

Settlement Investment Guidance

UNIPER Settlement

15 MW = DPU through 12/31/36

25 MW = ECA through 6/30/2025

Mercuria average price \$76.75 per MWH
through 2/28/2026

LAC 15 MW average price paid \$39.67 per MWH
Ave of 13,680 MWH per month
Additional Purchased Power Costs **\$6,087,000 per year**

ECA 25 MW average price paid \$62.26 per MWH
April 2024 to June 2025 = 15 months
Ave of 15,183 MWH per month
Additional Purchased Power Costs **\$3,300,000**

Reserves per Cash Policy

- **Operations Reserve (180 days of bud operations and maintenance, excluding commodities)**
- **Debt Service Reserve (as required by loan docs)**
- **Retirement/Reclamation Reserve (per agreements)**
- **Capital Expenditures (annual depreciation + 2.5%)**
- **Rate Stabilization Reserve (where pass-through rate for commodities not in place)**
- **Contingency Reserve (single largest equipment with potential for failure DPU Asset Team)**

Cash Projection by Priority of Budgeted Expenditures Schedule			
FY2025 Budget			
	Electric Prod	Elec Dist	Electric Fund
Beginning Cash - Unrestricted per FY23 ACFR	\$ 3,704,706	\$ (2,573,691)	\$ 1,131,015
Beginning Cash - Restricted Including Reserves per FY23 ACFR	\$ 13,075,228	\$ 1,419,425	\$ 14,494,653
Total Cash Per FY23 ACFR	\$ 16,779,934	\$ (1,154,266)	\$ 15,625,668
Beginning Cash - Unrestricted per FY24 Projected	\$ 2,173,213	\$ (7,666,391)	\$ (5,493,178)
Beginning Cash - Restricted Including Reserves per FY24 Projected	\$ 13,075,228	\$ 1,572,376	\$ 14,647,604
Total Cash Per FY24 Projected	\$ 15,248,441	\$ (6,094,015)	\$ 9,154,426
<i>6b. All Remaining Operating Profits (after intial 5% Revenue Transfer) prior to funding reserve targets. See unfunded reserves balances below.</i>	\$ 1,522,418	\$ (2,237,606)	\$ (715,188)
Projected Ending Cash - Unrestricted FY25 Proposed	\$ 7,306,246	\$ (9,324,507)	\$ (2,018,261)
Projected Ending Cash - Restricted FY25 Proposed	\$ 9,464,613	\$ 992,886	\$ 10,457,499
Total Projected Ending Cash FY25 Proposed	\$ 16,770,859	\$ (8,331,621)	\$ 8,439,238
Funded Reserve Balances	\$ 9,464,613	\$ 992,886	\$ 10,457,499
Reserve Targets	\$ 11,602,619	\$ 9,491,881	\$ 21,094,500
Total Reserves Over<Under> Target	\$ (2,138,006)	\$ (8,498,995)	\$ (10,637,001)

Settlement Guidance Worksheets

Assumptions: Invest in LGIP	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	TOTAL
Settlement less Reserves	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326
Fund EP Reserves	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674
Fund ED Reserves	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000
Total Settlement + Reserves	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000
Less Add'l Purch Power Costs	\$ (2,181,750)	\$ (8,727,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)
Total Invested	\$ 55,818,250	\$ 49,273,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000
Interest Income Calculation												
LGIP Assumed Interest Rate	5.327%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
INTEREST INCOME	\$ 743,360	\$ 2,007,458	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 21,785,959
EP CAPITAL PLAN		\$ 1,045,000	\$ 1,000,000	\$ -	\$ 500,000							
ED CAPITAL PLAN		\$ 2,000,000	\$ 1,075,000	\$ 750,000	\$ 1,200,000	\$ 450,000	\$ 450,000	\$ 2,750,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
TOTAL CAPITAL PLAN (not funded with Bonds)		\$ 3,045,000	\$ 2,075,000	\$ 750,000	\$ 1,700,000	\$ 450,000	\$ 450,000	\$ 2,750,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
NEW DEBT SERVICE FROM BONDS					\$ 640,877	\$ 834,159	\$ 984,340	\$ 695,961	\$ 854,631	\$ 1,212,660	\$ 1,209,945	
TOTAL CAPITAL & NEW DEBT SERVICE		\$ 3,045,000	\$ 2,075,000	\$ 750,000	\$ 2,340,877	\$ 1,284,159	\$ 1,434,340	\$ 3,445,961	\$ 2,554,631	\$ 2,912,660	\$ 2,909,945	
% Funded with Interest		66%	102%	282%	90%	165%	147%	61%	83%	73%	73%	
Breakdown of Add'l Power Costs												
25 MW Shared with Pool	\$ (660,000)	\$ (2,640,000)										
\$76.75 vs. \$62.26												
15 MW DPU	(1,521,750)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	
\$76.75 vs. \$39.67												

Assumptions: 6 Month Ladder												
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	TOTAL
Settlement less Reserves	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326
Fund EP Reserves	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674
Fund ED Reserves	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000
Total Settlement + Reserves	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000
Less Add'l Purch Power Costs	\$ (2,181,750)	\$ (8,727,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)
Total Invested	\$ 55,818,250	\$ 49,273,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	
Interest Income Calculation												
6 Month Investment Ladder	5.350%	5.350%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
INTEREST INCOME	\$ 746,569	\$ 2,701,715	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 2,115,016	\$ 22,483,426
EP CAPITAL PLAN		\$ 1,045,000	\$ 1,000,000	\$ -	\$ 500,000							
ED CAPITAL PLAN		\$ 2,000,000	\$ 1,075,000	\$ 750,000	\$ 1,200,000	\$ 450,000	\$ 450,000	\$ 2,750,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
TOTAL CAPITAL PLAN (not funded with Bonds)		\$ 3,045,000	\$ 2,075,000	\$ 750,000	\$ 1,700,000	\$ 450,000	\$ 450,000	\$ 2,750,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
NEW DEBT SERVICE FROM BONDS					\$ 640,877	\$ 834,159	\$ 984,340	\$ 695,961	\$ 854,631	\$ 1,212,660	\$ 1,209,945	
TOTAL CAPITAL & NEW DEBT SERVICE		\$ 3,045,000	\$ 2,075,000	\$ 750,000	\$ 2,340,877	\$ 1,284,159	\$ 1,434,340	\$ 3,445,961	\$ 2,554,631	\$ 2,912,660	\$ 2,909,945	
% Funded with Interest		89%	102%	282%	90%	165%	147%	61%	83%	73%	73%	
Breakdown of Add'l Power Costs												
25 MW Shared with Pool	\$ (660,000)	\$ (2,640,000)										
\$76.75 vs. \$62.26												
15 MW DPU	(1,521,750)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	
\$76.75 vs. \$39.67												

Assumptions: 10 Year Ladder													
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	TOTAL	
Settlement less Reserves	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	\$ 43,490,326	
Fund EP Reserves	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	\$ 4,409,674	
Fund ED Reserves	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	
Total Settlement + Reserves	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	\$ 58,000,000	
Less Add'l Purch Power Costs	\$ (2,181,750)	\$ (8,727,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	\$ (6,087,000)	
Total Invested	\$ 55,818,250	\$ 49,273,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	\$ 51,913,000	
Interest Income Calculation													
10 Year Investment Ladder	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	4.340%	
INTEREST INCOME	\$ 605,628	\$ 2,181,503	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 2,298,385	\$ 23,472,598
EP CAPITAL PLAN		\$ 1,045,000	\$ 1,000,000	\$ -	\$ 500,000								
ED CAPITAL PLAN		\$ 2,000,000	\$ 1,075,000	\$ 750,000	\$ 1,200,000	\$ 450,000	\$ 450,000	\$ 2,750,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	
TOTAL CAPITAL PLAN (not funded with Bonds)		\$ 3,045,000	\$ 2,075,000	\$ 750,000	\$ 1,700,000	\$ 450,000	\$ 450,000	\$ 2,750,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	
NEW DEBT SERVICE FROM BONDS					\$ 640,877	\$ 834,159	\$ 984,340	\$ 695,961	\$ 854,631	\$ 1,212,660	\$ 1,209,945		
TOTAL CAPITAL & NEW DEBT SERVICE		\$ 3,045,000	\$ 2,075,000	\$ 750,000	\$ 2,340,877	\$ 1,284,159	\$ 1,434,340	\$ 3,445,961	\$ 2,554,631	\$ 2,912,660	\$ 2,909,945		
% Funded with Interest		72%	111%	306%	98%	179%	160%	67%	90%	79%	79%		
Breakdown of Add'l Power Costs													
25 MW Shared with Pool	\$ (660,000)	\$ (2,640,000)											
\$76.75 vs. \$62.26													
15 MW DPU	(1,521,750)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)	(6,087,000)		
\$76.75 vs. \$39.67													

Ten-Year Interest Income by Investment Type

LGIP = \$21,785,959

6-month LADDER = \$22,483,426

10-year LADDER = \$23,472,598

LGIP 40% & 10-year LADDER 60% = \$22,797,943

STAFF RECOMMENDATION

40% LGIP

60% Ten Year Ladder

Treasuries based on LAC Investment Advisor Recommendations and approved by County CFO

Assumptions:

- ❖ Large Capital Project in 5 Years
- ❖ Lock in Higher Rates on Treasuries now before Fed Drop
- ❖ LGIP is available within 1 business day if needed for other uses
- ❖ Ladder Investment allows for decisions at varying maturity dates for pulling funds
- ❖ Recommendation agreed to by County CFO and DPU Administration
- ❖ Maintain budgeted electric rate increases as approved in the 10-Year plan
- ❖ Debt Service on Bonds = 3.264%, New Debt Service covered by interest income (debt service interest rate could grow to 3.7%)

Debt Service Coverage Ratio – Various Sources

A. New Mexico Finance Authority – 1.3

B. GDS – 1.2 to 1.25

C. Utility Financial Solutions Rate Managers – 1.17 to 1.25

D. Water Trust Board – 1.2

Staff Recommendation: 1.3

Los Alamos County

Debt Profile - Current and Proposed Debt

Net System Revenue of the Joint Utility System

	Total Senior Debt Service	Total Subordinate Debt Service	Total Super Subordinate Debt Service	Total Proposed Debt Service	Total Debt Service	Total Operating Net Revenue (Projected)	Total Debt Service Coverage Ratio
2025	\$ 961,427	\$ 970,578	\$ 1,057,574	\$ 198,254	\$ 3,187,832	\$ 5,620,584	1.76
2026	\$ 961,325	\$ 971,622	\$ 2,308,886	\$ 417,130	\$ 4,658,963	\$ 15,891,378	3.41
2027	\$ 959,114	\$ 967,199	\$ 2,308,883	\$ 699,760	\$ 4,934,956	\$ 7,945,306	1.61
2028	\$ 963,571	\$ 970,093	\$ 2,305,541	\$ 1,627,247	\$ 5,866,452	\$ 11,880,192	2.03
2029	\$ 956,496	\$ 967,267	\$ 2,301,346	\$ 2,208,381	\$ 6,433,490	\$ 8,365,819	1.30
2030	\$ 955,368	\$ 968,898	\$ 2,301,344	\$ 2,829,998	\$ 7,055,608	\$ 9,201,866	1.30
2031	\$ -	\$ 964,813	\$ 2,291,204	\$ 3,153,554	\$ 6,409,570	\$ 9,471,693	1.48
2032	\$ -	\$ 963,823	\$ 2,243,743	\$ 4,027,388	\$ 7,234,953	\$ 10,680,073	1.48
2033	\$ -	\$ 967,062	\$ 2,236,558	\$ 4,353,266	\$ 7,556,885	\$ 12,556,642	1.66
2034	\$ -	\$ 964,341	\$ 2,236,558	\$ 4,353,266	\$ 7,554,164	\$ 13,707,944	1.81
Total	\$ 5,757,301	\$ 9,675,695	\$ 21,591,636	\$ 23,868,243	\$ 60,892,875	\$ 105,321,497	

ASSUMPTIONS:

Includes settlement interest, reinvested 40% LGIP & 60% Ten-Year Ladder
 Reduced capital projects in 2028 by \$300,000

Recommend Changing FY2025 Strategic Focus Areas, Goals & Objectives

2.3 Objective – Meet financial reserve targets within our 10-year financial policy, with a debt coverage ratio of ~~1.6~~ 1.3 or greater every fiscal year.

Questions?

