



County of Los Alamos

Council Meeting Staff Report

May 22, 2018

Agenda No.:	F.
Indexes (Council Goals):	2018 Council Goal – Quality Governance – Intergovernmental Relations – Strengthen Coordination and Cooperation Between County Government, LANL, and Regional and National Partners, 2018 Council Goal – Quality Governance – Operational Excellence – Maintain Quality Essential Services and Supporting Infrastructure Including Updated Enterprise Software and Permitting
Presenters:	Steve Cummins
Legislative File:	10694-18

Title

Recommendations and Possible Action Regarding Los Alamos County's Participation in the San Juan Generating Station Post 2022

Recommended Action

I move that Council authorize the Utilities Manager to notify the San Juan Project Participants in writing of the County's intentions to exit the station at the end of the current Project Participation Agreement.

Utilities Manager's Recommendation

The Utilities Manager recommends that Council approve the motion as presented.

Board, Commission or Committee Recommendation

The Board of Public Utilities recommends that Council approve the motion as presented.

Body

Per the New Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement (PPA) Among Public Service Company of New Mexico (PNM), Tucson Electric Power Company, The City of Farmington, New Mexico, The Incorporated County of Los Alamos, New Mexico and the Utah Associated Municipal Power Systems, section 40B.1 requires all of the project participants to notify PNM (Plant Operator) in writing whether they wish to extend the Coal Sales Agreement and term of the PPA beyond July 1, 2022.

On January 20, 2016, the Board of Public Utilities adopted several strategic Initiatives for Electrical Energy Resources. One of the recommendations was to “plan to exit San Juan Generating Station ownership share in the mid-2020’s, under the most opportune circumstances.”

In October of 2016, BPU approved a contract with Pace Global, a Siemens Business, to develop an Integrated Resource Plan (IRP), which was completed in August of 2017. The IRP identifies a preferred strategy for satisfying the County’s electric power requirements over the 2017 - 2036 timeframe while also meeting DPU’s goal of being a carbon neutral electrical energy provider by 2040. The IRP concluded the County need not rush to commit to new resources until several uncertainties regarding SMNR’s, solar and storage are resolved. A staged approach to add smaller and incremental capacity resources on a need basis provides overall cost benefits for the Los Alamos Power Pool (LAPP) and maintains the flexibility in the face of future uncertainties. Based on the projected market prices over the planning horizon, the IRP recommends exiting the San Juan Generating Station at the expiration of the current PPA on June 30, 2022.

The Operating Committee for the Electric Coordination Agreement (ECA) has agreed to exit the San Juan Generating Station on June 30, 2022 and purchase the replacement power from the market for

the remaining three years of the current ECA.

In addition to our IRP findings, the most significant finding of PNM's IRP is that retiring PNM's 497-MW share of SJGS in 2022 would provide long-term cost savings for PNM's customers.

As part of Tucson Electric Power Company's (TEP), longer-term portfolio diversification strategy, TEP also plans to exit San Juan at the end of June 2022.

Alternatives

The alternative to participate in the Project post 2022 is unlikely because of PNM's and TEP's plans to retire their ownership share of the station in June of 2022. As a result, the existing coal generating station will retire at the end of the current PPA in 2022.

Fiscal and Staff Impact/Planned Item

The fiscal impact associated with replacement power is expected to be minimal based on the current market prices. There will be some outside attorneys fees with the retirement of the station. Upon approval by Board and Council to exit the station, staff will issue a request for bids to supply block power for the remaining period of the ECA between June 2022 to June 2025. Working with the project participants to successfully retire the station and begin the decommission and reclamation activities will be included in the regular duties of the staff.