

# IPL Cost Benefit Analysis

Presented August 15

2024

SM

# Introduction

- DKMT Consulting was retained to perform two independent studies. The first was a Cost-Benefit Analysis of Independence Power and Light to inform stakeholders in their deliberations regarding alternative ownership models for IPL. This report does not recommend retaining or divesting IPL.
- The second report is a Strategic Plan describing actions to make IPL the best utility it can be to serve the City of Independence.

# Benefits of Owning IPL

- Municipal utilities are typically more agile than regulated investor-owned utilities with:
  - Tax-free financing,
  - Quicker decision-making
  - Ability to provide additional services to their communities.
  - Rates and fees set by Community Leadership
- Currently employs 157 personnel with a Payroll of \$17 million.
- Provides the City of Independence with industry-leading electric reliability.
- Provides shared services to other utilities, the City, and School Districts.
- Provides the City the ability to access wholesale electric markets and generate additional revenue.

# Costs of Owning IPL

- The electric utility industry is a capital-intensive and complex industry that is undergoing significant change.
- Through 2049, IPL will generate approximately \$2.4 billion in revenue to pay the same amount in obligations. IPL is operated as a break-even enterprise per the City Charter and is not generating financial surpluses or long-term debts.
- Inflation, capacity needs, compensation, and supply chain issues will require rate increases to keep IPL operating at break-even.

# Current IPL Obligations

- \$267 million in outstanding principal on bonds tied to revenues from or assets tied to the electric distribution system.
- These bonds are held by Omaha Public Power District (\$64 M), Missouri Electric Commission (\$86.5 M), and the Missouri Development Finance Board (\$116.5 M). The City requires the consent of each bondholder prior to changing ownership of the system and must not endanger the bonds' tax-free status.
- The obligations for NC2, IATAN2, and Dogwood remain even if the power plants are shutdown before the end of plant life.

# Current IPL Obligations (cont'd)

- The City of Independence is obligated to pay its portion of fuel, O&M, and decommissioning costs for Nebraska City 2, IATAN 2 and Dogwood for the life of the plants. The NPV of this obligation is estimated to be approximately \$433 million through 2049.
- The City has capacity contract obligations with Oneta (2030), and purchased power contracts with Smokey Hills (2027), Marshall Wind (2036) Farms, and MCP-Independence Solar (2043). The NPV of these contracts is estimated to be approximately 500 million through 2043.

# Current IPL Obligations (cont'd)

- Estimated environmental liability to clean up the Blue Valley site is \$25-50 million.
- Estimated liability for IPL employee healthcare is \$38 million.
- Estimated liability for IPL Lagers is \$7 million.
- DKMT estimates that approximately \$5 million shared costs for services would have to be shifted to other city departments to continue the same level of service provided by IPL, if divested.

# IPL Performance

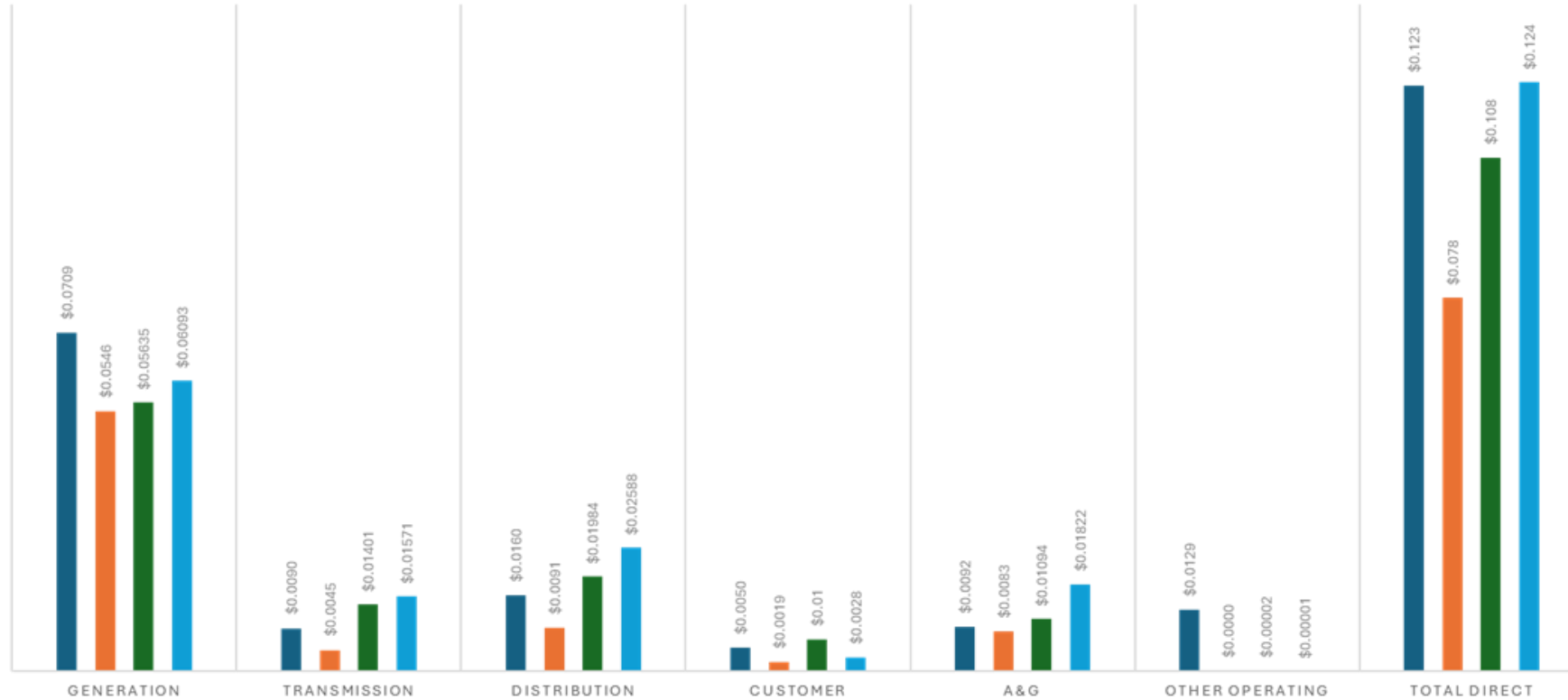
- **IPL is an efficient utility.** It compares well with peers with the exception of generation costs.
- Generation costs include debt service for NC2 and IATAN2. In the case of IATAN 2, this is approximately 50% of the cost.



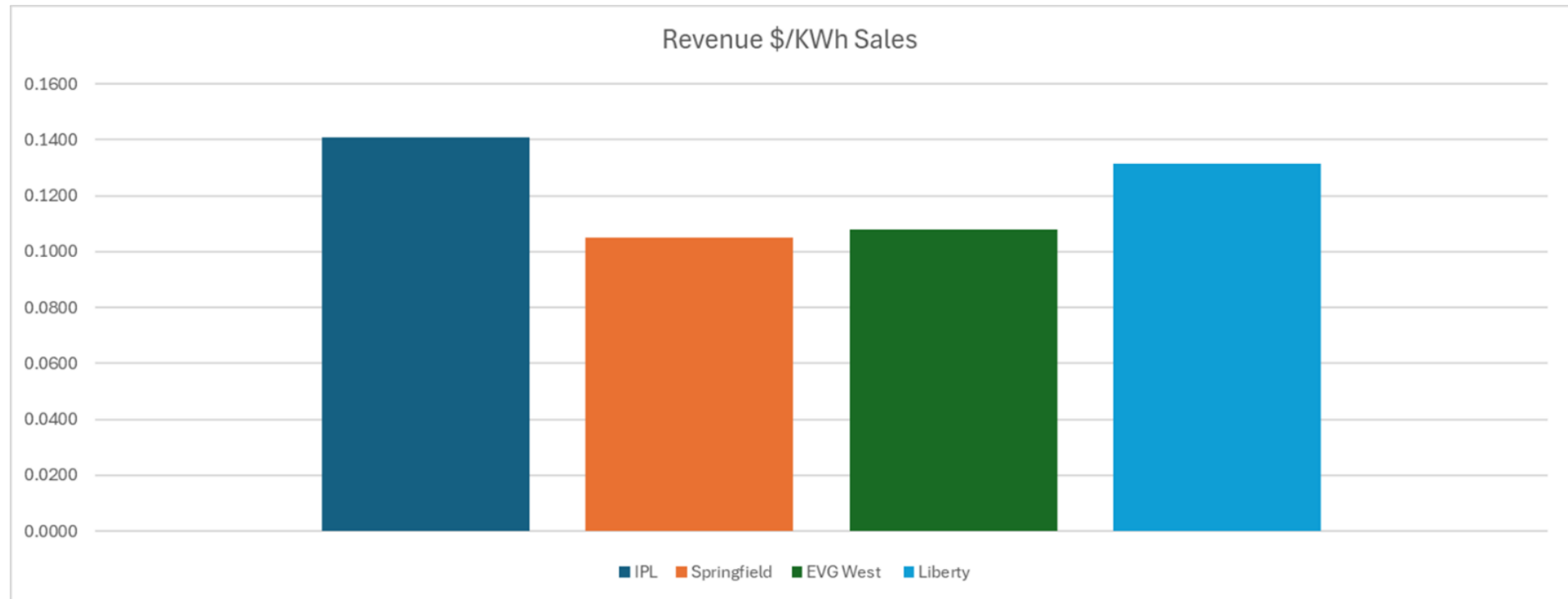
# IPL Performance

## OPERATING EXPENSES PER KWH

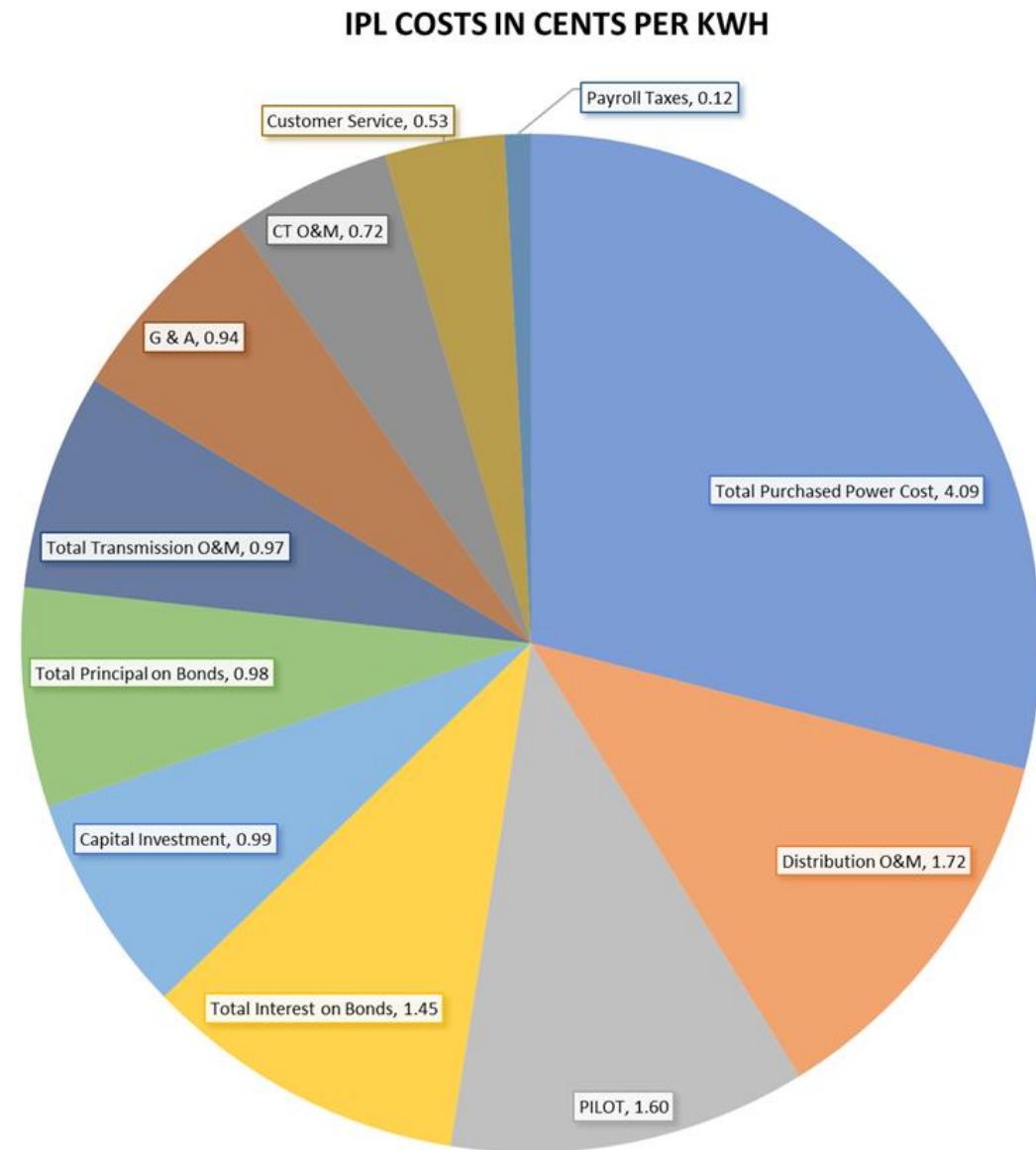
■ IPL ■ Springfield ■ EVG West ■ Liberty



# IPL is a higher cost utility because of its debt structure and other non-operating charges



# An approximate breakdown of IPL Costs per KWH



Questions ?

