

# A U S T I N C I T Y C O U N C I L

## AGENDA



Thursday, November 16, 2006

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### Purchasing Office RECOMMENDATION FOR COUNCIL ACTION

ITEM No 25

**Subject** Authorize award and execution of a 48-month requirements supply contract with RIO TINTO ENERGY AMERICA INC , Gillette, Wyoming, for the purchase of coal for the Fayette Power Project in an amount not to exceed \$30,000,000

**Amount and Source of Funding** Funding will be provided through the Electric Utility Fuel Charge Revenue Funding for future years is contingent on approval of future budgets

**Fiscal Note** There is no unanticipated fiscal impact A fiscal note is not required

**Additional Backup Material**  
(click to open)  
No Attachments Available

**For More Information** Carole Cameron, Purchasing Mgr 322-6155

**Purchasing Language** Best evaluated proposal by Lower Colorado River Authority

**MBE/WBE** This contract will be awarded in compliance with Chapter 2-9D of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program) No subcontracting opportunities were identified, therefore, no goals were established for this solicitation

The City of Austin and the Lower Colorado River Authority (LCRA) each own an undivided one-half interest in Units I and II of the Fayette Power Project (FPP), a coal-fired power plant near LaGrange, Texas As FPP Project Manager, LCRA conducts the bidding process, evaluation of the responses, and contract administration for FPP fuel and rail needs LCRA has recommended award of a contract to Rio Tinto Coal Company The contract will be executed jointly by Austin Energy and LCRA

The recommended contract will provide a substantial portion of FPP's coal requirements and will ensure a firm supply and stable pricing for low-sulfur coal over the next several years Demand for low-sulfur coal from the Powder River Basin of Wyoming has increased in recent years and is expected to increase further as clean air legislation forces more coal users to move from higher sulfur coals to low-sulfur coals Over the past year, the increased demand has been reflected in higher and more volatile prices for coal from the Powder River Basin Rio Tinto owns multiple mines in the Powder River Basin capable of originating deliveries on one of both of the railroads typically used to transport coal to FPP The contract will provide FPP maximum flexibility in utilizing its rail transportation options with Union Pacific and Burlington Northern Santa Fe Railways and will ensure a diverse and secure supply base