

## Council Meeting Staff Report

April 19, 2017

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<b>Agenda No.:</b>	7.A
<b>Indexes (Council Goals):</b>	BCC - N/A
<b>Presenters:</b>	Steve Cummins
<b>Legislative File:</b>	9267-17

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### Title

Presentation of Electric Production Budgeting Process

### Recommended Action

None

### Staff Recommendation

None

### Body

For the fiscal year 18 budget planning process, Electric Production used for the first time the County's standard 10-year financial forecasting template. This document proved to be too generic for the complex and dynamic nature of the cost for each electric generation resource in the County's portfolio.

Electric Production is of the opinion that its historic practice to reflect the 10-year financial forecast as the cost of power in the Electric Distribution 10-year financial forecast provides a better projection for the Board and County Council.

Electric Production recommends that for the fiscal year 19 and 20 budget planning process, it revert back to its practice of including financial forecasting in the cost of power for Electric Distribution and eliminate the County's standard 10-year financial forecast document for Electric Production.

The following describes how Electric Production arrives at the cost of power reflected in the Electric Distribution 10-year financial forecast:

### Electric Production Budgeting Process

Electric Production annually updates their 10-Year forecasted loads and generation resources to meet the electric demands of the Los Alamos Power Pool (LAPP) in accordance with the Electric Coordination Agreement. The planning process is ongoing with DPU's Asset Management Teams throughout the year in regards to the generation resources operated and maintained by DPU.

In October of each year the nine owners of the San Juan Generating Station (SJGS) meet and finalize the SJGS annual budget. Since SJGS serves approximately 40% of the Power Pools Load it carries a lot of financial weight in the DPU budget process. Also in October of each year the Laramie

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River Station (LRS) completes a similar exercise and submits the LRS O&M and capital budget to DPU for inclusion in the DPU budget.

In December of each year the Asset Management Teams hold their Governance meeting to present the proposed O&M and Capital budgets to senior management. This is where the AMT takes a close look at the resources operated and maintained by the County (i.e. Abiquiu, El Vado, PV/Battery System) and presents their findings to senior management to be included in the upcoming budget.

Per the Operating Procedures for the Electric Coordination Agreement (ECA), on January 15<sup>th</sup>, LANL submits their annual 10-year load forecast along with their proposed budget items on LANL's approved pool resources.

Electric Production Staff begins updating the Loads and Resources spreadsheet which upon completion feeds the 24 month budget sheets with the forecasted capacity and energy demands. The culmination of these efforts are the basis for the Electric Production draft budget which is presented to the Board of Public Utilities each year in February.

From February to March, staff firms up the budget inputs, such as, cost of market power, cost of natural gas, LANL load forecast updates from January submittal, etc.

From the BPU March budget approvals, staff works on the power pool 24-month budget. This effort is primarily to true up estimated capacity charges that were set at the beginning of the year with actuals. The reconciled capacity charge will be used in the upcoming fiscal year. The Operating Committee meets to discuss all capital projects proposed greater than \$50,000 and how we plan to meet the LAPP power demands. The Operating Committee approves the 24 month budget and forwards to the Contracting Authorities for Approval in the May/June timeframe each year. The Contracting Authorities are the DOE Contracting Officer and the County Council.

The 24 month Budget is actually a 10 year forecast but the Operating Committee and the Contracting Authorities only approve two years similar to the County's budgeting process. The 10 year forecast is prepared with the best information we have at the time. The cost of market power is greatly influenced by the cost of natural gas therefore, Electric Production continuously monitors the gas index pricing and gas futures pricing. The Laboratories load forecast is very dynamic from the planning of projects and programs to the actual load materializing. The commodity prices and load forecast place a lot of uncertainty in the forecasted budget beyond two years.

### **Alternatives**

N/A

### **Fiscal and Staff Impact**

Preparing the loads and Resources is a primary duty of Electric Production.

### **Attachments**

A - Presentation Slides of Electric Production Budgeting Process