

Austin Energy Utility Oversight Committee Meeting

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L reserve anyicial actions until we have the sufficient number of folks here, but let me say that we are here for the Austin energy utility oversight committee. Mayor Adler and councilmember tovo will join us after the meeting begins and others will be absent. Welcome, chair of the utility commission. Thanks for being here with me and councilmember Renteria today. All right. We'll go ahead and get started. We'll pass on approval of minutes. We'll note that it's 1:34 here at city hall although I'm not formally calling us to order. We have Hal Braden and Paul Robbins. And both of you gentlemen are intending to speak on items that are not on the agenda, is that correct? Okay, great. Irrelevant both welcome to grab a microphone for three minutes. And councilmember Casar has just joined us. Good afternoon, Mr. Braden. How are you today? Good to see you. >> [Inaudible - no mic]. I'll turn on my mic and try to do that. I'm Al Braden from district 10 and a shareholder of Austin energy. I volunteer with 350 Austin, Sierra club and others trying to stop the effects of climate change. I spoke last week at auc to talk about Austin getting together on zero carbon. I talked in 2014 when we passed resolution 157 calling by zero carbon until 2030 and I showed a photo of Austin's environmental

[1:36:26 PM]

community surrounding Kathie tovo after that vote. I described Austin energy's push back and how they're outdated rebuttals are still on their website even though resolution 157 itself is not. I talked about the 2017 gen plan and the many studies by chair woman Leslie pool and other councilmembers demanded this September and the all more than zero path carbon by 2030. I included councilmember tovo's overarching amendment, the city council affirms its continued interested in achieving the city's climate protection goal of reducing emissions as quickly as possible. And I handed out attachments to the uc members so they would have fresh copies at hand. I have ever intention of duplicating that presentation today. But a funny thing happened it toward the end of the euc meeting, Erica bushback made a presentation on ercot summer readiness, a presentation she will share in a few minutes. And her last slide included a map of all the Austin energy generation facilities spread strategically across

Texas: I studied that map carefully and I think, counselors, that Erica, Jackie Sargent and other new leaders at Austin energy have hatched up a plot. I think they're committed to getting more renewables faster than I can keep up with. And I believe they're on a secret mission to achieve resolution 157 perhaps without saying so. So you will see Erica's map later in the meeting, but made a spreadsheet to discern that secret meeting and that's the spreadsheet I've passed out to y'all today. This is really the generation plan on the back of an envelope. Except for closing the final gas plants and what to do with the wood chip plant, everything in this plan is already committed. So I say let's follow through. Let's have a robust planning session this summer with

[1:38:27 PM]

public input. Let's follow through on the studies showing the best way forward to zero carbon. Follow through on the urgent business of closing fayette. Follow through with closing the gas plants, decker first and the rest by 2030. Follow through with ever-increasing and strategically placed economic wind, solar, storage and electric transportation. Follow through with the many other important energy saving programs of our gen plan. Sooner is better. If 2028 or 2025 is possible, that's so much better. Please make sure these studies by September do get us all the way to zero carbon as soon as possible. Thank you very much. >> Thank you, Mr. Braden. I really appreciate that T and thanks for putting this together, the ae gen plan on the back of an Neal. That's great. -- Of an envelope. That's great. Mr. Robbins, you are next and you will have three minutes. Please note that councilmember kitchen has also joined us now. Thank you. >> Are we on? Council, I'm Paul Robbins, an environmental activist and consumer advocate. I'm here to speak regarding the customer assistance program and its 8.3-million-dollar surplus. I first became interested in the details of this program when I found a major problem with automatic enrollment back in 2014. The process was done without regard to property assets that the customer owned and people literally living in mansions or that owned a number of houses collectively valued at millions of dollars were inadvertently receiving money meant for customers living below 200 percent of poverty. I spent a great deal of volunteer time over a three-year period working to get this part of the program repaired and get the worst offenders off customer assistance program rolls. I became knowledgeable about other parts of this program

[1:40:27 PM]

and at one point I worried that the program was underfunded. So I began seeking monthly revenue and expenditure data, and about a year ago I discovered that due to several reasons, including my own stubbornness in demanding the program be repaired, customer assistance program is actually running a surplus, an 8.3-million-dollar surplus as of February. Currently this surplus, unless something has changed recently, currently this surplus is destined to be set back to the ratepayers. And while this is better than giving it positive people living in mansions, I believe it should go to the people it was originally intended to help. I support the electric utility commission's efforts to income qualify customer assistance program participants who are not automatically enrolled. However, I expect that this will only

take about a million dollars of the surplus in next year's budget. So why be so modest with the request? I propose that you take all the money save for what is obligated or placed in a small reserve fund and increase the discount for the first two years of use from 10 percent to 15 percent of volume. The first two shares of use is when the Austin energy residential bill falls. My estimate is that the plus could pay for this increase discount for several years. I urge you to make use of these overcollected funds. I cannot foresee that you will ever have a surplus of this size again. Take anything in excess of half a million dollars used for a reserve fund or that is previously allocated and use it to give a 15% as

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opposed to a 10% volume discount for the first two years -- first two tiers of electronic consumption for customer assistance program customers until this surplus is exhausted. Thank you for your attention. >> Pool: Thank you, Mr. Robbins. Thanks for being here. We will move to item number 3, the general manager's report. General manager Sargent is here. Thank you. >> Vice-chair, committee members, I'm Jackie Sargent, general manager of Austin energy. We will also provide a decker update with the human resources department here to discuss the related municipal civil service rules. You will receive highlights of the quarterly operations report and operations report from deputies Charles Dickerson and mark dumb brow ski. I always try to provide you with a preview of high dollar or critical items that are going to come before for you approval and I have several of those items that I want to share with you today. On may 23rd, we will ask you to approve an agreement with Pandora solar to buy energy from a 250 megawatts solar facility. The solar project will be constructed in the electric reliability council of Texas south zone. It has an estimated cost of \$13 million per year and a total of \$195 million over a 15 year term. Based on market projections, this agreement should have a beneficial impact on our power supply adjustment. I also want to make you aware of a number of eminent domain items coming your way. This committee received a presentation . Last year regarding the new downtown substation and associated transmission line projects that we have going on. The upgrades are needed for

[1:44:29 PM]

increased safety and reliability as well as improved connectivity of the electric service system. The city attempted to purchase these tracts, however we were unable to come to agreement with the property owner's on the value of the tracts, thus creating the need for eminent domain. At the June 6 council meeting we'll request a one year extension of an existing contract with asplundh tree experts and tree service for distribution line clearance services at a cost of \$10 million. This one year extension allows us the time necessary to solicit for services under a restructured vegetation management program which deputy general manager and chief operating manager Charles Dickerson will discuss today in his operations report. The next stomach is for royal -- item is for royal switch gather manufacturing and industries to provide air switches for up to five years for four million dollars. Air switches you used to isolate and redistribute power to serve as substation agreement and also a secondary device for field personnel by providing an additional physical disconnect. We also seek approval for a contract with

Sirius computer systems for services for up to seven years for \$5.1 million. This faster and more reliable technology will provide necessary backup storage with Austin energy's data centers, minimize risk in and data protection and improve system reliability and performance of critical systems. Also on June 6 is an item to contract with elfort conhagen of Texas and [indiscernible] To provide utility pump maintenance service for up to five years for an authorization of three million dollars. This item provides access as needed to two da qualified contractors to provide maintenance services for large utility pumps that are used at the sand hill energy center and decker creek power station. Proper pump performance is critical to the reliability and efficiency of our power

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plants. There's there's also an upcoming contract with northridge group to provide quality monitoring services for our utility contact center for up to five years for \$2.9 million. In an effort to enhance the customer experience, the contractor will identify customer needs, they'll monitor customer satisfaction, they'll address customer interaction challenges and then they'll provide recommendations for us to make improvements. Lastly, we will be asking approval for a million dollars for five-year contract with mobility resource associates to provide the design, installation, lease and operations of a mobile outreach customer trailer. The trailer will be wrapped with Austin energy's branding and will be used at community events and venues for customer outreach. It was also intended to offer hands on educational activities that showcase programs such as our energy efficiency, green building, customer assistance programs, and our smart thermostats. All of these items were recommended by the electric utility commission this past Monday, may 11th, their meeting. Next I want to provide you a a quick update on a rates when phased out. Austin energy has a legacy time of use rate that became effective as a result of the rate case in 2012. The rate does not reflect current market conditions so it was not updated in the 2016 rate case. This time of use rate was actually suspended in February of 2016 and it will be eliminated from the 35s on November 1st of 2019. Currently there are only 16 customers on the rate who will be transitioned on to the regular residential service rate beginning in June. And our analysis shows that the majority of their summer bills should be lower on the regular residential rate. The affected customers will be contacted both by phone and letter informing them of the transition and also provided them with the option of Austin energy's current residential time of use and electric vice charging pilot rates.

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Today I'll wrap up my report by mentioning an award Austin energy recently earned and recognizing the employees that earned it. In April the customer assistance program earned an expanding excellence award for innovation and people and process at the customer service week conference in Phoenix. The customer assistance program team, pictured on this slide, was recognized for developing a comprehensive utility support system for vulnerable customers called the wraparound support services model. The seven program model emphasizes flexibility, education and follow-up. This recognition

highlights our values of being customer driven and community focused. And with that, I'm happy to answer any questions you may have. >> Pool: Any questions? All right. Thank you. >> Thank you. Let's see. Our next item is four and that's decker workforce planning. And that looks like Charles Dickerson and Monica araveillo. Hello. Glad y'all are here today. >> Good afternoon. Madam chair and members of the council. At our last meeting I gave an update on deck and a I had an action item to come back and give an update on the council and for the pay grades that were at the plant and then they were going to have hrd here to give an update on msc. I had one other thing I was going to talk about really quickly. We have things that we're going through on decker for their skills caps relative that they can go through. We at the time said that 30 people had completed the assessments. We're now up to 38. We have the assessments scheduled all the way through the end of March so there are plenty of times and we are confident that people will do that. Other than the assessments -- I keep forgetting.

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I apologize. Charles Dickerson, chief operating officer, Austin energy. So on slide 3 you will see we broke the pay grades out as follows. So from pay grades 9 to 15 there are four employees. We did it in groups because we don't want people to start -- people at the plant looking at who did what. The average hourly salary is about \$27.75 on the pay rates and the annual gross pay is around 57,000. I won't read the entire chart. That's in the decker plant proper. And then we have some pay grades that we listed for the power production engineering group. And again, we have the same format, the number of employees in that range, the average hourly rate and the annual gross pay. So hopefully this satisfies their requests for the pay grades. I'll now turn it over to Monica from hrd. >> Okay. Hello, my name is Monica araveillo. I'm assistant director with the human resources department here to discuss rule five, which is a reduction in force for msc covered employees. A little background. The rules were adopted by city council in 2014 and they cover hiring, promotion, lateral transfer process for employees, reduction in force process or the rif process, disciplinary action and commission appeals. The five-member commission can hear appeals from employees on these types of actions. So a summary of rule five is when employees have been identified that they are going to be affected by a rif, reduction in force or a rif, the department has to send their procedure or plan to the human resources department before issuing that notice to the affected employees. Our role is to ensure that that plan is consistent in the identifications of positions, the functions and programs, and the approach to placement of employees

[1:52:33 PM]

that are going to be impacted by the rif. That notice then has to go out to the employees, putting them on notice that they are going to be impacted by the rif. The rules require 60 days and my understanding is ae's plan is to send that notice 120 days before the actual rif for this rif process. Once employees are notified, we start working on reassignment. We work with the department to identify first the lateral placements within the department. So if ae has any placements within the department we will help them identify what employees can slide in -- laterally go into those positions and then we look across

the city and that's where our role comes in is we try to find the vacant positions to place employees if there are not in any at ae. If there are not any at their grade level then we look for demotion positions where the employee qualifies. Again we start with ae and then go across the city. The employees can apply for any open position started now. Employees always have that ability to apply for open positions. They can do it right now. The difference is once they've been given that notice of a rif process they get preferred interview status. What that means is they identify a position they can contact that hiring manager and say I have preferred interview status, I have that constituents status under a rif and they automatically get interviewed for that position. If they meet the minimum qualifications they let the H manager know and the rules state if all other job criteria are equal then they should be picked over other employees who are in that department or competitive for that position. And then the last step is recall and reemployment after separation. So within a year after separation, employees still have some protection. We create a citywide reemployment list of those employees who have been separated. If a vacant position comes up within that same classification, as long as the employee still qualifies we call them back, we give

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them opportunity to have that position. There's no guarantee that we'll be able to find these positions, there's no guarantee of employment based on qualifications. But we try to keep them on this list for a year after they're separated, if they're separated under a rif. Our priority is finding them positions within the city and we work closely with the departments to get that done. >> Pool: Great. Does anybody have any questions for either Ms. Araveillo or Mr. Dickerson on the decker reduction in force, human aspects of it in particular. Yes, councilmember kitchen. >> Kitchen: I'm just curious about -- I don't know if it's possible at this point if there's any projection about the ability to place folks. Do we think we will be able to place all of them or do we have any ideas at this point in terms of what that might look like? >> We don't have any ideas at this point because it's always going to be a function of what's open at the time that we confined up doing the rif. >> Kitchen: Okay. So how can we address that in the future? So y'all will be reporting back to us? In the future? >> Yes. It's my intention to report on the decker closing every quarter that I do this update to this commission. >> Kitchen: I just don't know -- do you feel like we have sufficient -- I'm just wanting to make sure that we have sufficient measures in place to be able to place everybody and I don't know enough about it to know whether there are barriers in any of this process. So from y'all's perspective do you think that this will be successful in placing most people or can you tell at this point? >> I think the measures that we put in place will have a high level of success. There are two things that we're doing as I are reported last. We're going to close one steam unit down. Generally what happens, most plants or businesses if they close a steam unit down they

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would let people go then. We're going to hold those people on. On so we're basically going to have far more people than we need to run the remaining unit, but we're doing that by design so people can

actually train and take classes and things during date where they otherwise wouldn't have an opportunity to do if they were working. >> Kitchen: Thank you for reminding me about that because you had talked about that before. So keep going. >> So that along with the assessments that we're partnering with with aehr so that people can right now identify what they may want to do, they can better be able to articulate what skills they have, determine the gaps, get training in place we think is going to make them more than prepared. And if you couple that with what Monica just said relative to the msc rules they will get some type of preferred status, I have no way of forecasting what the exact numbers are going to be, I just have a high level of confidence that we'll have very few people disaffected. And there are a number of people that are not included in this report who may opt to retire. They may say I don't want to fork anyplace else I'm fully eligible for retirement. So we have to think about that as well. >> Kitchen: Thank you. >> Pool: Any other questions for Mr. Dickerson arrest for Ms. Araveillo? Thanks. And if the record could note that the mayor has joined us. We're still shy of one for a quorum. The next item is number five and it's the Austin energy operational update for the second quarter of fiscal 19 and our coo, Charles Dickerson, will 19 with this report. Mr. Dickerson. >> Thank you, thank you, councilmember pool. I'll start off each of these presentations with a significant theme and it's a very serious theme we have in Austin, which is safety starts with me. The reason we do this is to let everybody know it's not Austin energy's job alone to keep themselves, they have an accountability themselves. Going to slide there, this is a more truncated report so we can get to the heart of the matter. We're doing good with respect to near misses. As I've explained in

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previous sometimes an opportunity to do so because it's counterintuitive. Near miss numbers going occupy is good what is what it means is people feel safe to report that they almost had an accident. The reason why we want to know is that because I want to learn from that. People reporting what happens, it goes into a database, we're people can see it and take corrective action so that the next person may not suffer from what someone else almost did. So those are going up. Total injuries are going down through the reporting period. A but what we're not comfortable with is total recordable cases have gone up by one and vehicle accidents have gone up significantly. We're continuing to stress things such as requiring if there's more than one person in the vehicle that they need to back up -- someone to get out and back the other person up. We continue to stress they wear seat belts. We continue to work on safety programs. I did a surprise inspection last week around 6:00 something in the morning at one of our yards to make sure people were wearing seat belts and driving safely. We continue for do that and build a culture, I feel confident these numbers will come down. The next slide talks about system reliability, which is always report. People don't really care about reliability unless we're not reliable and that comes up. We continue to be reliable from a systems perspective. When you take the total number of people in a system and the total number of time they've been out, that average is still below what the target is. We are a little bit higher on frequency and we're a little bit higher the individual customer's duration and most of this is due to the storms we've had in the southwest. Knees numbers, these line numbers are in comparison to. They're not absolutely absolute. We're comparing ourselves to a peer group. So to the extent that the Texas corridor had a lot of bad weather and other parts of the country

didn't, even if they didn't move, we got a lot bit worse then it will change. We suspect as we get out of the busy storm system these numbers will improve. We're not just waiting for

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the weather to end, we're continuing from an operations perspective to make certain we close those gaps. Practice concludes the operations piece. I'm going to move into the management piece. I did want to back up. On this slide again on page 5, this gap when you see caidi. A significant amount of those had vegetation impact on our infrastructure. So you had heavy winds and high rain almost cause freeze to fall. Even in F the trees don't fall, if the branches come down and touch the cable it will create an young. That's the segue. I'm not going throwing through this presentation in detail. I have met with you individually or my staff have met with you. I think a few councilmembers because of time constraints couldn't meet with us, but we had sent the presentation over. Page 7 I thought was really significant. I spent the vast majority of my career in the private sector, ious. I don't really call in 30 years of CEO taking public -- accepting public blame for an issue like this, especially early on. This is pge. I'm certain we've all heard about the fires. It's probably going to tie that company up in lawsuits for years to come. They're bankrupt. But one of the main issues that they took accountability for was not having a robust vegetation management policy. The short-term is tree trimming. And I know that it has triggered and Elise setted different emotions for different people. But at the end of the day if we do not trim the trees we could find ourselves in a very precarious situation. I'm not going to stay on this slide too much, but this is an aerial that anybody can get off of googlemaps that shows the vegetation in our service territory. So we have to trim our trees a little bit more prudently than we've been doing. So this slide here 9 is to show what we were doing prior to 2006. And prior to 2006 we were

[2:02:42 PM]

trimming trees with a clearance of 11 to 13 feet for fast growing trees and five to 11 for fast growing trees. And then we were attempting to prune fast growing trees and slow growth and we cannot keep up with that. That clearance is not wide enough in order to keep the trees from growing back into the infrastructure. So we can clear eight feet, but by the time we get to the rest of the system, the trees we clear at eight feet will probably have gone into what I will call the unacceptable zone. So I have directed my staff as recently as probably three or four weeks ago to go back to the 11 to 15 feet on fast growing trees and seven to 10 feet on the slow growing trees because if we don't trim with this level of prudence, we can wind up with more outages and possibly fires. >> Pool: Let me ask you a quick question here. I've noticed that Austin energy has been installing a lot of super tall utility poles throughout the city and many of them -- all of the taller poles are well above the tops of the tree canopies. Is that part of the systematic kind of addressing of the tree related concerns? >> I'll answer your questions, but if I may with all due respect, I don't know if they're super tall. That's an interesting characterization. >> Pool: That's a technical term. [Laughter]. >> The taller poles are generally associated with higher voltage. The transmission lines, those poles generally have to be taller than the distribution

poles polls. There's a lot more energy flowing through them and a lot easier for them, especially when it's hot, they can sag so you need a lot higher vertical clearance. That is a separate issue that would exist whether we had the vegetation issue or not. >> Pool: But are the electrical lines that are now currently like going through the canopies lower down on the poles, are they also being -- >> No, we're not raising them, councilmember. That's not what we're doing.

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That would be -- that would be far more difficult and more expensive to do and result in a lot of outages. We try to limit the amount of work we do on live wires. We do a lot of work on live wires, but that's the distribution side that we have with the vegetation. >> Pool: I'm glad I asked because a couple of my constituents have noticed the installation of the taller poles and they thought it was in response to trying to reserve our tree canopies. Good to know. >> I'm glad you asked that question. We talk about vegetation management, I am hopeful that over time people don't associate cutting trees with being anti--- an anti-preservation effect. We have arborists on site who are trained, they have their degrees in what's the best way to trim the trees. Some of this has to do with esthetics. While I'm not dismissing people's desire for the esthetic pleasure, we need them there. If the trees touch the cables, particularly during the dry seasons, they will catch on fire very quickly. When I met with you I put a lot more pictures in there. The fires in California were devastating. As I told you on Monday, when it first hit me I was getting a car serviced on a Saturday while the fires were still going and the news camera panned to a pool of steel that had melted just in the heat in one of the cities there. We don't want to be in that position. So we're going to have to go back to a more prudent span on how we trim the trees. >> Pool: Thanks. >> Now, I want to end on a really good note because some people may not feel that's a good note. So at one point there were some of the different contractor associations had raised a concern about Austin energy's processes for allowing smaller firms to be able to participate in our line current space and they thought that the policies and processes we

[2:06:43 PM]

had were prohibited from them doing so because they were small firms. And Austin energy had been charged, I would imagine, by city council, to see what can we do to make it a -- for lack of a better word a more open playing field. The first thing I want to speak to is it's not that the firms were smaller that made it prohibitive. The firms that were asking to work in what we called at the time high voltage lines, had not demonstrated the proper safety protocol in years of experience to work on high voltage lines. I think when I first did my first report to this commission I talked about how safety was important and how I lived through a period where we had five fatalities in a period in 14 months. And I had been adamant, but respectfully so, that we're not going to put people on the system who do not have the safety and experience to do the work. This is not a matter of trying to keep anybody out. It is fully a matter of trying to keep people alive. However, we did hear council and I charged my team and they've been working on it. What can we do to open it up to make it possible for other people to bid? So here

on slide 12 are the current -- is current construct that we have. We basically have three contracts. We have a distribution and the distribution is broken between north and south. What we have done through a lot of iterations and discussions and kind of challenging one another is broke the contracts up into smaller contracts and slightly different contracts. What you will see in the yellow area under tree growth regulated program replacement and plant and preplanting. It's an opportunity for the smaller firms to do that work and they don't need to have the same number of years of experience as they would have otherwise had to have to do the line convenience. On the far left under the street light night watchman, there's he three or four, probably 500,000 dollars' worth of work.

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This is still high voltage, but it's lower than the transmission lines so the years of experience are not necessary, but if they have the proper safety protocols they can bid this work. If they're successful and they do the work well for a few years for us, then we will move to allow them to bid on the work that would normally require five to seven years. So we feel really good that we've listened. We've come up with an arrangement that will allow smaller contractors to have an opportunity to bid. However, it's going to require something -- I don't know if we have a quorum for an official movement, but it's going to require at some point an extension of the existing contract one more year so we can dot all the I's and cross all the T's because if we opened it up right now those small contractors still would not be successful. They still would not get this work. So we need a year to get everything in line to make certain that they have a really good opportunity of bidding this work. It's very good work. It's meaningful work. Not only is it meaningful from a financial perspective, but to set them up as successful to have more financially rewarding work in the future. >> Pool: All right. Does anybody have any questions for Mr. Dickerson on what he just covered here? If knots we'll go on to item number 6 thank you. And this will be mark Dubose ski. >> As you've done in the past we prepare your full quarter report in a very consistent format, but we'll just be covering the executive session now and all the additional reports support that. I'll be glad to answer any questions you may have on that. So on page 5 here I would add that none of this information has been audited

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yet for fy90. So right now as far as our financial policies go, we're complying with all of our financial policies except for our capital reserve policy. We are short on the balance we require in that. However, our total cash balance exceeds our minute numb requirements and so -- minimum requirements so we'll be looking in the fy20 budget to see if we can move those funds over to that capital reserve. On the financial metrics for double a credit rating we're meeting all of those. And in fact, we found that this morning that we received a credit rating upgrade from Fitch rating for a bond offering in which we're acquiring the nacogdoches biomass facility so that's good news. And then for our revenues through the second quarter we had \$631 million in revenues. And that's slightly above forecast at 1.4%. And that's really due to higher power supply cost. So our power supply adjustment, whatever the expenses our

revenues match that. It's regulatory accounting. And we also had higher interest revenue. And that's due from slightly higher interest rates than we had forecast as well as a slightly higher cash balance. And that was offset with lower retail sales and that's really due to mild weather during the early part of the winter. And that was offset with \$523 million of operating expenses. And that was due again to higher ERCOT market prices from congestion, so when transmission lines go down prices change. And that was coupled with we had planned outages at a number of our plants, so the when the higher prices happened we didn't have the generation to respond to those higher prices. And on our balance sheet we're liquid and we've capitalized there. Our cash balance is trending

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down slightly and that's because from a cash flow perspective we really earn most of our revenue in the third and fourth quarter so we use some of that cash balance to pay some of the ongoing bills during the course of the year. As I mentioned, we're going to be going to the bond market on May. On May 9th you approved the funds to purchase the Nacogdoches biomass plant. We'll be purchasing those bonds on May 22nd and right now that amount is \$764,000,744. We'll be following that up with a second bond offering in which we refund all much our commercial paper. We've also signed a contract now with community college that will be providing the chilled water it was at the old Highland campus. So we're borrowing the funds to build that project for ACC there. With that I can answer any questions you might have. >> Pool: Thanks. Does anybody have any questions on this financial report? Yes, councilmember Renteria? >> Renteria: Yes. You're saying that about the expenses. It was 4.7% higher because of the market price. And what kind of congestions were you -- >> Mostly it was associated with transmission lines going down. We don't always get a heads up with that happens, but it causes across the market congestion. So the supply of generation can't get to where the demand is and that alters prices. Normally if we have higher prices in our load zone our generation can react and sell and so during the winter times we bring down our generators. But we will have the generators up and running for the summer months. >> Renteria: So we do have the capacity.

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It's just you were doing maintenance on that? >> Yes. >> Renteria: Thank you. >> Pool: Great. And -- yes. >> I just wanted to point out that the Fitch rating improvement is a big deal. And we R. We felt in the past that Fitch wasn't caught up with the other rating agencies, and I wanted to comprehend Mr. Dombroski who went out and toughly engaged Fitch and has worked that to get them to see the improvement in the utility. And I think that's a significant accomplishment. Just wanted to point that out. >> I appreciate that. We have a huge finance staff that supports that as well. >> Pool: I did notice that. Was it an A and now it's a double A? >> It was a double A minus and went to double A. They went to split ratings. In 2016 November we got an upgrade by S and P and Moody's, but Fitch did not follow so we've been working with them since then. >> Pool: Thank you for that extra effort and thanks for pointing that out. I am delighted to note that our chair has made it. So we are now with chair tovo

arriving we now have a quorum. I'd be happy to hand the gavel over to you, councilmember tovo, and what we have done is gone through up to item 6. We were not able to approve minutes. >> Tovo: Thank you. I appreciate you chairing the meeting. As you probably mentioned, I along with the mayor, were at the visit Austin board meeting. Sorry it took along while to get back. Do I hear a motion to approve the minutes of the April 17th, 2019 meeting? Okay. Councilmember Renteria moves approval. Councilmember pool seconds it. Vice-chair pool seconds it. Any comments? All those in favor? And that's approved unanimously. And so that takes us to what I think is our last item and that's item 7 -- or late 7,

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penultimate item, ERCOT summer update and summer readiness. >> Good afternoon, councilmembers. My name is Erica, vice-president of energy and market operations and resource planning at Austin energy and I'd like to talk to you about the ERCOT market and how the summer is shaping up. I will discuss the electric market supply demand balance or the reserve margin and their growth trends. I'll show how the market digests and organizations itself for these conditions. And finally I'd like to share with you what Austin energy is doing to protect our customers. As a reminder, ERCOT is the electrical reliability council of Texas. They are the independent system operator that manages the flow of electric power to more than 25 million Texas customers representing 90% of this state's electric demand. ERCOT issues reports to communicate the supply demand balance on the system. They take the difference between total generation and total expected demand and determine how much head room we have. Last week's report calculated an 8.6% reserve margin. This is historically low. ERCOT has stated that in all scenarios studied they identified the potential need to call an energy alert at various times this summer. One demand driver is energy consumption, which has been steadily growing in Texas. Last summer hit a record peak, which was three percent higher than the 2016 previous record and last summer was the third hottest summer on record. Although record heat waves cannot be relied upon, something more certain is Texas' gross domestic product and its low unemployment rate. The state is slated to out pace the U.S. In both these indicators supporting strong demand expectations.

[2:18:54 PM]

The pie chart is the 2018 supply serving electric consumers' demand. Nearly 19% of that supply was served or produced by wind power. There's been a steady increase of wind and solar generation in the last five years. For 2019, 733 megawatts of wind and solar supply man approved and 22 generation units totaling 143 megawatts were added. There has also been a instead increase of interaction requests as well. These projects are primarily for renewable, natural gas peaking units and battery storage. Weather drives demand. The top row is a snapshot of the summer's outlook. Forecasts are coming in normal to below normal for all summer months so far with slightly above normal temperatures not really materializing until the fall. Markets communicate through prices. July and August are typically the hottest months of the year. People pay a premium for protection in these months. Even with the

historically low reserve margin, prices are trending slightly downward, telling us the market is a little less jumpy than last year, expressing more confidence in the market. Peak and off peak prices are depicted before you from today to 2027. It says the market is expecting new solar generation to push down on peak prices in the future similar to how wind has helped bring down off peak prices over the last 10 to 15 years. The public utility commission has been communicated with stakeholders and setting policy regarding market reliability and resource adequacy. PUC chair has met with all category of market participate participants to communicate the importance of being available this summer, ensuring all precautions are taken to have generation, transmission and distribution as well as demand response at their

[2:20:55 PM]

very peak for summer requirements to come. To preserve reliability and competitiveness for Texas energy consumers we've experienced more policy changes. One provides more revenue to supply available during type conditions. Another slated to increase efficiencies in the realtime market, effect actually improving reliability. Another is increased regularly of distribution and demand response reporting to ercot to improve forecasting -- which ultimately helps with planning and reliability. How will this affect our customers and what does a tight reserve margin mean? Potential price which could ultimately increase our customer's bills. Possible increases in plant maintenance expenses to ensure resource performance. And should rolling brownouts occur through no fault of our own, Austin energy is ready to help. We like many market participants hold summer preparedness drills and hold all emergency emergency alerts and lists. Austin energy is a qualified scheduling entity, which is the highest level ercot offers. We have in-house expertise in this market, we have a 24 hour, 365 day a year realtime market operations desk. We are always on call. Additionally our customers have a diversified portfolio. Their resources are located throughout the state in varying technologies and have been acquired over a long time horizon. We actively manage the power portfolio from market prices. The energy risk management program has been in operation for close to two decades. These features allow Austin energy to support providing safe, reliable and affordable service to our customers even in the face

[2:22:56 PM]

of these market conditions. And that's all I have for you today, councilmembers. >> Tovo: Thank you very much for that very timely report. Questions: >> Yeah. I should have brought this up during the general manager's report and neglected to do that. I wanted to take -- for those who have joined the meeting after the beginning, one of the items that is expected is a purchase power agreement that's coming up for new solar. And one of the things that the general manager mentioned about that is that it's going to have -- it's expected to have a positive impact on the power supply. And we get -- in the industry you get very jargon-y about these things, but I would like for you to explain what the significance of that is to the council. >> Sure. So to elaborate a little bit on your comment, we have a very favorable pricing for our most recent ppa that's coming to council. We've seen prices come down

very much in the solar industry with regards to panels as well as other components of the contracts. So this should -- as far as we can tell, this should be favorable for our power supply adjustment. >> Meaning we're actually averaging down costs, which, you know, when we first started buying solar back when, it was averaging up cost, it was expensive. And this just shows how the renewable energy industry is developing, driving down cost and it's making a big difference in the future for this utility. >> Tovo: Others? Other thoughts, comments? Great. Thank you so much. Appreciate it. Colleagues, other items to

[2:24:57 PM]

suggest for next month's agenda? I know we'll have an update on the decker workforce planning. We've asked for that to be a standing item. I've also asked that the contract -- the custodial contract be on our agenda for next time so that we can talk about some of the options there. Anything else? Okay. We stand adjourned at 2:25.