

AGENDA



Thursday, December 11, 2008

**Austin Energy
RECOMMENDATION FOR COUNCIL ACTION****Item No. 8**

Subject: Authorize the exercising of options to obtain 30-year easements from Wilson Brothers Pecos Ranch, LP, a Texas limited partnership, and from the S.H. Murray Trust and Murray Pecos Ranch Ltd., a Texas limited partnership, on a total of approximately 17,500 acres of land in Pecos County, Texas, to serve as potential sites for wind power generation units in a combined annual amount not to exceed \$150,000, for a total combined amount not to exceed \$4,500,000.

Amount and Source of Funding: Funding in the amount of \$150,000 is available in the Fiscal Year 2008-2009 Operating Budget of Austin Energy. Funding for the remainder is contingent upon available funding in future budgets.

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

For More Information: Roger Duncan, General Manager, 322-6157.

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

Prior Council Action: February 28, 2008 – Approved easement options.

In February 2007 the Austin City Council adopted a climate protection plan that, among other things, established a goal that at least 30 percent of Austin Energy's electric generation capacity be based upon renewable resources by December 31, 2020. Much of this goal will be have to be met through wind power, which is currently the most affordable source of large scale renewable power. Because of the recent boom in wind power construction in Texas, the number of locations available and feasible for siting productive and cost-effective wind farms is diminishing. Further, Austin Energy's current wind portfolio is based upon power purchase agreements with third parties that will expire at staggered intervals over the next two decades.

The immediate direct leasing of land by Austin Energy for the development of renewable wind energy resources in West Texas will provide Austin Energy the opportunity to obtain long-term control of wind resources, thereby reducing the utility's current need to rely on limited-term power purchase agreements with third-parties for meeting its wind-based energy needs. Direct control of the underlying wind resources will likely provide the best and most cost-effective means of meeting the Council's renewable power goals over the long term.

The requested funding includes only the minimum base rental for the land. The easement terms will require payment of additional amounts that are contingent upon actual project development. Such payments will include fees for each wind turbine installed, payment of other installation and surface damage costs, and payment of royalties on energy actually generated. Austin Energy will request additional spending authorization prior to any project development.