



City of Austin

Recommendation for Action

File #: 25-1351, **Agenda Item #:** 34.

7/24/2025

Posting Language

Approve an ordinance authorizing the issuance of short-term obligations through a private placement in a maximum of \$100,005,000 at any one time outstanding, authorizing the replacement of an existing letter of credit to support Austin Energy's activities in the Electric Reliability Council of Texas market, approving the execution of all related agreements, including a Note Purchase Agreement for any related credit facilities, and approving payment of all related costs of issuance.

Lead Department

Financial Services Department

Fiscal Note

This item has no fiscal impact.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885.

Additional Backup Information:

Austin Energy is a participant in the Electric Reliability Council of Texas, Inc. (ERCOT) wholesale markets, including the real time market, the day ahead market, and the congestion revenue rights market. As a participant, Austin Energy is subject to the provisions of the Nodal Protocols established by ERCOT and is required to provide financial security pursuant to the terms of the Nodal Protocols in a form acceptable to ERCOT - this includes either posting cash or providing a letter of credit or a surety policy with a bank. If a market participant such as Austin Energy fails to provide financial security, it could face potential exclusion from some of the ERCOT markets. Continuous posting of cash as collateral is impractical since it could impact Austin Energy's operational reserves. Since 2023, when ERCOT stopped providing market participants with unsecured credit limits, Austin Energy has provided a letter of credit for the benefit of ERCOT to satisfy its financial security requirements. On September 14, 2023, City Council passed and approved Ordinance No. 20230914-018, authorizing the issuance of City of Austin, Texas Utility System Program Notes, Taxable Series, which were issued to Wells Fargo Bank, National Association. The current LOC expires on September 28, 2025. Therefore, Austin Energy seeks a new Irrevocable and Unconditional Standby Letter of Credit to assist with its obligation to provide financial security under the Nodal Protocols. The proposed short-term obligations will be privately placed with Sumitomo Mitsui Banking Corporation (SMBC), which is an approved bank under ERCOT's policies. Any notes purchased by SMBC will be in the amount of any draws by ERCOT on the letter of credit. SMBC's letter of credit fee is 44 basis points. The proposed short-term obligations are backed solely by the revenue of Austin Energy. Under State law, the bank does not have a right to seek payment from property taxes.

Austin Energy has determined that a \$100,005,000 letter of credit is still sufficient to support Austin Energy operations in the ERCOT market. The letter of credit will be issued for a term of 3 years.

For this transaction, PFM Financial Advisors LLC will serve as financial advisor and Norton Rose Fulbright US LLP will serve as bond counsel.

