



City of Grand Island

Tuesday, October 07, 2003

Study Session

Item -3

Presentation of Future Power Supply - OPPD Project

Differing fuel costs create a substantial difference in the cost of generation. Platte Generating Station produces electricity with a fuel cost of about \$10/MWh; Burdick Station is fired by natural gas and produces power for a volatile \$80/MWh. In 2002, Grand Island's retail electric rate averaged \$47.30/MWh. To maintain a competitive rate structure, production from Burdick Station must be limited to peaking service only.

For the past two summers, peak demand has exceeded 150 MW. Platte Generating Station can supply only 100 MW of the demand. The recently completed Combustion Turbine installation will help to control fuel costs. Unlike the Burdick Station steam generation, which must run for extended periods, combustion turbine operation can be restricted to peak load hours only.

Peak demand is growing at a projected rate of 2.29%. Grand Island has generating resources to satisfy peak demands for an extended period of time; this will require extensive operation of the Burdick Station steam generation. The price of energy is determined by our generation mix, which will grow more uneconomical as energy needs grow. Energy sales are increasing 3.2% per year. By 2007 it is expected that the natural gas fired Burdick Station will be needed for every month of the year. To remain competitive, Grand Island needs additional base load capacity in the 2010 to 2012 time frame.

Therefore, the Utilities Department continues to explore a number of options to add low cost, base load, coal fired resources to the current power generation mix. At present, there are three coal plant projects being evaluated in Nebraska;

- 1) Omaha Public Power (OPPD), a 600 MW plant at Nebraska City.*
- 2) Hastings Utilities and Nebraska Municipal Power Pool (HU/NMPP), a 220 MW plant at Hastings and:*
- 3) Nebraska Public Power District (NPPD), a 400 MW plant at the CHAAP or at a site in the northeast part of the state.*

Of the three options, the OPPD project is moving toward the earliest completion. Utility and Legal Staff, along with the City Administrator and outside Bond Counsel have met at length with OPPD officials over the last two months to thoroughly review the proposed Power Participation Agreement (PPA). That document is completed.

The Utilities Department believes that participation in the OPPD NC2 project is cost effective for GI's future power needs.

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