

# Austin Energy Governance

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# Austin Energy today – What is it that should change here?



- ▶ Award winning utility, nationally recognized
- ▶ Strong financially, high bond ratings
- ▶ Rates in the lower half among Texas' utilities
- ▶ Customer satisfaction high
- ▶ No rate hike in 18 years
- ▶ Green utility – efficiency and solar rebates, greenbuilding programs, low-income programs
- ▶ Just completed a rate hike; Council members helped improve it through public input
- ▶ Rate case settled and likely to be approved by the PUC
- ▶ Threat from the legislature has abated

# Change in Governance Proposed

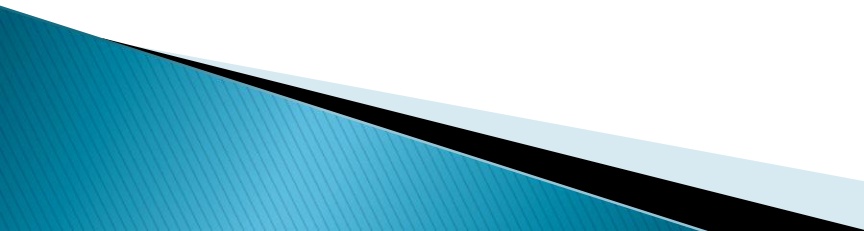
Mayor and Council have asked City Manager Marc Ott to prepare an ordinance that would change in Austin Energy governance from this:

EUC/ Public  City Council  Austin Energy

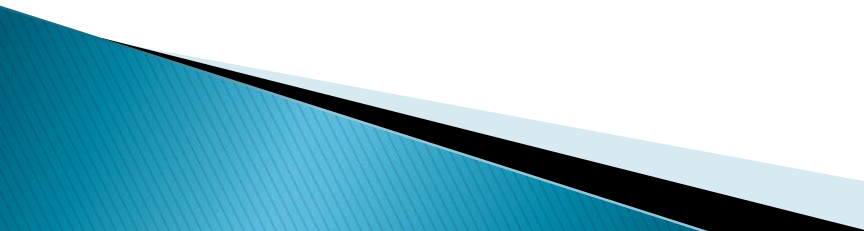
To this – a model like San Antonio’s CPS Energy:

Public Citizen Advisory Board  Un-elected Board  CPS Energy

# The Proposed Un-Elected Board

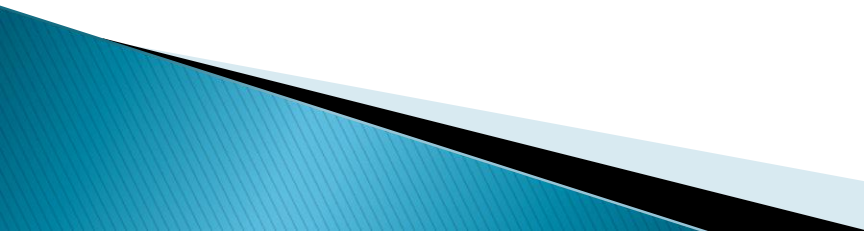
- ▶ Would have 7 members
  - ▶ Council would vote on appointees nominated by a headhunting firm.
  - ▶ Would be appointed by the current city council – not the coming 10–1 council
  - ▶ Would meet monthly (a good idea that could be adopted without a change in governance)
  - ▶ Would vote on expenditures up to \$100 million
  - ▶ Appointees could be removed – with a 2/3 vote
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# Accountability is Crucial

- ▶ Direct accountability of our public owned utility is crucial
  - ▶ Need to ensure that purchases & investments are in clean, green energy
  - ▶ Need to keep award winning programs
    - Solar and other renewable programs
    - Efficiency and greenbuilding programs
    - Additional low-income programs
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# Accountability Through Council Works


Citizens wanted and got energy efficiency programs:

- Helped Austin to keep rates low
  - We didn't have to invest in a billion dollar coal plant – like San Antonio did
  - Didn't have a rate hike for 18 years
  - Can elect those at the helm, and take them out as needed – through elections or recall
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# “Independent” Board problems in San Antonio

- ▶ San Antonio’s CPS Energy Board comprised of appointed professionals, business leaders
- ▶ But, the CPS Energy Board ignored directives from the San Antonio City Council and the desires of citizens – and no one could stop them
  - Council told the utility NOT to invest in a project to build two nuclear reactors
  - Allocated \$96 million for energy efficiency
  - The utility plunged into spending millions on nuclear expansion anyway, and only \$3 million got spent on efficiency in the following year
  - Line-item Budget information was withheld

# Problems Escalated

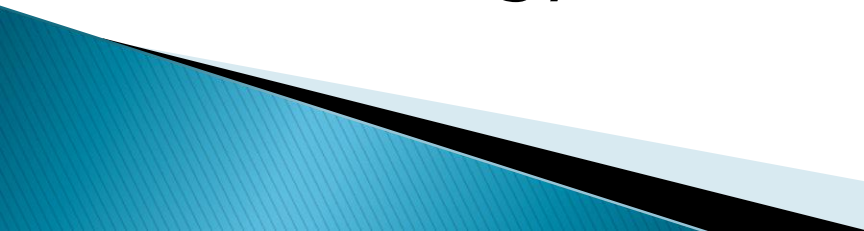
- ▶ SEED Coalition study showed that reactor cost estimates were unrealistically low, but the CPS Board ignored solid data
  - ▶ Opposition grew and nuclear project costs skyrocketed
  - ▶ Citizens testified in endless meetings / hearings – and protested in the streets
  - ▶ CPS Board unresponsive to citizens
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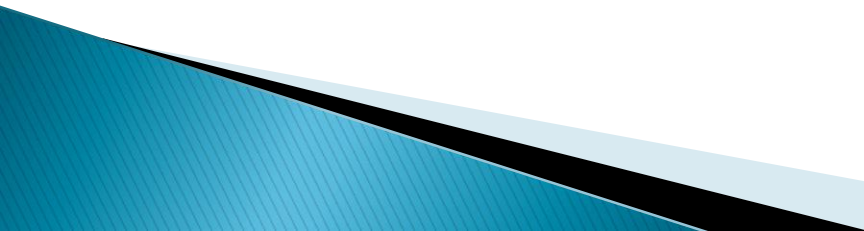
# Disastrous Result

- ▶ A skyrocketing cost increase of \$4.2 BILLION was hidden from the Board, City Council and the public – for months. Huge outcry.
- ▶ Mayor called press conference – halted the rate hike that was only days away
- ▶ Investigation – very minimal
- ▶ CPS went to court, battling partner NRG Energy – seeking to get out of reactor project
- ▶ Reduced 50% share in proposed reactors to 7%
- ▶ Cost: Had to write off losses of \$400 million
- ▶ NRG Energy also wrote off losses of \$400 million

# Austin's Path

- ▶ Austin Energy owns 16% of the two existing South Texas Project reactors, with CPS Energy and NRG Energy
  - ▶ So, Austin was asked to be part of the project to build two more reactors
  - ▶ Austin City Council voted wisely (twice) to stay out of the project – and we didn't have the millions of dollars in losses like those of CPS Energy and NRG Energy
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# Who's Been Asked About This?

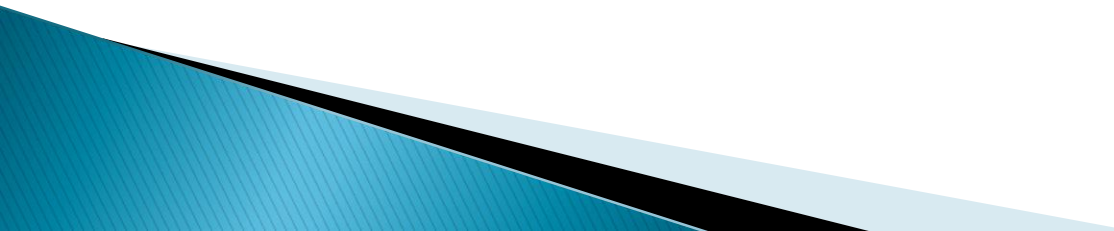
- ▶ A report for City Council by Bob Kahn examined governance structures of some other utilities.
  - ▶ Former utility managers were interviewed – and generally favored an independent board, One mentioned that it would have been easier to buy more nuclear power if there had been such a board.
  - ▶ No one interviewed City Council members in San Antonio or citizens who struggled with the board
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# Legislature

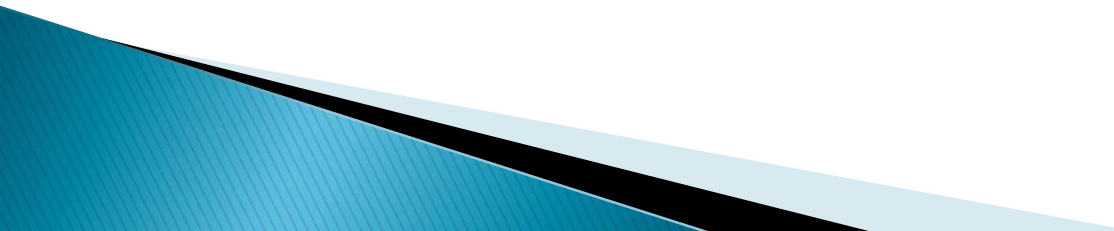
- ▶ Sen. Kirk Watson's SB 410
  - Allows City Council to create an appointed board without a Charter Amendment Vote
  - So, allows a \$1.3 billion/ year asset – a city owned utility to be transferred by City Council with NO VOTE by those who own the utility
  - Passed out of Senate Business & Commerce Committee, recommended for Local and Uncontested calendar, despite having opposition
- ▶ Rep. Eddie Rodriguez has HB 1024 – an identical bill
  - Referred to State Affairs Committee

# Who's Supporting the Governance Change Bill?

SB 410 was supported by:

- ▶ Coalition for Clean Affordable and Reliable Energy (CCARE) – represented by Trey Salinas
  - ▶ Data Foundry – Andrew McFarlane
  - ▶ Samsung – Eric Woomer
  - ▶ BOMA, CCARE – John Sutton
  - ▶ Gareth Ellzey, Lee Spillur
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# We can keep Austin Energy Accountable – and in our hands

- We own the public utility – it's ours.
  - We have a strong interest in keeping accountability and not risking programs that matter
  - **We have a right to vote** on whether we want a change in how it's governed
  - We can best keep accountability by keeping our existing system, and not adding a layer of bureaucracy, with un-elected appointees
  - Could allow one representative to serve along with City Council or a Council Committee – from utility service area outside the City Limits
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# Keep the Power in Our Hands

- ▶ Citizens have already come together to express concerns – representing many organizations
- ▶ Press conference was held Feb. 13<sup>th</sup>, before City Council took up the issue late on Valentines' Day
- ▶ [www.CleanEnergyforAustin.org](http://www.CleanEnergyforAustin.org)



# City Council

## Thursday – March 21<sup>st</sup> – tomorrow

Ordinance expected back from Marc Ott, but will now be ready in April.  
Council has promised a public hearing when the ordinance is ready.

Citizens' Communication at noon (3/21) – 6 speakers on this topic

Statesman Editorial – March 5<sup>th</sup> – pointed out that no study has been done of potential impacts of a change in Austin Energy Governance

Council Members Kathie Tovo / Laura Morrison – resolution (Item #41)

Resolution directing the City Manager to prepare a comparative report evaluating the performance of both Texas and national public utilities that are governed in whole or in part by an independent board, both individually and with respect to Austin Energy's performance and policy goals.

Executive Committee of Solar Austin voted to support this resolution.



# What Can You Do?

- ▶ Speak at City Council, sign in with support and/or donate your time
  - ▶ March 21<sup>st</sup> – ITEM #41 – the Tovo resolution
  - ▶ Tell City Council what you think about the need to hold Austin Energy accountable through people we elect, not appointees.
  - ▶ Contact Sen. Watson and Rep. Eddie Rodriguez about their bills that deny a Charter Amendment vote
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