

The Economic Impact of the Decker Creek Power Station After De-Commissioning

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Overview

According to its website, Austin Energy oversees a diverse mix of more than 4,000 MW of total generation capacity and operates three natural gas-powered plants in the Austin area. Included in the mix is the Decker Creek Power Station, located in Northeast Austin. Constructed over a decade starting in the late 1960s, the natural gas -fired plant has the power to produce 944 MW, and currently employs 69 workers. However, plans to decommission two aging steam turbines at Decker Creek Power Station have brought into question the futures of the estimated 39 employees who will be out of work when the last steam unit shuts down in late 2021. The station will be keeping on roughly 40 employees to maintain the plant’s four gas turbines that will remain online. The utility also reports that 22 of the current 69 employees who could be impacted are already eligible for retirement or will be by the time the steam units are shut down.

TXP was retained by the City of Austin (the City) to measure the economic impact of the facility assuming a net reduction of 29 employees; the following provides detail.

Economic Impact

Direct Inputs

Austin Energy provide the following information on the current employment and compensation base. Per Figure 1, 69 employees collectively earn total annual compensation of \$6.8 million. This data was adjusted proportionately downward to reflect the net elimination of 29 positions. Standard industry ratios for power generation in the Austin area were then applied to create a direct annual economic output estimate for the facility of \$26.5 million. These figures were used as the inputs into the economic impact analysis.

Figure 1: Current Employment & Compensation of Decker Creek

Decker Decommissioning – Impacted Employee Areas

	Current Employee Count	Post-Decommission Estimated Employee Count	Eligible to retire by or before late 2021
Decker Creek Power Station	40	16	15
Power Production Engineering	29	22	7

Decker Creek Power Station

Pay Grades	Number of Employees	Average Hourly Pay Rate	Average Annual Gross Pay
Grade 9 - 15	4	\$27.75	\$57,720
Grade 18 - 21	16	\$41.05	\$85,384
Grade 22 - 23	17	\$48.70	\$101,296
Grade 26 - 29	3	\$67.75	\$140,920

Power Production Engineering

Pay Grades	Number of Employees	Average Hourly Pay Rate	Average Annual Gross Pay
Grade 13 - 19	5	\$36.90	\$76,752
Grade 18 - 21	15	\$48.80	\$101,504
Grade 22 - 23	9	\$60.30	\$125,424



Economic Impact of the Facility

An economy, business, organization, or facility can be measured in a number of ways. Four of the most common are “**Output**,” which describes total economic activity and is equivalent to a firm’s gross sales, “**Value-Added**,” which is revenue minus the cost of goods sold (and the local equivalent to GDP), “**Employee Earnings**,” which corresponds to wages and benefits, and “**Employment**,” which refers to permanent jobs that have been created in the local economy.

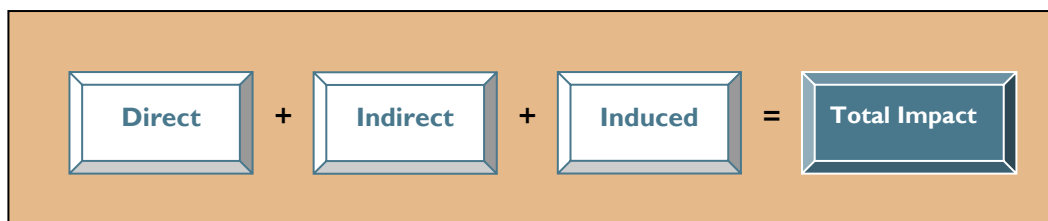
In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced.

Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor’s stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

Figure 2: The Flow of Economic Impacts



The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and

induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all other sectors.

Decker Creek at reduced capacity will create a total annual economic impact of \$43.2 million in output, \$25.3 million in value-added, \$8.7 million in earnings, and 159 total jobs. Table 1 provides more detail.

Table 1: Estimated Total Economic Impact of the Decker Power Station (\$2019)

Sector	Output	Value Add	Earnings	Jobs
Agriculture, etc.	\$5,296	\$2,648	\$2,648	0
Mining	\$2,335,435	\$1,559,605	\$397,183	4
Utilities	\$26,966,068	\$15,378,920	\$4,000,955	41
Construction	\$789,070	\$442,197	\$243,605	5
Durable Mfg.	\$275,380	\$113,859	\$60,901	1
Nondurable Mfg.	\$376,000	\$153,577	\$66,197	1
Wholesale trade	\$860,563	\$582,535	\$256,845	4
Retail trade	\$998,253	\$661,971	\$349,521	13
Transport/Warehousing	\$701,690	\$362,760	\$219,775	5
Information	\$757,295	\$428,957	\$156,225	3
Finance & Insurance	\$1,657,576	\$857,915	\$423,662	9
Real Estate	\$2,046,816	\$1,432,506	\$317,746	13
Prof., Scientific, & Tech. services	\$1,816,450	\$1,215,380	\$802,309	12
Management of Companies	\$82,084	\$50,310	\$34,423	0
Admin. & Waste Mgmt. Services	\$802,309	\$537,521	\$368,056	13
Educational Services	\$164,169	\$100,620	\$76,789	3
Health Care	\$953,239	\$574,591	\$428,957	10
Arts & Entertainment	\$119,155	\$63,549	\$37,070	2
Accommodation	\$180,056	\$113,859	\$50,310	2
Eating & Drinking Places	\$558,704	\$293,915	\$188,000	10
Other Services	\$789,070	\$402,479	\$259,493	7
Households	N.A.	N.A.	\$10,592	1
Total	\$43,234,678	\$25,329,675	\$8,751,262	159

Source: TXP

Conclusion

In its current configuration, the operation of Decker Creek creates a modest level of overall economic impact, as the ripple effects from plant operations create approximately 110 additional jobs and slightly more than \$4.7 million in earnings throughout the region. However, these results are predicated on the idea that decommissioning the facility, in and of itself, will not impact the price paid by Austin Energy customers for power in the future. If that is not the case, then the economic impact analysis would shift; if decommissioning results in higher prices, then the impact could be substantially more negative. Conversely, if decommissioning translates into lower prices (perhaps due to greater reliance on a less-expensive form of generation), then the impact likely would be positive.



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