



CITY OF SPRINGFIELD, ILLINOIS

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FAQs: CWLP IRP UPDATE

December 11th, 2019 Public Utilities Committee Meeting

The City of Springfield began a process for an Integrated Resource Plan (IRP), which would identify the best resource options for CWLP to provide reliable and competitively priced electrical power to meet Springfield's future energy needs. The Energy Authority, Inc. (TEA) conducted the IRP by compiling and analyzing economic data of CWLP's existing electric resources along with the economic data of other options such as wind, solar, and natural gas combustion turbine.

1. Why did CWLP need an IRP?

CWLP's mission as a public power utility and operator of its own generation resources has long been to responsibly provide affordable and reliable electric service to its customer-owners. With an aging generation fleet, and a changing energy market and regulatory climate, it was necessary to conduct an in depth analysis to study the cost of the utility's current electric resources, against what other options are available. The IRP was tasked with determining the best mix of electric resources, which are low cost and low risk for CWLP customers' future energy needs.

2. Which plants were considered in the IRP analysis?

The IRP considered all of CWLP's generating assets.

DALLMAN 31	COAL	61 MW	1968
DALLMAN 32	COAL	61 MW	1972
DALLMAN 33	COAL	172 MW	1978
UNIT 4	COAL	207 MW	2009
REYNOLDS	FUEL OIL	14 MW	1970
FACTORY	FUEL OIL	17 MW	1973
INTERSTATE	FUEL OIL & NATURAL GAS	110 MW	1997

3. What did TEA recommend from IRP results?

TEA from its IRP study recommended retirement of Dallman 31, 32 and 33 in 2020; and keeping Unit 4 and the smaller combustion turbine units, Reynolds, Factory and Interstate. It also recommended issuing a Request for Proposal (RFP) for renewable energy, issuing a RFP for energy and capacity to buy market power for a Purchase Power Agreement (PPA) and expanding energy efficiency programs at CWLP Energy Services. Over the long run, the IRP indicates CWLP will see a shrinking coal fleet with increased reliance of PPAs supplemented with existing combustion turbines and an ever-increasing mix of renewables.

4. Why is coal-fired generation more costly than other sources?

In TEA's IRP analysis of what would be the best and least cost energy resources to meet CWLP customers' future electricity needs, Dallman 31, 32 and 33 generating units were found to be more costly compared to other energy resources available. The lower efficiency and age of the units, 1968, 1972 and 1978, and regulatory costs, make these plants not cost competitive in today's energy market. Dallman 31, 32 and 33 are operating 30% less than expected this year since they are not competitive in the market. Energy prices are lower largely from the decline in natural gas costs, which is the primary driver of the energy market.

5. Will retiring Dallman 31, 32, and 33 affect CWLP's ability to supply electricity?

Unit 4 and the combustion turbines can cover all of CWLP customer load nearly 100 percent of the time. CWLP customers would experience no difference in their electric service reliability due to retiring units with the ability to import power as already done through market purchases and with a Purchase Power Agreement (PPA). Upgrades to the transmission system would be made prior to retiring Dallman 33 to improve import capability.

6. Is there risk to buying market power instead of relying on CWLP's own power generation?

The IRP identified purchasing power from the market is less risky and costly than operating Dallman 31, 32 and 33. The IRP studied the effects of many variables on the future price of energy and determined prices in the market for long-term Purchase Power Agreements (PPAs) are lower and will remain lower than it costs to operate Dallman 31, 32 and 33. Energy prices would have to double and capacity prices would have to triple in order for these units to become viable in the market again.

7. How much will it cost to retire the power plants?

The cost to retire Dallman Units 31 and 32 is estimated at \$700,000, which includes the decommissioning costs for lube oil work and cleaning, plus installing new building heat. In contrast, the savings compared to market prices from not operating Dallman 31 and 32 is \$10M to \$12M annually. Additional savings from retiring these units is \$40M over the next five years for various work including dry ash conversion, boiler repairs, turbine overhauls and other major maintenance.

The costs associated with retiring Dallman 33 are estimated to be around \$2M, which includes transmission upgrades, plus decommissioning costs for lube oil work and cleaning. In contrast, the savings from not operating Dallman 33 is \$13M to \$16M annually. Additional savings from retiring this unit is \$29M over the next five years for various work including dry ash conversion, boiler repairs, and other major maintenance.

8. What is the plan for affected employees?

Minimizing the impact to our employees continues to be a primary concern. Our plant employees represent one of our most valued and specialized skill groups, which has been key to such a vital service to the city for so many years. Discussions have begun to see that we implement a timeline that is fair and that reorganization and transition to other jobs can happen where possible. Options for severance and retirement incentives are being considered as well.

9. What are CWLP's next steps? What if plant retirements are delayed?

Retiring Dallman 31 and 32 and beginning the planning and transition process for employees assigned to those units, is CWLP's preferred first step to implementing some of the IRP recommendations. Beyond not being cost competitive in the energy market (\$10M-\$12M annual loss), upcoming capital expenditures for Dallman 31 and 32 to comply with a number of environmental regulations and maintenance is expected to be \$40M over next 5 years and should be avoided for these smaller, older units. For Dallman 33, dates for its retirement and decommissioning need to be finalized for short-term and long-term planning by the end of January 2020 to avoid a number of significant costs for environmental compliance and maintenance projects. Dallman 33 also operates at a loss to market (\$13M-\$16M annually) and similarly faces upcoming capital expenditures for compliance and maintenance projects, \$29M over the next 5 years.