

Council Meeting Staff Report

March 21, 2018

Agenda No.:	7.A
Indexes (Council Goals):	BCC - N/A
Presenters:	Steve Cummins
Legislative File:	10539-18

Title

Recommendations and Possible Action on Carbon Free Power Project (CFPP) Licensing Period Phase 1 Participation

Recommended Action

I move that the Board of Public Utilities approve and forward to the Los Alamos County Council the Carbon Free Power Project Power Sales Contract between the Utah Associated Municipal Power Systems, a political subdivision of the State of Utah, and the Incorporated County of Los Alamos, a political subdivision organized under the laws of the State of New Mexico.

Staff Recommendation

Staff recommends that the Board approve the Power Sales Contract as presented and forward to the County Council.

Body

BACKGROUND: At the recommendation of a citizen *ad hoc* committee and the direction of the BPU, the Department of Public Utilities (DPU) was tasked to continue participating in the Carbon Free Power Project (CFPP) as an option for meeting the County's power demands. The CFPP is being considered as a potential resource for replacing the County's coal generation assets and to meet a Board-approved goal for the DPU to be a carbon-neutral electrical energy provider by 2040.

Through DPU's membership with the Utah Associated Municipal Power Systems (UAMPS), staff has been following the development of the CFPP, which is a projected 600MW nuclear generating station to be built in Idaho using small modular reactor (SMR) technology. As it is being designed, the facility would house up to twelve SMRs developed by NuScale Power, each capable of generating up to fifty megawatts of electric power for a total plant capacity of 600MW. The County's share would be 8MW.

The following has been accomplished thus far:

- The County participated in the CFPP Project Study Phase and Siting Agreement (also referred to as the fatal flaw analysis). Findings - No fatal flaws were discovered in this phase, clearing the path for continued development.
- DPU surveyed its customers on how strongly they agreed or disagreed with Los Alamos County pursuing nuclear generation. Findings - 73% of residential and 60% of commercial customers agree or strongly agree that Los Alamos should pursue nuclear generation.
- DPU hired a third-party independent contractor to conduct an Integrated Resource Plan (IRP) to compare and weigh all of the options to serve the County's Electric Demand on a Levelized Cost of Energy (LCOE) basis, while meeting our carbon neutral goal. Findings - Solar with storage was determined to have the lowest LCOE among the options considered. The CFPP came in second at approximately 3.5% higher cost based on the \$65/MWh cap the participants have determined to be the maximum they're willing to pay. DPU is looking at a combination of these resources for a diverse portfolio.
- Several public meetings specific to the technology, project commitments, and IRP findings

have been held.

For more background information on the project please refer to the DPU's website:
<https://rebrand.ly/DPU-CFPP>

RECOMMENDATION

As stated previously, DPU **staff recommends that the BPU approve the Carbon Free Power Project Power Sales Contract (PSC).**

- 1. Commitment:** Should the County enter into the PSC, as DPU recommends, it is important to point out that the BPU and Council are not committing the County to participate through the construction of the CFPP; rather, the decision gives the County the ability to preserve the option to participate in this project if further development demonstrates the prudence of doing so.
- 2. Reimbursement:** In the immediate development term, during the first \$6 million of additional development costs for the project, the amount expended by UAMPS (approximately \$1.5 million after DOE and NuScale cost sharing) will be subject to 100% reimbursement if the UAMPS Project Management Committee (PMC) votes to terminate the project. (Note, DPU has a voting representative on the PMC.) The \$6 million cap is expected to be reached in the first quarter of 2019.

Upon the effective date as per Article II of the PSC, UAMPS will focus its efforts over the next year to subscribe 100% of the project capacity and to secure additional cost sharing from DOE for the completion of the combined construction and operating license application.

Based on the level of subscription and any additional cost sharing secured during this period, the PMC through a majority vote of the participating members will decide whether to proceed with the development of the project or terminate and seek reimbursement.

If Los Alamos County makes a unilateral decision to exit the project when the \$6 million cap is reached and the PMC, through a majority vote, decides to continue on with the project without Los Alamos, then the County's out-of-pocket cost ranges from \$0 to a maximum of \$80,000.

DPU will bring the project back to the BPU and County Council in March 2019 with another recommendation as to whether the County should proceed or exit the CFPP based on additional subscription and/or cost sharing secured.

Alternatives

DPU will continue to look at the alternative to meet the County's electrical energy demands.

Fiscal and Staff Impact

Maximum cost exposure is \$80,000.00

Researching new or replacement generation resources is part of staffs normal duties.

Attachments

A - LAC CFPP Option March 21 2018

B - Recap of Q&A from January 25 Carbon Free Power Project Meeting

C - Summary of major concerns From Jan 25 meeting and open forum

D - Open Forum Statements
E - Executive Summary of CFPP PSCs
F - Power Sales Contract
G - Certificate of Participation