

Update on Plans for Exiting the Fayette Power Project

Electric Utility Commission

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Fayette Power Project (FPP) Background



Co-owned by Austin Energy and the Lower Colorado River Authority (LCRA)

Sited on 6,400 Acres near La Grange, Texas (50/50 Ownership of site)

- Includes an existing 2,400 acre cooling lake and land for future 1,400 acre lake

Operated by the LCRA subject to the FPP Participation Agreement (established 1974)

- Approximately 121 staff support Units 1 & 2

3 generators fueled by Low Sulfur Powder River Basin Coal

- Unit 1 600 MW began operation in 1979 (50/50 ownership)
- Unit 2 600 MW began operation in 1980 (50/50 ownership)
- Unit 3 440 MW began operation 1988 (100% LCRA ownership)
 - Austin opted not to participate in Unit 3



Why we're here today

- The Austin Energy Resource, Generation and Climate Protection Plan to 2025 approved by Council in December 2014 and the update approved in 2017 included:
 - A commitment to begin a process to retire Austin Energy's share of the FPP by the end of 2022
 - Subject to maintaining affordability and competitiveness
- The Joint Agreement on Rates approved by Council in August 2016 included commitments by Austin Energy to:
 - Present an update to Council by the end of January 2017 with a report and timeline on development of the options, roadmap, and assessment of legal considerations. (Complete)
 - Target the end of June 2017 to present options, recommend a preferred path, including anticipated budgetary impacts for FY18 (Complete)
 - Earmark \$5 million of the Contingency Reserve in the FY17 budget to manage debt service at FPP (Complete)



Key Considerations

- **Participation Agreement**

- No provisions for retirement or exit outside of a sale – LCRA's cooperation is essential

- **Debt**

- Need & timing for debt defeasement (~\$160M outstanding today)

- **Rates**

- Rate treatment & Public Utility Commission considerations

- **City Charter**

- Provisions related to conveyance, sale or lease of assets



Update

- Revisited 2013 legal assessment and engaged outside legal counsel to review several legal considerations
- On-going executive level meetings with LCRA
- **Council Briefings**
 - January 2017 – Austin Energy Utility Oversight Committee
 - June 2017 – Executive Session Briefing
 - December 2017 – Update Memorandum
 - June 2018 – Executive Session Briefing



Next Steps

- Continue discussions with LCRA to find a mutually agreeable solution
- Conduct economic, technical and legal assessments as appropriate
- Continue to update Council every six months or more frequently, if appropriate or requested





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