PACE

4401 Fair Lakes Court
Fairfax, VA 22033-3848 USA
Phone: 1.703.818.9100
Fax: 1.703.818.9108

FAYETTE POWER PLANT MERCHANT ANALYSIS

Pace evaluated the performance of the Fayette Power Plant as a merchant generator in the ERCOT market by projecting expected dispatch, cost, and revenues on an hourly basis through 2020. All market drivers and assumptions are consistent with Reference Case projections. A summary of the projections is in Exhibit 1.

In our assessment, Pace projects the capacity factor of the plant to decline modestly from the low 80 percent range to around 78 percent by 2020. Pace calculated plant gross margins by subtracting costs associated with fuel, variable operations, and emissions from expected market sales. Over the entire study period, gross margins are estimated to average around $120 million (real 2007 $).

Exhibit 1: Summary of FPP Capacity Factor and Gross Margin Expectations

	Total Generation (GWh)	Capacity Factor	Gross Margin ($MM)
2009	4,351	82%	67.0
2010	4,293	83%	104.5
2011	4,302	83%	139.2
2012	4,248	82%	127.2
2013	4,173	81%	105.2
2014	4,180	81%	111.1
2015	4,185	81%	139.6
2016	4,158	80%	148.1
2017	4,116	80%	136.6
2018	4,071	78%	111.4
2019	4,038	78%	119.0
2020	4,051	78%	141.0

Source: Pace analysis

This case reflects a single deterministic Reference Case. Market uncertainties could shift this projection in either direction. Key risk factors include coal prices, CO_2 emission compliance costs, natural gas prices, energy demand, and power market prices, which are driven by the others. These factors could impact the expected dispatch of the Fayette plant, as well as the expected margin during times of dispatch.