

Electric Coordination Agreement
Performance Work Statement

Between the U.S. Department of Energy/National Nuclear Security Administration
And

Incorporated County of Los Alamos
Contract Number: 89233126CNA000436

BACKGROUND:

The Department of Energy and the Los Alamos County have enhanced their electricity and electrical system capabilities through a joint effort, specifically by leveraging combined power generation and transmission resources for the economic dispatch of power and energy. Founded on a long-standing partnership, this collaboration has served as a strategic framework, enabling both entities to realize substantial efficiencies in the collaborative management, planning, acquisition, and maintenance of their electrical generation and distribution assets and needs. The benefit is achieved by pooling these resources and expertise, leading to optimized operational costs and improved system reliability.

PART I - THE SCHEDULE

SECTION A - SOLICITATION/CONTRACT FORM

A.1 [Insert SF 33, SF 26, or other appropriate form for contract award]

SECTION B - SERVICES AND PRICES/COSTS

B.0 CONTRACT TYPE

- (1) This is a Fixed Price Cost Sharing arrangement for the coordination and management of electric resources.
- (2) This section describes the supplies or services to be furnished hereunder and their prices or costs.

B.1 ACCOUNTING FOR RESOURCE COSTS

- (1) The costs of providing the Approved Resources described in Section C.1(1) shall be accounted for in the Resource Accounting Pool. The costs and charges allowable for inclusion in the Resource Accounting Pool are set forth in Attachment 1, Exhibits. The uniform system of accounts as approved from time to time by the Federal Energy Regulatory Commission (FERC) shall be used to record costs for Approved Resources.
- (2) A cost incurred audit of charges to the Resource Accounting Pool will be arranged annually by the Incorporated County of Los Alamos (County). This audit will be completed by an independent auditor acceptable to both Parties unless it can be demonstrated that an audit can be completed by the Defense Contract Audit Agency or the U.S. Department of Energy/National Nuclear Security Administration (DOE/NNSA) Office of Inspector General within one (1) year of the end of the Pool Fiscal Year to be audited. If the audit is performed by an independent auditor, the costs of such audit will be included in the Resource Accounting Pool.
- (3) Either Party may request a review, in addition to the annual audit, of the expenses that have been included in the Resource Accounting Pool, and the Party making the request will be responsible for all costs associated with such review. The allowability of DOE/NNSA's variable and miscellaneous costs (those which are not a fixed charge or established by formula) shall be consistent with DOE/NNSA's full cost recovery policy as set forth in 10 Code of Federal Regulations (CFR) Part 1009 except that no DOE/NNSA added factor shall apply. The allowability of the County's variable

and miscellaneous costs (those which are not a fixed charge or established by formula) shall be consistent with the Contract Cost Principles and Procedures as set forth in 48 CFR Subparagraph 31.6 (Office of Management and Budget (OMB) Circular No. A-87 Revised).

- (4) The Parties agree to assign all relevant costs of the Los Alamos Power Pool in accordance with appropriate accounting principles and cost recovery methods mentioned under B.1 *Accounting for Resource Costs*. However, if actual energy costs are lower than the around-the-clock day-ahead Palo Verde index price plus \$2.00 for net energy delivered through the transmission network from each County owned generating resource or approved long-term power purchase agreement included herein for the month, then the Parties agree to split the difference based on the formula below:

(a) Definitions:

- PVI = Palo Verde Index
- COR = County Owned Resources Total Energy Cost / MWh from the Component Cost Summary

(b) Formula:

- If $COR < PVI + 2$, then $((PVI + 2) \text{ minus } COR) \text{ divided by } 2 = \text{Difference applied to DOE}$

- (5) Qualifying resources for this accounting treatment are resources that the County has a long-term stake in and liabilities that either extend or are not in line with the contracting period. Examples of qualifying resources are set forth in Exhibit 2, *County Approved Resources*.
- (6) If actual energy costs are higher than the around-the-clock day-ahead Palo Verde index price plus \$2.00 on a weighted average basis for the month, then the Parties agree that no further adjustment will be applied as current accounting methods will split the total energy costs on a pro rata basis according to actual energy used. Transmission, capacity, or demand costs will be allocated to the Parties pursuant Section B.3.

B.2 MISCELLANEOUS COSTS

- (1) Except as provided herein, all costs associated with personnel, procurement, management, and administration that are not directly related to the combined operation of Approved Resources shall be borne separately by each Party. All individuals directly involved in Los Alamos Power Pool activities shall maintain hourly time records as support for charges reimbursed by the Resource Accounting Pool. Exhibit 3, *Miscellaneous Costs of Mutual Benefit*, sets forth miscellaneous costs of mutual benefit to the Parties that will be allowable in the Resource Accounting Pool.
- (a) Additions, deletions, or changes of any costs to the Resource Accounting Pool will be presented to the Operating Committee for consideration and approval. If it is determined a modification to the contract is required, then the Contracting Officer will issue a Bi-lateral modification. Exhibit 3, *Miscellaneous Costs of Mutual Benefit*, will be updated as the contract is modified to reflect recurring cost items, as needed.
- (2) Each Party shall bear all costs associated with its respective 115/13 kilovolt (kV) transformation and 13 kV distribution facilities. At several locations, however, it is advantageous to connect load to the distribution network of the other Party and thereby avoid an unnecessary duplication of facilities. Operating Procedure B8, *Customer Related Costs*, provides the facilities charge for monthly cost of service responsibility associated with the County's use of DOE/NNSA's distribution facilities. Such costs are to be accounted for as part of the Resource Accounting Pool.

B.3 ALLOCATION OF RESOURCE COSTS

- (1) Costs included in the Resource Accounting Pool pursuant to Section C.1(1)(a) below, and B.2 above shall be classified as demand-related, energy-related, or customer-related, or a combination thereof, consistent with the classification as shown in the monthly billing statement. Demand-related costs shall be allocated each month between the two Parties based on the ratio of each Party's billing demand to the sum of both Parties' billing demands for the applicable month.
- (2) For the term of the contract the following billing demand shall apply to the Approved Resources that exist during the time period:
 - (a) Billing demand for each Party is the higher of that Party's actual demand at the time of the coincidental monthly system peak during the billing month, or 83% of that Party's actual demand at the time of the highest coincidental monthly system peak during the preceding eleven months.
- (3) The following billing demand shall apply to the Approved Resources:
 - (a) Billing demand shall be each Party's actual demand at the time of the coincidental monthly system Los Alamos Service Area peak during the billing month. However, if in any month when the combined demand of the Parties is less than 164 megawatts (MW) then the following demand ratchet provision shall apply:
 - i. The billing demand of each Party shall be the higher of a) that Party's actual demand at the time of the coincidental monthly peak during the billing month, or b) 83% of that Party's actual demand at the time of the highest coincidental peak during the preceding eleven months. Provided, however, if any such resulting computation under b) yields a computed demand greater than 110 MW for DOE/NNSA, then 110 MW shall become the DOE/NNSA's billing demand. Likewise, if any such resulting computation under b) yields a computed demand greater than 22 MW for the County, then 22 MW shall become the County's billing demand.
 - (b) The Parties may negotiate a different cost allocation procedure for any future Los Alamos Power Pool resources funded by the County, or for the fixed costs associated with any additional long-term power purchase or transmission commitment made to expand Los Alamos Power Pool resources.
 - (c) Energy-related costs shall be allocated based on the ratio of a Party's energy consumption during the month to the combined total consumption for the month. Customer-related costs shall be allocated between the Parties as appropriate to each cost item as described under the Operating Procedure B8 *Customer Related Costs* or as mutually agreed by the Operating Committee. The County will make invoice adjustments in accordance with the Operating Procedure B4, *Adjustments for Prior Period Invoiced Corrections*.
 - (d) The Parties agree to annually assess, in good faith, requirements for Long-Term Capacity Resources and Short-Term Capacity Resources, through evaluation of historical experience, Monthly Demand Projections and minimum Long-Term Capacity Requirements. A similar review shall also be made at other times whenever a previously unanticipated load reduction or load increase of 5 MW or more occurs or is projected to occur. Through such capacity assessments, the Parties agree to determine if excess Long-Term Capacity exists, which is capacity in excess of the lowest amount of Long-Term Capacity Resources required to satisfy the Minimum Long-Term Capacity Requirements for all months within the Resource Planning Horizon.

- (e) If excess Long-Term Capacity is determined to exist throughout the Resource Planning Horizon, each Party agrees to pursue available options to dispose of their excess portion of the appropriate Long-Term Capacity Resource(s). If an offer is received, acceptable to both Parties, the disposition of the excess capacity will be so handled.
- (f) Alternatively, if an offer, projected to produce a net savings to the Los Alamos Power Pool throughout the full Resource Planning Horizon, is received that is acceptable to one Party and not the other, the Parties shall develop specific terms and conditions to reapportion cost responsibilities and revenue benefits, such that the Party that determines the offer is unacceptable shall be assigned the associated cost responsibility and revenue benefits.
- (g) The County shall not be required to accept any offer (or penalized hereunder for refusing to accept an offer) to dispose of Long-Term Capacity Resources if the acceptance of such offer would adversely affect the status of any outstanding County Bonds as exempt for inclusion in gross income for federal income tax purposes. If the Parties are unable to dispose of such Excess Long-Term Capacity, then the cost associated with the Approved Resource shall continue to be shared as a Los Alamos Power Pool cost.

B.4 CLASSIFICATION OF EXPENDITURES

- (1) The Parties recognize that expenditures incurred will be classified as either capital, operating and maintenance, or repairs. Assets may include facilities owned by others but claimed as a resource, for example, hydro-generating facilities.
- (2) Capital expenditures are funds used by a Party or the Parties to acquire or upgrade physical assets such as property, buildings, or equipment. An expenditure is considered to be a capital expenditure when the asset is a newly acquired capital asset or an investment that materially increases the value or the useful life of an existing capital asset.
- (3) Notwithstanding this classification, projects with total cost less than \$250,000 will shall be included in the Los Alamos Power Pool in the period(s) costs are incurred. Except as discussed below, Capital Projects and Operations and Maintenance (O&M) expenditures costing \$250,000 or more will be charged to the Resource Accounting Pool over a recovery period to be negotiated on a case-by-case basis and added to the fixed charges for the relevant Los Alamos Power Pool Approved Resource through (1) written modification to the relevant exhibit to this contract or (2) approval of the Contracting Officer and County Authority of such fixed charge within the Resource Accounting Pool's 24-month budget.
- (4) O&M expenditures are activities related to the performance of routine, preventative, predictive, scheduled, and unscheduled actions aimed at preventing equipment failure or decline with the goal of increasing efficiency, reliability, and safety.
- (5) Repair expenditures are costs incurred to bring an asset back to an earlier condition or to keep the asset operating at its present condition (as opposed to improving the asset).

B.5 NET COST RESPONSIBILITY AND PAYMENT

The Parties' costs and charges as allowed in the Resource Accounting Pool and the Parties' allocated share of costs of the Resource Accounting Pool shall be determined monthly in accordance with the Operating Procedures. The Parties will agree on a method for calculating the cost of electric service to the Parties and the related net payment.

B.6 RENEWABLE ENERGY CERTIFICATES (RECs) AND OTHER ATTRIBUTES

The Parties recognized that Long-Term Capacity Resources and Short-Term Capacity Resources may have associated RECs and Renewable Attributes. RECs and Renewable Attributes will be allocated as agreed upon by the Operating Committee to the mutual benefit of the Parties. Each Party can purchase RECs as needed, and they will be solely responsible for the costs associated with those RECs.

SECTION C - DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK

This section describes the work to be performed.

C.1 STATEMENT OF SERVICES

(1) Resources

(a) *Contribution and Usage of Capacity and Energy.*

- i. Section C.1(1)(d) and Attachment 1, Exhibits, identify the respective Approved Resources which are contributed by DOE/NNSA and the County for electrical service to the Los Alamos Service Area. Each Party shall be separately responsible for all arrangements necessary for the acquisition, transportation, operation (including fuel costs) and maintenance of its respective resources. All capacity and energy requirements of DOE/NNSA and the County within the Los Alamos Service Area and during the term of this contract shall be first satisfied from the Approved Resources. Notwithstanding the foregoing, and pursuant to the Operating Procedures, other resources may be used to furnish the loads of the Parties otherwise required to be first served from the Approved Resources when such other resources are found to be economically beneficial to both Parties.
- ii. The County and DOE/NNSA agree to give notice to one another of meetings or proceedings with third Parties involving matters that could significantly alter established Resource Accounting Pool cost responsibilities. The County and DOE/NNSA agree to designate representatives who are to be notified of such meetings and proceedings. Said representatives shall consult one another to determine whether the Party receiving notice should attend. Such notice should be given to the other Party at least forty-eight hours prior to the meeting.

(b) *Priorities.*

- i. For purposes of establishing priority of deliveries in the event of curtailment of Approved Resources. Priority of use of Approved Resources shall be allocated in accordance with the Operating Procedures, C10 *System Operation and Load Shedding*. The Operating Committee will develop and periodically review such priority plans to ensure resources are allocated to give priority to human needs, health, safety, and security needs.

(c) *Continuity of Service.*

- i. Each Party will use every reasonable means consistent with prudent utility practices to provide its Approved Resources on a regular and uninterrupted basis, but neither Party shall be liable to the other for failure, suspension, diminution, or other variations of service occasioned by any cause beyond its control and without willful misconduct or gross negligence. Such causes may include, but are not restricted to, acts specified in FAR Clause 52.249–14, Excusable Delays.

- ii. The Parties recognize that temporary service interruptions or reductions may be necessary for the purpose of maintenance, repairs, replacements, installation, or inspection of equipment and facilities. Either Party will give the Operating Committee, except in case of emergency, reasonable advance notice of such temporary interruptions or reductions and will minimize to the extent practicable the duration of such interruptions or reductions.

(d) *Additional Approved Resources.*

- i. In the event either Party desires to add additional Approved Resources beyond those defined in Attachment 1, Exhibits, such additions may be incorporated into this contract by modification, provided the Parties mutually agree upon the terms and conditions and cost allocations for the addition of such Approved Resources. The Government will submit the modification to the Los Alamos County for approval per Section G.1.
- ii. The Parties recognize under the terms of the County's Network Integrated Transmission Service Agreement (NITSA) with Public Service Company of New Mexico (PNM) that PNM has the utility responsibility to provide off-site transmission facilities on a timely basis to serve projected Los Alamos Service Area load growth and service reliability needs. In recognition of this PNM obligation, the Parties may request PNM to evaluate the projected needs of the Los Alamos Service Area and complete all necessary system improvements required to address the growth and service reliability needs of the Los Alamos Service Area and the surrounding area.
- iii. The Parties recognize that carbon-free power supply resources may be required by either Party. Such energy supply facilities and/or contracts necessary to meet these requirements shall be included as Approved Resources. The Parties agree to provide for cost recovery through the Resource Accounting Pool pursuant to the operational and cost-recovery guidelines set forth in Attachment 1, Exhibits, depending upon which Party(s) contracts for such carbon-free power supply resources.
- iv. The Parties recognize the need to provide flexibility to enter power purchase arrangements to meet longer-term capacity needs. The Parties agree that subject to the advance concurrence of the contracting authorities, authorized power purchase contracts will be Approved Resources under the Los Alamos Power Pool. The Parties agree to submit a modification to their respective contracting authorities to add the new resource to this contract. The Parties agree to provide for cost recovery through the Resource Accounting Pool pursuant to the operational and cost-recovery guidelines set forth in Attachment 1, Exhibits, depending upon which Party(s) contracts for the resource(s).
- v. A list of Approved Resources and Special Purpose Approved Resources (SPARs) under this contract is attached hereto as Attachment 1, Exhibits.

(e) *Infrastructure Investment*

The County shall provide written notice to DOE/NNSA within 60 days identifying any proposed additional electric production, transmission, or storage facilities ("New Facilities") for investment under this contract. Such notice may include: (i) a full description of the proposed

New Facilities; (ii) any impact on services, rates, or terms and conditions of service to DOE/NNSA; (iii) the required commitment period for the investment; and (iv) whether any contract modifications will be necessary. The Contracting Officer shall meet with the County within thirty (30) days of receiving such notice to discuss the proposed County investment and its impacts on DOE/NNSA rates.

If, following consultation and DOE/NNSA agreement, the County proceeds with the investment in any New Facilities, any resulting changes to rates or terms and conditions of service shall be incorporated into this contract by modification.

If the County proposes a long-term modification to add New Facilities, which may exceed the term of this Contract, the parties may review additional options outside this Contract such as involving Western Area Power Administration (WAPA), to facilitate the addition of New Facilities.

(2) Metering

- (a) All metering equipment shall be of standard manufacture and adequate to establish accurately the monthly kilowatt-hour energy use of each Party and to provide a reasonably accurate determination of each Party's contribution to the coincidental monthly demand. All meters measuring loads greater than 25 kilowatts (kW) shall measure and store 60 days of interval-by-interval load data.
- (b) Each Party will be responsible to furnish, install, maintain, and calibrate (if necessary) all meters for assets or resources they own, operate, and manage. Approved assets/resources Attachment 1, Exhibits, and further include additional Approved Resources added pursuant to Section C.1(1)(d). All meter readings shall be in accordance with the Operating Procedures, C7, *Metering*. If any meter fails to register or registers incorrectly, the quantity of service delivered through it shall be estimated based upon the best available information or historic and/or current usage. Each Party shall have the right to inspect all meter installations and billing data derived from the meters.
- (c) For the purpose of determining cost allocation factors for the Resource Accounting Pool, all metered quantities shall be adjusted for losses to reflect usage quantities at the system input points, which are defined as the dead-end structure on the east side of the Rio Grande river crossing of the Norton-ETA 115 kV line, the STA end of the BA – STA 115 kV Line, the net output of on-site generation, including the LANL Technical Area (TA) – 03 combustion gas turbine generator, the two 1 MW diesel engine generators and the 1 MW Photovoltaic (PV) at TA-61, as metered at the points of connection to the Los Alamos 13 kV system.

(3) Scheduling Agent Services

The County shall provide economic dispatch, scheduling agent services, load serving entity functions, accounting, and administrative services on behalf of Los Alamos Power Pool and shall be paid in accordance with Section B.1, *Accounting for Resource Costs*.

SECTION D - PACKAGING AND MARKING

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SECTION E - INSPECTION AND ACCEPTANCE

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SECTION F - DELIVERIES OR PERFORMANCE

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SECTION G - CONTRACT ADMINISTRATION DATA

G.1 CONTRACT ADMINISTRATION

- (1) The Contracting Officer serves as the contracting authority for the DOE/NNSA, and the County Council will serve as the contracting authority for the County. The responsibilities of the contracting authority shall include, but are not necessarily limited to, the following:
 - (a) Final approval of all contract modifications and 24-month budget put forth by the Operating Committee.
 - (b) Approval of all additions to, or deletions of, Approved Resources.
 - (c) Approval of the updated Operating Procedures will occur every five (5) years, which shall include policies for disposal of surplus power, economy energy transactions, short-term power purchases, emergency power purchases, and negotiations and agreements related thereto. Modifications or revisions that do not significantly impact the overall operations will be approved by the Operating Committee then documented in the five-year update to the Operating Procedures for contracting authority approval.
 - (d) Resolution of issues that cannot be resolved by the Operating Committee. Any issue that cannot be resolved by the Contracting Officer shall be resolved under the provisions of the Disputes Clause.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

H.1 REAL PROPERTY ACCESS

- (1) DOE/NNSA hereby grants to the County, free of any rental or similar charge, a revocable access permit to the delivery points for any proper purpose under this contract, including use of the site or sites agreed upon by the Parties hereto for the installation, operation, and maintenance of the facilities of the County required to be located upon DOE/NNSA's premises. Authorized representatives of the County will be allowed access to the facilities of the County located within the DOE/NNSA premises at suitable times to perform the obligations of the County with respect to these facilities. It is expressly understood that the DOE/NNSA may limit or restrict the right of access herein granted in any manner considered to be necessary for national security.
- (2) The County hereby grants to DOE/NNSA, free of any rental or similar charge, a revocable access permit to the delivery points for any proper purpose under this contract, including use of the site or sites agreed upon by the Parties hereto for the installation, operation, and maintenance of the facilities of DOE/NNSA required to be located upon County premises. Authorized representatives of DOE/NNSA will be allowed access to the facilities of DOE/NNSA located within County premises at suitable times to perform the obligations of DOE/NNSA with respect to these facilities.
- (3) Any facilities installed pursuant to the contract shall be and remain the property of the Party installing them notwithstanding that the same may have been affixed to the premises, and each Party shall have a reasonable time after the expiration of this contract in which to remove its facilities so installed; provided, however, that each Party shall have the option of abandoning any of its facilities in place and/or leaving such facilities in place until service comparable to that provided for hereunder is otherwise obtained. Either Party may require that facilities that have been installed by

the other Party remain in service until a reasonable amount of time has been allowed for the affected Party to replace those facilities.

- (4) DOE/NNSA and the County entered into a joint use license agreement (M20NA70289) that will run concurrently with this contract. The Parties have a mutual interest in providing existing space within individually owned facilities to accommodate both the primary control room and back-up control for the shared Supervisory Control and Data Acquisition (SCADA) system.
- (5) DOE/NNSA granted a ground lease (DERP-M1NA27945) to the County for the operation and maintenance of the photovoltaic project at TA-61. It will expire on October 31, 2036, with a renewal option for an additional twenty-five (25) year term upon request by the County.

H.2 WESTERN ELECTRICITY COORDINATING COUNCIL (WECC) COMPLIANCE

- (1) The WECC is the Regional Entity for the Western Interconnection responsible for compliance monitoring and enforcement. DOE/NNSA is registered as a Distribution Provider (DP) with WECC. As a registered entity, DOE/NNSA is responsible for compliance with all requirements of the WECC standards that are applicable to their function for which they are registered. The DOE/NNSA owns, operates and maintains the primary and back-up control room(s) for the Supervisory Control and Data Acquisition (SCADA) system. The SCADA system and the Backup Control Center (BCC) provide a critical function needed to meet the WECC requirements related to the Critical Infrastructure Protection and cybersecurity requirements.
- (2) The Parties agree to the following terms to ensure compliance with the applicable WECC standards and/or requirements:
 - (a) Each Party shall comply with the North American Electric Reliability Corporation (NERC) and WECC standards where applicable. DOE/NNSA will notify the County of new standards or modifications to standards as applicable. The Operating Procedures will be updated to identify the requirements and who is the responsible Party to implement, as necessary.
 - (b) As the registered entity with WECC, DOE/NNSA shall be the lead Party responsible for the annual self-certification including (1) communication with WECC regarding any issues or concerns; (2) submitting the required documentation; and (3) coordinating with the County in a timely manner. The County shall provide the appropriate documentation to support DOE/NNSA within the required timeframes as communicated by DOE/NNSA.

H.3 COOPERATION OF THE PARTIES

If, in the maintenance of their respective resources and the utilization thereof for the purposes of this contract, it becomes necessary by reason of any emergency or extraordinary condition for either Party to request the other to furnish personnel, materials, tools, and equipment for the accomplishment thereof, the Party so requested shall cooperate with the other and render such assistance as the Party so requested may determine to be available. The Party making such request, upon receipt of properly itemized bills from the other Party, shall reimburse the Party rendering such assistance for all costs, properly and reasonably incurred by it in such performance, consistent with the policies and principles set forth in Section B.1, Accounting for Resource Costs.

PART II SECTION I - CONTRACT CLAUSES

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PART III - LIST OF DOCUMENTS, EXHIBITS, AND OTHER ATTACHMENTS

LIST OF PWS ATTACHMENTS

- (1) The following documents, exhibits, and other attachments are incorporated into this contract:
ATTACHMENT 1: EXHIBITS

ATTACHMENT 1

EXHIBITS

Exhibit 1: DOE/NNSA Approved Resources and SPARs

- 1.1 Technical Area-03 Combustion Gas Turbine Generator (CGTG)**
- 1.2 DOE/NNSA Power Purchase Agreement Contracts**
- 1.3 DOE/NNSA Transmission and Substation Facilities**

Exhibit 2: County Approved Resources

- 2.1 Laramie River Station**
- 2.2 El Vado Hydroelectric Plant**
- 2.3 Abiquiu Hydroelectric Plant**
- 2.4 County Power Purchase Contracts**
- 2.5 County 1 MW Photovoltaic Installation at the Technical Area-61**
- 2.6 Foxtail Flats Photovoltaic and Battery Storage Project**
- 2.7 County Substation and Switching Facilities**

Exhibit 3: Miscellaneous Costs of Mutual Benefit

Exhibit 4: Method for the Cost Determination of DOE Distribution Facilities

Exhibit 5: San Juan Generating Station and Mine Reclamation

Exhibit 1: DOE/NNSA Approved Resources and SPARs

This Exhibit describes DOE/NNSA-owned electric utility resources which are included in the Resource Accounting Pool as either Approved Resources or SPARs.

1.1. Technical Area-03 Combustion Gas Turbine Generator (CGTG) SPAR

Description: The DOE/NNSA installed a Combustion Gas Turbine Generator (CGTG) adjacent to the Los Alamos TA-03 Steam Plant. The unit is incorporated in the Resource Accounting Pool as a SPAR, with a modified cost recovery schedule, not a full cost recovery Approved Resource. The Combustion Turbine is natural gas fired and will be operated and maintained to primarily support LANL energy needs.

Cost Recovery: DOE/NNSA accepted full fiscal responsibility for the arrangements to fund the Combustion Turbine. When the Combustion Turbine is utilized for Los Alamos Power Pool capacity purposes, DOE/NNSA will be given a credit equal to the cost of the fuel at the time of generation when operation is authorized by the MOP and a fixed fee to cover operations and maintenance and capital costs (O&MC), expenditures. The fixed O&MC cost will be reviewed and updated annually by DOE/NNSA and adjusted as part of the annual budget submittal. As a SPAR, the Combustion Turbine may be asked to curtail operations to achieve balancing on the system. Every effort will be made to manage balancing of the Los Alamos Power Pool's respective service territory before asking to curtail the Combustion Turbine.

1.2. DOE/NNSA Power Purchase Agreements

A. DOE Firm Electric Service Agreement No. DE-AC0489AL45747 (17-SLC-0885)

DOE/NNSA has an allocation of WAPA Salt Lake City Area Integrated Projects (SLCA/IP) firm power and has arranged for WAPA to secure long-term supplies of renewable energy including carbon-free energy. The Parties agree that WAPA's allocation of SLCA/IP power, which expires on September 30, 2057, unless extended, is an Approved Resource. All wheeling charges necessary to deliver the power and energy shall be included herein. Any new WAPA allocation and associated wheeling charges shall be included herein and shall be an Approved Resource. The scheduling of such energy purchases shall be the responsibility of the Manager of Operations or the designated representative. It is agreed that such purchased energy costs as well as costs associated with related wheeling shall be included herein.

WAPA offers, when available, monthly, and seasonal surplus capacity without energy. When economically beneficial to both Parties, such capacity may be utilized and will be included herein.

B. DOE Interagency Agreement No. 22-SLC-1098

DOE entered into an Interagency Agreement with WAPA, designated as Agreement No. 22-SLC-1098, which expires December 31, 2053. This agreement provides for a variety of services from WAPA, including purchases of long-term energy supply. Under this arrangement, WAPA is proceeding to secure long-term carbon-free energy supplies for LANL and Sandia/KAFB to meet the carbon-free electrical energy goals established for LANL. Within limits defined below, costs associated with carbon-free energy purchases shall be included in the Resource Accounting Pool as a SPAR.

Monthly Fixed Charges: Unless the carbon-free power source is available on a firm basis, the carbon-free energy supply will be treated as a non-firm energy resource with no capacity credit. If the carbon-

free energy is received on a firm basis, the associated firm fixed costs will be assigned to the Los Alamos Power Pool to the extent that the resulting average energy supply costs are not in excess of the maximum level provided below.

Carbon-Free Energy Expense: The actual carbon-free energy supply cost for non-firm carbon-free energy to be secured by WAPA for DOE/NNSA up to a mutually acceptable ceiling price per megawatt-hour (MWh) at points of input into the PNM transmission system, not counting PNM-NITSA cost, is to be fully allocated to electric energy expense.

Should carbon-free energy be firmed by WAPA through use of the DOE/NNSA 15 MW of WAPA peaking capacity, the net energy costs shall be allowed to the extent that the combined monthly fixed costs and carbon-free energy supply costs do not exceed a mutually acceptable ceiling price per MWh at points of input into the PNM transmission system. Credits, if any, obtained through firming of carbon-free energy for other New Mexico customers of WAPA shall be reflected in the determination of the net allowable energy costs assignable to the Resource Accounting Pool.

These mutually acceptable ceiling prices shall be subject to periodic review and change as part of the annual budget process to reflect the projected annual Four Corners' competitive market prices for non-firm and firm energy. Adjusted rates as agreed upon by the Parties shall become effective upon (1) written modification to this exhibit or (2) the approval by the Contracting Officer and County Authority of such revised charge within the Resource Accounting Pool's 24-month budget.

Transmission Delivery Costs: Any PNM NITSA or other transmission service costs and/or WAPA transmission delivery costs, including additional ancillary fees and losses associated with the delivery of carbon-free energy through the PNM transmission system, will be treated as Los Alamos Power Pool transmission costs.

1.3. DOE/NNSA Transmission and Substation Facilities

Description

The DOE/NNSA Los Alamos 115 kV Transmission and Substation Facilities that shall be included as Approved Resources and SPARs are as follows:

- A. ETA Switching Station and related facilities
- B. STA Switching Station and related facilities
- C. WTA Switching Station and related facilities
- D. 115 kV Transmission System ETA to TA-53, TA-53 to TA-03, STA to WTA, WTA to TA-03
- E. 115 kV Transmission ETA to PNM system point of connection
- F. TA-03 Substation and related facilities
- G. Capacitor Banks and related facilities
- H. Synchronous Optical Network (SONET Ring)
- I. Primary and Backup Control Rooms and the Personnel Access Control System
- J. Supervisory Control and Data Acquisition System (SCADA)

K. Static Var Compensator at TA -05

L. SN Line: Transmission network line from PNM's Norton Substation to STA (SN Line) is a SPAR until the LAC coincidental peak demand exceeds 30 MVA, after which time the Operating Committee may consider making the SN Line an Approved Resource. Then the Parties may mutually agree upon the terms and conditions for adding the SN Line as an additional Approved Resource pursuant to Section C.1(1)(d).

M. CN Line: Transmission network line from ETA to TA-03 (CN Line) and substation modifications are a SPAR until the LAC coincidence peak demand exceeds 30 MVA, after which time the Operating Committee may consider making the CN Line and substation modifications including a current limiting reactor an Approved Resource. Then the Parties may mutually agree upon the terms and conditions for adding the CN Line as an additional Approved Resource pursuant to Section C.1(1)(d).

Monthly Fixed Charge – Approved Resources.

The Parties agree that a monthly fixed charge associated with the DOE/NNSA 115 KV Transmission and Substation Facilities for each budget year will be based upon amortization of the remaining net asset value over the remaining estimated asset life as of June 30 of the proceeding contract year. Estimated asset lives will be established when assets are placed in service based on standard asset lives adopted for assets of a similar nature, industry or trade standards, or other methodology agreed to by the Parties upon project approval. Any assets exposed directly or fully amortized will be excluded from this fixed charge amount. The monthly charge shall be included as part of DOE/NNSA's annual budget. Replacements and additions of single items, not to exceed \$250,000, shall be separately charged as an operating expense on an actual cost-incurred basis.

Operating and Maintenance Expenses.

The Parties agree that all operating and maintenance expenses associated with the approved 115 kV Transmission and Substation Facilities shall be included herein.

Monthly Fixed Charge – SPARs

The Parties agree the amount of fixed charges for construction of new transmission network line from PNM's Norton Substation to the TA-71 STA Switching station (SN Line) are a SPAR until the LAC coincidental peak demand exceeds 30MVA and shall not be included. The Parties agree that once LAC's coincidental peak demand net of any storage exceeds 30 MVA then the Operating Committee may consider making the SN Line an Approved Resource. Then the parties may mutually agree upon the terms and conditions for adding the SN Line as an additional Approved Resource pursuant to Section C.1(1)(d).

The Parties agree the amount of fixed charges for construction of new transmission network line from ETA to TA-03 (CN Line) and substation modifications including a current limiting reactor are a SPAR until the LAC coincidental peak demand exceeds 30 MVA and shall not be included. The Parties agree that once LAC's coincidental peak demand net of any storage exceeds 30 MVA then the Operating Committee may consider making the CN Line an Approved Resource. Then the parties may mutually agree upon the terms and conditions for adding the CN Line as an additional Approved Resource pursuant to Section C.1(1)(d).

Annual Adjustment of Fixed Charges:

In the event of extraordinary additions or replacements of single items, in excess of \$250,000, the Parties may agree to treat such specific additions or replacements as capital improvements and negotiate a revision of the fixed charge. An adjusted monthly fixed charge as agreed upon by the Parties shall become effective upon (1) written modification to this exhibit or (2) the approval by the Contracting Officer and County Authority of such revised charge within the Resource Accounting Pool's 24- month budget.

Exhibit 2: County Approved Resources

General

The County owns and operates or holds contracts for generation resources and has entered into various transmission agreements to provide for the delivery of power to the Los Alamos Service Area; these generation and transmission resources are Approved Resources under this contract unless otherwise indicated, and are set forth as separate schedules to this Exhibit 2.

2.1 Laramie River Station

Description

The County has contracted with Lincoln Electric System (LES) for a life of the project participation of 4.35 percent (10 MW) of LES original entitlement from the Laramie River Station (LRS). LRS is a coal-fired generating plant located in Wheatland, Wyoming. LES power and energy as well as related transmission arrangements for the LES power shall be included herein.

Monthly Participation Charge

The Parties agree that the monthly participation charge as set forth in the agreement between the County and LES shall be included herein.

2.2 El Vado Hydroelectric Plant

Description

The Parties agree that the El Vado Project is an Approved Resource under this contract. The El Vado Project, located on the El Vado Reservoir 55 miles northwest of Los Alamos, has one (1) 8.9 MW hydroelectric generating unit and commenced initial operation in May 1988.

Determination of Monthly Capacity Charge

A monthly capacity charge for the El Vado Hydroelectric Plant shall be computed by the County in accordance with the following formula:

$$\text{Monthly Capacity Charge} = (1/\text{MO}) \times (\text{DS} + \text{RR} + \text{FDE})$$

Where:

MO = Total months or parts thereof that the Approved Resource is anticipated at the beginning of the County Fiscal Year by the County to operate during such County Fiscal Year. The calculation shall include MO=12.

DS = Debt Services for Approved Resources shall mean the net amount of annual payments of principal (whether due to maturity or through retirement from mandatory sinking fund installments or through mandatory extraordinary redemptions prior to maturity as a result of, among other things, failure to renew this contract), and interest on any obligations (bonds, notes, letter of credit and other credit facilities, subordinated indebtedness or other evidence of indebtedness) owned by the County on any obligation of the County issued to finance or refinance Approved Resources including without limitation, any obligation issued by the County under either Indenture, less all relative interest earnings, from Bond Fund Earnings, Bond Reserve Fund Earnings, Rate Stabilization Reserve Fund Earnings and Replace Reserve Fund

Earnings held under such Indentures, regardless of whether or not earnings from these funds are otherwise restricted. For purposes thereof, the interest earnings are limited to those that would be allowed to flow to the County under Internal Revenue Service Arbitrage restrictions.

RR = Current annual budgets for renewal and replacements.

FDE = Annual budget for fixed demand related expenses recorded in Federal Energy Regulatory Commission (FERC) Accounts 408, 431, 500, 502, 505, 506, 507, 510, & 511, and such other approved charges.

The monthly capacity charge will be allocated 100 percent energy.

Existing Debt Service will be included as a part of the capacity charge. If a new debt service must be issued, then the Operating Committee will consider it on a case-by-case basis. It will be approved by the Contracting Authority for each party.

If Debt Service for Approved Resources includes payments of principal on an accelerated basis and the DOE pays its share thereof as required by the terms of this contract, the County agrees that it will share, in a fair and equitable manner and upon such terms as shall be agreed to by the County and DOE, the benefits of the County's Approved Resources paid for early by such acceleration.

If the County borrows funds to avoid having to pass on all or a major share of the incremental costs of accelerated debt retirement to its retail customers, repayment of such borrowed funds shall be the sole responsibility of the County and shall not be recoverable from the Pool.

Determination of Monthly Energy Charge

A monthly energy charge for hydroelectric production shall be developed in accordance with the following formula:

$$\text{Monthly Energy Charge} = \text{FERC}$$

Where

FERC = Total Charges incurred by County, that are properly chargeable to FERC Account Nos. 535 through 545, and such other approved charges.

The monthly energy charge will be allocated as 100 percent energy.

2.3 Abiquiu Hydroelectric Plant

Description

The Parties agree that the Abiquiu Project is an Approved Resource under this contract. The Abiquiu Project, located on the Abiquiu Reservoir 28 miles northwest of Los Alamos, has three (3) hydroelectric generating units with a combined capacity of 17.0 MW. The first 6.9 MW unit at the Abiquiu Project commenced initial operation in March 1989, and the second 6.9 MW unit commenced operation April 1990. The third unit at the Abiquiu Project, also referred to as the Low Flow Turbine-generator unit ("LFT"), has a rated capacity of 3.2 MW. The LFT was funded, beginning June 1, 2009, through County issuance of 20-year revenue bonds in the approximate amount of \$10 million. Existing debt service, including that for the LFT, will be included as a part of the monthly capacity charge. In the event new

debt service is issued, the Pool will consider the inclusion of such new debt service on a case-by-case basis.

Determination of Monthly Capacity Charge

A monthly capacity charge for the Abiquiu Hydroelectric Plant shall be computed by the County in accordance with the following formula:

$$\text{Monthly Capacity Charge} = (1/\text{MO}) \times (\text{DS} + \text{RR} + \text{FDE})$$

Where:

MO = Total months or parts thereof that the Approved Resource is anticipated at the beginning of the County Fiscal Year by the County to operate during such County Fiscal Year. The calculation shall include MO=12.

DS = Debt Services for Approved Resources shall mean the net amount of annual payments of principal (whether due to maturity or through retirement from mandatory sinking fund installments or through mandatory extraordinary redemptions prior to maturity as a result of, among other things, failure to renew this contract), and interest on any obligations (bonds, notes, letter of credit and other credit facilities, subordinated indebtedness or other evidence of indebtedness) owned by the County on any obligation of the County issued to finance or refinance Approved Resources including without limitation, any obligation issued by the County under either Indenture, less all relative interest earnings, from Bond Fund Earnings, Bond Reserve Fund Earnings, Rate Stabilization Reserve Fund Earnings and Replace Reserve Fund Earnings held under such Indentures, regardless of whether or not earnings from these funds are otherwise restricted. For purposes thereof, the interest earnings are limited to those that would be allowed to flow to the County under Internal Revenue Service Arbitrage restrictions.

RR = Current annual budgets for renewal and replacements.

FDE = Annual budget for fixed demand related expenses recorded in Federal Energy Regulatory Commission (FERC) Accounts 408, 431, 500, 502, 505, 506, 507, 510, & 511, and such other approved charges.

The monthly capacity charge will be allocated 100 percent energy.

Existing Debt Service will be included as a part of the capacity charge. If a new debt service must be issued, then the Operating Committee will consider it on a case-by-case basis. It would need to be approved the Contracting Authority for each party.

If Debt Service for Approved Resources includes payments of principal on an accelerated basis and the DOE pays its share thereof as required by the terms of this contract, the County agrees that it will share, in a fair and equitable manner and upon such terms as shall be agreed to by the County and DOE, the benefits of the County's Approved Resources paid for early by such acceleration.

If the County borrows funds to avoid having to pass on all or a major share of the incremental costs of accelerated debt retirement to its retail customers, repayment of such borrowed funds shall be the sole responsibility of the County and shall not be recoverable from the Pool.

Determination of Monthly Energy Charge

A monthly energy charge for hydroelectric production shall be developed in accordance with the following formula:

Monthly Energy Charge = FERC

Where:

FERC = Total charge incurred by County, on and after the date that a given hydroelectric unit is declared available for commercial operation, that are properly chargeable to FERC Account Nos. 535 through 545, and such other approved charges.

The monthly capacity charge will be allocated 100 percent energy.

Monthly Charge

The parties recognize that the monthly charge associated with the transmission interconnection agreements will be dependent in part on actual power deliveries. The parties agree that all such charges shall be included herein.

2.4 County Purchased Power Contracts

County Contract No. 17-SLC-0896

The Parties agree that WAPA's allocation of SLCA/IP power and energy per Contract No. 17-SLC-0896 which expires September 30, 2057, unless extended, is an Approved Resource. In addition, any new WAPA allocation shall be an Approved Resource. Any wheeling charges necessary to deliver the power and energy shall be included herein.

WAPA offers, when available, monthly, and seasonal surplus capacity and energy. When economically beneficial to both Parties, such capacity may be utilized and shall be included herein.

Short-Term Purchase Power

Short-term purchases as may be required and as have been approved by the Parties in the 24-month budget forecast shall be included herein.

Emergency Power for County Approved Resources

Through power pool membership, reserve sharing groups, regional transmission organizations, and power purchase agreements the County will be providing for emergency and replacement power and energy. Emergency and replacement power purchases shall be included herein.

The following agreements for transmission of power and modifications thereto for the County's Approved Resources and provision for alternate transmission paths in case of failures in the normal path shall be included herein:

- A. PNM Interconnection Agreement
- B. Plains/Tri-State Interconnection Agreement & TSA
- C. WAPA Transmission Agreement(s)
- D. NORA Interconnection Agreement & TSA
- E. Jemez Interconnection Agreement

- F. El Vado – Spills Switchyard 69 kV line (The El Vado – Spills Switchyard 69 kV Line and associated line terminal equipment that connects the El Vado Plant to the NORA system is assigned to the Los Alamos Power Pool as part of the cost of the El Vado Plant).
- G. PNM/LAC Network Integration Transmission Service Agreement (NITSA)
- H. Southwest Power Pool Transmission and Market Participant Agreements

Monthly Charge

The parties recognize that the monthly charge associated with the transmission interconnection agreements will be dependent in part on actual power deliveries. The Parties agree that all such charges shall be included herein.

2.5 County 1 MW Photovoltaic Installation at the Technical Area-61

Description

The County has a 1 MW PV generation resource on leased federal land at TA-61. This land is owned by DOE/NNSA and is leased to the County. Output from the 1 MW PV installation at TA-61 is used to serve Los Alamos Power Pool Loads. There is potential to increase the power generation capacity of this installation; the cost allocation to the Los Alamos Power Pool and any termination provisions associated with the construction for such an increase, and/or any associated power purchase agreements, and accounting procedures are subject to Operating Committee review and concurrence and subsequent approval by the Contracting Authorities as part of the future Los Alamos Power Pool budgets.

2.6 Foxtails Flats Photovoltaic and Battery Energy Storage Project

Description

The Foxtail Flats Photovoltaic (PV) and Battery Energy Project is in San Juan County, New Mexico on leased Tribal or New Mexico State lands. The project consists of 170 MW of PV with an 80MW / 320MWh battery energy storage over a 20-year term. Sandia National Laboratory/Kirtland Airforce Base (SNL/KAFB), DOE/NNSA and the County will be participating as offtakers in this resource. This Exhibit will be effective when the power resources become commercially operational.

SNL/KAFB, DOE/NNSA and the County agree that the Power Purchase Agreement (PPA), entered between the Incorporated County of Los Alamos and Foxtail Flats Solar LLC is an approved resource throughout the term of the Electric Coordination Agreement (ECA). The PPA is for 170 MW of unit contingent PV power.

The power is priced at a fixed price of \$37.88/MWh with no escalator for the life of the PPA.

The Parties agree that the Energy Storage Agreement (ESA) entered between the County and Foxtail Flats Storage LLC, is an approved resource throughout the term of the Electric Coordination Agreement (ECA), notwithstanding Exhibit 1, Section 1.2 B. *DOE Interagency Agreement No. 22-SLC-1098*. The ESA is for 80MW / 320MWh of battery energy storage capacity. The resource is priced at a fixed price of \$13.50/kW-month with no escalator for the life of the ESA. The battery will nominally be fully charged and discharged once per day.

The Parties will not be responsible for any operations and maintenance costs of any of the facilities associated with the power resource(s). The Parties agree that any wheeling or transmission costs

necessary to deliver the power and energy are included herein. If any one Party among the Parties cannot utilize their entire resource allocation, then the other two Parties will have first right of refusal for the excess power from the PV at the stated price. Power excess to the aggregate need of the Parties will be sold through the merchant desk or curtailed.

Total generation is the actual power produced by the array and battery energy storage plus the amount of any curtailed power capacity that was not called upon to generate. Curtailment may occur when economic conditions, for example negative pricing, or system constraints preclude reasonable sales.

Resource Allocation and Costs:

(1) Sandia National Laboratory/Kirtland Airforce Base (SNL/KAFB)

30 MW of PV plus 20 MW / 80 MWh of battery energy storage at the fixed price listed above adjusted for sales and curtailment on a monthly basis for a 10-year term starting from the Foxtail Flats Phase 2 Commercial Operation Date, with the option for an additional 10-year term immediately following the first term will be allocated to SNL/KAFB. This sales agreement helps mitigate the risk for selling the excess PV in the first ten years.

SNL/KAFB will notify the LAPP at least three (3) calendar years before the end of the first 10-year term whether or not the option for a second 10-year term will be exercised. If the option is not exercised, then SNL/KAFB's 30 MW PV and 20 MW BESS allocations will be reallocated to LAPP at the end of the first 10-year term. The scheduling, billing and payment of this resource will be done in accordance with 08-SLC-061, Scheduling Agent Agreement between WAPA and the County on behalf of SNL/KAFB.

(2) Los Alamos Power Pool (LAPP)

90MW of PV plus 60MW / 240MWh of battery energy storage at the fixed prices listed above adjusted on a monthly basis for sales and curtailment for the first 10-years will be allocated to the LAPP. LAPP refers to the LANL and County collectively.

The scheduling, billing and payment of this resource will be done in accordance with Sections C.1(1) *Resources* and B.1 *ACCOUNTING FOR RESOURCE COSTS* of this contract for the Los Alamos Power Pool.

(3) Market Sales

The County intends on selling approximately 50MW of the PV for the first ten years, starting from the commercial operation date. All expenses and revenues associated with these market sales are included herein.

2.7 County Substation and Switching Facilities

Description

The Los Alamos County Substation and Switching Facilities are as follows:

- A. Townsite Switching Station
- B. Los Alamos Switching Station (LASS)
- C. White Rock Substation

D. East Gate Substation. The Parties agree that the County may fund a new substation and associated equipment. The County will have ownership, operating and maintenance responsibilities. When complete, the Operating Committee may consider making this substation an Approved Resource. Then the Parties may mutually agree upon the terms and conditions for adding the East Gate Substation as an additional Approved Resource pursuant to Section C.1.(1)(d).

Resource Allocation and Costs:

The County shall own, operate and maintain these resources. The Parties agree these resources are not considered approved resources so they will not be included herein. If the County decides to make any of these resources an approved resource, the County will present it to the Operating Committee for consideration as a new approved resource pursuant to Section C.1(1)(d)

Additional Approved Resources.

Exhibit 3: Miscellaneous Costs of Mutual Benefit

To provide for the coordinated operation of the DOE/NNSA and County resource planning, the Parties recognize that there are certain other costs which are not appropriately included as costs of the Approved Resources, but which are mutually beneficial to both Parties. The list of other costs shall be included herein is as follows:

- A. Expenses associated with the coordination of the combined operation of the Approved Resources include funding and operating the load dispatch center and the employment of a Manager of Operations. The monthly allocation of Scheduling Agent Services will be done in a two-step process. First, all of the Scheduling Agent Services costs will be totaled. The portion allocable to KAFB/SNL will be determined by the ratio of (i) the total energy use by KAFB/SNL to (ii) the combined LAC/LANL and KAFB/SNL energy use for the billing month, multiplied by the total cost. The costs determined by this formula are allocable to KAFB/SNL and will be billed directly to WAPA. Second, all remaining Scheduling Agent Services costs will be included in the monthly LAC/LANL settlement sheet and allocated 100 percent demand.
- B. Expenses related to the Los Alamos Power Pool, and meetings shall be included herein. The Parties agree that these costs will be allocated 50 percent demand and 50 percent energy.
- C. Studies and meetings associated with the planning for future resources and facilities as scheduled in the approved 24-month budget forecast. The Parties agree that these costs will be allocated 50 percent demand and 50 percent energy.
- D. Cost of owning, maintaining, and reading meters, rendering invoices and data management. The Parties agree that these costs will be allocated as customer costs.
- E. Cost of developing an Integrated Resource Plan (IRP) or any subsequent planning documents for future resources will be shared proportionally based on prior fiscal year energy allocation between the Parties and included herein. The IRP will be updated every 5 years or sooner as mutually agreed upon and budgeted for by the Parties.
- F. Cost of software, equipment, services, and other associated expenses for load and resource planning occurring more frequently than every five years will be shared proportionally based on prior fiscal year energy allocation between the parties and shall be included herein.
- G. Cost of software, equipment, services, settlements, and other associated expenses for the LAPP's membership or participation in electricity markets shall be included herein with costs to be allocated as mutually agreed upon by the parties. Such electricity market costs may include but are not limited to, the California Independent System Operator (CAISO) extended day-ahead market (EDAM), the CAISO Energy Imbalance Market (EIM), the SPP Regional Transmission Organization (RTO), the SPP Markets+, and other electricity markets and market functions which may arise.
- H. In recognition of financial penalties or expenses which may be imposed on the parties by PNM, CAISO, SPP or other electric market entities due to LAPP's participation in the electric markets, such financial penalties or expenses which are directly attributable to load forecasting errors or load deviations exceeding +/-5% and that have a measurable financial effect on the Resource Accounting Pool shall be included herein with costs to be allocated as mutually agreed upon by the parties.

- I. In recognition of compliance cost associated with special contract requirements, contract clauses, and other clauses under this contract, if such costs arise solely at the direction of DOE/NNSA and are solely to the benefit of DOE/NNSA, then the parties agree that such costs shall be allocated 100% to DOE/NNSA.

Exhibit 4: Method for the Cost Determination of DOE Distribution Facilities

General

This exhibit identifies the method utilized for determination of the Facilities Charge to be assessed to the County for the County's use of distribution facilities which are now or in the future may be installed by the DOE.

The Parties agree to evaluate the feasibility of transferring these assets to the County on as needed basis.

Method

The Parties agree that the County will be assessed \$2,046 monthly for use of DOE distribution facilities. Whenever any facilities are added or deleted from the facilities described below, the Parties will determine a new monthly assessment.

Duct and cable between TA-03 Substation and County (TC1&2 and LC1&2)

Distribution line to serve Elk Ridge Trailer Court

Exhibit 5: San Juan Generating Station and Mine Reclamation

General

The San Juan Generating Station (SJGS) is an 1,848 MW coal-fired facility located in northern New Mexico within San Juan County. The four units at SJGS were placed into service between 1973 and 1982. The SJGS was an Approved Resource under the 1985 Electric Coordination Agreement (DE-AC04-85AL26078). In December 2017, Units 2 and 3 were retired but their decommissioning and demolition (D&D) was deferred. Units 1 and 4 remained operational until September 29, 2022.

PNM retained Burns and McDonnell Engineering Company to develop a statement of work for the decommissioning and demolition of the SJGS. SJGS Decommissioning Study Project No. 137089 dated July 14, 2022, is included herein as the source document that identified the SOW and cost estimate for the D&D of SJGS. With the SJGS D&D schedule, the asset liabilities extend beyond the term of the 1985 ECA (DE-AC04-85AL26078) into the term of this agreement.

In August 2012, the County entered into the San Juan Generation Station Reclamation Trust Agreement with the Bank of Albuquerque as Trustee for the San Juan Coal Company (SJCC) for participating in the San Juan Project. The trust agreement is included herein as it identifies the terms and conditions for the participant (or the County). The purpose of this Agreement is to provide funding for the payment to SJCC of certain coal mine reclamation costs, in accordance with the County's obligations as set out in the Funding Agreement. Most of the mine reclamation activities should be completed by 2030 but may go beyond the 10-year contract term of this agreement. All expenses associated with the SJGS D&D, mine reclamation, and miscellaneous costs are included herein until all obligations are fulfilled. The County shall keep the LAPP apprised of all activities and costs. If additional funding is required, then the Operating Committee will vote before approval by the appropriate contracting authority.

A. SJGS D&D Costs

The Los Alamos County currently has approximately \$4.2 Million for SJGS D&D. The SJGS D&D is estimated to end in 2035-2040 when there may be an opportunity to finally decommission the Shumway Arroyo. The SJGS partners also entered the Sierra Club Consent Decree that requires the plant to maintain and operate a water collection and treatment system through 2040.

B. Mine Reclamation Costs

The County has approximately \$3.37 Million in a Trust Fund for mine reclamation activities. The trust fund is paid to the current trustee (San Juan Westmorland) for all mine reclamation activities. Any remaining funds will be released back to the participants once all obligations have been satisfied and the observation period is complete, which may take up to 10 years after the reclamation activities are complete. The costs for mine reclamation activities may increase depending on inflation so it may require additional funds to be added through a cash injection to the Trust Fund.

C. Miscellaneous Costs

In addition to SJGS D&D and mine reclamation, there are also long-term costs for engineering and oversight until the County is released from its SJGS obligation. This service is currently provided by PNM. It costs approximately \$12,000 per year. There will also be long-term legal costs for potential

disputes, etc. The SJGS partners are required to pay property taxes and insurance which is not included as a D&D expense.

DEFINITIONS

In addition to the terms defined in the contract, the following terms are defined for purposes of this contract:

- *Approved Resources* means the electric utility resources contributed by each Party pursuant to this contract and utilized by the Operating Committee pursuant to the Operating Procedures.
- *Capacity* means the instantaneous load-serving capability of power supply resources as name plate capacity for intermittent power supply resources, both as mutually agreed upon by the Parties.
- *Carbon-Free* means electricity generation that either does not use fossil fuels or does not emit carbon.
- *Carbon-Neutral* means the County will be a carbon-neutral electrical energy provider when the electricity distributed to Los Alamos County consumers is generated or purchased from sources that in their normal operation cause no net release of carbon dioxide into the atmosphere. No net release of carbon dioxide means that purchases or generation of carbon-based electrical energy, necessary when carbon-free supplies are not practically available to supply Los Alamos County consumers, will be fully offset from previous sales of surplus carbon-free electricity to other entities.
- *Contract Authorities* means a County or DOE/NNSA representative(s) who has legal authority to enter contracts or incur obligations for their respective agency.
- *Contracting Officer* means a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.
- *Contracting Officer Representative* means a government employee formally designated to act as an authorized representative of a contracting officer for specified functions that do not include actions that could change the scope, price, terms, or conditions of a contract (e.g., technical monitoring).
- *County Authority* means the Board of Public Utilities and the County Council or their duly authorized representative for purposes of this contract.
- *Los Alamos County consumers* means those customers scheduled in the Los Alamos County Code of Ordinances Section 40-121; this does not include Los Alamos National Laboratory (LANL).
- *Los Alamos Power Pool (LAPP)* means the loads and power supply resources that serve the Los Alamos Service Area.
- *Los Alamos Service Area* means that area within and adjacent to the geographic boundary of Los Alamos County receiving service from the electric systems of either the County or DOE/NNSA.
- *Long-Term Capacity Resources* means the power supply resources and their associated capacity for each month of the Resource Planning Horizon as mutually agreed upon by the Parties.
- *Manager of Operations* means a person responsible to the Operating Committee and having authority to act on its behalf regarding matters in those areas that are specified within the Approved Operating Procedures.

- *Minimum Long-Term Capacity Requirements* means the highest monthly amount of the LAPP Monthly Demand Projections in all months of the Resource Planning Horizon plus a planning reserve margin mutually agreed upon by the parties.
- *Monthly Demand Projections* means a forecast of monthly demands for the LAPP for each month of the Resource Planning Horizon derived from forecasts submitted annually by each party prior to the end of the current Pool Fiscal Year plus mutually agreed upon losses.
- *Operating Committee* means those persons designated by the Contracting Officer and the County Authority to have responsibility for the coordinated operation of the Approved Resources and the Resource Accounting Pool in accordance with Operating Procedures.
- *Operating Procedures* means the set of procedures developed and approved by both Parties which identifies respective duties and obligations for the administration, budget, operations and planning for activities approved by the Contracting Officer and the County Authority for the coordinated operation of the Approved Resources and the Resource Accounting Pool.
- *Party or Parties* refers to the Incorporated County of Los Alamos and Department of Energy/National Nuclear Security Administrative as an individual entity or collectively known as “the Parties”.
- *Pool Fiscal Year* means a twelve-month period from July 1 through June 30.
- *Prudent Utility Practice* means the practices, methods, and acts (including the practices, methods, and acts engaged in or approved by a significant portion of the electric power generation industry, CAISO, WECC and/or NERC) for similar facilities that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent with law, regulation, permits, codes, standards, reliability, safety, environmental protection, economy, and expedition. Prudent Utility Practice(s) are not necessarily defined as the optimal standard practice method or act to the exclusion of others, but rather refer to a range of actions reasonable under the circumstances.
- *Renewable Energy Certificates or RECs* means the electronic certificates which relate to each megawatt hour of generation delivered from the Project to the Delivery Point or the Solar Charging Point, as applicable, at any time during the Term of this Agreement, that are produced, documented, or classified by WREGIS according to their ability to meet renewable portfolio standards requirements in the State of New Mexico.
- *Renewable Attribute* means all available environmental characteristics, environmental claims, environmental credits, environmental benefits, environmental emissions reductions, environmental offsets, environmental allowances and environmental allocations, existing now or in the future, howsoever characterized, denominated, measured or entitled, attributable to the energy output of a Project. Renewable Attributes include but are not limited to: (a) any avoided emissions of pollutants to the air, soil or water including but not limited to sulfur oxides (Sox), nitrogen oxides (NO), carbon monoxide (CO), particulate matter and other pollutants; (b) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases that have been or may be determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere; (c) all set-aside allowances and/or allocations from emissions trading

programs; and (d) all renewable energy credits, certificates, green tags, registrations, recordation or other memorialization of whatever type or sort, representing any of the above.

- *Resource Accounting Pool* means that accounting method wherein costs of the consolidated County and DOE/NNSA Los Alamos Power Pool operations are recorded and apportioned between the Parties pursuant to this contract.
- *Resource Planning Horizon* means a rolling five-year period following the current Pool Fiscal Year for capacity and energy planning.
- *Short-Term Capacity Resources* means the portion of Approved Resources beyond those resources defined as Long-Term Capacity Resources that may be operationally available from time to time. The Short-Term Capacity Resources include variable amounts that may be available on a month-by-month basis as well as amounts of purchased power from third Party suppliers on a short-term contractual basis of 12 months or less. Short-Term Capacity Resources generally will be utilized to meet specific short-term operational needs.
- *Special Purpose Approved Resources (SPAR)* means the electric utility facilities and power contracts that have been incorporated into the ECA primarily to meet the special needs of one of the Parties and utilized by the Operating Committee pursuant to the Operating Procedures.
- *Scheduling Agent Services* means those facilities and County personnel that provide: (1) continuous real-time monitoring of the loads and resources related to supplying the power requirements of LANL, the County, and joint requirements of Sandia National Laboratory/Kirtland Air Force Base (SNL/KAFB); (2) supplemental short-term purchases to cover projected resource deficits; (3) short-term sales of capacity, energy and renewable attribute excesses; (4) schedules for transmission deliveries for all power transactions; (5) hour-by-hour records as well as assistance in the month end accounting and validation of monthly statements related to transmission services and short-term power transactions as may be necessary to support the Resource Accounting Pool; (6) adjustment of deliveries in the event of transmission or power supply emergencies to the extent practical to ensure continuity of service; and (7) assurance that power supply resources are scheduled and operated in a manner that minimizes costs without compromising service reliability.