



County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Council Meeting Staff Report

January 20, 2021

Agenda No.:	7.C
Indexes (Council Goals):	DPU FY26 - 5.0 Continuously, Conscientiously, Work Toward Environmental Sustainability
Presenters:	Steve Cummins
Legislative File:	13757-21

Title

Approval of Amendment No. 1 to the Power and Renewable Energy Credit Sales Agreement, County Agreement No. AGR20-926 between Uniper Global Commodities North America, LLC and the Incorporated County of Los Alamos, New Mexico.

Recommended Action

I move that the Board of Public Utilities approve Amendment No. 1 to AGR20-936, a Power and Renewable Energy Credit Sales Agreement, between Uniper Global Commodities North America, LLC and the Incorporated County of Los Alamos and forward to Council with a recommendation for approval.

Staff Recommendation

Staff recommends approval as presented.

Body

In January 2020, the Board and Council approved a Power and Renewable Energy Credit Sales Agreement with Uniper Global Commodities North America, LLC. The Contract Quantity is a Firm 15 MW's Around the Clock (ATC) Power Purchase Agreement (PPA). It is a take-or-pay PPA for a 15 year term with no escalator. The energy and capacity will be sourced primarily from a wind and solar projects located in New Mexico.

Since the contract was executed there has been extreme upward pricing pressure in the California Independent System Operator (CAISO) & Desert Southwest Western Electricity Coordinating Council (WECC) resulting in the following:

- ☐ Developers pricing from forward curves have increased;
- ☐ Tighter liquidity for firming intermittent resources;
- ☐ Pressure on Engineering, Procurement, and Construction companies to get assets on faster combine with COVID has created a tighter labor market.

Section 3.2 (b) of the Agreement provides that "Seller has executed such Facility contracts, on terms satisfactory to Seller in its sole discretion, to purchase the complete Contract Quantity."

In consideration of the historic shift in power prices over 2020, Uniper has requested a \$3.00/MWh increase to the LAC/Uniper PPA to compensate for upward pricing pressure experienced in 2020.

The current contract price is \$36.67/MWh. With the requested \$3.00/MWh to meet the contract conditions precedent, section 3.2 of the agreement, the new Contract Price will be \$39.67/MWh.

The Average increases observed in forward WECC power pricing is 27%. Uniper's requested increase to LAC Contract Price is 8%. Uniper has tried to bear as much of the market price

increases witnessed given the California and greater WECC price blow out in August 2020.

Even with the increased price staff believes it's a good choice for Los Alamos County and it fits well with the County's resource portfolio and Carbon Neutral 2040 strategic initiative. On January 13, 2021 the Operating Committee for the Electric Coordination Agreement (ECA) approved the increase as an approved resource.

Alternatives

Not approve this Amendment at this time and pursue other replacement resources. Staff is not recommending this alternative since transmission capacity is the limiting factor with these renewable projects specifically in the eastern part of New Mexico where there is an abundance of wind. The current transmission capacity has already been allocated to these projects. New transmission lines could take decades to acquire the permits and build the infrastructure.

Fiscal and Staff Impact

The cost of this PPA Amendment is \$394,200.00 on an annual basis and \$5,913,000.00 over the 15 year term of the PPA. The cost per MW hour is in alignment with the budget for market purchases for the next two years and lower than what was forecast for years 3 through 15 resulting in a savings. There is no impact to staff.

Attachments

- A - Uniper PPA Amendment Presentation
- B - County Agreement No. AGR20-926
- C - AGR20-926-A1 Uniper Final