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Dear Client:

There were cheers and jeers this week when the Environmental Protection Agency proposed cutting carbon pollution from coal-fired electricity-generating power plants by 30%. What's going to be the impact on Austin (that gets more than 25% of its electricity from coal) and the rest of Texas (that gets more than 37% of its electricity from coal)?

Environmental leaders hailed the proposal saying it will go a **long way to cleaning up the air** while **Gov. Rick Perry** blasted the EPA, saying it will **raise electricity prices and cost jobs**. There will be more jawing in the near term, plus there is the strong likelihood of law suits. But the fact is, the proposal is now a real effort and will be a **factor in any energy discussion**.

So what about those who **pay monthly electric bills to the City of Austin** or, for that matter, to the **Pedernales Electric Co-Op and other Central Texas Co-Ops** that get their electricity from the Lower Colorado River Authority (LCRA)? After all, the coal-fired Fayette Power Plant is jointly owned by Austin and the LCRA.

Even though the City of Austin and the LCRA are partners in the coal-fired project, they are not always on the same page. **Some Austin officials have been quite vocal about wanting to bail out** of the Fayette Power Plant and the **LCRA brags about how it has "cleaned up" the plant's emissions and has shown signs it wants to "keep on keeping on."** This could lead to some interesting dynamics as the EPA proposal unfolds. Keep an eye on this bit of intrigue.

As we have reported repeatedly over the past few months, the City of Austin has committed millions of dollars to **increase its reliance on solar and wind power** to generate a portion of its electricity. And you well know that your electric bills have skyrocketed, with the possibility of **more rate increases in the near future**.

Austin Energy gets its electricity from a number of sources. **Coal-fired electricity is less expensive than renewables, as is nuclear-powered electricity** generated by the South Texas Project. Even electricity generated by **Austin's natural gas plant** is cheaper than that generated by renewables.

One question to ask: if Austin reduces its reliance on less-expensive coal-fired electricity, **what will the elected leaders of one of the nation's fastest-growing cities replace it with?** Check out the next item for further analysis.

As the nation's leading energy state, Texas is in a good position to control its own destiny. But, as is more true these days than in the past, *global* developments will dictate much of what impacts Texas' and, ultimately, Austin's energy future.

For instance, if the US ends its longstanding ban on oil exports, one study suggests **40,000 new Texas jobs could be created along with more than \$5 billion in extra economic activity statewide.** Vast reserves in South Texas' Eagle Ford Shale and in West Texas' Permian Basin are now economically feasible to tap through the latest fracking technology.

Additional markets to purchase these reserves would result in a huge boon to the boom already underway. And, of course, additional oil money is taxed by Texas with the bulk of those tax dollars coming to the seat of state government in Austin. This helps boost the local economy.

Now let's cut to the chase on the coal action being proposed by the EPA. Strip away the politics. (This is difficult in the midst of these polarized times.) Consider these facts:

1) **Texas has more natural gas (and importantly -- the mindset to maximize this asset)** than almost any other region. 2) Even in the industry's infancy, **Texas is already the leading state in the generation of wind power.** And it is expanding. 3) The sometimes-unbearable Texas sunshine is triggering **massive forays into the development and commercialization of solar power.**

Compare this to coal. **Texas has comparatively very little coal mining in the state.** In fact, much of the coal burned at the Fayette Power Plant to provide Austinites and Central Texans with a portion of their electricity is **brought in by railroad from the northwest and dumped at the site of the electricity-generating plant.** And there are 40 more coal-fired electricity-generating plants in the Lone Star State.

Before we get to our final point about your electric bill, we need to mention **the rest of Texas is much more reliant on less-expensive natural gas as a source of electricity than is Austin.** According to 2013 data, Texans count on 40% of their energy from natural gas while Austinites get only 15.7% from natural gas through Austin Energy (as reported in the *Austin Statesman*).

See where we're headed with this? Current City of Austin leadership has committed tens of millions of dollars for wind and solar power generated electricity. While they may be the wave of the future, and Texas is on the cutting edge of this development, **expensive wind and solar rely on the vagaries of the weather.** (What's that old saying: "If you don't like the weather in Texas, wait a minute!") **Abundant natural gas is reliable and relatively inexpensive. But we have yet to see the Austin City Council demonstrate a resolve to make it a larger part of the city's energy package** – even as your electric bill gets bigger and bigger.

Which city in Central Texas can you go to escape the area's growth surge? No place, really. Even the smaller, outlying cities are experiencing some growth.

In fact, some of the **smaller, close-in cities recorded double-digit percentage growth** from April 2010 to July 2013, according to the US Census Bureau. They could easily be classified as Austin suburban cities. Conversely, Central Texas cities that are a **greater distance from Austin showed less growth, but growth just the same.**

Small cities such as **Smithville** (2.88% growth), **Lockhart** (3.2%), **Elgin** (3.5%) and **Luling** (4.6%) – all in the 5-county Austin metro -- are seeing a **percentage growth that many stagnant cities around the US would gladly accept.** Oh sure, there will always be some really, really tiny communities in the Austin metro (such as McDade, Rosanky, Dale, Rockne, etc) that will likely remain little more than wide spots in the road. They don't fit the Census Bureau's classification of "city."

The larger suburban cities are where the population lid is being blown off. The best example is **San Marcos where, at 8.0% growth from July 2012 to July 2013,** it earned the designation as the nation's fastest-growing city with a population of more than 50,000. Also in the Top Ten is **Cedar Park** (5.6% one-year growth) and **Georgetown** (4.5% one-year growth).

Back to the 3-year (April 2010 to July 2013) population growth numbers for a minute. At the risk of letting your eyes glaze over, consider these amazing Census Bureau's official, and amazing, growth percentages: **Buda** (39.0%) ... **Manor** (26.0%) ... **Leander** (20.6%) ... **San Marcos** (20.5%) ... **Hutto** (19.9%) ... **Cedar Park** (18.4%) ... **Georgetown** (15.7%) ... **Kyle** (13.4%) ... **Lakeway** (12.9%) ... **Pflugerville** (11.16%) ... and **Liberty Hill** (11.0%). The remainder were in single digits. Population increase is just about everywhere throughout Central Texas.

LBJ is going back to Washington. Not *the* LBJ; he's still resting peacefully in the family cemetery at the LBJ Ranch. UTAustin's LBJ School of Public Affairs is opening the LBJ School Washington Center.

The two-year Washington program will offer the option of a **Master's of Public Affairs or a Master's of Global Policy Studies.** The first class will begin in fall of 2015. The first year will be completed in Austin. The students will return to D.C for the 2nd year.

The dean of the LBJ School, **Robert Hutchings,** said "LBJ is returning to Washington where our school's namesake dominated the political landscape for 20 years. We want this center to be at the heart of **empowering a new generation of policymakers who can get things done in government, just like President Johnson did 50 years ago.**"

Is branch banking ready to go more high-tech in tech-savvy Austin? One out-of-state bank has set a pretty high bar and it is not located in a town with a techie reputation.

Naples, Fla. has a large proportion of wealthy residents, but its population is also older and the pleasant city doesn't have a high tech reputation. Yet, the First National Bank of the Gulf Coast has **opened a new tech-heavy branch** that, at 2,400 sq.ft., is about one fourth the size of its predecessor branch.

According to the *American Banker*, the new branch has helped eliminate paper by **instituting e-signatures**. The teller lines have been replaced by **teller pods** and customers are encouraged to gather around a **"technology bar" to use the public WiFi, read the newspaper on bank-supplied Kindles and even Skype with loved ones far away.**

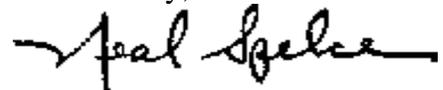
The bank's IT officer/ExecVP, **Peter Setaro**, said "one (misconception) that was glaring to me was that older folks are not flexible enough to handle change. **We're not seeing that at our bank.**" Here's how he explained it:

The youngest segment of the bank's customers – age 29 and younger – adapt to technology very quickly. **But customers 55 and older are the second-fastest adapters, probably because they have money for technology like iPads and the time and interest to use them,** he says. Customers aged 30 to 54 lag behind the other two groups, maybe because they are at a busier time in their lives.

Setaro is also working on **embedding radio frequency chips in bank-issued debit cards so that staffers will be alerted when a customer walks in the door** and they can be armed with that customer's information. Wonder if many Austin banks have made these tech leaps.

Dr. Louis Overholster has come up with a sure-fire way to determine if you are hosting a really good party. As he put it: "If your party is successful, the police will knock on your door! If your party is *really* successful, the police will lob tear gas through your living room window!"

Sincerely,



Editor/Publisher