

# MEMORANDUM



Department of Public Utilities

Electric, Gas, Water, and Wastewater Services

Administrative Offices

1000 Central Avenue, Suite 130

Los Alamos, NM 87544

P 505.662.8333 F 505.662.8005

[customercare@lacnm.us](mailto:customercare@lacnm.us)

[ladpu.com/dpu](http://ladpu.com/dpu)

**DATE:** August 26, 2024

**TO:** Los Alamos County Council

**FROM:** Robert Gibson, Board of Public Utilities Chair *RBY*

**CC:** Anne Laurent, County Manager & Angelica Gurule, Sustainability Manager

**RE:** BPU Response to Council Questions

Last month, Councilors posed three questions to BPU. This memo responds to those. (The questions themselves are paraphrased.)

**1. What is BPU's view of the proposed 2050 goal in the draft CAP for carbon neutral emissions vs. the current Council and BPU goal to phase out natural gas by 2070?**

To support electrification of buildings (and the motor vehicle fleet), DPU will need to find more carbon-free electric production resources and upgrade the distribution system to meet higher peak loads. Demand projections are updated every several years in Integrated (DOE and LAC) Resource Plans which guide DPU staff in seeking new resources. BPU/DPU had anticipated upgrading the distribution system over approximately 30 years. It could be done twice as fast, but the rate of expenditure would roughly double. How much can be “pay-as-we-go” from customer charges and how much will have to be bonded, we won't know until we have at least a rough estimate of costs.

Council approved funding in this FY for a professional study of the distribution system and an additional staff engineer to focus on that task. The SOW for that study (currently in Procurement) will ask for plans for both 30- and 15-year time frames. The study results should be available late this FY.

Upgrading the distribution system is the easiest part of the challenge. Electrifying and reducing heat loss in buildings will involve every property owner in the county.

BPU/DPU can help educate property owners, as it is already doing. But it has no authority to mandate replacement of gas appliances (including furnaces or boilers) or remodeling of buildings to reduce heat loss. BPU originally chose the 2070 goal for phasing out natural gas in a significant part based on a belief that was a reasonable time period to expect most property owners to be able to make such changes without undue burden. Most presently

existing appliances will reach the end of their normal service life before that. That is also a time frame in which many windows and doors are likely to be replaced and many buildings remodeled to some extent for reasons beyond just energy efficiency.

A shorter time period will require a more aggressive approach by the County government to encourage and support property owners in making the shift. Beyond education, financial incentives – if funding is available and where legally possible – are one mechanism. Mandates would be a last resort. How quickly the community is willing to make the necessary changes is a political question more in Council's purview than BPU's.

Council also should evaluate: (1) adequacy of the contractor work force likely to be available, recognizing that all other nearby communities will be doing similar work; (2) adequacy of the County's permitting and inspection processes to support property owner and contractor needs in a timely, efficient, and user-friendly manner.

**2. How would we keep the fixed cost portion of natural gas rates from skyrocketing as gas customers discontinue service?**

This "end game" issue has not been addressed by BPU, as we are more focused on getting started reducing usage.

One possible approach would be to build up a "retirement reserve" while there are still many customers and then use that reserve to cover part of the costs of system operation later as the customer base declines. It is premature for BPU to consider this, since we first need to build up the operating reserve to a healthy level. It is one possible approach. There are no doubt others.

**3. How might high natural gas users be encouraged to reduce consumption?**

We believe we should first understand more about usage patterns.

BPU has not considered the "brute force" approach of simply making rates progressively higher for higher users, as is currently done for water.

A substantial portion of the variations in usage are no doubt from different thermostat settings and building envelope heat leakage rates. Data from energy audits can help understand the effect of the latter.

It is known from summer usage that more than 25% of annual gas usage is for secondary purposes other than space heating. They may account for a substantial part of the higher usage by some customers. We are considering a broad survey (correlated to individual meter data) this FY to get a better handle on the contribution from secondary uses. These may be significant "low-hanging fruit" for gas usage reduction.

*Approved (5-0) by BPU on August 21, 2024.*