

July 9, 2014

TO: Members of the Austin Resource Generation Planning Task Force

FROM: Dave Cortez, Central Texas Organizer, Sierra Club Beyond Coal

RE: Proposed amendments to the Beyond Coal section of The July 2014 Report of the Austin Generation Resource Planning Task Force

Thank you for your work on this 2024 Generation Plan Update. Please consider the following amendments to your report.

On behalf of the Sierra Club and our 4,500 members and supporters in Central Texas,

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The Sierra Club
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Amendment 1

- Whereas the Austin Resource Generation Planning (ARGP) Task Force has proposed the formation of a task force to provide research and recommendations on achieving net zero energy for all new buildings.
- Whereas the ARGP Task Force has proposed specific dates and timelines as reflected in a recommendation of 600 mws of West Texas solar by 2016 and 1200 mws of demand reduction by 2024.
- Whereas the proposed recommendation on the Fayette Power Project (FPP) states, "To begin the retirement process independent of LCRA, Austin should seek 100% ownership and operational control of one of the Fayette units."

- **Therefore, the Sierra Club Beyond Coal Campaign recommends the current ARGP Task Force recommendation on FPP be amended as follows:**

"Recommendation: To begin the retirement process independent of LCRA, Austin City Council should seek 100% ownership of one of the Fayette units by directing Austin Energy to begin negotiations

and have an initial report on negotiations no later than October 31, 2014."

Amendment 2

- Whereas on June 27, 2013, the Austin City Council adopted a resolution directing City Manager Marc Ott to: "develop a comprehensive plan to eliminate coal from Austin Energy's portfolio by 2015-2018, with the plan to be presented to City Council for consideration no later than December 31, 2013. The plan should include the options for the retirement, sale and further ramp down of the coal generation owned by the City, and a variety of replacement generation options, with the financial and legal implications of each option thoroughly analyzed. The plan should also include an analysis of the impact on rates, reliability and dispatchable capacity.

"If the council takes no action on any of the options after evaluating the December 31, 2013 plan, the City Manager will present an updated plan to the City Council at least once a year for the duration of the use of coal by Austin Energy.

- Whereas on February 4, 2013, the Council Committee on Austin Energy heard a presentation from Austin Energy on scenarios that eliminate or reduce the use of coal in Austin by 2017, and the economic impacts of those scenarios.
 - **Therefore, the Sierra Club Beyond Coal Campaign also recommends an additional recommendation regarding economic analyses for retiring FPP ahead of schedule:**

"Recommendation: The Austin City Council should direct Austin Energy to provide no later than September 1, 2014, an economic and risk analysis of replacing the energy from FPP in the years 2018, 2019, and 2020.

"This analysis shall assess the net present value and impact on rates of continuing to operate Austin's portion of the FPP, versus replacing the energy with zero and low carbon alternatives. The analysis shall include the risks from carbon, coal ash, and other environmental regulation, risks from coal cost increases, costs of debt services, health impacts of FPP pollution, savings from avoided fuel purchases, value of the saved water, and other risks, costs, and savings associated with keeping Fayette through 2025 compared to accelerated replacement scenarios."

Amendment 3

- Whereas Page 20 of the draft recommendations reference the economics of coal and renewables, but the cost of renewables is covered in other sections of the recommendations:
 - **Therefore, the Sierra Club Beyond Coal Campaign also recommends** the text be shortened and streamlined to read
 - In the economic dispatch model that is the basis of the Texas Nodal Market, the cheapest units are dispatched not necessarily the cleanest. ~~If carbon is priced at \$20/T, then at the rate of 2,000 lbs./MWh, each MWh of coal generation will increase by \$20. Currently, Fayette generation runs between \$42.00 and \$44.00/MWh. With the addition of this carbon adder, generation costs will move above \$60.00/MWh, and Both wind and solar are economic today and will become more so as more of the externalized costs of coal generation are priced into the market~~

