



Legislation Text

File #: Res. 2019-22R, **Version:** 1

AGENDA CAPTION:

Consider approval of Resolution 2019-22R, approving a contribution in aid of construction agreement with Urban Mining Company and Urban Mining Development, LLC to provide for the mutual participation in the cost of constructing the Rattler Electric Substation off of Clovis Barker Road near Leah Avenue; and declaring an effective date.

Meeting date: January 29, 2019

Department: Public Services

Amount & Source of Funding

Funds Required: \$0

Account Number: Funds are not consumed, they are not immediately recovered.

Funds Available: [Click or tap here to enter text.](#)

Account Name: Electric Fund

Fiscal Note:

Prior Council Action: Council approved a Chapter 380 economic development incentive agreement with Urban Mining on April 18, 2017 and amended through 2018-595R.

City Council Strategic Initiative:

N/A

Comprehensive Plan Element (s):

- ☒ Economic Development - Fiscally Responsible Incentives for Economic Development
- ☐ Environment & Resource Protection - Choose an item.
- ☐ Land Use - Choose an item.
- ☐ Neighborhoods & Housing - Choose an item.
- ☐ Parks, Public Spaces & Facilities - Choose an item.
- ☐ Transportation - Choose an item.
- ☐ Not Applicable

Master Plan:

Vision San Marcos - A River Runs Through Us

Background Information:

In late spring 2018, City staff studied the he impact of the proposed initial UMC load, the planned UMC expansion, and the impact of future development of the approximately 100 acres in the industrial area off Clovis Barker owned by UMC Development. The impact of anticipated growth in the area relative to the existing infrastructure indicated that a new substation would be quickly needed in this area to supply power to the immediate vicinity while also ensuring that the local system had full redundancy, i.e. no single equipment failure that would result in extended outages or unavailability of sufficient power for all customers in the area.

The UMC Development site is centrally located in the industrial district on Clovis Barker and is also bisected by an LCRA transmission line, making the site a very attractive location for the new substation. Acquiring the land in such an ideal location can often be difficult, expensive, and time-consuming. In this case, though, City Staff developed the option of UMC Development conveying a property that provides the easiest possible LCRA transmission line access; provides the opportunity for Public Services - Electric Utility to construct a City owned substation immediately adjacent to large industrial loads, which saves the City on both transformation charges paid to LCRA and distribution line losses; and provides a site that could be fast-tracked through the LCRA and ERCOT approval system since no property acquisition would be necessary and the load justifies the LCRA investment.

In August 2018, UMC approached the City with a request for a similar CIAC agreement that was executed with Amazon under Resolution 2015-148R, where the City waived the charges associated with line extensions to their facility in exchange for performance guarantees related to amounts of purchased power over an incentive period. City staff calculated the amount that could potentially be waived, using the same method for calculating an incentive as was used in the previous Amazon agreement, and determined that UMC incentive could be as high as \$546,630.38. City Staff drafted a proposal which included the conveyance of property, easements, and Right-of-Way as an integral part of the CIAC. The economic benefits to UMC, the revenue stream to the City for guaranteed purchased power with clawback provisions, the savings in system charges and losses, and conveyance of property for a new substation that will long serve customers outside the UMC Development property lines made this an extremely attractive financial option for the City; and, it provides an infrastructure expansion that will make further development in the area much more attractive to future developers, with excess capacity and high reliability immediately available.

Council Committee, Board/Commission Action:

Click or tap here to enter text.

Alternatives:

Further expansions of the other substations in the area, McCarty Lane and Redwood, are considerations for the short term. But both have limited capacity and limited expansion capabilities. A new substation will be required and the opportunity to acquire the land in such a central location through this CIAC is considered the best financial and technical option for the City.

The Substation construction is being considered concurrently by Council through Ordinance 2019-005.

Recommendation:

Staff recommends approval of this Contribution in Aid of Construction.