

RESOLUTION
NO. 990211-36

WHEREAS, state and federal initiatives are driving a transition of the electric utility industry from a regulated, monopoly environment to a restructured, competitive industry; and

WHEREAS, Austin Energy is a valuable municipal asset and a vital community resource; and

WHEREAS, the City's operation of an electric utility serves a public purpose, and maintaining the ability of Austin Energy to operate with an annual commitment to energy conservation and renewable energy sources in the utility generation portfolio serves that public purpose and assists in maintaining the core integrity and value of a substantial public asset; and

WHEREAS, energy conservation and use of renewable energy resources provide many benefits, including air quality improvement, the addressing of global warming and continuing depletion of fossil fuels, and relieving environmental compliance cost burdens on private industry and individual residents; and

WHEREAS, the City is committed to taking the necessary action to ensure the continued successful operation and value of Austin Energy with the inclusion of these environmental and conservation goals while providing the City a fair return from ownership of and investment in its electric utility; and

WHEREAS, the City is working to retain retail electric customers and views the energy conservation and environmental goals of this resolution as part of a diverse strategy to accomplish this purpose; **NOW, THEREFORE**,

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

The Council establishes the following goals for Austin Energy:

- (1) **Energy Conservation.** Cost-effective conservation programs shall be the first priority in meeting new load growth requirements for Austin Energy. The utility will increase its conservation effort and investigate the following activities to accomplish this goal:

Load Management Programs, including air conditioning cycling, water heater cycling, and "watt-buster" days;
Austin Energy Operations Conservation, including Power Factor Correction;
City of Austin Building Code Revisions;
Appliance and Lighting Discounts;
Austin Energy Interruptible Tariffs;
Austin Energy Curtailable Tariffs;
Education Programs;
Elimination of "all electric heating";
Tree Planting; and
Commitment by City of Austin to departmental purchases of green power.

Additionally, all energy conservation equipment used in Austin contracts from Austin Energy Service's Energy Management Services public enterprise will be purchased and installed through a competitive process and not in competition with local contractors. The conservation goal will be publicized through a variety of methods, including:

- (a) Employee Education Programs, and
- (b) Community Awareness Programs.

Semi-annual Reports to Council and all appropriate commissions and committees shall be made on progress to date in achieving this goal.

- (2) **Renewable Energy Sources.** The expansion of renewable energy sources in Austin Energy's energy portfolio is a priority of the utility. Austin Energy's goal is to achieve 5% of the energy in its portfolio mix coming from renewable sources by December 31, 2004. Renewable resources are those stated in the definition of "renewable resources" in Public Utility Commission Substantive Rule 25.5.

All renewable energy funding in excess of avoided costs shall be accomplished through two mechanisms for the programs provided under this resolution:

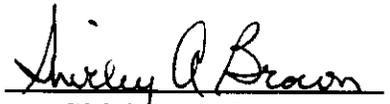
- (a) Austin Energy's Green Pricing Program; and
- (b) The greater of \$1 million or 2% of actual net income for the prior fiscal year excluding any extraordinary gains (losses) and subtracting off-system sales revenues, plus

an amount equal to the utility's total green pricing subscriptions for the prior fiscal year, provided the total of this subpart (b) shall not be more than 5% of actual net income for the prior fiscal year excluding any extraordinary gains (losses) and subtracting off-system sales revenues;

Provided, however, that these funding mechanisms do not apply to any renewables contract for which costs are less than avoided cost. "Avoided cost" is defined as the incremental cost to Austin Energy of electric energy or capacity or both, which, but for the purchase from a supplier of electricity, Austin Energy would generate itself or purchase from another source.

ADOPTED: February 11, 1999.

ATTEST:


Shirley A. Brown
City Clerk