

Council Meeting Staff Report

April 10, 2018

Agenda No.:	A.
Indexes (Council Goals):	2018 Council Goal – Quality Governance – Intergovernmental Relations – Strengthen Coordination and Cooperation Between County Government, LANL, and Regional and National Partners
Presenters:	Steve Cummins
Legislative File:	10640-18

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 the Carbon Free Power Project Power Sales Contract with the Budget and Plan of Finance between the Utah Associated Municipal Power Systems and the Incorporated County of Los Alamos, New Mexico and forward to the Los Alamos County Council with a recommendation to approve Resolution No. 18-09.

Staff Recommendation

Staff recommends that the Board approve the Power Sales Contract and the Amended Budget and Plan of Finance 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 are 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.
- Board and Council members are having one-on-one meetings with our legal representative, Richard Virtue and the county attorney's office to review the terms and conditions of the Power Sales Contract.

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.

If the PSC is approved, staff will provide updates to the Board and Council periodically over the next year as we approach the \$6 million spending cap to ensure there is sufficient time for discussion prior to the next decision point.

Alternatives

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

Fiscal and Staff Impact

The maximum cost exposure for the County, if we choose to exit the project at the next decision point, is \$80,000. If the County chooses to participate further into the project, the fiscal impact

increases as described in the attachments. The total County share is currently estimated to be approximately \$56 million if we stay in the project through construction completion. That cost would be financed by the project and the County would be repaying it as part of the purchase price of the power. The obligation to pay using electric system revenue may be viewed by bond rating agency and underwriters as a debt equivalency that could have some impact on future potential debt issues and related rating as described in the Accounting Treatment memo. Researching new or replacement generation resources is part of staffs' normal duties.

Attachments

- A - CFPP Resource Option Presentation 04-10-18
- B - Power Sales Contract and Budget and Plan of Finance
- C - Resolution No. 18-09
- D - Accounting Treatment of CFPP Power Sales Contract