

Notice of Meeting of the Governing Body of the City of Georgetown, Texas March 2, 2021

The Georgetown City Council will meet on March 2, 2021 at 5:00 PM at 510 W. 9th Street
Georgetown, Texas 78626 and Virtually

The City of Georgetown is committed to compliance with the Americans with Disabilities Act (ADA). If you require assistance in participating at a public meeting due to a disability, as defined under the ADA, reasonable assistance, adaptations, or accommodations will be provided upon request. Please contact the City Secretary's Office, at least three (3) days prior to the scheduled meeting date, at (512) 930-3652 or City Hall at 808 Martin Luther King Jr. Street, Georgetown, TX 78626 for additional information; TTY users route through Relay Texas at 711.

**Join from a PC, Mac, iPad, iPhone or Android device:
Please click this URL to join.**

**[https://georgetowntx.zoom.us/j/96524199768?](https://georgetowntx.zoom.us/j/96524199768?pwd=Mk4rZmRvbkl1YjF0UHJEYUpsNXBDQT09)
[pwd=Mk4rZmRvbkl1YjF0UHJEYUpsNXBDQT09](https://georgetowntx.zoom.us/j/96524199768?pwd=Mk4rZmRvbkl1YjF0UHJEYUpsNXBDQT09)
Passcode: 360197**

Or join by phone:

Dial: +1-346-248-7799, +1-253-215-8782, 833-548-0276 (Toll Free); 833-548-0282 (Toll Free); 877-853-5257 (Toll Free); or 888-475-4499 (Toll Free) Webinar ID: 965 2419 9768 Passcode: 360197

Description: A Special Meeting of the Georgetown City Council related to the impact of the energy market outages from the February 2021 winter storm. The meeting will be called to order at 5:00 p.m. but public may log in earlier. The Council will be convening to executive session at the beginning of this meeting and will return to the regular session afterwards. Citizen comments are accepted in the following formats:

Submit the following form by 12:00 p.m. on the date of the meeting and the City Secretary will read your comments into the recording during the item that is being discussed –

<https://records.georgetown.org/Forms/AddressCouncil>

You may log onto the meeting, at the link above, and “raise your hand” during the item. If you are unsure if your device has a microphone please use your home or mobile phone to dial the toll free number.

- **To Join a Zoom Meeting, click on the link and join as an attendee. You will be asked to enter your name and email address – this is so we can identify you when you are called upon.**
- **At the bottom of the webpage of the Zoom Meeting, there is an option to Raise your Hand. To speak on an item, simply click on that Raise Your Hand option once the item you wish to speak on has opened.**
- **When you are called upon by the Mayor, your device will be remotely un-muted by the Administrator and you may speak for three minutes. Please state your name clearly upon being allowed to speak. When your time is over, your device will be muted again.**

City Council Chambers will be open to the public and a member of the public may make a comment on an agenda item in the Chambers. Social Distancing will be strictly enforced. Audience capacity is limited to 41 attendees. Face masks are required and will be provided onsite. Use of profanity, threatening language, slanderous remarks or threats of harm are not allowed and will result in you being immediately removed from the meeting.

If you have questions or need assistance, please contact the City Secretary’s office at cs@georgetown.org or at 512-930-3651.

Regular Session

(This Regular Session may, at any time, be recessed to convene an Executive Session for any purpose authorized by the Open Meetings Act, Texas Government Code 551.)

- A Overview of the impacts of the energy market outages from the February 2021 winter storm and options for the resulting financial obligations –Daniel Bethapudi, General Manager of Electric and Leigh Wallace, Finance Director

Executive Session

In compliance with the Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated, the items listed below will be discussed in closed session and are subject to action in the regular session.

- B **Sec. 551.071: Consultation with Attorney**
Advice from attorney about pending or contemplated litigation and other matters on which the attorney has a duty to advise the City Council, including agenda items
- Litigation Update
 - Purchase Power Agreements
- Sec. 551.086: Certain Public Power Utilities: Competitive Matters**
- Competitive Matters – Purchase Power Update

Adjournment

Certificate of Posting

I, Robyn Densmore, City Secretary for the City of Georgetown, Texas, do hereby certify that this Notice of Meeting was posted at City Hall, 808 Martin Luther King Jr. Street, Georgetown, TX 78626, a place readily accessible to the general public as required by law, on the _____ day of _____, 2021, at _____, and remained so posted for at least 72 continuous hours preceding the scheduled time of said meeting.

Robyn Densmore, City Secretary

City of Georgetown, Texas
City Council Special Meeting
March 2, 2021

SUBJECT:

Overview of the impacts of the energy market outages from the February 2021 winter storm and options for the resulting financial obligations –Daniel Bethapudi, General Manager of Electric and Leigh Wallace, Finance Director

ITEM SUMMARY:

FINANCIAL IMPACT:

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SUBMITTED BY:

Karen Frost, Assistant City Secretary

ATTACHMENTS:

Electric Workshop Presentation

Council Special Meeting - Energy Cost Financing

Review of Extreme Winter Weather Event (2/14/21-2/20/21)

Daniel Bethapudi, General
Manager of Electric
3/02/2021



City of Georgetown

Review of Extreme Winter Weather Event

- **Review of February 2021 Extreme Cold Weather Event – ERCOT**
- **Review of Extreme Winter Weather Events:**
 - City of Georgetown's Energy Portfolio
 - Review of Financial Impacts of the Winter Weather Event



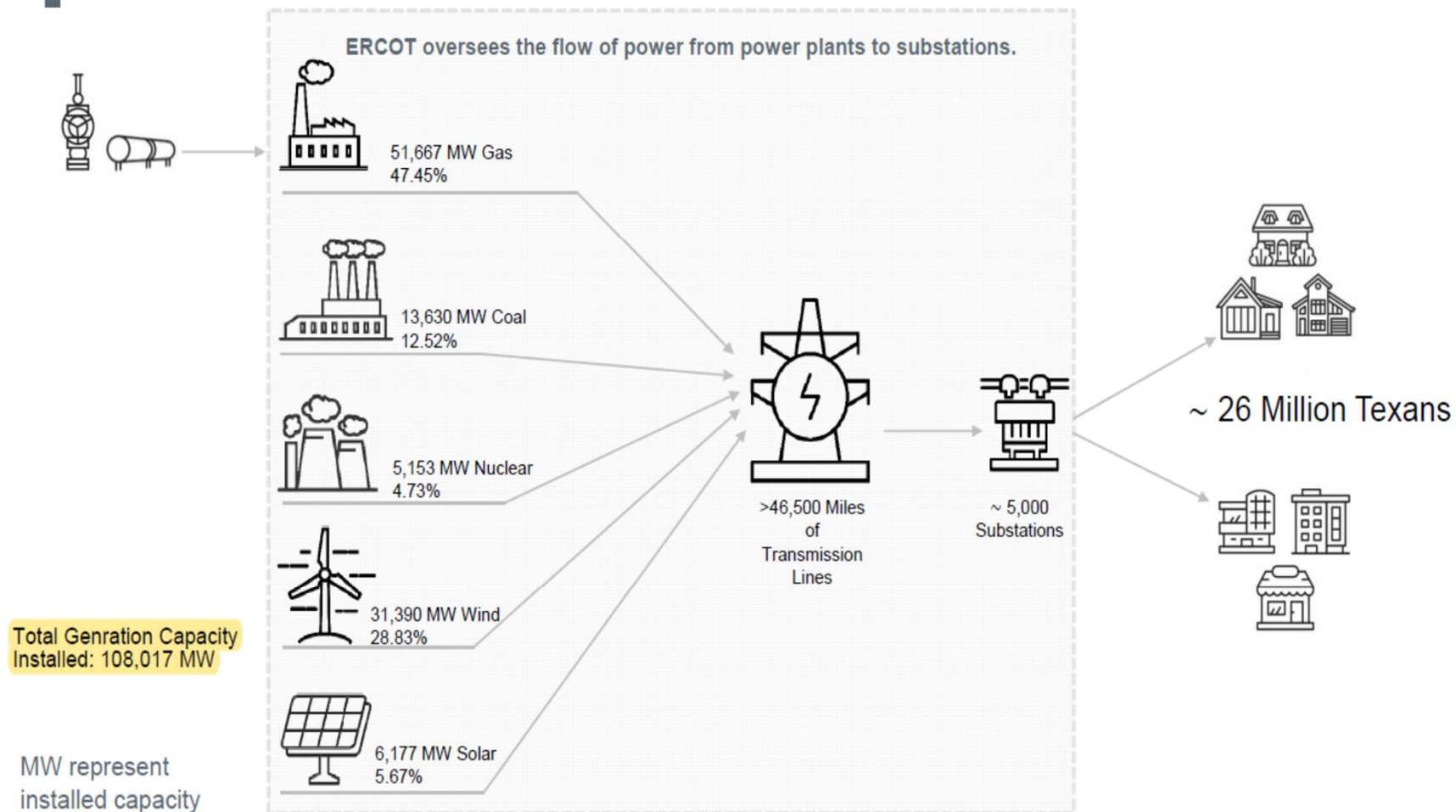
Review of February 2021 Extreme Cold Weather Event – ERCOT Presentation

Information shared in the following slides was presented by Bill Magness
(President & Chief Executive Officer, ERCOT) during the ERCOT's Urgent Board of
Directors Meeting on February 24, 2021.



City of Georgetown

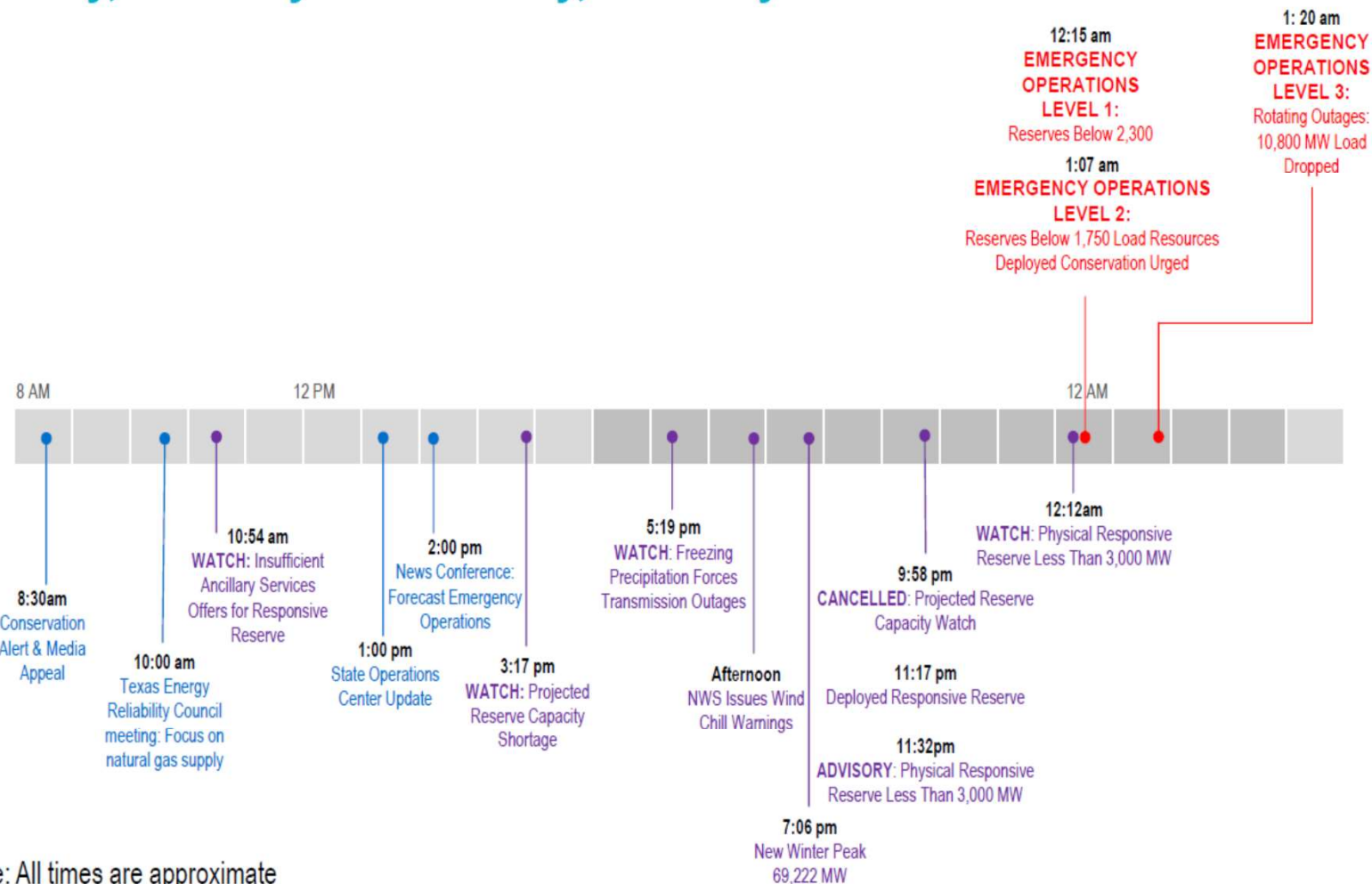
Electric Generation, Transmission & Distribution Overview



Overview of Cold Weather Event

- Record-setting, sub-freezing temperatures and wind chills across the state.
- Approximately 48.6% of generation was forced out at the highest point due to the impacts of various extreme weather conditions.
- Controlled outages were implemented to prevent statewide blackout.
 - Electric demand had to be limited to available generation supply.
- Local utilities were limited in their ability to rotate outages due to the magnitude of generation unavailability and the number of circuits with critical load.

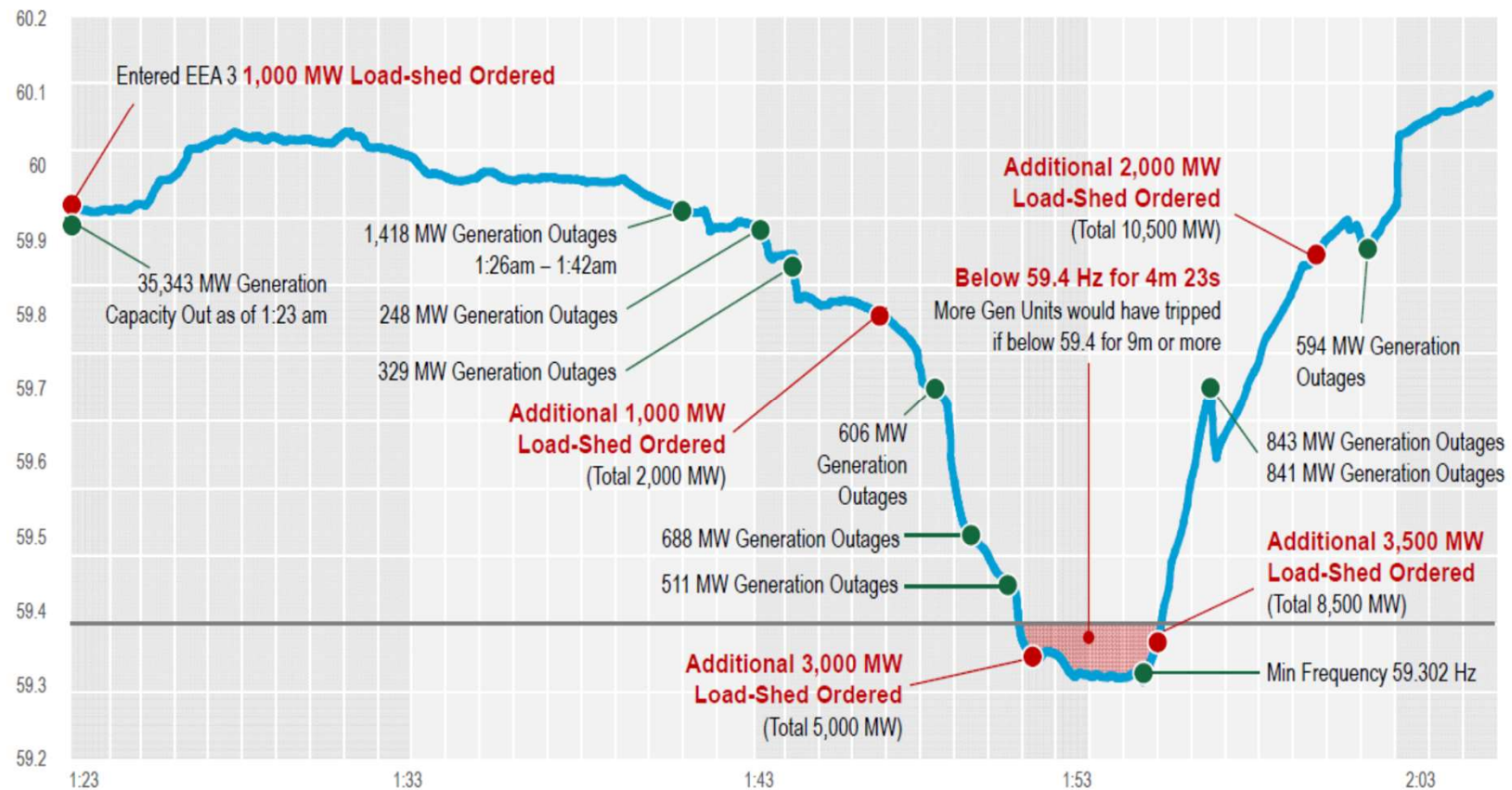
Sunday, February 14 – Monday, February 15



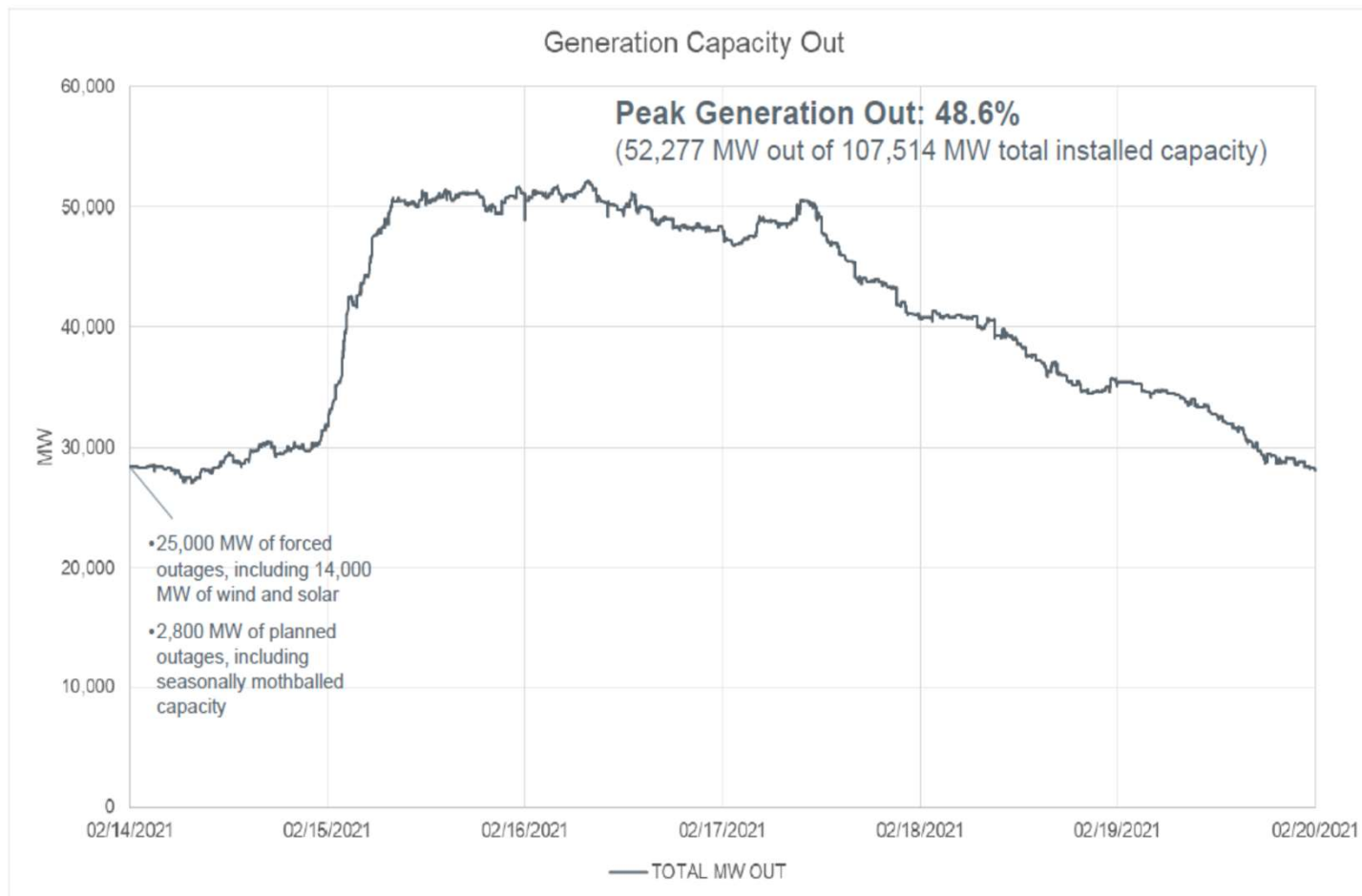
Note: All times are approximate



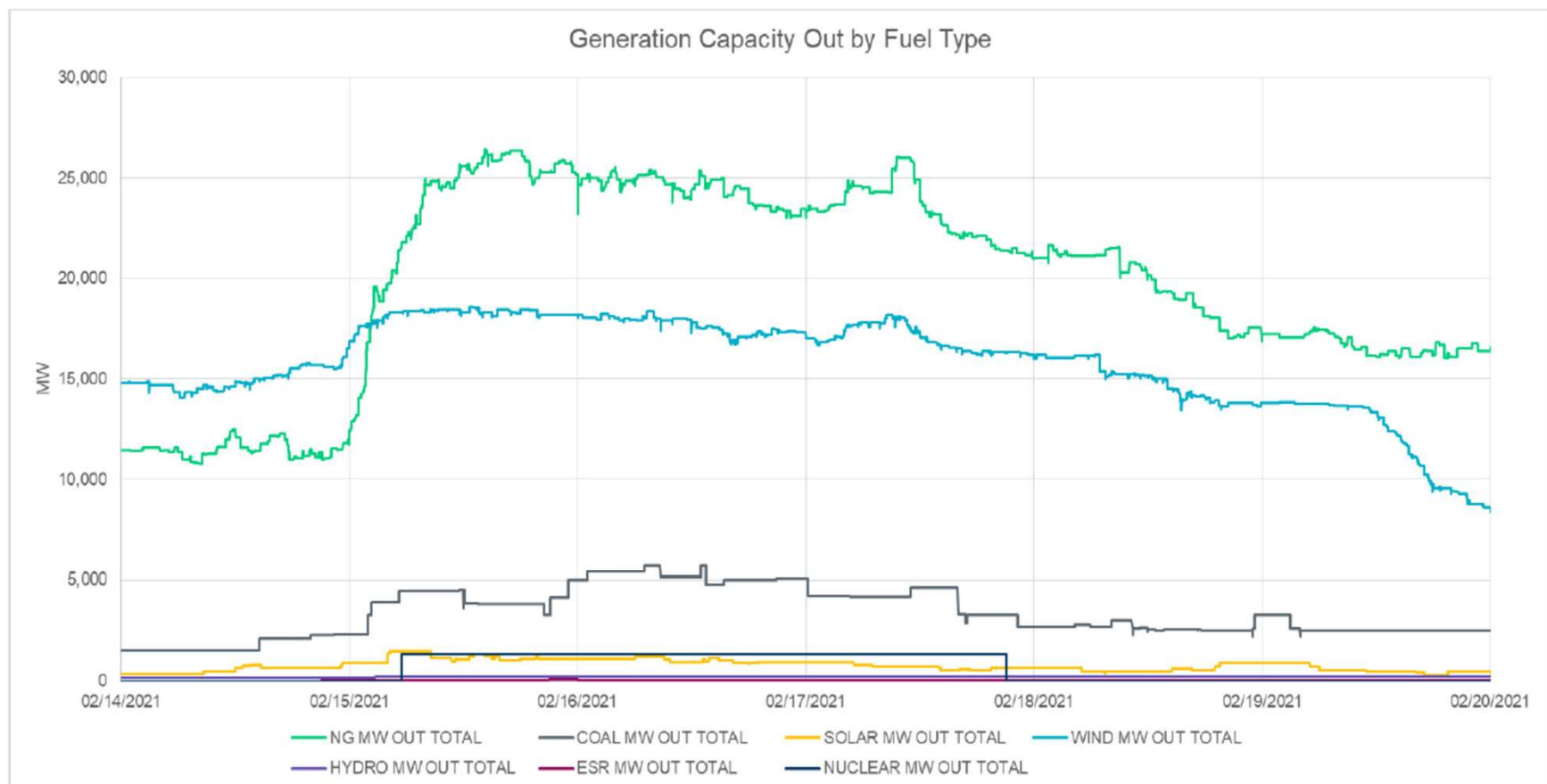
Rapid Decrease in Generation Causes Frequency Drop



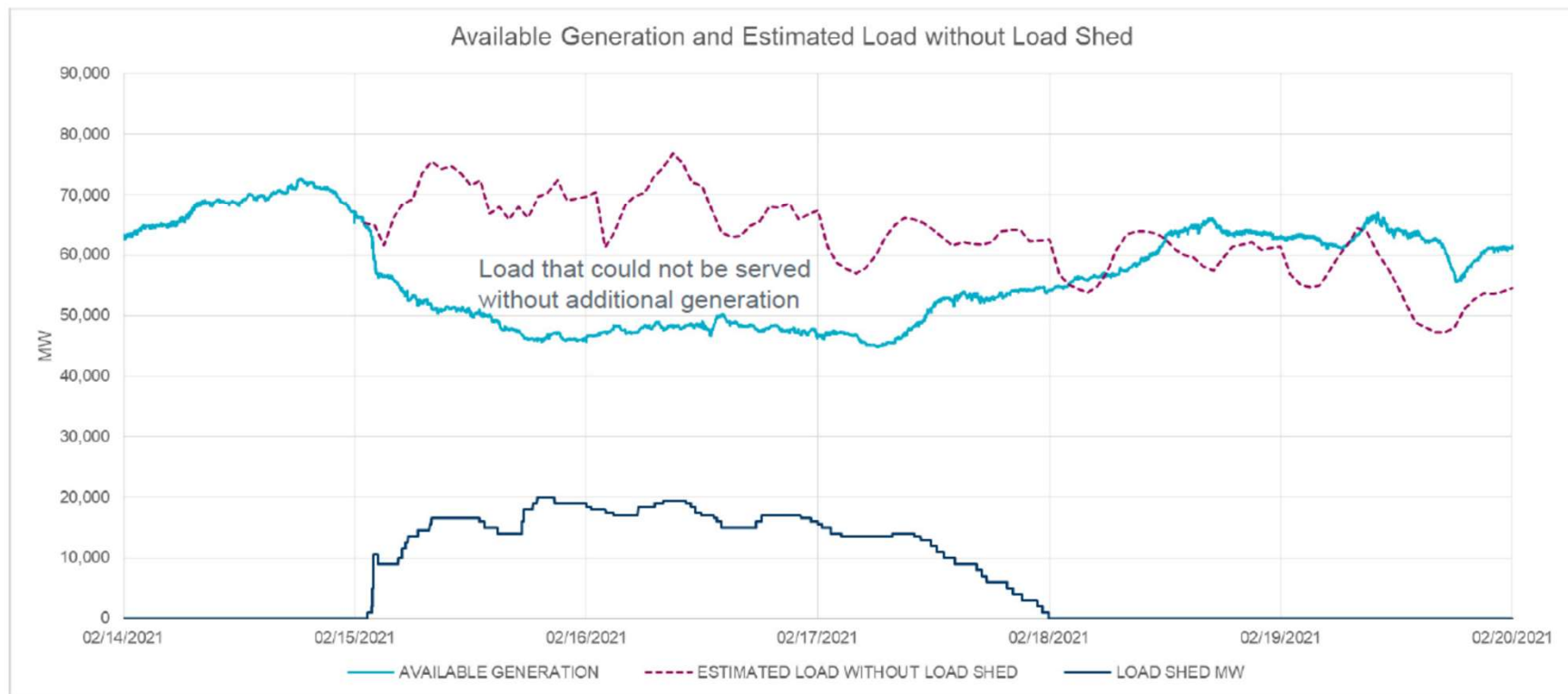
Generation Capacity Out February 14 – 19, 2021



Generation Capacity Out by Fuel Type



Available Generation and Estimated Load Without Load Shed



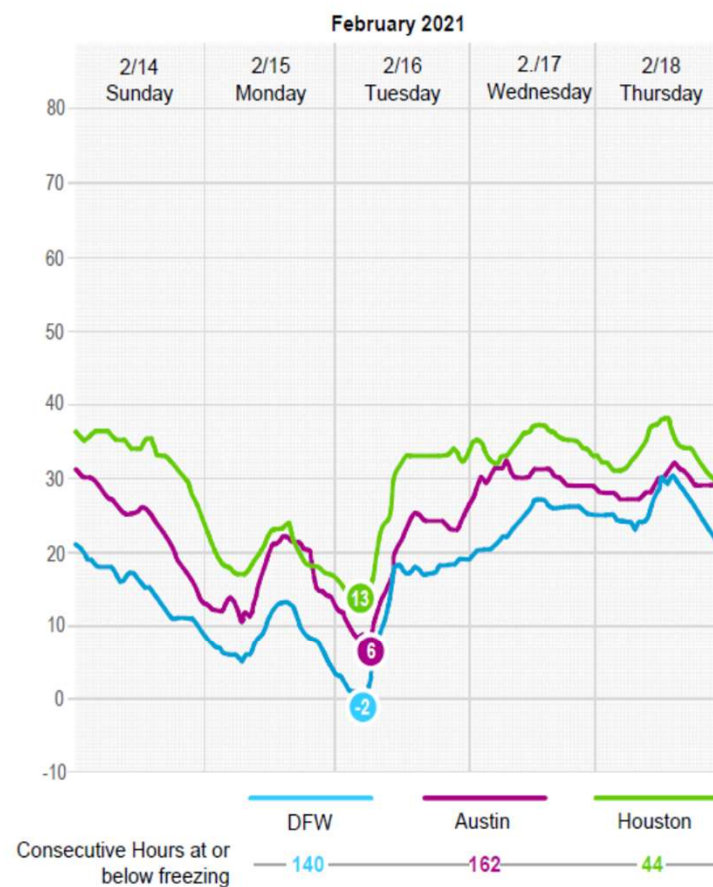
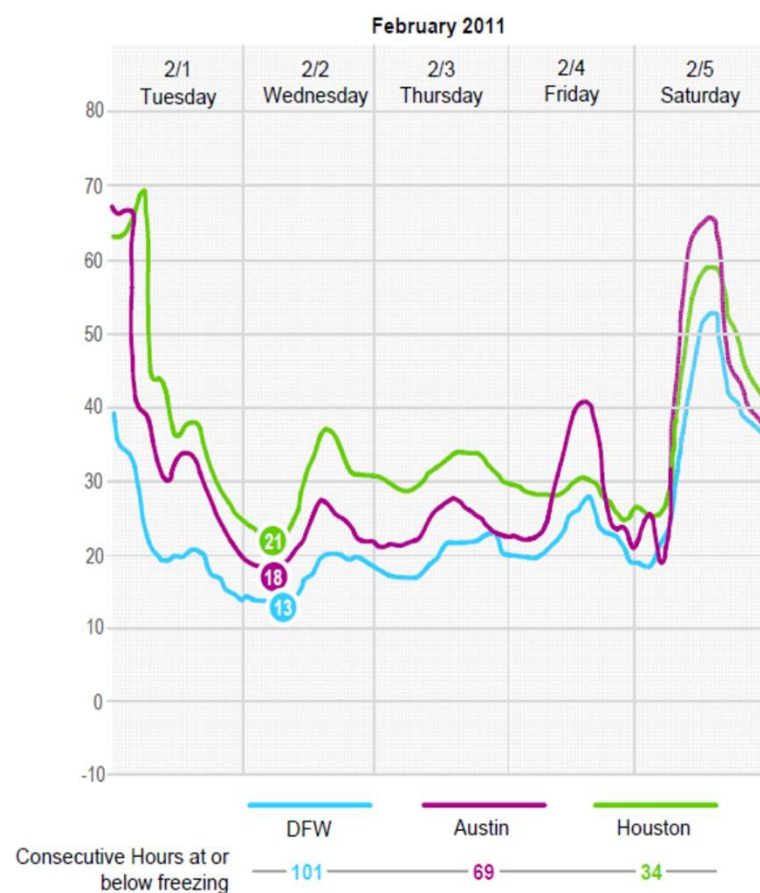
Available Generation shown is the total HSL of Online Resources, including Quick Starts in OFFQS. The total uses the current MW for Resources in Start-up, Shut-Down, and ONTEST.

Key Events (Monday, February 15 – Friday, February 19)

- More than 16,500 control room calls with generators and transmission owners (normal: ~5,000/week).
- Multiple daily coordinating calls between transmission owners and operations management.
- Monday, February 15
 - Up to an additional ~24,000 MW net generation unavailable due to extreme weather; loss of generation was 52,277 MW (approximately 48.6%) at the highest point.
 - 20,000 MW peak load shed.
 - Limited gas availability for gas-fired power plants.
 - Multiple DC-Tie constraints due to neighboring area emergencies.
 - Daily Texas Energy Reliability Council meetings.
- Tuesday, February 16
 - No net gain in generation as some generators were restored and others became unavailable.
 - Decreased volume of controlled outages during the day, increased for evening peak.
- Wednesday, February 17
 - Moderating temperatures allowed reduction in controlled outages, small net gain in generation.
- Thursday, February 18
 - Continued gain in generation.
 - 12:42 a.m. - Canceled last controlled outage orders - some outages remained due to ice storm damage; need for manual restoration and return of large industrial facilities.
- Friday, February 19 (all times approximate)
 - 9 a.m. - Returned to emergency operations level 2
 - 10 a.m. – Returned to emergency operations level 1
 - 10:35 a.m. – Returned to normal operations

PUCT Order setting the maximum price cap at \$9000/MWH. This price was in effect from 2/16/21 to 2/19/21.

2011 vs. 2021 Event Temperature Comparison



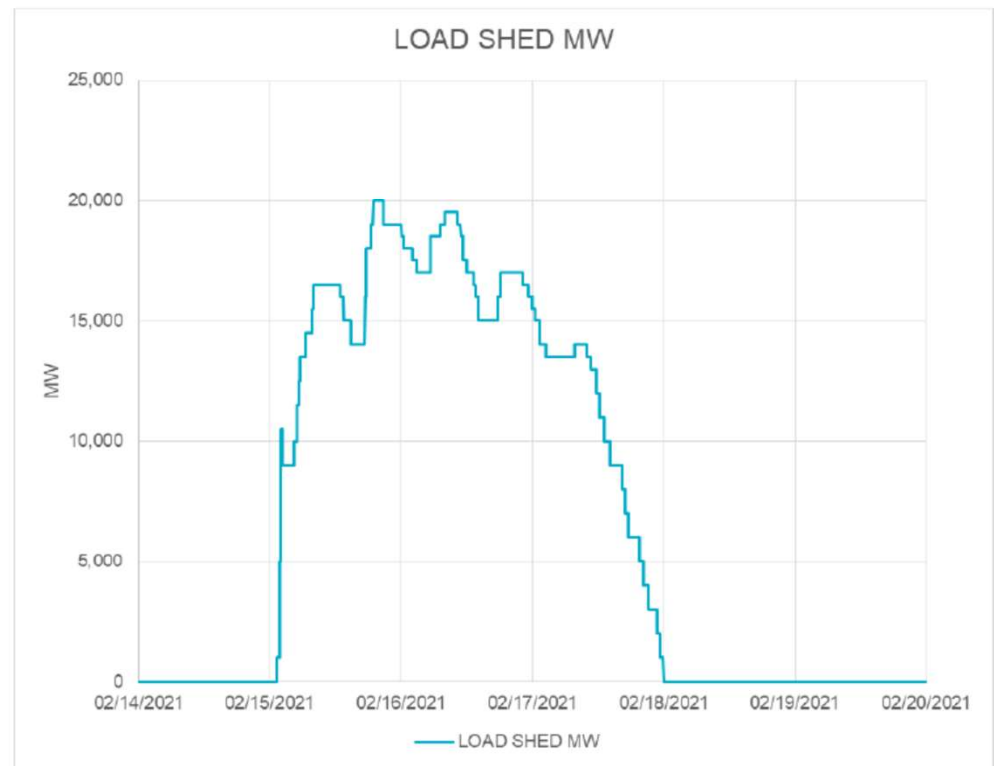
2011 vs. 2021 Event Comparison

	2011	2021
Maximum generation capacity forced out at any given time (MW)	14,702	52,277
Generation forced out one hour before start of EEA3 (MW)	1,182	2,489
Cumulative generation capacity forced out throughout the event (MW)	29,729	46,249*
Cumulative number of generators outaged throughout the event	193	356
Cumulative gas generation de-rated due to supply issues	1,282	9,323
Lowest frequency	59.58	59.30
Maximum load shed requested (MW)	4,000	20,000
Duration load shed request (hours)	7.5	70.5
Estimated peak load (without load shed)	59,000	76,819

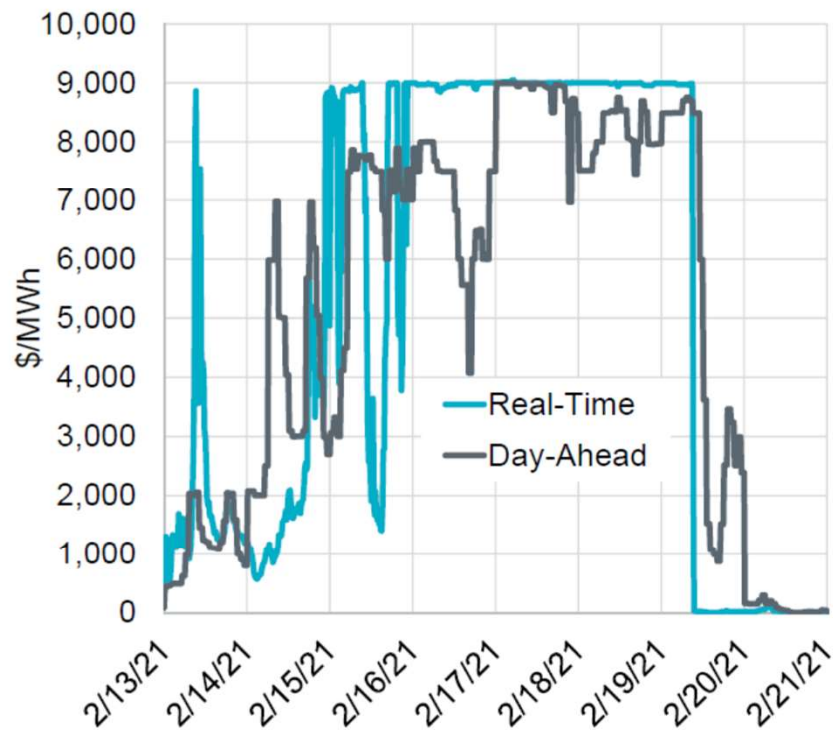
*Note: "Cumulative" values for 2021 were calculated using NERC 2011 report methodology.
Cumulative amount for 2021 starts at 00:01 on February 14, 2021

Load Shed Ordered By Transmission Owner

Transmission Operator	% of MW
AEP Texas Central Company	8.7
Brazos Electric Power Cooperative Inc.	4.95
Brownsville Public Utilities Board	0.37
Bryan Texas Utilities	0.51
CenterPoint Energy Houston Electric LLC	24.83
City of Austin DBA Austin Energy	3.71
City of College Station	0.28
City of Garland	0.75
CPS Energy (San Antonio)	6.79
Denton Municipal Electric	0.48
GEUS (Greenville)	0.15
Lamar County Electric Cooperative Inc*	0.07
LCRA Transmission Services Corporation	5.96
Oncor Electric Delivery Company LLC	36.01
Rayburn Country Electric Cooperative Inc.	1.3
South Texas Electric Cooperative Inc.	2.52
Texas-New Mexico Power Company	2.62
ERCOT Total	100.00



Real-Time and Day-Ahead System-Wide Pricing



Average system-wide pricing
around the event relative to other
historical periods (in \$/MWh)

Date Range	Real-Time	Day-Ahead
2/14/21 2/19/21	\$6,579.59	\$6,612.23
January '21	\$20.79	\$21.36
February '20	\$18.27	\$17.74

This data is using the ERCOT Hub Average 345-kV Hub prices

Review of Extreme Winter Weather Events

- City of Georgetown's Energy Portfolio
- Review of Financial Impacts of the Winter Weather Event



Georgetown's Energy Portfolio

- Georgetown Electric Power Portfolio consists of:
 - Max Peak on 2/14/2021 @ HE 19 : 134 MW (before load shed)
 - Summer 2020 Max Peak: 165 MW

Contract Type	Energy under Contract	Contract Type	Generated during Event
Mercuria	20 MW	Firm Delivery	Yes
Spinning Spur	144 MW	Variable (As Generated)	Yes
Buckthorn	150 MW	Variable (As Generated)	Yes
South Trent	11 MW	Variable (As Generated)	No (negligible)

- Energy under contract is different from energy available at any given time. This is due to the variable/intermittent nature of the PPAs with Spinning Spur, Buckthorn and South Trent.
- Georgetown's Energy portfolio is net long with regards to supply. The price is fixed.
- Generation Portfolio is volumetrically long energy but, due to the intermittent nature of supply, has volumetric risk.



Georgetown's Energy Portfolio

- Going into the event we were monitoring our overall energy portfolio. Both resources and our load.
 - We increased our load forecasts to account for increased heating load.
 - The wind generation forecasts generated by ERCOT accounted for maximum icing potential for wind forecasts (as per ERCOT). In other words the resource forecasts were discounted for potential icing.
 - Going into the week of February 14th , based on resource and load forecasts from 2/13/2021, showed us to be energy short during the following periods:
 - 2/15/2021: HE 1 – 9
 - 2/16/2021: HE 4 – 9, HE 19-24
 - 2/17/2021: HE 1-8 and HE 19-24



Georgetown's Energy Portfolio

- Based on the short positions for 2/15, 2/16 and 2/17 we explored the bilateral trades for 25 MW off peak for the three days. The bids were approximately \$3000/MWH.
 - As of 2/11 and 2/12 the DAM market was in line with the bilateral trade market and in some cases lower than the bilateral trade.
 - With our energy hedged with our resources and based on energy trades on Inter-Continental Exchange (ICE) we expected the thermal generation to show up in RTM.



Georgetown's Energy Portfolio

- The ERCOT DAM on 2/13 (for operating day 2/14) changed dramatically.
 - Ancillary Services were priced approx. \$1M
 - Energy was approx. \$3,800/MWH.
- On 2/14 the market fundamentals reports started showing generation being net-short for 2/15.
 - The markets changed so significantly that the DAM, RTM and ICE markets converged on the pricing.
 - We decided not to take our resources and load to RTM as there was hardly any spread between the DAM and RTM markets. This eliminated the forecast risk.
 - With the icy conditions we were not confident about the resource forecasts and did not want to offer our resources in the DAM and find ourselves short in the RTM.
- Critical Events during the event:
 - Energy Emergency Alert (EEA) Level 3 and load shedding started on 2/15/2021 @ 1.20 am.
 - Load shedding ended on 2/18/2021 @ 12.15 am.
 - PUCT order to use the maximum offer cap price of \$9000/MWH went into effect on 2/15, HE 18 through 2/19/2021 HE 9.



Georgetown's Energy Portfolio

For the entire duration of the event, 2/14/2021 – 2/20/2021, the actual load and the off-setting generation are as follows:

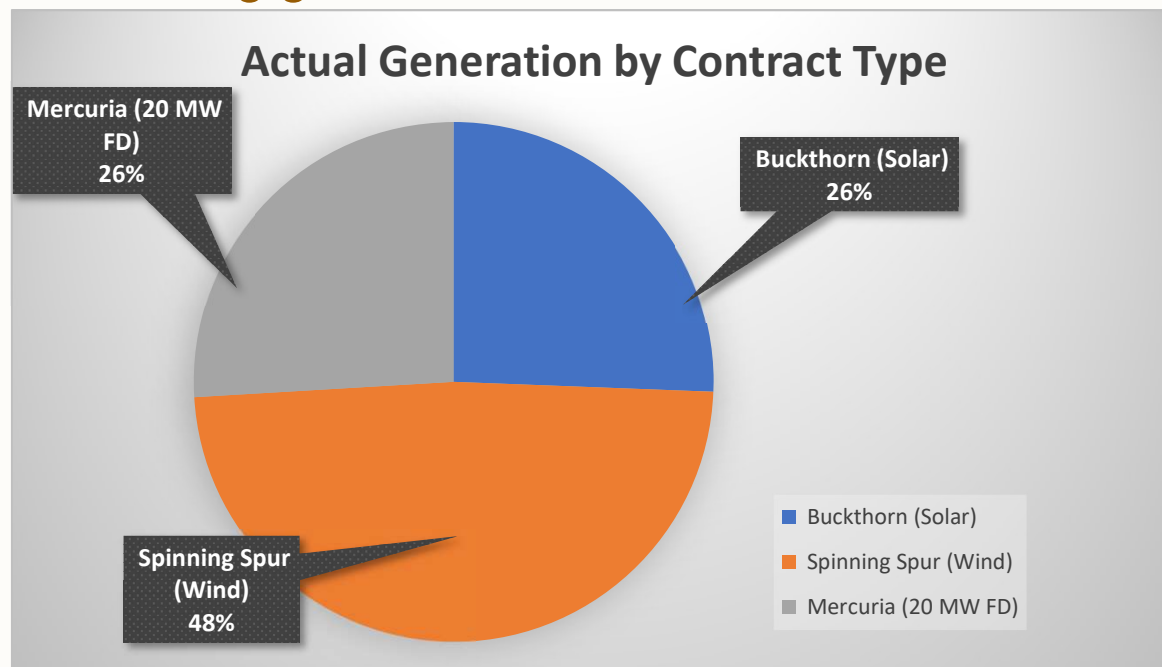
Total Load	Total Generation	DAM/RTM Purchases	%Purchases in DAM/RTM
16,109.64	12,956	3,153.58	20%

Note: Information presented is preliminary and represents the best available data at the time it was created. Unless specified, all data used is non-settlement/preliminary data.



Georgetown's Energy Portfolio

For the entire duration of the event, 2/14/2021 – 2/20/2021, the actual off-setting generation are as follows:



Total Load	16,110
Total Generation	
Buckthorn (Solar)	3,317
Spinning Spur (Wind)	6,279
Mercuria (20 MW FD)	3,360
Total Generation	12,956

Note: Information presented is preliminary and represents the best available data at the time it was created. Unless specified, all data used is non-settlement/preliminary data.



Georgetown's Energy Portfolio

What is the dollar magnitude of this past week's energy purchases ?

Cost of Energy	
Net Energy Purchases	\$26,991,465
Ancillary Services	\$17,779,149
Total Cost of Energy Purchases	\$ 44,770,614

Note: Information presented is preliminary and represents the best available data at the time it was created. Unless specified, all data used is non-settlement/preliminary data.



Georgetown's Energy Portfolio

Why is the dollar magnitude of this past week's energy purchases so high?

- The Ancillary Services costs (one week) was \$17.8 M.
- For 2020, the Ancillary Service cost was \$710,000.
- The Ancillary Service costs incurred were 25 years worth.
- While there is an energy cap (\$9000/MWH), there is no cap on Ancillary Services.



Georgetown's Energy Portfolio

Why is the dollar magnitude of this past week's energy purchases so high?

- The average cost per MWH in January 2021 was \$20.79 (RTM)
- The Maximum price cap was set at \$9000/MWH.
- The max price cap lasted from 2/16/21 – 2/19/21 (~ 9.00 am)



Georgetown's Energy Portfolio

- Risk Management is a tool when there is a market that works
- What happened during the week of 2/14/2021 was a breakdown of multiple markets



Council Special Meeting

Purchase Power Financial Impacts

March 2, 2021

Electric Fund Financial Conditions

Electric Fund Financial Conditions Pre-Event

- **S&P Rated AA-**
- **Meet combined debt coverage ratio requirements: 2.48x**
- **Total annual purchased power budget: \$60 million**
- **Total outstanding Electric utility debt principal \$34.6 million**
- **FY2021 amended budget ending fund balance \$18.1 million**
 - 90 day operating contingency reserve \$4.0 million
 - Non-operating reserve \$10.6 million
 - Restricted debt service reserve \$3.5 million

Electric Fund Financial Conditions Post-Event

- S&P put us on “negative watch”; additional action possible
- Owe a \$47.8 million payment April 1
- Need to preserve existing cash reserves
 - Liquidity to bolster bond rating
 - Liquidity for other unknown emergencies

Electric Fund Financial Conditions Post-Event Cont'd

- **Will not meet revenue bond covenant debt coverage requirements in 2021**
 - Purchase Power operating expenses will increase by \$47.8 million
 - Operating revenue will not be able to cover operating expenses
 - Coverage falls below minimum required 1.35x
 - Triggers a new “springing reserve” that equals the average annual payment of water and electric outstanding revenue debt combined
 - Must be completely separate and restricted from other reserves
 - **2021 springing reserve amount is \$6.4 million**
 - Monthly contribution of \$106,666 for 5 years
 - Water share 66%; \$71K
 - Electric share 34%; \$36K

Funding the Springing Reserve \$6.4M

- **May purchase a surety policy**
 - One-time up-front cost as percent of coverage
 - Recommended first step to try as overall lowest cost option
- **May be funded with increase in revenue from rates/fees, sale of assets, or operational savings**
 - Increase electric rates only
 - Increase electric and water rates based on their pro-rata share of the reserve
 - When reserve is no longer needed, funds can be used to pay off existing debt

Recommendation for Springing Reserve

- **Initiate steps to cover the \$6.4M Springing Reserve**
 - Seek a surety policy and pay one-time fee

Purchase Power Debt Financing Options

Two main options to finance \$47.8 million

Revenue Bond

Tax Supported Debt

Should we “buy down” the \$47.8M with cash?

- Not recommended
- Need to preserve liquidity to bolster ailing bond rating
- Need to preserve reserves for other unknown emergencies
- Don't have enough cash to buy down a significant amount

Timeline of Debt Financing

Same timeline for either instrument

- **Recommendation today March 2**
- **Financial Advisor Distribute term sheets to banks March 5**
- **Bond Counsel Prefile with Attorney General's Office March 15**
- **Finance Advisor Receive bank bids March 19**
- **Council approve sale March 23**
- **Close and receive proceeds no later than March 31**
- **Invoice to Shell due April 1**

Repayment Source

Same repayment source for both instruments

- **Power Cost Adjustment on electric bills to customers**
- **Current PCA is 1.375 cents per kWh**
- **1 cent of PCA generates ~\$6 million in revenue per 12 month period**
- **1 cent PCA = ~\$10 per month per average residential utility bill**
- **As Electric fund was recovering pre-event, we planned to continue reducing PCA through summer 2022 when the gas contract terminates**
- **Need to leave 1.375 cent PCA in place and review potential increase**

Example Annual Debt Payment Amount (P&I)

Revenue Bond or Tax Supported; estimates only

- 7 year term - \$7.4M
- 10 year term - \$5.4M

Revenue Bond Option

- Bank placement – max term 15 years
- Rating agencies put negative watches on several entities, surveying each one for possible downgrade
- Higher interest rate because utility revenue is pledged
- Strict bond covenants
 - Adds burden to revenue bond debt coverage ratio
 - Increases the amount needed in the Springing Reserve by another ~\$4 million ($\$6.4\text{M} + \$4\text{M} = \10.4M)

Tax Supported Option

- **Bank placement – max term 15 years**
- **Property taxes are pledged (still repay with Electric revenue)**
 - Better interest rate
 - No requirement to meet additional utility bond springing reserve
 - Relieves pressure on debt coverage ratio
- **Will require disclosure on the regular CO/GO spring sale**
 - Based on historical treatment of CO's, not anticipated to affect rating or interest rates as long as we demonstrate self-supporting with Electric revenue from PCA

Recommendation for Purchase Power

- **Initiate steps for a \$47.8M tax instrument**
 - Can still repay with Electric revenue
 - Property tax pledge secures better interest rate and does not count toward revenue debt coverage reserve requirements

A: 7 year term; Flat PCA

<u>PCA: 1.38</u>						
		Target Cash Balance	Projected Cash Balance	Difference	Target Debt Coverage	Projected Debt Coverage
	2022	20,529,045	18,347,510	(2,181,535)	1.35	1.86
	2023	22,876,807	18,538,864	(4,337,943)	1.35	1.87
	2024	24,756,108	19,008,726	(5,747,382)	1.35	1.80
	2025	26,542,197	19,708,375	(6,833,821)	1.35	1.78
	2026	28,704,130	19,978,737	(8,725,393)	1.35	1.77

B: 7 year term; PCA increase .50 cents

<u>PCA: 1.88</u>						
		Target Cash Balance	Projected Cash Balance	Difference	Target Debt Coverage	Projected Debt Coverage
	2022	20,529,045	21,348,454	819,409	1.35	2.11
	2023	22,876,807	24,608,273	1,731,467	1.35	2.12
	2024	24,756,108	28,215,378	3,459,270	1.35	2.06
	2025	26,542,197	32,122,328	5,580,131	1.35	2.03
	2026	28,704,130	35,671,348	6,967,218	1.35	2.04

C: 10 year term; Flat PCA

<u>PCA: 1.38</u>						
		Target Cash Balance	Projected Cash Balance	Difference	Target Debt Coverage	Projected Debt Coverage
	2022	18,869,045	20,347,510	1,478,465	1.35	2.23
	2023	21,216,807	22,548,864	1,332,057	1.35	2.24
	2024	23,096,108	25,038,776	1,942,668	1.35	2.16
	2025	24,882,197	27,768,576	2,886,379	1.35	2.12
	2026	27,044,130	30,079,238	3,035,108	1.35	2.12

D: 10 year term; PCA Increase .50 cents

<u>PCA: 1.88</u>						
		Target Cash Balance	Projected Cash Balance	Difference	Target Debt Coverage	Projected Debt Coverage
	2022	18,869,045	23,348,454	4,479,409	1.35	2.54
	2023	21,216,807	28,618,273	7,401,467	1.35	2.55
	2024	23,096,108	34,245,428	11,149,320	1.35	2.46
	2025	24,882,197	40,182,528	15,300,332	1.35	2.42
	2026	27,044,130	45,771,850	18,727,719	1.35	2.43

What if things keep changing?

- Can back out of the sale up until the approval date March 23 - would lose \$9,500 in Attorney General fees
- Will try to negotiate call options – the ability to refinance or repay sooner than the maturity
- Have the ability to change the amount financed up until approval date March 23
 - increase (uplift charges) – uncertainty around AG opinion to debt fund uplift charges
 - decrease (government intervention)

Recommendations for Regular 2021 Debt

- **Continue on schedule with rating meeting and regular GO/CO competitive sale April 27**
 - Parks, roads, facilities, public safety equipment for \$31.4 million
- **Move Water projects \$16.3 million and Electric projects \$6.6 million from Revenue Bond private placement to public CO sale on May 11**
 - Council approves public notice of CO's on March 9
 - Better interest rate because property tax pledge and competitive sale
 - Longer terms likely (20 years as desired)
 - CO's not included in test for debt coverage reserve of utility revenue bonds

Recommendations for Regular 2021 Debt Cont'd

- **Continue on schedule for refinancing May 13**
 - Delegated from Council to staff on April 27
 - 2012 GO/CO's, \$2.7 million total estimated savings (\$170K per yr.)
- **If the mobility bond is approved by the voters, continue summer sale of first ~\$20 million in July/August**

Direction Needed from Council

- **Funding source for springing reserve \$6.4 million?**
 - Staff recommendation is to seek surety policy first and research revenue impacts as a back-up
- **Buy down the \$47.8 million amount with cash?**
 - Staff recommendation is No
- **Tax Instrument or Revenue Bond for the \$47.8 million?**
 - Staff recommendation is tax supported debt
 - *7 or 10-year term?; Assumed PCA treatment?*
- **Water and Electric regular project sales Revenue Bond or CO's?**
 - Staff recommendation is CO's