

RESOLUTION NO. 20141016-023

WHEREAS, the City of Austin, under the current Participation Agreement between the City of Austin and the Lower Colorado River Authority (LCRA) on the Fayette Power Project, may benefit from the increased flexibility that would come from operational control of a single unit at the Fayette Power Project, instead of the current structure of 50% ownership of units 1 and 2 that comprise the Sam K. Seymour Generating Station; and

WHEREAS, the current Participation Agreement puts an obligation on the City to generate a minimum of 160 MW of high carbon coal-fueled power at the request of LCRA, even if Austin Energy would prefer to use renewable generation sources for that energy; and

WHEREAS, the current Generation Resource Plan adopted by the City Council in April 2011 commits Austin Energy to reducing the use of the coal plant by at least a third to an equivalent of 367 MWs of capacity, and to continually reassess the opportunity to totally eliminate our use of coal as soon as technically and economically feasible, targeting elimination of coal by 2020; and

WHEREAS, the City Council adopted Resolution 20140828-157 which sets a goal of meeting at least 65% of our yearly demand with renewable energy by 2025, and getting to zero carbon emissions by 2030 within affordability goals; and

WHEREAS, Austin Energy's recent Purchase Power Agreements for wind and solar power show that alternatives to coal generation are affordable, and as externalized costs and risks of coal generation are being priced into the market there is an opportunity to be less dependent on Fayette with little to no serious impact on rates; and

WHEREAS, a study by the City Attorney of retirement options for the Fayette Power Project dated December 31, 2013, indicated that the first impediment to independent decision making by the City regarding the Fayette Power Project is the Participation Agreement with the LCRA; and

WHEREAS, the December 31, 2013 City Attorney analysis cited the ability for Austin Energy to recover any costs associated with ramp down through rates as long as the City's share of Fayette remains used and useful; and

WHEREAS, the December 31, 2013 City Attorney analysis also cites an alternative for the City to meet any debt obligations associated with the Fayette Power Project through bond defeasance; and

WHEREAS, the City of Austin Generation Task Force recommended that to begin the retirement process independent of LCRA, the City should explore the feasibility of 100% ownership of one of the Fayette units;

NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to conduct negotiations with LCRA to amend the Participation Agreement at the Fayette Power Project so that greater operational control of the City's share of this generation resource is available to Austin Energy, including the possible option of ownership over a single unit.

BE IT FURTHER RESOLVED:

The City Manager shall identify any specific details, policy changes, and costs associated with restructuring the Participation Agreement in order to obtain greater operational control and accelerate the ramp down schedule for the City's share of the plant.

BE IT FURTHER RESOLVED:

The City Manager shall report back by December 1, 2014 on the results of negotiations with LCRA. The City Manager shall give regular status updates on the negotiations at each Council Committee on Austin Energy.

BE IT FURTHER RESOLVED:

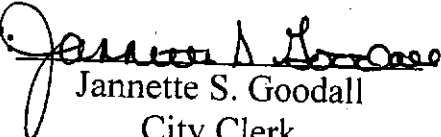
The City Manager shall report back by December 1, 2014 on a pathway for defeasance of bonds tied to Fayette Power Project debt that would accelerate the ramp down schedule, including establishment of a trust-managed escrow fund, and research and analysis on any impact to the tax-exempt status of the outstanding bonds.

BE IT FURTHER RESOLVED:

That the City Council reaffirms its commitment to the affordability goal approved on February 17, 2011 calling for Austin Energy to operate so as to limit rate increases to residential, commercial, and industrial customers to 2% or less per year and to maintain Austin Energy's current competitive rates in the lower 50 percent of Texas rates overall, clarifies that the 2% affordability goal should be applied to the all-in rate increase (including base rate, fuel charges, riders, etc.), and underscores that the policy direction stated in this resolution is subject to the expectation that the affordability goal will remain in place.

ADOPTED: October 16, 2014

ATTEST:


Jannette S. Goodall
City Clerk