AUSTIN ENERGY'S TARIFF PACKAGE: 2015 COST OF SERVICE STUDY AND PROPOSAL TO CHANGE BASE ELECTRIC RATES	§ § § §	**BEFORE THE CITY OF AUSTIN IMPARTIAL HEARING EXAMINER**

AUSTIN ENERGY'S RESPONSE TO AE LOW INCOME CUSTOMERS' FOURTH REQUEST FOR INFORMATION

Austin Energy ("AE") files this Response to AE Low Income Customers' ("AELIC") Fourth Request for Information submitted on March 3, 2016. Pursuant to the City of Austin Procedural Rules for the Initial Review of Austin Energy's Rates § 7.3(c)(1), this Response is timely filed.

Respectfully submitted,

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AUSTIN CITY CLERK
RECEIVED

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this pleading has been served on all parties and the Impartial Hearing Examiner on this 14th day of March, 2016, in accordance with the City of Austin Procedural Rules for the Initial Review of Austin Energy's Rates.

HANNAH M. WILCHAR

749/11/7052216.1

AELIC 4-1. What is the amount of debt AE currently has outstanding (as of the end of FY 2015) that is attributable to the FPP? Please include all amounts attributable to the scrubbers and other modifications to FPP.

ANSWER:

$168,887,366 in principal payments (cash basis).

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-2. How is the debt identified in RFI No. 4-1 supported (bonds? Commercial paper?)? Please be specific and break the amount identified in RFI No. 4-1 into the various debt instruments supporting the debt.

ANSWER:

All principal due identified in AE's Response to AELIC 4-1 is long-term, bond-funded debt.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-3. What is the amount of the debt service related to FPP that is included in AE's 2014 test year cost of service (please include any adjustments made to the test year debt service, if any, that were included in the rate-filing package) supporting AE's proposed rates?

ANSWER:

$9,756,061. The amount was adjusted down by approximately $328,000 to reflect the change in FPP debt service from FY 2014 to 2015.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-4. For each debt instrument identified in RFI No. 4-2, please provide the number of years of AE payments and the number of years of AE payments remaining for the corresponding debt instrument as of the end of FY 2015. (In other words, how many payments on the FPP debt did AE original agree to and how many more years from the end of FY 2015 will AE have to make payments before the FPP debt is retired?

ANSWER:

The earliest existing bond issues were issued in 1998 and payments continue until 2046. See Attachment 1 to AE's Response to AELIC 4-6.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-5. Do any of the debt instruments identified in RFI. No. 4-2 have any early payment (such as to pay off the debt early or to accelerate the amount or times of payment) restrictions such as a prohibition against early retirement of the debt, financing penalties, prohibited debt retirement before a certain date or number of payments and such other restrictions?

ANSWER:

Yes.

Prepared by: GS
Sponsored by: Mark Dombroski

AELIC 4-6. If the answer to RFI No. 4-5 is yes, please identify each debt instrument with an early payment restriction and for each debt instrument please explain the early payment restriction.

ANSWER:

Please see Attachment 1 for the call dates for the bond series which have funded improvements at Fayette Power Plant.

Attachment 1: Bond Issue Call Dates

Prepared by: GS
Sponsored by: Mark Dombroski

Series	Call Date	Make Whole	Advance Refundable	Additional Notes
Combined Utility System Subordinate Revenue Refunding Bonds, Series 1998	Not callable	N/A	N/A	N/A
Electric Utility System Revenue Refunding Bonds, Series 2007	11/15/2017	None	Yes	Callable at par in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on call date or any date after.
Electric Utility System Revenue Refunding Bonds, Series 2008A	11/15/2018	None	Yes	Callable at par in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on call date or any date after.
Electric Utility System Revenue Refunding Bonds, Series 2010A	11/15/2020	None	No (See Notes)	Callable at par in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on call date or any date after. Multiallocable issue. Roughly 1/3 of principal cannot be advance refunded.
Electric Utility System Revenue Refunding Bonds, Series 2012B	**Bonds maturing 2016-2021:** 12/18/2012 **Bonds maturing 2023-2027:** 11/15/2022	**Bonds maturing 2016-2021:** Yes (See Notes) **Bonds maturing 2023-2027:** None	No	**Bonds maturing 2016-2021:** Callable at option of the City prior to November 15, 2022 in whole or in part in principal amounts of $5,000 or any integral multiple thereof on any business day at redemption price equal to the greater of 100% of the principal amounts to be redeemed or the sum of the present value of the remaining principal and interest payments discounted at the Treasury Rate plus 10 basis points. **Bonds maturing 2023-2027:** Callable at par in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on call date or any date after.

AELIC 4-7. Are any of the debt instruments identified in RFI No. 4-2 tied to debt instruments of AE's FPP partner, LCRA?

ANSWER:

No.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-8. If the answer to RFI No. 4-7 is yes, please explain how the debt instruments are tied to AE's partner, LCRA.

ANSWER:

Not applicable.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-9. Does AE know whether LCRA has any outstanding debt relating to FPP units 1 and/or 2?

ANSWER:

Austin Energy does not know whether LCRA has any outstanding debt relating to FPP units 1 and/or 2.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-10. If the answer to RFI No. 4-9 is yes, then, does LCRA have outstanding debt related to FPP units 1 and/or 2 and if so, what the amount(s) is(are)? (In answering this question AELIC understands that AE may not know the exact debt amounts. AELIC is asking for a good faith effort on best information available. The amount may be a range or be the amount as of a certain time in the near past).

ANSWER:

Not applicable.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-11. Will FPP have to go through some type of re-certification or licensing process to continue operating FPP as a power plant? If so, please identify the re-certification or licensing process; provide a brief summary of that process; and identify when the plant has to go through the re-certification or licensing process.

ANSWER:

Usually, New Source Review (NSR) construction permits (air permit) are renewed every 10 years. Usually, Title V or Operating Permits (OP) (air permit) are renewed every 5 years. FPP has both types of permits. As part of the process for the renewal of these permits, FPP will have to go through public notice for these renewals. Air Standard Permits are also renewed every 10 years. Water permits are renewed every 5 years and have to go through public notice (with the exception of the USACE water permit). The TCEQ and EPA have the right to call an issued permit well before a renewal to incorporate a change in the rules that affects the permit. In addition, permits will have to be amended if FPP plans to make changes to plant operations that require changes to permit limitations. The amendment process also requires public notice. There are also other rule changes that may affect the permit with which FPP will have to comply from the effective date of the rule change, even if the rule change has not been incorporated into the permit.

The permits at FPP are listed below. The PAL permit (air permit) and the Title V renewals have been submitted for TCEQ review but have not been received by FPP as of yet:

Permit	Permit Number	Renewal Date	Notes
Air - Title V	O21	9/21/2014	Renewal pending
Air - NSR/PSD	51770/PSDTX486M3	5/2/2024	
Air - PAL	PAL2	10/10/2012	Renewal pending
Air - Standard	52373	12/11/2022	
Air - Standard	88122	5/5/2019	
Air - Standard	80845	NA	will expire 2/2/2017 but was for one-time testing only. No renewal
Air - Standard	97985	NA	will expire 8/15/2021 but was for one-time testing only. No renewal
Air - Standard	115662	1/23/2024	
Water - TPDES	WQ0002105000	12/1/2019	
Water - MSGP	TXR05M603	8/14/2016	
Water - Stormwater construction	TXR15ZR83	3/5/2018	
Water - USACE	SWG-2007-00315	12/31/2018	FPP River Pump Station Dredging Permit

Prepared by: JW
Sponsored by: Elaina Ball

AELIC 4-12. Does AE know whether LCRA has a decommissioning reserve for its share of FPP?

ANSWER:

AE does not know whether LCRA has a decommissioning reserve for its share of FPP.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-13. If the answer to RFI No. 4-12 is yes, does LCRA have a decommissioning reserve for its share of FPP, and if so, please provide the amount LCRA has established to cover its share of the decommissioning costs for units 1 and 2; or if aggregated with unit 3, the total costs for all three units and also provide the recovery mechanism, including annual amount of cost to recover in rates and the rate recovery element, if any.

ANSWER:

Not applicable.

Prepared by: SK
Sponsored by: Mark Dombroski

AELIC 4-14. Can ERCOT require AE and/or LCRA to continue to have FPP available for electricity production even if AE and LCRA seek to decommission FPP? In other words, can AE and/or LCRA be estopped from decommissioning FPP by ERCOT? If so, please explain what ERCOT's powers have to estop a generation owner from decommissioning a plant and what appeal powers, if any, AE and/or LCRA may have to challenge an ERCOT decision estopping AE and/or LCRA from decommissioning FPP.

ANSWER:

A generation resource owner must submit a Notification of Suspension of Operations for any suspension greater than 180 days. The notice must be submitted at least 90 days before the proposed suspension date. ERCOT will evaluate the proposed suspension to determine if the generator is needed to provide support grid reliability over a period of up to 60 days. If needed for reliability, ERCOT may initiate a Reliability Must Run (RMR) contract with the generation resource owner in order to maintain the resource's availability for reliability purposes. Such agreements are generally up to one year in duration but can be longer in certain circumstances and may be renewed for additional periods. The RMR agreement is intended as a temporary cost reimbursement arrangement until the reliability issue can be resolved through transmission improvements (or anticipated generation resources) that will be identified in a required RMR exit strategy developed by ERCOT. If ERCOT and the generation resource owner are unable to agree to RMR contract terms, the generator owner may challenge ERCOT's decision by filing a complaint with the Public Utility Commission of Texas.

Prepared by: PS
Sponsored by: Elaina Ball

AELIC 4-15. Does AE have any long term coal contracts directly or indirectly through LCRA as project manager involving FPP? If so, explain what rights, if any, AE (directly or indirectly through LCRA as project manager) would have to opt out of the contract before the termination date. In your explanation please identify and quantify any costs such as a financing penalty for early termination or for liquidated damages AE may incur with early termination.

ANSWER:

Austin Energy does not have any long term coal contracts directly or indirectly through LCRA. AE and LCRA are joint signatories to coal supply contracts with LCRA providing day-to-day contract management in its role as project manager.

Prepared by: PS
Sponsored by: Elaina Ball

AELIC 4-16. Could ERCOT require AE and LCRA to mothball FPP instead of decommissioning the unit even if ERCOT agreed that FPP would not be required to generate electricity? What would mothballing entail and how would it effect AE's ability to decommission FPP?

ANSWER:

No, there is no mechanism in place for ERCOT to require a unit be mothballed. A generation resource owner can request that a unit be moved to mothball status but this has to be approved by ERCOT. The Notice of Suspension of Operations, outlined in AE's Response to AELIC 4-14, can indicate a permanent retirement and decommissioning can begin after approval by ERCOT.

Prepared by: JW
Sponsored by: Elaina Ball