

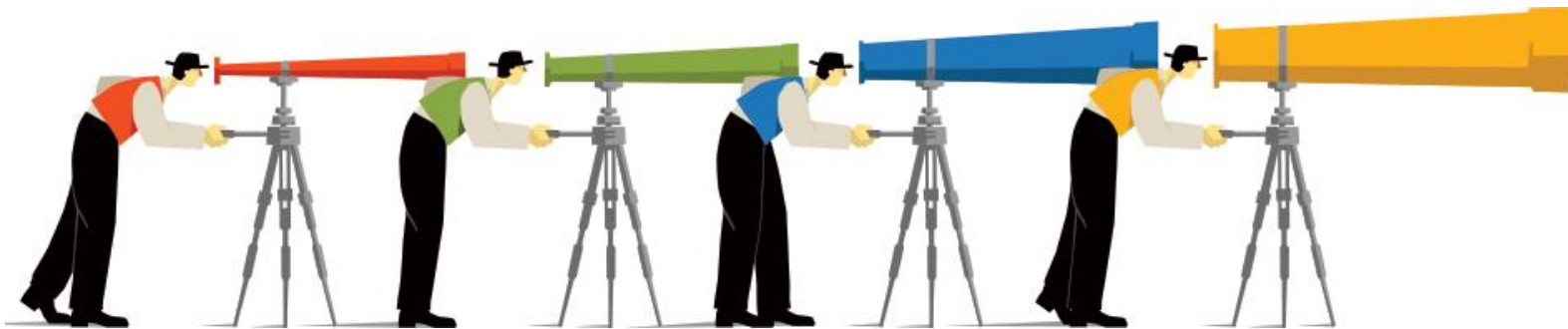
INDEPENDENT REVIEW OF RESOURCE GENERATION PLAN

Overview of Methodology and Assumptions (Version 1)



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- » **Purpose:** The purpose of this presentation is to present study methodology, design and key input assumptions the Navigant team has developed for this independent assessment.
- » **Navigant:** The Navigant team includes two subcontractors: Quality Power, LLC and Energy Utility Group, LLC.
- » **Scope:** Austin Energy's ("AE") 2014 Resource Plan update identifies potential retirements and additions to its generation fleet. Our independent assessment focuses primarily on the impacts of investing in a Gas Plant or alternative resources. *We assume AE pursues the other elements of it's 2014 Generation Plan.*
- » **Methodology:** Our modeling methodology employs industry standard methods and tools and assumptions developed by the Navigant team. To assess financial and environmental impacts to AE, we model all of ERCOT which includes AE load and generation.

- » **Analysis Design:** We will assess the impact to Austin Energy of 4-different market scenarios on 7-different resource portfolios:
 - **Scenarios:** To assess market risks of each portfolio our analysis will look at the following 4 scenarios:
 - **Natural Gas prices** which are the single largest driver of risk and changes in the cost of AE's market purchases. Navigant developed 3 gas price forecast scenarios (expected, high and low).
 - **High ERCOT Solar** build out scenario that assesses the uncertainty to AE of increased grid-tied solar PV in ERCOT.
 - All scenarios include Navigant's projection of carbon allowance pricing that begins in the 2020-2022 time-frame to reflect the implementation of the Clean Power Plan.
 - **Portfolios:** Navigant has developed 7 portfolios which include *either* the Gas Plant or combinations of power market purchases, solar, wind storage, and demand response.
 - Navigant has developed independent assumptions for the 500 MW Gas Plant.
 - Navigant has developed independent assumptions for the incremental alternative resources (e.g., those resources that are not already in the 2014 Generation Plan).
- » **Results:** Navigant will report the results of the portfolio across metrics which include: costs, rate benchmark, renewable power, air emissions and water use.

Schedule

