FLEXPOWER BUNDLE UPDATE (PART 3)

PRESENTED BY:

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Informational Update
OBJECTIVES & TAKEAWAYS

• DISCUSS OUR SEQUENCING FOR REPLACING AGING PLANTS
• DESCRIBE THE IMPORTANCE OF FIRMING POWER TO MEET RELIABILITY
• INCORPORATE AN ALL-SOURCE ELEMENT INTO OUR APPROACH
AGENDA

• RECAP THE NEED TO ADD RESOURCES
• VALUE OF BUNDLED APPROACH
• “FIRMING POWER” FOR RELIABILITY
• LOOK AHEAD AND NEXT STEPS
FLEXIBLE PATH:
INNOVATION & TRANSFORMATION JOURNEY

Flexible Path:
Traditional + Renewables +
Energy Storage + Smart Grid +
“Fifth Fuel”*

Transformation & Innovation:
Flexible Path + New Products & Services

* “Fifth Fuel” is composed of energy efficiency gains & demand response
OUR GUIDING PILLARS & FOUNDATION

Reliability  Customer Affordability  Security  Safety  Environmental Responsibility  Resiliency

FINANCIALLY RESPONSIBLE

All business decisions are based on our commitment to being one of the best-managed and most financially responsible utilities in the nation!
OUR PLANTS ARE AGING

Almost 30% of our capacity comes from plants that are 40+ years old.

Our team does a great job keeping our plants running. Sequencing of future capacity solutions continue to be a top priority.
About 1700 MW capacity retiring within 10 years

- These aging plants run during summer peak, but are less reliable
- Failures at these plants carry high financial risk

**FlexPower Bundle; envisions up to**

- 900 MW solar,
- 50 MW storage
- 500 MW gas toll or equivalent technology that can meet the same requirements to firm up the solar and reliability of older units

*FlexPower Bundle replaces about half of our aging gas steam capacity while continuing our transition to cleaner energy.*
# THE VALUE OF A BUNDLED APPROACH

Bundling resources improves performance and reliability for our customers under all conditions year round.

## SOURCES OF GENERATION

<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>SOLAR</th>
<th>STORAGE</th>
<th>GAS</th>
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</thead>
<tbody>
<tr>
<td>Zero emission resource that aligns with load</td>
<td>Zero emission back-up resource</td>
<td>Mature technology that is controllable</td>
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<td>CHALLENGES</td>
<td>Weather &amp; time dependent resource requires back-up generation</td>
<td>Limited duration to serve as a back-up resource; 4-6 hours typically</td>
<td>Has emission profile with a carbon footprint</td>
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ERCOT declared an emergency when the wind production dropped below 10% of the installed capacity leading to a supply shortage. $9,000/MWH prices occurred for two hours (about 80 times greater than typical residential retail rates).
The intermittent nature of solar and wind production shows the need for firming power to provide around-the-clock reliability.
Our diverse generation portfolio provides customers reliable service & protects them from volatile market pricing.
OUR APPROACH TO AN ALL-SOURCE RFP

Industry definition for All-Source RFP:
Any and all resources considered, requirement driven, open to all approaches and technologies

What We Want:
• Utility-scale assets
• Introduce more storage
• Solar power aligned with customer demand
• Lower carbon resources
• Firming capacity to meet customer needs
• Maintain portfolio diversity

SOLAR
BATTERY STORAGE

GAS TOLL
OR
ANOTHER FIRMING TECHNOLOGY THAT MEETS OR BEATS GAS

Our obligation to serve customers is best met by physical assets. We have a strategic interest in adding more solar & battery storage and will consider our firming options.
FIRMING POWER SUPPLY REQUIREMENTS

• Up to 500 MW of gas toll or technology to beat that provides reliable generation capacity with availability:
  o All hours
  o All weather
  o Year-round
  o Low emissions

• Term of 4 to 10 years

Our obligation is to provide reliable power to our customers.
We continue our transition to more renewable power & have immediate needs for firming capacity. We are sequencing our RFP to make sure we meet our customers’ needs.

Respondents would have option to bid on one or multiple resources

Request For Proposal Profile

Solar + Storage + Firming Gas Toll or Equivalent
NEXT STEPS

As the process unfolds, we will be back to discuss progress at future Board meetings.

NEXT 6-12 MONTHS

Continue to get feedback & study other markets

Finalize RFP development & selection process

LAUNCH RFP
Thank You