

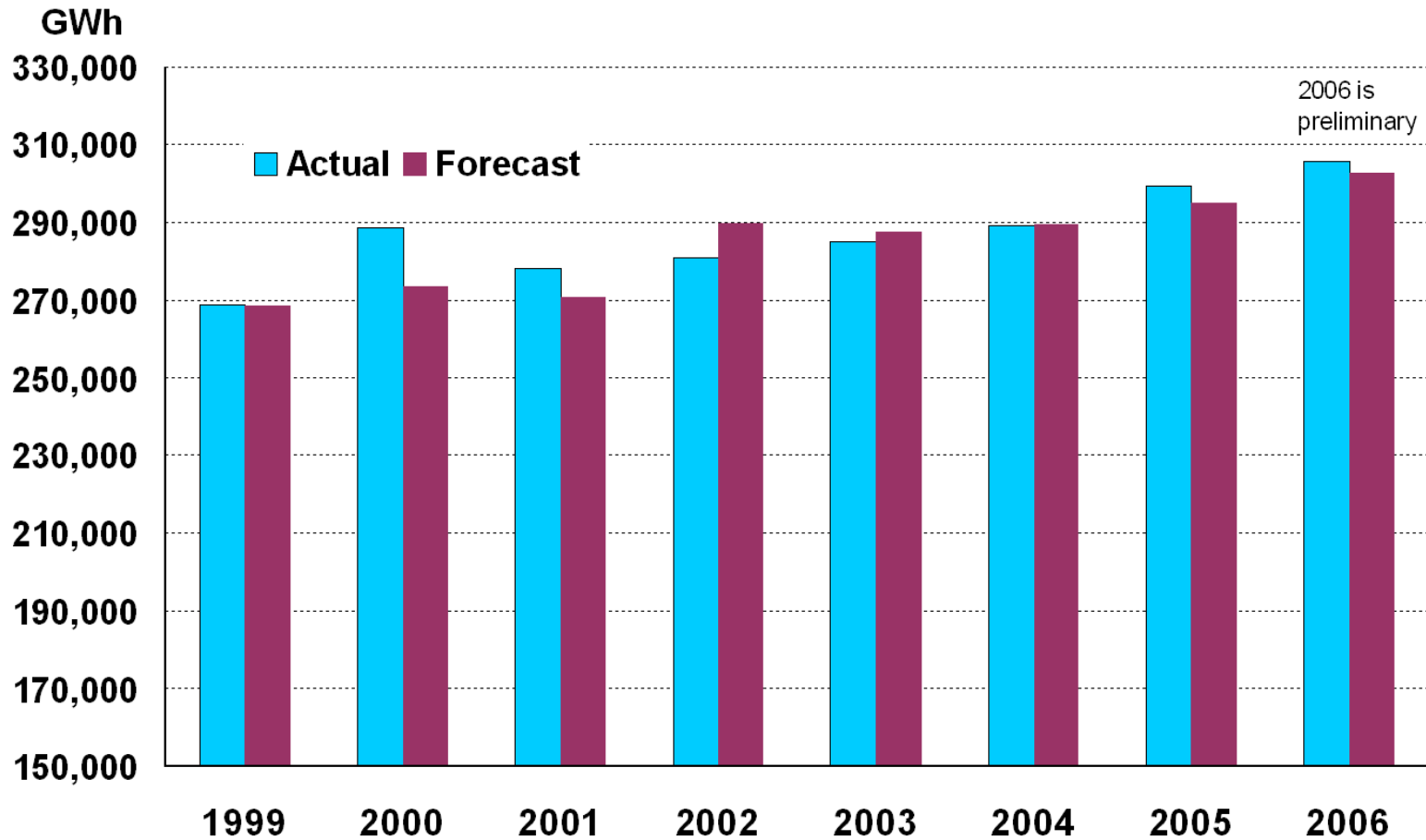


Meeting Texas' Future Energy Demands

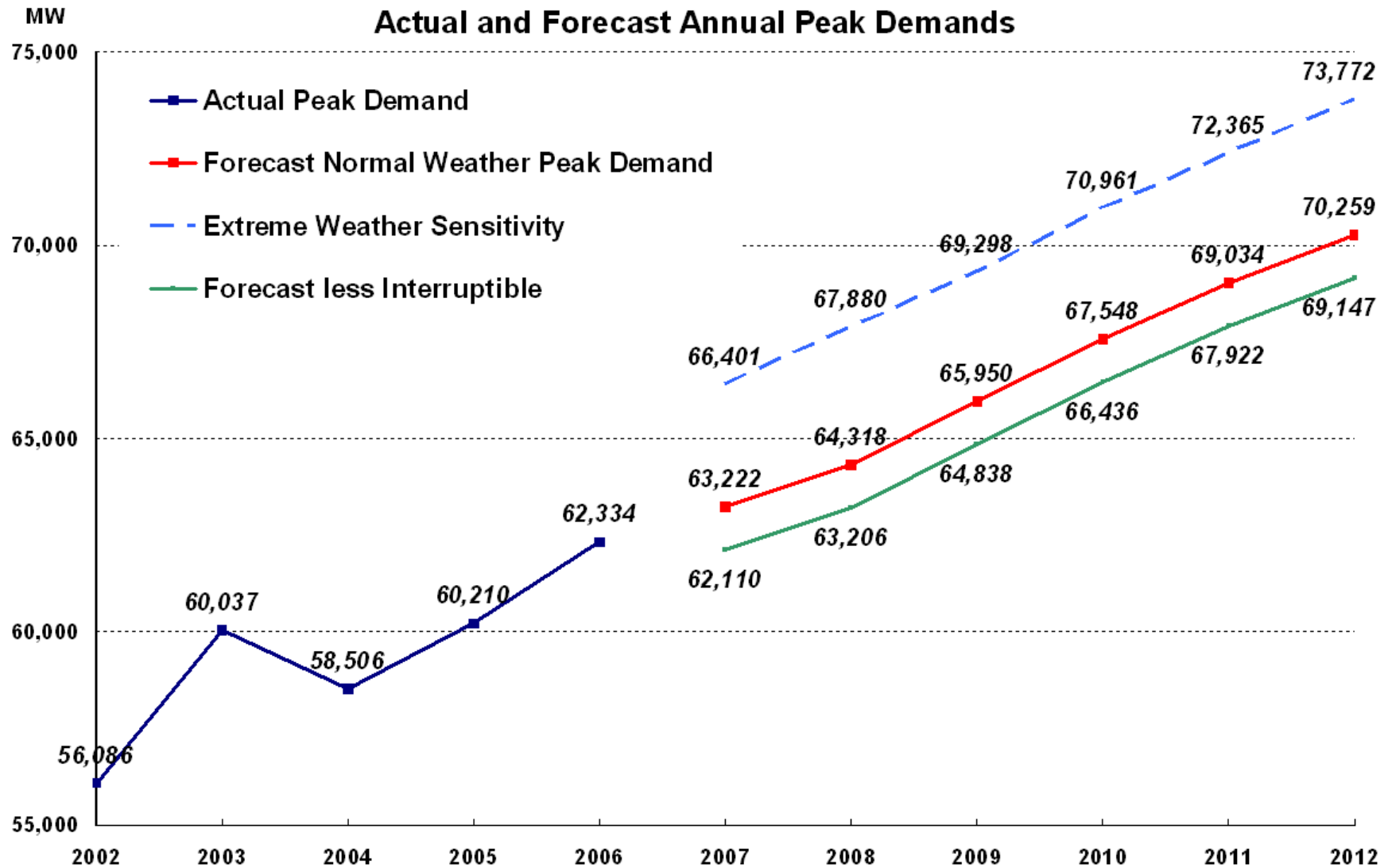
House Committee on Regulated Industries
February 13, 2007

Sam Jones
President and CEO

Regional Energy Consumption Growth



Projections of Peak Demand through 2012

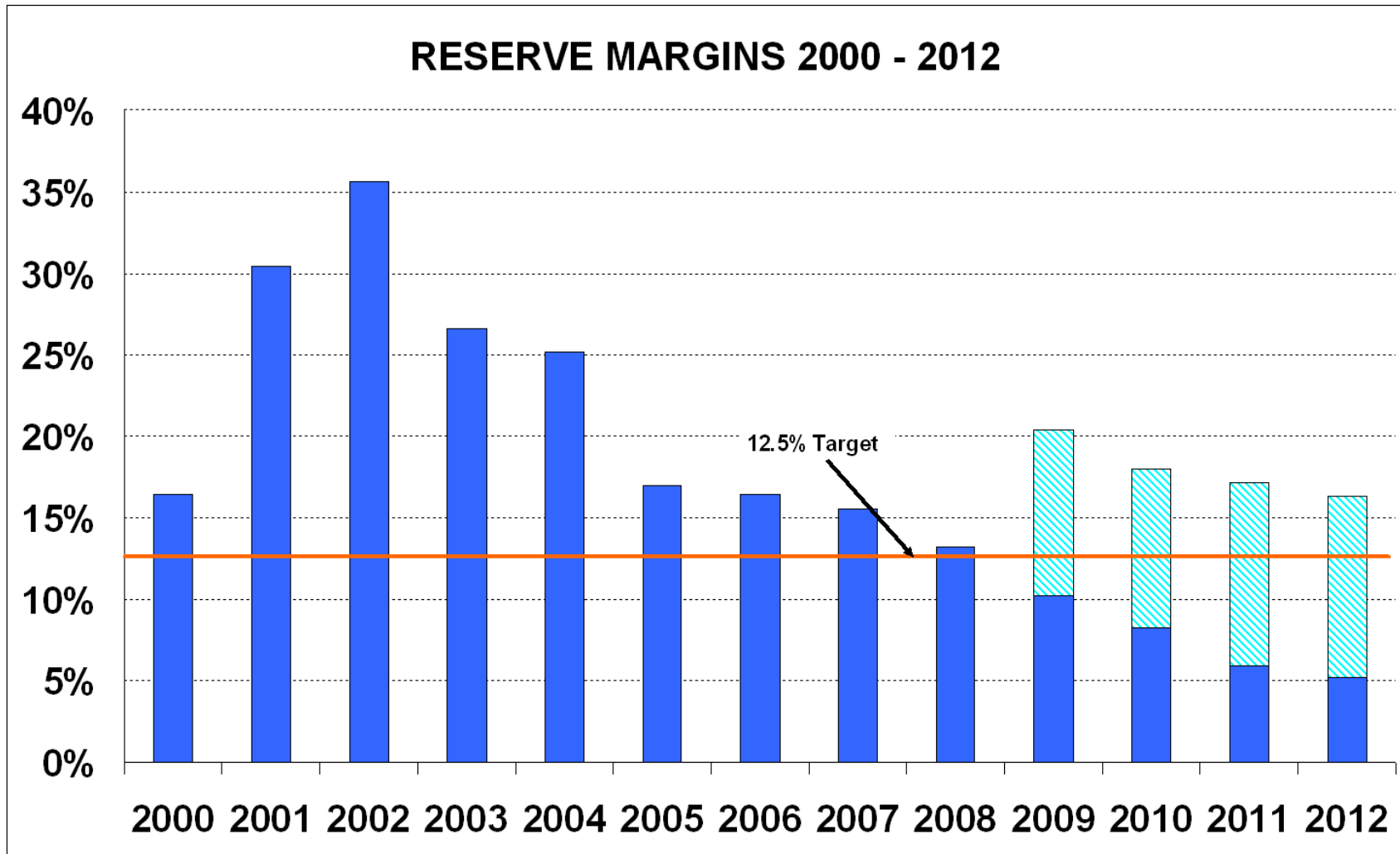


- **Target reserve margin for the ERCOT Region is 12.5%**
 - Calculated by taking the forecasted peak system load for the year and adding 12.5 percent more available generating capacity
- **Goal is to ensure adequate electric supply even if contingencies occur**
 - Contingency examples: Unexpected weather extremes, or loss of major generation units

Available Generating Capacity

- **“Available generating capacity” includes:**
 - Gas, coal, hydro, wind and nuclear units, adjusted for peak-season operational limits
 - For example, ERCOT Stakeholders set a “high confidence summer peak” level (2.6% in 2006, likely higher in 2007)
 - Planned units that have signed Interconnection Agreements on file and have been permitted by the Texas Commission on Environmental Quality (TCEQ).
 - Loads acting as a Resource (LaaR) - large power users that agree to be curtailed in emergencies, thereby reducing generation needs
 - DC ties – non-ERCOT capacity that can be imported through our few links to neighboring grids

ERCOT is projected to fall below 12.5% reserve margin by 2009



Load and Generation Forecast

Standard forecast methodology

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Firm Load Forecast (MW):	62,110	63,206	64,838	66,436	67,922	69,147	70,966	72,545	74,210	75,904
Firm Load Forecast Plus 12.5% (MW):	69,874	71,107	72,943	74,741	76,412	77,790	79,837	81,613	83,486	85,392
Total Generation Resources (MW):	71,756	71,523	71,463	71,904	71,941	72,741	72,741	72,741	72,741	72,741
Reserve Margin:	15.5%	13.2%	10.2%	8.2%	5.9%	5.2%	2.5%	0.3%	-2.0%	-4.2%
Deficit (MW):	0	0	1,480	2,837	4,472	5,050	7,096	8,872	10,746	12,652

If units retire at age 40

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Generation Resources less Potential Retirements (MW):	71,756	71,532	61,913	61,909	60,074	59,794	56,851	54,168	51,227	49,046
Deficit (MW):	0	0	11,030	12,832	16,339	17,997	22,986	27,445	32,260	36,347

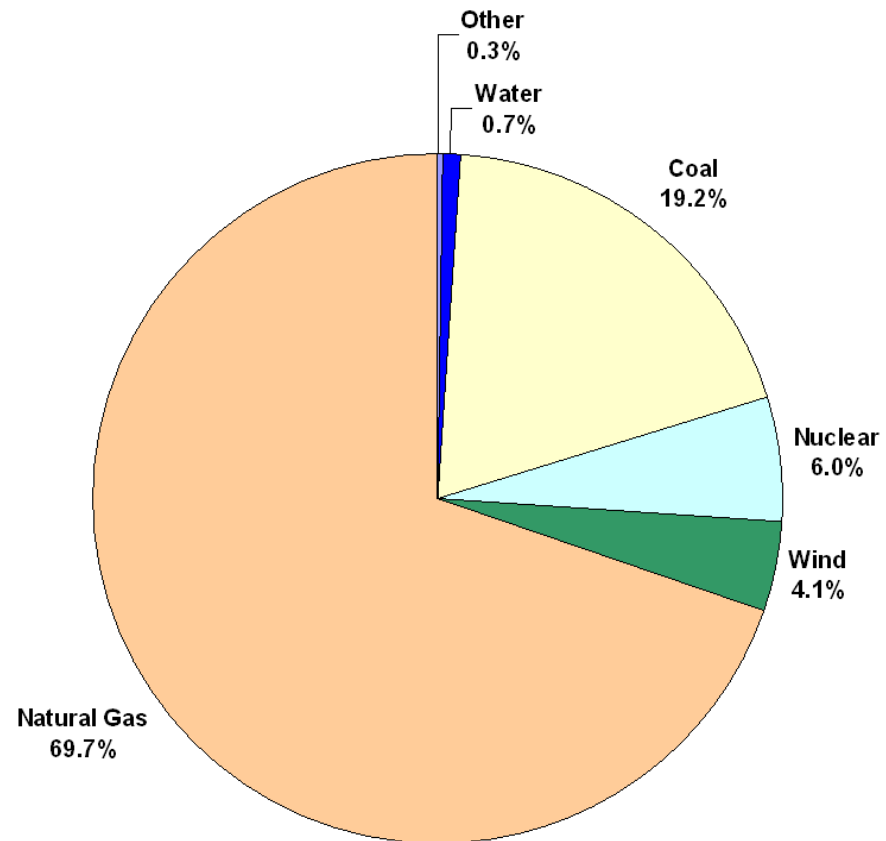
"Committed" Generation in the ERCOT Region (as of January 2007)

Committed (MW)	
Fuel Source	MW
Nuclear	0
Coal	1,550
Natural Gas	1,100
Natural Gas Retirements	(433)
TOTALS	2,217
Wind and Other	1,400

"Committed" means:
*Projects that have signed
Interconnection Agreements on file and
have been permitted by the Texas
Commission on Environmental Quality
(TCEQ).*

Other Long-Term Reliability Factors

- Region also needs additional fuel diversity
 - Reduces vulnerability to supply disruption and volatile pricing



- Also critical: Additional load response (customers with ability and incentives to reduce load during peaks)

Questions?



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House Regulated Industries Committee