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# Minutes

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**Date:** February 14, 2023  
**To:** NCPA Facilities Committee  
**From:** Carrie Pollo  
**Subject:** February 8, 2023 Special Facilities Committee Meeting Minutes

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- 1. Call meeting to order & Roll Call** – The meeting was called to order by Committee Chair Alan Harbottle (Alameda) at 9:41 am. Attending via teleconference and/or on-line presentation were Dennis Schmidt (Biggs), Terry Crowley (Healdsburg), Jiayo Chiang (Lodi), CJ Berry (Lompoc), Shiva Swaminathan (Palo Alto), Bill Her and Paulo Apolinario (Santa Clara), and Cindy Sauers (Ukiah). Peter Lorenz (non-voting Representative with TID) also attended via teleconference and online presentation. Those attending in person are listed on the attached Attendee Sign-in Sheet. Committee Representatives from BART, Gridley, Port of Oakland, Shasta Lake and TID, were absent. A quorum of the Committee was established.

## **PUBLIC FORUM**

No public comment.

## **OPEN SESSION**

## **DISCUSSION / ACTION ITEMS**

- 2. Nexant Cost Allocation Model Billing Determinants for FY 2024** – Staff presented background information for final review of the Nexant cost determinants for FY 2024 Budget, and was seeking a recommendation for Commission approval of the billing determinants that will be used in the FY 2024 Nexant Cost Allocation Model.

Due to a significant cost increase to Biggs, staff reviewed and applied an adjustment to the Nexant Model associated with contract deals considered outside of the standard during normal, and more favorable hydrologic conditions. The review indicates two deals transacted for Biggs that would not occur under normal operating conditions. Justification for the adjustment is: As a Market Purchase Participant, Biggs is not typically allocated 100% of procured contract deals during more favorable hydrologic conditions. By removing these contracts from the Model, Biggs will receive a decrease to their cost rather than a significant increase. Staff discussed the updated proposed modifications to the Nexant Cost Allocation Model. Dennis Schmidt from the City of Biggs gave a big thank you to Committee Members and staff for this adjustment, and said it is very much appreciated.

**Motion:** A motion was made by Dennis Schmidt and seconded by Brian Schinstock recommending Commission approval of the proposed Nexant Cost Allocation Model. The proposed modifications to the Nexant Cost Allocation Model are:

- Apply HA Schedule Counts, aggregated at the daily level, for Eligible Intermittent Resources (EIR) not scheduled in the Day Ahead CAISO market
- Calculate SFWPA Schedule counts based on single Operating Entity for each of the four resources rather than the modeled 16 different ESP accounts used by NCPA scheduling system to allocate amounts to participants
- Add BART's generating resources to a new "Pool and BART Resources" cost allocation category for the allocation of Power Management Pool Costs for more equitable sharing of Nexant costs
- In response to declining contract volumes, deal counts and contract hours, modify the existing Pool allocation based on 1/3 split for Loads, Contracts and Pool Resources. New allocation basis is .33333 for Loads, 0.24758 for Contracts and 0.41908 for Pool & BART Resources which is determined based on the relationship of energy from Pool & BART resources and contracted energy quantities
- Approval for removal of two contract deals from the Nexant Model. In response to the recommendation of Facilities Committee Members, staff removed two contract deals allocated 100% to Biggs that would have likely not been performed during a normal hydrologic cycle

A vote was taken by roll call: YES = Alameda, Biggs, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Santa Clara, and Ukiah. ABSTAIN = Redding The motion passed.

### **INFORMATIONAL ITEMS**

- 3. Overview of FY 2024 Annual Budget** – Staff provided an informational overview and summary of the agency FY 2024 proposed budget.

Commission direction was received in October 2022 for the FY 2024 budget. Staff preparation began in November and 2022. Member reviews are presented during February and March 2023 at the Facilities Committee meetings, LEC PPC meetings, Legislative and Regulatory meetings, Utility Director's meetings, and to the Commission in March 2023. Final review and Commission approval is scheduled for April 27, 2023.

Issues impacting the FY 2024 budget under labor include new union MOUs (IBEW and HEA) effective December 19, 2021, with general salary increases at 3.25%, two new IS tech analysts, and one HR full time employee changed to a part time intern, for a change of 1.46 FTE. The PERS Pension remains relatively flat from the prior year, OPEB contribution, which is reduced by \$766,000 to reflect UAL super funded status, and medical is increasing by 8.8%. Other issues include capital and maintenance of assets, with a target of an 8% increase for O&M and other costs targeted no higher than a 5% increase, the CPI index as of August 2022 trending above 8.2%, collection and use of reserves, risk mitigation, insurance, plant costs, and forward curves.

Transmission costs are based on the published rate which is estimated during the budget preparation. CAISO energy load costs are based on forecasted load x Dlap price based on the forward curve, with a forecasted rate increase of 40.4%. Fuel costs forecasted MMBtu x Citygate price are based on the forward curve as well.

- 4. Generation Services Budget Presentation** – Staff provided an informational presentation on the Generation Services Facilities initial proposed budget for FY 2024.

#### **Generation Services Administration Budget**

This review included Generation Services Administration FY 2024 proposed budget under operations and administration. The proposed budget under operations is increasing \$6,000 due to an increase in GS CMMS software cost. The proposed budget under administration is increasing

approximately \$1,500 for a total budget increase of approximately \$7,500 for miscellaneous administrative supplies. There was no labor included in this presentation as it's included in the plant budgets.

### **Geothermal Facilities**

- Steam Royalties are increasing due to a 43% market adjustment from \$1,750,000 to \$2,515,474
- The total routine O&M costs proposed is \$18,481,324, increasing by \$683,661
- The total proposed O&M budget is \$36,311,944, increasing by 2,079,461 at 6.1%
- Under Projects the proposed amount for Operations and Maintenance is \$6,086,770, Capital is \$2,165,225, and Maintenance Reserves is \$3,380,400 for a total amount of \$11,632,395 for an increase of \$4,231,895
- The total proposed FY 2024 budget for Geo is approximately \$47,944,339, with an overall increase of \$6,311,356, at 15.1% over FY 2023
- FY 2024 Cost to Members – (\$18,701,201)
- FY 2024 Net Benefit to Members (including REC's) - (\$30,978,331)

Staff reviewed the FY 2024 proposed O&M Projects, Capital Projects, and the Maintenance Reserve Projects pre-collection for Overhauls and Well Workovers.

### **Combustion Turbine No. 1**

Staff reviewed and discussed budget assumptions. Fuel administrative costs are up by 66%, and the maintenance reserves was increase by \$50,000 due to inflation.

- Total O&M cost is \$5,938,908 with an increase of \$1,137,337
- The total proposed FY 2024 CT1 budget is \$6,957,508, increasing by \$1,355,937
- Net cost to Members is \$2,350,340, for a decrease of \$142,853

Staff reviewed the FY 2024 O&M Projects proposed.

### **Combustion Turbine No. 2**

- Staff reviewed and discussed budget assumptions. The CT2 debt will be paid off in 2025. Air New Zealand no longer services the LM5000, which ended in 2021. Staff expects STIG will retire in 2026, or shortly thereafter. The STIG can be upgraded and repowered with an LM6000. LM6000 is capable of burning up to 45% H2 by volume.
- Total O&M cost is \$8,820,286 for a decrease of \$1,320,987
- The total proposed FY 2024 CT2 budget is \$9,185,225 decreasing by \$1,176,048
- The net cost to Members is \$5,193,523, with an increase of \$1,404,339, due to a decrease in revenues

Staff reviewed the FY 2024 O&M and Capital Projects proposed.

### **Hydroelectric Facilities**

- Routine O&M costs are increasing approximately 6.5% at \$289,348
- Labor is increasing approximately \$47,981
- Total routine O&M cost plus labor is increasing by \$337,469 for a total routine O&M proposed budget of \$10,540,449
- The total proposed projects budget is \$6,444,800 increasing by \$2,174,800

- The FY 2024 proposed total Hydro budget is \$57,648,167, increasing by \$2,134,124
- The debt obligation is the largest part of the Hydro budget which is \$34,645,995

The proposed FY 2024 Hydro budget revenue assumptions is \$52,261,502 which is an increase of \$29,065,772, including ISO energy sales, ancillary services sales, and interest income. The net cost to participants will be approximately \$5,026,665, which is a decrease of \$26,931,648.

Staff reviewed the FY 2024 proposed O&M Projects, General and Plant Project, and the Capital Development Reserve Projects pre-collection for McKays Reservoir and Dam Betterment Clean Out, FERC Relicensing, and the Beaver Creek Dredging.

Due to very high costs for future Hydro and Geo Capital Development and Maintenance Reserve Projects, Members have requested looking into financing options and other ways to mitigate and soften the Members costs.

**5. Power Management Budget Presentation** – Staff presented and reviewed Power Management’s purposed budget for FY 2024.

The Power Management budget includes Power Management Administration, Dispatch and Scheduling, Pooling and Portfolio Management, and Industry Restructuring. The proposed Power Management program costs are increasing by approximately \$569,127, from \$12,789,935 to \$13,359,062 or 4.4%. Increases to the FY 2024 proposed budget include, Schedule Coordination, Contract Administration, System Control and Data Acquisition, NERC/WECC Compliance, Pre-Scheduling, and Western Representation and Advocacy. Areas decreasing include Power Pool Operations and Settlement Standards, Pooling Agreement Coordination, Resource Planning, Optimization Risk Analysis and Industry Restructuring and Regulatory Affairs. There are no projects proposed for Power Management in FY 2024.

**6. Administrative Services Budget Presentation** – Staff provided an informational overview and presentation on Administrative Services proposed budget for FY 2024.

The FY 2024 proposed annual budget for Administrative Services and Executive Services is \$19,510,989, increasing by \$1,642,145. Increases include Outside Services/Legal Services for FERC cases, Liability Insurance and Property taxes, computer hardware and software, and communications. Areas with a decrease include travel and staff development, and projects. Allocation of administrative and general costs is 50% each based on direct labor, and program budget cost. Allocation of the occupancy costs to the business units is based on the square footage used in the main administrative building, effective usage of office equipment, and telecom units assigned. Allocation of project and programs is based on direct labor. There are no projects proposed for Administrative Services in FY 2024.

## **ADJOURNMENT**

The meeting was adjourned at 1:42 pm by the Committee Chair.


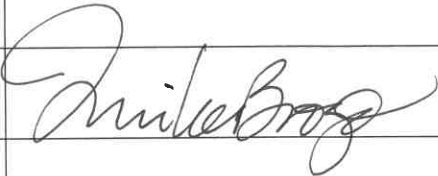


**Northern California Power Agency  
February 8, 2023 Special Facilities Committee Meeting  
Attendance List**

NCPA Facilities Committee Members, Alternates & Staff are requested to sign, but signature by members of the public is voluntary.

| <u>NAME</u>      | <u>AFFILIATION</u> |
|------------------|--------------------|
| Carrie Pollo     | NCPA               |
| Nick Rossow      | City of Redding    |
| Midson Hay       | Alameda            |
| Alan Harbo III   | Alameda            |
| Monty Hauke      | NCPA               |
| Chelsea Wilhite  | NCPA               |
| Vicki Johnson    | NCPA               |
| Rylee Kelly      | Roseville          |
| BRIAN SCHINSTOCK | ROSEVILLE          |
| Tony Zimmer      | NCPA               |
| Mike DeBortoli   | NCPA               |
| Eric Siu         | NCPA               |
| Mike Brozo       | PSREC              |
| RAFAEL SANTANA   | NCPA               |
| Jake Eymann      | NCPA               |
| W. PELLETIER     | NCPA               |
| Jeremy Lawson    | NCPA               |
| SONDRA AINSWORTH | NCPA               |
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| <u>MEMBER</u>     | <u>NAME</u>   |
|-------------------|---|
| ALAMEDA           | Alan Harbottle     |
| BART              |   |
| BIGGS             |   |
| GRIDLEY           |   |
| HEALDSBURG        |   |
| LODI              |   |
| LOMPOC            |   |
| PALO ALTO         |   |
| PLUMAS-SIERRA REC |                   |
| PORT OF OAKLAND   |   |
| REDDING           | Nick Basso       |
| ROSEVILLE         | BRIAN SCHINTZKE  |
| SANTA CLARA       |   |
| SHASTA LAKE       |   |
| TID               |   |
| UKIAH             |   |