



MEMORANDUM

TO: Electric Utility Commissioners

FROM: Mark Dombroski, CFO

DATE: December 11, 2015

SUBJECT: Questions re Quarterly Reports

This memorandum is in response to questions raised by Chair Osborne regarding Austin Energy's quarterly reports. Austin Energy has historically reported the amount of power generated by type and the marginal cost by type in its quarterly reports. Prior to 2015, AE utilized its total load as the denominator and included as type of power "market purchases" as a slice of the pie charts in the report. Starting in 2015, AE changed the denominator to the total amount of power generated and delivered into ERCOT (both self-generation and PPA) and removed "market purchases" from type. In the 2015 3rd Quarter Report, staff changed the title of the pie chart from "Power Supply" to "Power Generation" to better reflect the data displayed.

One type of generation for AE is nuclear, which is produced at the South Texas Project (STP). The amount of power delivered into ERCOT from STP is largely influenced by two factors: 1) scheduled outages for refueling and maintenance; and, 2) unscheduled outages due to unexpected conditions.

Other types of generation can also be influenced by the same factors, including our coal, gas and renewables. But these types of generation are also impacted by the amount of load demanded in the ERCOT market. Since the pie charts in the quarterly report reflect the percentage contributed by each type, a change in any type of generation will alter the results displayed in the charts.

At an earlier EUC meeting, Chair Osborne questioned the percentage reported in our nuclear segment between 2nd and 3rd quarter in 2015, why it was higher than reported at the end of 2014 and whether AE had acquired additional nuclear power.

Here is what has been reported for nuclear:

4th Quarter 2014:	22%
1st Quarter 2015:	39%
2nd Quarter 2015:	38%
3rd Quarter 2015:	32%
4th Quarter 2015:	29%

As shown above, nuclear was 38% for 2nd Quarter 2015 and 32% for 3rd Quarter 2015, not the other way around as the question seemed to state. The nuclear figure is trending down, not up, as the year progresses.

When comparing the 2015 percentages to 2014, the denominator has been reduced to reflect the amount of power generated rather than the amount of AE's load. So even if we had the exact same amount of generation in both years, the percentage would be larger in 2015.

In addition, comparing one quarter to the next must be done with an understanding that the factors impacting generation and ERCOT load are not necessarily similar. Weather, ERCOT load, planned and unplanned outages can all influence the percentage of generation by type.

Austin Energy has not acquired any additional nuclear generation and the results reported in the quarterly reports are accurate and as expected. We are glad to answer any additional questions you may have about this topic or these reports.