A U S T I N C I T Y C O U N C I L

AGENDA



Thursday, August 28, 2008

Austin Energy **Item No. 4**
RECOMMENDATION FOR COUNCIL ACTION

Subject: Authorize execution of a 20-year power purchase agreement with NACOGDOCHES POWER, LLC c/o BAYCORP HOLDINGS, LTD, Portsmouth, NH, for the purchase of 100 megawatts (MW) of biomass-generated power in an estimated amount of $115,000,000 per year for a total estimated contract amount not to exceed $2,300,000,000.

Amount and Source of Funding: Funding will be provided through the Electric Fuel Charge revenue or future Green Choice Charge revenue.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Michael McCluskey, Deputy General Manager, 322-6295.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9D of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified.

Boards and Commission Action: Recommended by the Electric Utility Commission and the Resource Management Commission.

Prior Council Action: August 21, 2008 – Council approved negotiation of this agreement.

This contract will provide 100 megawatts (MW) of renewable energy from a biomass generating facility under development near the town of Sacul in Nacogdoches County, Texas. This purchase offers competitively priced, carbon neutral, renewable energy and environmental attributes that will help Austin Energy (AE) meet its goal of receiving 30% of its energy from renewable resources while diversifying its renewable portfolio.

The Austin City Council has established a strategic energy policy for Austin Energy through the adoption of Resolutions 030828-38 and 20070215-023 which call for the development and use of clean energy by AE and set a goal that 30% of AE's generation comes from renewable energy sources by December 31, 2020. The recommended project offers AE the opportunity to continue progress toward its renewable goal.

The new biomass plant is expected to come online in 2012 and will utilize a variety of wood waste fuels such as forest residue, mill residue, waste pallets and municipal wood waste. The facility will incorporate the most advanced emissions control technology to achieve the best available emissions and because of its use of wood waste as fuel it will be a carbon neutral generation facility. In addition, the facility provides AE a firm and dispatchable resource in an area that is not expected to suffer from the transmission congestion issues affecting west Texas wind power. A similar biomass facility to be developed by Baycorp was recently selected by the Gainesville Regional Utilities in the City of Gainesville, Florida.

The estimated cost reflects the absence of Federal Production Tax Credits ("PTC") which are in effect through December 31, 2008 but do not currently exist for projects in 2012. The agreement however, will

provide for a reduction in cost equal to any newly enacted PTC that is applicable to the project at any time during the term of the agreement.