

Cheves: WPPI decision based on many factors

Gilbert Cheves

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ESCANABA — Several factors played into the Wisconsin utility company decision to hold off on part two of a feasibility study to partner with Escanaba on a new power plant.

Gilbert Cheves, consultant for the city's energy project, reports there are several reasons why Wisconsin Public Power Inc. (WPPI) is holding off on the study as it reviews its own energy options.

Because Escanaba's current power plant is outdated and inefficient for future demands, the city and WPPI have been working on a possible partnership to build a new facility here. WPPI is a nonprofit electric utility serving 48 municipal utilities, supplying electricity to more than 185,000 customers in Wisconsin, Iowa and the Upper Peninsula.

The city and WPPI recently received part one of a feasibility study by Sargent & Lundy, Chicago, which recommended construction of a 300-megawatt coal-fired plant as the most economical way to go. Part two would be a feasibility study on whatever size and technology the city and WPPI agree would be most viable.

Last month, WPPI decided during an executive committee meeting at its headquarters in Sun Prairie, Wis., to hold off on phase two of the study because of a variety of factors, stated Andy Kellen, WPPI project consultant, in an e-mail to Cheves.

These factors included increasing development costs, the proposed plant's high greenhouse gas emission rate, the difficulty in finding additional partners to share in costs and risks, and WPPI's own needs, said Kellen.

"WPPI's supply situation is such that we do not have a near-term need to increase our generating capability," Kellen stated in his e-mail. "While we have the flexibility to accommodate additional resources that are attractive, we do not feel compelled to do so at this time."

Like Escanaba, WPPI also has other energy options to consider besides partnering on a new plant here, Cheves said. For example, WPPI is looking into being part owner of a 600-megawatt project already underway in Illinois, he said. This plant will use pulverized coal which is more efficient than Sargent & Lundy's technology pick for Escanaba.

WPPI also has an opportunity to enter into a long-term agreement to purchase energy wholesale, giving the company more competitive supply costs than it anticipated, Cheves said.

Because WPPI has these other options offering less energy costs compared to a new plant with lots of potential risks attached, company officials decided to place the feasibility study on hold, Cheves said.

Risks involved in a new plant, according to Cheves, include: the current high demand for equipment that is driving costs up higher than they should be; legislation on greenhouse gases and carbon emissions is currently underway in Michigan, creating uncertainties for the future; and new permit rules in Wisconsin also demand WPPI to adhere to both Wisconsin and Michigan requirements, he said. These risks ultimately increase financial risks in developing a new plant here, Cheves explained.

Another risk WPPI has to consider is it would be taking lead ownership in the Escanaba plant, Cheves said. Because Escanaba needs about 30 megawatts to meet its demands, it would own 10 percent of a 300-megawatt plant. WPPI, and possibly a third party, would own 90 percent of the plant, which is a larger share than WPPI has ever been involved in, Cheves said. WPPI prefers to go with multiple partners, he added.

Despite WPPI's uncertainty in partnering with Escanaba on a new plant, Cheves said a new facility could help WPPI expand its market in the region and increase its assets. WPPI needs capacity and Escanaba would be a known customer base, he added.

Kellen also expressed that the feasibility study's results to date "clearly show that the site is an attractive location" for a new baseload plant. "We have been extremely pleased with the working relationship we have developed with the city of Escanaba and are very interested in continuing to explore potential arrangements between Escanaba and WPPI that may be mutually beneficial," Kellen added.

The city's electrical advisory committee will address the new construction option at its meeting Wednesday at city hall, Cheves said.

"A mutual decision would then be made between Escanaba and WPPI, whether to continue now with a new construction option, leave the construction option on hold, or consider whether other options of construction are viable," Cheves said.

Other options the city is looking into are staying with the existing plant, retiring the plant and purchasing power wholesale, modifying the existing plant to operate more economically, or consider a combination of these options, Cheves said.

"Escanaba agrees that phase two should not progress until the option of new construction is evaluated against Escanaba's other options," Cheves said. "Escanaba will continue its own evaluation of all the options available to provide the most economical and reliable energy supply options for its customers."