

Council Meeting Staff Report

March 21, 2017

Agenda No.:	E.
Indexes (Council Goals):	BCC - N/A
Presenters:	Bob Westervelt
Legislative File:	9215-17

Title

Approval of Department of Energy (DOE) - Los Alamos County (LAC) Resource Pool Budget Revision for Fiscal Year 2017

Recommended Action

I move that Council approve the 2017 Resource Pool budget revision as presented.

Utilities Manager's Recommendation

The Utilities Manager recommends that Council approve the budget revision as requested.

Board, Commission or Committee Recommendation

The Board of Public Utilities recommends that Council approve the budget revision as requested.

Body

The Electric Coordination Agreement (ECA) between the County and the Department of Energy requires that a revision to the current year budget be prepared and approved by the contracting parties "if warranted by changes in circumstances". In practice, this has historically been done when unbudgeted expenditures or cost increases exceeding \$50,000 in a single line item or expenditure category are identified and approved by the operating committee. The following items have been identified as meeting this criterion and driving the need for a budget revision.

1. San Juan Mine Reclamation Funding- An additional \$1,061,081.00 funding is required to adjust to revised funding levels required by the latest Mine Reclamation Cost Study completed and adopted by the Mine Reclamation Oversight Committee in September of last year. We are required under the San Juan agreements to fully fund by December 31, 2017, but LANL desires to fully fund in this LANL fiscal year, so we are including \$707, 387.33 this LAPP fiscal year, and will include the remainder in the next regular 24-month budget.
2. El Vado- \$800,000.00. This is to account for the additional costs of the El Vado rewind project. This is the additional funding beyond what has already been budgeted to complete the project. We are estimating \$500k to \$800k will close out the project, but are recommending budgeting at this time for the higher amount to avoid potentially having to revisit this item again later.
3. PV Site Lead Acid Battery Replacement- \$60,000.00. Twelve cells in the lead acid battery failed and need replacement. We are currently using this facility for spin, which saves the Pool roughly \$15k per month, so considering the quick payback on these replacement cells consider this expenditure to be in the best interest of the Pool.
4. Abiquiu Valve Installation- \$537,000. This is the final estimate on the Abiquiu vent shaft repair that has been discussed and approved previously, but was unbudgeted.
5. PNM NITS Increase -\$130,000. This is due to the formula rate increases for this year.

Contracts or agreements for items #2, #3, and #4 have already been approved by the Operating

Committee and the Utilities Board, and by Council for the items requiring Council approval. Item #1 is resulting from a revised mine reclamation cost estimate completed and accepted by the Mine Reclamation Oversight Committee, which Los Alamos does have representation on, in September, 2016. It is a contractual obligation of San Juan participation and, as stated, must be fully funded by December 31, 2017, but is being funded as stated to better align with LANL funding availability. The rate increase associated with item #5 was anticipated, but the amount was unknown at the time the original budget was prepared, so is being included here.

This budget adjustment is a formality to adjust the power Pool budget for these expenditures, and does not represent approval of an adjustment to the Los Alamos County budget. Initial review indicates underruns in other areas leave adequate spending authority through the County Budget, but we will continue to monitor and present a County budget revision before fiscal year end if it appears necessary.

This budget revision was approved by the Operating Committee on February 8, 2017.

Alternatives

If this budget revision is not approved by the Board and Council, it could result in future complications in cost recovery through the Power Pool, due to having costs incurred outside the approved and agreed upon budget.

Fiscal and Staff Impact/Planned Item

None. DPU's expenditure authority for purchase power costs is incorporated into the budget approved by the Utilities Board and County Council during the normal budget cycle. Approval of this Resource Pool budget revision is a contractual requirement of the ECA. The Resource Pool budget may differ somewhat from the purchased power expenditure authority requested by DPU during the normal County budget cycle due to timing differences in the budget cycles.

Attachments

A - Revised Resource Pool 24-month Budget Summary

B - Original Approved Resource Pool 24-month Budget Summary