

Council Meeting Staff Report

October 19, 2016

Agenda No.:	6.A.
Indexes (Council Goals):	BCC - N/A
Presenters:	Steve Cummins
Legislative File:	AGR0467-16

Title

Approval of Services Agreement No. AGR17-10 with Siemens Industry, Inc. in the amount of \$311,000.00, plus Applicable Gross Receipts Tax, for the Purpose of Developing an Integrated Resource Plan and Approval of Related Budget Revision 2017-08

Recommended Action

I move that the Board of Public Utilities approve Services Agreement No. AGR17-10 with Siemens Industry, Inc., in a form acceptable to the County Attorney, in the amount of \$311,000.00 and a contingency in the amount of \$21,100.00, for a total of \$332,100.00, plus applicable gross receipts tax, for the purpose of Development of an Integrated Resource Plan. I further move that the Board of Public Utilities approve the related Budget Revision No. 2017-08 in the amount of \$132,100.00 and forward both to Council for approval.

Staff Recommendation

Staff recommends approval of the motion as presented.

Body

The County has partnered with DOE-LANL through the Electric Coordination Agreement (ECA) since 1985 to meet the electrical power needs of both parties. The current ECA expires June 30, 2025. This partnership is often referred to as the Los Alamos Power Pool (LAPP). Since 1985 the LAPP has developed and maintained a Power Supply Study, commonly referred to as an integrated resource plan, for planning purposes.

An integrated resource plan, or IRP, is a utility plan for meeting forecasted annual peak and energy demand, plus some established reserve margin, through a combination of supply-side and demand-side resources over a specified future period. IRPs compare the Levelized Cost of Electricity (LCOE) for generation resource options while also considering utility specific goals and objectives in the planning process.

While both Los Alamos County and Los Alamos National Laboratory believe it is beneficial to continue the ECA post 2025, a change in philosophy on generating assets will likely affect future agreements. Today, LANL and the County have different goals and objective to meet their current and forecasted energy demands. Each party is considering different replacement resources, either through owning generation assets or through power purchase agreements. In addition the County and DOE-LANL have different targets for reducing greenhouse gas emissions, particularly carbon dioxide emissions.

During the first quarter of 2016 the Board of Public Utilities adopted a Strategic Policy for Electrical Energy Resources and Distributed Energy Resources (DER) to meet our goal of being carbon neutral electrical energy provider by 2040. See Attachment C.

Because of the change in philosophy, DPU staff is recommending that the County have a new IRP developed with two primary objectives;

First, help guide near-term decisions under the requirements of the current ECA between LAC and DOE-LANL, while also recommending various options for a post 2025 ECA that may be beneficial to both parties.

Second, help guide near-term and long-term decisions in multiple areas as DPU implements the policies adopted by the Board of Public Utilities. The IRP will evaluate a comprehensive range of demand-side and supply-side resources over the period 2017-2036.

Currently DPU is evaluating our further participation through the Utah Association of Municipal Power Systems (UAMPS) in the Carbon Free Power Project (CFPP) developing a 600 megawatt capacity small modular reactor nuclear power plant. DPU is also faced with a decision on continued participation in the San Juan Generating Station post 2022. The IRP will assist DPU staff, Board and Council in making these decisions by looking at all of the options available to the County for meeting our electric demands while considering DPU's strategic initiatives. The IRP will compare options based on cost, stability and environmental stewardship.

A draft of the IRP is scheduled to be completed by March 1, 2017. DPU staff also plans on making a recommendation to the Utilities Board in March or April of 2017 on participation in Phase 2, Site Characterization, of the CFPP.

This contract will allow staff at their discretion to have the contractor provide an update of the IRP 18 to 24 months after its completion in 2017. The update will coincide with two critical decision points related to the San Juan Generating Station and further development of the CFPP using the most current information available at that time (i.e. cost of fuel, changes in environmental regulation and changes in technology options available). Should staff request this update, the cost is already included in the overall contract amount of \$311,000 and will not exceed \$100,000.

The development of the IRP will greatly assist staff in navigating the multitude of options available to the County for meeting their electrical energy resource needs while considering BPU's strategic initiatives.

Alternatives

If the board chooses not to approve this contract, DPU staff will need to rely on other methods of comparing generation resource options while considering the Strategic policies adopted by the board. The information used may be current but staff will not have the ability to change the variables to see what the cost of the alternatives may be over the planning period.

Fiscal and Staff Impact

This study was budgeted at \$200,000 in the FY2017 budget. A budget adjustment of \$132,100.00 is required.

Attachments

At the time of agenda publication, AGR17-10 was still pending legal review and was not yet ready. A hard-copy will be provided to the Board at the meeting.

A - Budget Revision 2017-08

B - Strategic Policies for Energy Resources