

AGENDA



Thursday, April 30, 2009

**Austin Energy
RECOMMENDATION FOR COUNCIL ACTION****Item No. 2**

Subject: Approve an ordinance amending the Fiscal Year 2008-2009 Austin Energy Capital Budget of Ordinance No. 20080908-003 to increase appropriations by \$11,000,000 and amending the Fiscal Year 2008-2009 Austin Energy Operating Budget of Ordinance No. 20080908-002 by increasing the Transfer to Electric Capital Improvement Program by \$11,000,000 and by decreasing the Austin Energy Ending Balance by \$11,000,000 to provide additional funding for the Sand Hill Energy Center Peaking Units.

Amount and Source of Funding: Funding is available from the ending balance of the Austin Energy Operating Fund.

Fiscal Note: A fiscal note is attached.

For More Information: Elaine Hart, CPA, Sr. Vice President Finance & Corporate Services, 322-6558; Jim Collins, P.E., Project Manager, 322-6426.

Boards and Commission Action: Recommended by the Electric Utility Commission. Related to Item #12.

Prior Council Action: September 8, 2008 - Approved Budget Ordinance 20080908-002 and 20080908-003.

This budget amendment is requested in order to provide additional appropriations and a related funding source for 100 megawatts (MW) of additional peaking capacity at Austin Energy's Sand Hill Energy Center.

Appropriation – Austin Energy is seeking authorization to amend the Fiscal Year 2008-2009 Austin Energy Capital Budget of Ordinance No. 20080908-003 by increasing appropriations by \$11,000,000 for 100 MW of additional peaking capacity at the Sand Hill Energy Center. This budget amendment is related to another Council agenda item that requests authorization to negotiate and execute a contract to provide services for the construction of the 100 MW peaking capacity at the Sand Hill Energy Center.

Sand Hill Energy Center Peakers – As part of the energy resource plan, Austin Energy has begun construction of peaking units at the Sand Hill Energy Center capable of generating up to 100 MW of load. Simple-cycle gas turbine peaking units are the same jet engines that power modern aircraft. In a power generation application, they use natural gas as a fuel and drive an electric generator. Peaking units are quick starting, capable of coming online and at full load in less than 15 minutes. Austin Energy is currently adding additional peaking units at the Sand Hill Energy Center which can achieve fuel efficiency in the 33-35 percent range. The additional appropriations will allow construction to be completed in time for summer of 2010 usage.

Funding Source for the Appropriation - Austin Energy is also seeking authorization to amend the Fiscal Year 2008-2009 Austin Energy Operating Budget of Ordinance No. 20080908-002 by increasing the Transfer to Electric Capital Improvement Program by \$11,000,000 and by decreasing the Austin Energy

Ending Balance by \$11,000,000 to provide additional funding for the construction of the 100 MW peaking units at the Sand Hill Energy Center.

Austin Energy is seeking authorization to use a portion of the Austin Energy Operating Fund ending fund balance as a funding resource. Austin Energy has experienced positive operating results in prior years due to revenues higher than estimated and lower than anticipated operating expenditures, thus resulting in a higher than expected ending balance.

Although Austin Energy's current year revenues may experience a decline due to current economic conditions, revenue through January 2009 is on target with budget. Austin Energy estimates revenue based upon normalized weather, thus there is no anticipated revenue for extreme weather (cold or hot).

The Sand Hill Energy Center peaking project is an important multi-year project with many benefits and one that Austin Energy can move forward on with this additional appropriation and funding.