

# American Municipal Power Generating Station

Options for Repayment of Stranded Cost

# American Municipal Power Generating Station (AMPGS)

- 960 MW 2 unit, coal fired plant which was slated for construction in Meigs County, Ohio
- City's share of power generation 8.059 MW
- November 2009, participants terminated the plant due to 37% increase in contractor's construction cost estimate.
- The project was no longer feasible to pursue and AMP turned it's attention to developing a NGCC plant

# AMPGS Stranded Cost

- Total stranded cost upon project termination was approximately \$145 million
- Post project termination negotiations with contractors and suppliers resulted in additional cost savings
- A complete accounting of the total amount due AMP will not be available until litigation is completed.
- AMP has developed 5 options for participants to repay stranded cost.
- To date the City has not paid any money toward the stranded cost.

# AMPGS Stranded Cost cont.

- As of October 31, 2011 the City's stranded cost are \$1,305,506.00
  - Not included in this cost are:
    - Further net proceeds from litigation
    - Further settlements w/contractors and/or equipment suppliers
    - Disposition (or reuse) of the AMPGS site in Meigs County, Ohio
- Fremont Participation Credit = \$479,404.00
- Current Stranded Cost estimate = \$826,102.00

# Stranded Cost Payment Options

- Option “A”- Lump Sum Payment
  - Monthly or annual
- Option “B”- \$/MWh Adder to Monthly Invoice
  - The following is an example:
    - Average monthly power cost = \$73.71/MWh
    - \$73.71/MWh X 15,700 MWh = \$1,157,247.00
    - Add \$1.00/MWh to total monthly power cost= \$74.71/MWh
    - \$74.71 /MWh X 15,700 MWh = \$1,172,947.00
    - Difference to be applied to Stranded Cost = \$15,700.00
    - 5 years estimated pay back

# Stranded Cost Payment Options

## cont.

- Option “C” Rate Levelization Adder

- Average Power Cost ending Dec. 2011 = \$73.71

Monthly Power Cost	Levelized Rate of \$73.71/MWh
• July \$71.61	+ \$2.10
• August \$72.95	+ \$0.76
• September \$74.99	(-0-)
• October \$77.67	(-0-)
• November \$74.72	(-0-)
• December \$70.65	+ \$3.06
• No impact to customer bill <u>provided</u> levelized rate does not exceed recovery cost of \$76.86/MWh.	

# Stranded Cost Payment Options

## cont.

- Option “D” – \$ Adder to Monthly Invoice for a Term of up to 15 years
  - Example to repay \$826,102.00
    - \$5,766.65 /month or \$69,200.00 annually for 15 years
    - (180 months) X \$5,766.67/month = \$1,037,997
    - Assuming 3% interest, interest expense = \$211,895.00
    - For a typical 1000 kWh per month user, the monthly power bill would be impacted by \$0.35.

# Stranded Cost Payment Options

## cont.

- Option “E” – Continue to carry stranded costs on AMP’s line of credit until litigation is completed; until equipment/supplier issues are resolved; and until disposition or reuse of the AMPGS site is resolved.
- Do we need to make a decision now?
- No – Did not budget in FY12 to begin making payment toward AMPGS stranded costs.



# Staff Recommendation

- Staff recommends to continue review of options C and E, neither of which requires a decision now.
- Staff will continue to investigate these options and provide an update in the future.