

# City of Austin one of many sucked into biomass plant money pit

By **Mark Lisher** - May 7, 2018



For almost six years, Austin Energy customers have been paying about \$54 million a year for a \$128 million power plant they also paid for that isn't producing energy.

Nearly two years ago, the city of Austin hired a staff of attorneys to see if Austin Energy could get out from under a 20-year contract that even supporters of the wood-burning power plant came to see as a terrible deal for utility customers.

When asked late last week by The Texas Monitor what, if anything, those lawyers had done during that time, Jason Stanford, a spokesman for Mayor Steve Adler said, "The lawyers aren't discussing this publicly. That's all I know."

The city is also not disclosing how much taxpayers have been paying in attorney's fees. At the time Adler [confirmed for a Texas Watchdog reporter](#) that the lawyers had been hired, he said those fees could reach \$100,000.

The Texas Monitor on Friday made a formal request through the Texas Public Information Act for all documents and a list of costs pertaining to the investigation into the contract between Austin Energy and Southern Power for the Nacogdoches Generating Facility near Sacul, in East Texas.

The Texas Monitor also contacted Jennifer Herber, a spokeswoman for Austin Energy, Friday to ask about the lawyers and the contract. Herber said she would check on it, but did not return a call before this story was published.

A phone message left with officials for the [Nacogdoches plant](#) on Friday was not returned.

By contract, Austin city and energy officials have deflected customers' requests for details of the costs, or even to understand why they are being charged about \$2 a month extra on their energy bills for energy that's too expensive to buy or produce. From the beginning, the project has been cloaked in secrecy.

In 2008, Roger Duncan, then the general manager for Austin Energy, had developed plans to aggressively increase the utility's reliance on alternative energy sources. Duncan told this reporter two years ago that while solar and wind power generation costs were coming down, Austin needed an alternative energy source available when the sun doesn't shine and the wind doesn't blow.

A rare coalition of environmental activists and corporate interests, consumer and good government advocates, [came forward to complain](#) that Duncan had moved too fast and without enough public input.

At least three experts who were part of the coalition warned that wood-burning or biomass generation very likely would become uncompetitive because hydraulic fracturing was at the time of the verge of revolutionizing the oil and natural gas business.

Duncan and the City Council were not persuaded. The council unanimously approved allowing Austin Energy to pass along to its ratepayers the \$128 million cost of building what was, at the time it was ready to go online in 2012, the [largest biomass plant](#) in the United States.

The council also unanimously approved allowing Austin Energy to enter into a 20-year guaranteed contract to buy energy from the plant. Southern Power, a subsidiary of the [Southern Company](#) in Atlanta, bought the plant and took over the contract shortly after it fired up for its test run in 2012.

But in its first seven months, the plant generated electricity for only two of them. Still, the plant remained fully staffed around the clock as stated in the contract, Tim Lejedal, a spokesman for Austin Energy at the time, said.

Trey Salinas, with Coalition for Clean Affordable Renewable Energy, said at the time the City Council was well aware of the risk it was taking. "They can't say they couldn't know," Salinas said, "because they were told."

With the steep decrease in natural gas prices, biomass energy deals like Austin's have become albatrosses for government officials in many cities across the country.

More than half of the 50 biomass power plants in California are not operating and more are expected to be idled as utilities decline to renew their contracts.

Last year the Minnesota legislature passed a bill that allowed Xcel Energy to tap clean energy development funds to pay off contracts and shut down three biomass plants. An Xcel spokesman estimated utility ratepayers would save almost \$700 million over the next 11 years by paying the biomass plant operators off.

The City Council in Gainesville, Florida solved its biomass plant problem this past November by buying the Gainesville Renewable Energy Center, valued at \$450 million, for \$754 million and another \$400 million in interest over the 30 years it will take to pay it off.

The purchase was one of the most expensive in city history.

Unlike Austin, Gainesville's elected officials had tied utility customers to a guaranteed contract for 30 years at a cost of about \$70 million a year. Gainesville paid for its \$120 million biomass plant with a grant from the U.S. Treasury Department.

City officials there estimate savings of \$768 million over what would have been the remaining term of the contract. "Many of the predictions that made GREC (Gainesville Renewable Energy Center) look advantageous in the short run just never materialized," Mayor Lauren Poe said.

In its study released in April, Georgia Tech's Ivan Allen College School of Public Policy characterized what had happened with biomass in Virginia. The conclusions in the study are true for Austin, Gainesville and everywhere else.

"The economics were not competitive in 2012 and they would be even more unattractive in today's marketplace with cheap natural gas, rapidly declining solar costs, and an abundance of affordable energy efficiency," the study says. "Overall, our analysis underscores the risks

associated with investing in large, long-lived generation assets at a time when technologies and markets are rapidly evolving.”

“A review of publicly available information led us to conclude that Dominion’s planning process did not fully evaluate a broad range of alternatives to coal plant conversions to biomass.”

Adler [turned to attorneys](#) after saying prior to taking office in January of 2015 he thought the city had cut a bad deal for biomass. When asked in June of 2016, Stanford said, “We’re still pursuing this with lawyers and when you hire lawyers you can expect things to take time. The mayor has said he has been wanting to find options.”

After nearly two years, the mayor, city and utility officials have not disclosed if any options exist and what more they might cost utility customers.

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