



Council Meeting Staff Report

February 16, 2022

Agenda No.:	7.B.
Indexes (Council Goals):	DPU FY2022 - 1.0 Provide Safe and Reliable Utility Services
Presenters:	Steve Cummins; Jordan Garcia
Legislative File:	15547-22

Title

Approval of Amendment No. 1 to New Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement and the Extended Operations Agreement

Recommended Action

I move that the Board approve Amendment No. 1 to the New Exit Date Amendment, Amending and Restating the Amended and Restated San Juan Project Participation Agreement, as drafted and attached, but may be subject to minor modifications, only if the final form is approved by the County Attorney

I further move that the Board approve the Extended Operations Agreement, as drafted and attached, but may be subject to minor modifications, only if the final form is approved by the County Attorney

I further move that the Board authorize the Utilities Manager to execute the final drafts of Amendment No. 1 to New Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement and the Extended Operations Agreement

I further move that the Board forward these documents to County Council for final approval.

Staff Recommendation

Staff recommends that the Board approve as presented.

Body

Power Operations is attempting to manage a large gap in generation with the impending San Juan Closure. The market is forecasted to behave much like the prior two years during the third quarter of 2022 (July, August, and September). On-peak futures are trading above \$230.00/MWh of Energy for this time period. In addition to market pricing, supply chain issues are plaguing the energy sector by delaying new generation resources throughout the west. These factors have led the current ownership of San Juan Generating Station to request an extension of operations for this three-month period.

A San Juan extension allows Los Alamos County to meet the Power Pool's energy needs in the most economic fashion. Current projections place a conservative savings value to the Power Pool in the amount of \$7,000,000.00. Without this extension LAC can only fill this energy gap in one manor, a short-term market-based energy product that is most likely generated by coal or natural gas. Los Alamos County has entered in a Purchase Power Agreement (PPA) with UNIPER Global for delivery of 25MW around the clock from October 1, 2022 - June 30, 2025, to fill the gap left by San Juan's retirement. This extension of San Juan Generating Station to shut down on September 30 will match up well with the Uniper PPA beginning on October 1st.

For an extension to occur, all of the remaining participants must agree and seek approval from their respective governing bodies. The approvals must be unanimous for the extension to occur. Tucson

Electric Power (TEP) does not wish to take any of the energy output during this time frame. They have agreed to allow an extension, however San Juan Unit 1 will not operate during this three-month period. TEP ownership share is reserved to Unit 1 only. While the continued operation of Unit 4 is not guaranteed, the line of questions from the Public Regulation Commission (PRC) of PNM appear to support three months of continued operations of SJGS. The PRC's consideration is due to PNM's replacement resources being delayed due to supply chain issues resulting in these projects not achieving their original commercial operation date. These delays leave PNM short on capacity during the peak summer months when market power is scarce and most expensive. Extending the operation of the SJGS will save PNM native customers tens of millions of dollars and provide more stability to the western interconnect during this high demand period.

Alternatives

Replace this capacity with a short-term market power purchase at an estimated additional cost of \$7,000,000 during this period based on the energy futures.

Fiscal and Staff Impact

An estimated \$7,000,000 savings to the Los Alamos Power Pool. This effort is considered a normal part of operations for Electric Production staff.

Attachments

- A - Amendment No. 1 To New Exit Date Amendment
- B - Extended Operations Agreement