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County of Los Alamos

Council Meeting Staff Report

January 4, 2022

Agenda No.:	A.
Indexes (Council Goals):	DPU FY26 - 2.0 Achieve and Maintain Excellence in Financial Performance, DPU FY26 - 5.0 Continuously, Conscientiously, Work Toward Environmental Sustainability, DPU FY26 - 6.0 Develop and Strengthen Partnerships
Presenters:	Steve Cummins; Jordan Garcia
Legislative File:	AGR0799-21

Title

Approval of AGR22-928, a Power and Renewable Energy Credit Sales Agreement, between Uniper Global Commodities North America, LLC and the Incorporated County of Los Alamos

Recommended Action

I move that Council approve AGR22-928, a Power and Renewable Energy Credit Sales Agreement, between Uniper Global Commodities North America, LLC and the Incorporated County of Los Alamos.

Board, Commission or Committee Recommendation

The Board of Public Utilities reviewed this request at their regular meeting of December 15th and voted 3 to 0 with 2 abstentions to recommend approval of this agreement as presented.

Body

With the planned closure of the San Juan Generating Station on June 30, 2022, the Operating Committee for the Los Alamos Power Pool (LAPP) voted to replace this power with a short-term Power Purchase Agreement (PPA) to coincide with the expiration of the current Electric Coordination Agreement on June 30, 2025.

The County's interest in the San Juan Generating Station represents 36 MW of capacity or approximately 40% of the LAPP annual energy demand. This proposal is for a 25 MW (megawatt) PPA for the period between October1, 2022 through June 30, 2025.

Earlier this year, BPU and CC approved a 15 MW PPA with Uniper Global Commodities that consisted of wind, solar and market power for firming. The wind and solar resources were sized to deliver 76% renewable energy on an annual basis. To achieve this level of renewable energy, Uniper oversized both the wind and solar resources for this contract. The contract also gave the County right of first refusal on all excess renewable generation above the contract requirement of 15 MW, priced at the Palo Verde index plus $0.75 per MWh (megawatt hour) non-firm.

One of the most unique and defining attributes of this 25 MW PPA is it leverages the over build of resources from previous Uniper contract and includes it as a firm fixed price resource at $34.50 per MWh. Blending the excess renewable energy with the market prices significantly reduces the blended cost over the contract period.

Utilizing the current models, Uniper and LAC Power Operations believe we can source 28% of the volume for the 2.75-year period with renewable resources. This equates to roughly 170 GWhs (gigawatt hours) over the contract period.

The remaining 72% of the PPA is based on forecasted market prices. The forward outlook of $72.75 on-peak and $51.00 off-peak. On Peak is between 6:00 am and 10:00 pm with the off peak being the remaining hours in the 24 hour day.These prices are based on the Palo Verde Index and have not been adjusted to Four Corners index where LAC takes market power. Typically there is a two to four dollar increase per MWh at Four Corners hub above the Palo Verde index.

The Future pricing is the true competition for this PPA. Due to the short term of this PPA, Power Operations can only procure this energy on the short-term market. To provide a reference the LAPP FY2021 price of market purchases was $62.16 per MWh, and the blended cost of County owned resources with market purchases was $55.66 per MWh. Power Operations used $64.50 per MWh for purchases in the FY2022 budget forecast.

This 25 MW PPA converts a non-firm market product (excess renewable energy) at a projected high cost based on the Palo Verde Index, and firms it at a fixed price of $34.50. Based on the expected renewable generation, the blended cost of this PPA over the contract period is estimated to be **$55.34 per MWh**.

The LAPP is currently in the process of developing an Integrated Resource Plan (IRP) that will guide future decision making on new or replacement resources on a long term basis (12 plus years). Any of the recommendations pursued will take 2 plus years to develop following governing body approvals.

Alternatives

Not Replacing the energy Output of SJGS is not an option. We have a load demand that must be met with a known generation resource. If this contract is not approved, Power Operations will try to find short-term energy to meet our load. All this energy will be procured at market prices which have proven to be very volatile over the last year.

Fiscal and Staff Impact

The cost of the energy is already accounted for in the budgeting process. Staff efforts are part of normal business activities.

Attachments

A - Agreement No. AGR22-928