



HANNIBAL BOARD OF PUBLIC WORKS

ELECTRIC, WATER AND WASTEWATER

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DATE: March 16, 2016
TO: Hannibal Courier - Post
FROM: Robert W. Stevenson, P.E.
Re: Hannibal's Need for Power

The Hannibal Board of Public Works has been providing the power needs of the City for well over 100 years. We take that responsibility seriously.

The HBPW has purchased all its power requirements since the demolition of the municipal power plant in the 1970s. For decades we have had a series of purchases with Union Electric and its successor, Ameren Energy Marketing. Our contracts have been 'full requirements' contracts meaning the supplier furnishes all our needs around the clock for a fixed price for the contract term. Contracting was simple. Ameren quoted a price and we accepted it. In recent years, with deregulation, we were able to take bids from competing suppliers, but we were still subject to market prices whenever we entered into that market to make our next contract. In 2007, market prices were very high when renewal time came around. The price of our wholesale contract doubled overnight which was the primary incentive for the Board and Council to enter a Power Purchase Agreement (PPA) for 20 MW of the Prairie State Energy Campus.

The Prairie State purchase was one effort many would prefer to forget but not repeat. Power prices from the plant have not met expectations. Prairie State energy is the most expensive in our power supply portfolio today, but on the bright side, it has provided us with the freedom to consider power purchases from other sources in ways that were not feasible before. These new sources will help us save money in ways we previously could not.

We will no longer be limited to 'full requirements' type of contracts and their associated high costs. We can soon eliminate the middleman, so to speak, by buying power directly from generators at competitive prices.

Our city needs about 280,000 MWH of electricity annually. Beginning June 1, 2017 when our last 'full requirements' contract expires, Prairie State will furnish about 160,000 MWH or 56% of our needs. The Board just purchased with competitive bids another 25,000 MWH for the three summer months through 2019. The remaining 95,000 MWH will be furnished by the MISO market. Prices for the three components are \$65 (fixed for 30 years), \$36 (fixed for 3 years), and \$25 (changes hourly) respectively. Stated another way, we have the opportunity to shop for low prices, variable prices, or stable, long term prices if that meets the needs of our customers best. Similar to retirement investing, diversity of power supply will lead to lower, more stable costs over the long run. Considering our commitment in Prairie State, we need to be in the market annually for a portion of our energy needs from sources other than coal.

The Clean Line Energy Project holds the potential to connect us to a very low cost future energy source. Several wind generator companies are operating in Western Kansas today. They are signing contracts with purchasers for as long as 25 years beginning in 2021 at prices below \$20/MWH with modest annual inflation. These are very attractive prices compared to what we are paying today. Unfortunately for Hannibal, this energy is not available to us due to limitations of the existing high voltage transmission system. The Clean Line Energy Project, if built, could be used to deliver this low cost energy to Hannibal for years to come. The HBPW is very interested in exploring this opportunity. Next week I will discuss the potential benefits to Hannibal of becoming a customer and advocate for Clean Line Energy.

For more information regarding the Clean Line Energy Project or to read past articles on this subject, visit our website at www.hannibalbpw.org.

“The mission of the Hannibal Board of Public Works is to provide safe, reliable utility products with excellent customer service at reasonable prices.”