the transmission network to determine whether there are risks to the system

[10:17:00 AM]

from shutting the plant. In fact, we had conducted these studies years before, and our modeling showed that under certain conditions, continuity of power in downtown could be at risk without the plant. We then initiated a number of improvements to the transmission systems serving the downtown area to assure reliability. Council, of course, approved the expenditures and procurements of several tens of millions of dollars. Once the transmission projects were completed and operational, we had to go to the public utility commission for a transmission rate setting proceeding to incorporate those costs into the rates that we charge other transmission companies for use of our system. A second component of the decommissioning project was the deconstruction of the plant and recovery in the property. These steps were completed according to EPA and tceq standards for environmental remediation. Council approved a number of related contracts for environmental assessment, transportation, and disposal. At the completion of the project, we are then required to demonstrate compliance with the environmental standards. Holly decommissioning has been a long and costly effort. A final completion of the holly decommissioning project is anticipated to occur by the end of this year with transfer of ten acres of waterfront to the parks and recreation department early next year. I have two more examples and the wind-up. This example is my favorite, though it may not be yours after what we went through together last year at retail rate setting. As you well know, council has jurisdiction over setting retail rates and rate policies. Council set a policy in 2012 that we would review retail rates every five years, which is what drove the timeline for the last rate review. We developed the cost of service

[10:19:01 AM]

study and rate proposals according to council policies. For example, incorporating the city's financial policies. Those studies and recommendations were then reviewed in a public process and ultimately adopted by council. Though council has original jurisdiction over retail rates, there's another key regulatory influence which I've reflected at the bottom of the slide. The public utility commission has authority over rates for customers outside the city limits on appeal by those customers. This is what happened in 2012 and also five times during the 1980s and 1990s. We know that in an appeal, the public utility commission will apply certain rate-making standards and conditions. Therefore, in developing our cost of service and rate studies and rate proposals, we carefully considered the public utility commission rules to determine how to frame our proposals so that if we are appealed, as we were in 2012, we have already incorporated a strategy for that appeal into our proposals. So, for example, the original design of the customer assistance or cap program mimicked the design of the PUC system benefit charge. We also reformed what we then called the fuel charge into the power supply adjustment better reflecting the PUC's rules over the ERCOT market design in the formulation. I included this photo you'll see on the slide mostly for my own amusement, I admit, showing the copies of our testimony package that we had to file with the public utility commission in the rate appeal in 2012. Hopefully, we won't have to go through this again. My last example is related to NERC compliance. As I mentioned earlier, NERC is an

organization with jurisdiction over reliability standards. Naerc received this authority following the northeast blackouts in 2003. In response to these new

[10:21:02 AM]

requirements, we developed a designated compliance office now with seven ftes as well as a new culture of compliance across the entire organization, where at least 100 employees have daily responsibilities with a compliance component. I included this particular example that is listed at the top of the slide as just one of the naerc requirements of the 843 total requirements. This one is affectionately known as critical infrastructure protection standard 010 requirement number 2.1 or cyber systems baselining, which went into effect in July of 2016. This standard requires that we monitor certain settings on computers hosting operating systems and software. There can be as many as 6,443 of these settings on an individual computer. We have to establish a baseline for each one of those settings, and then monitor for changes in the settings, at least every 35 days. If a change in the settings is identified, it is then reviewed to determine whether it went through the appropriate change control process before changing the setting. In assessing the requirements of the standard, we determined that a new software product was needed to perform the monitoring function in order to demonstrate compliance. We conducted a solicitation for the product identified in this needs assessment, and then then brought an rca to council for procurement of this product called industrial defender. This example shows in the broadest sense how new external regulatory requirements led us to restructure our organization and develop entirely new functions. And in the more narrow sense, how a single new standard led to new performance obligations and a procurement action before the

[10:23:05 AM]

council. I should note that while violations of naerc requirements can lead to fines, as much as a million dollars per day, we have an outstanding compliance record with a minimal number of violations and fines over the decade and a half that these requirements have been in place. And I want to make one additional point here. We don't just focus on compliance to avoid penalties. We emphasize compliance because we employ highly skilled and trained professionals throughout the organization who are community-focused and who understand that these are industry best practices that keep our workforce and our community safe. So this discussion was intended to give you a sense of the scope and detail of the highly regulated environment in which we operate day-to-day. There are a wide array of regulatory entities with which we are engaged. And one of our priorities as a management team is to develop and maintain staff expertise in each of these critical areas. Failure to meet these obligations can have significant consequences. We are very focused as an organization on meeting those compliance

obligations and have been generally successful in doing so, thereby avoiding adverse regulatory consequences. And finally, you and your red -- predecessors on the council have adopted very ambitious goals for Austin energy. Our challenge as staff is to meet those ambitious goals while mitigating regulatory risk, informing you of those risks when appropriate, and ensuring that we meet our compliance obligations. And as I mentioned earlier, we are happy to drill down with you in the future on any of those issues where you'd like to have additional information.

[10:25:14 AM]

>> Mayor Adler: Any questions? >> Houston: I would like to thank you for giving me an acronym dictionary in the front. By the time you got to slide naerc, is that it? Slide nine, I had to go back to figure out what that was. You almost have more acronyms than anyone else in the world. So thank you for that. I appreciate it. >> Mayor Adler: Let's go to the next item. >> I'd like to bring up to you Erica, who's going to present to you on the ERCOT market. >> Good morning. I'm the interim director of energy and market operations at Austin energy. I'm here to talk to you about the wholesale market and recent developments occurring within it. In these slides, we will review the following points. The electric market and how it works here in Texas. Recent developments and how those developments affect the market in Austin energy. The map on this slide represents the area that's served by ERCOT. There are over 12,000 points in this market. ERCOT uses a computerized system to balance the supply and the demand at each of these points every five minutes. These five-minute prices are used to bill customers for the power that they consume and to pay generators for the power that they produce. The graph on this slide shows how the market prices move over time. Movement in these prices can depend on a lot of factors. Things like weather, availability of resources at this time, constraints on the transmission, on transmission lines, and prices of fuel at that time, as well as even changes in technology of the

[10:27:17 AM]

supply that's in the generation mix-up at that time. So let me show you more how these prices can be different throughout the state. These maps show the supply demand balance in the market at different times. The points represent prices and the color variations represent the price differences that can occur throughout the state. These are heat maps with blue representing lower prices and red representing higher prices. The map on the top left, you'll see has a supply/demand balance what evenly for the northern half of the state, and then you'll see areas in yellow and red to the south. These are representing higher demand and therefore higher prices. So the valley has more demand than supply in that area, and it's signaling to bring generation to that region with those higher prices. The map to the right of it, you'll see depressed prices in the north. This is due to wind blowing in the northern part of

the state. So there is more supply than the load requires in that region. And therefore pushing down prices in that area. And you can see the excess supply is even lowering prices, fanning out from the panhandle. So it's trying to get to those load centers, but there just isn't enough room on the highway for all of that supply to come out of the region. On the bottom left, there's an interval where supply and demand is actually in balance throughout the state, for the most part. At this time, everyone is paying or receiving the same price for electricity. And then finally to the bottom right, you'll see that a large part of the state is in red. Prices have risen due to high demand at large load centers. In this instance, it's Houston. Basically, supplies constrained

[10:29:19 AM]

due to the amount of transmission capacity that can go into Houston, and therefore you're seeing those prices rise to reflect that situation. An important takeaway from these maps is that location of supply and demand have a monetary effect on the system. And over the last 15 years, the ERCOT market has seen a growth in generation or supply that has exceeded the growth in customer demand. With all of the extra supply in the market, power prices have steadily declined over the last decade. We've had a revolution in hydraulic fracking and should keep them low for the foreseeable future. We've had a buildout of renewable resources throughout our state, which carries a zero fuel cost and is often offered into the market at a negative price. All of this results in a pushdown in the value of electricity in the market. You've seen this pushdown through Austin Energy cutting its power supply adjustment three times over the last couple of years. You may have also read in the papers that Exelon declared bankruptcy, attributing that bankruptcy and that filing to these factors. It's this pushdown in prices that has caused the recent developments that I'm here to talk to you about today. Last month, ERCOT was informed that 5%, or nearly 5,000 megawatts of available generation, will shut down at the beginning of next year. Now, 5% may not sound like very much, but on a hot summer day, when the supply/demand balance on the system is tight, that extra 5,000 megawatts of generation can mean the difference between all systems go or rolling brownouts. Now, we do expect some new generation to be producing electricity before or by next summer, and a big chunk of this

[10:31:19 AM]

generation will be renewable. Which is very good for our environment, but may not always be available when the power is needed. The market reaction to these large controllable assets exiting the market can be seen by the 20% increase in summer prices for next year. You see at the bottom of the slide. Prices rise because of uncertainty. Less available electricity when it's needed. Most in the summertime, adds to that uncertainty. So let's talk about some things that market participants and regulators are doing to

address this uncertainty. So, traditional generation is exiting the market. Renewable resources are becoming a larger and larger percentage of what we depend on. Has the public utility commission focused on rules that shape this market. The commission has requested the input from market participants, and market participants engage in a lengthy process to determine if the cost of these market rules and changes to them outweigh the benefits. And market participants are all different. Some participants represent load. Some generation. And others represent both, like Austin energy. Depending on the rule changes, there can be winners and there can be losers, so given this thoughtful stakeholder process that we have in this market, rule changes can take several years to go into effect. So, for example, Lubbock. The addition of Lubbock to the ERCOT system is under consideration currently. It would benefit the supply/demand balance in the panhandle region. There's been a lot of wind built in that panhandle, so it would improve that balance. We will know this winner of Lubbock will be part, but if Lubbock does join, it actually won't integrate into the system until June of 2021.

[10:33:22 AM]

So the lengthy process adds uncertainty. Our customers are exposed to this market risk and they pay for it through the power supply adjustment. The impact our customers face due to changes in our market could mean upward price pressures on the cost of electricity to our customers. You have a team who is protecting and managing against that risk. We have a great group of people that manage this market risk every day. The team is 35-plus strong, and they're responsible for scheduling, transacting, modeling, forecasting, and maintaining systems on behalf of our customers 24 hours a day, 365 days a year. Our team is very good at what we do. Mayor Adler was able to spend a couple of hours at our day ahead desk. Our previous city manager, some EUC commissioners and environmental stakeholders have also joined in our morning activities. We're available to host city council members at your convenience to also join in to learn more about the ERCOT market and how we manage and protect our customers' portfolio. So managing this risk on a daily basis differs from the risk managed through the resource plan. Much like saving for college or retirement, the city's portfolio is diversified in several ways to help protect it from market risk. We have subject matter experts working in different groups within energy market operations, who work to mitigate market risk and provide stability to the power supply adjustment. So in conclusion, council members, over the next two to three years, we expect to see further changes in the wholesale market. We will be maintaining and executing plans to protect against the uncertainty these changes may bring, and we will keep you informed as these changes occur. And I'll be happy to entertain any questions you may have with

[10:35:23 AM]

regards to the presentation. >> Mayor Adler: Austin has our own generation supply, when the prices are high. How active are we in the futures contract purchasing department? >> So, we do sell into the market to hedge the revenue from our assets. We also use futures to hedge our load cost. So we can go out 60 months into the future to manage the cost with regards to load and to lock in revenue for the sales of our assets. >> Mayor Adler: So we're primarily a seller into the futures market or buyer? >> So the selling that we do is physically based, and in the futures market, we purchase natural gas futures to hedge our load. >> Mayor Adler: Anything else on this? >> Looking at slide 4 with the heat maps, we obviously have generation facilities all over the state. So how do we think about those maps with regard to the cost that we're facing if we -- we may be in a red part here, but our generation may be happening somewhere else. So how do we think about how that affects us? >> So there are instruments in the market that we have access to and that we utilize to be able to protect against what's called congestion risk. And so we employ those instruments to protect our assets and protect our load as well. >> But there would also be times when we have more generation so

[10:37:23 AM]

that our costs -- I'm assuming that we also have generation that we're selling somewhere else for a higher load and we pay -- do we pay less because we have that generation? >> The revenue from the generation is applied to the cost of our load to bring down the overall cost to the customer. >> Alter: Okay. Thank you. >> Kitchen: So this one down here, is it weather related, the difference between these two? >> It can be a variety of things. I mentioned it can be weather that has demand rise, and therefore there can be constraints on the system that don't allow the generation to -- the supply to need it in time. It can be the wind that's blowing that creates that excess supply, so it can be weather. It can be constraints on the system. It causes the system to not be in balance, so there's a variety of factors that can cause the heat maps to vary. >> Kitchen: Okay, thanks. >> Mayor Adler: So the heat map -- the price has gone up. >> The red prices, yes, reflect higher prices. >> Mayor Adler: So the question that council member alter said, we get paid that higher price. If we have generation in that blue area, we're getting paid that amount. >> That's correct. >> Mayor Adler: Anything else? This is instructive, too. Thank you. >> Alter: So just to follow up on that, would having that solar area be here, that would be particularly helpful, I mean, in some sense to the extent that we can have solar here for those hot times as an additional -- you know, having it in Austin is helpful. >> Generation has benefits.

[10:39:25 AM]

That's a good way of putting it. >> Alter: Thank you. >> We have one final presentation. I would invite Liz jambor to come up. She's going to talk about the effects of efficiency rebates on multi-family rents in

Austin. >> Mayor Adler: One last question about that last slide. You gave us four different scenarios for those four different colors. Is any one of those a -- and the others represent occasions, or does it really -- does it -- >> The market is very dynamic and we see those changes fluctuate. They do that on five-minute intervals, and -- Erica? >> Yeah. So I can give you this information. Since the new market began, we've seen those five-minute intervals exceed a thousand dollars to over 2% of the time. We've seen them exceed \$100 over 12% of the time. So they don't last for long periods of time. They run up, can stay up there for five, 15, maybe 20 minutes, and the market is constantly rebalancing itself. So those price intervals typically don't last. Those high price intervals typically don't last very long. >> Mayor Adler: Kind of does. Would that indicate that, that the congestion issues exist where you have price runs up and where there's -- where the demand at that moment in time is greatly exceeding the supply as it exists, and if that's not

[10:41:25 AM]

happening very often, then one of the four heat maps that you had that showed equalized price across the state would probably be the normative state. >> Those intervals resettle and rebalance quickly, so the intervals can be frequent, but they don't last for a long period of time. So I would -- I would concur that it's more Normal to see the one in the bottom left-hand corner. That's happening more often. >> Mayor Adler: And the last question. On the chart that you showed us, with the price differences in the 60-day period of time, was that the highest price in that -- >> Those are Austin energy prices and that's just a typical two-month span of movement and prices. >> Mayor Adler: So each one of those lines represents one period -- in other words, if it's every five minutes, it's conceivable I could have a different price -- >> Yes. >> Mayor Adler: 12 times an hour times 24 hours, but auf that many behrs on my graph. >> On slide three, those are five-minute intervals. >> I'll turn it over to Liz. >> Good morning. Thank you for having me. I'm the manager of data analytics and business intelligence at Austin energy, and I'm here to talk about and update you on the ongoing study that we've had on the effects of energy efficiency rebates on multi-family rents. Today I'm going to cover -- give you a background on the resolution. Definition of our rental population as of our most -- our latest report. An explanation of the data analysis, discussion of the findings, and then a summary. So, I don't believe -- I don't believe any of you were part of

[10:43:26 AM]

the council when we had the resolution, but this was set to look at if there was any impact on our rebate program, our multi-family rebate program on rent changes for any property that received a rebate over \$50,000. So this was to look at -- to make sure that there wasn't any type of rent increase as a result of a

property going through our rebate program. We're also going to look at a net benefit to those customers living in those apartments. So this resolution focuses on those multi-family properties. We began tracking this in December of 2013. So this isn't tied to a fiscal year. Sometimes it gets a little confusing that we report in June or December, and it's not tied to a fiscal year. One thing I want to make very clear. Since 2013, the continued findings have demonstrated no relationship between participation in the rebate program and any rent changes. So there's no relationship between the two. So our last report, the one that came out in the may-june timeframe, renters residing in multi-family complexes comprised about 47% of all of our Austin energy customers. It won't be the exact same as what you would see as far as renters in Austin, but this is in the multi-family complexes. Multi-family residents pay into the community benefit charge, but they don't always get a direct -- they don't get a direct benefit back, which is someone who's in a single family home. But if the complex participates in the multi-family rebate program, they do get a benefit back. Some of the research that my

[10:45:26 AM]

team has done has shown that there are reductions in the energy overall, so they are seeing the savings. We're seeing a savings in their energy cost without the increase in their rent as tied to the rebate. Benefits of the program overall. Our multi-family program began in 1991. It has received best practices awards from aceee. The program itself covers heating and air-conditioning, lighting, insulation, duct ceiling, water timers. >> Mayor Adler: What is aceee? >> It is -- I'm sorry, can you please help me, Debbie? [Off mic] >> Thank you. The American council for energy efficiency economy. So it focuses on energy efficiency. I am so sorry, council member Houston, I know you are very much focused on the acronyms. Since the beginning, we have looked up 42 properties covering almost 8,000 units. So basically, our program has folks that are focused on this resolution, has helped 8,000 families. Three of those properties were listed in the Austin tenants council as low income properties. Austin tenants council lists those as 50% or less of the area of median income. So we know that this program is also helping families that are in the low-income brackets. The other thing that we also looked at is that when we look at our multi-family rebate and properties, we look at them across the area, and they were in seven of the ten highest poverty zip codes in Austin. And I know when I put this down, it gets a little confusing internally, but what I'm saying

[10:47:27 AM]

here is that not only is a program, the multi-family rebate program helping those in multi-family complexes by reducing their energy bills, by making those properties more energy efficient, it's also happening in areas where our lower income families are living. So it really is helping those that are really

in need. >> I'm confused, because earlier you said there was no correlation between come flexes that were receiving the rebate and rental prices. So are you saying -- >> No rental price changes. So what I mean is -- so we go in and we do a rebate at a complex. >> And the -- >> Energy efficiency. The rebate is for energy efficiency measures. >> So this is what we approve on our council agenda. And you're looking at programs that if they are installing solar or something, we give them a rebate to cover some of that cost? >> So these ones are not -- these ones do not cover solar. These are energy efficiency. So it's addressing duct ceiling, ventilation, air-conditioning, measures like that. So what I'm saying is -- I know, it gets very confusing. And it's okay, because twice a year, we all get confused internally. It's all right. So, we go in and we do a rebate -- we do energy efficiency in a complex. Whether that complex increases its rent or not is not related to that rebate. It is related to market. What I have seen since December of 2013, and I've been watching this, I'm the one that actually does this report. I've been watching it since then. The changes in rent are market driven. And most of them are driven by things that tenants can see.

[10:49:29 AM]

Like changes to appliances, putting in different countertops, changes to fitness facilities, things like that. This kind of stuff renters don't see. I mean, they're not seeing the duct work being fixed and the insulation being added. So these kind of things, it's harder to -- it actually is harder to increase rents based on this because you can't point to it -- as a property owner, you can't point to it and say see how I'm doing these things, that's why I'm raising your rent. I say that because anecdotally, we've talked to different property owners about their rent changes, because we do see fluctuations. >> That's why I'm saying it doesn't impact their rent, but it does impact their utility bills. >> Correct. And it's bringing their utility bills down. >> Mayor Adler: So what drove the resolution in 2013? Was the council wondering whether or not renters would pay not only their cap charge, but then also paying an increase of rent when their multi-family units were exercising -- were getting rebates? >> There was a concern that that - that there could be some recouping of some of the costs that were left over for the property owners, that they would recoup that through increased rents. And so what we do in this is comparable properties, and comparable being that they're the same property class, they're the same year, they're in the same area of town. They haven't gone through a rebate, and I'm kind of getting ahead in my slides, but that's okay. We compare those two in their rent changes over time. When I say rent, I'm talking about rent per square foot, because that's how we can equate it. You can't look at a one-bedroom -- the rent for a one-bedroom and equate it. So you look at rent per square foot. And you see those fluctuations in time, there's no measurable difference whether it's been through a rebate or whether it

[10:51:29 AM]

hasn't. And when you look at it, and when we've gone back historically, even before the resolution when we went back historically, when we went through our economic crunch, we saw an actual dip in apartment rents, and because it was based on market. When we went through our slight economic downturn, we saw rents go down, and then they've come back up. One of the challenges in Austin is that we have such high occupancy rates. There are some apartments that report over 100% occupancy rates. I don't know how they do that, but that's what's reported. So it makes for a challenging rent amount for people, but it also is very market driven. >> Mayor, I have a question before you move on. That makes a lot of sense, so I appreciate y'all looking into it, and it seems like -- I appreciate that conclusion. I have a question, though, about the two bullet points here under the 42 properties. So if so much of the rebates are in older apartment stock and so many of them are in older apartments in seven of the ten high zip codes for percentages of those under the property line, I'm surprised that only three of those 42 are in that first bullet point. Is that just the nature of the Austin tenants council list? I guess to summarize my question, do you suspect that of the other 39, a significant number of them are pretty significantly affordable housing that just isn't on this list? >> I don't know that I can answer that. There's such a gentrification that's going on in Austin. I don't know that I can clearly say that. There are lots of criteria for getting on the Austin tenants council. But one of the things that I

[10:53:30 AM]

will say is when we go back and look at the census data for those premises that reside within those complexes, so it's not just -- so one of the additional levels of analysis we did is not just look at the zip code, but look at the premises within those complexes, we're finding that they are in the lower income bracket. So not that I can specifically say oh, the tenant in apartment 101 or 102 is this income, but from a census block standpoint, I can say that they're at a lower income level than perhaps on the west side of town or north side of town. So I feel fairly confident -- >> Casar: I should have let you get through your presentation. Now looking at your other slides, you've got the average price per square foot. If the average is between a dollar and a 1.20, I get a better sense. >> Really good question. >> Casar: What's the percentage participation on the landlord's part versus the city's part in these? Because you had mentioned that one of the concerns was the landlord or property owner charging some in rent to cover their own participation in this. What's their -- >> If I could bring up -- can I bring up Debbie Kimberly? I do an analysis and I'm going to talk about Debbie Kimberly to come up and talk about program. >> Casar: Okay. >> Good morning. Vice president customer energy solutions. In the standard program, the owner's share is 20%, and we pay 80%. For the last year, we've done a multi-family low-income weatherization pilot, which is based on income levels of the tenants, and that's 100%. We were really targeting the property listings. They numbered roughly 156 last year, and they have just updated their property listing. So it's either not on the part of the property owner, if it's

[10:55:30 AM]

occupied by predominantly low-income residents, or 20%. >> Casar: Great. And so that's not just income restricted properties, but properties that are just older and just have lower rent and lower income folks in them. You're showing up and saying we will just do this for you for free because it will benefit your tenants. >> That's correct. >> Casar: Okay. And knowing that the rents probably go up based on other gentrifying measures. I can imagine areas in my district where the property owner would love to raise the rents if there were groups of higher income that wanted to live in that property. But just lowering the electric bill and visibly upping the ceiling I don't think would trigger that. There's lots of other things that we're working on. So I appreciate the clarification. >> I have a question. >> Mayor Adler: Yes. Go ahead. >> The last bullet, it seems like a good point. I just want to make sure. So is it seven properties, or there were like ten -- were there seven properties? Is that what that's representing? >> No. So take all of our zip codes in our service territory, and sort them by highest poverty to lowest poverty. Take the top ten, and seven of those top ten, we have provided a rebate for a property in those seven zip codes. >> How many properties? >> I don't have that number with me, but I can get that feedback for you. >> So if it's eight out of 42, it's not as great a bullet, if it's eight properties of the 42. And the other question is, aren't zip codes around the

[10:57:31 AM]

university of Texas, they're higher property census tracks because the students aren't working? And I'm just curious of those, how many of those are university of Texas zip codes, of the students that live in those? It's my understanding those census tracks have higher poverty because they're students that don't work, but, you know, they're not technically folks in poverty that live in my district or Greg's district. >> Okay. I'm going to go ahead. Here are the -- these are the properties that we've rebated. The ones in green, so you can see throughout the service territory. The ones in red are comparable. So if we look at -- >> Garza: There's 42 green dots on this map? >> Well, not exactly, because sometimes an apartment complex -- there's more than one complex that's very close to each other, and so the dots kind of end up on top of each other. >> Garza: Okay. >> But if you look at where the nine is, that's fairly close to where UT is, and most of the greens are anywhere around that, but not exactly in the UT campus area. >> Garza: Okay. Thanks. >> Kitchen: I would add too that these represent properties that exceeded the council limitations, so these are properties where the rebound amount is above 50,000, \$55,000. So it doesn't represent all of the properties where we've paid a rebate. And you do see there tends to be clustering along the I-45 corridor as well. >> Is there a reason for that? >> Locationally, that's where you tend to see some of the lower properties that serve lower income as well as complexes, along that major thorough fair. But that said, you can see some

[10:59:31 AM]

around the perimeter. All of this gets included in the semiannual report, so there are maps included in that report as well as the results of the deeper data analysis. >> Garza: Okay, thanks. >> So I'll go back -- >> I'm sorry, I just wanted to piggy back on council member troxclair's comment. So when this resolution was passed in 2013, one of the concerns is whether the rents would go up in the properties that go the rebate. So you show that the rents have not gone up. Do we have comparable data that gives the sense of utility bills? In some you have individual utility bills. Sometimes your utilities are included, and I'm still not seeing evidence that their utility bills went down. >> On every rca, there have always been savings. On average, they're about 100 dollars a year as a result of the measures. That's attic insulation, duct ceiling, led lights are installed. >> Alter: I think it would be helpful in the future to be presenting that, because you could read that, and without the background of what you were worried about with the resolution, and you could take the -- you could make the conclusion, we shouldn't do these because they don't make any difference on affordability, which is not I think from what I'm hearing from you is the conclusion that you guys are drawing, and so having that other piece of data more prominently included in here I think would help us to see the fuller story and to tell that to the public, because, you know, when you read this and you're like, oh, there's no change to

[11:01:32 AM]

rent, then why are we doing this, and that's not the story you want to tell. The story -- it's not really the story you want to tell, but the conclusion to draw from the data is that the rebates have not been captured, that the landlords are taking advantage of people, but the rents are staying the same because the market is determining the rents. But they also have this considerable decrease in the utility bills, which is affecting people's ability to live in those apartments as well. >> Kitchen: I'd like to follow up on those questions, because I'm not quite sure I understood. You're saying the data shows about \$100 a year in savings. Is that in the aggregate, or is that for these particular 42 complexes? >> That is in the aggregate. Going back to the period of 2012, looking at both the low-income as well as the standard program, so we looked up all of those properties, and on average, it's roughly \$100 a year. >> Kitchen: Can we get the data by property? I'd like to understand the extent to which these properties -- some of them may pass. So to speak covering utility and some may not. >> Most all of them are individually metered. >> Kitchen: Okay. >> So when an item comes before you as council that shows a request for approval of a rebate to one of the multi-family properties, we show on that what the estimated savings will be to residents in that property. Keep in mind, though, that the multi-family properties and there's a fair amount of turnover, obviously, in the people that live in these properties. So we do an estimation based on the reduction and energy consumption and our average

[11:03:33 AM]

rates to generate those savings. >> Kitchen: That's prospective. So do you have -- I'm not quite sure I'm understanding what you're saying. I'm understanding there's some difficulty with the data, but can you show us an analysis that shows us what the savings have been by property? >> We can look at that, but we would have to exclude any changes in residence. For example, you can have a unit vacated by a family of four and subsequently occupied by a larger family or the other way around, so that does affect consumption. >> Kitchen: Okay. With those limitations on the data, I think it would be helpful to see, because I can't tell from the aggregate whether -- and maybe I'm just not understanding, but I'm not sure, I guess. Maybe you can tell me why I should have some better clarity on this. I'm not sure we're actually seeing a reduction. >> Well, I can tell you that if you look at the period of 2012 to present, we're looking at savings -- annual savings under the standard program of \$93 a month, and savings on the pilot program, which is operated for a little over a year at \$129 a month. >> Kitchen: We can talk about this afterwards -- >> Sure. >> Kitchen: But I don't understand -- I don't know what universe that is spread across. In other words, such that the savings could be part of the universe but not this part. So that's what I'd like to understand. >> I'd be happy to do that. >> Kitchen: I'm also understanding that we don't -- we provide these -- this service for the units hoping that it will reduce cost in some way, but we don't require any particular reduction in cost. >> No, don't require any reduction in cost. We do require that all of the

[11:05:33 AM]

properties have gone through and are in compliance with the ordinance that's a precondition for participation. >> Kitchen: Okay. >> I'd like to know too that in addition to saving customers energy, it also improves the health and comfort of the residents of that unit. >> Kitchen: I think it's a good program. I think it's a good program. What I'm trying to understand is, is it accomplishing all that we'd like it to and do we need -- would it be useful to make some tweaks so that it can accomplish more. That's what I'm trying to understand. >> I understand. We'd be happy to take a look at actual excluding for those units where there's been a change in occupancy and bring that back. >> Kitchen: I really just understand -- if we're telling an apartment complex that we're going to provide the service, what are we requiring them to do in exchange for it that may give us some better certainty that we're actually getting the result that we want. That's all. >> Alter: I wanted to just clarify, was that \$120 a month per unit on average -- >> \$100 per year per unit. >> Alter: Okay. >> Okay. I just want to add one clarifying point. When we do these rebates on these multi-family, the owner of the facility or complex has to put some money into the improvements as well, so it's not that we pay 100% of that. So it's about 20% is done by the property owner and 80% is provided by Austin energy, I believe. >> With the exception of the pilot that is focused on properties that are occupied by a significant number of low-income customers. That one pays 100%. You'll find it very -- I mean,

[11:07:33 AM]

even though there were 156 units listed in the Austin tenants council as affordable, it's been very difficult to get any of those property owners to participate in our program. >> Casar: That was my follow-up question, which is I think that it would be interesting to understand what y'all's challenges are, as far as getting folks in the door, because if in the end you can show us the data that people's bills are going down because they're individually metered, then maybe the answer might be we want to require less of folks so that people participate more so we can lower people's bills more quickly because we just need to go in there and get the work done. But if the answer is in individually metered ones we're seeing a lot of benefit, but in master metered ones we're not, then potentially there's those sorts of modification. So council member kitchen's answer stirred that in me, which is depending on how quickly people are participating, we might have to calibrate the barrier to entry in the program. It would be interesting to hear how the pilot is ramping up. >> Mayor Adler: Proceed. >> Okay. I don't know where I am in my slides. Okay. Thank you. We've seen that. The data analysis also includes other correlations. I will get to those in just a second. But here's the one I want to emphasize. When we look at rent per square foot comparing the rebate of properties and the comparable properties, you can pretty much see they're virtually the same. There are no differences between a rebated property and comparable property in the rent per square foot over time. So I mentioned that we do other correlations. Occupancy rates, like I mentioned before, are high on average. They're anywhere between 85% and 100%. Correlations are the highest

[11:09:35 AM]

between rebates and kw and kwh savings. So what I mean there is you are seeing more savings between properties that have gone through a rebate and what they are seeing in their energy reductions than properties that have not gone through a rebate and their energy savings. So we see a high correlation there. There's no consistent effect on the rebates on a rent change that is market driven, and what we are seeing, like I mentioned before, because of the wonderful questions that were coming through, increases are more often done because of a thing that tenants can see and not the things that they can't see like ducts and insulation. So the program is reaching critical populations. It's allowing them to reduce their energy and their bills. We know that because of the correlations between rebates and the reduction in their energy use. It is, as Debbie mentioned, enhancing comfort and health, and it's allowing customers to benefit from what they pay into the customer benefits charge. Since our analysis that started in 2013, we have seen no relationship between the rebate participation and rent changes, and the rent per square foot remains a function of market conditions. Moving forward, because this effort takes three to four staff members about 40 to 80 hours two times a year, we are soliciting an outside vendor that will start doing this report for us at a cost of about \$35,000 a year. Are there any other questions? >> Mayor Adler: Has this report varied? >> It has not varied. We have seen the exact

same findings with the exact same results and correlations. There's no difference. There's no relationship between --

[11:11:35 AM]

>> Mayor Adler: Does it make sense for us not to do this twice a year? >> Yes. >> Mayor Adler: Maybe once a year, every other year? Maybe if we established the pattern over four years, does it make sense for us to keep doing it? You don't have to answer that question now, but maybe that's something to think about. >> I think that's an important thing. I think there are a lot of times when we get asked to do things, and we do them in response to that request, and at some point in time, it's always good to go back and take a look at are there things that we can quit doing and just because we've always done it, that's not necessarily a good reason to continue. There is good information that it provides. I think moving to, you know, one time per year, if we were to see some different trending, then it would tell us that we should adjust or do something else. But I think this is one of those opportunities where we can say that we have been doing this over a period of time. We don't see the correlations and we don't see the trend patterns that we were concerned about, and therefore, it would be one of those opportunities to maybe stop doing something. >> To get back to basics, so when an apartment complex comes and says I want to take advantage of this rebate energy efficiency, what -- you said it's 80 to 20, the city rebates 80, and in some instances it's lower. Is it 100% of everything, like the person that goes out there and puts insulation? What is it 100% of? I'm trying to -- I can see where, if I'm in an apartment complex, I have a really low rent apartment complex. This affects the renter most over it affecting the owner. This affects their rates. And so unfortunately I can see where an owner would say I'm not -- why am I going to bother with that? It doesn't affect me.

[11:13:36 AM]

So it is 100% of everything, the entire cost of making it more energy efficient? >> The cost of the materials, which is duct ceiling, attic insulation, solar screens, led lighting, and then water efficiency measures, which get reimbursed by Austin water as well as the labor associated with installing those measures, the contractor labor for installing those measures. So that's what gets rebated. >> Garza: So it's everything? >> Absolutely. >> Garza: Okay. And to the mayor's point, I don't know if this is where you're going with budgeting, but as a city council, but zero-based resolutioning. I don't know, like the sunseting stuff. When we had these regulations that -- you know, I didn't even know about this in 2013. How many other of those resolutions that we have that are requiring staff time. We needed a kind of sunseting mechanism to look at things like this. >> Thinking about a \$35,000 consultant on this project, I would imagine that it might be more useful thinking about how do we improve the program, how do

we create more access, or how do we differentiate. More than the question that it seems like you've already resolved. So I know that won't come to us because it's under the threshold, but it just sparks in me that if I was going to have an expert look at this, I might better utilize your expertise for unanswered questions. >> Mayor Adler: So think about whether you think we even need this annually at this point. All right. Thank you very much. >> Thank you. >> Council, we have the last thing here is the schedule for

[11:15:38 AM]

next year. Leslie recommended that we not have a meeting this December, that we cancel next month's meeting. Does that make sense to you? >> Happy to adjust and meet what your expectations are. >> Mayor Adler: You don't have a need for us to meet in December? >> We always like the opportunity to meet with you and share information about the great work that my team is doing. >> Mayor Adler: Okay. Does anybody want to meet in December? Okay. We're going to pass on December's date. And the calendar that was proposed has this meeting on Wednesdays rather than Monday morning, but Wednesday afternoon at -- for the afternoon beginning at 1:30. And it has the monthly meetings that are set out. I won't be here on January 24th because it's the U.S. Conference of mayors, but other than that, that's the proposed calendar. Anybody want to discuss this calendar? >> My staff compared this to our recently approved calendar, and three of these dates, April, may, and June, I think we should consider shifting. Either a week back or a week forward, or an off week. November falls on a council meeting week, but because of Thanksgiving, I think it would be too difficult to -- we'll just make that one happen in November. But April, may, and June. I think April could go back to the 18th. May could go either forward or backward. June could go back to the 20th. That would certainly be my preference. Get it off of the council week. Especially being on a Wednesday, which is the day between work session and council meeting, where we're meeting with stakeholders and agenda work, that type of thing. >> Kitchen: And in doing so, we need to kind of coordinate with the agenda for the transportation committee, which is on Wednesdays also, but it's not as many meetings. It's six meetings a year. We just need to look at those two together. >> Mayor Adler: Can you go ahead

[11:17:39 AM]

and look at that and post something to the message board? >> Kitchen: We'll do that. >> Mayor Adler: I'll point this out to Leslie and see if we can handle this on the message board here. >> Flannigan: And judicial committee meeting this afternoon is also going to be setting its dates and we'll have that posted as well. >> Mayor Adler: Okay. Allison? >> Alter: I was just wondering if we wanted to set the first three, if that would be -- I just don't know if we have to vote. >> Mayor Adler: I don't think we have to vote. We'll go with these days. We're going to take a look at moving April to June up or back when we bring

Leslie into that conversation. I know she worked on this. And, Ann, if you could check on transportation and see if there are any conflicts on that. So either I or Leslie will post something relative to that. Is that it? Anybody want to suggest anything for Jackie that we want to consider in the future? That said, it is 11:16, and our meeting is adjourned. Jackie, good job. Thank you. [Adjourned]

[2:03:46 PM]