

Austin Energy's Resource and Climate Protection Plan

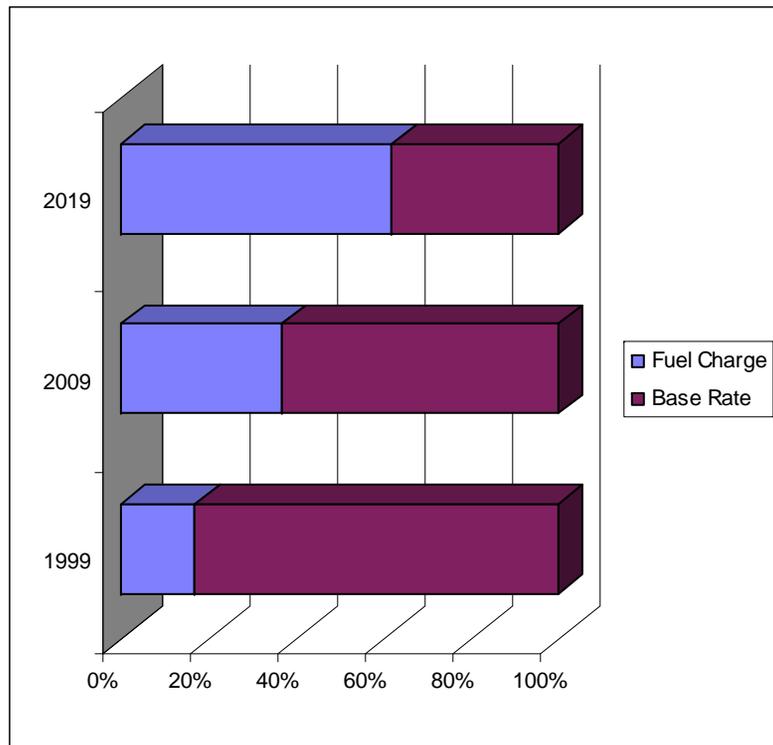
Bill Impact Analysis

November 12, 2009



Some Historical Perspective

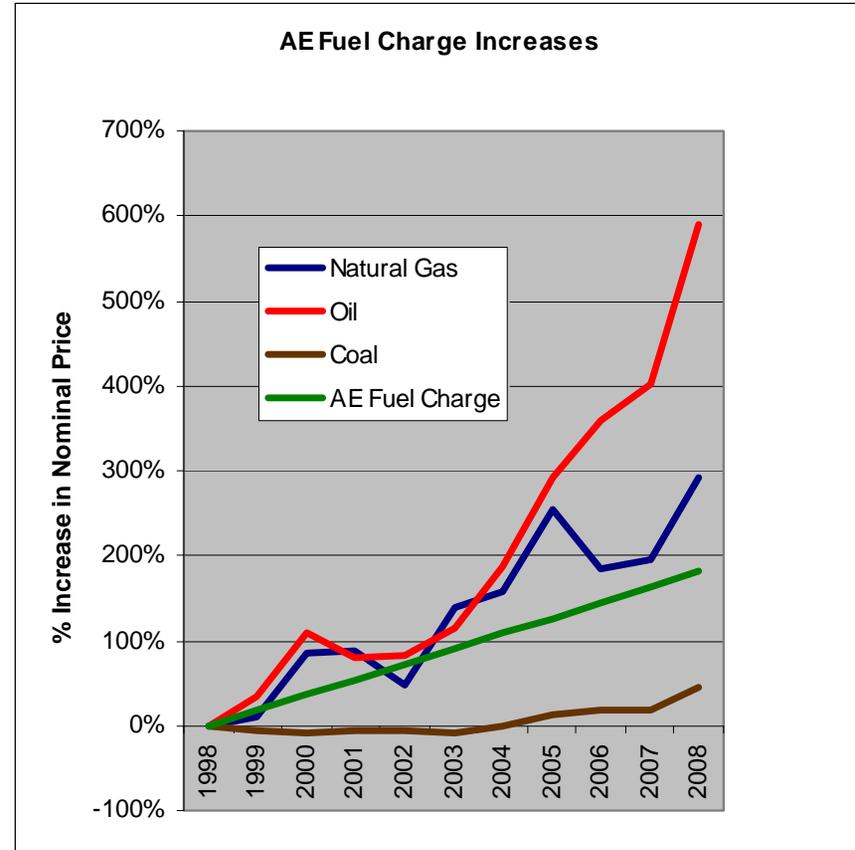
Austin Energy's Historical Bill Mix and "Business as Usual" Future Bill Mix



- Austin Energy's residential level bills have increased by 28% from 1999 until now. By comparison San Antonio's bills have increased 49% in the last 10 years.
- The increase in Austin Energy's bills has been entirely a result of increased fossil fuel costs, resulting in a 181% fuel charge increase over the last 10 years.
- Fossil fuel prices are increasing in volatility and are expected to return to recent historical levels as the economy recovers, in fact oil prices already have. At that point fossil fuel prices are expected to continue to rise for the foreseeable future.
- If Austin Energy Does not change its investment strategy the fuel charge will soon become the bulk of customer energy bills. This represents a significant added cost as well as a significant risk for the utility and city.
- The 2019 "Business as Usual" bar represents how much of an Austin Energy bill will be fuel costs if historical trends are continued.

Fossil Fuel Prices Continue to Rise

- Looking forward, fossil fuel prices and price volatility are expected to continue to rise with increasing demand, constrained supply and regulatory impacts.
- Price forecasting tends to be conservative. In Pace Consulting's analysis earlier this year the price of oil was forecasted in the \$40-\$50 per barrel for the next 3-4 years. The price of oil has been \$60-\$75 per barrel since May.
- To help protect customers from this, Austin Energy needs to invest in energy that is not subject to rising fuel prices.
- Energy efficiency and renewable energy represent cost-effective solutions to this issue.



Wind Energy and Customer Bills

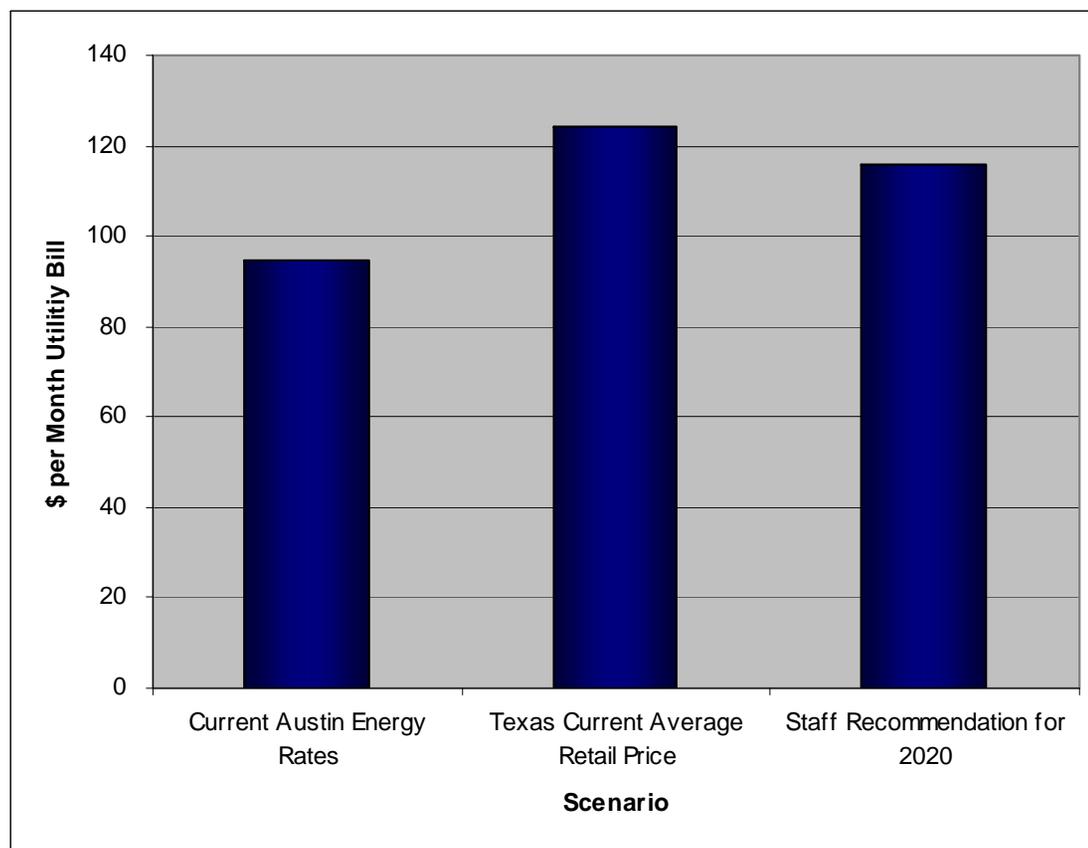
- When Austin Energy started its Green Choice program, the cost of wind was higher than that of conventional electricity. That is no longer the case; the only reason some wind power is still more expensive is because there is currently not enough transmission to move the power from West Texas to Austin.
- The Texas Public Utilities Commission as well as ERCOT have deemed the development of additional wind energy and the associated transmission lines a significant net benefit to Texans by reducing their overall bills. ERCOT estimates that the full savings from wind energy will be between \$2.5 and \$3.4 billion per year when we develop all the wind possible. This does not include savings in overall reduced natural gas prices, as well as health and environmental benefits. With an estimated cost of \$4.93 billion, ERCOT has said that our investment in these transmission lines will pay us back in savings within 3.5 years.
- The direct impact on Austin customer bills could be an adder of as much as \$2.60 for transmission expenses but an overall price reduction in prices of \$7.79 (using analysis from ERCOT and Pace Consulting.) This will lead to a net reduction in monthly bills of \$5.19, if Austin Energy allows all of its customers access to the wind energy savings. This savings has not been incorporated into Austin Energy's Bill Impact Analysis.

The Costs of the “Wait and See Approach”

- In 2008 the Supreme Court required the EPA to act to regulate CO2 emissions if Congress did not. Currently the EPA is developing those regulations and could enact them within the next year if Congress doesn't pass a bill.
- If Austin Energy does nothing, according to Pace Consulting's analysis, the cost of emissions annually would be \$114 million. This works out to about \$9 a month on the average residential electric bill in addition to other expected fuel price increases.
- There will be significant other costs as the price of natural gas responds to increasing demand and fuel transportation costs increase.

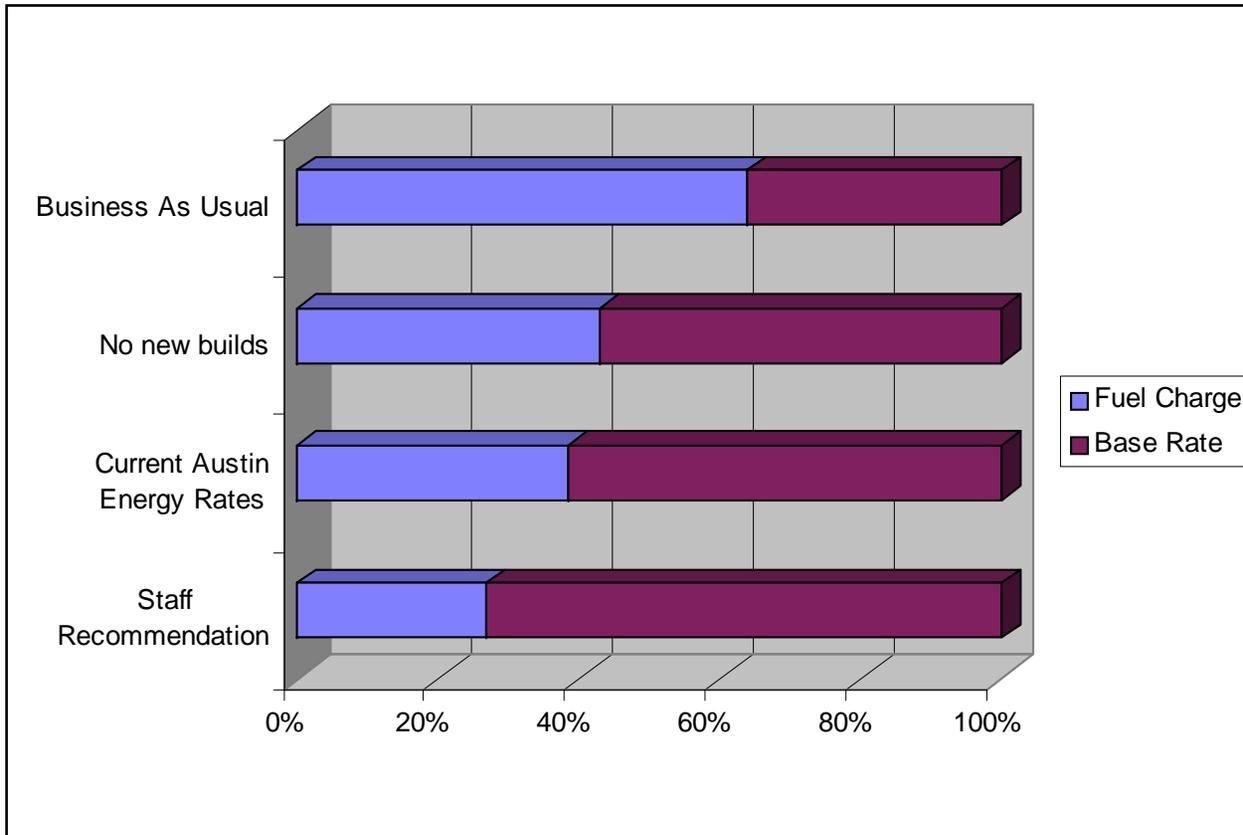
Retail Electric Prices in Texas for Average Residential Consumer

(1,000 kWh per Month, in real 2007 \$)



- Austin Energy's monthly bill for an average home is \$35 less than the average for Texas.
- Austin Energy's staff recommendation would lead to a monthly bill still almost \$15 less than the current average.
- This is largely a result of Austin Energy's aggressive pursuit of efficiency programs.

2020 Reliance on Variable Fuel Costs



Average Residential Bill Impact Scenario Comparison

(1,000 kWh per Month, in real 2007 \$)

- Showing a “Business as Usual” case that would happen if historical trends continue.
- Including the net costs and benefits of expanding wind generation in Texas

