



Mission: *Deliver clean, affordable, reliable energy and excellent customer service.*

Austin Energy

***Quarterly Briefing
January 26, 2012***



Agenda

- 1 Year End Financial Performance and Key Performance Indicators**
- 2 Strategic Initiatives**
 - **Generation Plan Update**





2011 YEAR IN REVIEW

Year End Financial Performance

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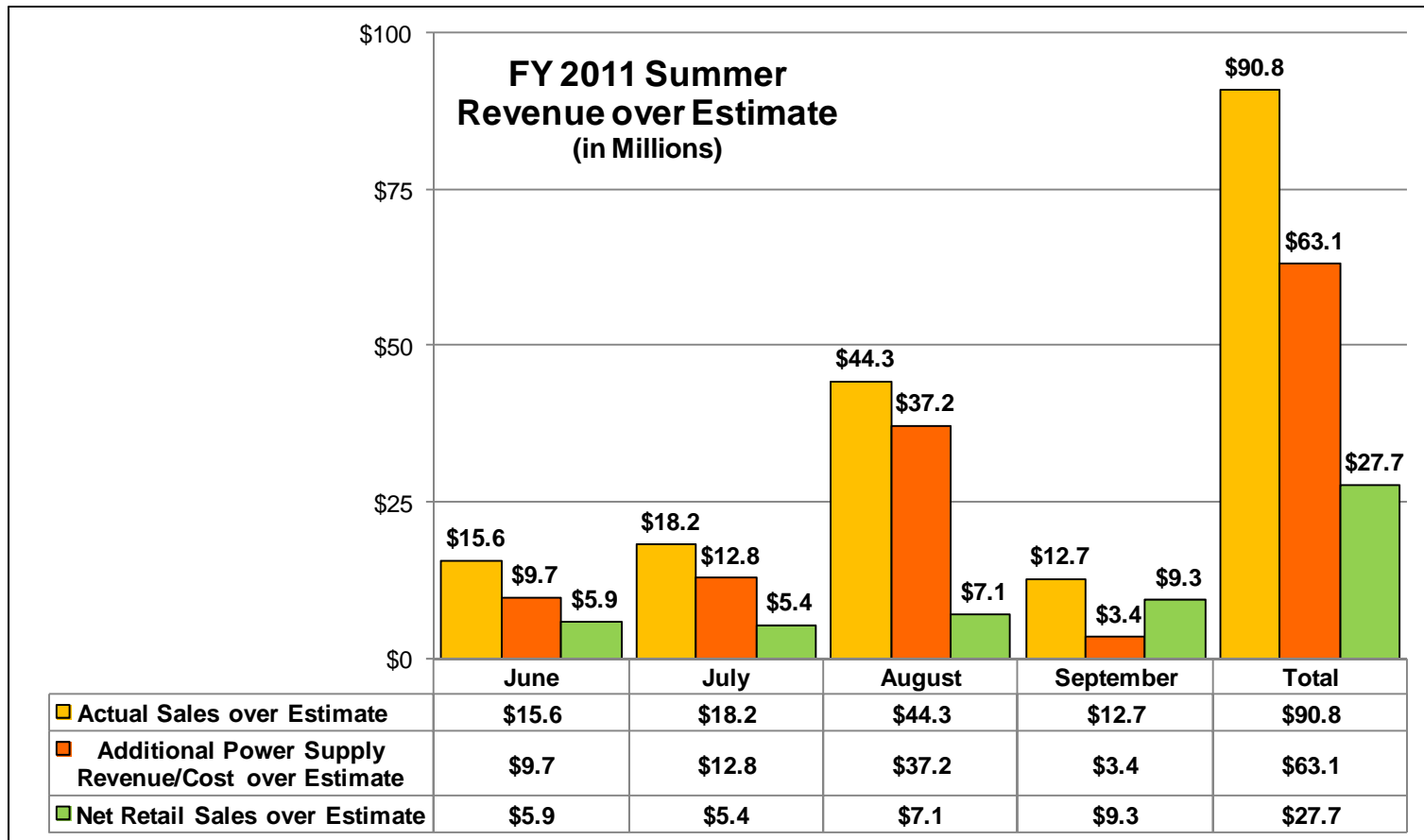
2011 Highlights

- Rate Review in progress
- Energy Resource Plan to 2020 adopted with Affordability Goal
- Purchased power contracts for 291 megawatts (MW) of coastal wind power
- 30 MW solar farm at Webberville online December 2011
- Successful conversion from Zonal to Nodal Market
- Maintained excellent reliability during record breaking summer heat setting new peak demand records
- Customer Care & Billing System online October 2011
- New customer service center in North Austin opened
- Maintained bond credit ratings





Retail Revenue Exceeds Estimate



- Summer revenue less power supply cost reduced budget deficiency \$28 M
- June through September - \$90.8 M additional revenue less increased power supply cost of \$63.1 M reduced budget deficiency by \$27.7 M
- August unplanned outages for base load generation increased cost





Preliminary. Final, audited numbers not yet available.

2011 Financial Results

(\$ millions)	Amended Budget 2010-11	Estimated 2010-11 *	Actual Q4 2010-11	Difference Actual to Estimated
Beginning Balance	\$169.4	\$152.8	\$152.8	\$0.0
Base and Other Revenue	740.1	750.2	787.5	37.3
Fuel Revenue	490.2	390.2	471.8	81.6
Total Available Funds	\$1,230.3	\$1,140.4	\$1,259.3	\$118.9
Fuel Cost	490.2	390.2	471.8	(81.6)
Operating Expense (Non-Fuel)	444.5	442.0	441.1	0.9
Debt Service	169.4	167.5	165.5	2.0
Transfers	178.1	178.1	178.1	0.0
Total Requirements	\$1,282.2	\$1,177.8	\$1,256.5	(\$78.7)
Excess (Deficiency)	(51.9)	(37.4)	2.8	40.2
Adjustment to GAAP	0.0	0.0	(11.1)	(11.1)
Operating Fund Ending Balance	\$117.5	\$115.4	\$144.5	\$29.1
Strategic Reserve Fund **	\$137.8	\$137.6	\$137.6	\$0.0

* Estimate for Fiscal Year (FY) 2011 reported in FY 2012 Proposed Budget.

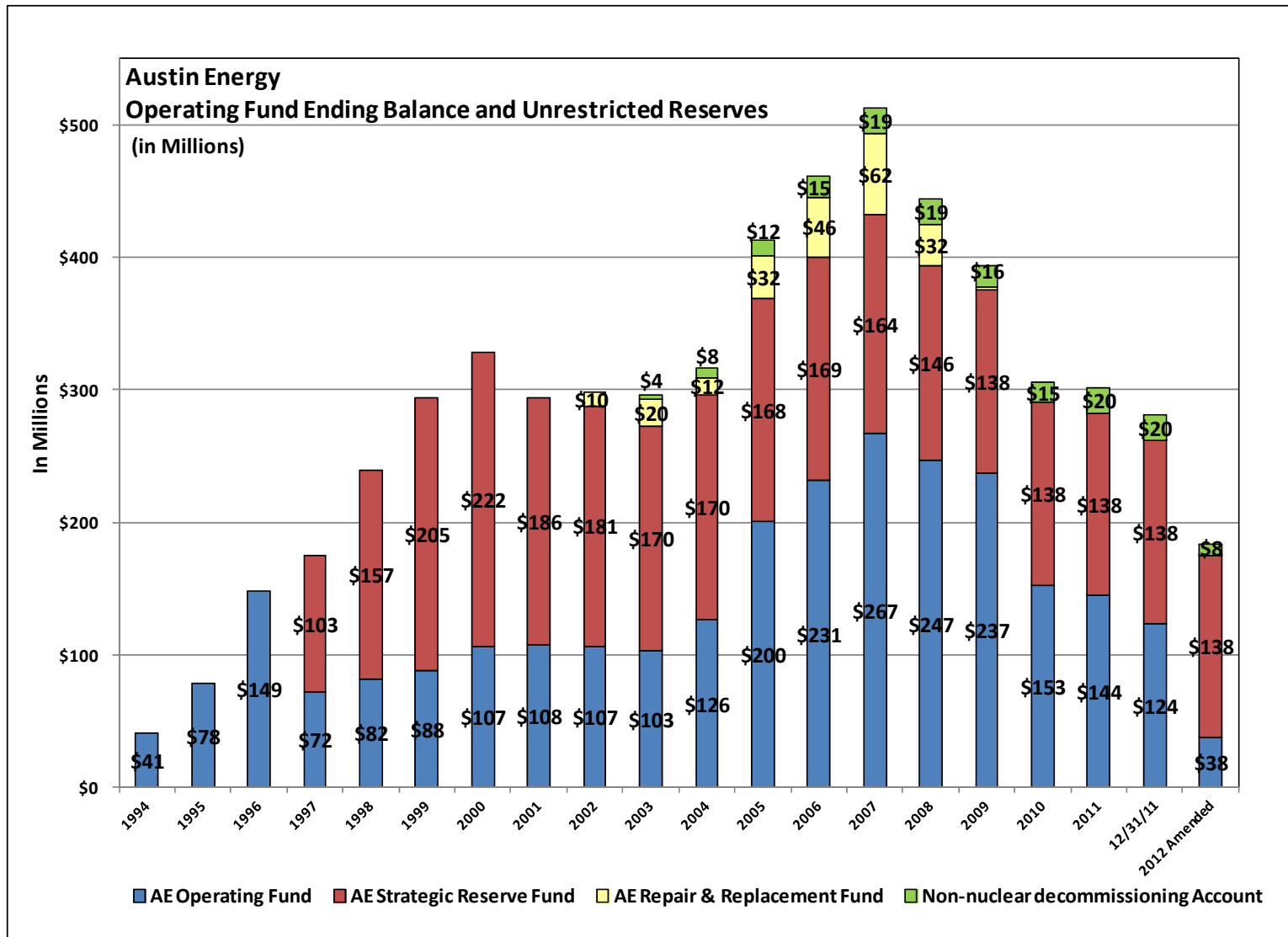
** Includes Emergency Reserve \$68.9 million and Contingency Reserve \$68.7 million.

- Better results than expected - revenue exceeds requirements by \$2.5 million
- Estimate of \$(37.4) million was before summer weather-related revenue





Operating Fund Ending Balance & Unrestricted Reserves

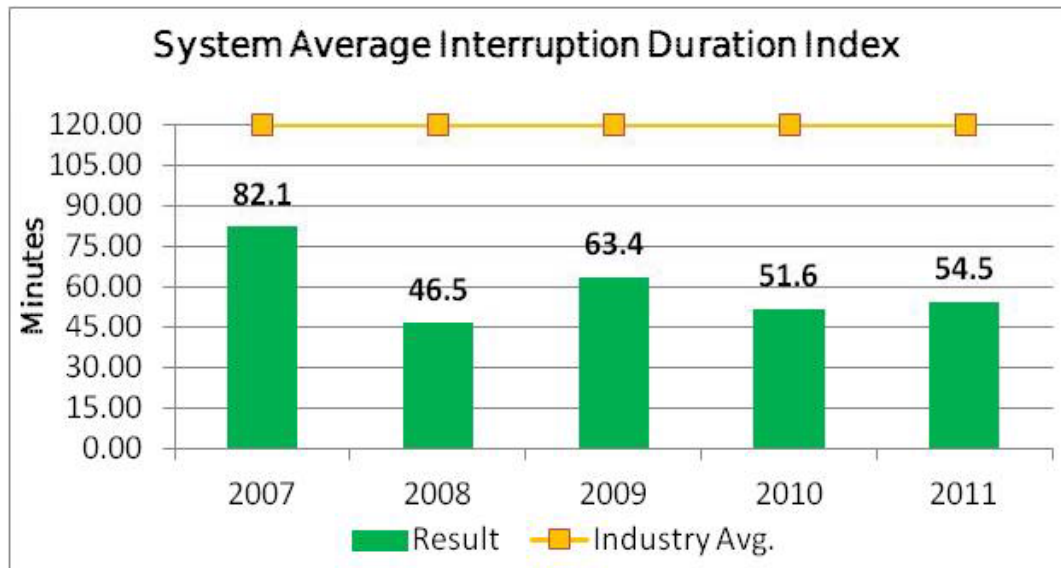
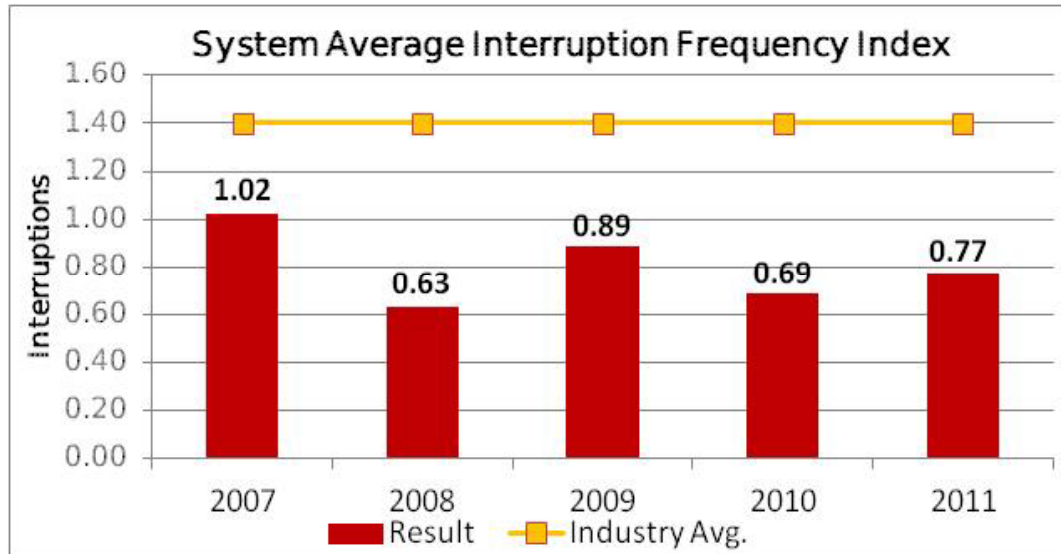


- Actual history including quarter ended 12/31/2011 and 2012 Amended Budget





2011 Performance – Grid Reliability



- **SAIFI - System Average Interruption Frequency Index**
 - Goal = 0.8 interruptions
 - Industry average of 1.4 interruptions
- **SAIDI - System Average Interruption Duration Index**
 - Goal = 60 Minutes
 - Industry average of 120 minutes





Generation by Fuel Type

Generation by Fuel Type

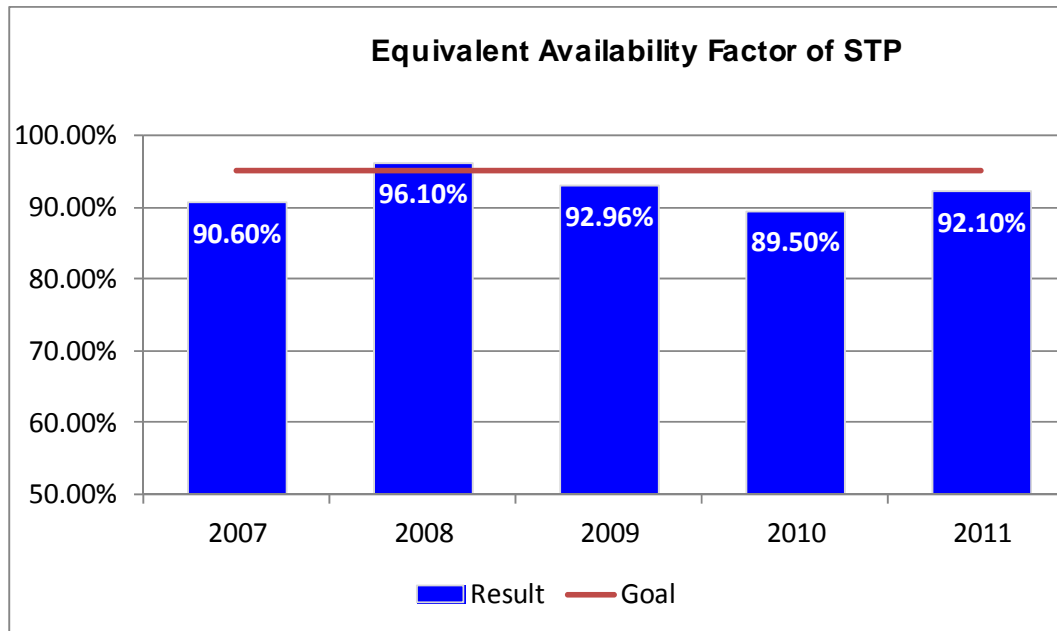
Fiscal Year 2011	Megawatt Hours (MWh)	2011 % Supply	2010 % Supply	2009 % Supply	2008 % Supply	2007 % Supply
Coal	3,854,773	31.3%	32.6%	28.3%	33.2%	32.2%
Natural Gas	2,840,972	23.1%	22.4%	26.5%	25.7%	27.3%
Nuclear	3,440,606	27.9%	25.3%	26.4%	27.1%	25.8%
Renewable Energy	1,267,557	10.3%	9.8%	9.5%	6.1%	5.1%
Purchased Power	921,191	7.5%	9.9%	9.3%	7.9%	9.6%
Total Power Supply	12,325,099	100.0%	100.0%	100.0%	100.0%	100.0%
Total Demand	13,331,182					

- ERCOT Nodal Market
 - Generators bid generation output into ERCOT market
 - Electric providers buy power from ERCOT to meet customer demand
- AE FY 2011 Nodal Market transactions
 - 12.3 million MWh sold into the market
 - 13.3 million MWh purchased to meet AE customer demand





Generation – Equivalent Availability Factor



- **EAF - Equivalent Availability Factor**
- Goal = 95%
- # of hours plant's capacity is available

- South Texas Nuclear Plant (STP) - one of AE's most reliable resources
- FY 2011 actual of 92.1%; lower than 95% target
 - November 2010 unplanned outage at STP Unit 2
 - STP Unit 1 Spring 2011 planned outage was longer than anticipated
- Prolonged outages increase reliance on more expensive replacement power





Smart Streetlights Improve Efficiency

- Completed second phase of AE's automated streetlight project with 12,000 streetlights automated
 - Installing photocells that communicate wirelessly with Web-based system to signal when streetlights are out
 - Next phase for automation of 20,000 streetlights to begin February 2012
 - All 70,000 to be automated by 2014
- AE averages 800+ work orders a month for malfunctioning lights
- Benefit - improved efficiency allows AE crews to address outages by area rather than multiple trips as customers call in streetlight outages
- Benefit – eliminates need to patrol areas at night for streetlight problems





**Webberville Solar
Project 30 MW
Austin, TX**



**Solar for Schools Program
Austin, TX**

Generation Plan Update

Mission: *Deliver clean, affordable, reliable energy and excellent customer service.*



Generation Plan Update

Resource, Generation & Climate Protection Plan

- Plan to ensure operations reduce greenhouse gas emissions as required by Austin's Climate Protection Plan
- Initially adopted April 2010 and approved with an Affordability Goal on February 17, 2011
- Review annually and report on performance against goals
- Reassess every two years
- Update and report to the public in Fall 2012





Wind Acquisitions – 291 Megawatts (MW)

Generator	MW	# Turbines	Term	Online	Annual Cost	Total Contract Amount	Location (Project Name)	Option to Purchase at Future Date
Duke Energy Generation Services	200	84	Up to 25 years	Dec-12	\$ 27,000,000	\$ 675,000,000	Willacy County near Harlingen, TX (Los Vientos)	Yes
MAP Royalty Inc.	91	57	Up to 25 years	Dec-12	\$ 15,000,000	\$ 375,000,000	Webb County, TX (Whitetail)	Yes
Total	291	141			\$ 42,000,000	\$1,050,000,000		

MW = Megawatt. MWh = Megawatt hour.

Pricing: Non-escalating fixed price between \$35 and \$45 per megawatt-hour of energy produced, quantity will vary with actual availability of wind resources. Brings renewable energy to 25% by end of 2013.

- Purchase Power Agreement contracts signed
 - Wind contracts from 3.5 to 4.5 cents per kilowatt hour
- Iberdrola Renewables, Inc. withdrew its proposed 200 MW project
 - AE reviewing options to replace with an alternative project
- South Texas or Coastal compared to West Texas wind
 - More consistent production over the year
 - More production during on-peak hours
 - Better transmission access
- Wind tax credits set to expire 12/31/2012





Solar Goal – 200 MW by 2020

Strategy and timing

- Evaluate Webberville 30 MW solar project once operational
- Competitive Renewable Energy Zone (CREZ) transmission grid build-out complete in 2013
 - Next steps in West Texas will be after CREZ is built-out
- Federal tax credits for solar expire 2015
- Current solar pricing under 10 cents per kilowatt hour is higher than other renewable energy
 - Recent wind contracts from 3.5 to 4.5 cents per kilowatt hour
- Considering rooftop leasing and community solar
- Investigating offering solar equipment leases to customers





Utility Scale Solar – 30 Megawatts (MW)

Generator	MW	# PV Modules	Term	Online	Annual Cost	Total Contract Amount	Location (Project Name)	Option to Purchase at Future Date
MetLife	30	Over 127,000 on single-axis trackers	Up to 25 years	Dec-11	\$ 10,000,000	\$ 250,000,000	380 acres on City owned land near the Village of Webberville, TX	Yes

MW = Megawatt. MWh = Megawatt hour. PV = Photovoltaic.

Pricing: Non-escalating fixed price at about \$164.50 cents per megawatt hour of energy produced, quantity will vary with actual availability of solar resources.

- Purchase Power Agreement priced at \$164.50 megawatt-hour
- Over 127,000 photovoltaic (PV) solar modules mounted on single-axis trackers to follow the sun maximizing solar energy production
- Expected to produce over 61 million kilowatt-hours of clean solar energy in the first year of operation





Solar Incentives - Consumer

- Photovoltaic (PV) Incentives
 - Rebate incentive for Residential
 - Performance-based incentive (PBI) for Commercial & Multifamily
- Consumer may supplement AE incentives
 - Federal Tax Credits, when available under Tax Code
 - Credit of 30% of installation costs for a new system
 - Expires December 31, 2016
 - Pecan Street Project solar rebates
 - Range from \$0.50 to \$0.80 per watt to residential volunteers in Mueller community dependent on installation (south, west or combined facing). Up to 6kW system.
- Hot Water Rebates
 - Residential
 - Commercial





Solar Incentives - Consumer

Residential Photovoltaic (PV) Rebate

- Rebate of \$2.50 per watt of capacity
- Cap of \$15,000 per year and \$50,000 per customer
- Applicants required to demonstrate compliance with energy efficiency standards for their residence prior to receiving a solar rebate Letter of Intent

Commercial Performance-Based Incentive

- \$0.14 per kWh for 10 years
- System size limited to 20 kW
- Changes under Consideration
 - Raise system size limit to 200 kW
 - Implement a MW-based ramp-down for incentives (10 MW?)





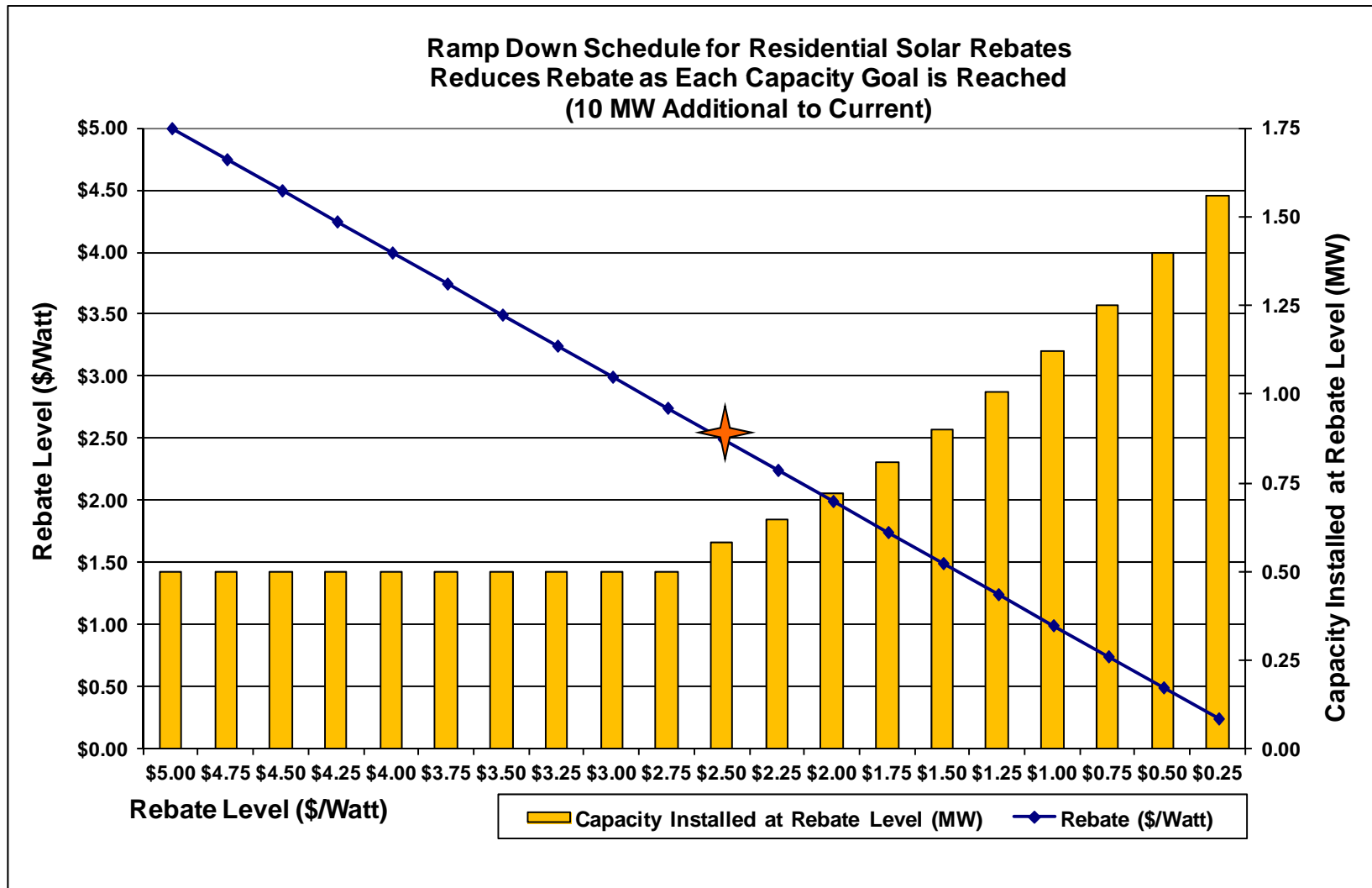
Residential Solar Rebate Ramp Down Schedule

- Solar Goal 200 MW
 - Residential (single family, community solar) goal of 10 MW above current capacity of 5 MW
- Reduce residential solar rebate level (\$/Watt)
 - Current rebate level of \$2.50/Watt
 - As each capacity goal is reached
 - No more than once per 6 month period
- As rebate level (\$/Watt) decreases, more MW must be achieved per rebate
- Improvement rate of 11.6% in MW per \$0.25 reduction in rebate level





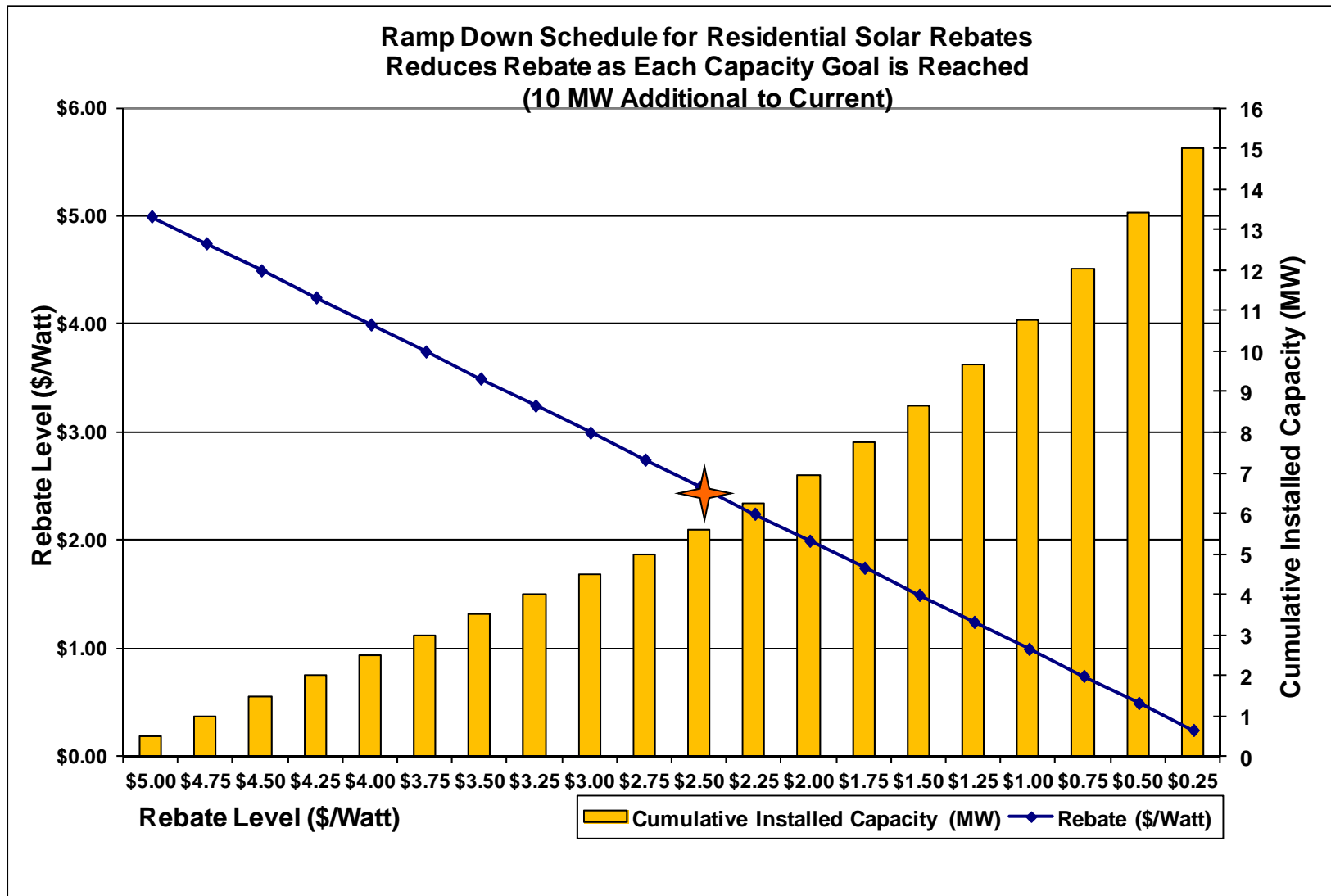
Residential Solar Rebates - Capacity Installed



★ = Current solar rebate level of \$2.50/Watt



Residential Solar Rebates – Cumulative Capacity



★ = Current solar rebate level of \$2.50/Watt



Value of Solar

- Established Value of Distributed Solar Photovoltaic (PV) Systems installed locally
- First report completed in 2006
- Updated annually
- Recent update completed November 2011
 - Inclusion of results from nodal price analysis increases Value of Solar results by 0.15¢ to 0.38¢ per kWh
 - Value of Solar for fixed 30-degree system is 12.8¢ kWh





Residential Solar Program - Value of Solar

- **Energy:** PV replaces energy produced by marginal unit in real time; PV value is based on cost of energy it replaces
- **Capacity:** PV hourly kW contribution to system multiplied by the capital cost of installing a new gas turbine
- **T&D Deferral:** Expense savings due to adding distributed PV which can defer future T&D capital investments; T&D deferral benefit is location-specific
- **Loss Savings:** PV produces electricity at point of consumption eliminating need for supplemental energy to cover T&D losses
- **Environment:** Based on customer willingness to pay premium prices for green power in Texas





Customer Billing System

- New system has capability to bill based on proposed rate structure
- Will require billing system adjustments
 - Setup of new rate structure
 - Input new rates
 - Convert customers from old classes to proposed classes
- Billing system can begin billing new rates 90 days after Council approval
- Meter exchange required for customers wanting to take advantage of Time-of-use rates





Questions