



U.S. ENERGY

# Coal Plant Decommissioning

More than **60 U.S. coal plants** – representing 64,000 MW of coal-fired capacity – **are scheduled for decommissioning between now and 2030**. Net zero pledges among the power generation industry are now the norm but achieving these goals will **require billions of dollars** and extensive resources to navigate the complexities of the transition.

## Economic and regulatory headwinds, uncertainties top decommissioning challenges

Companies are accelerating decommissioning dates in the face of economic and regulatory headwinds for coal generation. Organizations must make critical decisions in a timely fashion to minimize costs, maximize revenue and provide reliable power to their customers.

But even in the best of scenarios, decommissioning can be challenging. The pace of change and economics of decommissioning vary according to a complex array of factors. Furthermore, decommissioning projects must contend with a diverse group of stakeholders, often with different, and even competing, priorities.

### Complexities of Decommissioning

- Regulatory landscape and rulings
- Power market dynamics and reliability requirements
- Environmental concerns
- Competing stakeholder priorities
- Shifting public opinion
- Local and state revenue dependencies
- Workforce utilization and economic opportunities including union negotiation and skills training
- Cash flow and funding

### A&M's Restructuring Heritage

Sharpens our ability to help Clients act decisively in the face of complexity. We help Utility and Independent Power Producer Clients:

- Translate net zero pledges into practical, achievable plans
- Reduce decommissioning costs while ensuring reliability and health, safety and environmental compliance
- Optimize cash flow throughout the transition and create budgetary headroom
- Develop and implement a customized regulatory strategy
- Facilitate workforce re-skilling and job creation
- Engage community and stakeholders

## A&M's Four-Step Process to Decommissioning Energy Assets

A&M helps clients address the complexities of decommissioning by focusing on critical variables and constraints that materially impact results. Our four-step approach enhances revenue, right-sizes cost structure and optimizes capital expenditures (CapEx), while maintaining critical stakeholder engagement and managing environmental and social change.

STEP

1

### Develop a Coal Decommissioning Plan

Use scenario planning to optimize operating paradigm for coal asset set to retire:

- Regulatory - Develop a comprehensive regulatory strategy
- Environmental - Balance environmental requirements and cost-effective plan to address
- Financial - Address decommissioning cost accounting including recovery/write-downs, and develop a plan to manage
- Operational - Define load replacement plan to ensure electrical reliability



STEP

2

### Manage Human Capital and Local Community Impacts

Engage community members and employees to plan for one-time and go-forward impacts of decommissioning:

- Community engagement - Interviews, focus groups and community meetings
- Partner/ally network - Identify and engage
- Workforce transformation planning - Current skills assessment and plans for re-skilling, retraining and job creation to support future state
- Communication - Planning and execution across stakeholder groups



STEP

3

### Enhance Cash Flow

Clean-sheet analysis on cost structure and cash flow to ensure reliability and optimize costs through end of life:

- Revenue Enhancement - Execute opportunities to maximize energy, capacity and inventory sales revenue
- Operations & Maintenance - Re-negotiate or re-bid fuel and transportation contracts; Optimize staffing and explore outsourcing; Negotiate property tax reductions
- Labor and SG&A - Optimize workforce coverage, align pay and incentives, renegotiate union terms where feasible and minimize administrative overhead
- CapEx - Prioritize maintenance spend for safety/reliability, optimize spares for asset groupings and cash investments relative to variable margin from improved reliability



STEP

4

### Remediate and Repurpose

Leverage underlying attributes to re-imagine site as a multipurpose renewable and recreation destination:

- Remediation - Execute to meet requirements while minimizing regulatory and environmental risk
- Repurposing - Evaluate options including renewable energy and recreation; Capitalize on benefits of industrial zoning, existing interconnection, financial incentives (e.g., brownfield legislation) while preserving state and local tax revenue for the community



## A&M leads the market in navigating complex, transformative events for our clients.

We are the market leader for large, complex capital structure energy engagements, serving more than 50 percent of the energy restructuring market with **an average deal size of more than \$1 billion**. We've served more than 250 energy companies throughout all states of the investment and transaction lifecycles.

A&M has the expertise and knowledge to ensure cost-effective coal plant decommissioning and the rightsizing of remaining operations.

### Our Work Speaks for Itself - Recent Energy Experience in 2020 and 2021



#### Performance Improvement

**\$10 Billion+**

The total amount of value created for clients

**15-20%**

The average EBITDA enhancement per engagement



#### M&A and Divestitures

**\$25 Billion+**

In deals we've supported

**20+**

Power generation companies helped



#### Restructuring Advisory

**\$100 Billion+**

The total amount of value created for clients

**45+**

The number of debtor advisory engagements supported

**Contact us today to achieve real efficiencies and effective cost models as you plan for and execute coal plant decommissioning.**

### CONTACT US TODAY



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### ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 6,000 people across five continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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