

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	10911	Agenda Number	2.
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Meeting Date:	12/8/2011	Department:	Austin Energy
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Subject

Authorize negotiation and execution of Amendment No. 2 to the Water Sale Contract for Industrial Uses dated January 1, 2000, between the City of Austin and the Lower Colorado River Authority to increase the firm water available to Austin Energy for cooling purposes at the Fayette Power Plant from 3,500 acre-feet to 7,500 acre-feet per year through 2024.

Amount and Source of Funding

Funding in the amount of \$800,000 is available in the Fiscal Year 2011-2012 Operating Budget of Austin Energy. Funding for the remaining term of the contract is contingent upon available funding in future budgets.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	December 16, 1999 - Approved Resolution 991216-47 authorizing 25-year contract.
For More Information:	Jackie Sargent, Sr. VP, Power Supply & Market Operations, 322-6491.
Boards and Commission Action:	Recommended by the Electric Utility Commission.
MBE / WBE:	
Related Items:	

Additional Backup Information

Austin Energy co-owns the Fayette Power Project with the Lower Colorado River Authority. Austin Energy owns fifty percent of Units 1 and 2 and a proportional share of the common facilities. In 1999, Austin Energy obtained its own "run-of-the-river" rights to augment its share of industrial cooling water for Fayette, rather than relying solely on the LCRA to directly provide the water. Doing so significantly reduced Austin Energy's water costs at Fayette. At the same time, the City Council authorized Austin Energy to reserve up to 3,500 acre-feet of firm stored water from LCRA that could be purchased to supplement its run-of-the-river water rights as needed. Austin Energy pays the LCRA for stored water actually used, as well as a reservation fee for any unused reserved water.

In normal or relatively wet years, the reserved 3,500 acre-feet is sufficient to supplement Austin Energy's run-of-the-river cooling water for Fayette. In drier years, when less run-of-the-river water is available, Austin Energy has used water in excess of the firm stored water and paid for the additional water from LCRA at a more expensive inverted block rate. Given the projected continuation of drought conditions, Austin Energy expects that it will be required to purchase additional water from LCRA over the coming years. Therefore to avoid purchasing at the more expensive

rate and to assure adequate supply Austin Energy is working to increase its amount of firm stored water. This may require payment of additional reservation fees in years when substantial amounts of run-of-the-river water is available, but this added cost will be outweighed by the avoided costs of purchasing water on an ad hoc basis at the higher inverted block rate in dry years.

Austin Energy is therefore requesting authorization to amend its LCRA water sales contract to reserve for purchase an additional 4,000 acre feet of stored water per year, bringing its total reserved annual amount to 7,500 acre-feet. The current contract water rate charged by LCRA is \$151 per acre-foot for stored water actually used. The annual reservation fee is calculated by multiplying \$151 per-acre foot times 50% of the amount of any unused reserved water. The inverted block rate for any excess water purchases is currently \$300 per-acre foot. The rates are subject to change by the LCRA board. Funding amounts needed for future fiscal years will be determined in the annual budget process.