



# IPL Production Update & Discussion of Next Steps

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# Production Assets

- Blue Valley Power Plant
- 6 Combustion Turbines



# Blue Valley Power Plant

- Recap of the evaluation process
- Current status of the Plant
- Next Steps
  - Closure
  - Transition Plan
  - Repurposing



# Combustion Turbines

- Recap of the evaluation process
- Current Status
- Next Steps



# Blue Valley Recap

- June, 2017: Management Partners Audit included a recommendation for an Energy Master Plan.
- November, 2017: City Council approved a contract with Burns & McDonnell for an Energy Master Plan
- September, 2018: Master Plan report was submitted. It recommended retiring Blue Valley Plant and issuing an RFP for less expensive capacity to replace capacity lost with BV closure.
- May, 2019: Council approved a 10 year, \$13.6 million capacity contract with Oneta for 45 MW.



# Blue Valley Recap

- Oneta is a 1,133 MW natural gas combined cycle plant located in Coweta, Oklahoma, which went into service in 2002.
- The Oneta contract included an opt-out provision if transmission upgrade costs exceed \$1million.
- The City has notified SPP of our intent to replace Blue Valley capacity with the Oneta Power Purchase contract.
- Oneta contract starts June 1, 2020.



# Blue Valley Current Status

- The City is awaiting actual transmission costs and approval of capacity change from SPP.
- Preliminary indications are that transmission costs will be well under \$1 million threshold for opt-out.
- SPP approval expected November 15, 2019.
- Blue Valley closure could be as soon as 6 months after SPP approval.



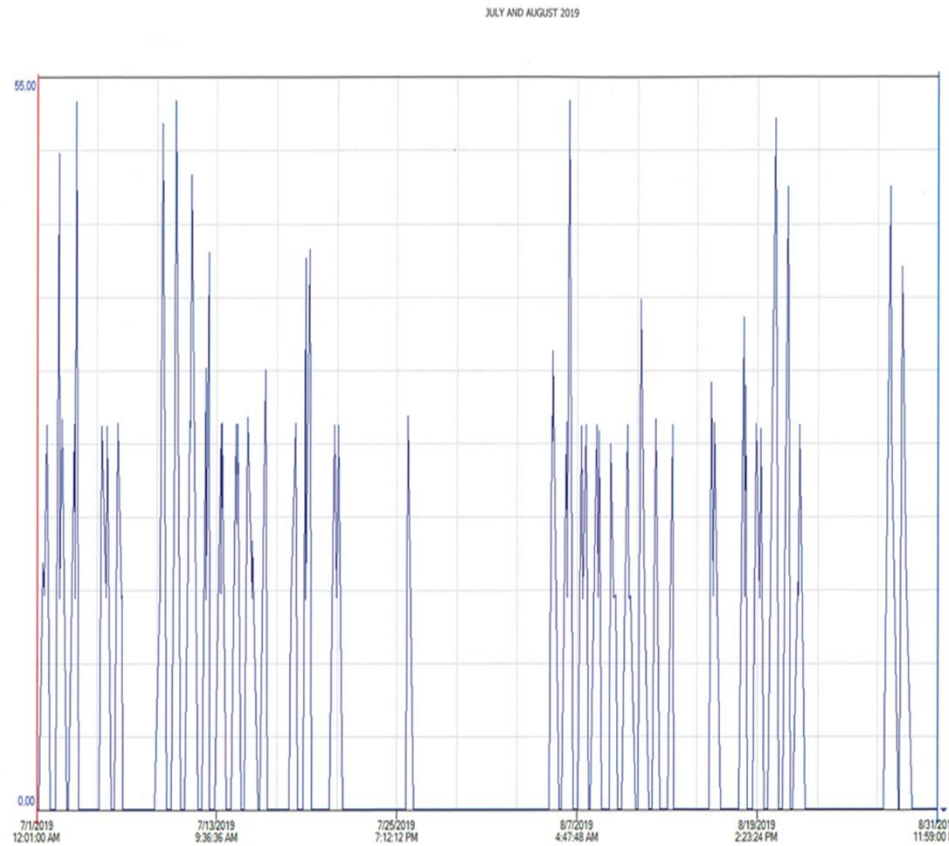
# Blue Valley Current Status

- While awaiting approval from SPP. The IPL Production Division is working to maximize profit generation from Blue Valley prior to closure.
- Increased operation of BV and the CT's has resulted in approximately \$350,000 in net profit since the start of the fiscal year (over and above personnel costs and fuel).
- The current level of production would not be sustainable long term with the aging equipment, but can be done short term to maximize revenue.





# July – August 2019 Runs



BV  
1  
BV  
2  
BV  
3

IND  
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INDEPENDENCE  
★ POWER & LIGHT ★



# Blue Valley Next Steps

- Closure
  - Blue Valley can be closed no sooner than 6 months after SPP approval received. SPP approval is expected around Nov. 15.
  - June 1, 2020, has been established as a tentative closure date to correspond with the SPP approval timeline and the start of the capacity contract with Oneta.
  - The actual date for the closure of the Blue Valley Power Plant will be per the direction of the City Council.



# Blue Valley Next Steps

- Transition Plan for impacted Production employees
  - The 2019-2020 Budget includes 40 full time positions in Production Division, down from 60 in 2017-18.
  - The Energy Master Plan recommended retaining as many as 23 FTE's in a much-reduced Production group focused on the care and operation of the 6 combustion turbines not associated with BV.
  - It's anticipated that future operations will determine the actual number of Production personnel needed for operation of the 6 CT's.



# Blue Valley Next Steps

- Transition Plan (Continued)
  - A consultant, Darda HR, has been retained by the City to assist Human Resources in the development of a Transition Plan.
  - The Transition Plan for impacted employees in the Production Division is expected to be ready for Council consideration in December, 2019.
  - The goal is to have a plan in place and presented to employees well in advance of actual plant closure.



# Blue Valley Next Steps

- Repurposing the Blue Valley facility
  - The location, condition, size, and construction of Blue Valley suggest it would be a prime candidate for repurposing as opposed to dismantling.
  - While remediation will be necessary after closure, some of this has already been done, including ash pond compliance.
  - In addition to possible reuse by the City, the site may prove to be of interest to others as well.



# Blue Valley Next Steps

- Repurposing (Continued)
  - Ideally, repurposing should begin as soon after the closure as practicable.
  - Accordingly, the City Manager recently retained Lynch Consulting Services to begin a preliminary assessment of repurposing options for presentation to the City Council, leading to an RFP process.
  - The consultant is expected to have the initial assessment report completed by the end of November, 2019.



# Combustion Turbines

- Recap of evaluation process
  - In addition to evaluating Blue Valley, the 2018 Energy Master Plan also looked at the 6 combustion turbines.
  - In that report, Burns & McDonnell determined that the City's best option, at least in the near term, is to continue to operate the existing CT's.



# Combustion Turbines

- Recap (Continued)
  - In 2019, the City issued the Power Supply RFP, which resulted in updated market costs for replacement capacity.
  - Earlier this summer, City staff were asked to revisit the 2018 Burns & Mac study in light of the new market information obtained in 2019.
  - The results of that analysis indicate that the City's best option is to continue to operate the existing turbines for the next few years.





# Combustion Turbines

- Current Status
  - The CT's date back to the 1960's and 70's, are nearing the end of their useful lives, but have been well maintained.
  - Despite their age, they can be expected to last several more years depending on maintenance and replacement of components.
  - Some units are called upon frequently by SPP.
  - The 6 CT's provide a considerable amount of capacity required by SPP (93MW). This compares to 45 MW at BV replaced with Oneta.
  - The cost to replace CT capacity would be significant considering the \$13.6 million cost to replace the 45 MW at Blue Valley.



# Combustion Turbines

- Next Steps
  - Burns & Mac and City staff concur that the existing CT's are the most cost-effective solution for the next few years.
  - IPL should use this grace period to stabilize finances and prepare for the financial impact of replacing CT's.
  - The City should continue to monitor the condition and performance of the CT's as well as the relative costs and benefits of various options for replacing CT capacity.
  - A plan for replacement of the CT's, including financial component, should be developed for future Council consideration.





# Questions?

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