



FAQs – Resource Generation Recommendation

Updated June 7, 2016

Background, rationale and decision-making process

(1) Q: What's being announced?

A: Today, senior management recommended to the board of Directors that OPPD cease operations of FCS by the end of 2016 and plan for future decommissioning. Additionally, the recommendation proposed no general rate increases through 2021.

(2) Q: Why is OPPD making this recommendation?

A: Customer-owners have told us they want affordable rates, and the board has directed Senior Management to drive those rates to 20 percent below the regional average.

The difficult recommendation to cease operations at FCS is the result of a thorough analysis of market conditions, economies of scale and the proposed Clean Power Plan.

More information about the recommendation can be found at oppdlistens.com, which will continue to be updated as information is available.

(3) Q: Why now?

A: As part of our ongoing effort to assess our generation resources, we evaluated what the optimal mix of our generation fleet should look like in the future. Using multiple scenarios, we evaluated the range of risks posed to our company by varying future assumptions such as fuel costs, customer load, technology costs and emissions.

As such, the economics of FCS were also included. The district spends approximately \$250 million annually to operate and maintain FCS, employing more than 650 and generating 478.1 megawatts of electricity. This stands as the smallest rated nuclear plant among all operating commercial nuclear power reactors in North America. Given the results of this recent assessment and in accordance with the strategic directives established by the board, it has been recommended that it is no longer in the best interests of our customer-owners to continue operations at FCS.

(4) Q: Why did we not make this recommendation after the flood in 2011?

A: We are proud of our dedicated employees and the great work completed, especially since 2011, to restart and operate the facility. Maintaining a diverse portfolio that included nuclear power provided flexibility as we faced unanswered questions about future environmental and regulatory impacts on our generation resources.

(5) How much did it cost OPPD to recover operations at FCS after the 2011 flood?

A: OPPD has invested approximately \$195 million to recover operations at FCS after the flood. Approximately \$147.5 million was related to operations and maintenance costs. This investment was critical to maintaining our high safety and operational standards. Projects completed during this time included the refurbishing of certain safety systems, which would be needed throughout the decommissioning process.

(6) Q: Will the public have an opportunity to see the latest financial analysis and its results?

A: Yes. Information about the recommendation is available online at oppdlistens.com.

(7) Q: Was selling FCS to another entity a part of your analysis?

A: No. As a public power state, only Nebraska public power utilities would be qualified to own the station. Due to Fort Calhoun's small size, it would not be a cost-effective solution.

(8) Q: How has the price of natural gas influenced this recommendation?

A: Natural gas prices are at an historic low and are projected to remain low. The analysis included all sources of generation and a range of their cost effectiveness over the short- and long-term.

(9) Q: How would the recommendation impact suppliers and contractors?

A: Should we progress with the decommissioning process, we would engage suppliers and contractors as needed to support our future decommissioning activities.

(10) Q: What long-term and annual cost savings could OPPD realize should the board vote in favor of the recommendation?

A: The robust modeling conducted by a third party, Pace Global, reflects savings of between \$735 million and \$994 million over the next 20 years, should OPPD rebalance its portfolio.

(11) Q: Please explain SD-2 and where 20% came from.

A: Strategic Directive 2: Competitive Rates is focused on maintaining competitive rates, with a target of achieving 20 percent below the regional average. The directive was approved by the board and was developed based on stakeholder feedback, rating agency expectations and external competitive analysis of other public power organizations.

(12) Q: Were a range of commodity prices taken into account during the modeling?

A: Yes. A variety of inputs were taken into consideration. For additional details, see the Pace Global report [here](#).

(13) Q: Were OPPD Way cost and process initiative savings factored into the modeling?

A: The OPPD Way initiative identified an approximately \$30 million cost reduction target for FCS. While the source of those reductions has not been identified the modeling process assumed those reductions were identified, implemented, achieved and sustained.

(14) Q: Were the decommissioning fund and commitments included in the modeling?

A: Because eventual decommissioning would occur whether or not the plant is retired prior to its license expiration, it was not necessary for it to be part of the generation portfolio optimization modeling. However, the five-year (2017-2021) financial model includes the impact of higher decommissioning expense over that period if the plant is shut down.

Employee impact

(15) Q. How many employees are currently at FCS?

A: As of May 1 2016, 694 OPPD employees work at FCS.

(16) Q: How would the number of employees change over time with decommissioning?

A: Decommissioning is a phased process. FCS leadership and HR are determining the staffing requirements that would be needed to properly and safely move through the process. It is anticipated that a smaller number of employees would be impacted in 2016.

(17) Q: What does this mean for employees working at FCS?

A: Until the board votes on senior management's recommendation at the June 2016 monthly meeting, there are no changes for employees working at the station. Above all else, employees should continue to focus on performing their work safely. Safety is our top priority and must remain our focus.

Once the board votes on the recommendation in June, senior management will communicate next steps to employees.

(18) Q: Have you identified who would be retained?

A: Potential transition plans are being developed, and we would first communicate with impacted employees as soon as possible.

(19) Q: Would all aspects of the Collective Bargaining Agreements be honored?

A: Yes. All provisions of the Collective Bargaining Agreements would be honored.

(20) Q: Would OPPD have enough of the right people to oversee remaining station issues, especially since there is fuel in the reactor?

A: Absolutely. The safe and efficient oversight of the station remains our highest priority—the safety of our employees and the public is paramount. We are assessing positions that would be retained if we move toward decommissioning, including site security. We are determining the required number of employees and outside contractors consistent with nuclear safety and regulatory requirements.

Decommissioning process

(21) Q: What does decommissioning really mean?

A: When a utility decides to decommission, or cease operations of, a nuclear facility, there are three safe options to doing so, which are regulated by the Nuclear Regulatory Commission (NRC). They include DECON, SAFSTOR and ENTOMB.

DECON is the most rapid of the three options. Soon after a facility ceases operations, equipment, structures, and portions of the facility containing radioactive contaminants are removed or decontaminated to a level that permits release of the property and termination of the NRC license (*Source: nrc.gov*).

The SAFSTOR and ENTOMB options are longer-term. In those cases, contaminants decay onsite or are entombed for a longer period of time.

More information about each process is available at nrc.gov. Senior management will present a decommissioning method recommendation in June once further analysis has been completed.

(22) Q: When would the decommissioning process begin?

A: Should the board vote in favor of the recommendation, we anticipate that normal operations would cease by December 31, 2016.

Exelon's role

(23) Q: Does this mean Exelon failed?

A: No. Exelon has been working with OPPD since 2012. Their experience and capabilities enabled FCS to resume operations safely and more efficiently.

(24) Q: What about OPPD's contract with Exelon? Would the district continue to be obligated to pay Exelon over the next 20 years?

A: The specific terms of the Exelon contract are confidential. However, the contract includes an out clause, which OPPD could exercise over financial viability, cause or the district's discretion.

(25) Q. Would Exelon have a role to play in Fort Calhoun's decommission effort?

A: Yes. Exelon is engaged at this time, and their role would continue to be evaluated.

Community impact

(26) Q: How would this impact the communities surrounding FCS?

A: We understand that this recommendation would impact Blair, Fort Calhoun and surrounding communities. Approximately 150 of the 694 FCS employees live in Washington County.

From an economic standpoint, there would be no impact to the in-lieu-of-taxes paid each year to the county. Washington County received \$631,363 in 2015 in-lieu-of-tax payments, which are based on retail electric revenues within its respective communities. The ceasing of operations at FCS will not change the contribution to counties.

(27) Q: What would happen to the facility/property?

A: The future of the FCS facility and surrounding property is still being evaluated.

Integrated resource portfolio

(28) Q: What is OPPD's plan for additional generation?

A: OPPD's recommendation, which includes generation models, can be found online at oppdlistens.com.

(29) Q: The portfolio analysis cites capacity contracts – what does that mean?

A: OPPD must ensure we have enough capacity to meet our peak load demand within our service territory. Capacity contracts give OPPD the right to secure a portion of another utility or generator's assets. Once we've entered into capacity contracts, the utility or generator cannot sell that capacity to anyone else. The use of capacity contracts is a common practice across the industry. Under the portfolio analysis presented, OPPD would potentially use natural gas on North Omaha units 1-3 for peak loads.

Reliability impact

(30) Q: Would OPPD still have enough power to service the needs of our customer-owners?

A: Yes. Providing safe, reliable, and environmentally sensitive service is our priority. The recommendation takes into account any power we may have to buy from the grid to ensure our customer-owners continuously have electricity. This is part of OPPD's mission to provide reliable, affordable and environmentally sensitive energy services to our customers.

Rate impact

(31) Q. How would this impact rates?

A: If approved, OPPD proposes no general rate increase through 2021 and would take a major step to be 20% below the regional average.

(32) Q. Why is it important to be 20% below the regional average?

A. The affordability of OPPD's services ensures our commitment to public power and our customers, impacts the local economy and drives economic development efforts.

(33) Q. Does OPPD have enough money in its decommissioning fund to cover the anticipated costs of decommissioning or would it eventually mean another rate increase?

A: As of the end of March 2016, OPPD has approximately \$381 million in total available decommissioning funds. Should the district move forward with decommissioning, we anticipate having enough funds to cover the process. In fact, we would propose no general rate increase for five years.

(34) Q: How much did the post-Fukushima requirements add to the cost of operating FCS?

A: Through April 2016, OPPD has spent \$18.2 million related to post-Fukushima requirements. OPPD would work with the NRC to determine what additional requirements related to post-Fukushima compliance and possible station enhancements would be needed going forward.

(35) Q: Could this potential decision result in a rate decrease?

A: Not at this time. OPPD chose a recommendation that minimized risk and lowered overall portfolio cost. As a result, OPPD proposes no general rate increases through 2021, and would continue to fund decommissioning and reinvestment in operations and maintenance.

Safety and environmental impact

(36) Q. Would our community be safe?

A: Yes, the community would be safe. The safety of our customers and employees is always our number one priority. The Nuclear Regulatory Commission (NRC) would continue to regulate the plant to ensure that safety remains foremost in all activities.

Once the reactor would be shut down, the focus would be on fuel handling and storage. Health and environmental risks would be the same as when the plant is shut down to perform a routine refueling outage.

(37) Q: How would you limit contamination during the shutdown process? What would you plan to do with radioactive materials in the station?

A: We would continue to manage all of the systems appropriately, and we would still be bound by our NRC license to follow procedures and perform all of our equipment operations in a manner that would minimize contamination threats and exposure to radioactive materials.

(38) Q: How would this decision impact OPPD's June 2014 net generation plan and its focus of reducing future greenhouse gas and other emissions?

A: OPPD is still committed to meeting all environmental regulations. We will continue to look at resource options, including the possibility of constructing or purchasing additional generation of many types (natural gas, wind, solar) as necessary to meet our goals.

(39) Q: Did the potential requirements of the Clean Power Plan have an impact on OPPD's recommendation to cease operations at FCS? How would the decision to close FCS have an impact on OPPD's ability to meet the future requirements of the EPA?

A: The potential Clean Power Plan (CPP) requirements were not the deciding factor in developing the recommendation to cease operations at FCS.

The recommendation was primarily based on the economics of continuing to operate the smallest single unit generating station in the United States in the current and future energy market.

We considered the impact of operating FCS under many future scenarios, including those based on the now stayed CPP rule. In any case, FCS would not have operated economically in any scenario. In the draft version of the CPP, the EPA had proposed allowing states to factor in six percent of existing nuclear generation, counting it toward their clean energy goals. However, in the final rule, no credit was given to existing nuclear unit generation.

(40) Q: If CPP does not pass, would that change the recommendation?

A: No. Financial analysis included scenarios accounting for CPP and no CPP. In all cases, FCS was not economically viable.