AUGUST 2023

SBMU PSP ROLLOUT I

BACKGROUND

Sikeston Board of Municipal Utilities (“SBMU”) is a municipal electric, water, and telecommunications utility serving customers in and around Sikeston, Missouri. **SBMU serves over 9,000 electricity customers in the greater Sikeston area.** SBMU owns and operates the 235 MW coal-fired Sikeston Power Station and has an allocation of hydropower capacity and energy from the Southwestern Power Administration (“SPA”). The Sikeston Power Station’s capacity and electricity generation are divided between several municipal utilities on a cost-plus basis.

Transformations in the energy marketplace and regulatory regimes are impacting SBMU’s planning environment. Some of the challenges confronting SBMU include:

- Competition from natural gas and renewable resources is putting pressure on the remaining U.S. domestic coal fleet with an **estimated 23% of existing coal-fired capacity reporting plans to retire by the end of the current decade**
- Operations, maintenance, and regulatory costs are escalating rapidly for coal-fired plants. Coal availability and supply chain related issues are increasingly unstable and costly

In order to assist SBMU with managing the impacts of these changes, the utility has contracted with Leidos Engineering, LLC (“Leidos”) and DECARB LLC to design and develop a Power Supply Plan (“PSP” or “Study”) to aid in SBMU's long term planning. Primary drivers of the Study are determining the viability of the Sikeston Power Station in continuing to serve the community’s needs within the context of mounting external market and regulatory pressures, and the timing of the Sikeston Power Station retirement if viability criteria are not met.

Founded in 1969, **Leidos** works in the most advanced areas of science and technology to deliver critical solutions to their customers' most demanding challenges. Their experience in issues related to power delivery, integrated energy management, electrification and clean energy, project finance and development, and site maintenance and operations is unmatched.

DECARB is comprised of experts, each with over 30 years of experience, in the fields of power generation, environmental management, engineering and construction, and project finance in the United States and internationally. The DCARB team works with clients to develop and implement strategies to adapt to an evolving set of market conditions while maintaining grid resiliency.

STUDY PROCESS OVERVIEW

Leidos and DECARB, in collaboration with SBMU, developed assumptions for use in the Study including a review of SBMU's system energy and demand requirements, timing of potential unit retirement, potential fuel infrastructure requirements related to natural gas, and the potential construction of new thermal and renewable resources.

Upon the development of the strategies and input assumptions, Leidos developed a detailed production cost model of SBMU's generation system to analyze and quantify the power supply revenues and costs associated with all the potential strategies identified. This modeling includes forecasting high and low fuel feestock and electricity rates.

Large expenses and capital costs are included in the modeling in the year in which the expenses are expected to be incurred. Costs such as environmental upgrades and the far-reaching option of plant shut down costs were included in the year the costs would be incurred at the full cost for expenditures.

PLANNING ASSUMPTIONS

- **Joining the Southwest Power Pool:** SBMU joins the Southwest Power Pool (SPP). As a member of the SPP, SBMU electricity generation will be dispatched by the Power Pool.

- **Fuel Availability and Plant Economics:** SBMU's existing power generation unit is coal-fired. Known external pressures require a robust analyis to understand plant competitiveness and economics associated with ongoing operations.

- **Environmental Regulations:** A range of federal regulatory policies are escalating costs of operations, including: The Cross-State Air Pollution Rule, Mercury and Air Toxics Standard, Effluent Limitations Guidelines (concerning wastewater disposal), Disposal of CCResiduals from Electric Utilities, and Clean Air Act will dictate standards for SBMU. In addition to these regulatory requirements, SBMU is confronting the uncertainty associated with ongoing federal efforts to regulate greenhouse gas emissions.

PLANNING ASSUMPTIONS

- **Inflation Reduction Act:** In 2022, the Inflation Reduction Act (“IRA”) was signed into law. The IRA, in conjunction with the Infrastructure Investment and Jobs Act, contains direct expenditures and tax subsidies to incentivize the reduction of greenhouse gases (“GHG”) emissions.

- **Renewable Energy Policies:** Options will be evaluated within the context of the known and anticipated financial and regulatory environments, including incentives for accelerating deployment of renewable electricity generation.

- **Fuel Feedstock and Electricity Costs:** Leidos is developing fuel and power forecasts based on the Southwest Power Pool market which will allow for the development of a range of price projections that capture the volatility of inputs allowing for the comparison of resource alternatives across a range market forecasts.

NEXT STEPS

As the development of the study continues, SBMU is focused on continuing to provide the Sikeston community with reliable and affordable electric service.

The PSP will assist the utility with fully understanding and investigating the technology options available; understanding the benefits, costs, and liabilities of owning generation assets and how much to rely on market purchases; financing options, including the availability of public resources and credits; and transmission.

THANK YOU
FOR PARTICIPATING!

WE LOOK FORWARD TO COLLABORATING WITH THE RESIDENTS OF SIKESTON
TO ENSURE OUR ENERGY PROTECTION.

FOR QUESTIONS OR COMMENTS:

CUSTOMERSERVICE@SBMU.NET