



Investment in Generation Brings Environmental and Economic Benefits

With the second largest population and the fastest growing economy in the nation, Texas' economy relies more than ever on reliable supplies of electricity. Over the past 50 years, electricity usage has grown dramatically in lockstep with our state's emergence as a leader in economic development.

Newer, More Efficient Generation Helping Curb Emissions

Since the passage of electric choice legislation 11 years ago, Texas generators have brought over 41,000 MW of new generation online—most fueled by natural gas—to meet our state's growing needs.

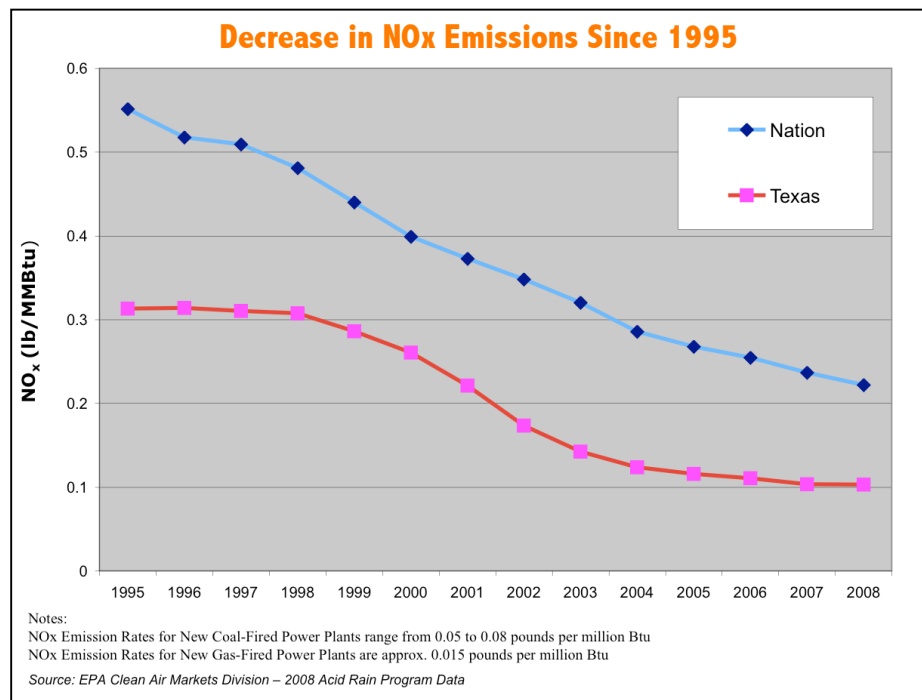
Because these are newer power plants, they have a lower heat-rate, meaning they use less fuel to produce the same amount of electricity and produce less NO_x, SO₂ and other criteria emissions.

Moreover, newer power plants have more advanced environmental controls than the

older plants they replaced, capturing emissions before they reach the atmosphere. Due in part to the investment in newer fossil-fueled generation, Texas electric generators perform well regarding emissions compared with the rest of the nation. Texas generators are:

- 9th lowest in NO_x emissions rate
- 19th lowest in SO₂ emissions rate
- 17th lowest in CO₂ emissions rate

In addition to fossil fuel plants, Texas' competitive wholesale electric market has helped bring about the most vibrant wind-energy market



in the nation, with 9,346 MW of wind turbine capacity already in the ground. Twenty-eight percent of the nation's wind capacity is located right here in Texas, bringing immediate construction benefits to many rural counties where the wind blows hardest, and giving consumers throughout the region access to wind generation.

Generation Brings Jobs

Since 1999, generators have invested \$36.5 billion in new generation, bringing economic development and thousands of jobs. According to the Perryman Group:

The past 10 years have seen more than 41,000 MW of additional generation capacity. The construction and development of these facilities has served as an important source of economic stimulus in many areas. The Perryman Group found the total gains in business activity to be \$136.4 billion in spending, \$66.1 billion in output, and 854,742 person-years of employment.

Source: "The Impact of Investments in Electric Power Generation and Transmission Infrastructure in the Electric Reliability Council of Texas (ERCOT) Region on State Business Activity: An Assessment of Recent Patterns and Future Prospects," The Perryman Group, February 2009

Moreover, generation investment has been essential for supporting the industrial, chemical and manufacturing industries that depend on reliable electricity. Despite a fuel mix dependent upon natural gas, Texas' average industrial electric price is below the national average; this fact, combined with Texas' fast-growing and educated work-force has helped Texas emerge as an economic leader during the recent downturn.

Regulatory Certainty and Policy Support Needed to Bring Continued Investment

In ERCOT, generation companies assume the financial risk associated with new generation investments. The decision to build new generation thus depends upon whether the generator believes the electricity can be sold at a price that over time will recoup construction costs, cover operations and maintenance costs and achieve a reasonable profit.

Appropriate development incentives are essential to help attract this investment. Long-term, Texas must continue to attract the investment required to encourage new power plant development. Generation companies depend on the continued certainty and stability of the existing market structure, especially as investors tend to favor companies which operate in a stable market structure.

Thus, clear support from policymakers to maintain market stability and appropriate incentives for investment are essential to continued economic growth in Texas.

