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Date: December 4, 2023

To: EUC Generation Resource Plan Working Group

From: Lisa Martin, Deputy General Manager and Chief Operating Officer

RE: EUC Working Group Recommendations

Dear Members of the EUC Working Group,

On behalf of Austin Energy, I appreciate your work to date investigating potential energy options for the City of Austin and look forward to considering your input about future direction and changes to the 2030 Plan.

Throughout our efforts, we must stay rooted in the challenges we are working to overcome and the risks we are mitigating for the community. So, I would like to review the considerations we have been weighing as a reminder of what has shaped our initial recommendations. Furthermore, I ask that you consider these carefully as you provide your recommendations and feedback in this process. This is done in the spirit of facilitating alignment of your group's outputs with ours.

There are three specific areas I wish to highlight: 1) the stage of project development and conceptualization, 2) the parameters providing boundaries and guidance to the suggestions being put forth, and 3) the application of technology portfolios and sensitivity analysis.

Project Development and Conceptualization Stages

Generation resource planning aims to set objectives and guidelines. While Austin Energy has tried to answer all of the questions asked by the EUC Working Group to date, many are asking for discrete details that are not yet appropriate to this stage of planning. There have been questions about the initial recommendations including the specific location of proposed plants and the adoption rates for hydrogen as a fuel source. We are not always able to answer those types of questions with certainty at the current time. This is not because they won't need answered but because the nature of a generation resource plan is to serve as one of the first stages in initiating a path forward. It is one that allows flexibility to accommodate new developments and information. Subsequent stages will progressively define specific steps to be taken to execute upon the plan.

Another example is how we included hydrogen as the fuel for our modeled carbon-free generation, but that does not and should not lock the plan into hydrogen as a fuel source throughout its term. Technology is changing at a rapid rate, and we need to be open to all carbon-free possibilities while also using proxies in our analysis and modeling to produce meaningful results in the current stage of planning.

I appeal to you as a working group to keep this point in mind as you make recommendations such that you frame them in a way that provides the flexibility to execute upon high-level objectives, which will be stated in the plan.



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Boundary Parameters

As we work to develop a well-rounded generation portfolio that meets the multi-faceted needs of our community, we outlined specific parameters to guide our decision-making and initial recommendations. We view these as must-haves for any path forward, and it is important to quantify the risks associated with any recommendations that do not fully align with them.

- We need to work with technologies that we can begin to enact immediately; they cannot have unproven dependencies.
- Our direction must support reliability requirements.
 - It must support power quality (e.g. voltage support) inside the Austin Energy service area.
 - It must ensure it protects Austin Energy from variables within its control from a Uri-type event.
- It must serve as a bridge to carbon-free by 2035.
- It must provide an affordable solution, including meeting the affordability metrics adopted by City Council.
 - It must be able to relieve load-zone price separation.
 - It must be well-suited to respond to ERCOT market changes and other market risks.
- It cannot create rate-shock (cost-stability).
- It cannot be transmission only. The Transmission Study concluded this is not a viable option to meet all future needs.
- It must include demand side management while considering its capabilities in a realistic manner.
- Rotating outages in response to resource adequacy issues is not a preferred strategy.

Technology Portfolios, Scenarios, and Sensitivity Analysis

During our initial work, we modeled three scenarios (aka future environments) to try and project the relative levels of risk associated with eleven different portfolios of technologies. As discussed with the Working Group to date, we are happy to run up to three additional portfolios and include sensitivity analysis within those portfolios to try and minimize some of the risks the chosen portfolios may pose. Please keep in mind that these models are meant to be used to provide general direction; they are not designed to provide granular data to fine tune plans. The parameters above have been outlined to help frame your portfolio requests as well as your recommendations.

Thank you again for your continued work on this important project. We look forward to getting your help in identifying workable solutions for inclusion in this update to our Generation Resource Plan.

Sincerely,

/s/ Lisa Martin

Lisa Martin

Austin Energy Deputy General Manager and Chief Operating Officer