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Subject: Update on Biomass and Solar Projects
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EUC Members,
As requested, here is an update on the biomass project in Nacogdoches and the solar project in Webberville. Please let me know if you have additional questions.

Biomass Project Status
The project and associated biomass PPA were acquired by Southern Power Company in September of 2009. Construction commenced in November 2009. The facility is expected to be online in June of 2012 and is consistent with original expectations.

Updated Fuel Charge Impacts:
The relative impact of the biomass plant is up because the outlook for overall fuel charge is down. The current outlook for the 2012 / 2013 fuel charge is at least 21% lower than 2008 estimates. Currently, it's 4.05 – 4.3 cents/Kwh versus the 2008 estimate of 5.11 cents/Kwh, and is primarily due to lower natural gas prices. In 2008, natural gas was projected to be $10 MMBtu, and is now at $6 MMBtu. Biomass primarily displaces gas-based power.

Current projected impact of biomass on the fuel charge:
- +6% impact in 2012 (facility comes online mid year)
- +10% impact in 2013 (first full year)

The relative impact will vary with natural gas, other power costs, and load changes.

Solar Project Status
The PPA and ground lease was executed in August and December of 2009, respectively, with developer Gemini. Construction has not begun due to site and cost issues encountered by the developer. For example, the taxable basis with Travis County is higher than the developer expected. Also, permitting and design issues related to soil conditions and environmental features are driving discussions regarding additional land and tree removal. The facility was originally expected to be online by December of 2010 and is currently expected mid to late 2011.

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