

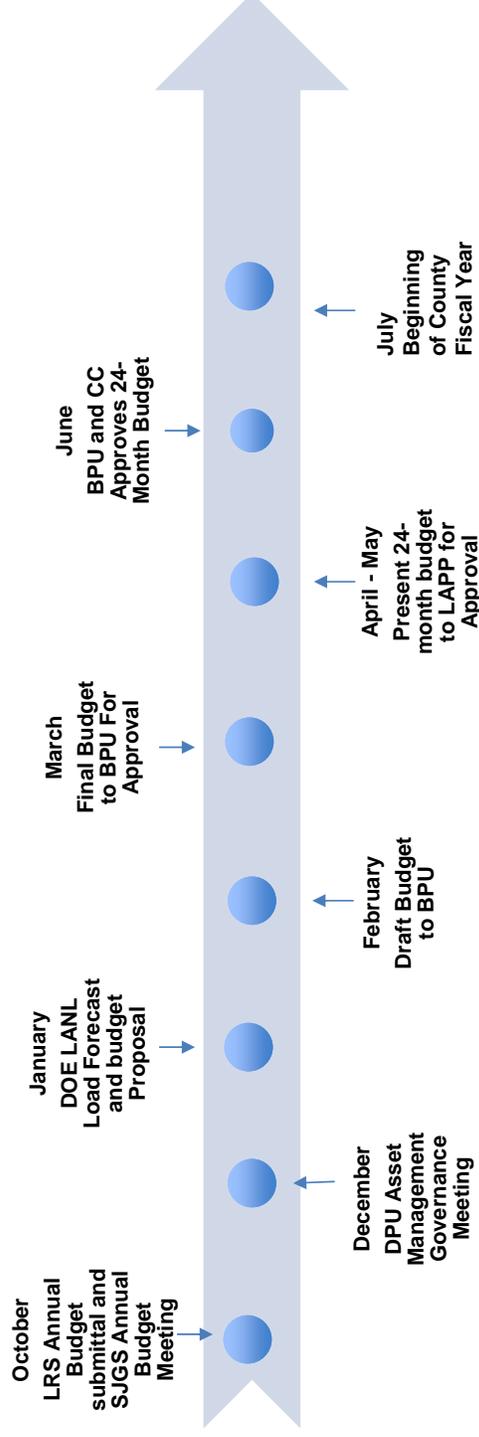
Electric Production Budgeting Process and 10-Year Financial Forecast

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Agenda

1. Electric Production Timeline
2. 10-Year Loads & Resources (L&R)
3. Electric Production 10-Year Budget
4. ECA 24 Month Budget
5. 10-Year Financial Forecast Spreadsheet

Electric Production Budget Process Timeline



L&R - Load Analysis

LANL Load projections by Project/Program

Example:

- LANSCE 25 MW load half the year
- SCC 14.3 MW load forecasted 68 MW over 10 years

LAC Comprehensive Plan for potential load growth

- Growing complexities with Loads and Resources - Roof Top Solar with a 23% capacity factor
- Includes the population growth goal and translated to Load projections

Includes projections for losses to be paid physically to our BA and other entities.

L&R - Resource Availability

Individual Resource Planning (SJGS, LRS, Abiquiu, El Vado PV/Battery, CGTG)

- Anticipated Capacity Factors
 - Expected Unit De-rates
 - Expected Number of Forced Outages
 - Planned Outages
- Forecasts open market purchases needed to meet Load and Loss requirements

L&R - Transmission

Transmission Import Capability (Norton & Reeves Line)

Transmission availability – Example (LRS)

Transmission Rates

- PNM-NITSA
- WAPA Transmission-LRS and Available Hydro Power (AHP)
- NORA Electric Cooperative-Hydro
- Jemez Electric Cooperative-Hydro
- TSGT Electric Cooperative-Hydro

PNM Formula Rate Annual True-up

- Annual Transmission Rate Revenue “ATTR”
- Transmission Losses

L&R - Market Analysis

- Cost of Natural Gas
- Economy Purchases “Spot Market”
- Block Power
- Reserve Margins
- Spinning Reserves – self supply or market purchase?
- Sales of excess energy

Electric Production 10-Year Budget

- Gives comprehensive cost for each individual resource
 - Including taxes, insurance, and debt service
- Includes O&M and Capital estimates provided to us by Plant Operators PNM, Basin Electric (LRS) & DPU AMT
- Takes into account cost share of Sandia/Kirtland (Merchant Desk Functions)
- Uses Load Projections to allocate Demand and Energy cost

ECA 24 Month Budget

Approved Annually by Contracting Authorities (DOE and County Council)

- Capacity “CAP” Charges True-up between LAC and LANL
 - LAPP Capital Budget Approvals (Projects > \$50k)
- Finalize Load Projections resulting from Technology Advancements, Project Delays and/or Cancellations

Example:

- LANL Super Computing Center “TRINITY”, 6 month delay resulted in 6 MW efficiency gains

	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST								
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027					
1.50%															
Expenditure Forecast															
El Vado Generation	620,427	600,000	913,500	927,203	941,111	955,227	969,556	984,099	998,860	1,013,843					
Abiquiu Generation	403,881	600,000	609,000	618,135	627,407	636,818	646,370	769,861	769,861	769,861					
Contract Administration	20,048	20,048	20,349	20,654	20,964	21,279	21,598	21,922	22,251	22,584					
Load Control	1,822,030	1,858,471	1,895,640	1,933,553	1,972,224	2,011,668	2,051,902	2,092,940	2,134,799	2,177,495					
Transmission - PNM	1,405,000	1,572,371	1,650,489	1,732,514	1,818,639	1,909,071	2,004,025	2,103,726	2,103,726	2,103,726					
Transmission - Other	2,285,008	2,326,700	2,355,649	2,370,408	2,409,991	2,439,639	2,486,428	2,534,274	2,570,466	2,607,382					
Purchased Power	14,614,373	14,235,104	16,196,422	23,009,848	24,441,694	26,821,838	27,157,193	29,036,322	36,313,483	39,211,199					
Photovoltaic Array	117,000	168,810	154,748	1,038,294	1,049,009	1,059,837	1,070,780	1,086,842	1,103,144	1,119,691					
Debt Service	2,536,071	2,385,204	2,406,269	2,410,534	590,987	471,674	469,256	457,117	457,117	457,117					
Property Taxes	458,055	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000					
Insurance	120,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000					
San Juan Operations	11,213,148	10,537,333	11,000,102	13,358,374	11,881,682	12,028,382	13,716,284	12,932,924	12,932,924	12,932,924					
Laramie River Operations	2,854,600	2,334,374	2,096,618	2,051,189	2,074,498	2,142,696	2,265,910	2,417,012	2,494,622	2,494,622					
SMR Project	450,000														
Non-Pool Expenses	-	-	-	-	-	-	-	-	-	-					
Interdepartmental Charges	447,280	476,726	489,128	511,410	534,699	559,040	584,481	611,071	638,862	667,907					
Administrative Allocation	558,305	595,060	610,540	638,353	667,423	697,806	729,562	762,752	797,441	833,696					
Capital	675,000	300,000	-	-	-	-	-	-	-	-					
Total Operation Expenses	39,925,226	38,213,200	40,901,454	51,123,469	49,533,329	52,257,976	54,676,345	56,313,862	63,840,556	66,915,048					
Total Capital Expenditures	675,000	300,000	-	-	-	-	-	-	-	-					
Total Cash Outflow	40,600,226	38,513,200	40,901,454	51,123,469	49,533,329	52,257,976	54,676,345	56,313,862	63,840,556	66,915,048					

Revenue Forecast											
Mwh Sales - LANL	542,688	539,120	560,353	696,685	741,578	757,031	773,182	795,044	1,000,629	1,062,129	
Mwh Sales - LAC Distribution	125,530	126,934	128,386	129,853	131,334	132,830	134,341	135,868	137,409	138,966	
Total Mwh Sales	\$668,218	\$666,054	\$688,739	\$826,538	\$872,912	\$889,862	\$907,523	\$930,912	\$1,138,038	\$1,201,095	
Revenue per Mwh	54.07	50.80	52.77	54.35	49.54	51.68	53.17	53.21	51.04	50.67	
DOE Revenues	29,152,767	27,270,959	29,379,826	37,681,902	36,583,270	39,001,800	40,995,873	42,193,531	50,982,617	53,726,809	
Economy Sales	4,248,065	4,566,619	4,352,997	6,003,497	6,094,502	6,066,227	6,338,120	6,704,034	5,656,054	5,943,316	
Interest on Reserves	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	
Bond Federal Subsidy	33,984	33,984	33,984	33,984	33,984	33,984	30,867	27,669	24,080	19,561	
Bond Issue proceeds											
Transfer from Distribution Fund	6,980,612	6,561,662	6,967,859	7,241,158	6,658,056	6,989,075	7,259,727	7,338,622	7,107,907	7,134,398	
Total Cash Inflow	40,545,428	38,563,224	40,864,666	51,090,541	49,499,811	52,221,085	54,754,587	56,393,855	63,900,657	66,954,084	
Net Cash Flow	(54,798)	50,024	(36,789)	(32,928)	(33,518)	(36,890)	78,242	79,993	60,102	39,035	
Cumulative Net Cash Flow	(54,798)	(4,774)	(41,563)	(74,491)	(108,009)	(144,899)	(66,656)	13,337	73,439	112,474	
Cash Balance	19,238,182	19,288,205	19,251,417	19,218,488	19,184,971	19,148,081	19,226,323	19,306,317	19,366,418	19,405,454	
Recommended Cash Balance	17,269,510	16,950,192	17,300,551	17,978,670	16,289,274	15,677,041	15,242,237	14,900,502	14,409,014	14,516,046	
Reserves											
Retirement/Reclamation Reserve	10,079,922	10,204,395	10,293,261	10,421,375	10,426,053	9,808,674	9,239,130	8,708,141	8,130,692	8,149,336	
Identified items on site	300,000	304,500	309,068	313,704	318,409	323,185	328,033	332,953	337,948	343,017	
San Juan Decommissioning	4,709,820	4,898,220	5,086,620	5,275,020	5,463,420	5,651,820	5,840,220	6,028,620	6,217,020	6,405,420	
Laramie River Decommissioning	721,980	760,980	799,980	838,980	877,980	916,980	955,980	994,980	1,033,980	1,072,980	
San Juan Mine Reclamation	4,348,122	4,240,695	4,097,593	3,993,671	3,766,244	2,916,689	2,114,897	1,351,588	541,744	327,919	