

IPL Production Update & Discussion of Next Steps

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Production Assets

- Blue Valley Power Plant
- 6 Combustion Turbines



Blue Valley Power Plant Discussion

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



Combustion Turbines Discussion

- 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 (Continued)

- 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 \$1 million.
- 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.
- While waiting on approvals from SPP, the IPL Production Division is working to maximize revenue from Blue Valley prior to closure.

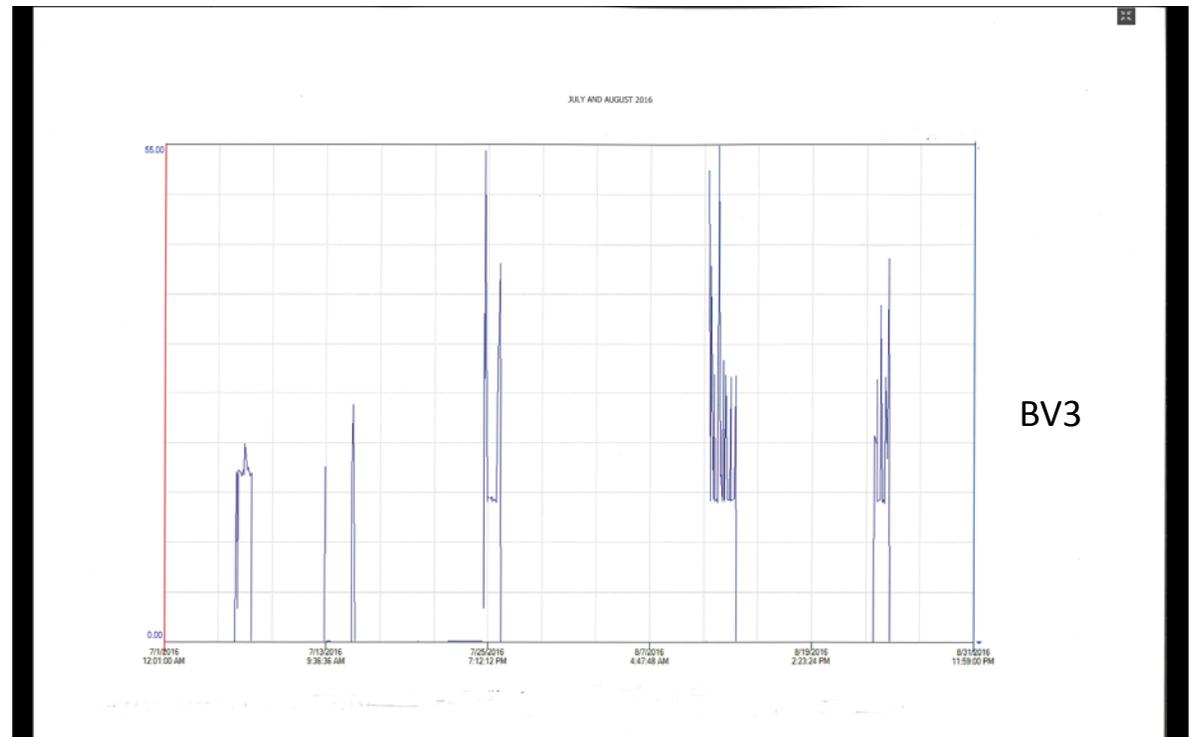


Blue Valley Current Status (Continued)

- Increased operation of BV has resulted in new revenue. While not enough to cover both base costs & variable costs from running (fuel, OT, etc.), revenues have exceeded variable costs by \$400,000 since the start of the fiscal year.
- The current level of production would not be sustainable long term with the aging equipment, but can be done short term to maximize revenue.



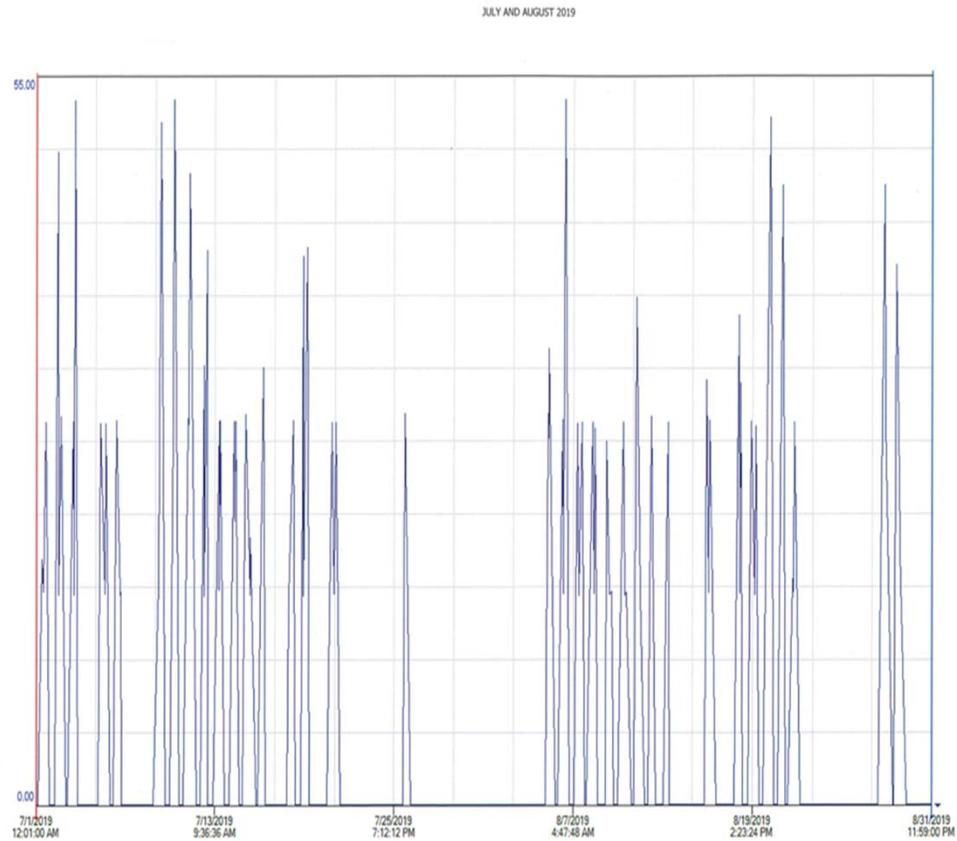
July – August 2016 Runs



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July – August 2019 Runs



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Blue Valley Next Steps

- Closure
 - Blue Valley closure is expected to occur about 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 set by the City Council.



Blue Valley Next Steps (Continued)

- 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 (Continued)

- 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 (Continued)

- 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 (Continued)

- 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

- A major decision point for the City Council will be to establish a timeline for the CT's, including how long they should continue in service and when they should be replaced with other sources of capacity.
- IPL should use this grace period (when CT's are still in use) 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 a financial component, should be developed for future Council consideration.





Questions?

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