



# County of Los Alamos

Los Alamos, NM 87544  
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## Council Meeting Staff Report

June 16, 2021

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<b>Agenda No.:</b>	6.C.
<b>Indexes (Council Goals):</b>	DPU FY26 - 2.0 Achieve and Maintain Excellence in Financial Performance
<b>Presenters:</b>	Bob Westervelt
<b>Legislative File:</b>	14276-21

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### Title

Approval of DOE/LAC Resource Pool Budget for Fiscal Years 2022 & 2023

### Recommended Action

**I move that the Board of Public Utilities approve the 2022-2023 Resource Pool budget as presented and forward to the County Council with a recommendation for approval.**

### Staff Recommendation

Staff recommends approval of this 2022-2023 Resource Pool Budget as presented.

### Body

The Electric Energy and Power Coordination Agreement (ECA) between the County of Los Alamos and the Department of Energy requires that a 24-month budget be approved each year. The budget process begins with both parties preparing a load projection by month for the budget period. From these load projections the Power Supply division prepares a Resource Supply Projection that matches the available resources to the projected loads and estimates the variable costs for both our owned resources and for purchased power. Finally, costs for projected generation, purchases, and transmission are allocated to the parties based on the terms of the ECA. This is normally accomplished in April or May of the preceding year.

This budget projects total costs per MWh of \$53.83 and \$51.63 for fiscal years 2022 and 2023, respectively. Actual costs for fiscal year 2021 through April were \$64.17 per MWh compared to budgeted costs of \$51.77 per MWh, due in large part to the August price peak that has been discussed previously. The significant increase from FY2021 budget to FY2022 is due to the lingering impacts to purchased power price projections resulting from that August event. These are somewhat offset by reduction in debt service due to payoff of the 2014 refinanced bonds in FY21. These bonds were for the environmental upgrades at San Juan and the El Vado Rewind.

The ten-year historical average cost per MWh for the fiscal years 2011 through 2020 was \$60.88. Beginning in FY2017 we began seeing the benefit of the lower coal price and a lower capital budget at San Juan, and retirement of the debt at LRS, which historically was passed through to the Pool through LRS direct charges. Also, the last round of environmental upgrades anticipated for San Juan were completed in FY16 with the SNCR project. Similar upgrades at Laramie River have been completed in FY2019 and were expensed to the LRS participants as incurred.

Costs to the LAPP participants vary due to each party's load factors. The projected costs to the County per MWh are \$53.53 and \$52.79 for fiscal years 2022 and 2023, respectively.

This budget was approved by the Operating Committee on June 02, 2021.

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## **Alternatives**

If this budget is not approved by the Board and Council, then ECA terms state that we will continue under the last approved budget while we continue to negotiate a budget. Certain costs are billed to the participants as budgeted (fixed charges associated with the various resources) and reconciled in the next budget cycle. Delay in approving a budget will result in adjustments being needed to reconcile actual billings with the budget after the fact once the budget is approved.

## **Fiscal and Staff Impact**

None. DPU's expenditure authority for purchased power costs is incorporated into the budget approved by the Utilities Board and County Council during the normal County budget cycle. Approval of this Resource Pool budget 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: Resource Pool 24-month Budget Package FY22-23

B: Loads and Resources worksheet FY22-23