



County of Los Alamos

1000 Central Avenue
Los Alamos, NM 87544

Agenda - Final Board of Public Utilities

*Jeff Johnson, Chair; Andrew Fraser, Vice-chair; Paul
Frederickson Stephen McLin and Kathleen Taylor, Members
Tim Glasco, Ex Officio Member
Harry Burgess, Ex Officio Member
Susan O'Leary, Council Liaison*

Wednesday, August 17, 2016

5:30 PM

1000 Central Avenue
Council Chambers

REGULAR SESSION

Complete Board of Public Utilities agenda packets, past agendas, videos, legislation and minutes can be found online at <http://losalamos.legistar.com/Calenar.aspx>. Learn more about the Board of Public Utilities at <http://www.losalamosnm.us/gov/bcc/utilitiesboard>.

PUBLIC COMMENTS:

Please submit written comments to the Board at bpu@lacnm.us. Oral public comment is accepted during the two periods identified on the agenda and after initial board discussion on a business item, prior to accepting a main motion on an item. Oral comments should be limited to four minutes per person. Requests to make comments exceeding four minutes should be submitted to the Board in writing prior to the meeting. Individuals representing or making a combined statement for a large group may be allowed additional time at the discretion of the Board. Those making comments are encouraged to submit them in writing either during or after the meeting to be included in the minutes as attachments. Otherwise, oral public comments will be summarized in the minutes to give a brief succinct account of the overall substance of the person's comments.

1. CALL TO ORDER

2. PUBLIC COMMENT

This section of the agenda is reserved for comments from the public on Consent Agenda items or items that are not otherwise included in this agenda.

3. APPROVAL OF AGENDA

4. PUBLIC HEARING(S)

- 4.A. [OR0743-16](#) Incorporated County of Los Alamos Code Ordinance No. 02-268; An Ordinance Amending Chapter 40, Article III, Sections 40-151, 40-152 and 40-154 of the Code of Ordinances of the Incorporated County of Los Alamos Relating to Gas Rates

Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin

PG. 1-9

- 4.B. [OR0753-16](#) Incorporated County of Los Alamos Code Ordinance No. 02-287; an Ordinance Amending Chapter 40, Article III, Sections 40-171 and 40-175 of the Code of Ordinances of the Incorporated County of Los Alamos Pertaining to Potable Water Rates and Bulk Delivery Rates

Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin

PG. 10-20

5. **CONSENT AGENDA**

The following items are presented for Board approval under a single motion unless any item is withdrawn by a member for further Board consideration in the "Business" section of the agenda.

CONSENT MOTION -

I move that the Board of Public Utilities approve the items on the Consent Agenda as presented and that the motions in the staff reports be included in the minutes for the record.

OR

I move that the Board of Public Utilities approve the items on the Consent Agenda as amended and that the motions contained in the staff reports, be included in the minutes for the record.

- 5.A. [8501-16](#) Approval of Board of Public Utilities Meeting Minutes

Presenters: Board of Public Utilities

PG. 20-42

- 5.B. [AGR0425-16](#) Approval of Services Agreement No. AGR16-042 with Open Access Technology International, Inc. (OATI) in the amount of \$679,320.00, plus Applicable Gross Receipts Tax, for the Purpose of Energy Trade Capture and Scheduling Software

Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply

PG. 43-100

- 5.C. [7998-16](#) Approval of Budget Carryovers from FY2016 to FY2017

Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin

PG. 101-110

- 5.D. [8030-16](#) Approval of Contract No. 16-WC-40-625 with the United States Bureau of Reclamation for Lease of the 2016 Allocation of San Juan/Chama Project Water

Presenters: Jack Richardson, Deputy Utilities Manager - GWS Services

PG. 103-110

- 5.E. [8316-16](#) Approval of Amendment No. 2 to the Laramie River Station Participation Power Sales Agreement between the City of Lincoln and the County of Los Alamos

Presenters: Steve Cummins, Deputy Utilities Manager - Electric Production

PG. 111-138

6. **BUSINESS**

- 6.A. [8455-16](#) Adoption of Board of Public Utilities Financial Policies

Presenters: Bob Westervelt

PG. 139-146

- 6.B. [8310-16](#) Report from the Subcommittee to Address the Timing of Rate Adjustments Related to Budget Adoption

Presenters: Jeff Johnson, Chair of the Board of Public Utilities and Stephen McLin, Board - Commission or Committee Member

PG. 147

7. **STATUS REPORTS**

- 7.A. [8504-16](#) Status Reports

Presenters: Board of Public Utilities

PG. 148-159

8. **BOARD BUSINESS**

- 8.A. Chair's Report

- 8.B. Board Member Reports

- 8.C. Utilities Manager's Report

8.D. County Manager's Report**8.E. Council Liaison's Report****8.F. Environmental Sustainability Board Liaison's Report****8.G. General Board Business****8.G.1** [8054-16](#) Quarterly Conservation Program Update

Presenters: James Alarid, Deputy Utilities Manager -
Engineering

PG. 160-164

8.G.2 [7953-16](#) Discussion Point for September BPU Annual Presentation with the Council

Presenters: Jeff Johnson, Chair of the Board of Public Utilities

PG. 165-166

8.G.3 [8472-16](#) Addition to the Board of Public Utilities Policy and Procedures Manual to Formally Add Adopted Strategic Initiatives as an Appendix Item

Presenters: Jeff Johnson, Chair of the Board of Public Utilities

PG. 167

8.G.4. [8506-16](#) Review of Department of Public Utilities Quarterly Report

Presenters: Tim Glasco, Utilities Manager

PG. 168

8.H. Approval of Board Expenses**8.I. Preview of Upcoming Agenda Items****8.I.1.** [8503-16](#) Tickler File for the Next 3 Months

Presenters: Board of Public Utilities

PG. 169-171

9. PUBLIC COMMENT

This section of the agenda is reserved for comments from the public on any items.

10. ADJOURNMENT

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact the County Human Resources Division at 662-8040 at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes can be provided in various accessible formats. Please contact the personnel in the Department of Public Utilities (505) 662-8132 if a summary or other type of accessible format is needed.



County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Staff Report

August 17, 2016

Agenda No.: 4.A.
Index (Council Goals): BCC - N/A
Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
Legislative File: OR0743-16

Title

Incorporated County of Los Alamos Code Ordinance No. 02-268; An Ordinance Amending Chapter 40, Article III, Sections 40-151, 40-152 and 40-154 of the Code of Ordinances of the Incorporated County of Los Alamos Relating to Gas Rates

Recommended Action

I move that the Board of Public Utilities approve Incorporated County of Los Alamos Code Ordinance No. 02-268 as presented and forward to Council for adoption.

Staff Recommendation

Staff recommends the motion be passed as presented.

Body

The following detail and the proposed rate ordinance was discussed by the Board at the regular meeting of the Board of Public Utilities on July 20, 2017. There was some discussion on the pass through rate mechanism, the possibility of retaining a “sunset” provision of some sort, and if the proposed rates yield the appropriate fund flows for the utility. The discussion culminated in guidance to Staff to bring for adoption in August the rate ordinance as was presented at that preliminary discussion.

In FY12 the Board proposed a gas rate structure incorporating a pass through commodity cost component. Council approved the rate structure effective November 1, 2012, but with a “sunset” date of September 30, 2016. This “sunset” was incorporated to cause the Board to evaluate the effectiveness of the rate and public feedback, and to consider whether continuing the pass through rate structure was desired. While it was intended that rates would simply revert to the old amounts and structure unless the Board and Council takes specific action to reenact the pass through, the ordinance is worded poorly and strict interpretation would result in us simply having no rates in place upon which to bill for delivery of natural gas.

One of the benefits of the pass through rate structure is that it means that the utility does not need to maintain a substantial rate stabilization fund to cover fluctuations in the cost of the commodity, which in the natural gas industry can be quite significant. As shown on the attached exhibits, the pass through rate structure has proven effective at generating the revenues required to cover O&M and capital costs plus the fluctuating cost of the gas commodity. Staff is recommending the pass through rate structure be reenacted without a specific “sunset” or expiration.

With adoption of the pass through rate structure, it would no longer be necessary to maintain the significant cash balance that the fund currently holds. The gas system is in good condition, and while there are some capital expenditures on the horizon, it is feasible and prudent to look at a systematic “spending down” of existing fund balance to target levels identified in the cash policies that are under discussion for adoption by the Board.

In the FY2017/18 budget adopted by the Board and Council, a ten percent (10%) revenue reduction was projected. The cost of gas is a pass through under this proposal, and is budgeted to reflect recent historical averages. The revenue associated with the pass through is not likely to decrease, as it is a direct pass through, and significant changes in the cost of gas are not projected in this budget horizon. Thus, to achieve a 10% reduction in total revenue, the “fixed component” of the consumption charge is adjusted, in this recommendation, to effect the entire desired revenue reduction. Since the cost of gas and the fixed consumption charge in recent history and in the budget both equal approximately the same amount, this is accomplished by simply adjusting the fixed component by 20%, which yields an overall revenue reduction of ten percent, as budgeted.

An additional ten percent (10%) reduction is budgeted in FY2018. Staff feels it is prudent to space the anticipated reductions this way to allow time to assess the results and adjust future actions accordingly, if needed.

Alternatives

While staff is recommending continuation of the pass through rate structure, as noted above it is important that a rate of some sort be adopted before the existing rate sunsets. To that end, the Board could state the desired changes in a motion. These could include adding a “sunset” provision of some sort, returning to the rate structure and rates that were in place before the pass through were adopted, or those rates less ten percent, as budgeted, or other adjustments the Board finds appropriate. The structure and rates actually adopted and endorsed by the Board is what will be presented to Council for approval in September.

Fiscal and Staff Impact

DPU’s approved budget included a 10% decrease in revenues for the gas fund, which is accomplished by this rate proposal.

Attachments

- A - Code Ordinance 02-268
- B - Comparison of current rate structure with prior rate structure
- C - Map showing rate structure in communities statewide
- D - Comparison proposed rates vs neighboring communities

INCORPORATED COUNTY OF LOS ALAMOS CODE ORDINANCE NO. 02-268

**AN ORDINANCE AMENDING CHAPTER 40, ARTICLE III,
SECTIONS 40-151, 40-152 AND 40-154 OF THE CODE OF ORDINANCES
OF THE INCORPORATED COUNTY OF LOS ALAMOS RELATING TO GAS RATES**

WHEREAS, the Incorporated County of Los Alamos operates a utilities system for the benefit of its citizens; and

WHEREAS, the utilities system includes the provision of natural gas to those consumers who wish to attach to that part of the utilities system; and

WHEREAS, it is necessary to adjust the rates to consumers for natural gas in order for that portion of the utilities system to remain self-sustaining; and

WHEREAS, the Board of Public Utilities has recommended the provisions of this ordinance to the County Council.

BE IT THEREFORE ORDAINED BY THE GOVERNING BODY OF THE INCORPORATED COUNTY OF LOS ALAMOS as follows:

Section 1. Section 40-151 of the Code of the Incorporated County of Los Alamos is amended to read as follows:

Sec. 40-151. Gas rate schedules 7A and 7E.

(a) Residential service schedule 7A. The residential rate applies to customers in a single dwelling or in a single dwelling unit of a multiple dwelling or apartment for domestic purposes only.

(b) General commercial and industrial service schedule 7E. The commercial and industrial rate applies to customers for use in or in connection with any commercial, business or industrial activities, including multiple dwelling units where service for more than one unit is taken through a master meter, and to other customers not otherwise specifically falling within another class.

(c) Service charge.

(1) Per meter rated 250 CFH or less: \$9.50 per month;

(2) Per meter rated more than 250 CFH: \$28.50 per month.

(d) Gas consumption charge.

(1) The gas consumption charge for Schedules 7A and 7E shall be made up of two components: fixed cost recovery and a variable cost of gas component. The fixed cost recovery shall be ~~\$0.29~~\$0.23 per therm (one therm is equal to 100,000 British Thermal Units (BTU)). The variable cost of gas rate shall be calculated each month based on the projected cost of gas for the billing month plus an adjustment for any prior over or under collection for gas purchases and/or gas transportation costs.

(2) The projected cost of gas shall be at the rate as stated on the San Juan Index or any recognized index that may replace the San Juan Index.

(3) Should the variable cost of gas exceed \$0.99 per therm, the billed rate to consumers shall not reflect the cost of gas over that amount until the rate is approved by an Ordinance of the Council.

Section 2. Section 40-152 of the Code of the Incorporated County of Los Alamos is amended to read as follows:

Sec. 40-152. Gas rate schedules 7L and 7N.

- (a) Applicability.
 - (1) Schedule 7L: Interdepartmental service--Incorporated County of Los Alamos.
 - (2) Schedule 7N: Schools service--Los Alamos public schools.
- (b) Service charge.
 - (1) Per meter rated 250 CFH or less: \$9.50 per month;
 - (2) Per meter rated more than 250 CFH: \$28.50 per month.
- (c) Gas consumption charge.
 - (1) The gas consumption charge for Schedules 7L and 7N shall be made up of two components: fixed cost recovery and a variable cost of gas component. The fixed cost recovery shall be ~~\$0.25~~\$0.20 per therm (one therm is equal to 100,000 British Thermal Units (BTU)). The variable cost of gas rate shall be calculated each month based on the projected cost of gas for the billing month plus an adjustment for any prior over or under collection for gas purchases and/or gas transportation costs.
 - (2) The projected cost of gas shall be at the rate as stated on the San Juan Index or any recognized index that may replace the San Juan Index.
 - (3) Should the variable cost of gas exceed \$0.99 per therm the billed rate to consumers shall not reflect the cost of gas over that amount until the rate is approved by an Ordinance of the Council.

Section 3. The Los Alamos County Code of Ordinances is amended by deleting Section 40-154, in its entirety, as follows:

~~Sec. 40-154. Reporting and Sunset.~~

- ~~(a) The department shall make an annual report to the county council detailing the fluctuation in rates and income during the preceding year.~~
- ~~(b) The provisions of sections 40-151(d) and 40-152(c) shall expire on September 30, 2016 unless reenacted through an ordinance approved by the county council.~~

Section 4. Effective Date. This ordinance shall become effective upon adoption with the amended gas rates being applied at the next billing following the effective date of the ordinance.

Section 5. Severability. Should any section, paragraph, clause or provisions of this ordinance, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provisions shall not affect any of the remaining provisions of this ordinance.

Section 6. Repealer. All ordinances or resolutions, or parts thereof, inconsistent herewith are hereby repealed only to the extent of such inconsistency. This repealer shall not be construed to revive any ordinance or resolution, or part thereof, heretofore repealed.

ADOPTED this 27th day of September, 2016.

**COUNCIL OF THE INCORPORATED COUNTY
OF LOS ALAMOS**

**Rick Reiss
Council Chair**

ATTEST: (Seal)

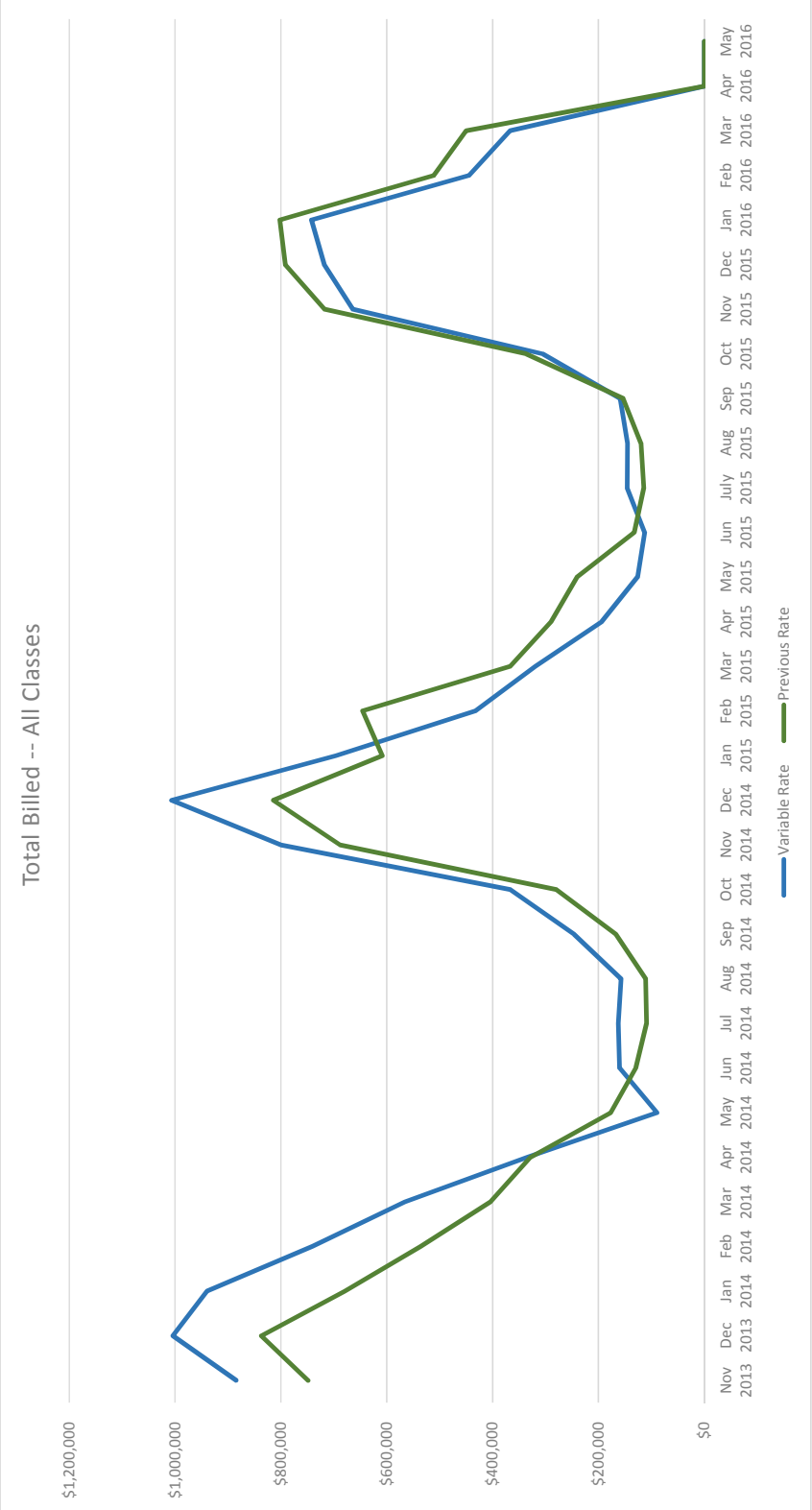
**Sharon Stover
Los Alamos County Clerk**

DPU GAS RATE CALCULATION WORKSHEET
Note: 1 MMBTU = 10 Therms

		VARIABLE RATE										PREVIOUS RATE					
		7A & 7E		7L & 7N		7A & 7E total		7L & 7N		TOTAL		7A & 7E		7L & 7N total		TOTAL if billed under previous rate	
Month	Actual Therms Sold	Therms sold	Therms	Variable rate	cons chg	cons chg	billed	total billed	total billed	7A & 7E	7L & 7N	previous rate	previous rate	previous rate	previous rate	under previous rate	rate
Nov 2013	739,221	675,856	63,365	0.36	0.29	0.25	824,252	60,317	\$884,569	0.55	0.52	\$697,444	\$51,418	\$748,862			
Dec 2013	1,366,961	1,268,080	98,881	0.37	0.29	0.25	925,421	78,669	1,004,090	0.55	0.52	\$771,184	\$65,981	837,165			
Jan 2014	1,529,039	1,402,153	126,886	0.47	0.29	0.25	847,647	92,085	939,732	0.55	0.52	\$613,429	\$66,506	679,935			
Feb 2014	1,243,221	1,115,325	127,896	0.47	0.29	0.25	677,431	62,910	740,341	0.55	0.52	\$490,246	\$45,435	535,681			
Mar 2014	978,731	891,356	87,375	0.48	0.29	0.25	514,249	51,545	565,794	0.55	0.52	\$367,321	\$36,717	404,033			
Apr 2014	738,465	667,856	70,609	0.27	0.29	0.25	302,479	31,641	334,120	0.55	0.52	\$297,077	\$31,641	328,718			
May 2014	600,989	540,141	60,848	-0.01	0.29	0.25	82,297	7,052	89,350	0.55	0.52	\$161,656	\$15,280	176,936			
Jun 2014	323,304	293,919	29,385	0.39	0.29	0.25	150,806	9,351	160,157	0.55	0.52	\$121,976	\$7,598	129,573			
Jul 2014	236,385	221,774	14,611	0.53	0.29	0.25	151,971	10,549	162,520	0.55	0.52	\$101,932	\$7,033	108,965			
Aug 2014	198,855	185,330	13,525	0.49	0.29	0.25	151,629	5,608	157,237	0.55	0.52	\$106,918	\$3,941	110,859			
Sep 2014	201,975	194,396	7,579	0.52	0.29	0.25	235,688	10,712	246,400	0.55	0.52	\$160,035	\$7,234	167,269			
Oct 2014	304,885	290,973	13,912	0.43	0.29	0.25	339,574	27,669	367,244	0.55	0.52	\$259,397	\$21,159	280,556			
Nov 2014	512,321	471,631	40,690	0.35	0.29	0.25	742,412	58,414	800,826	0.55	0.52	\$638,010	\$50,625	688,636			
Dec 2014	1,257,375	1,160,019	97,356	0.39	0.29	0.25	919,703	87,037	1,006,740	0.55	0.52	\$743,877	\$70,718	814,595			
Jan 2015	1,488,500	1,352,504	135,996	0.34	0.29	0.25	637,994	58,041	696,035	0.55	0.52	\$556,979	\$51,155	608,133			
Feb 2015	1,111,063	1,012,689	98,374	0.08	0.29	0.25	398,537	33,822	432,359	0.55	0.52	\$592,420	\$53,295	645,715			
Mar 2015	1,179,618	1,077,128	102,490	0.19	0.29	0.25	294,036	25,290	319,326	0.55	0.52	\$336,917	\$29,888	366,805			
Apr 2015	670,053	612,576	57,477	0.08	0.29	0.25	177,107	16,750	193,858	0.55	0.52	\$263,267	\$26,395	289,662			
May 2015	529,427	478,668	50,759	0.00	0.29	0.25	116,869	8,935	125,804	0.55	0.52	\$221,648	\$18,584	240,232			
Jun 2015	438,736	402,996	35,739	0.18	0.29	0.25	106,090	6,610	112,700	0.55	0.52	\$124,148	\$7,993	132,141			
July 2015	241,095	225,723	15,372	0.41	0.29	0.25	137,784	7,971	145,755	0.55	0.52	\$108,259	\$6,280	114,539			
Aug 2015	208,912	196,835	12,077	0.38	0.29	0.25	136,044	9,297	145,341	0.55	0.52	\$111,678	\$7,674	119,352			
Sep 2015	217,808	203,050	14,758	0.28	0.29	0.25	146,460	12,410	158,870	0.55	0.52	\$141,321	\$12,176	153,497			
Oct 2015	280,362	256,948	23,415	0.21	0.29	0.25	278,727	26,672	305,398	0.55	0.52	\$306,599	\$30,151	336,750			
Nov 2015	615,435	557,453	57,982	0.22	0.29	0.25	615,684	48,245	663,929	0.55	0.52	\$663,973	\$53,377	717,350			
Dec 2015	1,309,872	1,207,223	102,649	0.21	0.29	0.25	658,702	59,486	718,188	0.55	0.52	\$724,573	\$67,245	791,818			
Jan 2016	1,446,722	1,317,405	129,317	0.22	0.29	0.25	680,057	62,207	742,264	0.55	0.52	\$733,395	\$68,824	802,219			
Feb 2016	1,465,800	1,333,446	132,355	0.19	0.29	0.25	409,032	35,901	444,933	0.55	0.52	\$468,683	\$42,428	511,111			
Mar 2016	933,744	852,151	81,593	0.16	0.29	0.25	339,154	28,091	367,245	0.55	0.52	\$414,521	\$35,628	450,150			
Apr 2016	822,191	753,675	68,516	0.01	0.29	0.25	-	-	-	0.55	0.52	\$0	\$0	-			
May 2016				0.01	0.29	0.25	-	-	-	0.55	0.52	\$0	\$0	-			

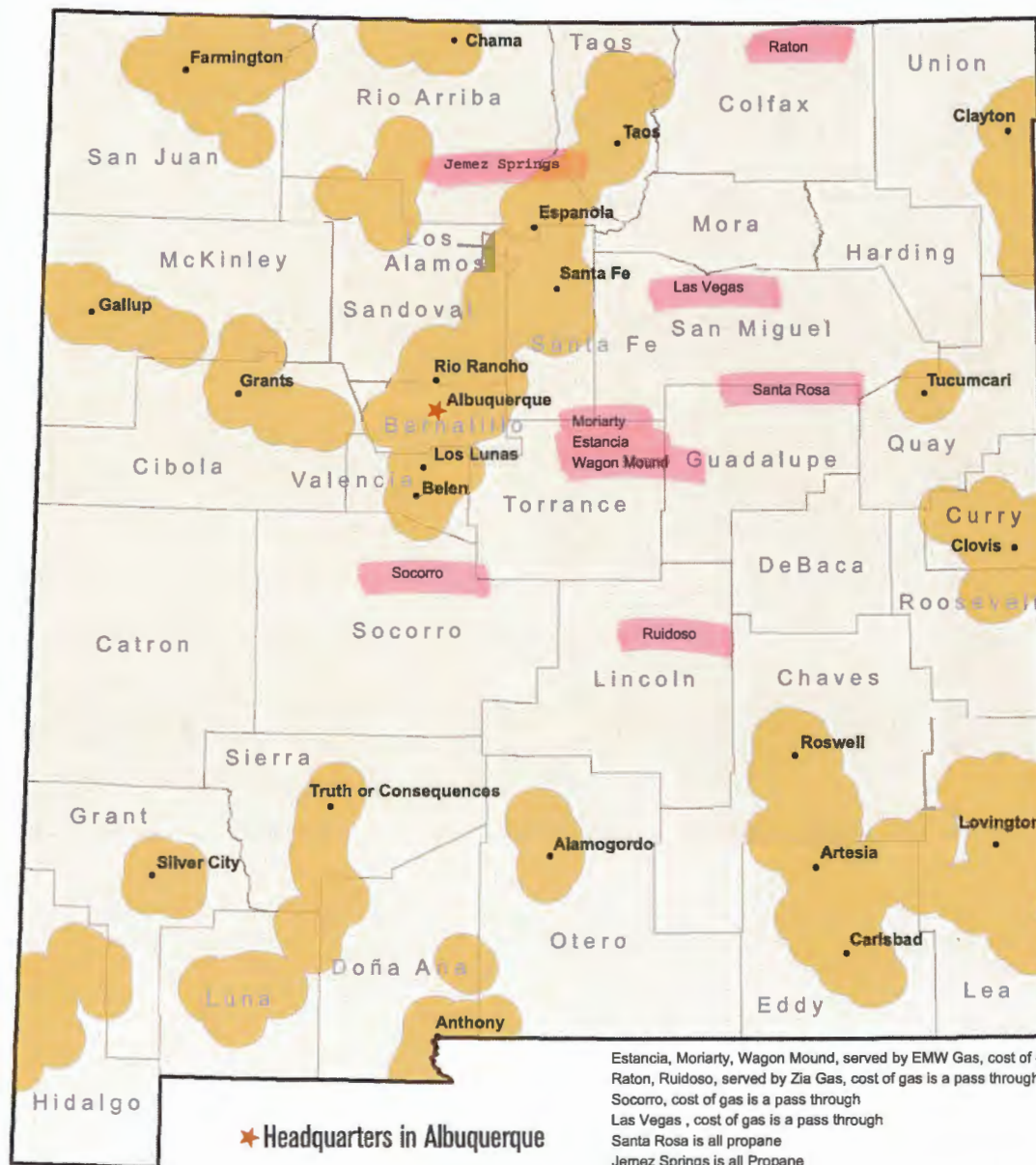
\$ 13,031,126

\$ 12,291,262





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Estancia, Moriarty, Wagon Mound, served by EMW Gas, cost of gas is a pass through
Raton, Ruidoso, served by Zia Gas, cost of gas is a pass through
Socorro, cost of gas is a pass through
Las Vegas , cost of gas is a pass through
Santa Rosa is all propane
Jemez Springs is all Propane
All of New Mexico Gas Co., cost of gas is a pass through

Number of Services **510,146**

N.M. Gas Co. (serves Santa Fe, Espanola, Rio Rancho Taos)

Gas (NM Gas Co.)		
Average Usage	75	
Cost of Gas 15 days	38	
Cost per Therm	0.2814	\$ 10.69
Cost of Gas 15 days	37	
Cost per Therm	0.2886	\$ 10.68
Surcharge	-0.0004	\$ (0.03)
Distribution	0.166	\$ 12.45
Transmission	0.063	\$ 4.73
TECO Adjustment	-0.0062	\$ (0.47)
Access Fee	11.5	\$ 11.50
Gas Eng Eff Fee	0.0087	\$ 0.65
Pipeline Safety	0.04	\$ 0.04
Franchise Fee	0.02	\$ 1.00
		<u>\$ 51.25</u>

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Los Alamos

Gas		
Average Usage	75	
Cost per Therm	0.52	\$ 39.00
Base Monthly Rate		\$ 9.50
		<u>\$ 48.50</u>



County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Staff Report

August 17, 2016

Agenda No.:	4.B.
Index (Council Goals):	BCC - N/A
Presenters:	Bob Westervelt, Deputy Utilities Manager - Finance/Admin
Legislative File:	OR0753-16

Title

Incorporated County of Los Alamos Code Ordinance No. 02-287; an Ordinance Amending Chapter 40, Article III, Sections 40-171 and 40-175 of the Code of Ordinances of the Incorporated County of Los Alamos Pertaining to Potable Water Rates and Bulk Delivery Rates

Recommended Action

I move that the Board of Public Utilities approve Incorporated County of Los Alamos Code Ordinance No. 02-287 as presented and forward to Council for adoption.

Staff Recommendation

Staff recommends the motion be passed as presented.

Body

At its regular meeting held June 15, 2016, the Los Alamos County Board of Public Utilities held preliminary discussion on the draft water rate ordinance presented here, and was briefed by staff on the budgetary and operational reasons for the proposed rate adjustment. This proposed ordinance (attachment A) is now before the Board for approval and to be forwarded to Council for adoption.

Continuing cool weather with consistent moderate rainfall has created a trend toward reduced water sales. Attachment B shows the historical consumption and the significant decline beginning in fiscal year 2014, which aligns with the noted change in weather patterns. While the DPU used to budget for 1½ percent increases each year, we are now projecting a more conservative constant annual sales quantity of 775,000 kgal, down from prior budget amounts over 880,000 kgal. Even with reduced sales, however, costs of operating and maintaining a complex water production and delivery system continue to increase. As attachment C shows, the DPU has invested almost \$28 million dollars in water system repair, replacement, and improvement projects since 2003. To continue a prudent level of maintenance and replacement with current sales projections, increases in rates are necessary.

In the FY2017 budget we projected a 10 percent increase in both wholesale and retail sales rates. It was recognized during budget formulation that 10 percent may not be enough to stabilize revenue at a level sufficient to support necessary operations and maintenance

costs, but water sales are heavily dependent on weather. Rather than propose a higher increase at this time, staff is proposing an increase of 10 percent as budgeted, with continued monitoring of sales and weather projections to determine what future adjustments, if any, will be required.

To validate the necessity of the proposed rate increases, DPU finance staff looked at the assumptions that were used for those budget projections. As shown on Attachment D, the current cash balance projection for water distribution is \$845k lower than was projected when the FY16 budget was adopted. Sales are also lower, currently projected at 704,000 kgal, down from a budget projection of 850,000 kgal. As the attachment further shows, a 17.1 percent rate increase would be required to achieve the targeted FY17 year-end cash balance if present sales trends continue. Attachment E shows similar conditions for water production. Future longer term projections indicate that additional increases are likely to be needed to maintain cash at an acceptable level. Again, due to the variability of weather patterns and the close relationship between water sales and weather, staff suggests an incremental approach to rate adjustments is prudent.

Attachment F is a history of residential water rates charged Los Alamos residents back to 1999. As shown, the DPU reduced rates when the water system was transferred to County ownership and operation in 1999, while still maintaining a healthy cash reserve and performing significant infrastructure upgrades and replacement (refer again to Attachment C). Only with the rate action implementing tiered water rates in FY2014 did rates return to levels exceeding those 1999 levels, and only during peak season and at the higher rate tiers. With this proposed rate action, the base rate of \$4.61/kgal represents a 6 ½ percent increase over what residents were paying for water in 1999.

Attachment G is a rate comparison with certain neighboring communities, and further shows that even with this rate increase Los Alamos remains competitive with other New Mexico locations.

Alternatives

The existing rates could be retained, in which case funds would likely be insufficient to perform required and prudent water system maintenance or upgrades and staff would have to focus on the most critical areas to maintain service, rather than continuing a program to improve reliability, consistency in delivery volumes and pressures, and reduction of unaccounted for water (losses). Alternatively, the Board could elect to adopt a more aggressive rate strategy now rather than having to potentially revisit this issue again within the next year or two. Staff's concern and recommendation on this alternative is noted above.

Fiscal and Staff Impact

Staff impact is minimal. With current production and sales projections, the proposed increases would generate an additional \$713k revenue in water distribution and an additional \$333.5k revenue in water production, with approximately \$225k of that coming from the water distribution subfund. Thus the net gain to the utility is \$821,500 overall.

Attachments

- A - Code Ordinance 02-287
- B - DOE and LAC Consumption history

-
- C - Water system capital improvement summary
 - D - Pro Forma ten-year financial forecast, water distribution
 - E - Pro Forma ten-year financial forecast, water production
 - F - Residential water rate history
 - G - Water rate comparison with neighboring communities

INCORPORATED COUNTY OF LOS ALAMOS CODE ORDINANCE NO. 02-267

**AN ORDINANCE AMENDING CHAPTER 40, ARTICLE III, SECTIONS
40-171 AND 40-175 OF THE CODE OF THE INCORPORATED COUNTY OF
LOS ALAMOS PERTAINING TO POTABLE WATER RATES AND
BULK DELIVERY RATES**

BE IT ORDAINED BY THE GOVERNING BODY OF THE INCORPORATED COUNTY OF LOS ALAMOS as follows:

Section 1. Section 40-171 of the Code of the Incorporated County of Los Alamos is amended to read as follows:

Sec. 40-171. Potable water rate schedule 8-A.

(a) *Applicability.* Potable water rate schedule 8-A is applicable to all classes of retail customers whether commercial, residential or otherwise. The rate shall consist of a service charge plus a water consumption charge.

(b) *Service charge.*

<i>Water Meter Size</i>	<i>Service Charge Per Meter Per Month</i>
1-1/4 inch and under	\$ 7.93 <u>8.72</u>
1-1/2-inch	25.12 <u>27.63</u>
2-inch	37.50 <u>41.25</u>
2 1/2-inch, 3-inch	74.00 <u>81.40</u>
4-inch	126.00 <u>138.60</u>
6-inch	266.00 <u>292.60</u>
8 inch	439.50 <u>483.45</u>

(c) *Water consumption charge.* The water consumption charge shall be charged to each customer billed under rate schedule 8-A according to the following schedule:

Consumption Oct—Apr (Non-Peak Season) Commodity Rate Per 1,000 Gallons				Consumption May—Sept (Peak Season) Commodity Rate Per 1,000 Gallons			
Monthly usage	<9,000 gal	9—15,000 gal	>15,000 gal	Monthly usage	<9,000 gal	9—15,000 gal	>15,000 gal
Residential	4.19 <u>4.61</u>	4.19 <u>4.61</u>	4.19 <u>4.61</u>	Residential	4.19 <u>4.61</u>	4.45 <u>4.90</u>	5.32 <u>5.85</u>
Multi-family	4.19 <u>4.61</u>	4.19 <u>4.61</u>	4.19 <u>4.61</u>	Multi-family	4.19 <u>4.61</u>	4.40 <u>4.84</u>	4.50 <u>4.95</u>
Commercial	4.19 <u>4.61</u>	4.19 <u>4.61</u>	4.19 <u>4.61</u>	Commercial	4.19 <u>4.61</u>	4.19 <u>4.61</u>	4.19 <u>4.61</u>
County/Schools	4.19 <u>4.61</u>	4.19 <u>4.61</u>	4.19 <u>4.61</u>	County/Schools	4.19 <u>4.61</u>	4.19 <u>4.61</u>	4.19 <u>4.61</u>

Section 2. Section 40-175 of the Code of the Incorporated County of Los Alamos is amended to read as follows:

Sec. 40-175. Bulk delivery rate schedule 8-D.

(a) Applicability. Schedule 8-D is applicable to all bulk water sold and delivered to bulk points of delivery. The rate shall consist of a service charge plus a water consumption charge.

(b) The bulk delivery rate for water sold and delivered to bulk points of delivery shall be ~~\$2.88~~\$3.17 per 1,000 gallons.

(c) The customer service charge for water sold and delivered to bulk points of delivery shall be ~~\$542.00~~\$596.20 per month per customer.

Section 3. Effective Date. This Ordinance shall become effective upon adoption with the amended water rates being applied for all billing on or after September 1, 2016.

Section 4. Severability. Should any section, paragraph, clause or provision of this ordinance, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this ordinance.

Section 5. Repealer. All ordinance or resolutions, or parts thereof, inconsistent herewith are hereby repealed only to the extent of such inconsistency. This repealer shall not be construed to revive any ordinance or resolution, or part thereof, heretofore repealed.

ADOPTED this 27th day of September, 2016.

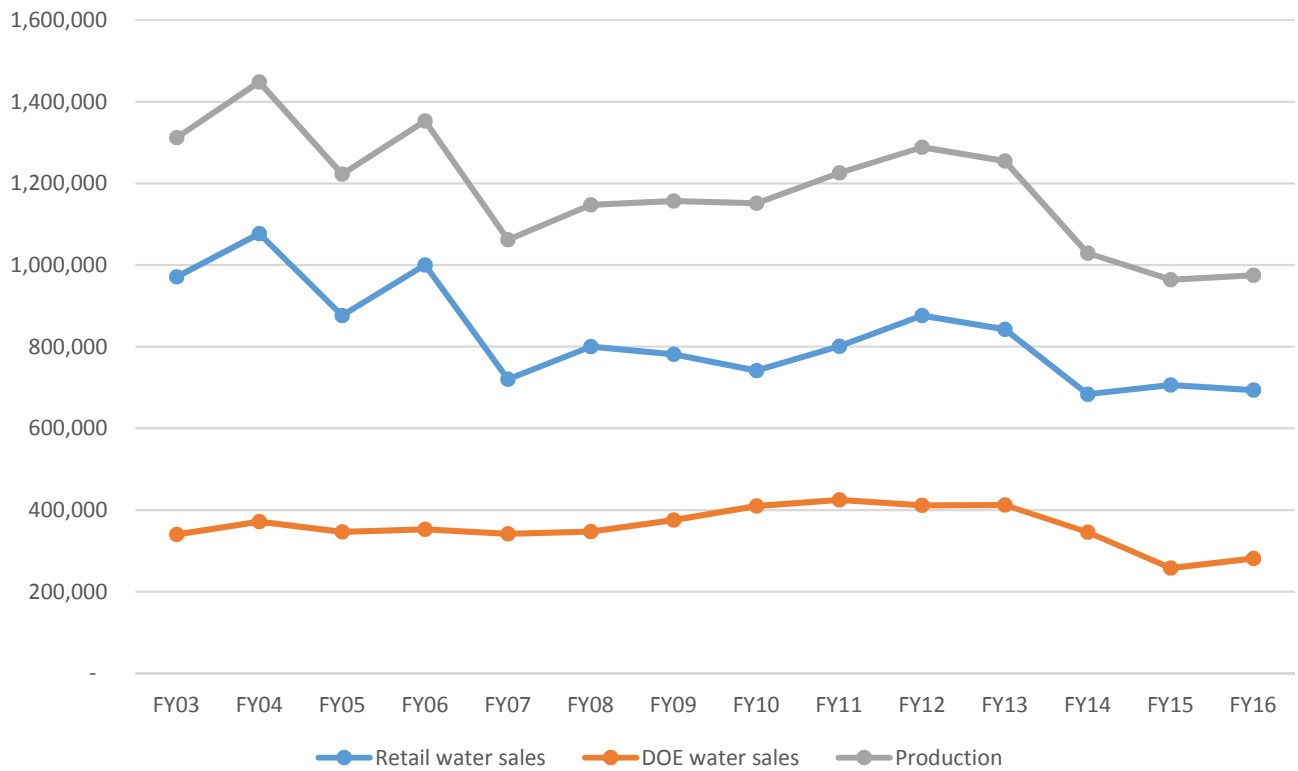
**COUNCIL OF THE INCORPORATED
COUNTY OF LOS ALAMOS**

**Rick Reiss
Council Chair**

ATTEST: (SEAL)

**Sharon Stover
Los Alamos County Clerk**

Water Production: Retail, DOE, Total Production
FY03 through FY16



KGAL	Retail water sales	DOE water sales	Production
FY03	971,324	340,433	1,311,757
FY04	1,076,993	371,535	1,448,528
FY05	876,445	346,428	1,222,873
FY06	999,920	352,456	1,352,376
FY07	720,433	341,555	1,061,988
FY08	800,273	346,825	1,147,098
FY09	781,692	375,232	1,156,924
FY10	741,277	410,008	1,151,285
FY11	800,842	424,728	1,225,570
FY12	876,360	411,764	1,288,124
FY13	842,344	412,301	1,254,645
FY14	683,637	345,420	1,029,057
FY15	706,356	257,704	964,060
FY16	693,336	281,512	974,848

**Water System Capital Improvement Summary
2003 to 2012**

Year	Project	Cost	Installed
2003	North Road Phase I	\$629,450.00	3300 feet of 10", 12" and 16" water line
2003	Arizona Tank	\$4,349,811.00	7,750,000 gallon water tank
2004	North Road Phase II	\$181,700.00	New 1250' 10" water line
2006	Burned Area Reconstruction	\$7,744,478.00	Seven miles of water line (8" & 18")
2005	Villa Street, 33rd, 35th & 34th Street Water	\$554,330.00	7600' 8" PVC
2005	Arizona Tank 12" Water Replacement	\$348,325.00	957' 12" DI, 314' 8" DI
2005	Pajarito Booster Tank No. 3 Repaint	\$319,375.00	Lead Abate and Repaint
2006	Manhattan Loop & 15th Street Water Replacement	\$951,167.00	2600' 8" PVC
2007	46th & 47th Street Replacement	\$327,953.00	1402' 8" PVC
2007	20th Street 8" Water Replacement	\$68,008.00	230' 8" PVC
2007	Diamond Drive Phase 1	\$1,375,963.00	2712' 16" DI, 1774' 14" DI, 1400' 8" PVC, 2 PRV Replacements
2008	Deacon Street 8" Water Replacement	\$142,884.00	760' 8" PVC
2008	East Drive 8" Replacement	\$62,822.00	865' 8" PVC & new PRV
2008	Golf Course & San Ildefonso Waterlines	\$672,763.00	1635' 14" DI, 2633' 16" DI
2008	Pajarito Well No. 3 MCC Replacement	\$191,209.00	New VFD MCC
2008	Diamond Drive Phase 2	\$773,975.00	3720' 8" PVC, 347' 16" HDPE, 199' 12" DI
2009	White Rock Fire Station	\$287,738.00	1408' 14" DI, 1400' 8" PVC
2009	Camp May Fire Protection	\$927,085.00	2086' 8" DI, 1684' 10" DI, 250,000 Gallon Tank
2009	Diamond Phase 3	\$713,625.00	172' 16" DI, 2363' 12" DI, 382' 8" PVC
2009	Pajarito Booster Pumpo - PRV	\$170,963.00	259' 12" DI, 72' 14" DI, 12"x6" PRV, 12" Meter
2010	Diamond Drive Phase 4	\$493,322.00	2421' 16" DI, 1631' 8" CI
2010	Diamond Drive Phase 5	\$231,930.00	322' 8" PVC, 334' 12" DI, 214' 12" DI
2010	Pajarito Booster Tank No. 1 Repaint	\$337,358.00	Lead Abate and Repaint
2010	Gold Street Water Replacement	\$62,970.00	403' 8" DI
2010	Airport Fire Hydrant Extension	\$147,044.00	1949' 8" PVC, 5 Fire Hydrants
2010	PRV Replacement Grand Canyon & Sherwood	\$51,474.00	New 8" x 1-1/2" PRV Station
2011	New Tank Pajarito Booster 2 / Repaint Existing Tank	\$862,000.00	New 250,000 Gallon Tank & Repaint Existing Tank
2012	Iris Water Replacement	\$174,000.00	1600' 8" PVC
2012	Eastern Area Phase I Water	\$460,000.00	2650' 8" PVC
2012	East Gate PRV Replacement	\$50,000.00	Replace PRV Station
2012	Pajarito Booster Stations MCC Replacements	\$495,000.00	New MCC, Electrical Upgrades
2012	Community Tank Repainting	\$477,000.00	Lead Abate and Paint Existing Tank
2012	Pajarito Tank 4 Repainting	\$490,000.00	Lead Abate and Paint Existing Tank
2013	East gate PRV Replacement	\$49,927.00	New 8" x 1-1/2" PRV Station
2013	Community Tank Repainting	\$410,635.00	Lead Abate and Paint Existing Tank
2013	Western Area Phase I	\$539,745.00	Replace existng 6" CI with neew 8" PVC and all new servcies
2013	Eastern Area Phase II Water	\$376,212.00	Replace existing 6" CI with new 8" PVC and all new servcies
2014	Western Area Phase II	\$310,000.00	Replace existing 6" CI with new 8" PVC and all new servcies
2015	Western Area Phase III	\$625,000.00	Replace existing 6" CI with new 8" PVC and all new servcies
2015	Paint Pajarito Well Tank No. 5	\$325,000.00	Lead Abate and Repaint
Total Capital Investment in Water System		\$27,762,241.00	

Los Alamos County Utilities Department
Financial Forecast
Water Distribution

Inflationary assumption applied to forecasted years 1.50%

ADOPTED/ REVISED 2016	PROJECTED 2016	BUDGET 2017	BUDGET 2018	FORECAST 2019	FORECAST 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026
Expenditure Forecast											
Supervision, Misc Direct Admin	187,537	182,979	187,327	190,137	192,989	195,884	198,822	201,804	204,831	207,904	211,022
Hydrants	63,511	58,860	59,924	60,822	61,735	62,661	63,601	64,555	65,523	66,506	67,504
Water Distribution	287,364	403,106	374,051	379,662	379,662	385,357	391,137	397,004	402,959	409,003	415,138
Water Meters	329,408	691,840	699,124	709,611	720,255	731,059	742,025	753,155	764,452	775,919	787,558
Interdepartmental Charges	225,566	251,649	251,649	255,424	259,255	263,144	267,091	271,097	275,164	279,291	283,481
Administrative Division Allocation	549,637	574,794	570,935	579,499	588,192	597,014	605,970	615,059	624,285	633,649	643,154
Cost of Water	2,452,420	2,329,799	2,456,750	2,556,003	2,607,123	2,659,265	2,712,451	2,766,700	2,822,034	2,878,474	2,936,044
Capital Amnunity											
Capital	2,142,527	372,000	0	0	781,376	781,376	781,376	781,376	781,376	781,376	781,376
Total Operation Expenses	4,095,443	3,972,822	4,619,978	4,725,547	4,809,210	4,894,384	4,981,096	5,069,374	5,159,248	5,250,747	5,343,901
Total Capital Expenditures	2,142,527	372,000	0	0	781,376	781,376	781,376	781,376	781,376	781,376	781,376
Total Expenditures	6,237,970	4,344,822	4,619,978	5,506,923	5,590,586	5,675,760	5,762,472	5,850,750	5,940,624	6,032,123	6,125,277

Revenue Forecast	850,000	704,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000
kgal Sales	\$ 5.43	\$ 5.39	\$ 6.31	\$ 6.31	\$ 6.62	\$ 6.96	\$ 6.96	\$ 7.30	\$ 7.30	\$ 7.30	\$ 7.30
Revenue per kgal											
Rate Increase Percentage											
Total Sales Revenue	\$ 4,613,800	\$ 3,793,000	4,889,549	4,889,549	5,134,026	5,390,728	5,390,728	5,660,264	5,660,264	5,660,264	5,660,264
Interest on Utility Reserves	62,000	5,072	21,000	21,000	21,315	21,315	21,315	21,315	21,315	21,315	21,315
Revenue on Recoverable Work	150,000	45,000	30,000	30,000	30,907	31,370	31,841	32,319	32,803	33,295	33,795
Total Cash Inflow from Operations	4,825,800	3,843,072	4,940,549	4,940,549	5,185,791	5,443,413	5,443,883	5,713,897	5,714,382	5,714,874	5,715,374
Net Cash Flow	(1,412,170)	(501,750)	320,571	297,182	(321,131)	(232,347)	(318,588)	(136,853)	(226,242)	(317,249)	(409,903)
Cumulative Net Cash Flow		(501,750)	(181,179)	116,003	(205,129)	(609,466)	(841,813)	(1,160,401)	(1,523,496)	(1,840,745)	(2,250,649)
Cash Balance at June 30	1,530,054	1,100,054	1,420,625	1,717,807	1,396,675	992,338	759,991	441,403	78,308	(238,941)	(648,845)
Cash Balance from adopted budget	2,375,147		1,420,109	1,717,291	1,396,160	991,822	759,475	304,034	77,792	(239,457)	(649,360)

SUMMARY OF ASSUMPTIONS IN BUDGETING AND PROJECTING

what we reduced approved 16 budget by when 17 budget was prepared	845,092.73	1,420,109	target year end cash as budgeted
ending FY16 cash assumed for FY17 budget	1,530,054		
assumed net income shortfall for fy17	430,000		
revised "starting" cash available	1,100,054	1,420,625	adjust rate % to make this match D47

Los Alamos County Utilities Department
Financial Forecast
Water Production

	BUDGET 2017	BUDGET 2018	FORECAST 2019	FORECAST 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026
Supervision and Operations	967,952	983,755	998,511	1,013,489	1,028,691	1,044,122	1,059,784	1,075,680	1,091,815	1,108,193
Pumping Power	800,000	800,000	774,300	774,300	774,300	774,300	774,300	774,300	774,300	774,300
Wells	137,508	138,775	140,857	142,970	145,114	147,291	149,500	151,743	154,019	156,329
Booster Pump Stations	125,236	126,754	128,655	130,585	132,544	134,532	136,550	138,598	140,677	142,788
Treatment	105,199	105,595	107,179	108,787	110,418	112,075	113,756	115,462	117,194	118,952
Storage Tanks	19,600	19,798	20,095	20,397	20,703	21,013	21,328	21,648	21,973	22,303
Transmission Lines	65,509	66,248	67,242	68,250	69,274	70,313	71,368	72,438	73,525	74,628
Non Potable System	642,187	372,422	378,008	383,678	389,434	395,275	401,204	407,222	413,331	419,531
Interdepartmental Charges	263,893	263,893	267,851	271,869	275,947	280,086	284,288	288,552	292,880	297,274
Administrative Division Allocation	502,727	499,261	506,750	514,351	522,066	529,897	537,846	545,914	554,102	562,414
State Water Tax	45,000	45,000	45,675	46,360	47,056	47,761	48,478	49,205	49,943	50,692
Debt Service	254,182	279,496	300,961	329,249	363,657	383,583	668,186	682,822	556,213	391,332
Capital Annuity			1,262,401	1,262,401	1,262,401	1,262,401	1,262,401	1,262,401	1,262,401	1,262,401
Capital	-	250,000								
Capital Paid with Debt/Grants/Reimb	4,644,400	825,000	950,000	1,100,000	1,300,000	750,000	650,000	925,000	525,000	
Capital Paid with Cash	3,000,000									
Total Operation Expenses	3,928,992	3,700,998	3,736,086	3,804,286	3,879,205	3,940,250	4,266,588	4,323,586	4,239,974	4,118,734
Total Capital Expenditures	7,644,400	1,075,000	2,212,401	2,362,401	2,562,401	2,012,401	1,912,401	2,187,401	1,787,401	1,262,401
Total Cash Outflow	11,573,392	4,775,998	5,948,487	6,166,687	6,441,606	5,952,651	6,178,989	6,510,987	6,027,375	5,381,135
Revenue Forecast										
Rate Increase Percentage	10.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Production in thousand gallons	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Revenue per thousand gallons	\$ 3.17	\$ 3.23	\$ 3.30	\$ 3.36	\$ 3.43	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.71	\$ 3.79
WP sales revenue	\$ 3,643,200	\$ 3,716,064	\$ 3,790,385	\$ 3,866,193	\$ 3,943,517	\$ 4,022,387	\$ 4,102,835	\$ 4,184,892	\$ 4,268,589	\$ 4,353,961
Non-potable production in thousand gallons	66,584	66,584	66,584	66,584	66,584	66,584	66,584	66,584	66,584	66,584
Non-potable rate per thousand gallons	\$ 1.15	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Non-potable sales revenue	\$ 76,572	\$ 166,460	\$ 166,460	\$ 166,460	\$ 166,460	\$ 166,460	\$ 166,460	\$ 166,460	\$ 166,460	\$ 166,460
Total Sales Revenue	\$ 3,719,772	\$ 3,882,524	\$ 3,956,845	\$ 4,032,653	\$ 4,109,977	\$ 4,188,847	\$ 4,269,295	\$ 4,351,352	\$ 4,435,049	\$ 4,520,421
Repayment and Interest on Inter-Utility Loans	187,569	187,569	187,569	187,569	187,569	187,569	187,569	187,569	187,569	187,569
Interest on Utility Reserves	92,000	63,750	76,912	69,416	61,921	54,376	46,933	36,957	27,069	18,692
Bond Federal Subsidy	27,576	27,576	27,576	27,576	27,576	27,576	27,576	21,338	14,940	14,940
Econ Dev Fund/Ski Hill Reimb	4,000,000									
Federal or State Grant/Loan	644,400	825,000	950,000	1,100,000	1,300,000	750,000	650,000	925,000	525,000	-
Total Cash Inflow	8,671,317	4,986,419	5,198,902	5,417,214	5,687,043	5,208,368	5,181,373	5,522,215	5,189,627	4,741,621
Net Cash Flow	(2,902,075)	210,421	(749,584)	(749,473)	(754,563)	(744,283)	(997,616)	(988,772)	(837,748)	(639,513)
Cumulative Net Cash Flow	(2,902,075)	(2,691,654)	(3,441,238)	(4,190,711)	(4,945,274)	(5,689,557)	(6,687,173)	(7,675,945)	(8,513,692)	(9,153,206)
Cash Balance	7,480,780	7,691,201	6,941,617	6,192,144	5,437,581	4,693,299	3,695,682	2,706,911	1,869,163	1,229,650

Residential water rates 1999-2016

Started	Ended	Rate per 1000 gallons	
prior to 1999	4/19/1999	\$ 4.32	
4/21/1999	3/23/2010	3.72	
3/24/2010	7/5/2011	3.95	
7/6/2011	7/8/2014	4.19	
7/9/2014	current rate	4.19	up to 9000 gallons in summer / winter rate
7/9/2014	current rate	*4.45	9000 - 15000 gallons in summer
7/9/2014	current rate	*5.32	> 15000 gallons in summer

* Current tiered water rates are in effect during the summer watering season (May 1 through Sept. 30).

Los Alamos County Utilities Department
Water Rate Comparison

SAMPLE RESIDENTIAL BILL - Assuming 5/8" Meter & PEAK Season*

Monthly Usage	Current Los Alamos **	Proposed Los Alamos **	Santa Fe**	Espanola	Taos**	Rio Rancho**	Albuquerque Bernalillo County Water Utility Authority***
4,000 Gallons	\$ 24.69	\$ 27.16	\$ 61.07	\$ 37.75	\$ 18.44	\$ 31.97	\$ 22.62
8,000 Gallons	\$ 41.45	\$ 45.60	\$ 116.63	\$ 62.07	\$ 37.80	\$ 52.55	\$ 32.04
14,000 Gallons	\$ 67.85	\$ 74.66	\$ 246.95	\$ 98.55	\$ 76.52	\$ 86.17	\$ 46.16
16,000 Gallons	\$ 77.66	\$ 85.46	\$ 290.39	\$ 110.71	\$ 92.00	\$ 97.63	\$ 50.87
20,000 Gallons	\$ 98.94	\$ 108.86	\$ 377.27	\$ 135.03	\$ 122.96	\$ 120.55	\$ 60.29
30,000 Gallons	\$ 152.14	\$ 167.36	\$ 594.47	\$ 195.83	\$ 200.36	\$ 177.85	\$ 83.82

* For comparison purposes, August was used for all locations

** Tiered or Seasonal Rates apply for this jurisdiction

*** Rates shown DO NOT include the surcharges for usage in excess of a citizen's water budget calculated by season and winter mean which can be up to 100% of commodity charge. Drought surcharges of up to 400 percent may also apply.



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 5.A.
Index (Council Goals): BCC - N/A
Presenters: Board of Public Utilities
Legislative File: 8501-16

Title

Approval of Board of Public Utilities Meeting Minutes

Recommended Action

I move that the Board of Public Utilities approve the meeting minutes of July 18th, 2016 and July 20th, 2016 as presented.

Body

REQUESTED REVISIONS TO THE DRAFT MINUTES

Draft minutes are sent to members after each meeting for their review. Members may then send changes to be incorporated prior to final approval of the minutes at the next regular meeting.

The following changes were incorporated into the minutes presented for approval:

JULY 20TH MEETING

1. Kathleen Taylor - In item 2., the phrase "for a geothermal leasing project" was changed to "for a geothermal energy project."

Attachments

A - Draft BPU Special Session Minutes - July 18th, 2016

B - Draft BPU Regular Session Minutes - July 20th, 2016



County of Los Alamos

Minutes

Board of Public Utilities

1000 Central Avenue
Los Alamos, NM 87544

*Jeff Johnson, Chair; Andrew Fraser, Paul Frederickson Stephen McLin and Kathleen Taylor,
Members*

*Tim Glasco, Ex Officio Member
Harry Burgess, Ex Officio Member
Susan O'Leary, Council Liaison*

Monday, July 18, 2016

1:00 PM

1000 Central Avenue
Room 110

SPECIAL SESSION

1. CALL TO ORDER

A special meeting of the Incorporated County of Los Alamos Board of Public Utilities was held on Monday, July 18th at 1:00 p.m. at 1000 Central Ave., Room 110. Board Chair, Jeff Johnson, called the meeting to order at 1:00 p.m.

Present 6 - Chair Johnson, Board Member Fraser, Board Member Frederickson, Board Member McLin, Board Member Taylor and Board Member Glasco

Absent 1 - Board Member Burgess

2. PUBLIC COMMENT

Mr. Johnson opened the floor for public comment on items not otherwise included on the agenda. There were no comments.

3. APPROVAL OF AGENDA

Mr. Fraser moved that the agenda be approved. The motion passed by the following vote:

Yes: 5 - Chair Johnson, Board Member Fraser, Board Member Frederickson, Board Member McLin and Board Member Taylor

4. BUSINESS

4.A. 8435-16

Review and Possible Revision of Department of Public Utilities Mission, Vision and Value Statements and Strategic Planning Input

Sponsors: Board of Public Utilities

The goal of this short meeting was to provide input to the Utilities Manager and his senior management team (DPU SMT) as they begin their strategic planning for FY2018. At the staff strategic planning workshop in August, the DPU SMT will review and revise if necessary the previously approved strategic objectives and goals. The strategic objectives and long-term goals will then be presented to the Board for approval at a future Board meeting. At this special meeting, the Board had a facilitated discussion to focus input in two specific areas: affirm or improve the mission, vision and values statements and prioritize the DPU's current strategic objectives.

Ms. Dawn Reed, a consultant from Human Strategies, LLC who has worked with the DPU SMT on strategic planning for several years, was present to facilitate the meeting and collect feedback from the Board. The input received from the Board was compiled, is included as an attachment to the minutes, and will be used during the strategic planning workshop.

The following actions were identified for follow-up:

- 1) Using the Board's input on the vision and values statements, staff will attempt to revise them and if changes are made, present those to the Board when the statements are brought back for approval after the strategic planning workshop.

5. PUBLIC COMMENT

Mr. Johnson opened the floor for public comment on any items. There were none. Mr. Johnson discussed the following topics during the public comment period:

- 1) Mr. Johnson welcomed Ms. Taylor to her first Board meeting.
- 2) Mr. Glasco sent out a report on New Mexico modular reactors, which included a siting feasibility study. Mr. Johnson encouraged other members to read that.
- 3) Mr. Johnson verified that staff will be present with him at the Council work session on July 19th to present information and answer questions related to the draft utilities financial policies.

6. ADJOURNMENT

The meeting adjourned at 1:49 p.m.

APPROVAL

Board of Public Utilities Chair Name

Board of Public Utilities Chair Signature

Date Approved by the Board

ATTACHMENT
Board of Public Utilities
Strategic Planning Input

**Board of Public Utilities Input for
Department of Public Utilities Strategic Planning for Fiscal Year 2018**

continuous learning; NATURAL RESOURCES through innovative and progressive solutions; and COMMUNITY by being communicative, organized and transparent.

FEEDBACK

- **Mr. Fraser, Mr. Frederickson and Ms. Taylor affirmed the statements as-is.**
 - **Mr. Johnson and Mr. McLin indicated that changes were necessary.**
1. **MCLIN** – Reiterated what he said before with regards to the vision statement. They are not specific enough. For example, “NATURAL RESOURCES through innovative and progressive solutions” is not specific or effective. He doesn’t understand what this means. There is nothing particularly wrong with the statements until you look at the more detailed Department objectives and goals.
 - a. **TAYLOR** – Suggested that it could perhaps be changed to “*promoting* innovative and progressive solutions.”
 - b. **MCLIN** – “Promoting” implies problems and this statement has the DPU identifying solutions before it has identified problems.
 2. **JOHNSON** – In the EMPLOYEES/PARTNERS value, “encourages continuous learning” gives no end point. Employees want to feel like they have a developing career. He would change “continuous learning” to something like “personal and professional growth.”

C. MISSION

Provide safe and reliable utility services in an economically and environmentally sustainable fashion.

FEEDBACK

- **All members unanimously affirmed the statement as-is.**

III. PRIORITIZING CURRENT STRATEGIC OBJECTIVES EXERCISE

For this exercise, Ms. Reed used a Nominal Group Technique (NGT) to obtain consensus to determine the Board’s priority level for each of the strategic objectives. Each member was given four “votes” to place in whichever objectives or single objective they felt were most important. While all of the objectives are important, there may be some areas where the DPU is already exceling and perhaps little or no action is needed in those areas. The Board was asked to specifically select those objectives they felt needed to take priority for action, attention, focus, resources, goal setting and action plan development.

RESULTS

1. Performance – 4 votes
2. Customers – 4 votes
3. Financial – 4 votes
4. Employees – 3 votes
5. Environmental Sustainability – 3 votes
6. Partnerships – 2 votes

**Board of Public Utilities Input for
Department of Public Utilities Strategic Planning for Fiscal Year 2018**

IV. ADDITIONAL COMMENTS TO CONSIDER DURING STRATEGIC PLANNING

Ms. Reed asked the Board to provide any additional considerations for the strategic planning workshop.

1. **MCLIN** – Throughout the meeting, Mr. McLin expressed concern several times about the Department's objectives and goals being too vague, not having an explanation of how they are calculated and not being able to find any sort of cost analysis. Additionally, he has been unable to find results metrics to show benchmarks for how the Department is performing to the long-term goals over time.
2. **MCLIN** – Suggested that the DPU SMT reconsider its goal to conduct cost of service studies for each utility *at least* every 5 years. To account for rapidly fluctuating conditions, he feels the Department should consider doing those more frequently every 3-5 years as recommended in a recent American Public Power Association webinar.

**Board of Public Utilities Input for
Department of Public Utilities Strategic Planning for Fiscal Year 2018**

I. PURPOSE

On July 18th, 2016, the Board of Public Utilities (BPU) held a special meeting to provide input to the Department of Public Utilities Senior Management Team (DPU SMT). This input will be used during their FY2018 strategic planning workshop scheduled for August 2016. Ms. Dawn Reed, a consultant from Human Strategies, LLC, was present to facilitate the meeting and capture the Board's input.

Ms. Reed conducted two exercises to focus input in the following two key areas:

- 1) affirm or approve the current mission, vision and values statements,
- 2) prioritize the DPU's current strategic objectives.

II. MISSION/VISION/VALUES EXERCISE

For this exercise, the Board was asked to give a thumbs-up/thumbs-down vote to indicate whether they affirm the current statement as-is or they feel changes should be made. If members indicated that changes should be made, a discussion was held to get more input.

A. VISION

Be a high-performing utility matched to our community, contributing to its future with diversified and innovative utility solutions.

FEEDBACK

- **Mr. Fraser, Mr. Frederickson and Ms. Taylor affirmed the statements as-is.**
 - **Mr. Johnson and Mr. McLin indicated that changes were necessary.**
1. **MCLIN** - Felt it was ambiguous and vague and doesn't portray clear objectives and a cost vs. benefit type of analysis. The statement doesn't necessarily need to be changed, but there should be follow-up to eliminate the ambiguity.
 2. **JOHNSON** – Felt that “matched to our community” is clunky and would change it to “be a high performing utility contributing to our community's future with diversified [...].”
 - a. **FRASER** – Reminded the Board that this piece was added last year to the vision statement. It takes into consideration that Los Alamos is an unusual community and the DPU should be striving to be a first rate utility that is appropriate for this unique community. He believes the current statement captures what he wants to see in the vision statement, but it's not ideally worded. With that in mind, he would be happy for the staff to come back with a more carefully crafted vision statement or keep it as it stands.
 - b. **FREDERICKSON** – Suggested adding the word “unique” before the word “community's” in Mr. Johnson's edit.

B. VALUES

*We value our: CUSTOMERS by being service oriented and fiscally responsible;
EMPLOYEES/PARTNERS by being a safe, ethical and professional organization that encourages*



County of Los Alamos

Minutes

Board of Public Utilities

1000 Central Avenue
Los Alamos, NM 87544

Jeff Johnson, Chair; Andrew Fraser, Paul Frederickson Stephen McLin and Kathleen Taylor,
Members
Tim Glasco, Ex Officio Member
Harry Burgess, Ex Officio Member
Susan O'Leary, Council Liaison

Wednesday, July 20, 2016

5:30 PM

1000 Central Avenue
Council Chambers

REGULAR SESSION

1. CALL TO ORDER

The regular meeting of the Incorporated County of Los Alamos Board of Public Utilities was held on Wednesday, July 20th, 2016 at 5:30 p.m. at 1000 Central Ave., Council Chambers. Board Chair, Jeff Johnson, called the meeting to order at 5:30 p.m.

Present 6 - **Chair Johnson, Vice-chair Fraser, Board Member Frederickson, Board Member McLin, Board Member Taylor and Board Member Glasco**

Absent 1 - **Board Member Burgess**

Deputy County Manager, Mr. Brian Bosshardt, attended in Mr. Burgess' place.

2. PUBLIC COMMENT

Mr. Johnson opened the floor for public comment on items on the Consent Agenda and for those not otherwise included on the agenda. Members of the public gave the following summarized comments:

1) Mr. Pete Sheehey, 805 Tiffany Court - Mr. Sheehey informed the Board that Ormat Technologies, an energy contractor, has applied to lease approximately 45,000 acres of the Santa Fe National Forest for a geothermal energy project. The SFNF is conducting an environmental impact study. Mr. Sheehey will be following the progress of this project. He provided additional information for the Board, which is included in the minutes as an attachment. Mr. Sheehey has also been following waste-to-energy plants and thought a regional plant may be something for the County to consider. He will be following what the City of Edmonton is doing with regards to their new technology and will keep the Board posted.

3. APPROVAL OF AGENDA

Mr. Fraser moved that the agenda be approved as presented. The motion passed by the following vote:

Yes: 5 - Chair Johnson, Vice-chair Fraser, Board Member Frederickson, Board Member McLin and Board Member Taylor

4. PUBLIC HEARING(S)

No public hearings were scheduled for this meeting.

5. CONSENT AGENDA

Mr. Fraser moved that the Board of Public Utilities approve the items on the Consent Agenda as presented and that the motions contained in the staff reports be included in the minutes for the record. The motion passed by the following vote:

Yes: 5 - Chair Johnson, Vice-chair Fraser, Board Member Frederickson, Board Member McLin and Board Member Taylor

- 5.A. [8433-16](#) Approval of Board of Public Utilities Meeting Minutes

Sponsors: Board of Public Utilities

I move that the Board of Public Utilities approve the meeting minutes of June 15, 2016 and June 24, 2016 as presented.

- 5.B. [7881-16](#) Approval of Amendment No. 2 to the Lease for Antenna Collocation and Facilities Site Between the Incorporated County of Los Alamos, as Landlord and Verizon Wireless (VAW) LLC, d/b/a Verizon Wireless, as Tenant

Sponsors: James Alarid

I move that the Board of Public Utilities approve Amendment No. 2 to the Lease for Antenna Collocation and Facilities Site between the Incorporated County of Los Alamos, as Landlord and Verizon Wireless (VAW) LLC, d/b/a Verizon Wireless, as Tenant and forward to Council for approval.

- 5.C. [RE0305-16](#) Approval of Incorporated County of Los Alamos Resolution No. 16-13. A Resolution Removing Uncollectible Utility Accounts from Accounts receivable List of Los Alamos County - Fiscal Year 2011

Sponsors: Bob Westervelt

I move that the Board of Public Utilities approve Incorporated County of Los Alamos Resolution No. 16-13; A Resolution Removing Uncollectible Utility Accounts from Accounts Receivable List of Los Alamos County for Fiscal Year 2011 and forward to the Council with a recommendation for approval.

- 5.D. [8295-16](#) Award of Bid No. 16-063 for the Purpose of El Vado and Abiquiu Hydroelectric Plants Back-up Generator Replacement to U.S. Electrical Corporation in the Amount of \$123,240.00, plus Applicable Gross Receipts Tax.

Sponsors: James Alarid

I move that the Board of Public Utilities approve Award of Bid No. 16-063 for the Purpose of El Vado and Abiquiu Hydroelectric Plants Back-up Generator Replacement to U.S. Electrical Corporation in the Amount of \$123,240.00, plus Applicable Gross Receipts Tax, and a contingency in the amount of \$25,000.00, for a total of \$148,240.00, plus Applicable Gross Receipts Tax.

- 5.E. [8312-16](#) Approval of Revised Operating Procedures to the Electric Energy and Power Coordination Agreement (ECA) Between the Incorporated County of Los Alamos and the Department of Energy (DOE).

Sponsors: Steve Cummins

I move that the Board of Public Utilities approve the revised Operating Procedures to the Electric Energy and Power Coordination Agreement (ECA) and forward to Council for their consideration with a recommendation for approval.

6. BUSINESS

- 6.A. [8411-16](#) Presentation of an Integrated Implementation Plan for the Five Highest Priority Future Energy Resources Recommendations

Sponsors: Steve Cummins

Deputy Utility Manager of Power Supply, Mr. Steve Cummins, presented this item. The following is the substance of the item being considered.

In January 2016, the Board adopted a Strategic Policy for Electrical Energy Resources. Two months later in March 2016, the Board adopted a strategic Policy for Distributed Energy Resources (DER) and Rate Structure. The Board also directed the Utilities Manager to schedule and develop a preliminary implementation plan for the five highest priority items from the adopted Future Energy Resources recommendations, present the plan at the June Board meeting, and follow-up with a completed integrated implementation plan no later than June FY17. Following the presentation at the June meeting the Board requested that staff include more detail in the Preliminary Implementation Plan to present to the Board at a later date.

The Board discussed this item and requested clarification where necessary.

The following actions were identified for follow-up:

- 1) Prior to the 2018 decision point on whether or not to exit the San Juan Generating Station, Mr. Johnson would like staff to return to the Board well before that point so that there is sufficient time to get Board buy-in.
- 2) The next time staff briefs the Board on progress, Mr. Johnson would like to see the "Costs to Implement the FEERR Plan" graph broken out in a way that is cleaner and more transparent and identify costs that would be incurred whether or not the plan is implemented.
- 3) Mr. Johnson would like staff to identify times in the plan's schedule when they will need to return to the Board. He would like those times to be added to the Board's tickler and noted in the schedule so that they are obvious.
- 4) In the schedule provided in the plan, Mr. Johnson would like to see noted the interdependencies and how they impact other actions. He would like to see the schedule and a monthly status report included in the Board agendas.
- 5) Mr. McLin would like the National Renewable Energy Laboratory (NREL) report referenced in the plan to be available on the Department's website.

6.B. [8410-16](#) Presentation of Draft Board of Public Utilities Financial Policies

Sponsors: Bob Westervelt

Deputy Utility Manager of Finance & Administration, Mr. Bob Westervelt, presented this item. The following is the substance of the item being considered.

At the June Board meeting a near final draft of the recommended financial policies was presented and discussed. Discussion with the County Finance Department staff had been ongoing, and Utilities staff and Finance Department staff were still working on achieving consensus on content and style. The draft presented at this meeting represents the culmination of that collaboration. Both departments are now ready to endorse the proposed policies and recommend approval. At the June Board meeting it was decided that staff would bring this item back in July for presentation and further discussion and bring it back for approval and adoption at the August regular meeting.

The Board discussed this item and requested clarification where necessary.

The following actions were identified for follow-up:

- 1) Staff will return to the Board at the August meeting for adoption of the financial plan.
- 2) After the plan is adopted, staff will return to the Board with a status and implementation plan for financial policies and reserve requirements.

6.C. [8043-16](#) Preliminary Discussion on Incorporated County of Los Alamos Code Ordinance Amending Chapter 40, Article III, Sections 40-151 and 40-152 and Deleting Chapter 40, Article III, Section 40-154 Relating to Gas Rates

Sponsors: Bob Westervelt

Deputy Utility Manager of Finance and Administration, Mr. Bob Westervelt, presented this item. The following is the substance of the item being considered.

In FY12 the Board proposed a gas rate structure incorporating a pass-through commodity cost component. Council approved the rate structure effective November 1, 2012, but with a "sunset" date of September 30, 2016. This "sunset" was incorporated to cause the Board to evaluate public feedback and the effectiveness of the rate and to consider whether continuing the pass-through rate structure was desired. While it was intended that rates would simply revert to the old amounts and structure unless the Board takes specific action to reenact the pass-through, the ordinance is worded poorly, and strict interpretation would result in simply having no rates in place upon which to bill for delivery of natural gas. Staff is recommending the pass-through rate structure be reenacted without a specific "sunset" or expiration. In the FY2017/18 budget adopted by the Board and Council, a ten percent (10%) revenue reduction was projected. To achieve a 10% reduction in total revenue, the "fixed component" of the consumption charge is adjusted, in this recommendation, to effect the entire desired revenue reduction. An additional 10% reduction is budgeted in FY2018. Staff feels it is prudent to space the anticipated reductions this way to allow time to assess the results and adjust future actions accordingly, if needed.

The Board discussed this item and requested clarification where necessary.

The following actions were identified for follow-up:

1) Staff will return at the August meeting for ordinance approval.

6.D. [8128-16](#) Policy on Opt-outs for Smart Meters

Sponsors: Tim Glasco

Utilities Manager, Mr. Timothy Glasco, presented this item. The following is the substance of the item being considered.

The Future Energy Resources Committee recommended revisions to the rate structure that would allow for innovations related to distributed energy resources. Central to these new types of rates, however, is the ability for two-way communication between the utility and customers. Accordingly, the DPU has begun to replace existing electric meters with "smart meters". In some areas of the U.S., citizens have expressed concern over having "smart meters" installed at their properties. Beginning midway through FY18, the DPU will begin widespread deployment of radio transmitting devices on gas and water meters and will replace all the existing traditional electric meters with new "smart meters." If customers are allowed to opt out of the Advanced Metering Infrastructure (AMI) project, then at least one meter reader position will have to be retained. The process of collecting manual reads would significantly negate the efficiencies obtained from going to AMI. If opting out of AMI is to be allowed, a fee must be imposed on those customers to collect the extra costs incurred in manually reading these meters. Additionally, utility meters in Los Alamos are the property of the DPU. Traditionally customers have not been allowed to dictate the types of meters placed at properties. Allowing an opt-out policy would be a major change in this paradigm.

The Board discussed this item and requested clarification where necessary.

Ms. Taylor moved that the Department of Public Utilities install data transmitting meters on all metered services at all locations and not allow manually read meter alternatives.

Point of Order: Mr. McLin made a point of order because he felt the comments being made were not relevant to the motion on the floor. Mr. Johnson had asked staff to clarify if customers receiving smart meters would receive a reduction in the service fee portion of their bills since manual meter reading would no longer be necessary. Staff responded to Mr. Johnson. Mr. McLin's point of order was overruled. Mr. Johnson felt that since the Board was presented with two choices to either allow or not allow opt outs, it was important to understand the implications if the decision is made that no one can opt out.

Mr. McLin moved to table this item until the Department can produce a benefit to the customer, then vote on the motion. The motion failed due to lack of second.

The original main motion passed by the following vote:

Yes: 4 - Chair Johnson, Vice-chair Fraser, Board Member Frederickson and Board Member Taylor

No: 1 - Board Member McLin

Mr. Johnson called for a recess at 7:55 p.m. The meeting reconvened at 8:04 p.m.

6.E. [8314-16](#) Approval of Construction Funds for Abiquiu Vent Shaft Modifications in an

Amount Not to Exceed \$537,500.00

Sponsors: Steve Cummins

Deputy Utility Manager of Power Supply, Mr. Steve Cummins, presented this item. The following is the substance of the item being considered.

On July 18, 2015 the Abiquiu Hydroelectric Plant was shut down because of a leak in the U.S. Army Corps of Engineers (USACE) vent shaft located within the bell chamber of the dam. The USACE proceeded to fix the leaking section of the vent shaft in the months following the leak. After further investigation, the Corps determined there were additional areas within the vent shaft that had been compromised and would require additional work. The County has a Memorandum of Agreement (MOA) with USACE for the operation and maintenance of the hydroelectric project and the related facilities. Per the MOA section 9(b), "Any damage to the Abiquiu Dam and its appurtenances as a result of the County's activities shall be repaired by the Corps at the County's expense. At such time as the Corps furnishes the County with its reasonable cost estimates for such repairs, the County shall advance funds to the Corps for these reimbursable costs...." Staff believes that the damage to the vent pipe was due to the County's activities. Additionally staff believes that the expenses associated with the alternate solution is the best and fastest way to resume generating. Therefore, in accordance with Section 9(b), the Corps has furnished the County with estimates for the Abiquiu Vent Pipe Project alternate solution. The Engineer's estimate is \$537,500.00 for the construction work and construction administration performed by the Corps along with an \$80,000.00 contingency. Upon approval by the County to advance the funds and the Corps' receipt of those funds, the Corps will execute the contract.

The Board discussed this item and requested clarification where necessary.

Ms. Taylor moved that the Board of Public Utilities approve funding for the construction of the Abiquiu Vent Pipe Project with the United States Army Corps of Engineers in an amount of \$457,500.00 an \$80,000.00 contingency for a total approved amount not to exceed \$537,500.00, plus Applicable Gross Receipts Tax and forward to Council for approval. Ms. Taylor further moved that the Board of Public Utilities approve a budget revision No. 2017-06 in the amount off \$537,500.00 plus Applicable Gross Receipts Tax to cover this expense and forward to Council for approval. The motion passed by the following vote:

Yes: 5 - Chair Johnson, Vice-chair Fraser, Board Member Frederickson, Board Member McLin and Board Member Taylor

7. STATUS REPORTS

7.A. 8432-16 Status Reports

Sponsors: Board of Public Utilities

The following informational status reports were provided to the Board in the agenda packet:

- 1) Electric Reliability Update
- 2) Accounts Receivables Report
- 3) Safety Report

The following actions were identified for follow-up:

- 1) Mr. Glasco will find out for Mr. Johnson how outages are accounted for in the SAIDI report for multi-residential units and whether or not they are counted as a single outage.

8. BOARD BUSINESS

8.A. Chair's Report

Mr. Johnson reported on the following items:

- 1) Mr. Johnson discussed an idea with the Board and felt that if the Board thought it was a good idea, he would discuss it with Council. Part of his idea comes from his own experience coming onto the Board a year ago and thinking about the experience of Ms. Taylor right now. He felt that getting appointed at the end of June, then being put immediately into the Board was difficult. He has been thinking it would not be a bad idea to try to forward shift the appointment of new members by one month so that they are appointed in May by Council and would come onto the Board at the June meeting as a non-voting ex officio member. That would give them a month to get acclimated before they are thrust into the meetings and trying to digest all the information. The Board gave feedback to Mr. Johnson. After discussion, Mr. Johnson decided that he would discuss it further with Council.

8.B. Board Member Reports

Board members reported on the following items:

- 1) Mr. Fraser - Mr. Fraser would like to add an item on the August agenda regarding a rate philosophy, which would dovetail on the discussion about fuel cost adjustments for gas and determine whether or not the Board thinks that is the right kind of structure for the electric rates. Mr. Fraser would prepare an agenda item to launch that and maybe put in a strawman motion of some sort.
- 2) Mr. McLin - Mr. McLin is on the County Audit Committee. They had a kick-off meeting. On the committee are three Councilors, Mr. McLin, Mr. Westervelt, the County Manager and the Chief Financial Officer. With the exception of Mr. Westervelt, he wasn't sure of the financial background of the rest of the members. There will be ongoing communication, probably once every two weeks between now and October and once a week from October to November. The target date for completing the audit is prior to Thanksgiving. This is something required by New Mexico state law. The committee serves as an oversight group. The state auditor will review the final report. CliftonLarsonAllen was the firm selected. This is their third year working with the County, and they have helped the County receive financial audit awards in the past. He is encouraged by that and hopes to make additional reports in the future.

8.C. Utilities Manager's Report

Mr. Glasco provided a written report, which is included in the minutes as an attachment.

8.D. County Manager's Report

Mr. Harry Burgess was absent. Mr. Brian Bosshardt attended in his absence but left the meeting early. There was no report given.

8.E. Council Liaison's Report

Ms. Susan O'Leary was present at the meeting but left early. No report was given.

8.F. Environmental Sustainability Board Liaison's Report

An ESB liaison was not present. No report was given.

8.G. General Board Business

8.G.1 [8222-16](#) Election of Board of Public Utilities Vice-chair for the Remainder of 2016

Sponsors: Board of Public Utilities

The Board of Public Utilities shall annually elect its chair and such officers as it desires from among its members. The election shall occur at a regular meeting in January of each year. (LAC Ordinance Sec. 40-41. Board of Public Utilities - Organization.) In January, David Powell was elected as vice-chair to serve until his term ended on June 30th. A new vice-chair should now be elected to serve until the next regular elections are held in January 2017.

Member McLin nominated Member Frederickson

Chair Johnson nominated Member Fraser

After a roll call vote, Member Fraser was appointed Board Vice-chair.

Member Frederickson: 2 - Member McLin, Member Taylor

Member Fraser: 3 - Member Fraser, Member Frederickson, Chair Johnson

8.G.2. [8407-16](#) Placeholder for Possible Continuation of Department of Public Utilities Mission/Vision/Values Review and Strategic Planning Input

Sponsors: Jeff Johnson

On July 18th, the Board held a special meeting to review the Department of Public Utilities Mission/Vision/Values statements and provide input for the staff strategic planning workshop in August. This item was a placeholder if the Board wished to continue discussions or take some sort of action on this item at the regular meeting. The Board did not feel additional discussion was necessary.

8.G.3. [7955-16](#) Planning for Upcoming Board of Public Utilities Annual Boards & Commissions Presentation to Council on September 20th, 2016

Sponsors: Jeff Johnson

Board Chair, Mr. Jeff Johnson, presented this item. The following is the substance of the item being considered.

On September 20th, the Board of Public Utilities is scheduled to give its annual Boards & Commissions presentation to Council. During the 2015 Board Self-evaluation, the Board agreed that the entire Board should be more involved in the development and annual presentation to Council, and a rehearsal presentation should also be done prior to the Chair's presentation. In preparation for the upcoming presentation, the Board should discuss with the Chair possible topics for the presentation.

The Board discussed this item and requested clarification where necessary.

The following actions were identified for follow-up:

- 1) Mr. Johnson will prepare a draft presentation for the August meeting.

8.G.4. [8002-16](#)

Annual Affirmation of the Board of Public Utilities Policies and Procedures Manual

Sponsors: Jeff Johnson

Board Chair, Mr. Jeff Johnson presented this item. The following is the substance of the item being considered.

Article 1.9 of the Board of Public Utilities (BPU) Policies and Procedures Manual (PPM) states that each year during the July BPU meeting each board member will affirm that he/she has received, read, understands, and agrees to abide by the PPM and the applicable documents referenced in its Appendix.

The Board discussed this item and requested clarification where necessary.

All Board members signed the affirmation sheet.

8.G.5. [8046-16](#)

Annual Review and Revision of Board of Public Utilities Policies and Procedures Manual

Sponsors: Jeff Johnson

Board Chair, Mr. Jeff Johnson presented this item. The following is the substance of the item being considered.

The Board of Public Utilities Policies and Procedures Manual (PPM) Section 1.5 states, "These policies will be reviewed and revised as necessary at least annually at the regular July BPU meeting. The Utilities Manager will help the BPU formulate new language in the PPM by distributing proposed changes in advance using software that shows all changes for BPU members to review. Any changes to this PPM must be approved by a vote of at least four of the five voting members of the BPU. Any BPU member as well as the Utilities Manager may submit proposed changes." Changes suggested by members prior to the July meeting were noted in the staff report in the agenda packet. At this meeting, the Board may wish to further discuss the annual PPM review process, or members may propose additional changes. Board members may propose changes to the PPM at any time throughout the year.

The Board discussed this item and requested clarification where necessary.

The following actions were identified for follow-up:

- 1) Mr. Johnson recommended a change to the PPM to add adopted Board strategic initiatives as an appendix. After discussion, it was decided that Mr. Johnson will return at the August meeting with a revised motion that includes stronger language giving non-chair members authority to revisit adopted strategic initiatives.

8.H. Approval of Board Expenses

There were no Board expenses.

8.I. Preview of Upcoming Agenda Items

8.I.1. [8440-16](#) Tickler File for the Next 3 Months

Sponsors: Board of Public Utilities

In addition to the items already listed in the tickler provided in the agenda packet, the following items were identified for the tickler for upcoming meetings:

- 1) 08/17/2016 - Rate Philosophy (Andy Fraser)
- 2) 08/17/2016 - Adoption of Board of Public Utilities Financial Policies (Bob Westervelt)
- 3) 08/17/2016 - Addition to the Board of Public Utilities Policies and Procedures Manual to Formally Add Adopted Strategic Initiatives as an Appendix (Jeff Johnson)
- 4) TBD - Status and Implementation Plan for Financial Policies and Reserve Requirements (Bob Westervelt)

9. PUBLIC COMMENT

Mr. Johnson opened the floor for public comment on any items. There were no comments.

10. ADJOURNMENT

The meeting adjourned at 9:01 p.m.

APPROVAL

Board of Public Utilities Chair Name

Board of Public Utilities Chair Signature

Date Approved by the Board

ATTACHMENT WRITTEN PUBLIC COMMENTS

People who give public comment at a meeting may submit a written copy before, during or after the meeting to be included in the minutes.



Overview of the Santa Fe National Forest Geothermal Leasing Environmental Impact Statement (EIS)

The Santa Fe National Forest (SFNF) proposes to identify lands in the project area as closed to geothermal leasing under either nondiscretionary or discretionary authorities, or open to geothermal leasing, subject to stipulations. Stipulations include No Surface Occupancy, Controlled Surface Use, and Timing Limitations. The project area encompasses approximately 194,900 acres in the Coyote, Cuba, Espanola and Jemez Ranger districts, of which approximately 168,600 acres are National Forest System lands.

This action is needed because the Forest Service has obligations under Section 225 of the Energy Policy Act to enable the development and production of geothermal energy, and the existing forest plan does not allocate areas as open or closed to geothermal leasing, nor does it have adequate stipulations or Best Management Practices to apply to geothermal leases to protect sensitive resources.



Decision to be Made

Based on the environmental analysis and supporting documents in the project record, the forest supervisor will decide whether the proposed action should be implemented as proposed, modified by another action alternative, or not implemented at all. This decision is subject to the pre-decision administrative review process (objection process).

How to Comment

The public is encouraged to send written comment letters to the Forest Service by mail, e-mail, fax, and/or hand-written on comment cards

Comments will be most helpful if they are solution-oriented, provide specific examples, included suggested changes, sources, or methodologies, and reference to a section or page number.

Comments containing only opinion or preferences, that are ambiguous (such as "is this right?"), or deal with existing law, rule, regulation, or policy will be considered and included as part of the decision-making process, although they will not receive a formal response from the Forest Service. Examples of some of these types of comments include:

- Alternative 1 is the best alternative
- The preferred alternative does not reflect balanced land management
- More land should be protected as wilderness

It is also important to note that while all comments are reviewed and considered, they are not counted as "votes." The NEPA public comment period is neither considered an election nor does it result in a representative sampling of the population.

Comments must be received within 45-days of the Notice of Availability publication. A person must provide specific written comments during a comment period in order to have standing to object to the draft decision later in the process

JULY 2016

Comments can be submitted tonight or sent to: Geothermal EIS Project, Santa Fe National Forest, 11 Forest Lane, Santa Fe, NM 87508. Comments may also be sent via email to comments-southwestern-santafe@fs.fed.us, or via facsimile to 505-438-5390.

Project Website

The draft EIS, along with other project-related documents is available online at:

<http://www.fs.usda.gov/projects/santafe/landmanagement/projects>

Geothermal Leasing Project

United States Department of Agriculture
Forest Service Southwest Region
Santa Fe National Forest



Alternatives Considered

Alternative 1, No Action: the SFNF would not make an availability determination for geothermal leasing. Geothermal leasing applications would be processed on a case by case basis under separate NEPA analysis. Lands already closed to leasing by law would remain closed.

Alternative 2, Proposed Action: lands would be identified as either closed to leasing, or open to geothermal leasing, subject to stipulations.

Alternative 3, No Leasing: the SFNF would amend the Forest Plan to implement discretionary closures to geothermal leasing on all lands in the project area not already closed to leasing.

Alternative 4, Development Alternative: lands would be identified as either closed to leasing, or open to geothermal leasing, subject to stipulations. There would be fewer areas closed to geothermal leasing, and the stipulations would be less restrictive, compared to Alternative 2.

Summary of Acres Open and Closed to Geothermal Leasing, by Alternative (Table 2-1 in DEIS) ^{1, 2, 3}

Allocation	Alternative		
	Alternative 2 Acres/percent of decision area	Alternative 3 Acres/percent of decision area	Alternative 4 Acres/percent of decision area
Closed to geothermal leasing	32,000 19	168,600 100	28,900 17
Open to geothermal leasing, subject to NSO stipulations	132,900 79	0 0	122,500 73
Open to geothermal leasing, subject to CSU stipulations	80,300 48	0 0	122,600 73
Open to geothermal leasing, subject to TLs	39,500 23	0 0	42,200 25
Open to geothermal leasing, subject to standard lease terms and conditions	1,400 1	0 0	3,800 2
Available for surface occupancy⁴	3,700 2 (largest parcel = 300 acres)	0 0	17,200 10 (largest parcel = 1,900 acres)

¹ NSO, CSU, and TLs do not overlap areas closed to leasing

² NSO, CSU, and TLs overlap each other, as exceptions, modifications, or waivers may be applied to some stipulations, and the lesser stipulation would still be applied

³ Acres identified as closed or open to geothermal leasing, subject to stipulations, are not provided for in Alternative 1, as the SFNF would not make an availability determination for geothermal leasing under this alternative.

⁴ Lands that are neither closed to leasing nor subject to NSO stipulations are considered available for surface occupancy

ATTACHMENT
OFFICER REPORTS
SUBMITTED AT THE MEETING

MANAGER'S REPORT

JULY 20, 2016

1. Electrical fire on N Mesa due to blown fuse dropping molten metal on the dry grass below. The fire was quickly extinguished by LAFD
2. New Employee Mark Lujan, Engineering Associate started work on July18. He replaces Andrew Alarid, who recently retired.
3. Installation of bridge on LA Canyon Dam on Wednesday, the 13th went off without a hitch.
4. Met with SNL on energy storage project, currently in information gathering stage. The project will give an evaluation of the economic value of the batteries in various applications.
5. Received an invitation from DOE to submit a proposal for SHINES grant. Partnering with NMSU, SNL, Idaho Nat. Lab., OATI and others.
6. Received a plaque from AWWA for 50 years of membership
7. Letter on water meter relocation is going out the week of August 8.
8. Setting up tour of the Cove Fort II Geothermal Project in Southwestern Utah in September.



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 5.B.
Index (Council Goals): BCC - N/A
Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply
Legislative File: AGR0425-16

Title

Approval of Services Agreement No. AGR16-042 with Open Access Technology International, Inc. (OATI) in the amount of \$679,320.00, plus Applicable Gross Receipts Tax, for the Purpose of Energy Trade Capture and Scheduling Software

Recommended Action

I move that the Board of Public Utilities approve Services Agreement No. AGR16-042 with Open Access Technology International, Inc. (OATI) in the amount of \$679,320.00 plus applicable gross receipts tax, for the purpose of Energy Trade Capture and Scheduling Software, and forward to Council with a recommendation for approval.

Staff Recommendation

Staff recommends that the Board approve as presented.

Body

The Department of Public Utilities: Electric Production (EP) Division has been using OATI power scheduling software, (Web-Trader), since 2009. OATI Web-Trader is an internet based product that helps monitor and track, the County and LANL combined load, generation assets and market purchases and sales on an hourly basis throughout the year. The County's Power Systems Operators also manage the loads and resources for Sandia Kirtland using the Web-Trader, power scheduling software.

Power trading software, as a service, is essential to Electric Production operations. This new contract will also help Los Alamos County and Los Alamos National Laboratory in compliance with the Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC) standards as they apply to our operation. The cost of this service was included in the current fiscal year budget and approved by the Utilities Board and County Council.

Alternatives

Prior to 2009, the Los Alamos Power Pool managed the loads and generation assets using a very sophisticated spread sheet to track and archive the daily power trading transactions. When the County started performing the merchant desk services for Sandia Kirtland it became very cumbersome and time consuming for the real time operators and for the back office accounting and month end billing. This service became essential to Power Operations. As these services are essential the only other option would be to re-issue a new "Request for Proposal" (RFP) and possibly award to a different vendor for similar services. This would require building a new business model and training our operators with a new software.

Fiscal and Staff Impact

The cost of this service was included in Electric Productions fiscal year budget. There is no impact to staff since they are fully trained in using the OATI, Web-Trader software.

Attachments

A - AGR16-042



INCORPORATED COUNTY OF LOS ALAMOS SERVICES AGREEMENT

This **AGREEMENT** ("Agreement") is entered into by and between the **Incorporated County of Los Alamos**, an incorporated county of the State of New Mexico ("County" or "Customer"), and **Open Access Technology International, Inc.**, a Minnesota corporation ("Contractor" or "OATI"), to be effective for all purposes August 31, 2016 ("Effective Date").

WHEREAS, the County Purchasing Agent determined in writing that the use of competitive sealed bidding was either not practical or not advantageous to County for procurement of the Services and County issued Request for Proposals No. 16-042 ("RFP") on January 31, 2016 requesting proposals for Energy Trade Capture and Scheduling Software, as described in the RFP; and

WHEREAS, Contractor timely responded to the RFP by submitting a response dated February 23, 2016 ("Contractor's Response"); and

WHEREAS, based on the evaluation factors set out in the RFP, Contractor was the successful offeror for the services listed in the RFP; and

WHEREAS, the Los Alamos County Board of Public Utilities approved this Agreement at a public meeting held on August 17, 2016; and

WHEREAS, the County Council approved this Agreement at a public meeting held on August 30, 2016; and

WHEREAS, Contractor shall provide the User access rights, Services, and Support ("Services") and furnish the Services as described below, to County.

NOW, THEREFORE, for and in consideration of the premises and the covenants contained herein, County and Contractor agree as follows:

SECTION A. SCOPE OF SERVICES:

- 1. Contractor Services.** Contractor shall supply an integrated scheduling software solution that will facilitate municipal/county electrical load forecasting, pre-scheduling, real time transactions, and "after the fact" reconciliation in accordance with the services in this Agreement, the Contractor's Technical Proposal (attached as **Exhibit A**) and the Contractor's Additional Information (attached as **Exhibit B**). The solution to be provided is a Software-as-a-Service ("SaaS") product that is a cloud based and hosted software program developed, owned, and operated by Contractor. Authorized users will access the solution via local pc based internet browsers and the internet through secure internet connections and protocols as provided in the two (2) included technical exhibits. All data transmission, storage, and use will be protected pursuant to industry recognized standards and as provided in the Contractor's response to the RFP.
- 2. webTrader Solution®.** Contractor shall furnish to the County access to the webTrader Power Solution® ("Software") via purchased User IDs. The accessible solution will include, as provided in OATI's proposal document titled Volume II-Commercial Proposal ("Price

Schedule”) attached hereto as **Exhibit C**, and which includes the modules and functionality of the webTrader Power Solution® features/modules: 1) the webTrader Report Generator feature/module, 2) the webCALC feature/module, and the 3) webTag feature/module (a.k.a. “Tagging” solution). OATI will provide access by the authorized users to the Software from the OATI Data Center located in Minneapolis, Minnesota, USA.

3. **webTrader User IDs and Use.** Contractor shall provide fifteen (15) User IDs for the provided Software. Granted and authorized User IDs and user access shall be provided pursuant to Contractor’s technical specifications found in **Exhibit A**. On payment of the required fee(s), as provided in Section C below, OATI grants County a nonexclusive right to use the Software. Legal title to the Software is vested in OATI. There is no transfer of title to the OATI Software from OATI to County by virtue of this Agreement. Title and ownership to County data entered into, residing in, and/or output from OATI Software is and shall remain vested in County. County intends to use the subscribed webTrader according to generally accepted utility practice, present and future, and in accordance with past practice by the County for prior Contractor software.
4. **Fees.** In exchange for the access and use of the Software, County will pay to Contractor a monthly access fee (“Monthly Recurring Fee”) as provided in **Exhibit C**, with invoicing to occur monthly. Failure of the County to pay the Monthly Recurring Fees as found in **Exhibit C** permits the Contractor to restrict, suspend, or terminate the Software user access. Contractor, prior to restricting, suspending, or terminating the access, will provide to County a fourteen (14) day notice to remind all delinquent and authorized fees. Resolution of a dispute on any payment or fee due shall be handled pursuant to the terms in this Agreement.
5. **Contractor On-site Services.** Contractor will provide up to two (2) days on-site professional consulting assistance to County. Staffing and professional fees and costs for the two (2) days on-site consulting service are included in the overall monthly costs. Travel, lodging, and miscellaneous fees related to the on-site events will be directly and separately billed and will include a ten percent (10%) overhead fee for Contractor travel services. The on-site consulting will be scheduled to occur only on a date and time via a written request of the County. For separate on-site dates requested by County, County shall pay to OATI the hourly rate specified in Exhibit C and travel plus overhead costs for each training/consulting event.
6. **OATI SSAE 16 Type II Audit Report.** Contractor will provide to the responsible County Project Manager one print and one electronic copy of all OATI completed annual North American Electric Reliability Corporation (“NERC”) Critical Infrastructure Protection (“CIP”) Standards for Attestation Engagements No. 16 (“SSAE 16”) Type II (or similar) audit reports. The report costs are included in the overall monthly/yearly service fees.
7. **NERC CIP Protection Assistance.** Contractor will provide NERC CIP related compliance assistance that is included in the overall monthly/yearly service fees.

SECTION B. TERM: This Agreement shall be effective upon execution of this Agreement, and the term of webTrader Service shall begin upon the earlier of: a) resolution of critical variances identified during webTrader acceptance testing, or b) production operation which is the date on which County has access to webTrader in the OATI production environment following County authorization to move webTrader to the production environment. The initial term of webTrader Solution® services shall be twenty-four (24) months (“Initial Term”), provided however, that each twelve (12) month period of the Initial Term shall be contingent upon Council appropriating necessary funding. The term may be extended for two (2) additional periods of twenty-four (24) months, and one (1) period of twelve (12) months, under the same terms and conditions, contingent upon Council appropriating funding, with notice of extension provided to Contractor no later than ninety (90) days prior to the end of the then-current term.

SECTION C. COMPENSATION:

1. **Amount of Compensation.** County shall pay compensation for performance of the Services in an amount not to exceed SIX HUNDRED SEVENTY-NINE THOUSAND THREE HUNDRED TWENTY DOLLARS (\$679,320.00), which amount does not include applicable New Mexico Gross Receipts Taxes ("NMGRT"). Compensation shall be paid in accordance with the rate schedule set out in **Exhibit C** attached hereto and made a part hereof for all purposes.
2. **Monthly Invoices.** Contractor shall submit itemized monthly invoices to County's Project Manager showing amount of compensation due, amount of any NMGRT, and total amount payable. Payment of undisputed amounts shall be due and payable thirty (30) days after County's receipt of the invoice. All disputes related to performance and payment shall be governed by the County's Procurement Code, Chapter 31.

SECTION D. TAXES: Contractor shall be solely responsible for timely and correctly billing, collecting and remitting all applicable NMGRT levied on the amounts payable under this Agreement, which amounts shall be added to the Monthly Recurring Fees, invoiced to County as specified in Section C above.

SECTION E. STATUS OF CONTRACTOR, STAFF AND PERSONNEL:

1. **Independent Contractors.** This Agreement calls for the performance of services by Contractor as an independent contractor. Contractor is not an agent or employee of County and will not be considered an employee of County for any purpose. Contractor, its agents or employees shall make no representation that they are County employees, nor shall they create the appearance of being employees by using a job or position title on a name plate, business cards, or in any other manner, bearing the County's name or logo. Neither Contractor nor any employee of Contractor shall be entitled to any benefits or compensation other than the compensation specified herein. Contractor shall have no authority to bind County to any agreement, contract, duty or obligation. Contractor shall make no representations that are intended to, or create the appearance of, binding County to any agreement, contract, duty, or obligation. Contractor shall have full power to continue any outside employment or business, to employ and discharge its employees or associates as it deems appropriate without interference from County; provided, however, that Contractor shall at all times during the term of this Agreement maintain the ability to perform the obligations in a professional, timely and reliable manner.
2. **Users.** A User shall be limited to a human being using a workstation and a browser to connect to and interact with OATI webTrader Service for its designed and intended purposes. Programmatic access or retrieval of information or data is strictly prohibited unless specifically authorized in writing by OATI or provided by an OATI service. As between County and OATI only, County is responsible for all acts or omissions of its employees, agents and subcontractors regarding the use of webTrader in a manner contrary to the terms and conditions of this Agreement. This provision shall not be deemed or construed to waive any sovereign immunity granted County pursuant the NMSA Sect 41-4-1, et seq.

SECTION F. STANDARD OF PERFORMANCE. Contractor agrees and represents that it has and will maintain the personnel, experience and knowledge necessary to qualify it for the particular duties to be performed under this Agreement. Contractor shall perform the Services described herein in accordance with a standard that exceeds the industry standard of care for performance of the Services.

SECTION G. DELIVERABLES AND USE OF DOCUMENTS. Deliverables under this Agreement are limited in all cases to data entered into or residing in webTrader. OATI claims no right, title or interest in or to any data entered into or residing in webTrader.

SECTION H. EMPLOYEES AND SUB-CONTRACTORS. Contractor shall be solely responsible for payment of wages, salary or benefits to any and all employees or contractors retained by Contractor in the performance of the Services. Contractor agrees to indemnify, defend and hold harmless County for any and all claims that may arise from Contractor's relationship to its employees and subcontractors.

SECTION I. INSURANCE. With regard to Contractor personnel providing services on County site, Contractor shall obtain and maintain insurance of the types and in the amounts set out below throughout the term of this Agreement with an insurer acceptable to County. Contractor shall assure that all subcontractors maintain like insurance. Compliance with the terms and conditions of this Section is a condition precedent to County's obligation to pay compensation for the Services and Contractor shall not provide any Services under this Agreement unless and until Contractor has met the requirements of this Section. County requires Certificates of Insurance or other evidence acceptable to County that Contractor has met its obligation to obtain and maintain insurance and to assure that subcontractors maintain like insurance. Should any of the policies described below be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions. General Liability Insurance and Automobile Liability Insurance shall name County as an additional insured.

1. **General Liability Insurance:** ONE MILLION DOLLARS (\$1,000,000.00) combined single limit per occurrence; TWO MILLION DOLLARS (\$2,000,000.00) aggregate.
2. **Workers' Compensation:** In an amount as may be required by law. County may immediately terminate this Agreement if Contractor fails to comply with the Worker's Compensation Act and applicable rules when required to do so.
3. **Automobile Liability Insurance for Contractor and its Employees:** ONE MILLION DOLLARS (\$1,000,000.00) combined single limit per occurrence; TWO MILLION DOLLARS (\$2,000,000.00) aggregate on any owned, and/or non-owned motor vehicles used in performing Services under this Agreement.
4. **Professional Liability Insurance:** ONE MILLION DOLLARS (\$1,000,000) per occurrence and aggregate. Professional Liability Insurance shall provide coverage for Services provided hereunder during the term of this Agreement and for a period of at least five (5) years thereafter.

SECTION J. RECORDS: Pursuant to **Exhibit A**, paragraph 1.2.20, OATI will maintain, and make available to County, a copy of all data online throughout the term of this Agreement, up to a maximum period of six (6) years. Contractor shall maintain, throughout the term of this Agreement and for a period of five (5) years thereafter, records that indicate the date, time, and nature of the services rendered. Contractor shall make available for inspection by County all such records, books of account, memoranda, and other documents pertaining to County at any reasonable time upon request.

SECTION K. NON-DISCRIMINATION: During the term of this Agreement, Contractor shall not discriminate against any employee or applicant for an employment position to be used in the performance of the obligations of Contractor under this Agreement, with regard to race, color, religion, sex, age, ethnicity, national origin, sexual orientation or gender identity, disability or veteran status.

SECTION L. INDEMNITY AND WARRANTY:

1. Contractor shall indemnify, hold harmless and defend County, its Council members, employees, agents and representatives, from and against all liabilities, damages, claims, demands, actions (legal or equitable), and costs and expenses, including without limitation attorneys' fees, of any kind or nature, arising from Contractor's performance hereunder or breach hereof or the performance of Contractor's employees, agents, representatives and subcontractors.
2. **Warranty. Limitation of Liability.** OATI warrants to County that it has the right to provide the Software and grant the rights contained in this Agreement. Further, OATI warrants that the solution will operate as described in **Exhibits A and B**.
3. **EXCEPT AS PROVIDED IN THIS AGREEMENT, OATI MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**
4. Neither Party shall be liable to the other for any special, punitive, or consequential damages arising out of the use, non-use or inability to use the Software, even if advised of the possibilities of such damages. County agrees that the Software is not consumer goods for purposes of international, U.S. Federal or U.S. State warranty laws. Direct damages to County arising out of a material breach of this Agreement shall be limited in the cumulative aggregate to FIFTY THOUSAND DOLLARS (\$50,000.00) or insurance amounts in Section I above, whichever is greater. County agrees that the Software is not consumer goods for purposes of international, U.S. Federal or U.S. State warranty laws.

SECTION M. FORCE MAJEURE: Neither County nor Contractor shall be liable for any delay in the performance of this Agreement, nor for any other breach, nor for any loss or damage arising from uncontrollable forces such as fire, theft, storm, war, or any other force majeure that could not have been reasonably avoided by exercise of due diligence.

SECTION N. ASSIGNMENT: Neither Party's rights and obligations hereunder shall be assignable without prior written consent of the other Party, provided, however, that either Party has the right to assign this Agreement in whole or in part to an entity acquiring all or substantially all of the business assets of the Party and which entity agrees to be bound by the provisions hereof, upon and no less than thirty (30) day notice to the other Party.

SECTION O. LICENSES: Contractor shall maintain all required licenses, including without limitation all necessary professional and business licenses, throughout the term of this Agreement. Contractor shall require and shall assure that all of Contractor's employees and subcontractors maintain all required licenses, including without limitation all necessary professional and business licenses.

SECTION P. PROHIBITED INTERESTS. Contractor agrees that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of its services hereunder provided however, that it is not the intention of County that this Section P will impair Contractor's ability to provide solutions to other Market Entities that may interact and compete with Los Alamos during the normal course of marketing activities. Contractor further agrees that it will not employ any person having such an interest to perform services under this Agreement. No County Council member or other elected official in County, or manager or employee of County shall solicit, demand, accept, or agree to accept a gratuity or offer of employment contrary to Section 20-282 of the Los Alamos County Code.

SECTION Q. TERMINATION.

1. **Generally.** County may terminate this Agreement with or without cause upon ninety (90) days prior written notice to Contractor. Upon such termination, Contractor shall be paid for Services

actually completed to the satisfaction of County at the rate set out in Section C. Contractor shall render a final report of the Services performed to the date of termination and shall turn over to County originals of all materials prepared pursuant to this Agreement.

2. **Default.** Either Party has the right, without prejudice to any other available rights or remedies, to terminate this Agreement and any user right granted, on written notice to the other Party if such other Party (a) materially fails to perform any of its obligations under this Agreement or Attachment, which failure has not been corrected within a reasonable time after receipt of written notice thereof, or (b) takes action to liquidate and dissolve, becomes insolvent, suffers the appointment of a receiver, assigns all or part of its assets for the benefit of creditors, or is involved in any proceeding (voluntary or involuntary) under any bankruptcy or insolvency laws. In the event of termination by County under this section, OATI shall refund to County a prorated portion of the Monthly Recurring Fee and release County from any obligations that become due after the date of termination.
3. **Funding.** This Agreement shall terminate on the first day of any County fiscal year for which funds to pay compensation hereunder are not appropriated by the County Council. County shall make reasonable efforts to give Contractor at least ninety (90) days advance notice that funds have not been and are not expected to be appropriated for that purpose.

SECTION R. NOTICES. Any notices required under this Agreement shall be made in writing, postage prepaid to the following addresses, and shall be deemed given upon hand delivery, verified delivery by telecopy (followed by copy sent by United States Mail), or three (3) days after deposit in the United States Mail:

County:

Project Manager, Power System Supervisor
Incorporated County of Los Alamos
1000 Central Avenue, Suite 135
Los Alamos, New Mexico 87544

Contractor:

Open Access Technology Int'l. Inc.
Attn: Contracts Administration
3660 Technology Drive, NE
Minneapolis, Minnesota 55418

SECTION S. ENTIRE AGREEMENT AND INVALIDITY OF PRIOR AGREEMENTS. This Agreement, with mutually executed attachments, supersedes any prior agreements and contains the entire agreement of the Parties and all representations with respect to the subject matter hereto. Any prior correspondence, memoranda, or agreements, except those specifically attached hereto and incorporated herein, are replaced in total by this Agreement and the attachments hereto. The schedules and attachments to this Agreement form an integral part of this Agreement and contain obligations and remedies which are part of this Agreement. The attachments are as follows:

- | | |
|---------------------------|-----------|
| 1. Technical Proposal | Exhibit A |
| 2. Additional Information | Exhibit B |
| 3. Pricing Schedule | Exhibit C |

SECTION T. MISCELLANEOUS PROVISIONS:

1. **Intellectual Property Indemnification.** All royalties or other charges for any patents, trade secrets, trademarks copyrights or other proprietary rights associated with the use of the OATI Software shall be considered as included in the Monthly Recurring Fee. OATI represents warrants that the Software including, without limitation, each component, module and any unit or part thereof, and County's use thereof as permitted under this Agreement, shall not infringe upon or violate any United States patent or copyright of any third party. In the event of a third party claim against County asserting such a claim involving the webTrader, OATI shall defend or settle the claim, at its expense, and shall indemnify County against any loss, cost, expense,

or judgment resulting from or arising out of the claim, for the full amount of the claim whether or not the claim is successful, provided that County notifies OATI in writing within a reasonable time after County first receives written notice of the claim and gives OATI necessary authority, available information, and reasonable assistance for the defense or settlement of the claim. County may be represented by and actively participate through its own counsel in any such suit or proceeding if it so desires, and the cost of such representation including, but not limited to attorney fees and expenses, shall be paid by County.

In the event said Software or any part thereof is in such suit held to constitute an infringement and the use of said Software or part is enjoined and/or shall require the payment of any royalty, license, or other payment to any third party, OATI shall, at its expense and without diminishing its obligations hereunder, either (a) procure for County the right to continue using said webTrader or parts at no cost or charge to County, (b) replace same with a non-infringing webTrader which is equivalent in function, or (c) modify it so that it becomes non-infringing yet equivalent in function.

2. **Survival.** The provisions of this Agreement which by their sense and context are intended to survive the performance thereof by either or both Parties, or where the County has an equitable interest in the survival of any provision due to the payment of money to OATI, such provisions shall survive the completion of performance and/or termination of this Agreement.
3. **Changes.** Any changes to this Agreement, including any changes required because of substantive changes in functional requirements or specifications (Changes in Scope) will be made pursuant to written change documents executed by both OATI and County prior to either party beginning or undertaking any effort.
4. **Amendments.** Any amendments or Change Orders to this Agreement negotiated between the Parties shall be in writing and signed by County and OATI.
5. **Captions.** Captions are for convenience only and shall not be deemed part of the contents of this Agreement.
6. **Parties in Interest.** This Agreement shall be binding upon and inure solely to the benefit of the Parties hereto and their permitted assigns, and nothing in this Agreement, expressed or implied, is intended to confer upon any other person any rights or remedies of any nature under or by reason of this Agreement.
7. **Waiver.** The waiver of any of the rights or remedies arising pursuant to this Agreement on any occasion by any Party shall not constitute a waiver of any rights or remedies in respect to any subsequent breach or default of the terms of this Agreement.
8. **Nondisclosure Agreement.** The incorporated County of Los Alamos is a governmental entity subject to certain disclosure laws including, but not limited to, the New Mexico Inspection of Public Records Act (1978) NMSA §§14-2-1, et seq. Nothing in this Agreement is intended to diminish or expand the application of any applicable disclosure laws to any proprietary or confidential information.
 - a. During the Term of this Agreement, the Parties ("Disclosing Party" and "Recipient", as applicable) anticipate that they will disclose certain proprietary or confidential business information and trade secrets and County's data received by OATI or OATI has stored on the OATI system ("Confidential Information") to one another.
 - b. OATI agrees to maintain the confidentiality of the identity of County's data with that degree of care exercised by OATI with respect to the security and protection of its Confidential Information and using no less than a reasonable degree of care. With regard to County's other Confidential Information and with regard to OATI's Confidential Information, the Recipient agrees to hold and use the Confidential Information in confidence. This Confidential Information shall be made available for use by the Recipient for the sole purpose of providing the Software to County under this Agreement, or in County's case

for the purpose of using the Software for their intended purposes. Recipient shall use the Confidential Information for the foregoing purposes only and shall make no other use of the Confidential Information without the express prior written consent of the Disclosing Party. Further, the Recipient shall take reasonable precautions to limit the disclosure of the Confidential Information to those of its employees only on a need to know basis consistent with the purpose for which the Confidential Information is made available to the Recipient, and except as provided otherwise in this Agreement. The degree of care exercised by the Recipient with respect to the security and protection of the Confidential Information shall not be less than the degree of care exercised by Recipient with respect to its proprietary and confidential information, and no less than a reasonable degree of care.

- c. Recipient shall protect and ensure its participating subcontractors, agents, or associates will protect all Confidential Information by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized use, dissemination, or publication of the Confidential Information as Recipient uses to protect its own information of a like nature. If any person or entity requests or demands, by subpoena or otherwise, all or any portion of the confidential information provided by one party to another, the party receiving such request shall immediately notify the Discloser of such request or demand. The party receiving the request or demand shall independently determine whether the information sought is subject to disclosure under applicable law including the New Mexico Inspection of Public Records Act. If the party receiving the request or demand determines that the information is subject to disclosure, it shall notify the Discloser of its intent to permit the disclosure with sufficient time to permit the Discloser to invoke the jurisdiction of an appropriate court or administrative body to raise any legitimate objections or defenses it may have to the disclosure. In the absence of an appropriate order prohibiting the disclosure, the party receiving the request or demand shall permit and proceed with the disclosure without incurring any duty, obligation, or liability to the Discloser.
- d. The Disclosing Party retains all right, title and interest in and to the Confidential Information, and except as otherwise expressly provided herein, no license or other right is hereby transferred or granted to the Recipient, including any license by implication, estoppel or otherwise, under any patent, trade secret, trademark or copyright now held by, or which may be obtained by, or which is or may be licensable by the Disclosing Party. The Recipient is prohibited from selling, leasing, licensing, or otherwise in any manner directly or indirectly, assigning, transferring or disposing of any portion of the Confidential Information.
- e. Nothing in this Agreement shall limit the Recipient's use of disclosure of information which: (1) is generally known or available on an unrestricted basis to the public; (2) is already in the Recipient's possession in writing without restriction as to its use or disclosure prior to its receipt from the Disclosing Party; (3) is acquired by the Recipient on an unrestricted basis from any third party, provided that the Recipient does not know or have any reason to know, or is not informed subsequent to disclosure by such third party and prior to disclosure by the Recipient, that such information was acquired under an obligation of confidentiality; or (4) is independently developed by the Recipient without reference to the Confidential Information or other information that the Disclosing Party has disclosed in confidence to any third party.
- f. The Recipient recognizes that unauthorized use or disclosure of the Confidential Information may give rise to irreparable injury to the Disclosing Party, inadequately compensable in damages, and that the Disclosing Party may seek injunctive relief against the breach or threatened breach of the Recipient's obligations under this Agreement, in addition to any other legal remedies which may be available to the Disclosing Party, at law or in equity.

9. Choice of Law. Except as otherwise specifically provided herein, this Agreement shall be governed and construed and enforced in accordance with the laws of the State of Minnesota without regard to its choice of law provisions.

10. Parties in Interest. This Agreement shall be binding upon and endure solely to the benefit of the Parties hereto and their permitted assigns, and nothing in this Agreement, expressed or implied, is intended to confer upon any other person any rights or remedies of any nature under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date(s) set forth opposite the signatures of their authorized representatives to be effective for all purposes on the date first written above.

ATTEST

INCORPORATED COUNTY OF LOS ALAMOS

SHARON STOVER
COUNTY CLERK

BY: _____
TIMOTHY A. GLASCO, P.E. **DATE**
UTILITIES MANAGER

Approved as to form:

KATHRYN S. THWAITS
ACTING COUNTY ATTORNEY

OPEN ACCESS TECHNOLOGY
INTERNATIONAL, INC. (OATI), A MINNESOTA
CORPORATION

BY: _____
SASAN MOKHTARI, PH.D. **DATE**
PRESIDENT AND CEO



RESPONSE TO REQUEST FOR PROPOSAL
ENERGY TRADE CAPTURE AND SCHEUDLING
SOFTWARE #16042
VOLUME I - TECHNICAL PROPOSAL

EXHIBIT "A"
AGR16-042

LOS ALAMOS COUNTY

FEBRUARY 23, 2016

PROPRIETARY AND CONFIDENTIAL



TRADE SECRET

This document and attachments contain confidential and proprietary information of Open Access Technology International, Inc. This information is not to be used, disseminated, distributed, or otherwise transferred without the expressed written permission of Open Access Technology International, Inc.

PROPRIETARY NOTICE

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Executive Summary

Open Access Technology International, Inc. (OATI) is pleased to provide the following Response to Los Alamos County (LAC) Request for Proposal #16042 Energy Trade Capture and Scheduling Software. OATI is proud to be the current provider of LAC's extremely successful webTrader Power solution and is excited to be able to renew the webTrader Agreement so that LAC can continue to utilize webTrader as LAC's Energy Trade Capture and Scheduling Software.

The LAC team has spent countless hours over the past six years working together to ensure the current OATI webTrader solution fully meets LAC trade capture, energy scheduling, transmission management, forecasting, and reporting requirements. The industry experts at LAC have utilized the OATI webTrader solution to create more than 90 LAC specialized calculation worksheets and 35 specialized reports that help them more easily analyze, manage, and report on the complex LAC electric system requirements.

OATI understands that the LAC team is tasked to manage a very complex electric system with many challenging contracts and difficult reporting requirements. The flexibility and configurability of the OATI webTrader solution allows users to have everything they need in one solution to meet those goals and requirements. Users can easily search for, purchase and schedule the transmission required to bring energy into LAC or sell excess resources into the market and then quickly create, manage and tag the energy schedules as needed. The webTrader solution also facilitates LAC's analysis and reporting requirements by allowing users to quickly create new analytical worksheets and reports to keep regulators and management informed. After trading and scheduling are complete, the LAC webTrader solution helps users accurately check-out and verify transactions and schedules with counterparties directly from the solution.

As part of LAC's hosted webTrader solution, OATI's award winning Tier IV rated and NERC CIP compliant Data Centers are utilized to keep the solution and LAC proprietary data available to authorized LAC users while maintaining the security of the system.

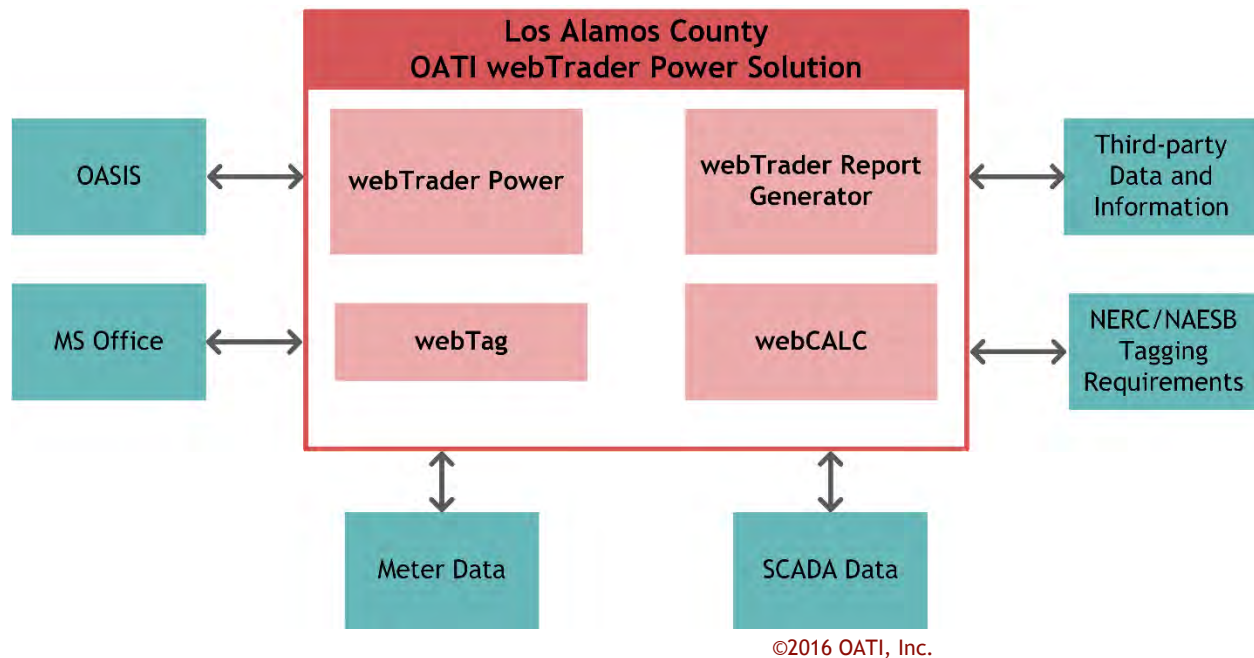


Figure 1: Los Alamos County OATI webTrader Solution

As the electric industry changes and LAC requirements change, OATI is committed to working with LAC to continue to ensure that the LAC OATI webTrader solution provides LAC the up to date, industry leading, state of the art solution that the LAC users have come to expect from OATI.

OATI recognizes Los Alamos as an important webTrader customer and is proud to team up with the Professionals at Los Alamos to provide the software needed to help ensure Los Alamos maximizes their assets and reduce costs whenever possible. As part of that recognition, OATI is pleased to offer as part of this RFP 10% off of the price of all purchases of new products and services and/or enhancements to the current webTrader Solution made during the term or any extended term of the agreement signed when Los Alamos chooses to continue with the OATI webTrader Solution. In addition to this discount, OATI will provide and waive the cost of two days of OATI Consulting Services to be used by Los Alamos, OATI Consulting Services can be used for training or to provide enhancements to the current solution.

1. Features

1.1 Overall Features

1. Secure access individual login information for each user;

OATI Response: The OATI webTrader solution provides secure access for each user by allowing the system to be set up to require an OATI webCARES Digital Certificate, user name, and password to access the system.

2. Multiple concurrent logins;

OATI Response: The OATI webTrader solution allows multiple concurrent logins.

3. Access to data assigned by administrator for each login;

OATI Response: In the webTrader Solution, each user is given access by the LAC System Administrator to the specific information they need. Users can be assigned different levels of access (read, write, or execute) for each page of the system.

4. Test system available;

OATI Response: The webTrader solution includes a Development Environment that is used for testing. Additionally a third, dedicated training and testing environment can optionally be made available if required by LAC.

5. Configurable sign conventions;

OATI Response: OATI webTrader allows the LAC System Administrator to configure sign conventions.

6. Ability to interface with other programs (MS Office etc.) as needed;

OATI Response: The OATI solution easily interfaces with other programs such as Microsoft Office.

7. Software solution should require verification of data for deal/schedule/tag before creation;

OATI Response: The system is configured to require verification of data entry before creating or changing a deal, schedule, or tag in the system.

8. All functions need to be applicable to each sink;

OATI Response: The OATI solution is set up to allow all functions to be applicable to each sink.

9. Support for all regulatory compliance; and

OATI Response: The OATI solution supports all regulatory compliance requirements. OATI is committed to maintain and update the requirements as they change.

10. Ability to tie tagging information to deal, schedules and transmission usage directly in the system.

OATI Response: The OATI webTrader solution seamlessly ties tagging information to deals, schedules, and transmission usage directly in webTrader. The system is easily configured to update the deal, schedule, and transmission usage if the tag changes throughout the life of the tag.

1.2 Scheduling System Features

1. Track hourly schedules by resource and disposition;

OATI Response: OATI webTrader allows users to track schedules by resource and disposition.

2. Hourly Real Time position calculation/visualization;

OATI Response: The OATI solution has multiple position pages that automatically calculate positions. Users can utilize one of these pages to accurately track and visualize Real-Time positions.

3. Calculate Hourly and Daily Net Schedules;

OATI Response: OATI webTrader calculates hourly and daily net positions and displays these schedules so that users can quickly and easily manage their positions.

4. Calculate necessary Reserve Requirements;

OATI Response: The OATI solution calculates the necessary Reserve Requirements and displays them in a manner that is easy to read and allows them to quickly make any changes that are required.

5. Retrieve actual data from Energy Management (EMS) System;

OATI Response: OATI webTrader is easily integrated to receive Energy Management System information. Base APIs utilizing web services, and import of data via FTP file transfer are supported.

6. Calculate schedule data and update to EMS;

OATI Response: OATI webTrader calculates scheduled data and is easily integrated to Energy Management Systems to send any updated information to the EMS.

7. Calculate disposition by resource and display deviation versus actuals;

OATI Response: The webTrader solution contains summary pages that calculate the disposition of schedules by resource and can show the deviation versus the actual energy flow.

8. Track available generation and curtailments on jointly owned resources and local generation;

OATI Response: The OATI solution allows users to track actual generation and generation curtailments on all resources including local generation and jointly owned resources.

9. Calculate inadvertent discrepancies between ANI and Schedule based on monthly rotation of meter source, including discrepancies outside of allowance;

OATI Response: The OATI solution can receive meter data and calculate inadvertent. The system can be configured to show the user when the discrepancy is outside of the allowed amount.

10. Import pricing information from third party source for purchases and sales;

OATI Response: OATI products allow the import of pricing information from third-party sources. These imported sources create internal webTrader “index” pricing that can be utilized with any transaction or schedule that utilizes this information to accurately track pricing in the solution.

11. Track Transmission availability for long term contracts hourly;

OATI Response: webTrader tracks transmission availability by monitoring the OASIS and tracking when transmission is used for a schedule by utilizing the information in the OATI tagging system. Once transmission is used and tagged to a schedule, the system tracks the usage and displays the information (both transmission usage and any available transmission remaining on the reservation) to the user. If a transmission provider makes a change in the OASIS, the webTrader solution brings in the information that has changed to update the webTrader system. The system automatically maintains the most up to date transmission availability on all transmission purchased by Los Alamos.

12. Calculate Network transmission vs. long term transmission contracts hourly;

OATI Response: As OATI's webTrader application is fully integrated with OATI's Open Access Same-time Information System (OASIS). OASIS reservation information automatically flows into webTrader to create Transmission deals, allowing these objects to be available to applications such as webCALC. Within the webCALC application and based on the selection made, a variety of calculations can then be created utilizing reservation capacity and scheduled reservation capacity to perform analysis of Network Transmission and reservation requirements.

13. Electronic preschedule, and Real time operator logs;

OATI Response: The system allows users to keep and maintain log information in the system. Preschedule personnel and Real-Time personnel can keep separate notes and logs in the LAC webTrader solution.

14. Track tag curtailments, resupply, and bookout transactions (linked);

OATI Response: All curtailments are tracked in the webTrader solution. Once a schedule changes (curtailment, resupply, bookout, etc.) the system maintains a record of these changes to ensure a complete record is maintained for each transaction. Users are notified of changes using a variety of alarms (configurable alarm settings for each user) and then each change is easily viewable so users can quickly react as needed. Once the changes have been made, the webTrader Audit trail keeps a record of all of the information surrounding each change so that the data can be used after the fact during the checkout process if there are any discrepancies surrounding the changes.

15. Multiple time zone and Daylight Saving Time functionality;

OATI Response: OATI webTrader easily maintains multiple time zones and seamlessly manages Daylight Savings Time.

16. Multiple contracts per counterparty availability;

OATI Response: Each counterparty can be assigned multiple contracts in the OATI solution.

17. Enter long term contracts with variable factors;

OATI Response: The system allows long-term contracts with variable factors to be entered and tracked in the solution.

18. Changes to any variables on long term contracts with audit trail for changes;

OATI Response: The OATI webTrader solution has an extensive Audit Trail that tracks changes made to data entered into the system. This allows users to track changes to contracts, schedules, deals, etc. Changes made to contracts, deals, schedules, etc. is tracked in the OATI Audit trail.

19. Audit Trail for any changes;

OATI Response: The OATI webTrader solution has an extensive Audit Trail that tracks changes made to data entered into the system. This allows users to track changes to contracts, schedules, deals, etc. Changes made to contracts, deals, schedules, etc. is tracked in the OATI Audit trail.

20. Minimum 12 months data available online or in online accessible archives;

OATI Response: OATI maintains data online for a minimum of six years.

21. Schedule and Tag Template support; and

OATI Response: The webTrader solution is the industry leader in scheduling and tagging and supports user created templates. Users can easily create a template for any schedule or tag available and then access these templates as needed including sharing these templates with co-workers who may have the same template needs. This template database allows users to easily and quickly create schedules and tags by simply choosing the appropriate template and filling in only the information that has changed.

22. Support sales from each sink to the other as an allocation from an existing deal from the selling sink and a new deal for the receiving sink as a purchase.

OATI Response: OATI webTrader allows users to enter a sale and a purchase and then tie the two together to ensure they are linked in the system. Each of these schedules can be allocated to a new or existing deal in the solution.

1.3 Tagging System Features

1. Tagging System integrated to Schedule system and NERC specified Tagging warehouse.

OATI Response: OATI is the Industry leader in Tagging. webTrader is seamlessly integrated with the Tagging System and meets all North American Electric Reliability Corporation (NERC) and North American Energy Standards Board (NAESB) requirements.

2. Integrate changes between tags and schedules.

OATI Response: OATI webTrader tracks and maintains changes between tags and schedules automatically and notifies the user when a change occurs. This ensures that all changes to tags or schedules are linked in the system and helps eliminate errors due to unexpected changes to these transactions.

3. Create and modify new tags from existing tags or templates.

OATI Response: The webTrader solution allows users to create, modify, and track tags directly in the solution. Users can create new tags or easily use templates that are set up in the system.

4. Availability of Immediate, or Delayed tag creation.

OATI Response: The OATI solution allows users to create active or immediate tags or delayed tags as needed.

1.4 OASIS System Features

1. Ability to access OASIS system to reserve transmission, assess available reservations, verify status of reservations directly from the energy trade capture and scheduling software.

OATI Response: The OATI solution allows users to reserve and purchase transmission, access available reservations, verify the status of current reservations, and be notified of any changes made to the reservations directly in the webTrader solution. The solution is completely integrated with all North American OASIS systems.

1.5 Forecast

1. Compare last year hourly Weekday/Weekend schedules to this year available resources.

OATI Response: The OATI solution allows users to set up summary pages, using the webCALC module, that allow users to compare data (i.e., last year's actual schedules and this year's available resources and forecasted schedules) in the system to facilitate accurate forecasts. Users easily set up the data sources and then configure the calculations as needed to provide the best forecast.

2. Adjust forecast for system wide changes based on current year variables.

OATI Response: The webCALC module included in the current LAC OATI webTrader solution allows users to ensure the required variables are considered in the calculations being

utilized in the forecast. These variables can be adjusted by the user as they change or as changes are required to ensure accurate forecasts.

1.6 Preschedule

1. Set up hourly schedule for each resource and sink.

OATI Response: The webTrader solution allows users to set up hourly schedules for each resource and sink. These schedules can then easily be monitored using one of the summary pages available in the solution. These summary pages allow the user to sort the data and display as needed for each resource and sink set up in the system.

2. Compare Load Forecast to Net schedule by hour to calculate hourly energy surplus (deficit).

OATI Response: OATI webTrader has summary screens that allow users to see the calculations (loads versus resources) required to allow the user to easily track and monitor energy surpluses or deficits for each hour. In addition, LAC users can utilize webCALC to create customized calculations and save these calculations to run real time as needed or as a report as required.

1.7 Real Time

1. Representation of Real time position.

OATI Response: The webTrader solution has multiple displays where the user can monitor and track the Real Time position. These displays allow the user to track the 24 hour daily period and a real time rolling 24 hour period (shows the users a rolling 24 hour period that allows them to easily schedule across the midnight date change).

2. Insert time of checkout, names of Los Alamos County and counterparty contacts involved for midnight checkouts.

OATI Response: The OATI solution allows users to track when a schedule or deal has been checked out with a counterparty. The time and user involved in the checkout are tracked in the OATI Audit Trail or users can enter the time and counterparty name when checking out the information. If the information is entered by the user, the information is attached to the schedule or deal in webTrader for future reference.

1.8 After the Fact

1. Ease of creating ad hoc or customized reports for monthly check outs with all counterparties.

OATI Response: The OATI webTrader solution has extensive check out capabilities that include a large number of reports that can be utilized during checkouts with counterparties. In addition to these readymade reports, LAC users can easily utilize the OATI Report Generator to create customer reports using the information that is in the solution and further facilitate accurate checkouts using the information in the solution.

2. Ability to drill down to detail information from report.

OATI Response: OATI allows users to drill down in reports by providing hyperlinks in the report. When a user clicks on the provided hyperlink, they are taken to the details associated with the information provided in the report.

3. Enter contract pricing from Dow Jones Indices based on several contracts.

OATI Response: The OATI solution allows users to enter pricing from any third-party service. This pricing is then considered an internal webTrader Index in the solution and can be assigned to and used by any contract in the system. Index prices can be imported through a base API or via manual entry (e.g., copy and paste) in a GUI display.

4. Software must provide checkout data by company/companies or all companies, by date range, delivery point, sink, and at a detail or summary level.

OATI Response: webTrader has extensive check out capabilities, Users can view checkout data by company or by all companies, by date range, delivery point, sink. This data is available to the user as a summary of information or can be viewed in detail in the granularity it was originally entered in webTrader.

5. Close deal modification after verification at end of period.

OATI Response: The webTrader solution allows information to be locked after it has been verified to ensure accuracy. Once locked, information can be unlocked by users given a Supervisory role if changes are required.

6. Ability to reopen closed deal if modification is necessary.

OATI Response: The webTrader solution allows information to be locked after it has been verified to ensure accuracy. Once locked, information can be unlocked by users given a Supervisory role if changes are required.

7. Manual override of tag/schedule data.

OATI Response: The system allows users to manually override schedule and tag data. The Audit Trail tracks these changes. The system can be configured to require users to enter a reason for the changes.

8. Insert time of checkout, names of Los Alamos County and counterparty contacts involved.

OATI Response: The OATI solution allows users to track when a schedule or deal has been checked out with a counterparty. In addition, the OATI Audit Trail tracks the time and LAC user who modified the information (marked the transaction as checked out). Users can also manually enter the time, employee name and counterparty name as needed when checking out the information.

1.9 Architecture

1. Must utilize web based technology.

OATI Response: The OATI solution uses secure web based technology. Users are required to have an OATI webCARES Digital Certificate, user name, and password to access the OATI webTrader solution.

2. Software solution must be hosted by software supplier in a NERC CIP compliant data center.

OATI Response: OATI maintains two NERC Critical Infrastructure Protection (CIP) compliant Data Centers. This allows the customers solution to be kept in an Active/Active Environment where the customer's solution and information is available from either Data Center real time. Historically, OATI has maintained a 99.999% availability for OATI customers using OATI hosted solutions.

3. The application must utilize Los Alamos County existing internet.

OATI Response: The OATI solution will continue to use LAC's existing internet.

4. The application must operate on Transmission Control Protocol/Internet Protocol (TCP/IP).

OATI Response: The system uses TCP/IP protocol.

5. Establish authorization and security protocols for access to the distinct functions.

OATI Response: The OATI solution utilizes unique OATI webCARES Digital Certificates, user names, and passwords to ensure security is maintained in the system.

6. Inactivate immediately an individual's access to one or more functions.

OATI Response: Users can be inactivated immediately by the LAC System Administrator as required.

7. Access to the database tables must be protected.

OATI Response: All databases in the system are secured and protected by OATI.

8. The software will utilize online, real-time, interactive data entry, update, and inquiry to an integrated database for all data elements.

OATI Response: The system utilizes online, real-time, interactive data entry to update and inquire the databases in the OATI Data Center for all data. This allows multiple users to interact with the system while maintaining the accuracy of the data.

9. The software will support concurrent interactive update and query.

OATI Response: The system supports concurrent interactive updates and queries from all users.

10. The software will always maintain the integrity of the data when multiple transactions are concurrently reading, updating, and/or deleting the same data.

OATI Response: The system maintains the integrity of data while allowing multiple users to access the system and tracks all changes in the Audit Trails.

2. Support Features

2.1 Support

1. Documented installation procedures shall be provided.

OATI Response: Users are provided all required information and procedures when the systems are configured. With an OATI hosted solution, OATI manages and ensures all software is installed correctly and updated as needed.

2. The solution must include a problem resolution quality and turnaround measure.

OATI Response: OATI uses a proprietary solution, webSupport, to ensure all problems are tracked, managed, and provides a quick turn around on all issues reports in the solution. Problem resolution, turnaround time and quality assurance is very important to OATI and is tracked in the webSupport system. In addition to utilizing webSupport, OATI sends out yearly surveys to customers to get feedback to help ensure OATI's continued growth and improvement in these areas.

3. The solution must provide consulting and training that integrates knowledge of all components that comprise the solution.

OATI Response: OATI provides user training for all of the OATI products each customer uses. Throughout the life of a project, the OATI Project Manager assigned to the customer's project can provide or set up additional training that may be required. If specialized training is required, OATI employs the largest number of experts in the industry to be able to provide any level of training required.

4. The solution should include online help functionality and tutorial.

OATI Response: The webTrader solution has an extensive online help document available to each user. If more extensive training is required, the OATI Project Manager works with the customer to coordinate and set up the additional training.

5. 24/7 Support personnel availability.

OATI Response: OATI provides a full 24x7x365 Help Desk for all OATI customers. The OATI Help Desk can assist users with all OATI related products.

2.2 Implementation

1. State length of the average implementation for a customer?

OATI Response: The OATI solution is already in Production at LAC. There would be no additional implementation time.

2. Describe change order process and controls.

OATI Response: OATI has a documented Change Order process that contains many different levels of controls. When a change is required, the Project Manager fills out a Change Order, and requests that details the requirements of the change. This Change Order Request is sent to each department (Development, Integration, Project Management, Contract, and Legal) for review. Once the impacts of the required changes have been reviewed, an estimate is provided to the customer detailing the Change Order and whatever pricing may be required to make the change. If the customer approves the Change Order, the work involved with the change is completed and the changes are placed into the customers Development System. The customer is required to test and sign off on the changes before the change is migrated to the customer's Production System for Production Operation.

3. Cost of average implantation per customer.

OATI Response: OATI provides solutions for very small customers (2 users) as well as very large customers (>250 users). Since this wide range in the size of the more than 75 webTrader solutions are currently in Production, an accurate average cannot be provided. Each solution is designed to ensure that the customers cost is kept to a minimum.

3. Pricing

OATI Response: Please refer to Volume II - Commercial Proposal.

4. Reference Information

4.1 Firm Experience

1. Supply three (3) reference companies for similar implementation.

OATI Response: Please see below for OATI reference information.

- 1. Company: Board of Public Utilities (BPU)**

- Contact Name: Mr. Jerry Ohmes
- Email: johmes@bpu.com
- Phone Number: 913.573.9000

- 2. Company: Public Utility District No. 1 of Chelan County (PUCC)**

- Contact Name: Mr. Jack Collett
- Email: jack.collett@chelanpud.org
- Phone Number: 509.661.4537

- 3. Company: Public Service Company of New Mexico (PNM)**

- Contact Name: Ms. Julie Herschler
- Email: Julie.Herschler@pnm.com
- Phone Number: 505.241.2441

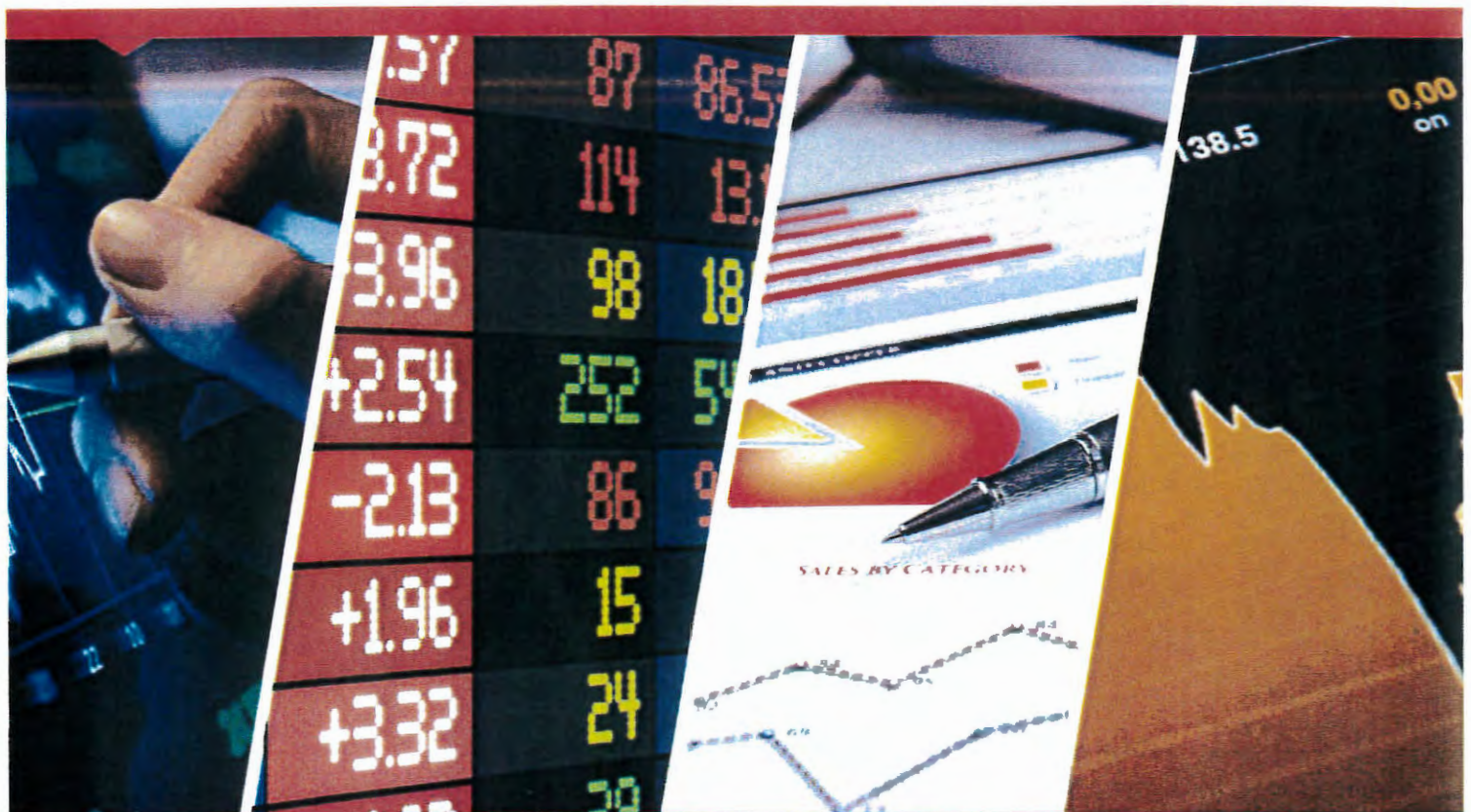


Exhibit "B"
AGR16-042
Additional Information

LOS ALAMOS COUNTY

FEBRUARY 23, 2016

PROPRIETARY AND CONFIDENTIAL



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1. OATI Overview

Open Access Technology International, Inc. (OATI) is the leading supplier of operational and technical software solutions and services for mission-critical applications for the energy industry. Headquartered in Minneapolis, Minnesota, with regional support offices in Redwood City, California, Chandigarh, India and Singapore, OATI provides the energy industry with innovative solutions for Energy Trading and Risk Management (ETRM), reliability scheduling, transmission reservations, congestion management, distribution management, and compliance monitoring.

OATI provides a variety of deployment models, ranging from the Software-as-a-Service (SaaS) model, utilizing the OATI Private Cloud computing environment featuring Active/Active architecture that has gained the trust of more than 1,600 customers, to traditional delivery of hardware and software systems.

OATI is uniquely positioned as the leader for mission-critical SaaS solutions to the energy industry. OATI Data Centers are North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) and Standards for Attestation Engagements No. 16 (SSAE 16)/ International Standard on Assurance Engagements No. 3042 (ISAE 3402) compliant with multiple layers of physical and cyber security that include card key and biometric access, video monitoring, motion detection, offsite monitoring, intrusion detection, layered firewalls, restricted access, and more. OATI ensures protection of customer data and provides uninterrupted services, as well as support by adhering to stringent process controls.

In addition to the strength of the proposed solution, OATI urges Los Alamos County (LAC) to consider the following points that set OATI apart and make OATI the premier solution provider in the North American energy industry:

- The OATI Data Center Infrastructure
- The OATI Private Cloud Active/Active Architecture
- OATI Security Solutions
- OATI 24x7x365 Customer Support
- OATI Compliance Programs
- Quality Assurance and Testing
- OATI Project Management and Deployment Strategy
- Documentation
- Training

2. The OATI Data Center Infrastructure

Customers who select the SaaS model rely on the OATI Data Centers to provide unparalleled advanced infrastructure, security, and monitoring.

2.1 OATI Private Cloud Active/Active Architecture

The OATI Private Cloud is the new paradigm within the energy industry for providing SaaS. The OATI Private Cloud combines the OATI North Campus Data Center and the remote OATI Data Center. The OATI Private Cloud provides customers with the most robust redundancy and reliability for their mission-critical applications. Through the use of geographically diverse Data Centers, coupled with Active/Active replication contained within the highest tier of physical infrastructure, OATI has redefined expectations for the energy industry. The OATI Data Centers are supported 24x7x365 by highly trained professionals, providing OATI customers with the most compelling alternative to developing, deploying, and staffing their own Data Center. Utilizing the OATI SaaS, customers can rely on fully redundant, monitored, and compliant solutions to enjoy unparalleled availability, scalability, and performance.

The OATI Private Cloud infrastructure provides application availability from two separate Data Centers in an Active/Active configuration. Backend data processing is performed by a four-node active/passive cluster. Two cluster members are at each site, and the database can run at either site. Two separate storage systems are configured, one at each site, with continuous synchronous data replication between the two systems. Multiple applications and web servers are configured at both sites and are active at all times, allowing customer requests to be handled at either site. Both sites feature full monitoring systems, network and systems redundancy.

This Active/Active configuration provides outstanding availability and reliability. Planned maintenance can be performed on any server or network device without affecting uptime of the application.

By linking two locations into one virtual Data Center through multiple redundant fiber links, infrastructure functions are dispersed to optimize best use of equipment. In an Active/Active configuration, two production level Data Centers at geographically dispersed locations are available for prompt shifting between sites to optimize the highest available hardware and network assets. All database, application, and web servers are configured as four-node

clusters. This configuration results in no data loss in the event of a site failure. Server load balancing is done via an intelligent appliance that uses health probes to determine the load and health of a server and perform concurrent connections calculations. Using these metrics, the appliance directs traffic to the server that will handle the request most efficiently and in the shortest time. The Active/Active configuration is shown in Figure 1.

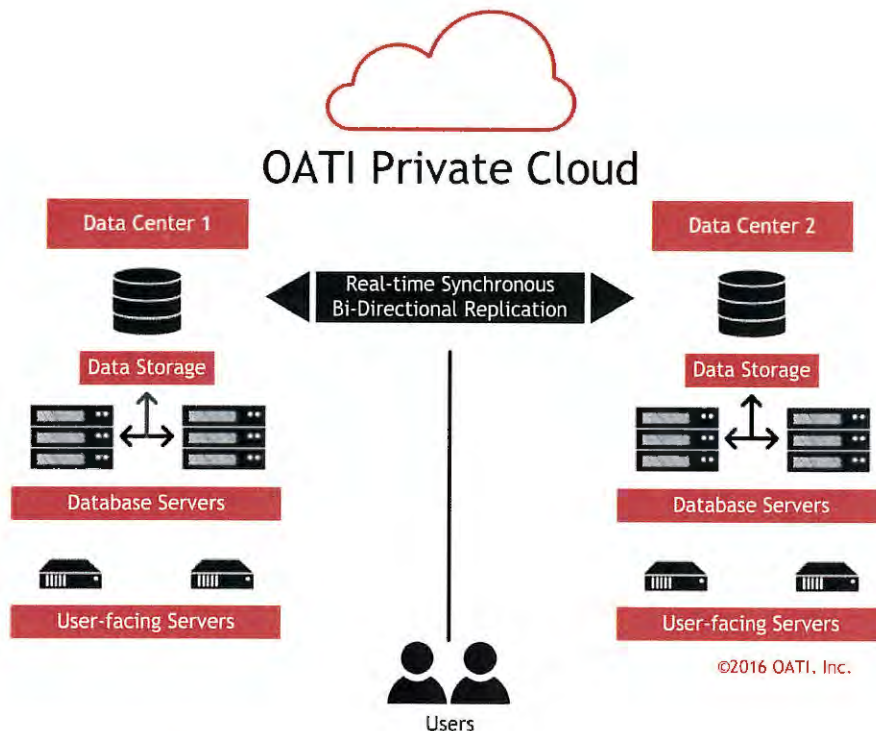


Figure 1: OATI Private Cloud Active/Active Configuration

When customers select OATI as their SaaS provider, customers can rely on fully redundant, monitored, and compliant solutions and enjoy unparalleled availability, scalability, and performance. The OATI North Campus Data Center is the only vendor Data Center in North America built to provide the new paradigm in availability, security, and reliability.

2.1.1 OATI Server Virtualization

Building upon the OATI Private Cloud, yet another layer of redundancy is found in the OATI virtualized server and storage infrastructure. OATI Server Virtualization features advanced blade servers and state-of-the-art storage drive arrays. Each server instance that is part of a customer deployment is carefully sized and configured to provide outstanding application performance and meet all documented performance requirements. OATI Server Virtualization

allows OATI to dynamically scale horizontally and vertically, as needed, in order to meet evolving system needs. Further, OATI Server Virtualization minimizes the impact of hardware failure; if a hardware component within the blade server farm fails, the virtual servers running on that farm continue to run on the remaining equipment. In this way, OATI Server Virtualization removes single points of failure by separating the server instance from the underlying hardware.

2.2 OATI Data Center Physical Infrastructure

2.2.1 Structural Integrity

At the structural level, the Campus Data Center and all supporting electrical and mechanical rooms are self-contained in six-sided cement block walls. By compartmentalizing each critical area, any fire, leak, weather event, or other disaster will be contained, preventing it from affecting the other critical areas of the facility. Further, although no water piping is located within or above the Campus Data Center floor space; an interstitial sloped roof within the Data Center space captures any water that may somehow migrate over the Data Center space.



2.2.2 Tri-Redundant Electrical Systems

The OATI Campus Data Center features a tri-redundant electrical system (three separate utility feeds) built to Tier IV standards. Each feed provides power to one "power rail." Should one of these feeds be interrupted, the other two feeds will provide uninterrupted power to every computer component and every critical component supporting the Data Center.



Each power rail is backed up by a dedicated Uninterruptible Power Supply (UPS) device and by a dedicated 1500 kilowatt generator, which will automatically provide power in the event of a power loss, for as long as necessary for restoration of utility power.

2.2.3 2-N Mechanical Systems

The OATI Campus Data Center features a 2-N cooling system, meaning two entirely separate and redundant cooling loops serve the Data Center. Each cooling loop consists of its own chiller, cooling tower, pump system, chilled water storage tank, and cooling unit system. Under the 2-N design, the Data Center will remain fully cooled and operational during any planned or unplanned cooling system outage.

2.2.4 Fire Detection and Protection

The OATI Campus Data Center features the most robust technology in fire detection and protection. All compartments feature Very Early Smoke Detection Apparatus (VESDA) systems that continuously sample the air to provide the earliest possible warning of an impending fire hazard, and then initiate an appropriate response to enable OATI intervention prior to a fire event to prevent injury, property damage, or business disruption. Additionally, in the event of a fire situation, the OATI Campus Data Center is protected by two independent fire suppression systems.

2.3 Security

2.3.1 Physical Security

OATI understands the criticality of customer data. Physical security is therefore of paramount importance. The OATI Campus and Data Centers comply with the NERC CIP, and leverages best practices in the industry. The OATI Campus and Data Center security measures include:

- Perimeter fence with controlled parking lot access
- “Six Wall” security on all CIP-related areas
- Indoor/outdoor security monitoring video surveillance
- Automated alarm systems
 - All entrance and exits to the building, exterior high-security areas, and critical mechanical/electrical systems are protected by automated alarm systems
 - All rooms with critical data have full motion sensing and door breach sensing
 - Alarm system is monitored 24x7x365
- Sophisticated computerized access control system

- All rooms with critical data have biometric access screening
- All rooms with critical support devices are secured and access is tracked
- All attendance in the building is tracked and recorded
- Strictly enforced security policies
 - Escort-only access to Data Center area
 - Role-based access permissions backed up by certified background checks and security processes
 - Rigorous training and certification process for unescorted access permission

2.3.2 Cyber Security

The OATI Data Centers and Private Cloud are fully compliant with NERC CIP, and other industry standard best practices. These Cyber Security requirements include the following as a minimum:

- Data backup
 - Active data are immediately and synchronously replicated from Data Center to Data Center over the two dedicated (redundant) fiber channel links. These links are entirely separate from the dual (redundant) Ethernet data links, adding additional separation for added security. Replicated data are available for use instantaneously, allowing OATI to recover from disasters quickly and without data loss
- Firewall protection
 - OATI Data Centers are protected by redundant firewall devices at each network ingress point. The firewalls are continuously monitored for vulnerability patterns using OATI custom firewall monitoring software (see monitoring section below). All firewall changes must pass through rigorous scrutiny before being put online
- Traffic filtering
 - OATI cyber security systems are configured with NERC CIP-mandated “denied unless specifically allowed” policy. This means that OATI servers and network devices prohibit all unknown traffic from entering/crossing the OATI network, and from reaching OATI servers and other critical equipment



- Intrusion detection
 - OATI employs dual fully functional Intrusion Detection System (IDS) hardware configurations to search for and block any potential intrusion attempts at each network ingress point. The IDS signatures/definitions are regularly updated from an industry leading third-party source
- Anti-virus protection
 - OATI uses an industry leading third-party anti-virus package to protect its services from virus and spyware attacks. Virus definitions are downloaded regularly to ensure up-to-date virus tracking. In addition, OATI has added its own custom proprietary integration into this software to ensure current virus definitions, operating functionality, coverage, and to add custom notification
- Encryption
 - OATI utilizes Federal Information Process Standard (FIPS)-140-2 level 3 hardware devices to operate the state-of-the-art OATI proprietary Public Key Infrastructure (PKI) infrastructure, OATI webCARES. This system generates high levels of encryption, which guarantee that all traffic between OATI and its customers are private and secure
- Regular Network Penetration Testing
 - OATI performs regular network penetration tests and closely examines the results to ensure the network is free from vulnerabilities
- Defined and protected Electronic Security Perimeters
 - OATI has defined discrete electronic security perimeters in accordance with NERC CIP requirements

In addition to the foregoing, OATI cyber security access policies and architecture require utilization of user name, password, and OATI webCARES Digital Certificates for data and user interfaces, thus assuring the credentials of client accessing systems hosted at OATI are fully-validated through the OATI certificate authority. Access information is hashed and stored in the database in encrypted form, so even OATI employees do not have access to clients' passwords. Password policies ensure that clients change their passwords regularly and avoid passwords that are easily guessed. Audit policies are in place such that user actions and data changes are traceable by OATI administrators. To prevent password guessing, the user will be locked out after multiple unsuccessful login attempts, requiring administrative intervention.

Data confidentiality and privacy are assured by layering user access roles between and within entities so that a validated user can only access data the user is authorized to access and can only modify data the user is authorized to modify. User roles are highly configurable within the application itself, allowing permissions to be given or removed on an individual basis as well as on a group basis.

OATI also has extensive SSAE 16/ISAE 3402-compliant cyber security policies in place. These policies cover the breadth of security restrictions, including the following areas:

- User access
 - OATI requires a background check, multiple approvals, and several types of training before a user is granted access to OATI devices. The status of these for each user is reviewed regularly to ensure that each stays current
- Training/awareness
 - OATI has a comprehensive internal security training and awareness program that reinforces the OATI commitment to cyber security
- Change management
 - All changes to OATI applications follow a process which involves approvals from OATI IT, Project Management, and System Integrator. All changes to any Production System are monitored. In addition, all access to Production Systems are recorded using full motion screen capture software
- Asset testing
 - All OATI servers undergo “asset testing” regularly to ensure that only authorized ports and services are running
- Patching
 - OATI has a comprehensive patching process that ensures all OATI servers are up to date with the latest in patches. These patches are tested in Development Environments and then pushed to Production
- Response/logging
 - OATI response to issues follows a set standard process. Logs are scraped from each server and network device into a centralized database. IT staff review logs in this interface daily to proactively remedy issues

2.4 System Monitoring Capabilities

OATI has implemented extensive monitoring systems in its Data Center Infrastructure. Simple Network Management Protocol (SNMP) traps are used to alert for hardware failures and to periodically poll servers to various network ports for service availability. The status of various services is also validated on each server to ensure that all customer services are working properly. The OATI issue notification and escalation process is extremely robust, with multiple levels of redundancy and escalation. In addition, monitoring is linked to the OATI internal ticketing system. Tickets are automatically generated for any issues that the system encounters, allowing OATI to track and audit the handling of issues at any time. Reports are prepared for such problems and linked to customer tickets as well to gauge customer impact.

OATI has developed proprietary application monitoring systems that respond to issues with various application components. OATI also utilizes industry-leading network traffic usage software, allowing OATI to examine network utilization from both large scale and small scale perspectives to examine trends, investigate problems, and allow OATI to monitor and assess bandwidth needs.

OATI proprietary applications monitor and track database performance and utilization, checking for problems as well as keeping load statistics. OATI tracks database usage and performance in relation to any changes such as additional users, hardware changes, or application changes.

2.5 OATI Data Center Summary

The OATI Data Center Infrastructure, from the base architecture of the campus Data Center, advanced security and monitoring capabilities, and the OATI Private Cloud, creates a reliable and stable environment to house OATI customers' mission-critical applications and data. This provides a compelling alternative to the traditional in-house development, deployment, and maintenance of software solutions and Data Centers.

3. OATI 24x7x365 Customer Support

OATI has a multi-tiered 24x7x365 Customer Support infrastructure available for every customer to contact. The multi-tiered support infrastructure allows for multiple levels of contact, including redundancy, IT support, and general user support, or other support as needed.

Customers are encouraged to contact the OATI Help Desk by telephone or email. Other means of communication are also available such as postal mail and OATI application messaging systems (such as OATI webSupport messaging). Customers should contact the OATI Help Desk by telephone (763.201.2020) for all operational emergencies.

To aid in tracking and reporting of customer issues or enhancement ideas, OATI utilizes OATI webSupport, the OATI proprietary issue reporting and tracking tool.

3.1 OATI webSupport

3.1.1 Overview

OATI webSupport is utilized during project deployment, including Acceptance Testing, and also during the duration of project maintenance. OATI webSupport is the repository of audit trail accessible issue reporting, classification, tracking, and resolution.

3.1.2 Issue Reporting

Issues are entered by customers to report errors with OATI software or to suggest improvements. The key components of an issue are as follows: Description, Type, Product, Priority, Estimated Completion Date, Estimated Release, and Status. Except for Estimated Completion Date and Estimated Release, all of these components are set by the creator of the Issue.

3.1.3 Description

The most crucial attribute of the Issue is the description. The description consists of two parts as follows:

- Short description - A title for the Issue
- Detailed description of problem (including problem recreation steps) - The description should provide sufficient information so that the issue can be reproduced. Insufficient information will extend the response time or prevent OATI from being able to reproduce the issue

3.1.3.1 Type

Type is a drop-down menu to indicate if the Issue is a Variance, Enhancement, or Change Order.

- A Variance is a deviation from agreed-upon functionality
- An Enhancement is a suggested change to the system beyond agreed upon functionality
- A Change Order is a customer request to receive an assessment for a change, including a detailed technical description and project impact. A Change Order Issue will result in a proposal from OATI to customer to implement the functionality, including price and schedule commitments

3.1.3.2 Product

Product is a drop-down menu of the specific products a customer receives from OATI.

3.1.3.3 Priority

Priority is a drop-down menu to indicate the significance of the Issue. The following values are possible:

- Critical: Issues that result in a critical feature or function becoming unavailable to the user and customer business is being impacted immediately
- High: Issues that affect a key functionality of service component, and no workaround is available, but immediate business impact is not present
- Medium: Operations are impacted, but satisfactory workaround is in place to avoid business interruptions
- Low: User questions or reporting issues that create nuisances or inconveniences within the system. Minimal or no business impact is occurring

3.1.3.4 Estimated Completion Date and Estimated Release

For all Issue types, Variances, Enhancements, and Change Orders, OATI will provide either an estimated completion date or an estimated release when the Issue transitions to a status of Queued.

3.1.3.5 Status

Status is a drop-down menu to indicate how far the issue has progressed in the workflow. Every time an Issue is modified, a notification is sent out as well.

3.1.3.6 Issue Workflow

OATI tracks the progress and status of Issues using the workflow shown in Figure 2.

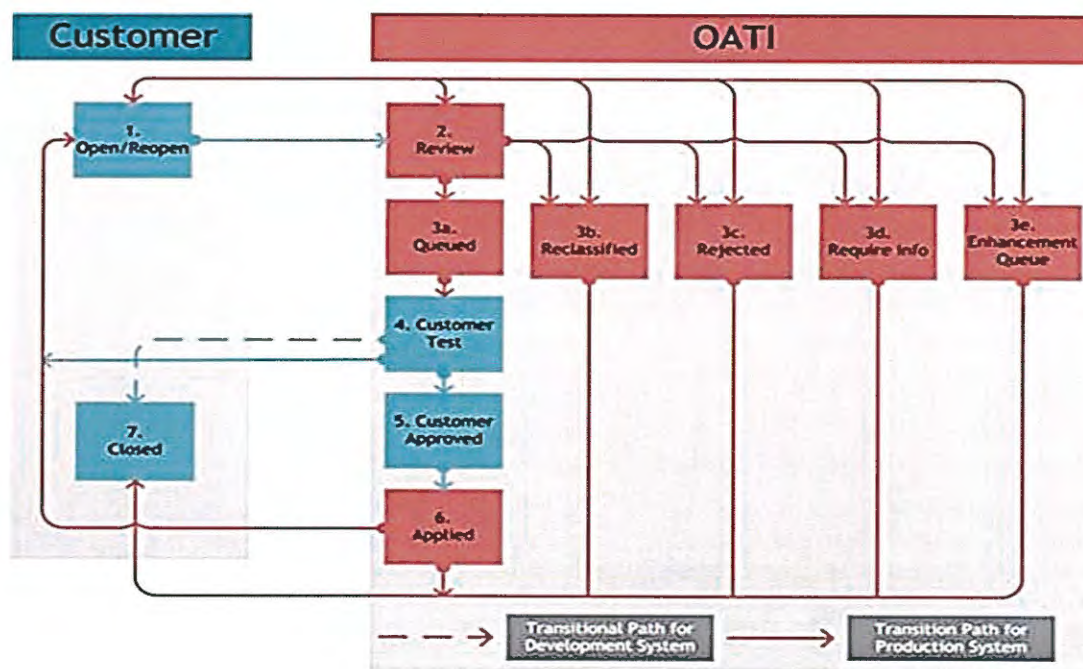


Figure 2: OATI Issue Resolution Process

4. OATI Compliance Program

OATI infrastructure and solutions have earned strong reputations for security and reliability in the energy industry. This strength is founded on continuous commitment to the industry through compliance with standards established for industry participants. OATI undergoes yearly examinations to establish compliance with industry standards for the benefit of its clients. Each set of standards contains specific and detailed requirements related to business processes, controls, and both cyber and physical security. Each set of standards addresses its own aspect of the services OATI provides.

As new standards develop in the industry, OATI continues to look at these as “best business practices,” adopting and integrating them into controls. As a result, OATI annual examinations now include SSAE 16 (formerly SAS 70)/ISAE 3402 (International Standard), NERC CIP, National Institute of Standard and Technology Special Publication (NIST SP) 800-53, WebTrust for Certificate Authorities, North American Energy Standards Boars Wholesale Electric Quadrant (NAESB WEQ) -012 PKI, and Certificate Authority (CA)/Browser Forum standards.

4.1 SSAE 16/ISAE 3402 (formerly SAS 70)

OATI successfully passed a SAS 70 Type I Audit in 2005 and passed SAS 70 Type II Audits from 2006 through 2010, when the SAS 70 auditing standard was retired. SSAE 16/ISAE 3402 replaced SAS 70 in 2011 as the service examination standard. OATI then passed the SSAE 16/ISAE 3402 examination in 2011 - 2015. In each year since 2006, OATI has successfully passed Type II Examinations with no deficiencies. The Annual Audit Report consists of a comprehensive evaluation of the effectiveness of OATI processes and controls, including strict security requirements. Third-Party Auditors found that OATI controls are appropriately designed and implemented to provide customers with accurate and secure software application services while maintaining physical and cyber security of customers’ vital business information and data. Publicly-traded customers can rely on the SSAE 16/ISAE 3402 report to meet Sarbanes-Oxley Act requirements for OATI Hosted services.

4.2 NERC CIP

OATI has incorporated the NERC CIP standards into the annual SSAE 16/ISAE 3402 assessment since 2009. OATI has the only PKI certificate authority, OATI webCARES, which complies with NERC CIP standards.

The CIP standards establish the minimum requirements for the electric industry to ensure the security of electronic exchange of information needed to support the reliability of the Bulk Electric System. CIP requires organizations with critical assets, such as generation and transmission assets, to identify critical cyber assets that are required for the reliable operation of critical assets. CIP standards prescribe controls and programs related to these critical cyber assets in the areas of electronic security, physical security, training, change management, incident reporting, and business continuity. Although OATI does not possess any critical assets, its services may be considered critical cyber assets for some customers. OATI has also implemented a blanket approach, treating all Production Systems as CIP critical cyber assets. OATI implemented CIP controls into its Internal Compliance Program, which is audited as part of its annual examination.

4.3 WebTrust

The WebTrust Program for Certification Authorities (WebTrust for CA) was developed jointly by the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants (CICA) to increase consumer confidence in e-commerce and the application of PKI technology. PKI provides a means for reliant parties to feel confident that another individual/entity's public key belongs to that individual's/entity. The OATI Certificate Authority, OATI webCARES, began providing certificate authority services to the energy industry in 2002. Since then, OATI webCARES has undergone successful WebTrust examinations, based upon the AICPA/CICA Trust Service Principles and Criteria for Certification Authorities Version 2.0 (WebTrust for Certification Authorities Principles and Criteria) ("WebTrust Standards"). The WebTrust standards set forth security and process control best practices applicable to all Certificate Authorities. The WebTrust seal, evidencing OATI's compliance with the WebTrust standards, appears on the OATI webCARES site. The WebTrust seal allows users of OATI webCARES to rest assured that OATI webCARES follows best practices applicable to Certificate Authorities.

4.4 NAESB WEQ-012 Business Practice Standards

The NAESB WEQ PKI for Authorized Certificate Authority (ACA) standards with the accompanying NAESB Accreditation Requirements for Authorized Certification Authorities Process (collectively "WEQ-012 Business Practice Standards") set forth standards a Certificate Authority serving the North American energy industry must meet to qualify as an ACA. OATI and the webCARES Certificate Authority subscribe to the WEQ-012 Business Practice Standards. Beginning in 2012,

OATI's third-party auditing firm examined OATI webCARES for compliance with the WEQ-012 Business Practice Standards. After a thorough examination, conducted in accordance with attestation standards established by the AICPA, auditors concluded that OATI webCARES is in compliance with the WEQ-012 Business Practice Standards.

The WEQ-012 Business Standards were developed with the input of multiple industry participants through the NAESB standards drafting process, and set forth PKI cyber security standards for use in commercial transactions. Specifically, the WEQ-012 Business Practice Standards set forth qualifications to be met by a Certificate Authority in order to be recognized by NAESB as an ACA, qualified to provide PKI services to OATI webRegistry (the Transmission Services Information Network (TSIN) replacement registry) as well as other industry applications such as tagging and OASIS. In 2013, OATI became an approved NAESB ACA and now displays the NAESB certification mark on the webCARES page. OATI also is prepared to provide PKI services to other industry applications that are expected to require implementation of ACA Digital Certifications in the near future.

4.5 NIST Special Publication 800-53

NIST 800-53 sets forth recommended security controls for federal information systems and organizations. As a hosting provider for federal information systems, OATI began a full annual examinations of its Data Center operations against the NIST 800-53 standards in 2012. After thorough inspections, conducted in accordance with attestation standards established by the AICPA, OATI has been found to be in compliance with Low baseline controls and some Moderate baseline controls across all OATI operations each year.

As an organization, NIST develops and issues standards to support the implementation of the Federal Information Security Management Act of 2002 (FISMA). Publication Series 800-53 encompasses the recommended security controls and risk management framework for federal information systems and organizations. Organizations select a baseline set of security controls and supplemental controls tailored to organizations' business processes. NIST 800-53 baseline controls are based on the impact level associated with each standard: low, moderate, or high.

4.6 CA/Browser Forum Baseline Requirements

In 2014, the OATI webCARES CA successfully completed its first examination of the CA/Browser Forum Baseline Requirements. The Baseline Requirements for the Issuance and Management of Publicly-Trusted Certificates describe the requirements that a CA must follow to be publicly

trusted by browsers. In addition, many Smart Grid applications, mobile devices, and any other system that communicates over a Secured Socket Layer (SSL)/Transport Layer Security (TLS) rely on the same public trust list. This successful examination assures customers that OATI webCARES is one of a few CAs that can issue publicly trusted Digital Certificates.

5. Quality Assurance and Testing

The OATI standard internal compliance program contains software development processes and procedures that will be followed to ensure that the OATI solutions are well-engineered. Included in the OATI software development methodology is a Quality Assurance (QA) program requiring internal structured testing prior to release to customer for additional testing. The OATI QA program for testing application development and change control undergoes annual audits by an independent auditing firm.

5.1 OATI QA Program

OATI uses its documented, internal compliance program QA techniques and practices throughout the testing phase of this project. This QA testing program will cover the preparation of all testing deliverables. The OATI QA program provides for identification and resolution of actual or potential issues, timely and effective corrective action, and a method to track all such issues. This program includes software testing prior to any customer access to the software. OATI continues to enhance the internal QA program to include more exhaustive and comprehensive testing and quality verification before the release is placed on a customer Development System.

5.2 Acceptance Testing

For a project-related effort, Acceptance Testing is a structured test performed against a Test Plan over the course of two to five consecutive days (depending upon length of testing). OATI will provide written Test Plans for Acceptance Testing. Test Plans will be developed and implemented based on the Functional Specification.

The Customer will conduct the testing utilizing the Test Plans and document any variances within the OATI webSupport tool, which is the online electronic system used to identify and process test results. The Customer will also be responsible for retesting corrected items and documenting those test results in webSupport. Customer will support Acceptance Testing by supplying staff to conduct the test procedures under OATI direction.

All issues identified during Acceptance Testing will be entered into webSupport by Customer according to the following priorities:

- **Critical:** Problems that result in a critical feature or function becoming unavailable to the user and Customer business is being impacted immediately. This includes drastic program

or system errors such as application failures (exceptions), inability to perform data transfers, failure to access databases, and the inability to display information to the users, which makes the software unusable; and no workaround is available

- High: Problems that affect a key functionality of service component and no workaround is available, but immediate business impact is not present
- Medium: Operations are impacted, but satisfactory workaround is in place to avoid business interruptions
- Low: User questions or reporting problems that create nuisances or inconveniences within the system. Minimal or no business impact is occurring

Progression steps to Production Operation shall occur as follows:

- Structured two to five day Acceptance Testing
- OATI shall correct all Critical variances identified during Acceptance Testing
- Production Operations (interaction with Production Systems and utilization of the system in the Production Environment) will occur only after customer provides written authorization to place the solution into Production Operations

5.3 Test Plans

The Test Plans to be utilized during Acceptance Testing will describe the overall test process, including the responsibilities of individuals and the documentation of the test results. OATI standard process shall be utilized. The following will be included in Test Plans:

- The schedule for the test
- The responsibilities of OATI and Customer personnel, including record-keeping assignments
- Any forms to be completed as part of the tests and instructions for completing the forms
- Procedures for documenting variances
- Procedures for controlling and documenting all changes made to the software after the start of testing, in accordance with OATI standard processes
- The functionality and associated test steps for each piece of functionality

5.4 Variance Recording and Resolution

The OATI webSupport tool is used to record and track issues identified during testing activities. OATI webSupport provides Customer with an efficient means to report issues identified during testing of the functionality. Issue reporting in webSupport allows the customer to follow the workflow of a reported issue.

6. Project Management and Deployment Strategy

6.1 Project Management

OATI has rigorous project management processes and procedures. The process incorporates various aspects throughout a project life cycle and specifically includes:

- Project planning and coordination
- Project monitoring, control, and reporting
- Project development and execution activities
- Project transition and on-going support

The OATI Project Manager will provide a single point of contact for the customer project team to ensure a smooth and efficient project deployment.

6.1.1 Project Planning and Project Coordination

Project planning involves the following activities:

- Define project scope and requirements
- Translate project scope and requirements into a series of project tasks that lead to the generation of project deliverables
- For each task, define the duration, required resources, and dependencies
- Develop Project Schedule by linking the tasks, addressing dependencies, and resource requirements from start to finish

Processes and documents for project coordination are utilized to ensure coordinated activities including:

- Processes that guide the project execution and change control over the course of the project
- Mechanisms for communicating project goals, methods, roles, and responsibilities
- Mechanisms for risk identification, analysis, and mitigation
- A detailed Project Plan to guide both the project execution and project control aspects of the project

6.1.2 Project Management Monitoring, Control, and Reporting

Project monitoring, control, and report management activities begin at the start of the project based on the Project Plan. If project activity falls behind plan or key risk items materialize, the control aspect of the plan is activated.

6.1.2.1 Project Monitoring

Certain responsibilities of the project are delegated to Project Leads or functional groups, but the OATI Project Manager will monitor all activities that may impact the project. The main focus will be cost, schedule, and quality.

Project monitoring is used to track progress and detect variances against the plan to initiate corrective action to address variances in the plan. The OATI Project Manager will hold monthly review meetings to address these. Monthly progress reviews provide a multi-month focus on the project, including longer term trends and project needs.

6.1.2.2 Project Control

Through project control, the Project Manager ensures no change is made without proper tracking, approval, and documentation. Change can come from scope change or schedule issues that impact project costs.

6.1.2.3 Project Reporting

OATI recognizes that project reports are an essential element to a successful project. Status Reports provide monthly feedback on project status to the project stakeholders.

6.1.3 Project Development and Execution Activities

The Project Team will perform the project tasks as outlined in the Project Schedule. The following activities are performed by the project team during this phase of the project:

- Perform project activities as outlined in the Project Schedule
- Identify needed changes and inform the Project Manager
- Work with Project Manager to resolve issues
- Identify barriers inhibiting the timely performance of project activities

Scope management and risk management/mitigation are a critical part of the execution phase of the project.

6.1.3.1 Scope Management

Scope management entails tracking, communicating, and resolving requests for project changes that go beyond the established project boundaries. Any change in scope should be reviewed, understood, and approved at the appropriate project leadership level. The levels of change

review and approval depend on the magnitude and extent of the scope change. All changes are mutually agreed upon via an OATI Change Order.

6.1.3.2 Project Risk Management and Mitigation

Risk management is the process of identifying, analyzing, and controlling events that can potentially cause undesirable results. Risk identification starts at the beginning of the project and continues until the project is completed. Risk analysis is done on a periodic basis and involves examination of new and previously identified risks. OATI implements a four-step process:

- Define a process to deal with risk
- Define the level of risk that is a concern to the project
- Define a process for risk identification and assessment
- Develop risk mitigation and ownership assignment

6.1.3.2.1 Risk Management Process

Risk identification starts the first day of the project. The responsibility for defining that process rests with the customer's Project Manager and OATI Project Managers. OATI has a process for risk topic submittals, review and assessment meetings, reporting, and the associated activities.

6.1.4 Project On-Going Support

Once the project is in Production Operation, the OATI Help Desk will be the point of contact 24x7x365 for customer questions, issues relating to the project, services, and infrastructure, including computer hardware, networks, and communications.

6.2 Project Organization

OATI will provide a formal Project Management structure for delivering and executing the project. As part of the Project Management structure, OATI will provide the experienced staff required for optimal performance of this project, including project management, technical, supervisory, and administrative personnel.

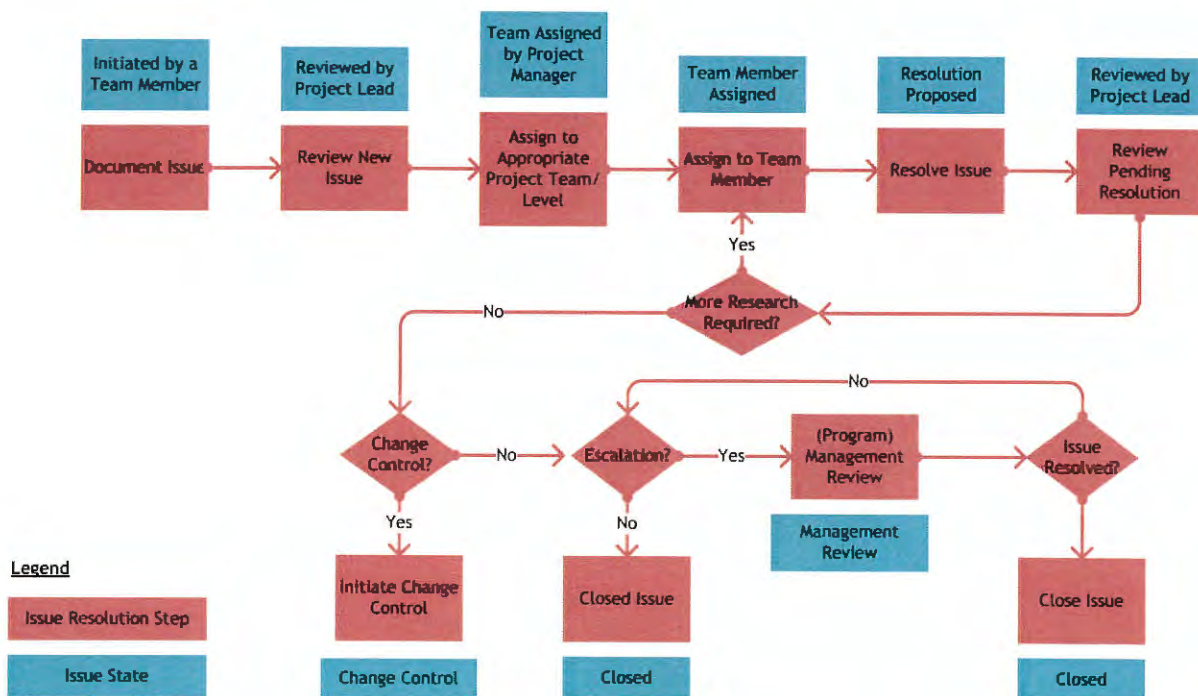
The assigned OATI Project Manager is the main resource for planning and implementing the project and is the main point of contact. The OATI Project Manager's focus will be to ensure efficient communication between the customer and OATI's Project Schedule, resource management, and services.

6.3 Project Schedule

OATI will collaborate with the Project Team to develop a detailed project schedule which will fully satisfy the system requirements and business objectives. OATI looks forward to the opportunity of working with LAC's Project Team to develop a more detailed project plan that reflects each member's specific business needs.

6.3.1 Project Issue Management Process and Plan

OATI will apply the following process shown in Figure 3 below for issue management in the project.



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Figure 3: Issue Management Process



Exhibit "C"
AGR16-042
Rate Schedule

LOS ALAMOS COUNTY

FEBRUARY 23, 2016

PROPRIETARY AND CONFIDENTIAL



OPEN ACCESS TECHNOLOGY INTERNATIONAL, INC.
3660 Technology Drive NE | Minneapolis, MN 55418 | Phone 763.201.2000 | Fax 763.201.5333 | www.oati.com
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Service Solution (Hardware/Software hosted and maintained at the OATI Data Center)

Item	Service Initiation Fee (USD)	Monthly Recurring Fee (USD)	Comments
OATI webTrader Power, webTrader Report Generator and webCALC	N/A Will continue existing Los Alamos solution	<p>\$7,500 (year 1)</p> <p>\$7,725 (year 2)</p> <p>\$7,950 (Opt 1)</p> <p>\$8,110 (Opt 2)</p> <p>\$8,275 (Opt 3)</p> <p>\$8,440 (Opt 4)</p> <p>\$8,610 (Opt 5)</p>	<p>This includes services currently being used by Los Alamos County as part of the existing webTrader Power Agreement, including 15 webTrader User IDs, OATI webTag with 15 User IDs.</p> <p>Monthly Recurring Fee for: 04/14/2016 - 04/13/2017 - Year 1</p> <p>04/14/2017 - 04/13/2018 - Year 2</p> <p>After Year 2, Los Alamos County shall have the option to extend on a yearly basis as follows:</p> <p>Option 1 - 04/14/2018 - 04/13/2019</p> <p>Option 2 - 04/14/2019 - 04/13/2020</p> <p>Option 3 - 04/14/2020 - 04/13/2021</p> <p>Option 4 - 04/14/2021 - 04/13/2022</p> <p>Option 5 - 04/14/2022 - 04/13/2023</p>
OATI Consulting Services	Included (Discounted from \$2,000/Day)	N/A	Two days of OATI Consulting Services will be included with this extension.
OATI SSAE 16 Type II Audit Report	Included	Included	Includes copy of OATI Annual SSAE 16 Type II Audit Report.
Compliance with NERC Critical Infrastructure Protection Requirements	Included	Included	

Pricing Notes:

1. All other OATI services are separate from these services quoted above (Los Alamos OATI webTag additional User IDs and e-tag 1.8.2 Fees, etc.).
2. Customer approved travel is invoiced at OATI actual cost plus 10% for OATI travel services.
3. Pricing includes communications over public internet. Additional communication services such as VPN and OATInet are available for an additional fee and can be quoted upon request by customer.
4. Customer data are retained for lesser of contract term or 6 years. Online data access is included for 36 months.
5. User IDs include the OATI webCARES Digital Certificates.
6. Pricing includes support of the current version release and the 2 immediately preceding version releases. Customer will be subject to a 10% increase in its Monthly Recurring Fee to maintain version releases older than the 2 immediately preceding version releases. However, OATI will support no more than the 5 immediately preceding version releases.
7. Los Alamos will receive a 10% discount off of all new products and services or any approved enhancements made to the current solution during the original term and any options extensions under this agreement.
8. Commercial pricing is valid for acceptance until April 13, 2016.



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 5.C.
Index (Council Goals): BCC - N/A
Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
Legislative File: 7998-16

Title

Approval of Budget Carryovers from FY2016 to FY2017

Recommended Action

I move that the Board of Public Utilities approve the budget carryovers from FY2016 to FY2017 and forward to Council with a recommendation for approval.

Staff Recommendation

Staff recommends the Board of Public Utilities approve the budget carryovers as presented and forward to Council with recommendation for approval.

Body

Requirements for carryover of budget authority are as follows:

1. The projects were budgeted in FY2016 but were not completed, so we are planning on completing in FY2017
2. We do not have an encumbrance in FY2016 already
3. We have FY2016 Budget left to cover the amount we want to carry over
4. We did NOT re-budget the project in FY2017

All of these requirements have been met for each of the projects listed below. We are seeking Board approval to carry these funds over in anticipation of completing these projects in FY2017. Upon Board approval this \$3,952,977 carryover will be presented for Council approval by Finance staff.

Electric Production budgeted \$100,000 for transformer work at the hydroplants. This work has been delayed until FY17.

Electric Production budgeted \$250,000 in FY16 for back-up generators at the Abiquiu and El Vado hydroplants. The contract for that work was awarded in July 2016, at the beginning of FY17, so a reduced amount of budgeted funds need to be carried into the current fiscal year. The carry forward amount is \$165,000.

Waste Water budgeted \$144,000 for sanitary sewer replacement near the Subway restaurant in FY16, and while the contract for that work was awarded in June, it wasn't effective until July 1, 2016, pushing the work into FY17. As such, the budgeted funds need to be carried into the current fiscal year.

Waste Water budgeted \$425,000 in FY16 for sewer mains and services replacement on Joya, Mimbres, and Kayenta. That project is now scheduled for FY17 and the budget should be carried forward.

A NM 502 related project for Water Production and Water Distribution was originally scheduled for construction in FY15 and then carried over into FY16. Due to NMDOT's schedule and expansion of the work scope construction is now scheduled in FY17. The amount to be carried forward is \$54,122.

Water Production continues construction on Otowi Booster Station No. 1. From the original \$100,000 budget, \$66,855 needs to be carried forward into FY17 in order to bring the project to completion.

The Gas division budgeted \$200,000 in FY16 for medium pressure gas line replacement from Diamond to El Gauncho. This work has been delayed until FY17.

Electric Distribution budgeted \$450,000 for a duct bank installation for a future LASS substation. Midway through the project, the budget has been only partially spent or encumbered. As such, \$282,000 of budgeted funds needs to be carried forward into FY17.

Electric Distribution budgeted \$150,000 to replace 1200 feet of 1/0 AL from Tsankawi to Cheyenne. Midway through the project, the budget has been only partially spent or encumbered. As such, \$85,000 of budgeted funds needs to be carried forward into FY17.

Electric Distribution budgeted \$2,500,000 for the Smart Meter project in FY16. However, work has been delayed until FY17 to better align with implementation of the new Enterprise Resource Planning project.

Electric Distribution budgeted \$75,000 for electric system replacement work at Bandelier. This work has been delayed until FY17.

Alternatives

If these funds, budgeted but not expended in FY2016 are not carried over the projects could be funded with FY2017 funds (requiring a FY2017 budget adjustment), postponed and re-budgeted in FY2018, or cancelled.

Fiscal and Staff Impact

\$3,953,977 transfer of budget authority from FY2016 for expenditures in FY2017.

Attachments

None



County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Staff Report

August 17, 2016

Agenda No.: 5.D.
Index (Council Goals): BCC - N/A
Presenters: Jack Richardson, Deputy Utilities Manager - GWS Services
Legislative File: 8030-16

Title

Approval of Contract No. 16-WC-40-625 with the United States Bureau of Reclamation for Lease of the 2016 Allocation of San Juan/Chama Project Water

Recommended Action

I move that the Los Alamos County Board of Public Utilities approve Contract No. 16-WC-40-625 between the Incorporated County of Los Alamos and the United States Bureau of Reclamation for lease of the County's 2016 allocation of San Juan/Chama Project water.

Staff Recommendation

Staff recommends approval of the lease agreement per the motion as presented.

Body

Since taking over the Contract for the San Juan-Chama Project from the Department of Energy in 1998, the County has leased its annual allocation back to the Bureau of Reclamation. The Bureau has used this water to augment the total water supply to the Middle Rio Grande Valley (endangered minnow habitat low flows and/or irrigation needs) at its discretion.

The Department of Public Utilities has developed a cost effective plan to develop facilities and use the County's allotment, but until facilities are put in place to actually divert the water, we cannot claim it for use. We have leased storage space in Abiquiu Reservoir to store slightly less than one year's allocation of water but that space is currently subleased to the City of Santa Fe. Contractually, the water can only be released to a downstream user, so merely letting it go down the river is not a legal option for the County. If the water is not used by December 31st each year we must forgo the delivery but still pay for it. The Bureau has offered \$49.00 per acre-foot for the water which totals \$58,800.00 for the entire 1,200 acre-foot allocation for 2016. Furthermore, to give the Bureau maximum flexibility in the use of the water, there is a waiver included in the contract deferring the release date from 31 December 2016 until 30 September 2017. The per acre-foot payment offered by the Bureau is based on previous years costs for operation and maintenance of the system with previous annual payments varying between \$47.00 and \$50.00 per acre-foot.

Upon approval of the contract, the Bureau will make a non-refundable payment of \$5,880.00 for 10% of the full County allotment of 1,200 acre-feet. The remaining 90% will be paid at the end of the water delivery year and after a full accounting of all deliveries. If at the end of the year the full allotment has not been released then the final payment for this leased water will

be reduced to that percentage actually released. The contract allows for this flexibility.

Alternatives

The County's contract with the Bureau of Reclamation gives the Bureau first right of refusal for any third party lease of San Juan-Chama Project water, plus the Bureau must approve any such leases. The County is also not allowed to make a profit from leasing its allotment of San Juan-Chama Project water to a third party. The practical alternatives are that the County must either put our 2016 allocation into storage at Abiquiu lake, which would require a contract renegotiation with the City of Santa Fe and the elimination of the annual storage fee the City of Santa Fe pays to the County for that storage (10-year average = \$2,198.00), or forgo delivery if we elect to not lease to the Bureau. Foregoing delivery but not leasing back to the Bureau would result in the loss of the lease back payments pursuant to this contract while still being contractually required to pay the Bureau for the allotment water released in 2016.

Fiscal and Staff Impact

Unbudgeted income of between \$5,880 guaranteed minimum to \$58,800 contractual maximum.

Attachments

A - Contract No. 16-WC-40-625

SAN JUAN-CHAMA PROJECT
NEW MEXICO

SUBCONTRACT

Between the
UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
and the
INCORPORATED COUNTY OF LOS ALAMOS

TO LEASE THE USE OF
2016 SAN JUAN-CHAMA PROJECT WATER

THIS SUBCONTRACT (Subcontract), made this _____ day of _____, 2016, between the UNITED STATES OF AMERICA, hereafter styled the United States, acting through the Secretary of the Interior (Secretary), Bureau of Reclamation (Reclamation), acting pursuant to the Act of June 17, 1902 (32 Stat. 388) and Acts amendatory thereof or supplementary thereto, particularly the authority granted the Secretary under Section 14 of the Reclamation Project Act of August 4, 1939 (ch. 418, 53 Stat. 1197; 43 U.S.C. § 389), and the Act of June 13, 1962 (76 Stat. 96), , and the Act of December 28, 1973 (87 Stat. 884), particularly Section 1536 (a) (1) (16 U.S.C. §§ 1531-1543), more commonly known as the Endangered Species Act, and the INCORPORATED COUNTY OF LOS ALAMOS, a municipal corporation in the State of New Mexico, herein styled "County."

WITNESSETH THAT:

EXPLANATORY RECITALS

WHEREAS, the Colorado River Storage Project was authorized by the Act of April 11, 1956 (70 Stat. 105), as amended and supplemented by, among other statutes, the Act of June 13, 1962 (76 Stat. 96), which authorized the San Juan-Chama Project as a participating project in the Colorado River Storage Project as set out in 43 U.S.C. §615pp, and the Act of December 29, 1981 (PL. 97-140, 95 Stat. 1717); and

WHEREAS, on January 10, 1977, the Department of Energy entered into Contract No. 7-07-51-X0883 (also known as Department of Energy Contract No. EY-77-A-32-3856) with the United States Department of the Interior, as amended, for water from the San Juan-Chama Project, to be measured at the outlet of Heron Reservoir in the amount of up to 1,200 acre-feet per year; and

WHEREAS, the Department of Energy has assigned that contract to the County and said assignment was approved by Reclamation on August 28, 1998; and

WHEREAS, the County, on September 27, 2006, entered into Repayment Contract No. 05-WC-40-560 with the United States which supersedes Contract No. 7-07-51-X0883 in its entirety; and

WHEREAS, the County has San Juan-Chama Project water available in Heron Reservoir in excess of its current needs which can be made available to Reclamation for beneficial use under terms and conditions further described herein, all consistent with applicable State and Federal law; and

WHEREAS, the Rio Grande silvery minnow (minnow) has as the status of a federally-listed endangered species and can be found in a reach of the Rio Grande between Cochiti Dam and San Marcial, New Mexico, which is prone to critically low flows during the irrigation season lasting from March 1 through October 31 each year; and

WHEREAS, until permanent strategies for managing the existing limited water supply to meet the needs of the Middle Rio Grande water users can be effectuated, minnow recovery efforts need to be made by meeting flow targets contained in the March 2003 Biological Opinion; and

WHEREAS, it is Reclamation's and the County's understanding that the Middle Rio Grande Conservancy District (District) intends to operate its irrigation and drainage system to meet required flow targets with native Rio Grande water; and

WHEREAS, the District's intended operation would likely result in a need for an additional water supply to meet the irrigation needs of its water users; and

WHEREAS, Reclamation desires to augment the District's water supply by leasing up to 1,200 acre-feet of the County's 2016 San Juan-Chama Project water allocation remaining in Heron Reservoir for the purpose of irrigation within the District.

NOW, THEREFORE, it is agreed as follows:

COUNTY DELIVERABLES

1. a) The County agrees to lease to Reclamation the use of up to 1,200 acre-feet of its 2016 San Juan-Chama Project water released from Heron Reservoir.

b) The County concurs with the terms of the Waiver described below in Article 6. c), that this water is to be used to augment the total water supply to the Middle Rio Grande Valley and is expected to be released from Heron Reservoir by September 30, 2017.

c) The County agrees that no liability shall accrue to the United States should it become necessary for Reclamation to terminate the Waiver so that Reclamation can take prudent action to ensure that the Project's ability to store water is not impacted, as provided for under the terms and conditions of the Waiver.

d) The County agrees that Reclamation will call for the release of water from Heron Reservoir as necessary, and that it will cooperate with Reclamation as may be needed to facilitate such releases. The points of measurement for deliveries to the United States pursuant to this Subcontract will be at the outlet works of Heron Reservoir. The parties agree that the water leased pursuant to this agreement is not subject to evaporation losses until it is released from Heron Reservoir.

e) All previous contracts between the County and the United States shall remain in full force and effect during the term of this Subcontract.

RECLAMATION DELIVERABLES

2. a) Reclamation will pay the County \$49.00 per acre-foot up to a maximum of 1,200 acre-feet of water released from Heron Reservoir pursuant to this Subcontract. Reclamation will pay the County only for water it calls for and releases for beneficial use, under terms and conditions pursuant to this Subcontract.

b) As consideration for the water provided under the terms of this Subcontract, Reclamation will pay \$5,880.00, ten percent (10%) in advance of the total payment described under Article 3. a), upon execution of this Subcontract. The advancement of funds is made in good faith to assist the County with any administrative and legal costs it may incur. Should Reclamation not call for the release of any water, under this Subcontract, advanced funds will not be recovered by Reclamation.

c) Within 30 days of the final release of water under the terms of this Subcontract, Reclamation will provide the County an accounting of the amount of leased water released under this Subcontract.

d) Reclamation will not make any further payment for any leased water spilled from Heron Reservoir, or any water that may revert to the firm yield pool, should Reclamation find it necessary to take prudent action to ensure that the Project's ability to store water does not become impacted; as such, the Waiver and this Subcontract granted to the County will be terminated. The County agrees that no liability shall accrue to the United States as a result of such termination and that every effort will be made on Reclamation's behalf to notify the County prior to any action being taken.

e) National Environmental Policy Act (NEPA) compliance for this Contract action is by the 2016-2021 Supplement to the Rio Grande Supplemental Water Programmatic Final Environmental Assessment and Finding of No Significant Impact dated June 7, 2016.

PAYMENT

3. a) Payment under this Subcontract shall not exceed \$58,800.00 for the term of this Subcontract. If Reclamation does not call for the release of any of the 1,200 acre-feet during the term of this Subcontract, the County shall not be entitled to any further payment from Reclamation beyond the \$5,880 non-refundable advance payment described under Article 2. b).

b) Upon execution of the Subcontract and based upon Reclamation's accounting of all the water actually released, the County shall bill Reclamation, no less than annually, for water actually released from Heron Reservoir under the terms of this Subcontract at a cost of \$49.00 per acre-foot less the \$5,880 non-refundable advance payment. The original billing shall be submitted to Reclamation at the following address:

Bureau of Reclamation
Albuquerque Area Office
Attention: ALB-622
555 Broadway NE, Suite 100
Albuquerque NM 87102

c) Upon verification and approval by Reclamation, the billing will be forwarded to Reclamation's finance office in Denver, Colorado, for payment to the County via electronic funds transfer. The Contractor is responsible to register and maintain registration on sam.gov as required to receive electronic payments. Any correspondence should be directed to the following address:

Incorporated County of Los Alamos
Department of Public Utilities
1000 Central Ave., Suite 130
Los Alamos NM 87544

TERM OF SUBCONTRACT

4. This Subcontract shall be effective from the date of execution and expire upon final payment by Reclamation, under terms and conditions described herein, pursuant to this Subcontract.

WAIVER OF CARRYOVER PROVISIONS

5. a) It is agreed by both parties that all water released under this Subcontract will be in accordance with all applicable State and Federal laws.

b) All provisions of Repayment Contract No. 05-WC-40-560, except as provided below, between the County and Reclamation, dated September 27, 2006, shall remain in full force and effect, and the agreements entered herein shall not be interpreted in any manner to amend, modify, or affect that contract, or relieve either the County or Reclamation from any obligations or requirements agreed to therein.

c) Reclamation has determined it would benefit the minnow to waive subarticle 6(c), entitled "Annual Water Carryover Prohibited," of the above Repayment Contract No. 05-WC-40-560 (the "Waiver", does not apply to Waiver Article 8 below). Waiver of this provision allows the County to keep any of its remaining 2016 allocation of SJCP water in Heron Reservoir until September 30, 2017, contingent upon the Project's ability to store such water.

d) Should natural events occur that could potentially impact the Project's ability to store spring runoff, the release of waived water from Heron Reservoir may need to occur prior to September 30, 2017, and would be released in a manner consistent with State and Federal law. As such, Reclamation will make every effort to notify the County in advance prior to the release of any waived water. The County agrees to assume all risk of any lost water under said Waiver if Reclamation is not able to make beneficial use of the leased water under the terms of the forthcoming proposed lease agreement. Any losses incurred will be charged to the County after releases are made from Heron Reservoir.

e) This extension of storage time is applicable to the 2016 water year allocation only and should not be construed in any way to affect any future allotments, nor shall it be considered to be a permanent change to the above Repayment Contract, except as specified herein.

WATER QUALITY

6. The County makes no warranty or representation regarding, and Reclamation assumes all responsibility for, the quality of water released by the County to Reclamation hereunder.

WATER RIGHTS PROTECTION

7. No party hereto shall assert that any activity under this Subcontract shall affect the validity of any existing water rights or rights to water held by any other party.

WAIVER OF THIS SUBCONTRACT

8. Waiver of any breach of this Subcontract by any party hereto shall not constitute a continuing waiver or a waiver of any breach of the same or another provision of this Subcontract.

ASSIGNMENT LIMITED-- SUCCESSORS AND ASSIGNS OBLIGATED

9. The provisions of this Subcontract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Subcontract or any right of interest therein by either party shall be valid until approved in writing by the other party.

CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

10. The expenditure or advance of any money or the performance of any obligation of the United States under this Subcontract shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the County from any obligations under this Subcontract. No liability shall accrue to the United States in case funds are not appropriated or allotted.

OFFICIALS NOT TO BENEFIT

11. No Member or Delegate to Congress, Resident Commissioner, or Federal or State Official, shall be admitted to any share or part of this Subcontract, or to any benefit that may arise therefrom.

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their names, the date and year first above written.

APPROVED:

UNITED STATES OF AMERICA

Office of the Regional Solicitor

Regional Director
Upper Colorado Region
Bureau of Reclamation

ATTEST:

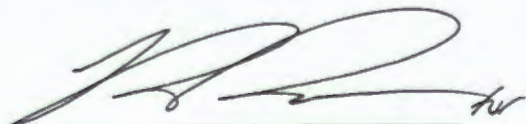
INCORPORATED COUNTY OF LOS ALAMOS

LOS ALAMOS COUNTY CLERK

Sharon Stover

Timothy A. Glasco, P.E.
Utilities Manager

APPROVED AS TO FORM:



Office of the County Attorney
~~Rebecca Ehler, County Attorney~~
Katie Thwaites, Acting County
Attorney



County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Staff Report

August 17, 2016

Agenda No.: 5.E.
Index (Council Goals): BCC - N/A
Presenters: Steve Cummins, Deputy Utilities Manager - Electric Production
Legislative File: 8316-16

Title

Approval of Amendment No. 2 to the Laramie River Station Participation Power Sales Agreement between the City of Lincoln and the County of Los Alamos

Recommended Action

I move that the Board of Public Utilities approve Amendment No.2 to the Laramie River Station Participation Power Sales Agreement and forward to Council for their consideration.

Staff Recommendation

Staff recommends approval of Amendment No.2 to the Laramie River Station Participation Power Sales Agreement as presented

Body

In 1987 the County signed a Participation Power Sales Agreement with the City of Lincoln for 0.61% share (10 Mega Watts) of the Laramie River Station generating capacity. The original debt service for Los Alamos County's share of Laramie River Station will retire on August 31, 2016. The current contract with the City of Lincoln, doing business as Lincoln Electric System (LES), is somewhat unclear on how to handle cost after the repayment of the initial debt service. This amendment will clarify billing practices associated with retirement of the major debt service for Laramie River Station. This amendment will replace the current Exhibit A (Monthly Power Cost) in its entirety, and no other changes will be made to the general terms of the contract.

Alternatives

Do nothing and Section 1 of the current Exhibit A will become zero and all remaining cost will be billed through sections 2, 3, 4, and 5 of Exhibit A.

Fiscal and Staff Impact

No fiscal or staff impact associated with this contract amendment. With the payoff of the original debt service, this resource will see an approximate 30% reduction in cost. Similar to the San Juan Generating Station, LRS is also facing huge capital investments in new environmental controls over the next couple of years. DPU believe this resource will still be economical for many years to come.

Attachments

A - Laramie River Station Participation Power Sales Agreement Amendment No 2
B - Laramie River Station Participation Power Sales Agreement Dated June 25th 1987
C - Proposed Exhibit A To Laramie River Station Participation Power Sales Agreement (Monthly Power Costs)

LARAMIE RIVER STATION PARTICIPATION POWER SALES AGREEMENT
between
CITY OF LINCOLN d/b/a/ LINCOLN ELECTRIC SYSTEM
And
COUNTY OF LOS ALAMOS
AMENDMENT No. 2

THIS AMENDMENT, dated this ____ day of _____, 2016, is executed by and between the City of Lincoln d/b/a Lincoln Electric System (“LES”), a Nebraska municipal corporation, and the Incorporated County of Los Alamos (“County”), a political subdivision of the state of New Mexico;

WHEREAS, the parties hereto have entered into a document entitled “Laramie River Station Participation Power Sales Agreement between the City of Lincoln and County of Los Alamos” (“Participation Power Sales Agreement”), executed by LES on June 10, 1987, and by County on June 25, 1987;

WHEREAS the parties previously executed an Amendment No. 1 to the Participation Power Sales Agreement dated August 28, 1995;

WHEREAS, the parties have agreed to amend the Participation Power Sales Agreement in the manner set forth herein; and,

WHEREAS, each of the parties has represented to the other that it has the full and legal authority to execute this amendment to the Participation Power Sales Agreement subject to final approval by their respective governing bodies;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Section 5(a). Effective September 1, 2016, Section 5(a) of the Participation Power Sales Agreement is deleted in its entirety and replaced with the following.

“For Participation Power made available to County under this Agreement, LES shall, usually on or before the 8th day of each Month, render to County a monthly billing showing Monthly Power Costs as determined in accordance with Exhibit A. In addition, and as commenced in August 1987, and continuing each Month thereafter, an amount equal to the monthly summation of the Energy Related Cost for each hour of the preceding Month as determined from the appropriate heat rate curve and the energy scheduled by County under this agreement and calculated in accordance with methods developed by the Operating Agent for the Station; plus any amount now or hereafter due under Section 16 of this Agreement.

Following the end of each Contract Year, LES shall render to County an adjusted billing statement to reflect costs as recorded by LES and the Operating Agent for such Contract Year.”

2. Exhibit A. Effective September 1, 2016 Exhibit A to the Participation Power Sales Agreement is deleted in its entirety and superseded and replaced with a new Exhibit A attached to this Amendment. All references to Exhibit A in the Participation Power Sales Agreement shall refer to the Exhibit “A” attached to this Amendment.
3. No Other Amendments. Except as specifically provided herein, no other amendments, revisions, additions or deletions are made or have been made to the Participation Power Sales Agreement. All other terms and conditions of the Participation Power Sales Agreement remain in full force and effect and the Parties hereby ratify and confirm their rights, obligations, and representations under the Participation Power Sales Agreement, as amended hereby.
4. Conforming References. Upon execution of this Amendment by both Parties, each reference in the Participation Power Sales Agreement to “this Agreement”, “thereunder”, “hereto”, “herein”, or words of like import, shall mean and be a reference to the Participation Power Sales Agreement as amended hereby.
5. Applicable Law. This Amendment and the rights and duties of the Parties hereunder shall be governed by and construed, enforced, and performed in accordance with the laws of the State of Nebraska, without regard to principles of conflict of laws.
6. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be considered original instruments, but all of which shall be considered one and the same agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives.

CITY OF LINCOLN d/b/a
LINCOLN ELECTRIC SYSTEM

By: _____
Kevin Wailes, Chief Executive Officer

DEPARTMENT OF PUBLIC
UTILITIES INCORPORATED
COUNTY OF LOS ALAMOS

By: _____

EXECUTION COPY

RECEIVED

JUL 2 1987

Keith

UTILITIES DEPT.

LARAMIE RIVER STATION
PARTICIPATION POWER SALES AGREEMENT
BETWEEN
CITY OF LINCOLN
AND
COUNTY OF LOS ALAMOS

This Laramie River Station Participation Power Sales Agreement ("Agreement") made and entered into this 25th day of June, 1987, by and between the City of Lincoln ("LES"), a Nebraska municipal corporation operating the Lincoln Electric System, and the Department of Public Utilities, Incorporated County of Los Alamos ("County"), a political subdivision of the State of New Mexico, with County or LES being sometimes hereinafter referred to singly as a "Party" and collectively as "Parties".

WHEREAS, LES is a Participant in the Missouri Basin Power Project which operates the Laramie River Station located near Wheatland, Wyoming; and

WHEREAS, the Parties desire to enter into an agreement for the sale by LES and the purchase by County of a portion of LES' entitlement to Capacity and Energy to be produced by the Laramie River Station.

NOW, THEREFORE, in consideration of the mutual covenants and provisions hereinafter contained, the Parties do hereby agree as follows:

Document Number
D04508



SECTION 1. DEFINITIONS

(a) As used herein:

(1) Accredited Capability shall mean the aggregate of the net generating capability of each generating unit of Laramie River Station, using the "MAPP (Mid-Continent Area Power Pool) Procedure for the Uniform Rating of Generation Equipment" dated March 13, 1984, as amended from time to time, or by successor organization procedures.

(2) Commercial Operation as applied to Laramie River Station shall mean that period of time during which a Station Unit can reasonably be expected to operate dependably and continuously as determined in accordance with the MBPP Agreement.

(3) Contract Year shall mean the twelve-month period commencing at 12:01 a.m. on January 1 of each calendar year during the term of this Agreement.

(4) Energy-Related Costs shall mean costs of the Project shared in proportion to generation scheduled and energy produced as outlined in F-2 of Exhibit F to the MBPP Agreement.

(5) Laramie River Station shall mean the three coal-fired steam electric generating units, each having a nameplate rating of 570 MW, and all property, facilities and structures used therewith or related thereto as generally described in A-1 and A-3 of Exhibit A to the MBPP Agreement.

(6) LES Entitlement Share shall mean LES' undivided ownership share of the Project (expressed as a percentage) as may be amended from time to time.

(7) LES Points of Delivery shall mean the point or points at which LES is to receive delivery of Capacity and Energy under normal operating conditions as described in Exhibit C of the MBPP Agreement. At the time of execution of this Agreement, such points include the Stegall (Nebraska) Substation 230 kV; the Sidney (Nebraska) 230, 345 kV; the East 345 kV Bus at the Laramie River Station.

(8) Maximum Generating Capability shall mean for any hour the maximum amount of Capacity and Energy which Laramie River Station is estimated to be able to produce during such hour as determined by the Operating Agent under the operating conditions which are expected to exist during that hour and considering Prudent Utility Practices, after deductions for Capacity and Energy utilized for station service and any applicable transmission losses.

(9) Minimum Net Generating Level shall mean for any hour the minimum amount of Capacity and Energy which the Laramie River Station is estimated to be able to produce during such hour as determined by the Operating Agent under the operating conditions which are expected to exist during that hour and considering Prudent Utility Practices, after deductions for Capacity and Energy utilized for station service and any applicable transmission losses.

(10) MBPP Agreement shall mean the Missouri Basin Power Project - Laramie River Electric Generating Station and Transmission System Participation Agreement with an effective date of May 25, 1977 and all amendments and supplements thereto, whether now in existence or adopted subsequent hereto, by and between the following:

1. Basin Electric Power Cooperative, Bismarck, North Dakota, a North Dakota corporation.

2. Tri-State Generation and Transmission Association, Inc., Thornton, Colorado, a Colorado corporation.

3. Wyoming Municipal Power Agency, Lusk, Wyoming, a joint powers board of the state of Wyoming.

4. Heartland Consumers Power District of Madison, South Dakota, a political subdivision of the state of South Dakota.

5. Western Minnesota Municipal Power Agency of Ortonville, Minnesota, a municipal corporation and political subdivision of the state of Minnesota.

6. City of Lincoln, Nebraska, a Nebraska municipal corporation, operating the Lincoln Electric System.

(11) Month shall mean a calendar month during a Contract Year.

(12) Monthly Power Costs shall mean all of those costs specified in Exhibit A, which is attached hereto and incorporated herein by reference, excluding Energy-Related Costs.

(13) Operating Agent shall mean Basin Electric Power Cooperative ("Basin Electric") or any successor who has been selected by the Participants pursuant to the MBPP Agreement.

(14) Participation Power shall mean the Capacity and Energy which is being purchased by County from LES under the terms of this agreement.

(15) Participation Percentage shall mean for any month the percentage calculated by dividing the Purchase Percentage by the LES Entitlement Share.

(16) Project shall mean the Laramie River Station and its associated transmission system (Project Transmission System) as further defined in the MBPP Agreement.

(17) Project Transmission System shall mean those transmission facilities owned and contracts with others for the delivery of Project Capacity and Energy as further described in A-2 of Exhibit A to the MBPP Agreement.

(18) Prudent Utility Practices shall mean any of the practices, methods and acts at a particular time, which, in the exercise of reasonable judgment in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In applying the standard of Prudent Utility Practices to any matter under this Agreement, equitable consideration should be given to the circumstances, requirements and obligations of each of the Parties. It is recognized that Prudent Utility Practices is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a

spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

(19) Purchase Percentage shall mean the share of the output of the Project purchased hereunder by County from LES as provided in Section 4 of this Agreement.

(20) Uniform System of Accounts shall mean the Federal Energy Regulatory Commission Uniform System of Accounts prescribed for Public Utilities and Licensees (Class A and Class B), as it may from time to time be revised.

(b) Any other terms used herein which are capitalized but which are not specifically defined shall be construed to have the meanings and definitions as set forth in or pursuant to common usage in the MBPP Agreement.

SECTION 2. TERM OF AGREEMENT

(a) This Agreement is binding upon the Parties on the date first above written; shall become operative on July 1, 1987; and shall remain in effect until December 31 of the calendar year in which either (i) the final maturity occurs on any debt, including refunding debt, incurred by LES to pay the cost of construction, improvements, capital additions, reconstruction, or repair of the facilities comprising Laramie River Station and Project Transmission System or (ii) the Missouri Basin Power Project (MBPP) Participants remove Laramie River Station from Commercial Operation whichever occurs later; provided, however, that County shall have the right to reduce its Purchase Percentage or to terminate this Agreement after having given six (6) months prior notice in writing to LES, which such notice may not be given prior to July 1, 1989 nor later than July 1, 1995.

SECTION 3. FACILITIES

(a) Construction and Interconnection

The Station consists of three generating units in Commercial Operation known as the Laramie River Station located near Wheatland, Wyoming. At the time of execution of this Agreement, Unit No. 1 is connected to the electric system existing in the eastern United States ("Eastern System") and Units No. 2 and No. 3 are connected to the electric system existing in the western United States ("Western System").

(b) Operation and Maintenance

The Operating Agent will, on behalf of LES and the other Participants, operate, maintain and make renewals and replacements to the Laramie River Station pursuant to the MBPP Agreement.

(c) Transmission

The Operating Agent will, on behalf of LES and the other Participants, operate, maintain and make renewals and replacements to the Project Transmission System pursuant to the MBPP Agreement.

SECTION 4. AVAILABILITY OF PARTICIPATION POWER

(a) Commencing July 1, 1987 and continuing for the term of this Agreement, LES shall sell and County shall purchase a Purchase Percentage equal to 0.61% of the Project.

(b) LES shall deliver, less any applicable losses, Participation Power purchased by County under paragraph (a) of this Section 4 at the LES Points of Delivery on the Eastern System. County has entered into a Displacement Contract dated June 29, 1987 with Basin Electric for delivery on the Western System.

SECTION 5. CHARGES

(a) For Participation Power made available to County under this Agreement, LES shall, usually on or before the 8th day of each Month, render to County a monthly billing showing the sum of the following: (i) commencing with July 1987, and continuing each Month thereafter, an amount equal to Item (1) of Monthly Power Costs, as set forth in Exhibit A, for the Month during which such statement is rendered; plus (ii) commencing August 1987 and continuing each Month thereafter, the Participation Percentage of Items (2) through (4) of Monthly Power Costs for the Month preceding that for which such statement is rendered; plus (iii) commencing August 1987, and continuing each Month thereafter, an amount equal to the monthly summation of the Energy-Related Cost for each hour of the preceding Month as determined from the appropriate heat rate curve and the energy scheduled by County under this agreement and calculated in accordance with methods developed by the Operating Agent for the Station; plus (iv) commencing September 1987, and continuing each Month thereafter, an amount equal to the difference between the estimated cost of items (ii) and (iii) for the preceding Month and the actual costs as recorded by the Operating Agent; plus (v) an amount equal to the Participation Percentage of Item (5) of Monthly Power Costs, as set forth in Exhibit A; plus (vi) any amount now or hereafter due under Section 16 of this Agreement. Following the end of each Contract Year, LES may render to County an adjusted billing to reflect costs as recorded by LES and the Operating Agent for such Contract Year.

(b) Any other provision of this Agreement to the contrary notwithstanding, commencing on the operational date of this Agreement as established in Section 2 above, County shall pay to LES each Month an amount equal to the sum of the amounts in Section 5(a), whether or not then or thereafter all or any combination of the three (3) units of Laramie River

Station or the related transmission facilities are then operable or operating and notwithstanding the suspension, interruption, interference, reduction, inability of the Operating Agent to make deliveries, or curtailment of the output of the unit(s) or facilities in whole or in part for any reason whatsoever.

(c) LES agrees to keep accurate records and accounts substantially in accordance with the Uniform System of Accounts so that direct and allocable costs attributable to Laramie River Station may be identified separately from its other costs. Upon request, County shall at all reasonable times be given reasonable access to all operating and financial records and reports relating to the determination of the charges outlined in Section 5(a) herein.

(d) Notwithstanding any other provision of this Agreement, including the termination thereof, County shall be responsible for the Participation Percentage of the LES Entitlement Share of all direct and indirect costs and expenses associated with the decommissioning of Laramie River Station which exceed the salvage value thereof and shall be entitled to receive the Participation Percentage of the LES Entitlement Share of any salvage value in excess of such costs of decommissioning thereof.

SECTION 6. BILLING AND PAYMENT

(a) Bills shall be rendered monthly by LES to County in accordance with Section 5 herein. Bills shall be due and payable by County to LES within fifteen (15) days from the date such bills are rendered, and payment shall be made when due and without deduction. Billing periods shall be from 12:01 a.m. of the first day of the month to 12:01 a.m. of the first day of the succeeding month. Interest on any unpaid amount from the date due until the date upon which payment is received shall accrue at the rate of one percent (1.0%) per

month or pro rata fraction thereof. LES may, whenever any amount due remains unpaid for more than thirty (30) days and after having given notice in writing, cease performance of service under this Agreement and discontinue deliveries to County until such amount and any subsequent amounts which have become due are paid. No such discontinuance shall relieve County from any of its obligations under this Agreement. Whenever any amount due remains unpaid for at least one hundred and fifty (150) days, LES may give thirty (30) days advance notice in writing that if such amount remains unpaid at the end of such thirty (30) day period, LES shall have the option to cancel this Agreement in accordance with the provisions of Section 18. Failure of LES to exercise its rights to cease performance or terminate hereunder or to exercise any other rights or remedies shall in no event be considered a waiver thereof or of any other rights or remedies which LES may have resulting from such nonpayment(s) by County.

(b) In the event County desires to dispute all or any part of the charges in a billing rendered by LES pursuant to this Agreement, County shall nevertheless pay the full amount of the charges within fifteen (15) days from the date such bills are rendered and give a notice in writing to LES within sixty (60) days from the date the billing is rendered which shall set forth a detailed statement of the disputed issue(s) and the relief sought; provided however, that if the basis for such dispute could not have been discovered by reasonable diligence within said sixty (60) days, any such notice shall be given, if at all, within sixty (60) days of the date of such discovery or within eighteen (18) months from the date the billing is rendered, whichever first occurs. County will not be entitled to any adjustment on account of any disputed charges which are not brought to the attention of LES within the time and manner herein specified.

SECTION 7. SCHEDULING OF DELIVERIES

(a) Delivery of Participation Power under this Agreement shall be in accordance with schedules agreed to between the Operating Agent and County, unless otherwise mutually agreed to between the Parties.

(b) Unless otherwise mutually agreed between County and the Operating Agent, County shall schedule Participation Power in amounts not to exceed the Participation Percentage of the LES Entitlement Share of the Maximum Generating Capability of the Laramie River Station. In no event will County schedule in amounts less than the Participation Percentage of the LES Entitlement Share of the Minimum Net Generating Level.

(c) County shall provide LES and the Operating Agent with the schedules of anticipated requirements of Capacity and Energy as required by the MBPP Agreement, except that County shall not be required to provide LES with daily or hourly schedules used by the Operating Agent to deliver such Capacity and Energy.

SECTION 8. POINTS OF DELIVERY TO COUNTY

(a) LES will deliver to County the Participation Power purchased hereunder in accordance with Section 4 of this Agreement.

(b) It will be the responsibility of County to arrange for transmission from any LES Points of Delivery to County.

(c) LES will not voluntarily relinquish any LES Points of Delivery without prior consultation and concurrence of County.

(d) LES will notify County of any additional LES Points of Delivery as they may become available.

SECTION 9. DETERMINATION OF ENERGY PURCHASED

(a) The amount of Energy furnished by LES to County under this Agreement during any Month shall, for billing purposes, be considered to be the amount of Energy scheduled by County under this Agreement during such Month.

SECTION 10. METERING

(a) Suitable meters to indicate and record the output of Laramie River Station shall be read, tested and maintained in accordance with the MBPP Agreement. Should any metering equipment at any time fail to register or should the registration thereof be so erratic as to be meaningless, the Energy produced by Laramie River Station, less utilization for station service, shall be determined in accordance with the MBPP Agreement.

SECTION 11. TRANSMISSION SERVICE

(a) Losses on the MBPP Transmission System for Participation Power delivered from the Laramie River Station to the LES Points of Delivery shall be equal to the losses, if any, borne by LES.

(b) Participation Power delivered to County under this Agreement may flow through other transmission facilities which are not a part of the MBPP Project Transmission System. For purposes of determining transmission services to be provided under this Section 11, Capacity and Energy flowing through such other facilities will be considered to have been delivered over the MBPP Project Transmission System, and such flow through other transmission facilities does not create any rights on the part of County for scheduling Capacity and Energy over such other transmission facilities.

SECTION 12. PRESERVATION OF REMEDIES

(a) Nothing contained in this Agreement shall be construed to constitute a waiver or surrender by either Party of its right to any action, in law or equity, to enforce all provisions of this Agreement and its rights hereunder. Notwithstanding the foregoing, or any provisions of this Agreement, in the event of a referral of a matter to arbitration or a judicial or administrative proceeding on account of any disputed matter, the Parties shall continue to make payments in accordance with this Agreement until the matter has been finally determined, at which time any necessary adjustments shall be made.

SECTION 13. INSURANCE

(a) The Operating Agent has agreed to obtain and maintain in effect during the term of this Agreement certain insurance which is defined in the MBPP Participation Agreement. Each Party, respectively, shall be solely responsible for providing, to the degree considered necessary by such Party, insurance covering power acquisition to cover total or partial loss in the use of the Laramie River Station due to interruption or reduction of generation or transmission of Capacity and Energy caused by physical loss or damage thereto, and the premium for any such insurance shall not be included in the Monthly Power Costs.

SECTION 14. UNCONTROLLABLE FORCES

(a) Neither Party shall be considered to be in default in respect of any obligation hereunder if prevented from fulfilling such obligation by reason of uncontrollable forces, provided that the provisions of this Section shall not apply to the obligation for payments to be made under this Agreement. The term "uncontrollable forces" shall be any cause beyond the control of the Party affected, including but not restricted to an act of God,

failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, shortage of railroad cars, sabotage, pestilence, restraint by court order or public authority, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require a Party to settle any strike or labor dispute in which it may be involved. A Party rendered unable to fulfill any of its obligations under the Agreement by reason of uncontrollable forces shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability with reasonable dispatch.

SECTION 15. LIABILITY OF PARTIES

(a) LES and County each assume full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other Party from all liability and expense on account of any and all damages, claims or actions, including injury to or death of persons, arising from any act or accident in connection with the installation, presence, maintenance, and operation of the property and equipment of the indemnifying Party; provided, that any liability which is incurred by LES through the operation and maintenance of Laramie River Station and not covered by insurance or recovered from third parties resulting in payments by LES shall become part of the Monthly Power Costs.

(b) LES shall have no liability to County in the event that the Laramie River Station or any unit thereof is not operating for any reason whatsoever.

SECTION 16. TAXES

(a) In the event that any tax, federal, state or local, is now or hereafter levied upon the Capacity and Energy to be delivered hereunder or upon the sale to County of such Capacity and Energy, or upon LES measured by the Capacity and Energy sold or measured by the revenue from any sale or delivery hereunder, the amount of such tax shall constitute a liability and shall become a part of the charges covered by Section 5(a) herein.

SECTION 17. RELATIONSHIP TO OTHER AGREEMENTS

(a) This Agreement shall be subject to and subordinate to the provisions of the MBPP Agreement which is incorporated herein by reference. County acknowledges that LES cannot convey or agree to convey more rights or entitlement than it has under the MBPP Agreement.

SECTION 18. DEFAULT

(a) If County should default in any of its payments or other obligations hereunder, including but not limited to making the payments for charges provided under Section 5 herein, and after the failure of County to cure such default after 30 days prior written notice of the same, then LES shall have the option to cancel this Agreement, provided, that in the event of such cancellation, County shall remain obligated to pay all of the charges set forth in Section 5 herein, up to and including the date of such cancellation.

SECTION 19. CUMULATIVE RIGHTS

(a) The several remedies hereby granted to LES in case of default or breach of any of the agreements herein contained to be performed by County, shall be construed to be cumulative, and the exercise of one or more remedies shall not exclude nor prevent LES from at the same time, or at any other time, resorting to or exercising any other right, privilege, or remedy hereby granted to it or to which it might otherwise legally resort.

SECTION 20. WAIVERS

(a) Any waiver at any time by either Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any other default or matter. Any delay short of the statutory period of limitation in asserting or enforcing any right shall not be deemed a waiver of such right.

SECTION 21. NOTICES

(a) Any notice or demand under or required by this Agreement shall be deemed properly given by County if sent by registered mail and addressed to the Administrator, Lincoln Electric System, P.O. Box 80869, Lincoln, Nebraska 68501, and by LES if sent by registered mail and addressed to the Utilities Manager, Incorporated County of Los Alamos, P.O. Box 30, Los Alamos, New Mexico 87544. The foregoing designations of the name or address to which notices or demands are to be directed may be changed by either Party upon written notice to the other Party.

(b) Any notice or request of a routine character in connection with the delivery of Capacity and Energy, or in connection with the operation of facilities, shall be given in such manner as the authorized representatives of the Parties from time to time shall arrange.

(c) LES shall provide County with copies of minutes of committees which are created in the MBPP Agreement.

SECTION 22. SUCCESSORS AND ASSIGNS

(a) Should County desire to assign or transfer any or all interest in this Agreement to another person or entity, it shall first offer such interest to LES. If LES does not agree to accept such interest within six (6) months of notification by County of such desire, County shall be free to assign or transfer such interest to the other person or entity, but only upon written approval by LES, which approval will not be unreasonably withheld.

(b) All rights and obligations under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the respective Parties hereto but no assignment or transfer hereof shall relieve either Party from any of its obligations hereunder.

SECTION 23. AUTHORITY TO EXECUTE AGREEMENT

(a) LES and County each respectively represents and warrants that it has full power and authority to execute, perform, and carry out this Agreement, and the execution of the Agreement by it has been authorized and exercised in accordance with laws applicable to it.

IN WITNESS WHEREOF, each Party hereto has caused this Laramie River Station Participation Power Sales Agreement to be executed by its duly authorized representative on the dates below each signature, to be effective on the date first above written.

ATTEST

CITY OF LINCOLN

LINCOLN ELECTRIC SYSTEM

By: *Debra L. Vay*

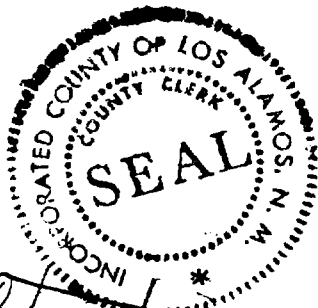
By: *Walter Ginner*

Title: Asst. Secy--LES Board

Title: Administrator

Date: June 10, 1987

ATTEST



By: *St. C. Smith*

DEPARTMENT OF PUBLIC UTILITIES

INCORPORATED COUNTY OF LOS ALAMOS

By: *Janetted Wallace*

Title: County Clerk

Title: Chairman, County Council

Date: 6-25-87

By: *Paul A. Gross*

Title: Chairman, Board of Public
Utilities

EXHIBIT A
TO
LARAMIE RIVER STATION
PARTICIPATION POWER SALES AGREEMENT
BETWEEN
CITY OF LINCOLN
AND
COUNTY OF LOS ALAMOS
(MONTHLY POWER COSTS)

Monthly Power Costs shall be an amount equal to the following Items (1) through (4), less any amounts previously billed and excluding Energy-Related Costs:

- (1) a) Commencing with the first monthly billing and continuing until modified under b) below or terminated under c) below, this item of Monthly Power Cost shall be \$110,132.
- b) Effective July 1, 1988 and each July 1 thereafter, this item (1) shall be adjusted upward or downward based on the amount that the Reconciliation of Owner's Investment as of the preceding December 31 as incorporated within the Project audit report is greater or lesser, respectively, than \$1,365,117,739 (Limit), by:

Adjustment = A X B X C

Where, A = Dollars greater or lesser than Limit.

B = Purchase Percentage as defined in this Agreement.

and C = 1.6 times the amortization rate required to service the remaining bonds outstanding for the most recent LES power supply debt issue multiplied by B1/B2 where B1 is the "Bond Buyer's Revenue Bond Index" published in The Bond Buyer and in effect on the sale date of the bonds and B2 is such Index on the adjustment date;

provided, however, County shall have the option of paying to LES their Participation Percentage share of the excess, in which event this item of Monthly Power cost shall remain \$110,132 or the then existing amount if previously adjusted under the provisions of this Section.

c) This item of Monthly Power Cost shall terminate on August 31, 2016 except as to any future amounts applicable to additional debt required to be issued by LES for the Project.

(2) The LES Entitlement Share of all operation and maintenance costs of the Project shared in proportion to entitlement shares as outlined in F-1 of Exhibit F to the MBPP Agreement.

(3) The LES Entitlement Share of the net cost of renewals and replacements or capital improvements to the Project to the extent not included in Item (1) above.

(4) The LES Entitlement Share of the net of all other costs and assessments resulting from ownership interest in the Project including, but not limited to, the Project Operating Fund, other working capital accounts and Balance Sheet Accounts.

Plus:

(5) The LES Entitlement Share of any costs, not previously included as a part of Monthly Power Costs hereunder, which have been incurred for the prevention or correction of any unusual loss or damage, to the extent such costs have not been reimbursed by the proceeds of insurance covering such loss or damage or have not been recovered from third parties.

It is the strict intent of this Agreement and this Exhibit A that County pay the Participation Percentage of all costs required to be paid to the Project by LES based upon its Entitlement Share.

Costs of Items (2) through (4) may be estimated by LES based on the approved Project budgets for a Contract Year and the monthly billings determined from such estimates to the extent actual costs cannot be determined. Any estimated costs for Items (2) through (4) will be submitted to County in a timely manner. Such estimates may be adjusted from time to time by LES to more nearly reflect actual cost.

Exhibit A
To
Laramie River Station
Participation Power Sales Agreement
Between
City of Lincoln
And
County of Los Alamos
(Monthly Power Costs)

Monthly Power Costs shall be an amount equal to power costs as identified below, excluding Energy-Related Costs. It is the strict intent of the Agreement, and this Exhibit A, that the County pays the Participation Percentage of all costs required to be paid to the Project by LES based upon its Entitlement Share.

1. Capital, processing and dispatch costs shall be equal to (for Contract Year 2017 and ongoing):
 - a) Capital costs in equal installments over the Contract Year based upon MBPP's approved capital budget (LES shall provide to the County an estimated approved MBPP capital budget, which provides for an estimate of Laramie River Station capital expenses, prior to the start of a Contract Year).; and,
 - b) Administrative and processing costs related to the billing activities; and
 - c) Current month dispatch costs (as applicable) related to delivery of Energy produced by the Laramie River Station and delivered to the County.
2. Prior Contract Year true-up shall be equal to (for Contract Year 2017 and ongoing):
 - a) On or before 180 days after the end of each Contract Year, LES shall submit to the County an annual true-up statement which will reflect the County's share of the actual Increase in Net Assets Billed to Participants as reported in the MBPP audited financial statements for that Contract Year.
 - b) If the annual total of the County's share of this amount exceeds the amount paid by County in Item 1(a) above, then the County shall pay to LES the difference between such amounts; or,
 - c) If the annual total of the County's share of this amount is less than the amount paid by the County in Item 1(a) above, then LES shall remit to the County the difference between such amounts.
3. Increase in Net Assets Billed to Participants shall be equal to (Contract Years 2015 and 2016):
 - a) Increases in Net Assets Billed to Participants for the Contract Year 2015 shall be equal to: Increase in Net Assets Billed to Participants as reported in the 2015 MBPP audited financial statements (less any amounts previously

billed) multiplied by the County's Purchase Percentage. This calculated amount will be billed to the County in equal installments beginning September 2016 and ending June 2017; and,

- b) Increases in Net Assets Billed to Participants for the Contract Year 2016 shall be equal to: Increase in Net Assets Billed to Participants as reported in the 2016 MBPP audited financial statements multiplied by the County's Purchase Percentage. This calculated amount will be billed to the County in equal installments beginning July 2017 and ending June 2018.
- 4. The LES Entitlement Share of all operation and maintenance cost of the Project, as outlined in F-1 of Exhibit F to the MBPP Agreement, shared in proportion to entitlement shares.
 - 5. The LES Entitlement Share of the net cost of renewals and replacements or capital improvements to the Project to the extent not included in Items 1 through 3 above.
 - 6. The LES Entitlement Share of the net of all other costs and assessments resulting from ownership interest in the Project including, but not limited to, the Project Operating Fund, other working capital accounts and Balance Sheet Accounts to the extent not included in Items 1 through 3 above.
 - 7. The LES Entitlement Share of any costs, not previously included as a part of Monthly Power Costs hereunder, which have been incurred for the prevention or correction of any unusual loss or damage, to the extent such costs have not been reimbursed by the proceeds of the insurance covering such loss or damage or have not been recovered from third parties to the extent not included in Items 1 through 3 above.



County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Staff Report

August 17, 2016

Agenda No.: 6.A.
Index (Council Goals): BCC - N/A
Presenters: Bob Westervelt
Legislative File: 8455-16

Title

Adoption of Board of Public Utilities Financial Policies

Recommended Action

I move that the Board of Public Utilities adopt the Utilities Financial Policies as presented.

Staff Recommendation

Staff recommends adoption of the Financial Policies as presented

Body

At the June Board meeting a near “final” draft of the recommended financial policies was presented and discussed. Discussion with the County Finance Department Staff had been ongoing, and Utilities staff and Finance Department staff were still working on achieving consensus in content and style. The draft presented here represents the culmination of that collaboration. Both departments are now ready to endorse the proposed policies and recommend approval.

The substance of the recommendations, including the delineation of the desired reserves, the “target” balances and “floors”, or minimum balances, and potential or required corrective actions remain as discussed previously and are not reiterated here. They are represented in the attached document. What is accomplished through this current draft is addition of a clear purpose statement, clarification in the background section as to how these policies tie in with the County Charter, the County Code of Ordinances, and previous Board actions and discussion, as represented in the “fundamental considerations” section, and presentment of a clear definition of “cash”.

The recommended policy is included herewith as Attachment A.

Alternatives

The Board could elect not to adopt the recommended policies at this time, in which case the Board and Staff would continue managing cash reserves and rates on the more ad-hoc basis that has been the practice to date. The advantage of this ad-hoc approach is increased flexibility, but also higher risk of unforeseen events negatively impacting operations, financing options, and credit worthiness.

Fiscal and Staff Impact

This would have minimal staff impact, but adoption of sound financial policies would greatly enhance the stability, credit worthiness, and strength of the individual utility sub funds.

Attachments

Utilities Financial Policies
Department of Public Utilities, Los Alamos County

I. Purpose

The Department of Public Utilities (DPU) operates the Los Alamos County-owned electric, gas, water, and sewer utility systems under jurisdiction and control of the Board of Public Utilities. This policy is intended to ensure adequate cash is available for effective and efficient operations of all County-owned utilities. For budgeting, rate-setting, and operational planning purposes, DPU shall adhere to the following guidance in regard to cash reserves. DPU shall first consider the terms of the Los Alamos County Charter (LAC Charter) and the Los Alamos County, NM Code of County Ordinances (County Code) in managing these cash reserves.

II. Background

- A. The LAC Charter, Article V, Section 509 Priority of Budgeted Expenditures states: “In order that the Department of Public Utilities can plan and utilize its proceeds for the maintenance, improvement and extension of the utilities system before any part of such proceeds is diverted to general County purposes, all funds derived from the operation of the utilities shall be managed and expended in accordance with the following policies. From the proceeds of the operation of the Department:
1. There shall first be set aside the funds required for current operation.
 2. There shall next be set aside the funds required to redeem and pay interest on any bond issue for the utility which shall become due and payable during the next fiscal year.
 3. There shall next be provided an adequate reserve to finance replacements required by normal depreciation of the utility plant or equipment as provided in the Schedule of Funds. These reserves may not be used by the County for financing County operations.
 4. There shall be paid to the General fund those amounts set forth in the budget as payment to be made to the County in lieu of franchise fees and taxes that would be normally assessed against privately owned gas and electric utilities.
 5. There shall next be a provision for additions and improvements foreseen as necessary to meet future requirements for the utility systems as provided in the Schedule of Funds.
 6. All remaining operating profits shall be transferred to the County General Fund.”
- B. The County Code, Chapter 40, Article II, Division 2., Section 40-65, Schedule of Funds states, “The schedule of funds, and any amendment of the schedule, as proposed by the board, shall be referred to the council for consideration for adoption. The schedule of funds shall prescribe the necessary yearly funding of reserves for replacements, additions and improvements, and other reserves authorized by Charter, bond

ordinances and bond indentures or other governing instrument and shall be consistent with the needs of the utilities systems. The replacement reserve shall cover (among other things) tools, equipment, vehicles and system replacements. The schedule of funds shall reflect separate reserve allocations for separate utility systems.” Currently vehicle replacement reserves are handled by the LAC Fleet Fund.

C. Fundamental Considerations

1. Operations and maintenance should be budgeted and covered through operating revenues.
2. DPU should have adequate cash reserves, achieved through operating revenues, to cover most unplanned or corrective maintenance that may be required for continued operations.
3. With the adoption of this policy, the users benefitting from a major utility system or plant replacement shall bear the costs of that system or plant. This is a shift from historical DPU practice in which customers did not contribute to major system replacement reserves when existing utility systems were transferred from the Department of Energy (DOE) to Los Alamos County (LAC). As a result of this shift in practice, large system replacements should be funded through debt financing. Customers benefitting from the new facilities will contribute to the cost through debt service. Examples of major utility system or plant replacements include wastewater treatment plants, replacements of large segments of the water distribution or wastewater collection systems, or electric substations.
4. For smaller capital projects, a capital replacement reserve should be funded. Examples of such projects include replacement of a single section of water line, and replacement of a motor control or switchgear. If the urgency or magnitude of a capital project or group of projects exceeds available reserves, and if funding through rates would result in unacceptable rate fluctuations, debt financing will be considered.
5. Rates should be just, reasonable and comparable to those in neighboring communities [LAC Charter, Article V, Section 504]. In determining comparability, consideration will be given to topography, age and complexity of systems.
6. Rates should also be non-discriminatory with consideration given to social necessity. The goal is to serve the interests of DPU, LAC, and utility customers. While rates can be used and designed to achieve specific conservation or other social goals, they should be carefully evaluated to avoid undesired consequences.
7. All debt must be funded with adequate coverage to achieve or maintain the best credit rating available to a public utility with the operational characteristics of DPU.
8. All statutory, contractual or prudent retirement obligations must be funded on a planned schedule to achieve appropriate funding levels at obligatory due dates.

III. Cash Reserve Guidelines

- A. For purposes of this policy, cash is defined as both unrestricted and restricted equity in pooled cash and investments, cash and cash equivalents, and investments.

- B. Rates will be established to cover budgeted operations and maintenance costs, projected commodities costs when and if a pass-through rate structure is not in place, and reserve requirements. To the extent practical, rates will be designed to recover costs according to cost drivers, with consideration for other political or social objectives identified in rate analysis.
- C. Rates will be just, reasonable and comparable to those in neighboring communities. [LAC Charter, Article V, Section 504.] In determining comparability, consideration will be given to topography, age and complexity of systems.
- D. Immediate implementation of this policy upon adoption may not be practical due to pre-existing deviations from the targets specified. Upon adoption by the Board of Public Utilities, DPU management will assess current cash balances, develop a plan and determine a time frame for implementation. The plan will be presented to the Board no later than the third regular Board meeting from the policy adoption date.
- E. In each of the utility sub funds:
 - 1. Operations Reserve: A target cash balance for operations will be established. This balance should equal 180 days of budgeted operations and maintenance expenditures as identified in the annual LAC budget book. A floor, or lowest acceptable balance, will also be established, equaling 90 days of budgeted operations and maintenance expenditures as identified in the annual LAC budget book.
 - a. This reserve may be utilized for correcting deposits to or from other reserves.
 - b. If the cash balance falls below target, DPU will initiate corrective action and determine the following:
 - i. Can the balance be expected to recover by the end of the subsequent fiscal year through the normal course of business?
 - ii. Is the curtailment of expenditures warranted?
 - iii. Is immediate rate action required?
 - c. If the cash balance falls below the floor, immediate action must be taken to first curtail expenditures and then, if necessary, adjust rates to restore cash to the floor level within 180 days.
 - 2. Capital Expenditures Reserve: A 10-year capital plan for projects not financed through debt will be maintained. An annuity will be included in the annual budget to ensure availability of funds for the capital plan. Through this capital plan and associated annuity, funds will accrue toward future planned capital expenditures, with a target minimum reserve in each sub fund equal to annual depreciation plus 2.5 percent to provide for inflationary or technology evolution pressures. Due to the long-term, future-focused nature of the capital plan as well as the opportunity for periodic adjustments as warranted, no funding floor is necessary.

3. Contingency Reserve: A contingency reserve will be established and maintained for each sub fund. The reserve will be equal to the replacement cost of the single largest piece of equipment with potential for failure, as defined by DPU's asset management team for that sub fund. In the event that a contingency reserve is used, the reserve amount will be restored from insurance, grant, or disaster recovery funds, if applicable, as soon as those funds become available. Otherwise DPU will establish a plan within 90 days to reestablish contingency reserves by the end of the subsequent fiscal year through curtailment of other expenditures or through rate actions.
4. Debt Service Reserve: Debt service reserves will be established to sufficiently fund all debt service requirements as required by the Charter, bond ordinances and bond indentures, or any other debt agreement (County Code, Chapter 40, Article II, Division 2., Section 40-63,(c)(2). The debt coverage ratio, based on total debt, is a key bond rating criteria. If the balance of this required reserve falls below required amounts, the reserve will be restored immediately by transfer of funds from the Operations Reserve [Cash Reserve Guidelines, Section III.E.1.a].
5. Retirement/Reclamation Reserve: Retirement/reclamation reserves will be funded to meet all statutory and contractual requirements and schedules and to satisfy prudent utility practices. If required by contractual agreements, reserves will be placed in trust funds set up for specified purposes. Otherwise, reserves will be accounted for as restricted and will not be available to supplement other reserves. When funding targets are based on future dates, monthly annuities designed to accumulate the required future fund balances will be established. When project cost analysis necessitates an adjustment to reserve requirements, funds will be transferred to or from the Operations Reserve [Cash Reserve Guidelines, Section III.E.1.a] to adjust the reserve accordingly.
6. Rate Stabilization Reserve: A rate stabilization reserve will be maintained when a pass-through rate mechanism for commodities is not in place. The rate stabilization reserve will be maintained with a target balance equal to the 10-year historical average cost of the commodity per unit times 12 months average projected consumption. A funding floor will be established equal to the 10-year historical average cost of the commodity per unit times 180 days average projected consumption. Should the cash balance drop below the target, DPU will initiate corrective action by determining the following:
 - a. Can the balance be expected to recover by the end of the subsequent fiscal year through the normal course of business?
 - b. Is the curtailment of expenditures warranted?
 - c. Is immediate rate action required?

- d. If the cash balance of the rate stabilization reserve falls below the floor, immediate action must be taken to first curtail expenditures and then, if necessary, adjust rates to restore cash to the floor level within 180 days.
 - 7. Consideration of the funding of these reserves, as projected in the Schedule of Funds, should take into account the following priority order:
 - a. Operating Reserve
 - b. Debt Service Reserve
 - c. Retirement/Reclamation Reserve
 - d. Capital Expenditure Reserve
 - e. Rate Stabilization Reserve
 - f. Contingency Reserve
 - 8. If excess cash balances exist in relation to targets, DPU will establish plans to spend down or adjust the excess cash within three fiscal years. The plans may include rate reductions, acceleration of the 10-year capital plan, or prudent increase in maintenance activities. When necessary, use of cash in one sub-fund may include transfer to another sub-fund only as a loan subject to a market rate of interest and with approval of both the Board of Public Utilities and the Los Alamos County Council.
 - 9. Rates will be established to cover budgeted operations and maintenance costs, projected commodities costs in the absence of a pass-through rate structure, and all reserve requirements. Rates will, to the extent possible, be designed to recover costs according to cost drivers, with consideration for other political or social objectives identified in rate analysis.
- F. Financing for each of the utility sub funds will adhere to the following:
- 1. Improvements to the system will be scheduled and budgeted with consideration of any rate impacts that may result. DPU will avail itself of below-market-rate loans or financing when available. DPU management will evaluate financing alternatives including phasing, deferral, or debt financing as project funding methods.
 - 2. Replacement projects of smaller subsystems will normally be funded from the capital annuity and replacement reserve. If the inclusion of the capital annuity in the annual budget would result in rate impacts that would force rates beyond pre-determined standards [Cash Reserve Guidelines, Section II.C.5-6; III, E, 9], DPU management will evaluate alternatives to total rate financing, including phasing or deferral of projects or debt financing.
 - 3. Large system replacements will be funded through debt financing. Examples of such replacements include a new wastewater treatment plant, a large segment of the

water distribution or wastewater collection system, or an electric substation. When cash reserves have already been established and are supported through rates, such as for water well replacements, those funding mechanisms for future plant replacements will be continued. This determination and funding method will be reviewed by the Board of Public Utilities and the Los Alamos County Council as part of the normal budget review process.



County of Los Alamos

Los Alamos, NM 87544
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Staff Report

August 17, 2016

Agenda No.:	6.B.
Index (Council Goals):	BCC - N/A
Presenters:	Jeff Johnson, Chair of the Board of Public Utilities and Stephen McLin, Board - Commission or Committee Member
Legislative File:	8310-16

Title

Report from the Subcommittee to Address the Timing of Rate Adjustments Related to Budget Adoption

Recommended Action

I move that the Board of Public Utilities advise the Department of Public Utilities to retain the existing rate / budget timing and annual schedule.

Staff Recommendation

n/a

Body

The BPU has had several discussions concerning the timing of rate adjustment recommendations relative to budget approval. Currently rates are discussed, approved by the BPU, and forwarded to Council in the late summer, while budgets are developed by the DPU in the fall and winter and approved by BPU and Council in the spring.

The discussions concerning rate adjustment contemplated advancing them ahead of budget approval so the budget process would know what rates it could utilize during planning. After discussing with staff, there is consensus that there might be some advantages associated with this idea, but there are also negative aspects. The primary disadvantage, is that it presupposes budget approval by both the BPU and council and somewhat forces and premature discussion about budget. The current process, allows budget to drive rates and the approved budget informs the rate discussion. Structurally it makes more sense to have a budget driven rate rather than a rate driven budget.

Alternatives

BPU could reject this motion and continue discussion or forward an alternative motion to instruct the DPU to change its planning schedule so rates are determined ahead of budgets.

Fiscal and Staff Impact

n/a

Attachments

n/a



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 7.A.
Index (Council Goals): BCC - N/A
Presenters: Board of Public Utilities
Legislative File: 8504-16

Title

Status Reports

Body

Each month the Board receives in the agenda packet informational reports on various items. No presentation is given, but the Board may discuss any of the reports provided.

Attachments

- A - Electric Reliability Report
- B - Accounts Receivables Report
- C - Safety Report

STATUS REPORTS

ELECTRIC RELIABILITY

Los Alamos County Utilities



Electric Distribution Reliability

August 17, 2016

Stephen Marez
Project Engineer

**Electric Distribution Reliability Study
Twelve Month Outage History**

**Prepared by Stephen Marez
Project Engineer L.A.C.U.**

<u>Date</u>	<u>Call Rcd.</u>	<u>Circuit</u>	<u>Cause</u>	<u>Start Time</u>	<u>End Time</u>	<u>Duration</u>	<u>Customers Affected (Meters)</u>	<u>Combined Customer Outage Durations</u>	<u>Total Outage H:M:S</u>	<u>Running SAIDI</u>
8/1/2015	Dispatch	WR2	Weather	12:45	13:30	0:45	963	722:15:00	722:15:00	0:04:49
8/2/2015	Utilities	16	OH Failure	8:45	10:30	1:45	10	17:30:00	739:45:00	0:04:56
8/11/2015	Utilities	14	Planned	8:30	11:50	3:20	9	30:00:00	769:45:00	0:05:08
8/21/2015	Dispatch	15	Animal	0:00	1:30	1:30	15	22:30:00	792:15:00	0:05:17
8/25/2015	Dispatch	15	Animal	2:00	3:15	1:15	16	20:00:00	812:15:00	0:05:25
8/28/2014	Utilities	WR1	URD Failure	14:15	14:30	0:15	30	7:30:00	819:45:00	0:05:28
9/2/2015	Utilities	WR1	Planned	14:00	14:03	0:03	1590	79:30:00	899:15:00	0:05:59
9/2/2015	Utilities	WR2	Planned	14:00	14:03	0:03	963	48:09:00	947:24:00	0:06:19
9/4/2015	Utilities	14	Animal	10:00	10:45	0:45	537	402:45:00	1350:09:00	0:08:59
9/15/2015	Utilities	13	URD Failure	8:30	12:15	3:45	24	90:00:00	1440:09:00	0:09:35
9/7/2015	Utilities	14	Animal	1:15	1:45	0:30	11	5:30:00	1445:39:00	0:09:38
9/17/2015	Utilities	WR2	Planned	8:40	10:15	1:35	6	9:30:00	1455:09:00	0:09:41
10/23/2015	Utilities	15	URD Failure	7:00	12:30	5:30	12	66:00:00	1521:09:00	0:10:08
10/26/2015	Utilities	15	Animal	0:30	2:10	1:40	90	150:00:00	1671:09:00	0:11:08
10/26/2015	Utilities	15	Animal	5:30	8:10	2:40	70	186:40:00	1857:49:00	0:12:22
11/11/2015	Utilities	15	TREE	9:00	12:30	3:30	10	35:00:00	1892:49:00	0:12:36
11/20/2015	Utilities	13	URD Failure	19:50	22:05	2:15	20	45:00:00	1937:49:00	0:12:54
12/8/2015	Utilities	WR2	Planned	9:00	10:30	1:30	30	45:00:00	1982:49:00	0:13:12
12/30/2015	Utilities	WR1	Planned	10:00	11:45	1:45	14	24:30:00	2007:19:00	0:13:22
1/12/2016	Utilities	15	Planned	9:00	11:30	2:30	83	207:30:00	2214:49:00	0:14:45
1/12/2016	Utilities	WR1	Planned	10:30	12:00	1:30	8	12:00:00	2226:49:00	0:14:50
2/11/2016	Utilities	WR1	Planned	9:00	9:30	0:30	8	4:00:00	2230:49:00	0:14:51
3/2/2016	Utilities	EA4	OH Failure	14:40	15:09	0:29	18	8:42:00	2239:31:00	0:14:55
3/2/2016	Utilities	WR2	Planned	9:00	10:40	1:40	10	16:40:00	2256:11:00	0:15:01
3/10/2016	Utilities	WR2	Planned	9:30	10:30	1:00	7	7:00:00	2263:11:00	0:15:04
3/28/2016	Utilities	16	URD Failure	19:36	22:30	2:54	30	87:00:00	2350:11:00	0:15:39
4/3/2016	Utilities	WR2	URD Failure	11:18	13:00	1:42	12	20:24:00	2370:35:00	0:15:47
4/3/2016	Utilities	16	URD Failure	21:15	22:20	1:05	50	54:10:00	2424:45:00	0:16:09
4/13/2016	Utilities	13	Unknown	10:00	10:20	0:20	24	8:00:00	2432:45:00	0:16:12
4/28/2016	Dispatch	WR1	OH Failure	22:15	23:30	1:15	30	37:30:00	2470:15:00	0:16:27
5/10/2016	Utilities	16	Planned	9:00	9:10	0:10	18	3:00:00	2473:15:00	0:16:28
5/17/2016	Utilities	15	Planned	9:00	10:00	1:00	7	7:00:00	2480:15:00	0:16:31
5/21/2016	Utilities	WR2	Planned	10:00	10:15	0:15	7	1:45:00	2482:00:00	0:16:32
6/9/2016	Utilities	13	Planned	9:00	10:00	1:00	27	27:00:00	2509:00:00	0:16:42
6/9/2015	Utilities	14	URD Failure	1:45	4:00	2:15	24	54:00:00	2563:00:00	0:17:04
6/10/2016	Utilities	WR2	Planned	9:00	11:00	2:00	17	34:00:00	2597:00:00	0:17:18
6/23/2016	Utilities	WR2	Weather	19:00	0:00	5:00	4	20:00:00	2617:00:00	0:17:26
7/12/2016	Utilities	16	URD Failure	1:44	3:00	1:16	306	387:36:00	3004:36:00	0:20:01
7/15/2016	Utilities	13	URD Failure	10:30	13:30	3:00	88	264:00:00	3268:36:00	0:21:46
7/15/2016	Dispatch	WR1	URD Failure	21:40	0:00	2:20	21	49:00:00	3317:36:00	0:22:06
7/16/2016	Utilities	14	Animal	12:00	13:22	1:22	537	733:54:00	4051:30:00	0:26:59
7/19/2016	Utilities	18	Planned	0:00	5:00	5:00	4	20:00:00	4071:30:00	0:27:07
7/19/2016	Utilities	EA4	HUMAN	16:30	22:30	6:00	3	18:00:00	4089:30:00	0:27:14
7/20/2016	Utilities	13	Unknown	20:00	20:45	0:45	20	15:00:00	4104:30:00	0:27:20
7/27/2016	Utilities	14	URD Failure	8:17	9:30	1:13	120	146:00:00	4250:30:00	0:28:18
7/28/2016	Dispatch	WR1	URD Failure	2:30	5:30	3:00	12	36:00:00	4286:30:00	0:28:33

CIRCUIT SAIDI IS CALCULATED ACCORDING TO THE NUMBER OF CUSTOMERS IN EACH CIRCUIT RESPECTIVELY

<u>Running SAIDI Circuit 13</u>	<u>Running SAIDI Circuit 14</u>	<u>Running SAIDI Circuit 15</u>	<u>Running SAIDI Circuit 16</u>	<u>Running SAIDI Circuit 17</u>	<u>Running SAIDI Circuit 18</u>	<u>SAIDI Circuit EA4 & Royal Crest</u>	<u>Running SAIDI Circuit WR1</u>	<u>Running SAIDI Circuit WR2</u>	<u>Monthly SAIDI</u>	<u>Monthly Customer Minutes out of service</u>	<u>WEATHER SAIDI</u>
			0:00:34					0:45:00			0:04:49
	0:03:21										
		0:00:43 0:01:22									
							0:00:17 0:03:17		AUGUST	0:05:28	819:45:00
								1:44:02			
	0:48:21										
0:03:13	0:48:58										
								3:14:41	SEPTEMBER	0:04:14	635:24:00
		0:03:29 0:08:17 0:14:17 0:15:24							OCTOBER	0:02:41	402:40:00
0:04:50									NOVEMBER	0:00:32	80:00:00
								5:18:14			
		0:22:03					0:04:12		DECEMBER	0:00:28	69:30:00
							0:04:40 0:04:49		JANUARY FEBRUARY	0:01:28 0:00:02	219:30:00 4:00:00
						0:04:01		7:38:48 2:21:00			
			0:03:25					2:27:42	MARCH	0:00:48	119:22:00
			0:05:11								
0:05:07							0:06:14		APRIL	0:00:48	230:44:00
			0:05:16								
		0:22:17									
								5:02:20	JUNE	0:00:05	11:45:00
0:06:05	0:55:00										
								7:44:09 2:43:03	JULY	0:00:54	135:00:00
0:15:33			0:17:55								0:00:08
							0:08:05				
	2:17:00 2:19:14										
0:16:05						0:12:19					
	2:35:33										
							0:09:26		AUGUST	0:11:07	1017:54:00
Circ 13	Circ 14	Circ 15	Circ 16	Circ 17	Circ 18	Circ EA4	Circ WR1	Circ WR2	Total	SAIDI TOTAL	WEATHER
1675	537	1871	1839	193	212	130	1590	963	9010	0:28:33	0:04:57

Twelve Month History	July 2016	
Total # Accounts	9010	
Total # Interruptions	45	
Sum Customer Interruption Durations	4286:30:00	hours:min:sec
# Customers Interrupted	5915	
SAIFI(APPA AVG. = 1.0)	.66	int./cust.
SAIDI (APPA AVG. = 1:00)	:28	hours:min
CAIDI	:43	hours:min/INT
ASAI	99.9998%	% available

- **SAIFI - System Average Interruption Frequency Index**

A measure of interruptions per customer (Per Year)

$$\text{SAIFI} = \frac{(\text{Total number of customer interruptions})}{(\text{Total number of customers served})}$$

- **SAIDI – System Average Interruption Duration Index**

A measure of outage time per customer if all customers were out at the same time (hours per year)

$$\text{SAIDI} = \frac{(\text{Sum of all customer outage durations})}{(\text{Total number of customers served})}$$

- **CAIDI – Customer Average Interruption Duration Index**

A measure of the average outage duration per customer (hours per interruption)

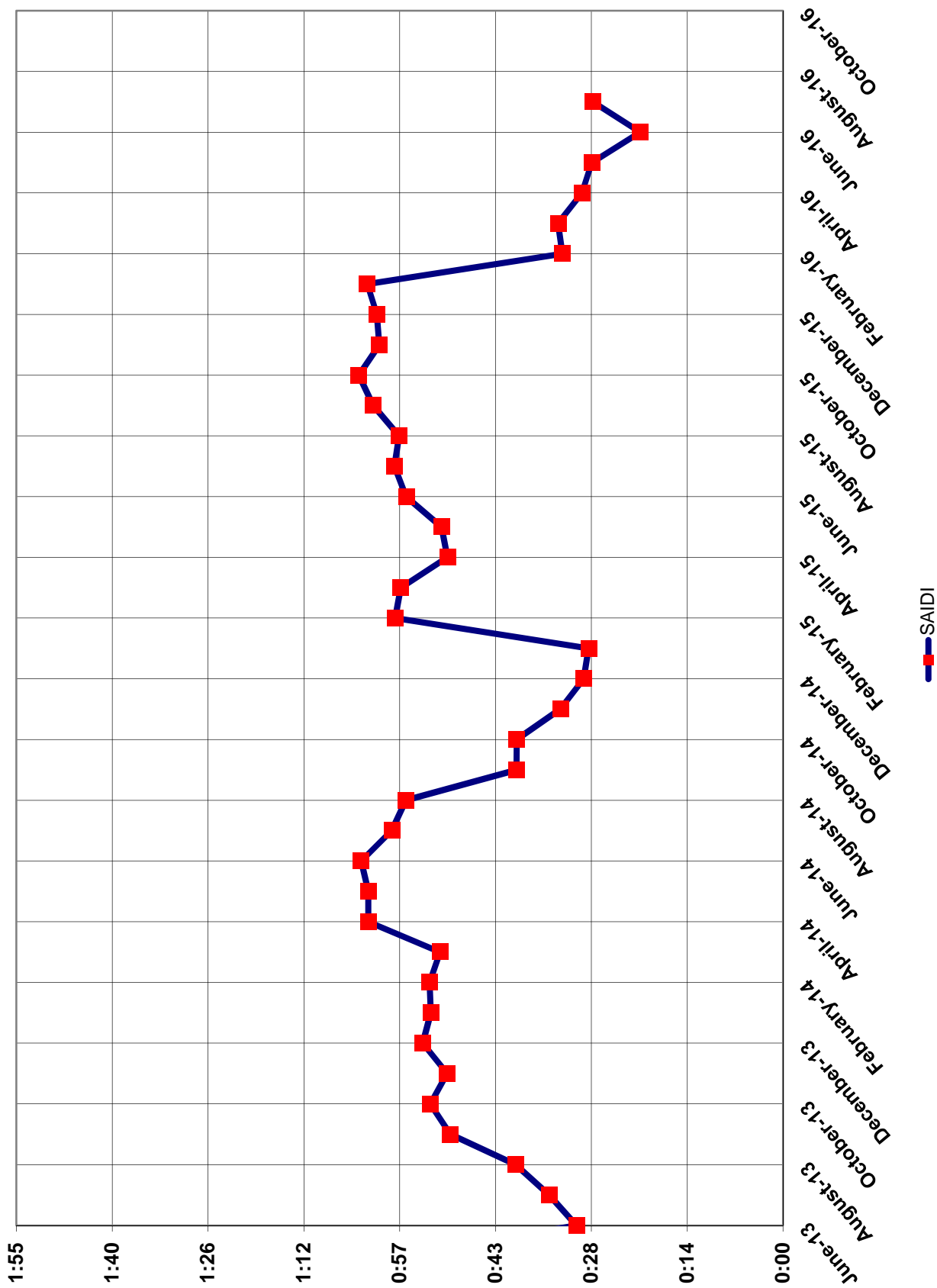
$$\text{CAIDI} = \frac{(\text{Sum of all customer outage durations})}{(\text{Total number of customers interruptions})} = \frac{\text{SAIDI}}{\text{SAIFI}}$$

- **ASAI – Average System Availability Index**

A measure of the average service availability (Per unit)

$$\text{ASAI} = \frac{(\text{Service hours available})}{(\text{Customer demand hours})} = \frac{8760 - \text{SAIDI}}{8760}$$

EACH POINT IS A 12 MONTH SAIDI HISTORY
1:00:00 = APPA BENCHMARK SAIDI



STATUS REPORTS

ACCOUNTS RECEIVABLES

Los Alamos County Utilities Department
Active Receivables Over 90 Days Past Due
August 1, 2016

<i>Account</i>	<i>Acct Type</i>	<i>Comments</i>	<i>90 - 119</i>	<i>120 +</i>
2121948	COMM	Solid Waste -Need to move out	110.25	-
2021641	COMM	Sending Certified Letter	130.06	-
2122178	RES	Paid 8/3 in full	238.16	-
2002399	COMM	Door Tag Due 8/12	694.91	-
2082018	COMM	Sending Certified Letter	1,391.13	-
2083378	RES	Paid \$300 on 8/1	60.79	88.81
2021703	COMM	Door Tag Due 8/15	169.59	89.06
2009073	RES	Landfill only- Discuss with Enviro Service to not allow any more charges.	31.00	110.43
2017638	RES	All meters turned off	17.32	147.75
2021698	COMM	Sending Certified Letter	293.98	150.39
2010679	RES	Paid \$523 on 8/2	-	229.57
2110168	HYDRT	Lost hydrant meter, move out	-	236.67
2013117	RES	Paid \$400 on 8/2, P/A on file	191.66	258.78
2009071	RES	All meters turned off	112.88	535.73
			3,441.73	1,847.19
			TOTAL \$	5,288.92

Los Alamos County Utilities Department
Receivables More than 60 Days Inactive
August 1, 2016

<i>YEAR</i>	<i>OUTSTANDING 8/1</i>	<i># OF ACCOUNTS</i>	<i>OUTSTANDING 7/1</i>	<i># OF ACCOUNTS</i>
FY12	22,027.17	75	21,907.17	74
FY13	16,911.86	73	17,031.86	74
FY14	31,529.17	99	31,357.44	100
FY15	42,308.17	108	43,450.71	111
FY16	31,150.34	188	41,107.76	234
FY17	13,475.54	85	-	-
TOTAL	\$ 157,402.25	628	\$ 154,854.94	593

NAME	DOI	REPT DT	TYPE	DESC	LOCATION	
			PD	Property Damage		
			BI	Bodily Injury		
			PI	Personal Injury		
New Mexico Consortium	07/21/16	07/21/16	PD	UT Elec. Truck backed into clmnt. bldg.	100 Camino Entrada	



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 8.G.1
Index (Council Goals): BCC - N/A
Presenters: James Alarid, Deputy Utilities Manager - Engineering
Legislative File: 8054-16

Title

Quarterly Conservation Program Update

Recommended Action

None

Staff Recommendation

None

Body

The Department of Public Utilities (DPU) conservation program accomplishments for the second quarter of 2016 are summarized below. These activities were coordinated and staffed by personnel from PEEC, under contract with the DPU.

April 8 & 15, 2016 - The second annual DPU Water Festival was held at UNM Los Alamos Campus. In conjunction with LANL, the City of Santa Fe, Office of the State Engineer, U.S. Army Corps of Engineers and others, the festival was held for all of the fourth graders in the Los Alamos Public Schools and local home schooled students. Interactive models, games and demonstrations were used to teach various aspects of water resources with an emphasis on water conservation.

April 23, 2016 - The DPU sponsored an educational booth at the Earth Day activities held at PEEC. The booth consisted of interactive models demonstrating solar power generation, hydroelectric power generation and thermo-electric power generation. The demonstrations were representative of the DPU's actual resources that power -up the community. Approximately 500 people visited the booth and participated in the well-received demonstrations.

June 11, 2016 - The DPU sponsored an educational booth at Los Alamos Chamber Fest 2016. In addition to the electric power generation demonstrations, DPU sponsored a 30 minute educational seminar with the Master Gardeners club on water conserving irrigation practices. Water conservations kits were distributed and a number of educational flyers.

July 16, 2016 - DPU sponsored an educational booth at the Los Alamos Science Fest 2016. The booth was extremely popular with a constant crowd taking advantage of the demonstrations, displays and educational materials. Well over 500 community members of all ages stopped by the booth.

Through-out the spring while school was in session, PEEC performed numerous age-specific educational presentations on water and energy conservation to LAPS students in the classroom and to school clubs. These outreach efforts with the schools and participation in community events have resulted in an estimated 2,271 student and adult educational contacts. A contact being present and/or participating in classroom or booth presentations.

Upcoming events include the Home Energy Expo on September 24, 2016 and resuming classroom presentations when school resumes in August.

Since the initiation of the tiered water rate we have gone through almost two irrigation seasons. We have assembled consumption data for this period and updated our 2014 baselines to produce up to date graphs of water use to evaluate any impact from the tiered rate and other trends that may reflect water conservation influences to the community's water use. Three graphs are attached that show consumption patterns for the various retail customers and LANL. Some of the notable trends are as follows, details provided in discussion.

- 2015 low consumption in retail due to precipitation.
- Trend reduced consumption for both LANL and Retail. LANL and DPU conservation efforts attributable in some part.
- Dramatic reduction in consumption for LANL 2015. Begin using effluent for cooling water for super-computing center.

Alternatives

None

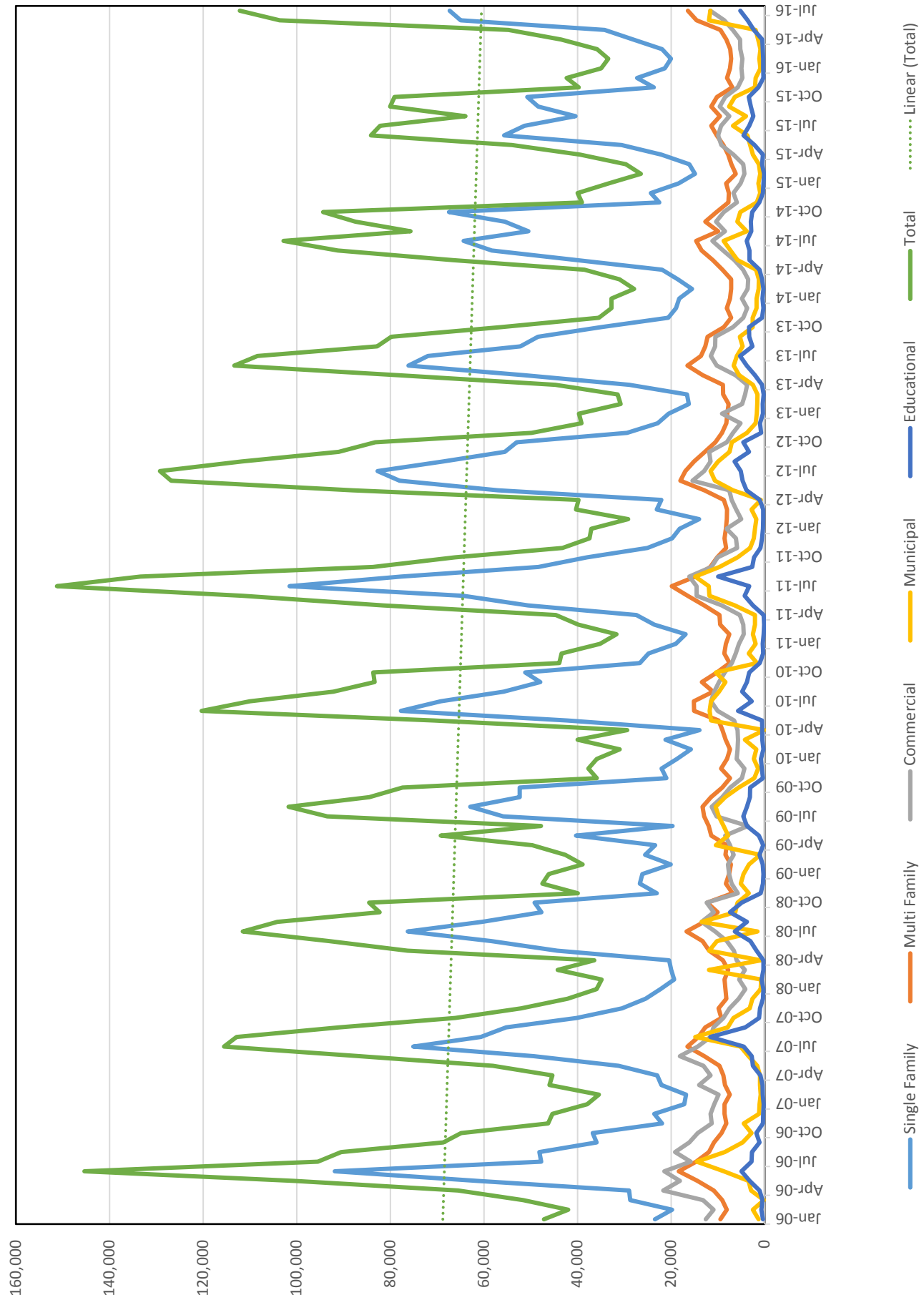
Fiscal and Staff Impact

None

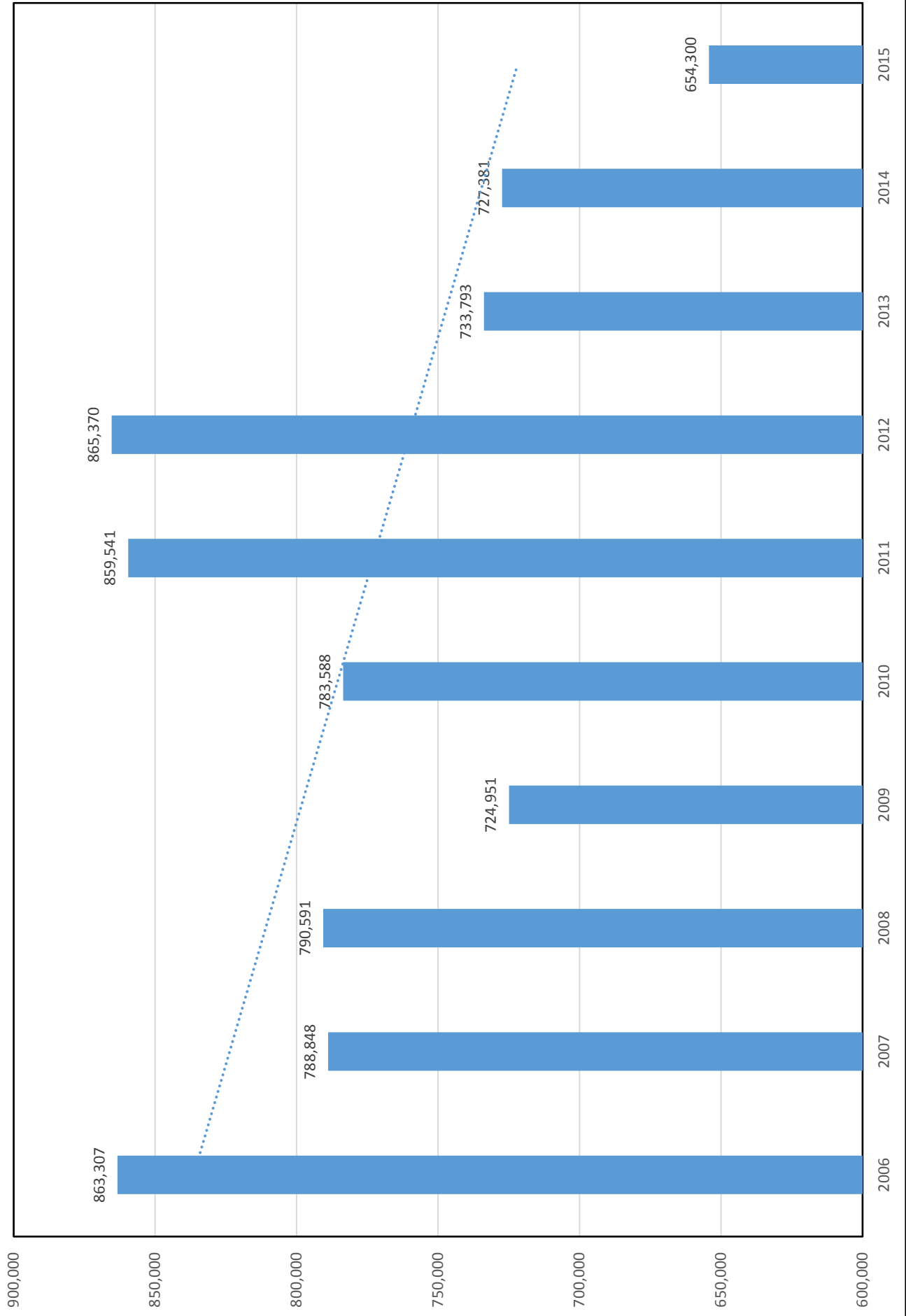
Attachments

- A - Graph 2006 - 2016 Consumption by Customer Class
- B - Graph 2006 - 2015 Total Annual Consumption (no LANL)
- C - Graph 2012 - 2016 LANL/Retail/Total Consumption

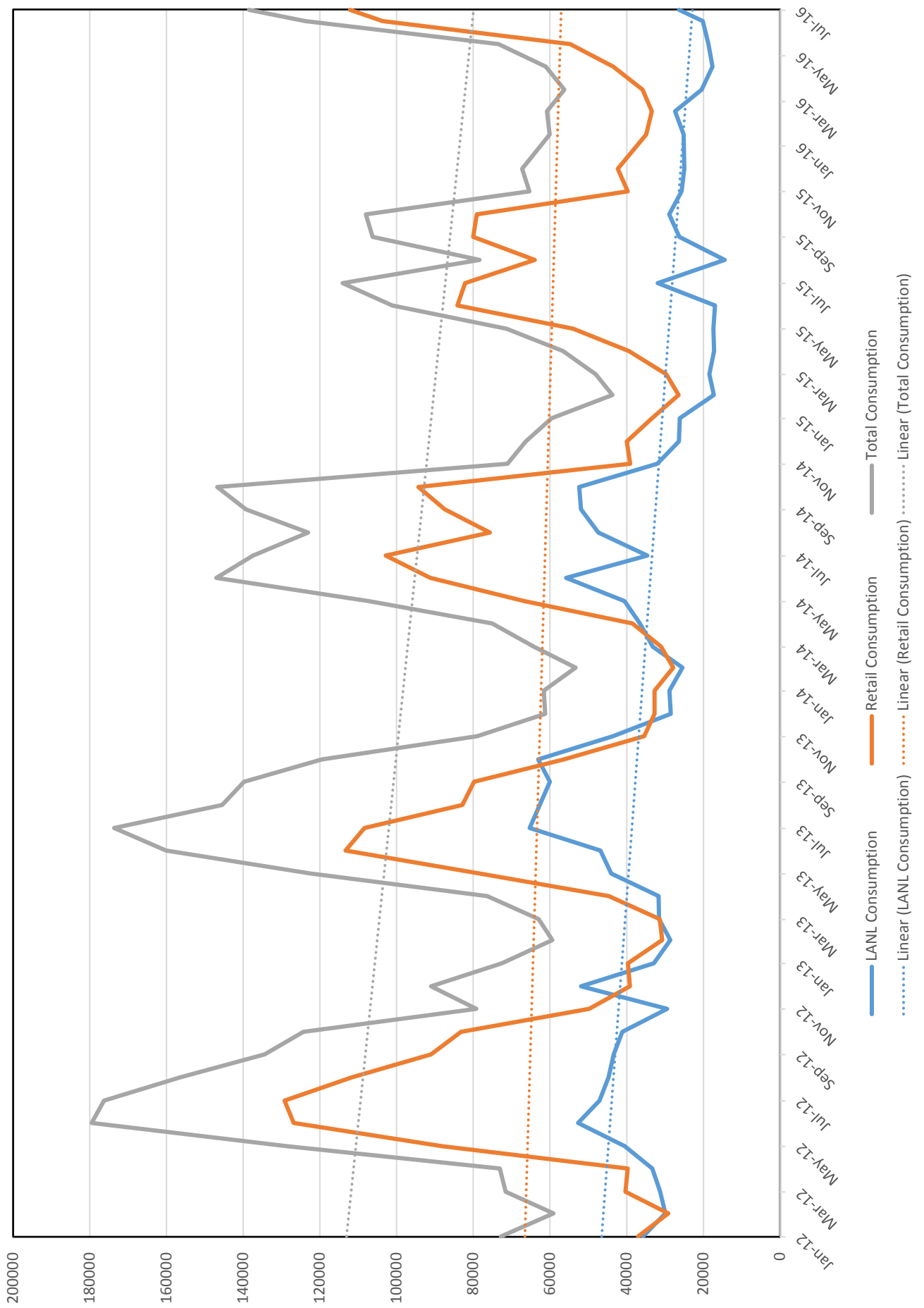
2006 to 2016 Water Consumption By Customer Class (1,000 Gallons)



Total Annual Consumption - Not Including LANL (Gallons X 1,000)



Retail and LANL Consumption 2012 - 2016 (1,000 Gallons)





County of Los Alamos

Los Alamos, NM 87544
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Staff Report

August 17, 2016

Agenda No.: 8.G.2
Index (Council Goals): BCC - N/A
Presenters: Jeff Johnson, Chair of the Board of Public Utilities
Legislative File: 7953-16

Title

Discussion Point for September BPU Annual Presentation with the Council

Recommended Action

Discussion only

Staff Recommendation

n/a

Body

Discussion Points - FY16 Initiatives

- Board of Public Utilities and Department of Public Utilities Accomplishments 2016
- Development of a Financial Policy Strategy
- Adoption of a goal for LAC to be carbon neutral in its electric production by 2040
- Approval of new partnership agreement in the San Juan Coal Plant that will last until the expiration of the LAC agreement
- Presentation of chromium plume remediation plan
- Completion of the Future Energy Report by a citizen sub-committee
- Adoption of a set of strategic initiatives derived from the FER report that will provide a path to carbon neutrality by 2040
- Adoption of a set of strategic initiatives derived from the FER report that will help provide a basis for managing distributed solar and other customer initiated power generation
- Development of a draft implementation plan for the FER recommendations as well as a draft schedule for implementation.
- Continuation of LAC/DOE discussion with UAMPS about inclusion in the NuScale generating station

Potential Future (FY17 and beyond) Efforts

- Approve and implement Financial policy
 - develop rate strategies to support policy, funding shortfalls and overages
- Continue working on FER Strategic Implementation Plan, including making near term decisions and recommendations that will influence future DPU initiatives
- Reviewing and providing comment to the development of the Integrated Resource Plan
- San Juan Generating Station decision points
- determination and Feasibility of of NUAMPS involvement

-
- investigation of expansion of utility-scale solar
 - investigation of solar garden
 - development of system model to determine maximum distributed solar penetration in LAC
 - drive rate structure
 - policy initiatives
 - county involvement and interaction
 - Smart meter implementation
 - keeping an eye on the power sharing agreement

Alternatives

n/a

Fiscal and Staff Impact

n/a

Attachments

n/a



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
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Agenda No.:	8.G.3
Index (Council Goals):	BCC - N/A
Presenters:	Jeff Johnson, Chair of the Board of Public Utilities
Legislative File:	8472-16

Title

Addition to the Board of Public Utilities Policy and Procedures Manual to Formally Add Adopted Strategic Initiatives as an Appendix Item

Recommended Action

I move that the Board of Public Utilities (BPU) adopt a change to the Los Alamos County Board of Public Utilities Policy and Procedures Manual that will be added as Section 4.8 and titled "Strategic Initiative". The text shall read as follows: In order to maintain control of strategic initiatives, the BPU shall formally add strategic Initiatives that have been adopted and approved by the BPU to the PPM in the appendix under a separate file titled "Strategic Initiatives of the BPU". These initiatives can be altered or removed from the PPM with a simple majority vote. If an initiative is removed it is no longer considered a formal strategic initiative of the BPU. Any member of the BPU can add to the agenda a business item to consider removal or alteration of a strategic initiative in the section.

Staff Recommendation

n/a

Body

This addition to the BPU PPM will provide a living forum to maintain all policy initiatives adopted by the BPU. It is important to retain these initiatives so future Boards can make sure they are adhered to and followed or formally removed as an initiative by the BPU as they are no longer considered important to the operation of the DPU.

Alternatives

BPU could reject this motion and maintain the PPM as currently written

Fiscal and Staff Impact

n/a

Attachments

n/a



County of Los Alamos

Staff Report

August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 8.G.4.
Index (Council Goals): BCC - N/A
Presenters: Tim Glasco, Utilities Manager
Legislative File: 8506-16

Title

Review of Department of Public Utilities Quarterly Report

Recommended Action

None

Staff Recommendation

None

Body

The Board requested that the quarterly report be presented each quarter, with salient features explained.

Alternatives

Information only, no alternatives presented.

Fiscal and Staff Impact

No staff or fiscal impact.

Attachments

At the time of agenda publication, the report was not yet ready to be included in the packet. Hard-copies will be provided to the Board at the meeting, and if it is available prior to August 17th, it will be e-mailed to the Board.



County of Los Alamos
Staff Report
August 17, 2016

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 8.I.1.
Index (Council Goals): BCC - N/A
Presenters: Board of Public Utilities
Legislative File: 8503-16

Title

Tickler File for the Next 3 Months

Attachments

A - Tickler File for the Next 3 Months



County of Los Alamos

Los Alamos, NM 87544
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Tickler

Criteria: Agenda Begin Date: 9/1/2016, Agenda End Date: 11/30/2016, Matter Bodies: Board of Public Utilities

File Number	Title	
Agenda Date: 09/21/2016		
AGR0435-16	General Services Agreement	05Consent
Approval of Amendment No. 3 to Services Agreement No. AGR 12-3856 with Los Alamos National Bank for a Revised Total Contract Amount of \$150,300.00, plus Applicable Gross Receipts Tax, for the Purpose of Lock Box Services and Ratification of the Original Contract and Two Previous Amendments and Payments Allowed to Date Thereunder Totaling \$97,600.00, plus Applicable Gross Receipts Tax.		
Department Name: DPU		Length of Presentation: NA
Drop Dead Date:		Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
AGR0454-16	General Services Agreement	05Consent
Approval of Services Agreement No. AGR____ with Diversified Data Processing & consulting Inc., dba DIVDAT in the amount of \$[amount], plus Applicable Gross Receipts Tax, for the Purpose of Utility Bill Printing and Mailing Services		
Department Name: DPU		Length of Presentation: NA
Drop Dead Date:		Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
8311-16	Briefing/Report (Dept,BCC) - Action Requested	06Business
Approval of Department of Public Utilities Revised Mission, Vision and Values, Strategic Objectives and Long Term Goals		
Department Name: DPU		Length of Presentation: Apx. 30 Min.
Drop Dead Date:		Sponsors: Tim Glasco, Utilities Manager
8418-16	Briefing/Report (Dept, BCC) - No action requested	06Business
Water System Needs and Cost Structure		
Department Name: DPU		Length of Presentation: Unknown
Drop Dead Date:		Sponsors: Jack Richardson, Deputy Utilities Manager - GWS Services
8439-16	Briefing/Report (Dept, BCC) - No action requested	08GGeneral Board Business
Proposal to Change Regular New Member Appointments to May Rather than June		
Department Name: DPU		Length of Presentation: Apx. 20 Min.
Drop Dead Date:		Sponsors: Jeff Johnson, Chair of the Board of Public Utilities
Agenda Date: 10/19/2016		
8458-16	Briefing/Report (Dept, BCC) - No action requested	06Business
Status and Implementation Plan for Financial Policies and Reserve Requirements		

File Number	Title	
	Department Name: DPU Drop Dead Date:	Length of Presentation: Apx. 30 Min. Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
8408-16	Briefing/Report (Dept, BCC) - No action requested Rate Philosophy and Development of a Rate Increase Policy Department Name: DPU Drop Dead Date:	06Business Length of Presentation: Apx. 30 Min. Sponsors: Tim Glasco, Utilities Manager and Andrew Fraser, Vice Chair Board of Public Utilities
7991-16	Briefing/Report (Dept, BCC) - No action requested Presentation of the 2016 Department of Public Utilities Employee Survey Results Department Name: DPU Drop Dead Date:	08GGeneral Board Business Length of Presentation: Apx. 10 Min. Sponsors: Julie Williams-Hill, Public Relations Manager
Agenda Date: 11/16/2016		
8047-16	Briefing/Report (Dept, BCC) - No action requested Begin 2016 Board of Public Utilities Annual Self-evaluation Department Name: DPU Drop Dead Date:	08GGeneral Board Business Length of Presentation: Sponsors: Jeff Johnson, Chair of the Board of Public Utilities
8055-16	Report Quarterly Conservation Program Update Department Name: DPU Drop Dead Date:	08GGeneral Board Business Length of Presentation: Apx. 10 Min. Sponsors: James Alarid, Deputy Utilities Manager - Engineering
7990-16	Briefing/Report (Dept, BCC) - No action requested Review of Department of Public Utilities Quarterly Report Department Name: DPU Drop Dead Date:	08GGeneral Board Business Length of Presentation: Apx. 10 Min. Sponsors: Tim Glasco, Utilities Manager