



# **NCPA 2016 – 2021 STRATEGIC PLAN**

**Delivering a Cleaner Energy Future**

## **EXECUTIVE SUMMARY**

The rate of change in the utility sector is increasing, bringing significant changes to the process and technology and providing options that did not exist just a few years ago. Electric energy continues to fuel our communities and that has not changed, but how it is delivered and how it is used is causing new challenges and opportunities for NCPA and its Members. Underlying the pace of change are numerous environmental goals. NCPA intends to use its skills and resources to effectively assist our Members in addressing the challenges and taking advantage of the opportunities.

The Strategic Plan highlights the current and future needs of the Agency and the Members and guides the staff in prioritizing our resources. While all the changes to the utility sector prior to 2021 are unknown, NCPA has examined the California landscape and tried to meet with each of the Members to frame the opportunities and challenges ahead. We have reviewed our resources and assets to better understand our strengths and areas of possible growth. We have established a framework to leverage our ability to provide Member support by partnering with Southern California Public Power Association (SCPPA). Together, the strategic initiatives have been developed to address the important industry priorities and to help NCPA deliver a cleaner energy future to our Members.

Recent adoption of Senate Bill 350 by California dramatically changed the utility parameters for NCPA Members, and we think adding the title “Delivering a Cleaner Energy Future” represents the strong role of the strategic plan in supporting the Member requirements.

The Strategic Plan has several strategic initiatives that integrated together provide the roadmap. The plan will be evaluated on an annual basis and necessary changes will be brought to the Commission for consideration. Some milestones have been developed relative to each initiative and some which are longer term will need further work before implementing.

NCPA is a creative and dedicated Agency that has produced Member benefits and advanced public power in California. Opportunities exist for expansion, efficiency, more aggregation, and greater support for the efforts of our Members and public power. Together, we can deliver a cleaner energy future.

## **UNDERSTANDINGS**

Achieving the strategies and goals in this plan requires a clear set of governance rules and agreements before the agency can embark on allowing new members and forming a new services entity, and contain or reduce costs for members by generating new revenue. In recognition of this need, staff recommended and the membership unanimously approved modifications to Agency governance agreements (Facilities Agreement, Pooling Agreement, Schedule Coordination Program Agreement and a newly created Power Management and Administrative Services Program Agreement). Further, the membership unanimously approved the structure under which new services and/or new business structures would be adopted as described below:

- Agreement modifications resulted in agreements that are:
  - Asset based.
  - Acknowledge obligations of the Agency to the asset owners and the asset owners to the Agency and each other.
  - Mandatory for services required by the third phase agreements, and provided by the Agency, unless appropriate alternative arrangements have been secured by the asset owner.
  - Provide for two (2) year termination and/or withdrawal requirements to align with the Joint Power Agreement (JPA) termination provisions.
  - Reflective of an equity based business model structure-
    - Only JPA signatories have equity in the Agency,
    - Only JPA signatories can vote, and
    - Asset owning JPA signatories have full obligation(s) for Agency costs assumed through execution of governance agreements.
  - Incorporate sound business practices and risk management processes.
  
- New Services and/or new business structures will be adopted pursuant to:
  - Approvals of JPA signatories (equity members) for the Agency to engage in the pursuit.
  - Agreement of JPA signatories (equity members) to fund efforts pursued by the Agency and to share in revenues derived.
  - Agreements with the service recipients that incorporate sound business practices and risk management processes.
  - Agreement of JPA signatories (equity members) that they are responsible for current “core” Agency costs (e.g., L&R, Power Management, A&G) on a “cost of service” ownership basis, and ineligible to transition to a “market price” cost allocation basis that may be offered to “non – members” in the future-
    - Agreement of JPA signatories (equity members) that they are eligible for any new services that might be developed above and beyond NCPA’s current “core” services (e.g., retail services) based on cost allocation and contract terms to be developed in the future.

## **MISSION**

To provide our Members cost effective wholesale power, delivery support, energy-related services, and advocacy on behalf of public power consumers through joint action.

## **VISION**

To be the premier provider of energy services to public entities.

## STRATEGIES and GOALS

- Protect, prepare, utilize and build on the strengths and unique aspects of JPA structure to benefit NCPA's Members.
  - Goal: Partner with Members to expand the value and knowledge of public power utilities in their communities,
  - Goal: Develop and implement Commission and Executive Committee governance best practices (12/2016) GM/Commissioners,
  - Goal: Review committee process, number, function, effectiveness, and structure then report findings to Commission (12/2016) GM/AGMs,
  - Goal: Use new technology to share information and communicate with members (Extranet) (12/2016) Administrative Services,
  - Fully implement Shared Services Arrangements with SCPA (06/2016) GM/AGMs,
  - Fully implement Support Services Agreement with Members and develop processes and systems necessary to support Members (12/2016) GM/AGMs,
  - Goal: Assist members with Smart Grid implementations (12/2019) Administrative Services, and
  - Expand support of NCPA's Internship Program (06/2016) HR.
  
- Maintain position as a credible, solution-oriented coalition builder and leader in state and federal legislative and regulatory policy arenas.
  - Goal: Protect NCPA Members from the imposition of disproportionate charges under the Central Valley Project Improvement Act (CVPIA) (12/2016) L&R,
  - Goal: Influence development of climate policies at CARB to prevent negative impacts on NCPA and its Members (Scoping Plan Update, State Implementation Plan and cap-and-trade amendments) (12/2016) L&R,
  - Goal: Shape development of forthcoming agency regulations related to SB 350's Renewables Portfolio Standard, Integrated Resource Plan, and energy efficiency provisions to protect local decision making (12/2016) L&R,
  - Goal: Advance hydropower relicensing reform to promote a timely and cost-effective process (12/2016) L&R,
  - Goal: Provide public power leadership in CAISO efforts to regionalization and expansion of the Energy Imbalance Market,
  - Goal: Support the legislative and regulatory needs of the Agency assets to minimize cost impacts related to operations and capital improvements,
  - Goal: Minimize imposition of new mandates on NCPA Members (12/2016) L&R,
  - Goal: Preserve tax-exempt financing for NCPA and its Members (12/2016) L&R,
  - Goal: Streamline regulatory reporting requirements (12/2016) L&R,
  - Goal: Secure funding for needed energy industry workforce development programs (12/2017) L&R,

- Goal: Build awareness among policymakers regarding the impacts of wildfires on generation facilities, and advocate for additional funding for fire prevention and suppression to protect these facilities (12/2017) L&R, and
- Goal: Expand the FERC engagement activities in preparation of greater jurisdiction related to expansion of a regional market.
- Attract, develop and retain professional, high quality staff and governance.
  - Goal: Complete a benchmark survey of unrepresented staff compensation (06/2016) HR,
  - Goal: Implement comprehensive workforce plan, including succession planning for key positions (12/2016) HR/GM/AGMs,
  - Goal: Leverage technologies to automate processes, enable employee more self-service support and enhance workforce development programs (12/2017) HR/L&R/AGMs,
  - Goal: Develop and implement cost effective NCPA and Member training programs in support of NCPA's workforce plan and member needs, partner with other entities such as SCPPA to reduce costs, (12/2016) HR,
  - Goal: Develop Executive Leadership Program for NCPA and its Members (06/2016) HR
  - Goal: Expand support of NCPA's Internship Program (06/2016) HR,
  - Goal: Develop templates and tools for knowledge transfer (06/2017) HR, and
  - Goal: Enhance the Commissioner training and seek more direct Commissioner involvement on critical issues (12/2016) GM/AGMs.
- Develop and maintain diverse generation resource portfolio in accordance with renewable portfolio standard and capacity obligations.
  - Goal: Safely operate plants with no injuries,
  - Goal: Operate existing assets within budget and plant metrics in the top quartile (12/2016) Generation Services,
  - Goal: Review member needs and develop generation growth plan and pursue new projects in accordance with the plan (e.g., renewable projects or LEC2 for Members and possibly non-members) (12/2016) Generation Services, and
  - Goal: Develop member (MPP centered) specific procurement plans based on Members' SB 350 obligations (12/2016) Power Mgmt.
- Develop/maintain strategies to control costs and minimize risks while maximizing the value of assets.
  - Goal: Bring internal policies and procedures up-to-date (12/2016) Admin Services/Power Mgmt/GM/Generation Services,
  - Goal: Ensure culture of compliance through annual training, regular communications with staff, periodic mock audits, and ensure all laws and regulations are adhered to (e.g., No NOV's, no fines, etc.), (on-going) GM/Generation Services,

- Goal: Coordinate MSSA signatories' efforts within all CAISO stakeholder processes to minimize size, scope and impact on members and projects (12/2016) Power Mgmt,
- Goal: Develop methods to obtain member utility financial model data for those members who would like enhanced assistance with wholesale procurement. (MPP/GPP participants) (12/2016) Power Mgmt, and
- Goal: Expand the efforts related to electric grid security and preparedness.
- Maintain financial strength, grow new revenue and/or reduce member costs by exploring new members/participants and expansion of current services.
  - Goal: Develop proposed criteria/attributes associated with pursuit and acceptance of new members/participants (03/2016) GM/Power Mgmt,
  - Goal: Explore opportunities to develop new generation projects for non-members (on-going) GM/Generation Services,
  - Goal: Explore/research development of new NCPA services entity to develop economies of scale necessary to compete in increasingly complex business environment (on-going) GM,
  - Goal: Explore business model changes and prepare business plan(s) to deliver additional services to non-members/participants and non-traditional services to Members (on-going) GM/AGMs,
  - Goal: Proactively provide services and support to members related to compliance and emergency preparedness (12/2016) Compliance Manager,
  - Goal: Leverage IT knowledge and skills to assist Members with technology support (12/2017) AGMs, and
  - Goal: Review actuarial analysis and develop financial plans to resolve unfunded liabilities associated with employee pension and retiree healthcare (06/2016) GM/AGMs.
- Help articulate and promote the value of NCPA and public power utilities to member communities.
  - Develop more turn-key communications that could be used by Members,
  - Goal: Senior management will conduct NCPA road show as appropriate to promote the value of member utilities and NCPA (on-going) GM/AGMs, and
  - Goal: Obtain Member feedback on value of NCPA services and desired services (on-going) GM.

## **DEFINITIONS**

1. MEMBER: Signatory to the NCPA Joint Powers Agreement.
2. PARTICIPANT: Non-members who participate in the Lodi Energy Center.
3. NON-MEMBER: Public entities in the western United States who participate in NCPA's projects/services and are not signatory to the Joint Powers Agreement.

## **CONCLUSION**

The electric industry in California is in transition. NCPA will address the challenges and complexity of today's rapidly changing business environment while fulfilling its commitment to deliver clean, reliable, cost-based energy to its Members and participants. The Strategic Plan will help chart our course for 2016-2021. Goals for the first two (2) years of the plan have been included in this document. However, the plan will be reviewed and updated annually.