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Minutes

Date: February 18, 2021
To: NCPA Facilities Committee
From: Carrie Pollo
Subject: February 10, 2021 Special Facilities Committee Meeting Minutes

- 1. Call meeting to order & Roll Call** – The meeting was called to order by Committee Chair Basil Wong (Santa Clara) at 2:06 pm. A sign-in sheet was passed around. Attending via teleconference and/or on-line presentation were Alan Harbottle and Vidhi Chawla (Alameda), Mark Sorensen (Biggs), Paul Eckert (Gridley), Terry Crowley (Healdsburg), Jiayo Chiang, (Lodi), CJ Berry (Lompoc), Shiva Swaminathan (Palo Alto), Jared Carpenter (Port of Oakland), Brian Schinstock (Roseville), Steve Hance, Paulo Apolinario, Eric Shum, and Monica Nguyen, (Santa Clara), and Willie Manual and Owen Goldstrom (TID). Those attending in person are listed on the attached Attendee Sign-in Sheet. Committee Representatives from BART, Plumas-Sierra, Redding, and Ukiah were absent. A quorum of the Committee was established.

PUBLIC FORUM

No public comment.

OPEN SESSION

DISCUSSION / ACTION ITEMS

*****Please note. This item was moved to the end of the agenda, since Plumas-Sierra was not in attendance when the meeting was called to order.*****

- 2. Nexant Cost Allocation Model Billing Determinants** – Staff presented updated information and was seeking a recommendation for Commission approval of the billing determinants that will be used in the FY 2022 Nexant Cost Allocation Model.

Plumas-Sierra REC incurred numerous, uncontrollable Stranded Load and PSPS events throughout CY 2020, mainly in September and October during the wildfire season. To maintain service to Plumas-Sierra's service territory, each of these events generated multiple contract deals by NCPA staff on behalf of Plumas-Sierra for each operating day, which typically included: 1) Transmission capacity purchases from Nevada Energy, typically Marble to Gonder; 2) Summit export schedule for 5 events; and 3) Marble import schedule for 21 events. Due to these uncontrollable events, staff is proposing an additional modification to the Nexant Cost

Allocation Model which is to exclude 21 transmission deals from the Nexant Model associated with CY 2020 Plumas-Sierra REC PSPS and Stranded Load events. The associated daily energy import and export deals are retained in the Nexant Model for use as allocators for Plumas-Sierra. After discussion with the Committee, it was decided not to add this additional modification, but to keep the original modification presented at last week's Facilities Committee meeting.

No formal action was taken due to the lack of a quorum at the time this item was presented. However, the general consensus of the Facilities Committee recommends Commission approval to modify the weighted average calculation used for the Pool & BART Contract percentage rate to a simple average of Members' proportionate shares of Contract Hour and Contract Count Percentages. This change applies to FY 2022 and future years to the extent that the current Nexant Model is used. This item will move forward to the next Commission Meeting February 25, 2021.

INFORMATIONAL ITEMS

- 3. Overview of FY 2022 Annual Budget** – Staff presented an informational overview and summary of the agency FY 2022 proposed budget.

Commission direction was received in October 2020 for the FY 2022 budget. Staff preparation began in November 2020. Member reviews are presented during February and March 2021 at the Facilities Committee meetings, LEC PPC meetings, Legislative and Regulatory meetings, Utility Director's meetings, and to the Commission in March 2020. Final review and Commission approval is scheduled for April 29, 2021.

Issues impacting the FY 2022 budget include union contracts (IBEW and HEA), Per Pension with an increase of \$375,000, or 4%, OPEB contribution, which is flat, and the CPI index as of August 2020 at 1.3%. Other issues include capital and maintenance of assets, with preventative maintenance schedules and replenishment of reserves, and wildfire mitigation, with increased efforts to minimize risks and compliance with audit recommendations. Wheeling access charges are also increasing, as well as property insurance at a 78% increase and casualty insurance at a 30% increase.

Regular operating and maintenance for the plants is targeted for a 1.3% increase. Transmission costs will be based on the published rate, while CAISO energy load costs are based on the forward curve. Pass-through accounts and capital outlay review, will be presented at a later time. Recommended salary increases are approximately \$1.1 million which includes negotiated contracts for unions, broad band adjustments for merits, promotions and upgrades, and half a year funding for three new positions partially funded in FY 2021. All other operating expenses are targeted at a 1.3% increase from the previous year's base budget, and will continue to be refined by aligning closer to actuals.

- 4. Generation Services Budget Presentation** – Staff provided an informational presentation on the Generation Services Facilities initial proposed budget for FY 2022.

Geothermal Facilities

- Labor will increase by 4.83% at approximately \$537,628 due to MOU and COLA
- The total routine O&M costs proposed is \$17,695,533 which includes \$500,000 towards fire mitigation

- The total proposed O&M budget is \$34,838,149 increasing \$1,861,757, or 5.65% over FY 2021
- The proposed amount for Capital Projects is \$1,175,000, \$1,100,000 for operations and maintenance, and \$3,930,000 for the Maintenance Reserve totaling \$6,205,000 for all projects
- The total proposed FY 2022 budget for Geo is approximately \$41,043,149 increasing by \$5,481,757 or 15.4% over FY 2021

The proposed Geo Capital Projects include: 1) Facility Upgrade; 2) Plant #2 Diesel Tank; 3) Vehicle Replacements; and 4) Enterprise Management System. The Maintenance Reserve Project this year is for pre-collection for future overhauls and well workovers. The proposed O&M projects include: 1) Plant, Yard, and Road Repairs; 2) Steam Field Pipe Supports; 3) Bear Canyon #2 VFD; 4) Plant #2 EHC; 5) Plant #2 Seal Oil Skid; 6) SEGEP Surge Tank Replacements; 7) Plant #1 13.8 kV / 2.4 kV / 480 V Bus Restoration; 8) Plant #1 Intertie Switch; and 9) Plant #1 New Cooling Towers.

Financial projections for the Geo budget assumptions are based on the Power Management forecast for FY 2021. The financial assumptions include renewable energy credits RECs (Bucket 1) valued at \$14.25 per MWh, and resource adequacy (RA) at \$71.25 per kW-Y. The generation forecast for FY 2021 is 686.1 GWhs. The total value of the RECs is \$9,776,398, with the total RA valued at \$5,580,136 for a combined total of \$15,356,533. The FY 2022 net cost to Members is \$12,855,278 with a net benefit to Members of \$2,501,247.

Combustion Turbine No. 1

Staff reviewed and discussed budget assumptions. The capacity value of CT1 is estimated to be \$71.25 per kW-Y. Projects identified are based on continued permit limited operation.

- The total proposed FY 2022 CT1 budget is \$7,075,392, decreasing by \$808,1185
- Net cost to Members is \$5,561,633, also a decrease of \$689,594
- Total O&M cost is \$285,615

Staff is proposing two O&M Projects which include: 1) Control System; and, 2) Gas Plants Shared Project. One Capital Project is requested for Vehicles, which is 90% for CT1 and shared between CT2 at 5% share, and the Lodi Energy Center also at 5%.

Combustion Turbine No. 2

Staff reviewed and discussed budget assumptions. The capacity value of CT2 is estimated to be \$71.25 per kW-Y. The CT2 debt will be paid off in 2025. Air New Zealand is expected to service the LM5000 only until 2021. Staff expects to retire the STIG in 2026, or shortly after. The STIG can be upgraded and repowered with an LM6000.

- The total proposed FY 2022 CT2 budget is \$9,059,949, increasing by \$1,009,951
- The net cost to Members is \$5,738,135, a slight increase by \$59,410
- Total O&M cost is \$850,151

Staff is proposing three O&M projects which include: 1) CT2 Upgrade Engineering Support; 2) Gas Compressor C OH; and 3) Gas Plants Shared Projects. One Capital Project is requested for Vehicles, which is 5% for CT2, and shared between CT1 at 90% share, and the Lodi Energy Center at 5%.

Hydroelectric Facilities

- Routine O&M costs are increasing approximately 2.3% at \$95,471, due primarily to diving, cloud seeding, regulatory fees, and vegetation management
- Labor is increasing approximately \$212,477
- Total routine O&M cost plus labor is increasing by \$307,948 for a total routine O&M proposed budget of \$9,877,563
- The total proposed projects budget is \$6,765,000
- The FY 2022 proposed total Hydro budget is \$57,420,908, increasing by \$3,160,538
- The debt obligation is the largest part of the Hydro budget which is \$33,421,637

The proposed O&M projects for Hydro were presented which include: 1) Lake Alpine Dam Maintenance; 2) 11563 Part 12 Study; 3) Union Dam Maintenance; 4) CV Transformer Maintenance; 5) CV Switchyard Ground Clearance; 6) CV Cooling Water Pumps; and 7) Network Infrastructure Improvement. Vehicle Replacement is under general and plant projects. The Capital Development Reserve Projects include: 1) McKays Reservoir and Dam Betterment (Clean Out); and 2) Beaver Creek Dredging.

The proposed FY 2022 Hydro budget revenue assumptions is \$24,958,558, including ISO energy sales, ancillary services sales, and interest income. The net cost to participants will be \$32,462,350.

5. Power Management Budget Presentation – Staff presented Power Management’s purposed budget for FY 2022.

The proposed Power Management program costs are increasing by approximately \$638,068, from \$11,985,105 to \$12,533,173 or 5.4%. Changes proposed in the FY 2022 budget include planning for transition from low to medium impact under NERC/WECC standards, with software and security enhancements. New staffing positions in IS, are requested to continue with software and security enhancements for programs used through Dispatch and Scheduling, as well as Pre-Scheduling, and for physical and cyber security. Power Management is requesting one full time employee in SCALD, which would be a lead dispatch position, for the full fiscal year, as compared to six months in the last fiscal year. This position would enable management of additional complex systems, as well as increase business resiliency, and staff development. There are no Power Management projects proposed for FY 2022.

6. Administrative Services Budget Presentation – Staff provided an informational overview and presentation on Administrative Services proposed budget for FY 2022.

The FY 2021 proposed annual budget for Administrative Services/Executive Services is \$17,202,007, increasing \$879,799. Salaries and benefits are proposed to increase by \$435,498, which includes two new Information Services (IS) full time positions. Insurance amounts are also increasing by \$603,532 for excess liability. There are no Administrative Services projects proposed for FY 2022.

ADJOURNMENT

The meeting was adjourned at 5:44 pm by the Committee Chair.