

MATERIAL SUPPORTING THE AGENDA

VOLUME XLVIIIb

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on:

March 9, 2001
April 30, 2001
May 9-10, 2001
June 27, 2001
July 10, 2001
August 8-9, 2001

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - Executive Session

Yellow paper – for documentation of items submitted after the deadline date for inclusion in the Agenda (late items) and distributed to members of the Board of Regents prior to the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Counsel and Secretary to the Board was furnished a copy, then that material goes into the appropriate subject file.

Special Telephone Meeting
Board of Regents
The University of Texas System
Ninth Floor, Ashbel Smith Hall, 201 W. 7th Street
Austin, Texas
March 9, 2001 -- 10:00 a.m. approximately

AGENDA

- A. CALL TO ORDER IN OPEN SESSION
- B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.074
- U. T. Health Science Center – Houston: Consideration of Personnel Matters Related to the Possible Selection and Employment of a President
- C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON RECOMMENDATIONS
1. U. T. System: Request for Authorization to Lease the Surface Only of a Portion of University Lands Located in Blocks 19 and 20, University Lands Survey, Pecos County, Texas, to be Used for the Construction and Operation of a Wind Power Project and Authorization to Execute All Documents Related Thereto
 2. U. T. Health Science Center – Houston: Consideration of Personnel Matters Related to the Possible Selection and Employment of a President
- D. ADJOURNMENT

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
Austin, Texas

March 5, 2001

SPECIAL MEETING NO. 938

TO: Members of the Board of Regents

Chairman Tom Loeffler
Vice-Chairman Rita C. Clements
Regent Woody L. Hunt
Regent Charles Miller
Regent Patrick C. Oxford
Regent A. W. "Dub" Riter, Jr.
Regent Raul R. Romero
Regent A. R. (Tony) Sanchez, Jr.

Open Session Items

1. U. T. System: Request for Authorization to Lease the Surface Only of a Portion of University Lands Located in Blocks 19 and 20, University Lands Survey, Pecos County, Texas, to be Used for the Construction and Operation of a Wind Power Project and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the U. T. Board of Regents:

- a. Grant authorization to lease the surface only of approximately 1,000 gross acres of University Lands located in Blocks 19 and 20, University Lands Survey, Pecos County, Texas, to FPL Energy Pecos Wind I, L. P., Juno Beach, Florida, for the purpose of constructing and operating a wind farm to generate electrical power from wind power

- b. Grant authorization to the Executive Vice Chancellor for Business Affairs or the Executive Director of University Lands – West Texas Operations to negotiate the surface lease and to execute all documents, instruments, and other agreements and to take all such actions deemed necessary or desirable to carry out the purpose and intent of the lease, subject to approval as to the legal form of the documents, instruments, and agreements by the Office of General Counsel.

BACKGROUND INFORMATION

As part of the electrical power deregulation legislation passed during the 76th Texas Legislature, power companies were required to generate a portion of their total energy output from renewable sources by the Year 2003. Wind power is currently viewed as one of the principal means of generating clean renewable electrical power in the State of Texas to meet this mandate.

FPL Energy Pecos Wind I, L. P., has proposed constructing 31.68 megawatts of wind turbine generation capacity on University Lands in Pecos County, Texas. These turbines will be a part of the 160-megawatt Woodward Mountain Project. FPL Energy Pecos Wind I, L. P., is a wholly-owned subsidiary of FPL Group, Inc., which had revenues of over \$6 billion in 1999 and serves over seven million people in Florida.

The proposed project on University Lands will contain 48 turbines with a combined generating capacity of 31.68 megawatts. The proposed lease covers approximately 1,000 acres for which FPL Energy Pecos Wind I, L. P., will pay an installation bonus of \$179,000, which equals approximately \$180 per acre. The term of the lease is twenty years with a minimum royalty of \$77,000 per year through year ten and \$86,000 for the remainder of the term. Total minimum royalty over the full term of the lease is approximately \$1.6 million. Early termination may be exercised by FPL Energy Pecos Wind I, L. P., at the end of year ten with proper notice and payment of a penalty of \$172,000 and at the end of year fifteen with proper notice and the payment of a penalty of \$86,000.

Authorization for the proposed lease is required prior to the May 2001 meeting of the U. T. Board of Regents to avoid the added costs associated with the shutdown or remobilization of ongoing construction on adjacent property that would diminish the value of including University Lands in this project. These added costs could affect the amount of up-front bonus that FPL Energy Pecos Wind I, L. P., may be willing to pay at a later date and could possibly result in University Lands being

excluded from the project. To avoid additional costs of remobilizing or keeping equipment and personnel idle, the contractors need to move on University property as soon as possible.

2. U. T. Health Science Center - Houston: Consideration of Personnel Matters Related to the Possible Selection and Employment of a President

xcs: Chancellor Burck
Executive Vice Chancellor Mullins
Executive Vice Chancellor Kennedy
Executive Vice Chancellor Sharpe
Vice Chancellor Godfrey
Vice Chancellor Perry
Mr. Monty Jones
Mr. Stephen Hartmann