

Austin Energy Governance

March 20, 2013



Timeline

- June 7, 2012: City Manager directed to study governance models
- August 27, 2012: Report delivered to Council, aka “Kahn Report”
- February 14, 2013: Council passes resolution directing City Manager to draft Ordinance to create and define duties of an independent board of trustees for Austin Energy
- March 21, 2013: Draft Ordinance due to Council

Kahn Report

- On **June 7, 2012**, the City Council passed Resolution No. 20120607-038 directing the City Manager “to study and compile a list of the various governance models of public power utilities that serve customers located outside of the regulating municipality”. Report delivered by Bob Kahn, LLC on **August 27, 2012**
- Report includes:
 - Descriptions of governance structures of public power utilities throughout Texas and some outside of Texas
 - Interviews with past Austin Energy general managers and executives
 - Discussion of pros, cons, and considerations of various governance structures

AE Independent Board Ordinance

- On **February 14, 2013**, City Council passed (7-0) Resolution No. 20130214-046:

“The City Manager is directed to craft an ordinance that would create and define the powers and duties of an independent board of trustees, to be called the Electric Utility Board, to oversee Austin Energy”

Independent Board Characteristics

- **Membership.** The board shall consist of seven members, one of whom shall be the Mayor.
- **Terms.** Each member shall serve four-year terms. Terms shall be staggered to ease turnover effects.
- **Selection.** Board members shall be nominated by a subcommittee of the City Council after a professional search process and confirmed by the Council, including at least one board member designated as a customer residing outside of the Austin City limits.

Independent Board Characteristics

- **Meetings.** The board shall meet at least once monthly and shall establish committees to meet between regular meetings on specific areas.
- **Public Participation.** All meetings of the board and committees shall be subject to the Texas Open Meetings Act, shall require a quorum, and shall allow for public comment under reasonable guidelines that encourage public involvement.
- **Removal.** A member shall only be removed before the end of a term by a two-thirds super-majority vote of Council.

Ordinance Requirements

- **Powers and Duties.** The powers and duties of the board shall be drafted to delegate to the board governance and oversight power over Austin Energy...
- ...provided that the **Council** shall retain discretionary final authority to approve the board's recommendations regarding:
 - Electric rates and charges
 - generation plan
 - major capital projects and transactions in excess of \$100mm
 - debt issuance
 - eminent domain proceedings
 - sale of real property

Ordinance Requirements

- **Transfer Policy.** The City's current general fund transfer policy shall be maintained.
- **Plans.** The board shall present five-year capital and strategic plans for Council approval and for public comment, including a review and update of the generation plan, every two years.

Ordinance Requirements

- **Capacity Purchases.** The ordinance shall establish a public process for the evaluation and vetting of proposed generation capacity purchases greater than 10MW and more than 5-years in duration, and require a competitive procurement process for such purchases.
- **Advisory Panel.** The ordinance shall create and define the duties of an advisory panel in place of the Electric Utility Commission to advise the board on all matters concerning Austin Energy. Each City Council member shall appoint one member to the advisory panel.

Ordinance Status

- Due to Council on Thursday, March 21
- May not be delivered on time
- Public hearing status uncertain

Tovo/Morrison Resolution

- Item #41 on Thursday, March 21 City Council agenda:

“Approve a 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.”

Performance indicators examined:

- Financial integrity
- Rates
- Staff
- Operational efficiency and effectiveness
- Transparency and accountability
- Sustainability and stewardship
- Innovation and Leadership
- Consumer Satisfaction
- Community Service

Executive Committee of Solar Austin voted to endorse the Tovo/Morrison resolution