

**September 23, 2009**

**Austin Generation Resource Planning Task Force**

**1: It is my understanding that LCRA [the Lower Colorado River Authority] has a right to take Austin Energy's share of Fayette [the Fayette Power Project, or FPP] if AE [Austin Energy] chooses either to shutter it or otherwise not run it. Please elaborate on what limitations are posed by the current contract. Can AE overcome this obstacle and gain local control over its coal use by modifying the current contract with LCRA? If so, how long would such a negotiation likely take?**

**A:** The City's contract with LCRA regarding the Fayette Power Project does not grant LCRA a unilateral right to use AE's share of the capacity if AE chooses not to use it. The contract could potentially require AE to schedule sufficient power to maintain the units' minimum operating level if LCRA does not itself schedule enough power to maintain the minimum. LCRA has a right of first refusal with regard to any sale of the plant and any sale of power, other than spot market sales.

**2: Please explain how ERCOT [Electric Reliability Council of Texas] may be able to prevent AE from shuttering or reducing the output of FPP, including consideration of issues such as RMR [Reliability Must Run], Out of Merit Energy, and dispatch in a nodal market. If possible, please show a mock/hypothetical timeline and description of events that would need to take place in order to fully shut down Austin's share of the FPP plant.**

**A:** There are two ways in which ERCOT can influence operation and or closure of any generating facility. Both currently and in the nodal market, ERCOT can start and operate any available generator up to its maximum capability if required for reliability purposes at any time irrespective of the owner's intended operating plan. Reliability purposes include transmission system limitations and/or generating capacity (including ancillary services) shortfalls. For these same reasons, any intended mothballing exceeding 180 days or closure of a generating facility must be approved by ERCOT. ERCOT may elect to maintain the operation of a generator via a one-year Reliability Must Run (RMR) agreement which may be extended annually by ERCOT board approval. Closure/mothball plans must be submitted to ERCOT for RMR review a minimum of 90 days in advance of a target closure date.

The timelines related to ERCOT notifications are the only hard-coded requirements with respect to a closure of the plant. It would be difficult to construct a hypothetical timeline beyond those requirements without first determining a target closure date and the disposition of the entire FPP facility as it relates to LCRA's rights and obligations.