

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: May 10, 2018

Item Number: 003

Austin Energy

Authorize negotiation and execution of future natural gas transportation, storage and balancing agreements on a recurring basis with Enterprise Texas, Atmos Pipeline Texas, Kinder Morgan Texas, and any successors-in-interest to these companies, for the delivery of gas supply to Austin Energy's gas-fired generation facilities for successive terms not to exceed 60 months each, in a combined amount not to exceed \$15,000,000 per fiscal year.

Lead Department	Austin Energy
Fiscal Note	Funding will be provided through the Power Supply Adjustment.
For More Information	Jeff Vice, Director, Local Government Issues (512) 322-6087; Khalil Shalabi, VP, Energy Market Operations and Resource Planning (512) 322-6520; Erika Bierschbach, Interim Director, Energy and Market Operations (512) 322-6476.
Council Committee, Boards and Commission Action	April 16, 2018 - Recommended unanimously by the Electric Utility Commission on a 7-0 vote, with Vice Chair Hadden and Commissioner Reel absent and two vacancies.

Additional Backup Information:

Austin Energy owns and operates two natural gas fired generation facilities within its service territory, the Sand Hill Energy Center and Decker Creek Power Station. The plants are served by a combination of

natural gas pipeline service providers. Service is needed from multiple providers to maintain resiliency and reliability, and enhance competition through broader access to natural gas supplies. Enterprise Texas and Atmos Pipeline Texas serve both Sand Hill and Decker. Kinder Morgan Texas serves Sand Hill. In addition, different pipelines offer Austin Energy access to suppliers from diverse geographic sources. Atmos and Enterprise enable Austin Energy to have access to lower priced West Texas Waha gas compared to Katy supplies that are primarily available on Kinder Morgan's pipeline.

The retirement of Decker's two steam units will be accounted for in the contractual negotiations with the pipeline suppliers and the agreements will be designed to accommodate a reduction of gas required to serve the remaining four generation turbines that will be in operation after the steam units are decommissioned.

Service agreements with the three gas pipeline service providers are currently in place with expenditures that were authorized by City Council; however, the agreements will expire as follows: Enterprise Texas in June 2018; Atmos Pipeline Texas in December 2018; and Kinder Morgan Texas in July 2019.

Austin Energy is requesting authority to negotiate and enter into future natural gas transportation agreements on a recurring basis, up to a total expenditure of \$15 million per fiscal year, with contract terms of up to 60 months. This spending authority will be used to replace each current natural gas transportation agreement upon its expiration, and enable Austin Energy to capitalize on dynamic market pricing to enter into future agreements within the constraints stated above and without additional action by Council.

Ongoing service arrangements with all three natural gas transportation providers are essential to secure reliable and competitive operations at the plant facilities, thus enabling Austin Energy to dispatch its gas generation in the most optimal manner available and take advantage of real time market opportunities. In addition, this authorization will enable Austin Energy to take advantage of competitive service opportunities as they develop and to realize maximum flexibility in its gas supply acquisition strategy while maintaining optimal supply reliability during critical demand periods.