



City Council Presentation

STP Expansion Units 3 & 4

February 12, 2009



Agenda

- Existing Nuclear Generation
- Proposed New Units
- Consultant Assessment and Recommendation
- Staff Recommendation

Existing Participation Agreement for STP 1 & 2

- Jointly Owned
 - Austin Energy 16%
 - City Public Service San Antonio 40%
 - NRG 44%
- Output Capability of 2,725 MW
- STP Provides 436 MW to AE
- Provides for Additional Units and Option to Participate at same Ownership Share

NRG Proposal/Notice

- Two Advanced Boiling Water Reactors (ABWR)
- Estimated Net Capacity: 1350 MW each
- AE Share @ 16% Participation
 - Two Unit Net Capacity: 432 MW
 - AE's Estimated Cost to Build: \$ 2.0 B

Consultant Assessment

WorleyParsons Experience

- 40+ years of Nuclear Industry Experience
 - Permitting
 - Design
 - Construction
 - Operation

Consultant Scope of Work

- Risk Assessment
 - Licensing Risks
 - Engineering Risks
 - Effectiveness of Management Organization
 - Construction Risks
 - Schedule Risks
- ERCOT Market Assessment
- Project Financial Analysis

Financial Analysis

- 14 Economic and Business Environment Scenarios Analyzed
- Variables: Fuel Cost, Power Price, Interest Rates, Construction Costs, Construction Duration, Capacity Factor, Operational Life

Austin Energy Results	Scenario Ranges		Expected Scenario
	All Negatives	All Positives	
Net Present Value (\$B)	\$- 1.0	\$16.3	\$2.0
Rate of Return	Loss	17.2%	12.3 %
Power Cost, \$/MWh (2008 \$)	\$134.0	\$65.1	\$83.8

Consultant Conclusions

- Insufficient Owner Protection For Schedule, Cost, Contractor, and Regulatory Risks
- Large cash contributions through at least 2016
- Large capital cost risk not within AE's control
- Potential downgrade of AE Bond Rating
- Rate of Return less than expected for projects of similar risk

Consultant Recommendation

- Recommendation Context
 - WorleyParsons is very positive on ABWR and the STP project, and strongly supportive of the resurgence of nuclear power in the U.S.
 - WorleyParsons recommendation is based solely on their assessment of the business proposition and its risk profile to AE
- WorleyParsons/Pace Global recommends that Austin Energy not take an equity participation share in the STP 3 & 4 Project



Staff Recommendation

Decline Participation in the Proposed STP 3 & 4 Expansion Project

- Analysis shows a \$2B Open-Ended Financial Obligation
- 9 Year Open-Ended Project Schedule
- Excess Baseload Generation for AE
- Nuclear Waste Issue Unresolved