

Council Meeting Staff Report

July 21, 2021

Agenda No.:	7.A.
Indexes (Council Goals):	DPU FY26 - 5.0 Continuously, Conscientiously, Work Toward Environmental Sustainability
Presenters:	Steve Cummins
Legislative File:	14526-21

Title

Approval of the Carbon Free Power Project Amended Budget and Plan of Finance dated June 24, 2021 for the remaining Phase 1 of the Combined Operating License Application Licensing Period for the six-module plant configuration.

Recommended Action

I move that the Board of Public Utilities pass the motions as stated below and forward to Council for approval.

I move that Council authorize DPU's continued participation in Phase 1 of the Licensing Period at the investment cap of \$1.26 million for Development Cost Share in the CFPP; and

I further move that Council authorize the Utilities Manager to adjust LAC's Entitlement Share in the CFPP as needed to keep LAC's Development Cost Share in the CFPP at or below \$1.26 million for the remaining Phase 1 of the Licensing Period; and

I further move that Council hereby authorize the Utilities Manager, should the County's Phase 1 Development Cost Share exceed \$1.26 million, to submit a Notice of Withdrawal to the PMC pursuant to the Power Sales Contract notice requirements.

Staff Recommendation

Staff Recommends the Board of Public Utilities approve the motion as stated.

Body

The CFPP project has reached a different milestone than anticipated a year ago and this is necessitating a new budget and plan of finance. This also means we are at one of the contractual off-ramps six months earlier than anticipated. It is an important at this juncture for the project to move forward with the final design configuration that will be part of the Phase I Combined Operating and Licensing Application (COLA) submittal. At the June UAMPS Project Management Committee (PMC) meeting and Board meeting, the PMC recommended, and the Board approved moving forward with a 6-module plant with a total capacity of 462MW. This smaller plant has a target levelized cost of electricity of \$58/MWh in 2020 dollars instead of the previous target of \$55/MWh in 2020 dollars. While the cost increased by \$3/MWh, the smaller plant will allow for the project to get fully subscribed sooner based on the current interested parties and reduce UAMPS subscription risk. The next contractual off-ramp for the participants is at the Class 3 Project Cost Estimate, anticipated to occur in September 2022.

DPU is recommending to Board and Council that we continue to participate in the CFPP at the same level of investment approved last year by Board and Council at \$1.26 Million for the Phase I COLA submittal. Given LAC's current level of investment the subscription will be approximately 1.8 MWs, however, prior to the project being fully subscribed LAC could move up to 8.6 MWs given this level of investment.

LAC initially requested 8 MW's in the CFPP when this project began based on our current asset mix,

forecasted load and the goal to be carbon neutral electrical energy provider by 2040. This level of subscription was studied in the 2017 Integrated Resource Plan at \$65/MWh that resulted in a 3% higher cost over the 20-year planning period. At \$58/MWh, Staff believes that the 2021 IRP update will also determine that the CFPP is a feasible option when compared to alternatives. LAC's continued participation in the CFPP maintains it as a candidate generation resource while the 2021 IRP update is completed. Continued participation also provides the flexibility to determine an optimal level of CFPP subscription for a diverse generation portfolio which considers the economics, reliability, and operational flexibility to achieve our goal of being a carbon neutral electrical energy provider by 2040.

With severe drought conditions affecting hydroelectric facilities across the west, threats of wildfire, and extreme weather patterns, constraints on the electric grid are increasing. This is further exacerbated with traditional dispatchable base load resources being replaced with renewable "intermittent" resources, causing extreme volatility in the electric markets. Last August 2020 heat wave caused market prices to reach \$1,650 per megawatt hour costing the power pool approximately \$1.4 million dollars over a 10-day period. Average market prices are typically \$45/ MWh. In June of 2021 the most recent heat wave once again had market prices at \$1,750 per MWh costing the power pool an additional \$800k over a 1-day period. DPU is committed to considering all viable resources that are able to supply Los Alamos County with a carbon neutral, reliable and diversified generation portfolio.

UAMPS staff will provide a short presentation on the overall project status as well as answer Board and Council questions with County Staff.

Alternatives

The County may choose to reduce their subscription or exit the project at this time and pursue other carbon free dispatchable resource.

Fiscal and Staff Impact

If LAC were to exit the project now, the County will have 12 months to repay \$286,698.97 to UAMPS. If the County commits to completing phase I of the project for the completion of the Combined Operating License Application (COLA), the investment is project to be \$1,256,219.00.

If the County stays in the project though construction and operation, all of these development costs will be capitalized and rolled into a single cost of power, currently targeted at \$58.00/MWh in 2020 dollars.

There is no additional staff impact since resource planning is part of our regular duties.

Attachments

A - UAMPS Presentation

B - Amended Budget & Plan of Finance - June 24, 2021