2026 Electric Coordination Agreement

Department of Public Utilities
Electric Production Division
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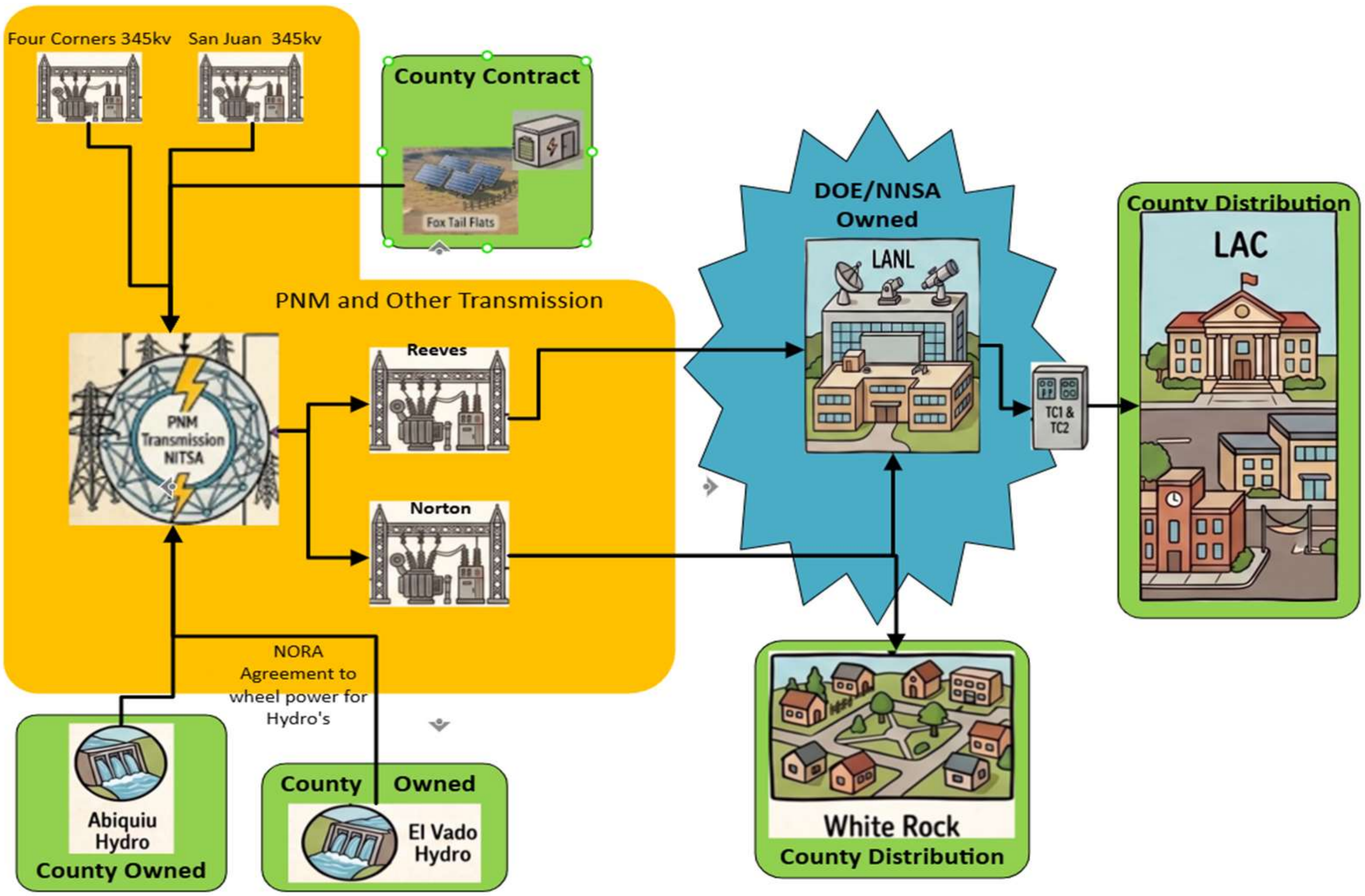
LOS ALAMOS
where discoveries are made

The County's and the DOE's Electric Systems are Inextricably Linked

- All County power is delivered by DOE transmission
- DOE owns and operates key assets: SCADA, CGTG, TA-3 substation
- DOE distribution system provides backup power paths for the County
- County owns most of the generation and holds agreements with PNM



This Linkage has Been Recognized for Four Decades

- The DOE/NNSA and County recognized that a typical "Utility" and "Utility Customer" structure doesn't fit
- Thus, the Electric Coordination Agreement (ECA) was established in 1985 between the Department of Energy (DOE/NNSA) and Los Alamos County
- The ECA is the contract that allows both parties to combine their combined power generation and transmission resources and manage costs efficiently and fairly

ATTACHMENT A

The ECA has been a successful framework for managing our joint electrical system over those decades

- The 1985 ECA was modified over the past 40 years to keep it up to date as electric resources have come and gone and markets and power operations have changed
- The goal is to achieve economic dispatch and maintain a reliable electric power supply (economic dispatch is the process of minimizing the total operational cost of power generation while considering power balance and unit generation limits)
- With the coming end of the 1985 ECA, the 2026 ECA is needed to take its place

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The DPU has negotiated a new ECA with DOE over the last four years

- Drafting of the 2026 ECA started April 2022, with the DOE/NNSA and County staff working together through the Operating Committee
- Two Board of Public Utilities members have thoroughly reviewed and helped refine the entire 2026 ECA
- Both DOE/NNSA and County staff have been diligent in finding solutions to resolve issues throughout the process, and are committed to correcting issues that arise in the future

The proposed new ECA provides benefits to the County and the Laboratory

- By looking at both parties' electric needs together, it allows energy to be procured with an improved economy of scale
- Shared power operations staff eliminates duplicated roles thus lowering costs
- Allows for coordinated joint control over separate assets instead of them being independently managed
- Provides longer-term planned management and operations stability through the ECA Operations Committee instead of short-term reactions to external forces

Each party has certain responsibilities under the ECA

- Both parties participate in the ECA Operating Committed to mutually agree on budgeting, operations and accounting actions
- The County provides the power generation management and scheduling staff
- The DOE/NNSA provides the transmission lines reaching the County
- The County provides the billing and accounting functions under the ECA
- The DOE/NNSA provides the bulk electric metering

The new ECA offers some advantages over the old…

- New provisions for mitigating the County's risks of procuring long-term generation resources
  - Brings in Sandia National Laboratory and Kirtland Air Force Base to use power from Foxtail Flats
  - Adds a new cost allocation method that compensates the County for procuring below-market-cost generation resources
- Includes new language to address:
  - Recent and coming electric market costs
  - The fair allocation of DOE-imposed compliance costs
  - Methods for accommodating future DOE/NNSA transmission lines, the County's East Gate Substation, and other planned resources

…but also has some disadvantages

- Shorter term increases the County's risks from procuring long-term generation
  - DOE cannot have 40-year power contracts under current federal procurement rules
  - New 2026 ECA is for 10 years with an additional 10-year option if the DOE chooses to extend
- Adds new DOE compliance requirements that could be burdensome to County staff and electric customers; mitigated by new language to keep such costs entirely on the DOE
- Limits on the DOE's liability for Termination for Convenience – currently under negotiation

Were the ECA not to be renewed, the County has no path forward to provide affordable electrical power to residents

- Loss of partner using 80% of the County's generation would leave County with too much power
- No mechanism for cost recovery on the County's long-term electric assets
- No mechanism for delivering power to the County residences and businesses
- No staff or systems in place for replacing the DOE and LANL staff and resources
- Any alternative approach to the ECA will bring power supply chaos and will increase the County's electric costs

ATTACHMENT A

Moreover, not renewing the ECA would impose costs and complexity on the DOE/NNSA and LANL, our 80% customer

- No power for most of LANL's load
- Potential disruption to LANL's mission
- No transmission agreements in place with PNM to get power to LANL
- No staff in place to perform the power supply and scheduling functions that the County provides

ATTACHMENT A

DPU staff strongly support approval of the new ECA

Thank you! Questions?