



County of Los Alamos

Los Alamos, NM 87544
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Council Meeting Staff Report

January 19, 2022

Agenda No.:	7.A.
Indexes (Council Goals):	DPU FY26 - 2.0 Achieve and Maintain Excellence in Financial Performance
Presenters:	Heather Garcia
Legislative File:	15416-22

Title

Approval of Budget Revision 2022-43 for Purchased Gas in the Gas Utility.

Recommended Action

I move that the Board approve Budget revision 2022-43 to authorize an increased budget for purchased natural gas in the Gas utility in the amount of \$3,000,000; as summarized on Attachment A, and that the attachment be made part of the minutes of this meeting. I further move that these actions be forwarded to Council with a recommendation for approval.

Staff Recommendation

Staff recommends that the Board approve the motion as presented.

Body

Global demand on natural gas and increased reliance on gas as an alternative to coal, in addition the risk of severe weather events, has impacted supply of natural gas. Estimates used during the FY 2022 budget planning period, which were adjusted after the February Polar Vortex weather event in Texas, were \$2.80 per MMBTU. Prices have averaged \$4.76 per MMBTU for FY 2022, with prices hitting \$6.30 per MMBTU in January. FY 2022 total cost of gas purchases was budgeted at \$2,138,175, as of January 12th, 2022, \$1,766,232 has been spent. This is approximately eighty three percent of the budget with only fifty percent of the year completed.

The following calculations are based on the assumption that gas prices will be \$6.02 MMBTU for NMMEA discounted volumes for the remainder of the year, with 20% of non-discounted volumes being at \$6.30 per MMBTU. Transportation costs also remain the same at \$0.27 per therm.

2022 Budget	\$2,138,175
YTD paid and recorded as of 1/12/22	\$1,766,232
2022 Remaining (estimated)	<u>\$3,340,207</u>
Est EOY total spend	\$5,106,439
Difference	(\$2,968,264)

Because several estimates are included in the year-end projection and there is a potential for further market response, staff is recommending an expenditure budget adjustment of \$3,000,000 for gas purchases.

Alternatives

If these budget increases are not approved the only real alternative is to curtail projects and maintenance activities for the remainder of the year to cover these increased commodities expenditures with budget planned for other activities.

Fiscal and Staff Impact

\$3M additional for gas commodity cost in gas. All of the gas increase will be recovered through additional revenue, although some of that recovery may cross over into next fiscal year.

Attachments

