

Austin Energy Utility Oversight Committee Meeting

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>> Tovo: Good afternoon, I'm Kathie tovo. I represent city council district nine and I chair the utility oversight committee. We are not going to have all of our colleagues here with us today, but I'm hoping we'll be joined by a few more. I know mayor Adler, councilmembers kitchen and Flannigan and mayor pro tem Garza are not going to be joining us today. So hopefully we'll see our other colleagues. But we're going to go ahead and get started on citizens communications. So the first individual I have signed up is Janine -- >> [Inaudible]. >> Tovo: Oh, it is Janine. I think we have a few extra letters in there. Janine Lutz, followed by Jean arndts and then followed by Gus Pena. Would you mind spelling your first name for me?

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>> [Inaudible]. >> Tovo: You have three minutes and we'll adjust the clock as soon as you begin. >> This down? All right. Hi. My name is Janine Lutz and I am an owner and investor in a couple of multi-family properties that are in councilmember Casar's district. And Lamar place we've had the pleasure of working with Austin energy on some -- with their rebate program and it's been a great experience. The property is built in the '70s and '80s, and so it's definitely -- can benefit from energy improvements. Unfortunately we don't necessarily have that built into the budget. So it's been really great to

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be able to reap the rewards of the ducted ceiling and attic insulation that we wouldn't have been able to do otherwise. It's been great working with Austin energy on the projects. It's nice they're experts in it and in the work that's being done and they're overseeing everything, which has been wonderful. We do

have allura on 20 units of the property and the rents, regardless of whether or not they're on the llura program or not, we do the same rebates -- we do the -- we have the same rental rates across the board. We do the same upgrades. So it's consistent whether or not the units are on the lure program. However, we do obviously receive a different rebate

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based on whether or not it's considered low income housing or under the lure program or not. We are committed to serving our residents. And like I said, Austin energy has given us the opportunity to do a lot of rebates. We're looking forward to participating in the smart thermostat program that's coming up. And again, it's something we would never otherwise be able to do without the support of Austin energy. So we're grateful for that. >> Tovo: Thank you very much. Councilmember Flannigan, I think we had a mix-up. I thought you were not attending. So councilmember Flannigan is here. But as I understand, councilmember harper-madison will not be here today. Next, Mr. Arndt. >> I yield my time. >> Tovo: Thank you. Mr. Pena, you're next to be followed by Paul Robbins and then Al Braden.

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>> Good afternoon, my name is Gustavo Gus Pena, president of veterans for progress. I'm hire because as you well know I've been here before on the -- on this committee. The major point that I want to make to y'all and I appreciate all of y'all here, is that the heat. We have a lot of low ses, socioeconomic families and single moms that are not able to pay the electrical, what they owe on the electricity. So having to have these programs to help out the low socioeconomic status families and single moms with kids, babies like my son does, is very important. No disconnects. Y'all have been very good to work with. My son Lucio, and I appreciate very much Kerry

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Overton and I can't remember the young lady, but she has been great to help out Lucio and that other individual. I can't remember his name. But be advised it is hot out there. It's going to get worse. People are trying to make payments as it is and anything that you can do to help out in whatever payment plan or whatever is most appreciative, because with babies and kids, it makes me want to cry because it's such a tough time right now and there's a lot of people that are hurting that are not making the grade or making a good salary. So word to the wise, I think we have the general manager here? Okay. Please, please continue to work with the people, and that is the major issue that I wanted to impose on y'all. It is tough out there. There's a lot of people that don't have enough money for rent. Rent comes first. They don't have money for electricity. They're trying to make payments. So thank you and continue

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the March on that. And we have a lot of people that are hurting here in austin-travis county. I know my son is one of them. But anyway, thank you very much and I'll keep it short and please no disconnects. Kerry Overton thanks so much what you've done for the community. And the general manager has been very helpful also. And we have a good bunch of employees out there. And I want to thank the board also here. Thank you very much. >> Tovo: Mr. Robbins, you are up. Al Braden is next, [indiscernible] White and our last speaker of the day is Victor Reid. Welcome Mr. Robbins. >> Council, as many of you know, the customer assistance program that gives low income customers discounts on utility bills is running a surplus. In may it was over eight million dollars. The utility's policy so far

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has been to return this to the ratepayers. For some time I have been advocating that this money be given to the low income people that it was intended to serve in the form of an increased discount for the first two tiers of use. I don't know when we'll ever have a surplus of this size, of this proportion again. And I think it should be spent on the people it was intended to be spent on. The budget is the optimal time to do this and I'm asking council to send direction for this to happen. Austin energy's position expressed at Monday's electric utility commission has been to delay this. Since there is an effort to expand the customer assistance program for an

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income qualification, Austin energy raised concern that there wouldn't be enough money and they asked for two months to study it. This request for a delay bewilders me. To begin with, Austin energy has known my opinion for some time and should have been ready at the electric utility commission meeting to respond. But even more confusing is why it takes several paid employees two months to do something that one skinny volunteer activist could do in three hours, which I in fact did. My own evaluation, council, is that with conservative economic assumptions, the surplus will likely last at least four years. That is with both a discount -- an increased discount program and an income qualification program.

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And further, under other assumptions that are frankly more likely, this surplus could last indefinitely. While you have to remember that while there's increased expenses for these additional services, there's also increased revenue from growing electric sales. So I conclude by asking you to move on this during budget. There are people that need help. >> Tovo: Thank you, Mr. Robbins. >> Alter: Mr. Robbins, I would like if you could to send me the numbers, if you have them. >> I can do that. The spreadsheet that I've created in multicolors, I might add, it's dynamic so you can sort of adjust the assumptions if you want to play with it. >> Alter: Thank you. >> Tovo: Mr. Robbins, there's been a request that

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you provide it to everyone on the committee if you're able to do that. >> Who is the best central person -- who is the best person to send it to? >> Tovo: So you can't -- visual to send it to a member of the city staff to distribute. >> Done. >> Tovo: Thank you so much. Mr. Braden. And thanks again for that work and for sharing it with us, Mr. Robbins. >> Good afternoon, chair tovo and council. I'm Al Braden, an Austin energy shareholder and district 10 voter. Usually with me are a bunch of 350 trouble makers, but I think they were at euc on Monday night and are busy doing other things today. But we are part of 350 orgs international climate mobilization focusing locally on closing fayette and reaching zero carbon asap. I want to thank my councilmember, Alison alter, and co-sponsors pool,

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kitchen, tovo and Casar, for calling out the climate emergency and prioritizing our response at all levels of Austin government. This is our responsibility to resolve, especially as we begin serious work on the generation plan. I also want to thank euc sponsor's Stephen ray and Karen Hayden for bringing this resolution forward. We are fortunate to own our own electric utility and set its direction. I appreciate the director of Austin energy for their skill in managing Austin's goals. I thank Jackie sergeant and the ae staff for being present at public meetings and seriously engaging with citizen concerns. Five years ago it was very different. The generation plan had to be stopped in its tracks. The council had to create a real citizen-led task force to move us forward. And from those battles became a change of commitment, no fayette, close decker, get to zero

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carbon. Councilmember Kathie tovo helped lead resolution 115 for zero carbon. And also sponsored her own parallel resolution 158 to provide electric service, weatherization and energy efficiency for low income customers throughout Austin. As we saw in euc Monday night we are ahead of many of these goals. We'll have more than -- more than 1700-megawatts of wind and more than 1300-megawatts of solar by 2020. Four steam plants closing in four years. We are 40% renewable now and will be over 60%

by the end of 2020 when the already committed projects come online and they're spread strategically across Texas. We project being 85% carbon-free by 2023 when we close fayette. Wow. I look forward to the reports this afternoon on decker and fayette from staff. Because environmentalists

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frankly need some good news these days. And so please, Austin energy, keep it up. Resolution 157 is not a dirty word. It's our guiding principle and we collectively are actually ahead of its ambitious plan as we begin to work on our next generation plan, we will spare no effort to reach zero carbon. Now, it is economic and environmentally the way to go. I ask each of you to continue to support your work on this. On the generation plan working group we will make every effort -- [buzzer sounds] -- To meet your 2017 resolution. To quote councilmember tovo, that the city council affirms its continued interest in achieving the city's climate protection goal of reducing emissions as quickly as possible. Thank you all very much. >> Tovo: Thank you, Mr. Braden. We appreciate you and your continued advocacy on these issues.

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Ms. White. Last speaker of the day will be Victor Reid. >> Hi, I'm here on behalf of public citizen and solar Austin. I wanted to call your attention to the proposed two million dollars reduction in Austin energy's solar incentive budget for fy20. While a reduction was envisioned in the Austin energy resource plan, there are a few reasons why I think that this is not appropriate. First, you all just voted to declare a climate emergency. We need to be ramping up budgets for all solutions to reduce emissions. This is not the time to be cutting budgets for things like solar. In addition to fact that solar is zero emissions when produced locally, it's also creating local jobs which is important to our local economy. It also avoids using more land which is an impact of all energy production unless it is put on other buildings as solar is, and it provides local generation, something that Austin energy has

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repeatedly said that we need generally in the context of advocating for natural gas production in the Austin area. Let's do that with clean solar energy. Second, in the resource plan Austin energy committed to spend \$7.5 million in the past two fiscal years, including this one. And that has not happened in '18 or now in '19. There was \$1.6 million left on the table last year and now there's an estimated \$2 million left on the table. This is not because there is a lack of opportunity to put solar on buildings here in Austin. Google sun roof has estimated that about 189,000 buildings are suitable for solar in the Austin area. Now, some of those are not going to be structurally sound. They're going to be torn down, are going to

have roofs that can't support solar, however that is still a massive number compared to the approximately 8,900

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buildings that currently -- buildings that currently have solar. So there is opportunity. We just need to get those programs no those building owners. And Austin energy has ramped up -- recently ramped up its advertising of the programs and is also now starting to actually do community outreach. That is wonderful. Let's let those efforts actually come to fruition and bear fruit in the form of increased demand for solar energy. Maintaining the solar budgets as it is or as it is this year into next year would mean adding another \$2 million, so approximately \$2 million is going unspent this year. I realize there's no such thing as rolling over. I am proposing that that two million dollars that wasn't spent this year allocate it into fy20 so that we can maintain that budget so that we can have a rebust program. I also want to point out that there has been a summer bonus program for the solar program. This is wonderful. It has meant that there's an

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increase -- [buzzer sounds] -- In demand. It also means that about \$1.4 million is going to be spent in the next fiscal year to pay for solar projects that are actually being sold right now because that program goes through the end of August. Any questions? >> Tovo: Thank you very much. Anyone have any questions? >> Thank you. >> Tovo: We appreciate you being here. Mr. Reid. >> First of all, I would like to say my mother was -- she was employed with the city of Austin for 40 years. She retired when it was the old Austin utility customer service. Probably none of you remember that. So I'm an Austin energy baby, I guess you could say. [Laughter]. But I'm here to talk about how Austin energy should be leading not only with

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renewables in solar power, but they should be leading in the education of our children with this blueprint for the rest of America. I don't know if any of y'all are aware of what a cartige scale is. It is a measure of measuring a civilization level of technological advancement based on the amount of energy they are able to utilize. The measure of proposed by a soviet guy, the scale has three designed categories. A type 1 civilization is civilization can use and store all of the energy available on its planet. And I say this in relation to we're not even close to a type 1 civilization, not even close. We're .72 on that scale. And to me that is very, very

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important to leading this nation. It's very important to leading a new civilization with our children. But if we don't have outreach programs that should be developed by the city of Austin to go into these schools and educate these new engineers on energy, on conservation, they don't know. So how are we going to get to a type 1 civilization without the help of the city to educate our children? This is something that is very, very important, it's written in science. It's not just some assumption. The more that we are technologically advanced with our energy sources, the greater the people that we become. I just feel like we should be more involved with Austin energy instead of just like my mother helping me with my

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teeth and my health because she was employed there, and having more of a program like I said, an outreach into these schools. Thank you. >> Tovo: >> Tovo: Thank you very much, Mr. Reid. I know Austin energy sponsors the science fair work and other programs in schools, but thanks for emphasizing the importance of looking for more opportunities for Austin energy to be involved with our k-12 especially. So thank you for participating in the conversation today. We now have a quorum so I will entertain a motion to approve the minutes. Vice-chair pool moves approval. Councilmember Ellis seconds. All those in favor? And that's unanimous on the dais with the councilmembers I indicated before not present. So let's see, the general manager's report is next. Welcome.

[1:54:22 PM]

>> Good afternoon committee chair, vice-chair, committee members. Today -- I'm Jackie Sargent, but I'm Jackie Sargent everyday. [Laughter]. Austin energy general manager. Today, in addition to my report -- [laughter] -- we're going to have a presentation by our chief operating officer and deputy manager, Charles Dickerson, who will go over our operations and a decker update. Then we'll here from mark dumb brow ski with a report and then an update to the fayette power project. >> So to start out with, we have some items that will be coming forward to council for action. A August 22nd we will be asking you to approve a 1.1-million-dollar agreement with Davey resource group to

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provide a systemwide inventory of utility poles and attachments. The inventory includes 130,000 distribution utility poles and an estimated 310,000 communication attachments throughout Austin energy's 437 square mile service territory. Conducting an inventory like this is very important. It's

necessary to ensure that poles are not overloaded by these attachment attachments and that the communications providers are all documented. It will also help determine accurate billing for the use of utility poles and ensure utility infrastructure is well maintained in an optimal manner. There are also two additional items on the August 22nd council agenda related to the construction of the Austin community college highland campus chilled water plant. As specified in the agreement that was approved by city council and the ACC board of trustees in 2017. The first item is a 350,000-dollar amendment to the professional engineering services contract with

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Jacobs engineering. They are the ones designing the project. This amendment is necessary due to ACC's request that the construction package actually be split into two phases, allowing accelerated buildout of other highland campus projects. The second item is a 28-million-dollar contract with flintco to build the chilled water plant, including site work, equipment, installation and construction. This chilled water project is important because it will assist Austin energy in the therm national water goal by 2027 included in our resource management and climate protection plan. These items were all recommended unanimously by the electric utility commission at its meeting earlier this week. I'd like to take a moment to acknowledge the Austin energy employees who participated in the professional line worker's comp advertise in Seguin on Saturday, July 20th. The event law officers line workers from all over the

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state of Texas a way to showcase their skills in a family oriented, fun and competitive environment. Austin energy's participants are listed on the slide. Every quarter we provide you statistics of our system reliability and resiliency and these are just a few of the employees that actually make this happen. They are overeven looked to responders to emergencies both within the city of Austin and other communities both during and after storms and they take significant pride in the work that they do. In addition to the skills, camaraderie and good food, our staff also brought home some hardware. In the hurt man rescue challenge, Austin energy teams placed first and third and in the apprentice hurt man rescue event, Anthony Trujillo won third place. Congratulations to our team. I always like to finish up and share some recognition for our employees' efforts. Our customer care staff worked hard to coordinate the annual affordable energy

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summit which took place on July 24th. This event helps us to connect to our community partners and share important information ranging from utility scam awareness to payment arrangement opportunities. It is only with the help of these service providers and city council support that Austin

energy is able to have one of the most robust customer assistance programs in the country for which we've been recognized. And lastly, I wanted to acknowledge Austin energy employees who participated in the build a backpack school supply drive. As you can see by the photo here, not only were we as well as the entire citizen successful in donating numerous backpacks and supplies, we also had a pretty good time at dropping them off at city hall and talking to the students. Even Stevie made an appearance. With that I'm happy to answer any questions you may have. >> Tovo: I don't see any for you. Thank you very much. >> Thank you. I'll turn it over to Charles

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Dickerson to provide the operations update and the decker workforce update. >> >> I think he's pulling up the powerpoint. Good afternoon, councilmembers, Charles Dickerson, deputy general manager and chief operating officer. I'll go into my presentation while the gentleman is pulling up on the screen.

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There we go. I'm going to touch on the highlights. As with each one of these reports the focus is on safety, performance, carbon footprint, power production, on-site energy resources and future state. But I won't cover all of these things. I'll talk about the more salient issues and take questions unless you ask me to pause. Good news, as opposed to the last quarter when I reported the safety metrics are moving in the right direction. As I say when I first talk to you you all when I first came, the biggest issue for me is maintaining the safety of our workforce. It is extremely dangerous work and safety is important because of our culture. We generally start off every single meeting at Austin energy with a safety message and we do that to reinforce the culture. You will see that all the indices are trending in the right direction and we feel good about that. On performance, I'll jump over to since it's more timely because we're in the middle of all this heat, our reliability had not been

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trending well, but we're starting to make good changes and strides in turning it around. Just for reference, when you compare us to most other utilities, even though we're below our own self-imposed goals, we're still more significantly reliable than a lot of other utilities in the country. We still to still be near the top [indiscernible]. But I personally don't believe that matters because our customers don't care about the utilities, they care about whatever reliably it's doing. That's for the field teams and engineering team to put together a robust plan on some measures we're going to take. The most salient and most effective measure with respect to reliability for almost any utility is really good comprehensive vegetation management. I reported to you all last quarter that we changed our vegetation management program. We had a number of storms that had some negative impact on it, but we're making really good

problem in that record. And I'm hopeful and hope is in the plan, but hopeful from data that we'll see these numbers turn around by next quarter.

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Our carbon footprint continues to decline, our renewable generation as a percentage of load went down because our consumers use more load. So if you think about how much renewables we have, people use the energy, that number will go down. That will turn up as the weather breaks and also get better as we add more renewables on to the fleet and we continually look for opportunities to do that. Nothing major to report here in Oser. The general manager has put you will something that will come before you for approval and we continue to make project in our district cooling plant and our ACC project. Again, both of these will help to our goal of having 30 megawatts of what I'm going to call storage which basically allows us for us to have customers use our facilities without using electricity, which is good for the environment. Future state, I'll go

[2:03:32 PM]

through this real quickly. We're showing green on everything except reducing our fossil fuel. I think I told you all this over close to a year ago. I'm going to maintain this rid until we unwind our position in fayette and take some other steps. So we're on track to do that. You will hear an vice-president from the vice-president pat Sweeney. And our asset management, we're yellow, we have very good asset management in the transmission space, but we're continuing to pick it up in the distribution space. And that concludes that presentation. If there are no questions, in the interest of time, councilmember tovo, I'll move to the decker update. >> Tovo: It looks to me as if we do have a few questions. Councilmember alter, and then councilmember Flannigan. >> Alter: I actually just have a comment. My office worked with folks at ae for adjusting a system reliability issue over on idlewild and he was very responsive. We were currently working

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with you on a case at graystone and I look forward to having a similar resolution soon. >> Thank you, councilmember. I'm sorry we even have to work on one, but we'll get it done. >> Tovo: Thank you. Councilmember Flannigan. >> Flannigan: The reliability numbers in your presentation have the likes going the wrong direction, but when you look at this report it seems to be much more troubling inflection point where reliability was improving and it's been ticking up for 12 months in a row it seems except for one exception. So if there are extenuating circumstances that the frequency of really bad storms has increased, that would be good to overlay to better understand what we in the public are

seeing, but to go from August and September of last year, which seemed really low, and the tail end of a very long improvement of reliability, I mean, it seems like more than just the one data point

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that's in the presentation. So I don't know if there's additional information you can help me feel like things are in the right direction. >> I'm familiar with that report, but not having it in front of me puts me at a disadvantage to be able to speak to it. I can come around, councilmember. >> Flannigan: I would expect there would be other information you want to go out and find, but it seems to be a trend in the wrong direction here. >> You're right and we're confident that we're going to turn this around. >> Flannigan: Okay. >> But I think you have another question. >> Flannigan: Did something change? This is very -- maybe I'm asking them retoricly just to be fair, but it seems a big shift that seems statistically significant so it would be good for the next meeting to -- >> I will get you that answer for the next meeting.

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>> Flannigan: And just as a general thing, those of us who are colorblind cannot see the difference between the colored bullets you have on your other slide, so please use icons that denote. >> I'll use diamonds or triangles or something of that nature. For the decker update -- >> Tovo: Before we move on, councilmember Flannigan you had suggested that maybe there were some weather events that impacted it. Did you have any information for us in that piece? >> Did she have weather in the third quarter. All the rain and the storms and that nature. I think what councilmember Flannigan is speaking to is this report would show a more sustained trend in the wrong direction and he wants me to reconcile those two and look at that. >> Flannigan: If it was a spike or two, well, climate change is making the storms worse, but that seems more statistically significant as a trend line. >> Yeah. I'll reconcile it for the fourth quarter report. >> Tovo: Thanks, I was going to pull that up so our viewing audience can see it, but I think from this point we can just move forward. Where would an individual find this report on the website if they wanted to

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access it. >> On the website, key performance indicators on the website. >> Tovo: Thank you. And if they go to the Austin energy website and look under key performance indicators, they will see the information to which classify was just referring. >> Yes. >> Tovo: Thanks. No need to flash it. Sorry to put you through so much trouble. [Laughter]. >> Are you ready to move into the decker update? So there's not a slide for the decker update. We're continuing to work with the staff at decker. And basically since the last update we had around three or four more numbers of the team go through the assessment.

We're continuing to provide resume tips and conducting [indiscernible] Tips with the various persons using e-career and we are doing mock practice interviews. I think when we were asked -- staff was asked to give this update is to give the council some surety that we're going to help people transition, and we're continuing to do that.

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Might I offer, there's not going to be a lot of significant changes from month to month, so is it possible to move to a quarterly update? I may have more to report on that basis. >> Tovo: You know, I know that request has made its way to me and it would be my preference to just continue to do a month-to-month basis. I think with the understanding that as you said, there won't be dramatic shifts, but I think it's important for the community to see that we're monitoring it and that it's continuing to -- the employees at that site are continuing to receive the attention of Austin energy in terms of job preparation. >> We'll do that. >> Tovo: Any questions on that? On that issue? We appreciate it. >> Thank you. >> Tovo: Thanks so very much. And I think that takes us to Mr.

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Dombroski. I'm sorry for butchering that. >> That's all right. I have the fourth quarter report that covers April through June of 2019. And we've got the full report here, but I'm just going to cover the executive summary on page 5. And I'm going to talk a little bit about our power supply adjustment and the changes that are securing there. So first is we're compliant with all our financial policies. As we've been reporting for some time, we are below our minimum for the capital reserve, but our total cash balance provides adequate coverage for that. So we have enough cash for our needs. We're also meeting our financial metrics for a aa credit rating. We're starting to see the effects of our acquisition of nacogdoches. Our debt to capitalization was 44%. It's gone to goo. It's slightly higher than

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our target for aa. But we're not that concerned because most of the credit rating agencies thought the decision to require nacogdoches was very prudent. So given the fact that we are reducing some of our operating costs as a result of that, I'm not that concerned about that specific metric. And as I pointed out that this year we received an upgrade from fits rating from a aa minus to a aa. So far this year we have about \$976 million in revenue, which is about 2 percent higher than forecasted. And that's really a result from our power supply adjustment. So on that our revenues always match our expenses and it's costing us more to buy power so those revenues are going up. And it's offset -- hard to imagine saying the statement over last week E, but we've had a milder week than normal, if you ignore the last 10 days. The number of heating degree

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days and cooling degree days are less than we had last year, so we're slightly behind our forecast and that will be discussed with you in a minute on the power supply adjustment. And then on the operating expense side, as I said, we're higher than forecast because of those load zone costs. We buy all our power from ERCOT and it's costing us a little bit more this year than we had forecasted. And that's due to some congestion as well as some planned outages from our units that -- a outages from our units. We are doing very well with our cash position. However, we started to use some of our cash, you will see next quarter, for new headquarters, we put \$40 million in escrow, so that took it out of working capital. And when our revenues are below target we use some of our cash to pay those ongoing bills. But I'm not concerned about our cash position. And finally on our power supply, I would like to go back to that section of the

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presentation and discuss that with you. So this is our power supply here on page 17. You can see we purposely set the power supply rate to undercover for the course year because we are getting back \$20 million this year to our customers. So think of it as a discount discount. Those power supply costs as mentioned earlier are a little higher than we forecasted, so we've already returned that \$21 million to our customers and we're setting the PSA going into next year. But you can see it's pretty dramatic. June, July and August are some of our highest months in consumption. Which then leads to this last slide. Through the course of the year it's cost us

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\$451 million over the last 12 months to buy power to serve our customers. And by operating our owned assets and our contracted assets as well as the retail products like rain choice and value of solar, hedging activities, we reduced that cost to our customers down to 387 million, which represents a 64-million-dollar savings for our customers. So that's good news. >> Tovo: Can we pause there before you move on from that? Would this be an appropriate time to ask questions about the power supply? >> Sure. >> Tovo: I want to be sure I'm understanding what happens. We overcollected last year and returned that amount to the customers. And then undercollected this year because we set it at last year's actual rate? Or how did -- how does that explain why we are undercollecting at present? >> I have another graph that works for you here. So this is a history of our over and under collection.

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We created a power adjustment back in 2012 and we set that rate and you can see -- excuse me, I'm on page 26. Where we slightly overcollected. We changed the power supply rate, continued to undercollect. So we increased the power supply adjustment and through a number of other actions there's a variability in this power supply. We significantly overcollected, over \$60 million, and then we went through a series of reductions in that power supply to return that money back to the customers. So this year we still had a 20-million-dollar overcollection so we discounted the rate to get that money back to the customers. Well, now we're right about even now. We've returned that overcollection to the customers. And so that tells us that we need to increase the power supply adjustment just to remove that discount out of the rate. >> Tovo: I see.

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So we haven't at this point undercollected, we just need to remove that discount because we don't anticipate having an overcollection in the months ahead. >> As of this month we're about \$273,000 under undercollected but as I pointed out this is a very volatile period and it's one of the things I wanted to discuss with you is it's my recommendation we give serious consideration to changing when we set the power supply adjustment. We should be doing it December or January time frame. For example, this time of year in a single day our costs can swing more than \$10 million. So you can imagine trying to set a rate without even knowing what's going to happen in August and September and October. It would be better to wait for that volatility -- I think customers would appreciate the more stable pricing we can provide them as opposed to guessing. And that's really what we're doing. We have no idea what will happen with the weather. And we can run a lot of math models, but as you can see there are times that we get it wrong and we're such a wrong utility that that

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wrong number is big. So we can bring a proposal to you to look at changing when we set that psa. >> Tovo: And when is that proposal coming forward? >> We'll probably do that this wintertime. So probably after we finish up with the budget and we come back. I briefed the electric utility commission on this Monday night as well. So we'll work through them and then once we have something that they can recommend we'll bring it to the council for consideration. >> Tovo: Thank you. >> So overall we're probably looking at six to nine percent increase -- >> Tovo: Sorry, we have one more question. Councilmember Ellis. >> Ellis: I would to ask a quick question about the opportunity to change rates at a different time of year. It seems like winter you might have more heating bills. Would you want to adjust it at a time that's fall or spring where people are not generally needing to use their heating and cooling just as a matter of how family budgets operate. Do you see any benefit to -- why would you suggest that

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particular point in time? >> We're in what's called a summer peaking utility, which means people use a lot of electric energy for cooling here in Texas, like today. So most utilities that are summer peakers adjust their fuel costs in the wintertime when the bills are lower. So it has a less impactful shock to the customer. If you're a winter utility and a winter Peaker you change it during the summertime. So we always have the customers in mind when we're looking at these changes. >> Ellis: So hopefully offsetting each other between the heating and the cooling. >> We don't want to give rate shock to our customers. >> Ellis: I agree. Thanks. >> So we're probably looking at a six to nine percent adjustment to the power supply with up to 75 percent of that being just solely attributable to that \$21 million being returned to the customer. We'll have a better idea. We've worked on it this morning. You have a hearing set on

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August 29th to set that power supply so we'll give you a head's up as soon as we can on what we think that power supply is going to be. So with that I'm open to any questions. >> Tovo: Councilmember alter? >> Alter: So we're not going through the other slides then? >> I think we intended to cycle back through the rest of your proclamation. >> Did you want to? >> Tovo: Yes, I assume so. >> Alter: That's all right. I had a question on the rating so I'll wait until we do that then. >> Tovo: Any other questions on the power supply? Okay. So sorry to drill down there, but if you want to go back to kind of a quick overview of the other elements, that would be great. >> I won't try to impress you with my knowledge. >> We always compare ourselves to budget.

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Here we talk about the build base revenue and that's driven by weather pattern. As I said we've been slightly below normal this year so we have a little less revenue we've collected. But our power supply costs are higher than we forecasted and that's because of the higher load zone prices so we spent more to buy from ERCOT as we forecast. Everything else is pretty much the same. And community benefits, it pretty much mirrors the build base revenue for the same reason, the community benefit is slightly below target. Same thing here, you can see that our power supply costs are higher than we had forecast for expenses. As well as power production that's due to some unscheduled maintenance. Everything else is pretty much tracking along the line of what we expected. On page 14 you can kind of see the impacts here. With the operating expense we're about \$30 million off

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of budget with a majority of that being the power supply. We make up some of that because our interest revenue is higher because of higher cash balances. However, debt service is off of our budget and that's really the result of nacogdoches. So we're starting to accrue to make a debt payment for nacogdoches this year. And we use what's called a 13 year bond, which matched the ppa and we levelized that payment so it's about 42 and a half million dollars. Every year we'll pay debt service and pay that plant off at the same time that the ppa would otherwise have ex-expired. So you will see a high debt service for us for the next 13 years, but it replaces that escalating capacity payment. Other than that we are pretty much right on track with our budget and I don't have too many concerns about coming in on target at the end of the year. >> Here is the energy retail

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sales. You can see each month how we slightly tend to be below budget for most months. I would imagine July and August we might exceed that if this weather keeps up. And our revenues pretty much match that since we have a fixed rate times that volume. I've already discussed the power supply on page 13 there and you can see it's significantly higher than we forecasted. And our capital improvement plan we're doing pretty well here. We should come in at the end of the year pretty close to budget. District cooling when which you're going to see in the next fourth quarter is Austin community college we're putting in the chiller at the old highland mall. I need to stop calling it that. It's a campus now. So you will see that coming to the budget. On the general, which really is -- which is the large majority of that was from warehouses and for our new

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headquarters building so we just put a 40-million-dollar escrow payment down. We are -- we've made an offer on a warehouse. We're trying to get out of the Ryan drive property and we need a place to land before we leave there and hopefully we'll have that solved soon, I'm hoping. It's a tough real estate market in Austin, but we're getting great, great support. So hopefully we can make that happen. Otherwise we're pretty much on target for the capital improvement plan. I've already discussed power supply there. Here is our balance sheet, and as I said, we're in a very good position in terms of our cash. On July 31st I believe that's Tuesday, we went to the bond market and we refunded this commercial paper. So we issued a revenue bond, we took that money and we paid off the commercial paper so we leafed that balance. So that should go back down

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to close to zero the next time you see this report. I'm glad to announce that we got excellent financing. We timed the market pretty well. We got well below three percent on some of that revenue bond so

that's very good. We did a great job there. And I'd like to thank Linda weaver, our treasurer, she did a fantastic job with this and the investment banks. And these our gap financials. These are accrual, but you can notice that our customers continue to climb, customer count, which strains some of our crews to meet that growth. As a result in our budget you will see 10 new employees being requested to try to keep up with that customer growth and planning and the permitting side of that. But overall we're doing very well. And you can see that debt to equity ratio I mentioned earlier that has increased from last year.

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And that's my story. >> Tovo: Good. Councilmember alter. >> Alter: Thank you. I wanted to ask a question on slide 9, please. So my first question is we have a aa rating for our credit. What do other utilities, municipal or not, in the state have in terms of their rating? How do we stack up? >> There are no triple a public utilities. On the investor owned side it's really a different scale. You really can't compare the two. But for public utilities there are no triple a in the country. There are a handful of aa plus. And it's not a single metric. It's a combination of metrics. What has -- what we've overcome over the last two or three years certainly was building back our cash

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balances that helped, but there was real data about whether we could sell off a resource plan with the amount of renewables and still maintain our financial integrity. And Fitch finally conceded that we can and that's why we received the upgrade this year. The cost to get from a a to a aa plus is probably not worth it, but I think staying squarely in the aa gives us some of the best rates. For example, the difference in a 30 year revenue bond is about probably less than 10 basis points, maybe five basis points. So we think aa is a sweet spot we need to be for public utilities. >> Alter: Are there any Texas cities that have municipal cities that have better ratings? >> CPS energy is aa plus. There may be one or two other small municipal utilities. I don't know off the top of my head. It's a handful. >> Alter: Thank you. And then can you explain what's going on with the operating margins being in

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the deficient area? >> Certainty. We set base rates every five-year. We're in year four of five-year rates. Things like increased cost due to inflation and we collect most of our fixed costs through a variable rate so when you have a year like this when we're not generating as much revenue as we forecasted, we don't have that revenue coming in. So we are below that 10% minimum of what we set. We'll certainly look at that when we come up the next rate review that we have. It used to be utilities could go 10, 15, I think Austin energy went 18 years without doing a base rate case. And that's because usually customer

growth was allowed, that covered your inflation. You might have two or three percent inflation each year, but you had enough customer growth that you always kept up with that. We're seeing just the opposite. It's a good news story in that our customers are using less energy per customer. The bad news is because they're not using energy

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we're not getting the revenue in a variable rate. So I think we're at about 860-kilowatt hours. Couple of years ago we were close to 1100, eight years ago. So it's significantly improved. But this is kind of what I expect after you've gone four, five years from a rate revenue is just the pressure from that. >> Renteria: Yes. Can you explain to me, I've been getting a lot of reports here lately about some of these new apartment complexes, especially for affordable housing complex, we're having a shortfall on having the occupancy rate -- I mean, the inspection so that people can install their meters. Are you having a personnel problem or are we looking at something that we need to catch up on? You know, I've been getting some calls to my office.

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I don't know about the other colleagues, but -- >> Yeah. It's not my area. I can tell you that we have phenomenal customer growth like two and a half percent. So it's a challenge for us to keep up with that and I know we're adding some resources. Working lots of overtime. But like I said, we've added 10 people in this year's budget to address that specific issue. >> Renteria: And we did relax the rules on some of those where you don't need a master electrician to do some of these inspections? >> Yes, I believe we changed the building code a year or two on that. >> Renteria: Okay. >> We're also going to be faced with some pressure on the state law change on permitting, the shop clocking and getting to that. We're working on a plan on that that could impact that, but we'll -- we'll stay on top of it. >> Renteria: I would hope and that you would keep us informed to see what we can do to help you out >> Please keep us informed so we can help you out to meet the demand that's happening.

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I'm pretty sure there's going to be a lot more demand coming up because of the growth, especially the density we're going to be approving here. We want to make sure that you have enough staff that can handle all that especially the inspection part. >> We'll keep you informed on that. >> Renteria: Thank you. >> Tovo: Councilmember alter, did you have additional questions? >> Alter: No. >> Tovo: Any other questions? All right. We appreciate it. Thank you. And I think that brings us to our last item. Are there any -- oh, no. Part of the power plant. >> Good afternoon, pat Sweeney, vice president, power products there's no slides for this update. It'll be very brief. As you know, we've been working to accomplish our

goal of retiring our share of the fayette power plant by the end of 2022. That effort continues. We've been working closely and have dialogue and continue to

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have dialogue. The main update today is to let you know in the coming weeks, I believe specifically we now have it scheduled for the August 22nd council date that we'll be bringing forward an item for legal support to testimony us move forward with that, and that represents the complexity and size of this undertaking that we're on. I believe we're making good, again, positive progress working with el sheray and want to achieve our goal so very brief update in that regard. >> Tovo: That you very much, Mr. Sweeney. Okay. Any items to suggest for our next meeting? All right. Send them our way or staff's way if you have any. Otherwise, we stand adjourned at 2:31. Thanks very much.