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**RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 2
AGENDA DATE: Thu 12/16/2004
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SUBJECT: Approve a resolution adopting an emission allowance policy for the City's municipally-owned electric utility, Austin Energy, in accordance with the utility's long-range Strategic Plan.

AMOUNT & SOURCE OF FUNDING: N/A

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Austin Energy
DEPARTMENT:

DIRECTOR'S
AUTHORIZATION: Juan Garza

FOR MORE INFORMATION CONTACT: Roger Duncan, Deputy General Manager, 322-6157

PRIOR COUNCIL ACTION: 12/04/03 -- Public hearing on and approval of Austin Energy's Strategic Plan.

BOARD AND COMMISSION ACTION: Recommended by the Resource Management Commission.

PURCHASING: N/A

MBE / WBE: N/A

Austin Energy, the City of Austin's electric utility, generates power from gas, fuel oil and coal, which results in emissions of NOx, CO2, mercury and SO2. The United States Environmental Protection Agency and the Texas Commission on Environmental Quality have established emission allowance trading programs that are applicable to Austin Energy for SO2 and NOx emission allowances respectively. Opportunities to trade CO2 and mercury emission allowances may arise from future regulatory action that would establish markets for these types of emission allowances.

In keeping with Austin Energy's long-recognized leadership role as an environmental steward, Austin Energy is seeking the authority to manage the trading of their emission allowances and the resulting revenue derived from these trades in order to provide funding for:

1. As a first priority, conservation, renewable and innovative distributed generation projects that reduce emissions from power generation; and,
2. Investments in technologies that further reduce emissions from fossil fueled power generating facilities.

Austin Energy will retire allowances, on a case-by-case basis as part of a strategy to further reduce the impact of a specific pollutant, as necessary. This Resolution will allow Austin Energy to get return on investments it has made to reduce emissions from fossil fuel generation, and will allow AE to reinvest those monies as indicated above.