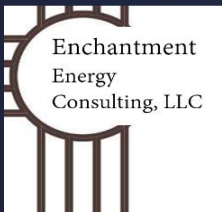


# City of Socorro, New Mexico

## Electric Utility Formation Feasibility Study Update

May 28, 2024



# Municipal Electric Utility Formation

- Original Feasibility Study – Completed June 2017 by Forsgren Associates, Inc.
- Two service options considered
  - Overhead Construction or Purchase of SEC Facilities
  - New Underground system construction
- Initial Capital costs - \$5.5 M Overhead and \$7.5 M Underground
  - Bond Financing – 20yr @ 3.526%
- Annual Operating Expense - \$3.75 M Overhead and \$3.88 M Underground
  - Included Wholesale Power Cost of \$2.41 M
- Rates – Assumed Rates were at or below SEC rates

# Environs Changes Since 2017

- 2020 Pandemic
- Supply Chain Constraints
- NM Energy Transition Act (ETA) legislation
- Regional Resource Retirements – Capacity constraints
- Inflation – Interest rate increases - Federal Funds Rates
  - June 2017 – 1.16%
  - May 2024 – 5.33%

Year	Inflation Rate
2017	2.1%
2018	2.4%
2019	1.8%
2020	1.2%
2021	4.7%
2022	8.0%
2023	4.1%
2024 est	3.30%

# Proforma Model Updates

- Preliminary Substation/System Design completed
- Target Load data – NM Tech, Schools, Industrial Corridor
- Operational/Functional Budget developed
- Wholesale Power Supply Costs Updated
  - City Owned Solar Added
- Financing Options
  - Municipal Bonds @ Fed Funds Rate
  - Private/Bank Financing – Convert to Public Financing (NM-MFA)
  - Private/Bank Financing – Convert to Public Financing (NM-MFA) only partial Grant funding for Solar Facility

## Results – Scenario 1

- Bond Financed @ Federal Funds Rate
- Installation of 7 MW Solar Facility
  - Funded through Federal and State Grants
- Service to City Facilities, NM Tech, Schools, Industrial Corridor
  - 200+ service accounts @ nearly 8 MW Peak Demand
- Produces Annual Enterprise Surplus of avg \$500k for first 5 years

## Results – Scenario 2

- Private/Bank Financing converted to Public w/ NM-MFA
- Installation of 7 MW Solar Facility
  - Funded through Federal and State Grants
- Service to City Facilities, NM Tech, Schools, Industrial Corridor
  - 200+ service accounts @ nearly 8 MW Peak Demand
- Produces Annual Enterprise Surplus of avg \$32k for first 2 years then Annual avg \$500k after conversion of financing to NM-MFA

## Results – Scenario 3

- Private/Bank Financing converted to Public w/ NM-MFA
- Installation of 7 MW Solar Facility
  - Partial Funding (50%) through Federal and State Grants
- Service to City Facilities, NM Tech, Schools, Industrial Corridor
  - 200+ service accounts @ nearly 8 MW Peak Demand
- Produces nearly balanced Annual Enterprise fund over the first 5 years of operations with no rate changes

# Summary of Scenarios

<b>Scenario 1</b>					
Annual Enterprise Surplus	\$ 506,019	\$ 478,753	\$ 493,204	\$ 340,946	\$ 417,072
<b>Scenario 2</b>					
Annual Enterprise Surplus	\$ 45,880	\$ 18,614	\$ 596,876	\$ 444,618	\$ 520,744
<b>Scenario 3</b>					
Annual Enterprise Surplus	\$ 46,119	\$ 21,153	\$ 37,892	\$ (112,090)	\$ (33,699)

- None of the scenarios contemplate Condemnation
- All require significant Grant Funding for Solar Facility
- Scenario 1 dependent on favorable bond market
- Scenarios 2 & 3 dependent on NM-MFA financing at/near Federal Funds Rate



# Questions?

