

Pace and AE Calculation Methods

Strawman Example

Pace Cost Increase Calculation

	Forecast		Change	%
	2009	2020		
Fuel Cost per MWh	\$ 26.05	\$ 34.47	\$ 8.42	32.3%
Non-Fuel Production Cost per MWh	23.20	29.08	5.88	25.3%
Total Production Cost	\$ 49.24	\$ 63.54	\$ 14.30	29.0%

Staff Rate Impact Change

	Current	2020	Change	%
	Rates			
System Wide Fuel Factor	\$ 36.35	\$ 34.47	\$ (1.88)	-5.2%
Current Production Rate Estimate based on 2007 filing	19.75	29.08	9.33	47.2%
Total Production Cost	\$ 56.10	\$ 63.54	\$ 7.44	13.3%
Add Wires	18.35	18.35	-	0.0%
Add Coverage	12.51	18.56	6.05	48.4%
Austin Energy System Rate	\$ 86.96	\$ 100.46	\$ 13.50	15.5%

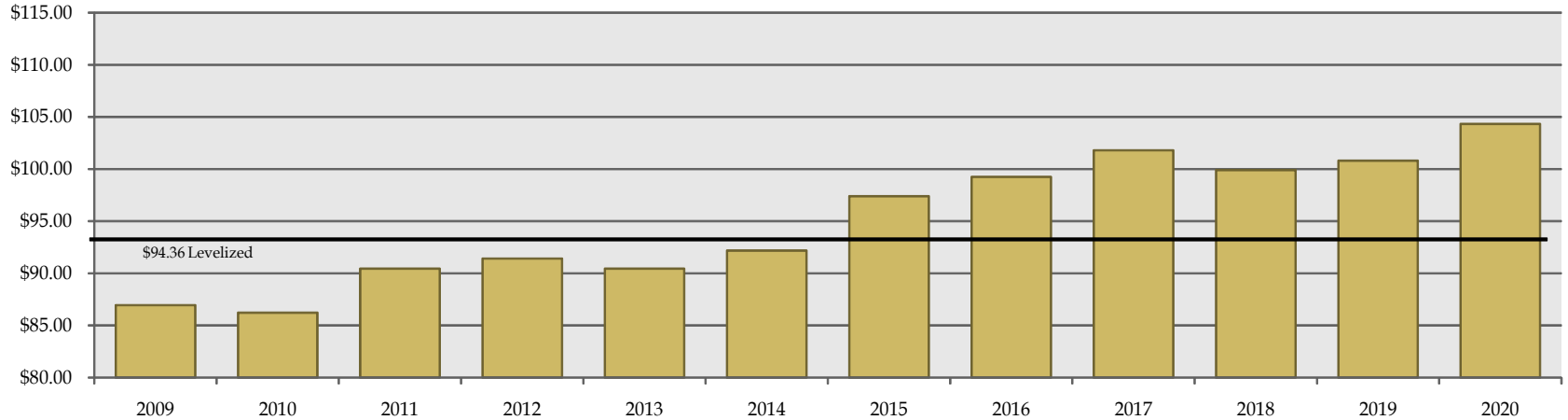
- Different starting point - 2009 Estimate vs Current Rates
- Fuel is the primary difference
 - Pace used market rate for gas
 - Pace did not include ERCOT fees (4-6% of fuel)

Nominal vs Real

- Information presented in rate impacts are real dollars using Pace information
- Pace used a 2.5% rate to discount nominal costs to real dollars
- Pace nominal expense increase for Strawman was 69%
- AE Rate nominal increase would be 51.6% for Strawman:
 - AE 2020 \$ per MWh - $\$100.46 \times 1.025^{11} = \131.81
 - $\$131.81 - 86.96 = \$44.85 / 86.96 = 51.6\%$

Austin Energy
AE Recommendation Generation Option Scenario
Estimated Rate Impacts

System Wide \$ per MWh



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
System Wide \$ per MWh	\$ 86.96	\$ 86.22	\$ 90.44	\$ 91.42	\$ 90.45	\$ 92.18	\$ 97.39	\$ 99.24	\$ 101.79	\$ 99.91	\$ 100.81	\$ 104.32
% Increase (decrease)		-0.9%	4.9%	1.1%	-1.1%	1.9%	5.7%	1.9%	2.6%	-1.8%	0.9%	3.5%
Projected GWh	12,563	12,675	12,966	13,107	13,129	13,287	13,451	13,636	13,774	13,928	14,103	14,293
Revenue from Svc Area Sales (Millions)	\$ 1,092	\$ 1,093	\$ 1,173	\$ 1,198	\$ 1,187	\$ 1,225	\$ 1,310	\$ 1,353	\$ 1,402	\$ 1,391	\$ 1,422	\$ 1,491

Levelized	
Average	NPV @ 5%
\$ 15,338	\$11,141
160,912	118,070
\$ 95.32	\$ 94.36

Revenue
GWh

Austin Energy
Generation Scenario Financial Overview in 2020

	2009	2020					
		No New Builds	No New Builds w/o Prod	Base Rate Decrease	Least Cost Results	Least Cost Council Goals	Nuclear PPA
Fuel Factor per MWh	\$ 36.35	\$ 43.87	\$ 43.87	\$ 30.15	\$ 29.47	\$ 39.88	\$ 34.47
Base Rate per MWh	50.61	40.34	50.61	64.48	66.57	59.34	65.99
Total Electric Rate	\$ 86.96	\$ 84.21	\$ 94.48	\$ 94.63	\$ 96.04	\$ 99.23	\$ 100.46
System Rate Increase 2009 to 2020		-3.2%	8.7%	8.8%	10.4%	14.1%	15.5%
Nominal Rate		\$ 110.49	\$ 123.97	\$ 124.16	\$ 126.01	\$ 130.20	\$ 131.81
Nominal Increase		27.1%	42.6%	42.8%	44.9%	49.7%	51.6%
Average 12 yrs - Real		84.13	87.57	87.72	88.13	91.29	92.80
NPV Levelized 12 yrs - Real		84.39	87.00	87.38	87.74	90.63	92.03
Capital Costs thru 2020 (Millions) - Real		\$ 76	\$ 76	\$ 2,012	\$ 2,194	\$ 1,755	\$ 2,049

Austin Energy
Generation Scenario Financial Overview in 2020

		Solar Breakthrough	Electric Vehicles	AE Recommendation	W-M Emissions Reduction	300 DG	Replace FPP
	2009	2020					
Fuel Factor per MWh	\$ 36.35	\$ 32.75	\$ 32.02	\$ 30.78	\$ 31.57	\$ 28.96	\$ 28.18
Base Rate per MWh	50.61	69.45	71.45	73.54	72.98	79.57	86.15
Total Electric Rate	\$ 86.96	\$ 102.20	\$ 103.46	\$ 104.32	\$ 104.55	\$ 108.53	\$ 114.34
System Rate Increase 2009 to 2020		17.5%	19.0%	20.0%	20.2%	24.8%	31.5%
Nominal Rate		\$ 134.09	\$ 135.75	\$ 136.87	\$ 137.18	\$ 142.41	\$ 150.02
Nominal Increase		54.2%	56.1%	57.4%	57.8%	63.8%	72.5%
Average 12 yrs - Real		93.19	93.62	95.32	94.00	93.68	96.13
NPV Levelized 12 yrs - Real		92.33	92.67	94.36	93.00	92.67	94.73
Capital Costs thru 2020 (Millions) - Real		\$ 2,304	\$ 2,663	\$ 2,671	\$ 2,553	\$ 3,304	\$ 3,949

Summary

- Purpose of cost and rate increases is to look at the differences between scenarios and not expect these results to be 100% accurate
- Scenarios used models and calculations consistently:
 - Debt funding of all capital projects at 100%
 - Same debt service coverage ratio
 - Base increase the same among customer classes
- In actuality, most scenarios do not require any capital spending until 2011 or 2012; providing time to review and update the plan. The large expenditures are even further out.