

Omaha Public Power District begins to map plan for powering next 20 years

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By Cody Winchester / World-Herald staff writer June 9, 2014

The Omaha Public Power District is nearing some multimillion-dollar decisions that will alter how it produces power.

The district estimates that over the next 20 years it will spend from \$8.9 billion to \$9.5 billion to generate power, including hundreds of millions of dollars to comply with new federal clean-air rules — including proposed limits on carbon dioxide emissions — and to satisfy customer demand for clean power and energy-efficiency programs.

OPPD has released five scenarios for achieving these goals through a mix of retrofitting coal plants with new emissions controls; refueling them with natural gas; retiring coal-fired units and opening a new gas plant; developing solar resources; and reducing demand through energy-efficiency programs.

About two-thirds of the district's generation is coal-fired power, though that will change as new wind power sources come online this year.

Many of the big-ticket, far-reaching investments will be made in the next few years. OPPD has been pressured by environmental and community groups that want the district to stop burning coal. District officials also are trying to balance the impact to ratepayers, who will foot the bill for these upgrades.

For months, OPPD has gathered public comment about how it should produce power. The goal is to create a blueprint for the next two decades.

Anne McGuire, vice chairwoman and 18-year veteran of the OPPD board, compared the situation with the decision the district faced in the mid-1990s to relicense the Fort Calhoun Nuclear Station.

“It’s about the same magnitude,” she said.

Management is studying the options and could make a recommendation to the board as early as this month. The board also could choose a hybrid option that incorporates elements from different scenarios. In the meantime, members aren't tipping their hands about what they prefer.

Russ Baker, OPPD manager of environmental and regulatory affairs, said all five scenarios put the utility in compliance with existing clean air rules, though it's too early to see how Nebraska will implement the carbon dioxide limits.

"Without having a final rule, there's some uncertainty," he said.

Environmental groups have been lobbying hard in advance of the decision, urging OPPD to limit or end its use of coal.

Holly Bender, deputy director of the Sierra Club's Beyond Coal campaign, said any scenario that assumes the continued use of coal exposes ratepayers to heightened regulatory risk.

"In 20 years, (air quality standards) will get tightened further," she said.

Bender and others say they are concerned that OPPD is underestimating the cost of coal while overestimating the cost of renewable energy.

Laurie Gift, chairwoman of an environment-focused committee for Omaha Together One Community, doesn't like that each scenario shows the proportion of renewable energy shrinking from one-third in 2018 to about one-fifth by 2033.

"Ideally we want (the north Omaha plant) running only when the sun isn't shining and the wind isn't blowing," she said.

OPPD has made an aggressive push recently to expand its wind purchases, adding hundreds of megawatts of new capacity. It estimates that one-third of its retail sales will come from renewable sources by 2018.

In its projections to 2033, however, OPPD assumes that its current wind contracts will not be renewed, and that it won't tap new wind that comes online in the next two decades.

Tim Burke, OPPD vice president of customer service and public affairs, cautioned against reading too much into that. The projections are more solid in the near term, Burke said, and the district is committed to renewable energy.

"Don't lock us into what we're saying might happen in 20 years," he said. "We're going to need a lot more flexibility in the future."

OPPD's analysis was performed by the consulting company Black & Veatch. The utility provided The World-Herald with some of the assumptions underlying its analysis.

Among other things, the analysis assumes a federal carbon cap-and-trade system beginning in 2020, similar to what the Obama administration unsuccessfully proposed five years ago.

Though it's not clear such a system would be politically tenable, it's a useful mechanism for pricing a ton of carbon, said Rob Patrylak, a managing director at Black & Veatch.

Plus, Baker said, given the new limits on carbon emissions, "we're kind of seeing some of the structure (for a carbon tax) being put in place."

Contact the writer: 402-444-1216, cody.winchester@owh.com, twitter.com/cody_winchester

Addressing clean-air rules, customer demands

The estimated cost over 20 years for each scenario:

Option 1 (\$8.89 billion)

» 2016: Refuel north Omaha station units 1-3 with natural gas, retrofit units 4-5 with basic emissions controls; retrofit Nebraska City station unit 1 with basic emissions controls

» 2023: Refuel north Omaha station units 4-5 with natural gas

Option 2 (\$8.89 billion)

» 2016: Retrofit north Omaha station units 1-5 and Nebraska City station unit 1 with basic emissions controls

Option 3 (\$9.06 billion)

» 2016: Retire north Omaha station units 1-3 and replace with natural gas unit; retrofit units 4-5 with basic emissions controls; retrofit Nebraska City station unit 1 with basic emissions controls

Option 4 (\$9.07 billion)

» 2016: Retire north Omaha station units 1-3 and replace with natural gas unit; retrofit units 4-5 with basic emissions controls; retrofit Nebraska City station unit 1 with basic emissions controls

» 2018: Reduce load by 100 megawatts through energy efficiency programs

Option 5 (\$9.24 billion)

» 2016: Retire north Omaha station units 1-3 and replace with natural gas unit; retrofit units 4-5 with basic emissions controls; retrofit Nebraska City station unit 1 with basic emissions controls

» 2018: Increase power from solar sources by 100 megawatts

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