

City of Independence

MEMORANDUM

Power & Light

DATE: July 29, 2015

TO: Robert E. Heacock, City Manager

FROM: E. Leon Daggett, Power & Light Director



SUBJECT: Resolution 5933, Missouri City Decommissioning Report

Section 6 of Resolution 5933 which was passed on July 21, 2014 by the City Council states:

"That the City Manager is hereby authorized and directed to produce a report outlining the options and associated estimated costs for the disposition of the Missouri City Power Plant, ranging from retirement to demolition by July, 2015."

Sega Engineering and Technical Services was hired to evaluate the expected costs tied to various alternatives for disposing of the Missouri City Power Plant after ending energy production on January 31, 2016 as required per Section 5 of Resolution 5933. The Sega report is attached.

Included in the full report is an executive summary that provides Sega's major findings regarding five alternatives: 1) Decommission and maintain site; 2) Dismantle and maintain site; 3) Dismantle and sell site; 4) Sell site as-is; 5) Continue operations using alternative fuel.

Decommission and maintain. This alternative is projected to cost \$926,733 plus annual maintenance costs of \$32,400. Decommissioning includes disconnecting high voltage lines, de-energizing equipment, cleanout and securing the units to render the site safe. This is the minimal level of effort required to retire the plant from service, but it carries the possibility of future environmental cleanup costs and other liabilities. Annual maintenance includes security walk downs, mowing, snow removal, confirming proper site drainage, and confirming river intake structure has not been compromised.

Dismantle and maintain. This alternative is estimated to cost \$17,186,022, which includes the cost of Decommissioning. In addition, annual maintenance costs are projected to be \$13,800. Dismantling is the orderly demolition of the units in a controlled and safe manner to retain the scrap value of reclaimed materials. It also includes remediation steps to eliminate future liability for environmental cleanup.

Dismantle and sell. This option will cost the same \$17,186,022 required for Dismantle and maintain. Annual maintenance cost of \$13,800 will be required until the site is sold.

Sell the site as-is. Sega did not provide an opinion of value of the site in its current state. Based on Sega's understanding of the used power plant market and the significant costs to continue operations as a generating facility, Sega believes there is a low probability of finding a buyer willing to purchase the site as-is for continued operation as a generating unit. Under this option, the City could still be responsible for on-going liability for environmental cleanup requirements that may arise in the future.

Continue operations with alternative fuels. Section 5 of Resolution 5933 authorized and directed the City Manager to end production of energy at the Missouri City Power Plant in compliance with the Industrial Boiler MACT rule (January 31, 2016). Prior to passage of Resolution 5933, Sega evaluated the option of burning alternative fuels at Missouri City. The results of that study are included here as information. Converting the unit and installing the required environmental equipment to burn biomass is projected to cost \$53,000,000. Completing the required modifications to burn natural gas is projected to cost \$55,600,000. Given the inefficiencies inherent with 60-year old technologies, continued operation with alternative fuels is a highly uneconomic alternative and is not a viable choice in today's energy market.

Recommendation

Staff recommends pursuing the required Decommissioning and annual maintenance after January 31, 2016. During and after Decommissioning, Staff will continue to evaluate the other options including finding a purchaser for the site.