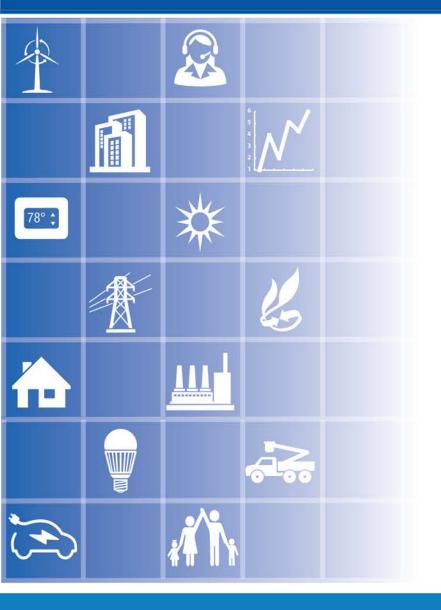
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Update on Austin Energy Plans for Exiting the Fayette Power Project

Austin Energy Utility Oversight Committee January 30, 2017

Pat Sweeney Acting Vice President, Power Production





Fayette Power Project Background



3 generators fueled by Low Sulfur Powder River Basin Coal

- Unit 1 600 MW began operation in 1979 (50/50 Ownership)
- Unit 2 600 MW began operation in 1980 (50/50 Ownership)
- Unit 3 440 MW began operation 1988 (100% LCRA)
 - Austin opted not to participate in Unit 3

Co-owned by Austin Energy and the Lower Colorado River Authority (LCRA)

Sited on 6,400 Acres near La Grange, Texas (50/50 Ownership of site)

 Includes an existing 2,400 acre cooling lake and land for future 1,400 acre lake

Operated by the LCRA subject to the FPP Participation Agreement (established 1974)

Approximately 121 staff support Units 1 &2



FPP represents about 24% of AE's annual power production and 75% of AE's carbon output



Why we're here today

 The Austin Energy, Generation, Resource and Climate Protection Plan to 2025 approved by Council in December 2014 included:

- A commitment to begin a process to retire Austin Energy's share of the Fayette Power Project by the end of 2022
- Subject to maintaining affordability and competitiveness



Why we're here today

- The Joint Agreement on Rates approved by Council in August 2016 included commitments by Austin Energy to:
 - Present an update to Council by the end of January 2017 with a report and timeline on development of the options, roadmap, and assessment of legal considerations.
 - Target the end of June 2017 to present options, recommend a preferred path, including anticipated budgetary impacts for FY18
 - Earmark \$5 million of the Contingency Reserve in the FY17 budget to manage debt service at FPP

 Several executive level meetings with LCRA regarding approaches

Met with stakeholders

 Revisited 2013 legal assessment and engaged outside legal counsel to review several legal considerations



Legal Considerations

- Participation Agreement
 - No provisions for retirement or exit outside of a sale
- Debt
 - Need & timing for debt defeasement (\$165M outstanding today)
- Rates
 - Rate treatment & Public Utility Commission considerations
- City Charter
 - Provisions related to conveyance, sale or lease of assets

Details provided by memorandum



Next Steps & Timeline

- Continue discussions with LCRA to narrow options to those that are most viable
- Continue stakeholder engagement
- Conduct additional economic, technical and legal assessments of likely options
- June 2017 briefing on options and recommended path