

Planning Objective Impacts on Preferred Resource Plan Choice

In this IRP filing it was demonstrated that all of the alternatives resource plans subjected to detailed risk analysis were similar in terms of both expected value of NPVRR and risk profile. (Empire acknowledges that the four resource plans that it considered to be “contingency plans” were not subjected to detailed risk analysis.) In fact, all plans that were subjected to detailed risk analysis have the same supply-side resource additions through about the first 40% of the study period. The preferred plan selected was the “base case” which had all of the base assumptions for the modeled variables. In the judgment of the Empire IRP team the preferred plan strikes a balance over all the objectives which includes the commitment to provide cost-effective, safe, reliable service; to minimize rate impacts for customers; and to achieve and/or maintain investment grade ratings on its debt, thus providing for corporate financial stability and minimizing the financing costs included in the rates paid by Empire’s customers. Additionally, the base case assumed that no nuclear units in which Empire could participate will be built during the planning horizon. This was the only plan with this assumption and it was determined that this assumption was important to include in the preferred plan. As stated in Volume III at page 33 “Although Empire is not aware of any opportunities for it to become a joint owner of a nuclear unit in the region, Empire did consider a nuclear unit as an option starting in 2020 for cases other than the base case. At some point in the future, possibly within the planning horizon and possibly later than the end of the planning horizon, it is conceivable that nuclear units could be pursued as an additional unit at existing nuclear power plant sites in the region.

The IRP modeling assumes that Empire would purchase a share of a new nuclear unit. However, the actual timing and ownership share of units that Empire might be able to participate in will be dependent on plans of other utilities in the region and are expected to be largely out of Empire’s control. This is also the reason that nuclear unit participation is not in either of the base case or the preferred plan.” Furthermore, at this time there is too much uncertainty about nuclear for Empire to include it as a resource in the preferred plan. There is still too much uncertainty about nuclear costs and waste

disposal. New designs and licensing procedures for nuclear units are being discussed, but they are still unproven at this time.