2016 Resource Plan Update – Scenario Results

Electric Utility Commission

April 2017

Recap of Goals & Directives from 2014 Update

- 2014 Austin Energy Resource Plan (Progress to date)
  - 55% renewables by 2025 (30%)
  - 900 MW Demand Side Management by 2025 (576MW)
    - 700 MW energy efficiency by 2020
    - Demand Response
      - 100 MW by 2020 and additional 100 MW by 2025 (54MW)
  - 950 MW solar by 2025
    - 110 MW Local Solar by 2020 and additional 90 MW by 2025 if affordable (74 MW)
    - 750 MW Utility Scale Solar by 2025
      - 275.5 MWs Operational with E. Pecos (Bootleg) of 118 MW Commercial on 4/5/2017
      - 320 MW under contract
  - CO2 emissions
    - 20% reduction from 2005 levels by 2020 (Meeting)
    - Retirement of Fayette Coal Plant beginning in 2023 (in progress)
  - Affordability
    - 2% limit per year (met)
    - Rates should be in the lower 50th percentile statewide (slightly above trending lower)
  - 10 MW (lithium ion batteries) local storage by 2025 + 20 MW of thermal storage (17MW Thermal/3 MWe in progress)
  - Retire Decker steam units by 2019 and replace with 500 MW efficient combined-cycle (pending) – subject to a third party study (complete)

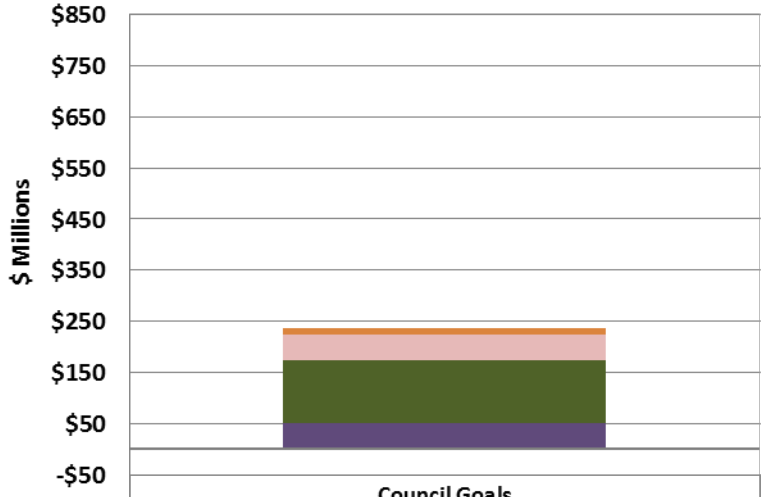
Strategies & Scenarios

Five broad Strategies with different themes

Cost of Achieving Council Goals from Current Generation Mix

- Council goals include
  - Ramp down & exit FPP in 2023
  - Retire Decker in 2021
  - Add renewables to meet goals which includes 200 MW local solar
  - Upgrade Austin Energy transmission system to accommodate decker retirement
- The cost of achieving council goals is the delta above the current generation mix (do nothing) scenario and does not factor the FPP debt/Operations & Maintenance (O & M) cost

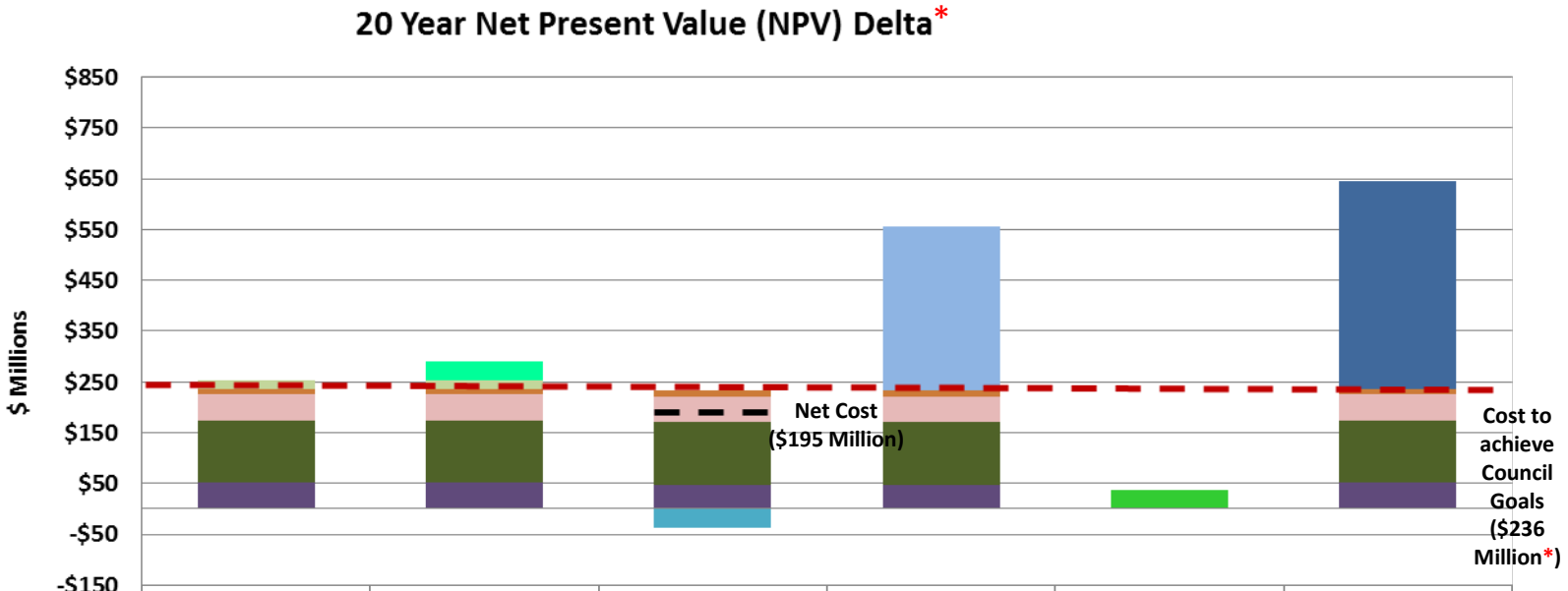
20 Year Net Present Value (NPV) Delta*



	Council Goals
Net cost for 10 MW Battery	$12
Decommissioning cost	$51
Net cost for 55% renewables	$123
Reduction in Load Zone benefits	$48
Transmission upgrades	$3

**** This does not include the cost impact of retiring AE assets due to confidentiality reasons***

Other results



	65% Renewables	75% Renewables	Add GTs	Add CC	Meet renewable goals through RECs	300 MW CAES
Net cost for CAES						$408
RECs Cost					$37	
Net cost for 75% renewables		$37				
Net cost for 65% renewables	$17	$17				
Net cost for CC				$323		
Net cost for GTs			-$38			
Net cost for 10 MW Battery	$12	$12	$12	$12		$12
Decommissioning cost	$51	$51	$51	$51		$51
Net cost for 55% renewables	$123	$123	$123	$123		$123
Reduction in Load Zone benefits	$48	$48	$48	$48		$48
Transmission upgrades	$3	$3				$3

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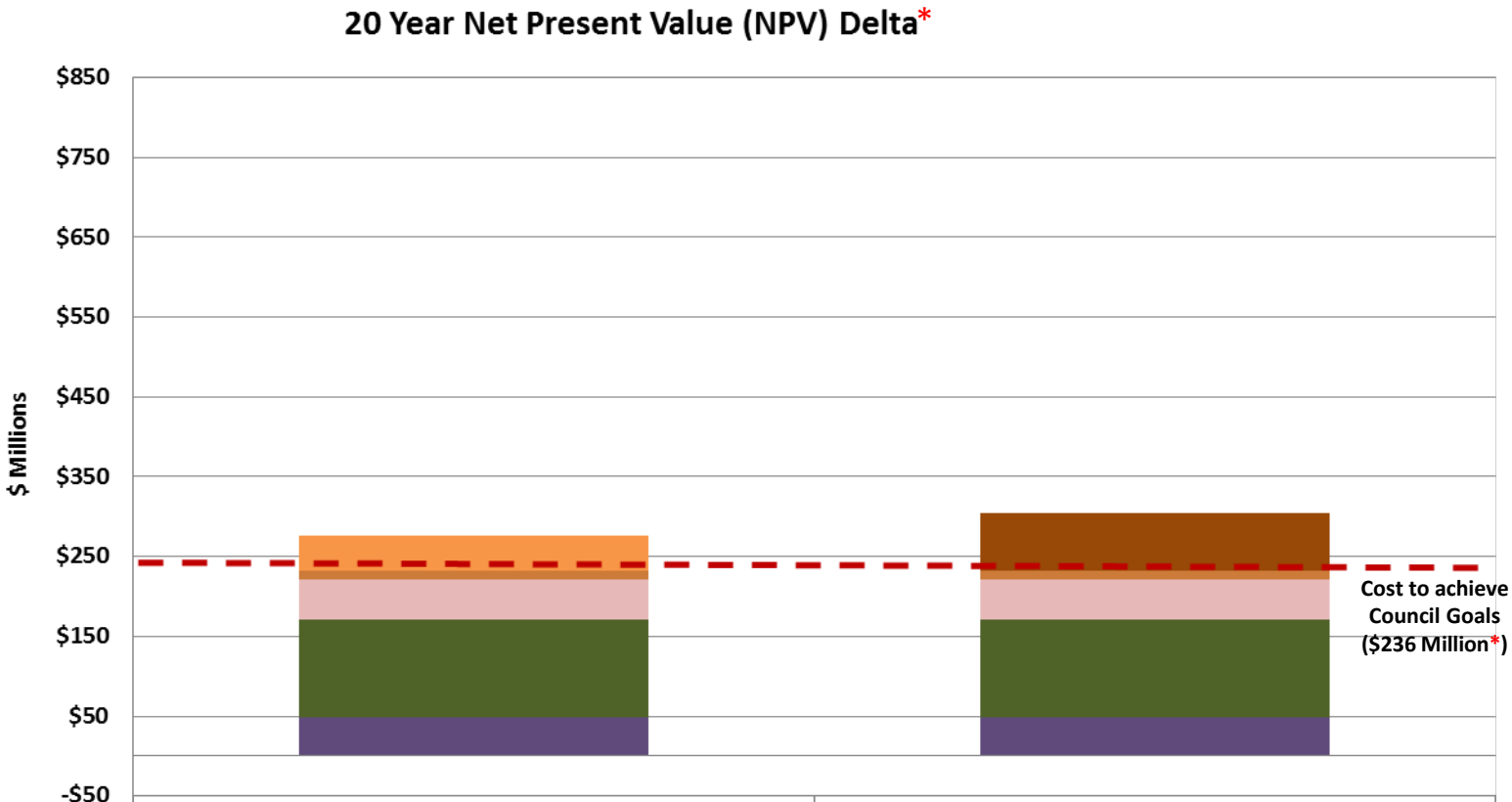
Cost Of Adding Battery at Decker from Current Generation Mix



	Add 137 MW Battery	Add 300 MW Battery
Net cost for 300 MW Battery		$72
Net cost for 137 MW Battery	$43	
Net cost for 10 MW Battery	$12	$12
Decommissioning cost	$51	$51
Net cost for 55% renewables	$123	$123
Reduction in Load Zone benefits	$48	$48

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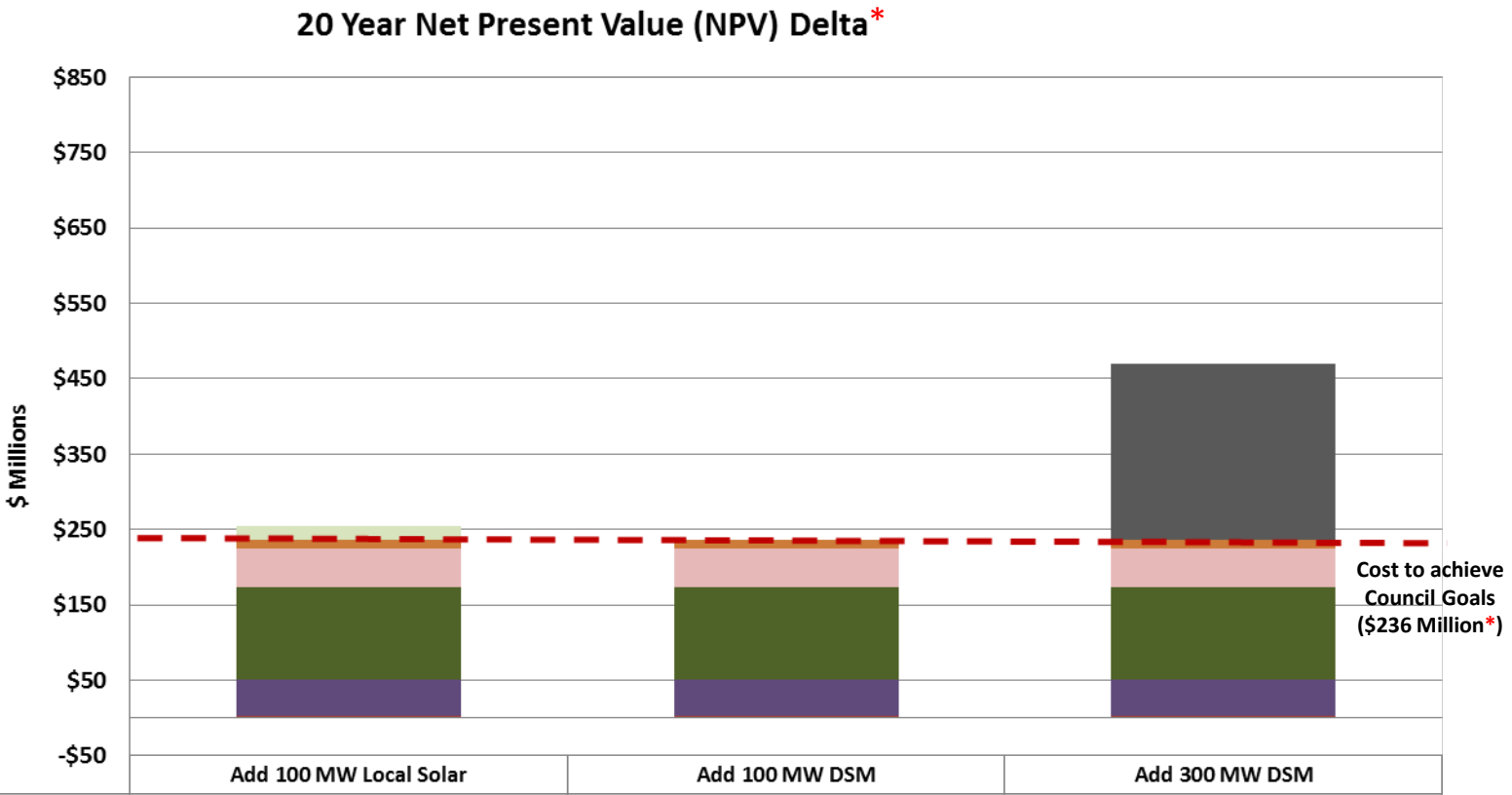
Cost of Increasing DSM & Local Solar from Current Generating Mix



	Add 100 MW Local Solar	Add 100 MW DSM	Add 300 MW DSM
Net cost for additional 300 MW DSM			$233
Net cost of additional Local Solar	$18		
Net cost for 10 MW Battery	$12	$12	$12
Decommissioning cost	$51	$51	$51
Net cost for 55% renewables	$123	$123	$123
Reduction in Load Zone benefits	$48	$48	$48
Transmission upgrades	$3	$3	$3

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20 Year Net Present Value(NPV) vs. Cost at Risk (Without CO2)