

*Hurley/Burke*

**RESOLUTION NO. 6122**

**WHEREAS**, based on management's recommendation on May 12, 2016 to cease Fort Calhoun Station (FCS) operations as a result of analyses that evaluated rebalancing the District's generating portfolio, and

**WHEREAS**, management also recommended continued pursuit of rebalanced generation portfolio options and committed to present a decommissioning methodology recommendation at the Board's June meeting, and

**WHEREAS**, the District has shared information on the FCS recommendations with customer-owners and other key stakeholders, and

**WHEREAS**, ceasing FCS operations will require an accounting write-off of FCS assets and require earlier accounting recognition of the decommissioning liability, and additional funding of the District's existing decommissioning funds will be accelerated through savings from ceasing FCS operations, and

**WHEREAS**, based on the analysis of the decommissioning options, management recommends the Safstor methodology for FCS, and

**WHEREAS**, an accounting liability will be recognized for the Nuclear Regulatory Commission (NRC)-required decommissioning obligations, and

**WHEREAS**, although additional expenses such as spent fuel management and FCS site restoration are not included in the NRC-required decommissioning obligations, it is the District's intent is to continue to collect all decommissioning obligations for FCS, and

**WHEREAS**, the Governmental Accounting Standards Board guidance permits the use of regulatory accounting and the establishment of a regulatory asset. The regulatory asset will be established to match the decommissioning expense to the NRC-required obligations and match the recovery of the decommissioning expense with amounts collected through rates, and

**WHEREAS**, the FCS Recovery Costs regulatory asset will continue to be amortized through 2023 as previously approved and the regulatory accounting treatment for FCS Deferred Decommissioning Costs, FCS Outage Costs and FCS Depreciation Costs will be discontinued and the associated regulatory assets written off, and

**WHEREAS**, the safety of FCS remains a top priority and appropriate staffing levels will be maintained to meet the District's safety commitment to the community.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Omaha Public Power District that the plan set forth on Exhibit A attached hereto, be and hereby is approved.

## Exhibit A

### **Plan to Permanently Cease Operation of the Fort Calhoun Station (FCS) and Confirm Decommissioning Funding, Select a Decommissioning Methodology and Commence Decommissioning of FCS, Pursue Capacity Replacement, and Authorize Necessary Regulatory Accounting Treatment**

#### Fort Calhoun Station (FCS)

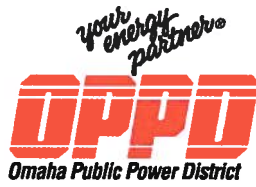
- Permanently cease commercial operations of FCS by December 31, 2016
- Begin decommissioning of FCS in 2016 using the Safstor methodology
- Fund decommissioning of the NRC-required obligations (irradiated portion of FCS), spent fuel management and site restoration through a combination of existing decommissioning funds and District revenues

#### Capacity Replacement

- Short-Term:
  - Use available natural gas generating capacity for North Omaha Unit Nos. 1 – 3 through at least 2018 to provide for capacity during peak demand periods
  - Purchase available excess generating capacity from other SPP participants
- Long-Term:
  - Utilize Integrated Resource Plan process to finalize capacity replacement options

#### Regulatory Accounting Treatment

- Approve regulatory accounting treatment for the NRC-required decommissioning obligations to be amortized over the period of funding for the District's decommissioning and supplemental decommissioning funds
- Continue use of regulatory accounting treatment for the FCS Recovery Costs with amortization over the 10 year period through November 2023 established by Board Resolution No. 5920
- Discontinue regulatory accounting treatment for Deferred Supplemental Decommissioning Funding and rescind Board Resolution No. 6091
- Discontinue regulatory accounting treatment for FCS Outage Costs and rescind Board Resolution No. 6026
- Discontinue regulatory accounting treatment for FCS Depreciation



# Board Action

## BOARD OF DIRECTORS

June 14, 2016

### ITEM

Cease Operation of the Fort Calhoun Station (FCS)

### PURPOSE

Approval of plan to permanently cease operation of FCS and confirm decommissioning funding, select a decommissioning methodology and commence decommissioning of FCS, pursue capacity replacement, and authorize necessary regulatory accounting treatment

### FACTS

- a. Management made a recommendation to cease Fort Calhoun Station (FCS) operations by December 31, 2016, during the May 12, 2016 Board of Directors Meeting. The recommendation was based on generation planning analyses that evaluated rebalancing the District's generating portfolio. Management also agreed to continue pursuit of rebalanced generation portfolio options and to bring to the Board of Directors, at the June 16, 2016 meeting, a decommissioning methodology recommendation. The adoption of these actions are estimated to eliminate the need for general rate increases through 2021 and create a path to achieve the Strategic Directive 2 goal of providing rates 20 percent below the regional average.
- b. The District shared information on these recommendations with our customer-owners and other key stakeholders allowing for review and submittal of comments and questions.
- c. Ceasing FCS operations by December 31, 2016 results in an improved competitive position, stable debt service coverage and liquidity position and reduced financial risks.
- d. Ceasing FCS operations will result in an accounting write-off of FCS assets and require earlier accounting recognition of the FCS decommissioning liability. Additional funding of the District's existing decommissioning funds will be accelerated through savings from ceasing FCS operations. Based on the analysis of the decommissioning options, management recommends the Safstor methodology for FCS.
- e. An accounting liability will be recognized as of June 30, for the Nuclear Regulatory Commission (NRC)-required obligations to decommission FCS based on a 2013 site specific study to decommission the station's assets. The decommissioning liability recorded on May 31, 2016 was \$388.1 million. The additional sum for the NRC-required obligations is estimated at \$1.5 billion and will be revised upon the completion of the site specific cost study planned for later this year. Additional expenses such as spent fuel management and restoration of the FCS site are not included in the NRC-required decommissioning obligations. It is the District's intent to continue to collect all decommissioning obligations for FCS.
- f. The Governmental Accounting Standards Board guidance for regulatory accounting permits the District, under certain conditions and with Board approval, to include revenues and costs in a period other than the period in which these revenues and costs would be recognized by an unregulated entity.

- g. A regulatory asset will be established to match the decommissioning expense to the NRC-required obligations and match the recovery of the decommissioning expense with amounts collected through rates.
- h. FCS Recovery Costs incurred in 2012 and 2013 were deferred as a regulatory asset based on Board approval. The recovery activities continue to benefit current and future ratepayers. These costs will continue to be amortized through 2023 as previously approved.
- i. The regulatory accounting treatment for FCS Deferred Decommissioning Costs, FCS Outage Costs and FCS Depreciation Costs will be discontinued and the associated regulatory assets will be written off. The balance of these regulatory assets on May 31, 2016 was \$94.5 million.
- j. FCS has been a valuable part of the District's generating portfolio for over 40 years. We are proud of all the employees for their dedication and passion to operate the plant as safely and efficiently as possible for employees, customer-owners, and the community. We also want to thank Exelon Generation for their leadership and expertise. Station safety remains a top priority and appropriate staffing levels will be maintained to meet our safety commitment to the community.

ACTION

Board approval of the plan described on Exhibit A

RECOMMENDED:

APPROVED FOR BOARD CONSIDERATION:



Edward E. Easterlin



Timothy J. Burke

EEE: jk

Attachment: Exhibit A  
Resolution