

**Austin Generation Resource Planning Task Force
Information Request Responses
October 14, 2009**

AE answers provided in bold/italics

Task Force requested comments on the following proposed draft recommendations submitted on 10/7/09.

1. The Generation Task Force recommends that Austin Energy report every two years to the City Council and make a presentation at a public forum regarding whether the Generation Plan is the most cost effective way to achieve the City Council's renewable energy/ carbon reduction goals and protect against the risk of future price increases. If not, what changes to the plan should be made to either better meet the City Council's goals, make the plan more cost effective or reduce future risks of price increases? If the percentage increase in average electric rates for any individual class of Austin Energy customer in two consecutive years exceeds the percentage increase in the Producer Price Index Electric Power Generation (http://data.bls.gov/PDO/servlet/SurveyOutputServlet?series_id=PCU221110221110) and the percentage increase in the monthly average ERCOT wholesale price, then the staff report shall analyze the reasons why Austin Energy's rates are increasing at a higher percentage and discuss to what extent such greater percentage increase is attributable to the generation plan. If the greater percentage increase is primarily attributable to the generation plan, the City Council should assess, based on facts then known, whether the costs of achieving the plan exceed the benefits of the plan and whether any amendments should be made to the plan.

Austin Energy's electric "rates" or "base rates" are set by the City Council. While AE is developing a plan to reexamine its rates for the 2013 fiscal year, AE's current rates have been in place since 1994. There are a couple of exceptions of note. Changes to some service fees for specific services have been adopted by the Council in some years. The Large Primary Service Special Contract Rider was adopted by the Council subsequent to the 1994 rate adoption; however, that contract lowered the rate for the commercial and industrial customers taking service under the contract rider. Fuel charges are typically adjusted annually but not exclusively. Those charges are calculated according to a formula previously adopted by the Council. As base rates are set only occasionally, and because any rate proceeding is likely to be a public process, using a measure of the change in electric rates as a performance indicator of the generation plan is unlikely to be a meaningful measure. Additionally, such a measure will only capture the impact of portions of the plan which have already been implemented and may not be a suitable measure of the impact of future plans. Measures related to the cost of generation and fuel could be evaluated relative to changes in ERCOT market prices or other measures such as a general comparison of rates offered in Texas as a means for evaluating AE's cost performance but estimates of future impacts will likely require a forecasting effort similar to the current resource planning effort.

2. The Generation Task Force recommends that Austin Energy report every two years to the City Council and make a presentation at a public forum regarding whether the Generation Plan is affecting the reliability of electricity service to Austin Energy consumers. For the State of Texas, ERCOT [Electric Reliability Council of Texas] has the ultimate responsibility for overall grid reliability. However, as more and more municipal, state, and regional renewable energy initiatives begin to take effect and federal climate change initiatives are considered, there is an increasing need to review the collective impact of these initiatives on the power system. If Austin Energy concludes that the proposed generation plan is negatively impacting the reliability of electric service to Austin Energy customers, then Austin Energy shall recommend to the City Council improvement projects and initiatives to mitigate and restore the electrical reliability in the Austin area to a level comparable to reliability levels prior to the generation plan changes. Recommendations may include modifying the generation plan to include more Base Load Generation options.

The reliability of the wholesale electric market and the transmission network is governed by ERCOT—under the direction of the Public Utility Commission—and the ERCOT Protocols. By law, AE is subject to the reliability rules, guidelines, and procedures established by ERCOT. Further, reliability issues raised by to the expansion of variable resources are issues that affect and involve the entire ERCOT region. Austin Energy cannot take independent action to resolve transmission network reliability concerns, without the full involvement of ERCOT and the ERCOT member companies. Reliability of the distribution network—wires below 60 KV—is overseen primarily by local distribution companies. Austin Energy is responsible for the distribution reliability within its territory. Austin Energy would therefore have the responsibility to monitor and mitigate adverse reliability outcomes on the distribution network associated with generation resources that are connected at the distribution level. Austin Energy already has several industry accepted performance measures in place that track the reliability of its distribution system including SAIDI (System Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) which may be used or adapted for this purpose. In addition, Austin Energy will continue to monitor the System Average Transmission Line Performance Index (SATLPI). This measure provides a means to monitor the reliability and power quality of AE’s transmission line design and maintenance programs. The data collected to calculate these performance measures include the underlying cause of a disturbance. This information provides AE the intelligence necessary to mitigate future distribution reliability concerns.