



Financial Policies FY2022 Updates COMMENTS

COMMENT NUMBER: 1

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COMMENT:

Looking through the slides (slides 20, 23, & 26) AW has improved its financial metrics and performance over time and I'll just observe that it's all with the existing financial policies in place there's nothing in the existing financial policies that has held AW back from making these improvements to its financial condition and so here again I renew my question as to what's really driving the need to change the policies if you know there's not a deficiency that the existing policies have. I will also just comment on briefly on the idea of kind of benchmarking AW's policies as compared to AE or the City of Austin Airport or the Convention Center (slides 21, 24, & 27) that might be anecdotally interesting, but I would view those things that are not support at all for changes to AW's policies. Those businesses operate in a very different environment with very different financial risks. AE owns and operates general electric generation and the wholesale market, so they own this generation as a hedge against price volatility for their customers but if they have an unplanned outage at one of their plants they are exposed to wholesale market prices that in a single event could represent a hundred million dollars or more in exposure. Further, although AE does have a power supply adjustment rider to recover costs of fuel and purchase power that rider is not designed to address immediate short-term needs for cash stemming from outages or other market events because it doesn't yield any cash to AE for approximately 90 days. They have to change the rate and then bill the customer and wait for payment. As compared to payments to ERCOT are generally due within 2 business days after settlement. So, there's just no similar or analogous risk profile to AW that looks anything like the magnitude of the impact of what the environment that AE is operating in. I just categorically reject the idea that AE or any other city department's policies have any bearing on AW's.



AW's RESPONSE TO COMMENT:

Austin Energy (AE) was chosen because it is a sister utility, and although it's an electric utility subject to certain market risks that Austin Water (AW) does not face, from a revenue perspective AE and AW are both subject weather-related revenue volatility. As such, it is appropriate to consider AE's financial policy levels when considering changes to AW's policies. Nonetheless, AW wants to ensure that there is not a repeat of the financial difficulties faced during 2010 to 2015, when it became clear that Austin Water's current financial policies were too low to provide the strategic guidance needed to maintain minimum levels of financial performance to ensure compliance with bond covenants and to maintain Austin Water's AA credit rating.