

## Council Meeting Staff Report

June 19, 2019

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<b>Agenda No.:</b>	6.B
<b>Indexes (Council Goals):</b>	BCC - N/A
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	12020-19

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### Title

Approval of DOE/LAC Resource Pool Budget Adjustment for Fiscal Year 2019 Due to Cost of Purchased Power and Approval of Related County Budget Revision 2019-41

### Recommended Action

**I move that the Board of Public Utilities approve the 2019 Resource Pool budget adjustment and approve Budget Revision 2019-41 as presented and forward to the County Council for its approval. I further move that Budget Revision 2019-41 be included as an attachment in the minutes for the record.**

### Staff Recommendation

Staff recommends approval of these 2019 Resource Pool and County Budget Adjustments

### Body

The purpose of this \$2,500,000 budget revision is to increase the expenditure budget for Electric Production for other purchased power. The revision also increases DOE wholesale sales revenue for Electric Production since LANL will pay its pro-rata share of any increased costs, and increases transfers in for EP and transfers out for ED for the LAC portion of the cost.

The adjustment is due partially to market prices exceeding budget. Purchased power was budgeted using a "most likely cost" scenario developed by NNSA's power consultant, at \$25.00 per MWh. Actual purchases have averaged \$39.75 per MWh for the fiscal year. In addition, the Pool has as needed to purchase more power on the market than was originally budgeted. This is because the scheduled outage at the San Juan Plant was extended beyond its originally scheduled duration. The revision amount is based on current prices and projected power needs

Due to agenda documentation deadlines, this budget adjustment was not approved by the Operating Committee when this staff report was prepared, but is scheduled for approval by the Operating Committee on June 13, 2019. Should that approval not happen, this item will be pulled from the June 19, 2019 Board agenda.

### Alternatives

We have existing underruns in other line items so may not need this additional expenditure authority, but depending on LANL and LAC loads and market costs of purchased power, we feel it is prudent to ensure adequate spending authority in advance. If this budget adjustment is not approved by the Board and Council, we risk exceeding our budget authority or will have to curtail other budgeted initiatives to ensure we have adequate spending authority overall for the fiscal year. We are contractually obligated to supply adequate power to meet LANL loads, so simply curtailing power purchases is not an option. As noted above, LANL will pay its pro rata share of additional power costs, which is reflected in the revenue adjustment included with this item.

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### **Fiscal and Staff Impact**

The net fiscal impact to the Joint Utilities Fund is a \$2.5 million increase to expenditures, a \$2 million increase to revenue and a decrease of \$500,000 to fund balance. The transfers in and out net to \$0 because Electric Production and Electric Distribution are sub funds of the Combined Electric Fund. Due to the Power Pool, DOE pays approximately 80% of this increased purchased power cost.

### **Attachments**

A - Budget Revision 2019-41

B - YTD budget to actuals summary for EP