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Notice – Call of Special PPC Meeting

Date: November 24, 2020
To: NCPA Lodi Energy Center Project Participant Committee
From: Basil Wong, Chairman
Subject: December 1, 2020 LEC PPC Special Meeting Notice & Agenda

*****This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, Governor Newsom's Emergency Declaration related to COVID-19, and Governor Newsom's Executive Order N-29-20 issued on March 17, 2020 that allows attendance by LEC PPC Members, staff, and the public to participate and conduct the meeting by teleconference.**

In compliance with the Executive Department, State of California, Executive Order N-29-20, and the Brown Act, you may participate in the meeting via teleconference by:

<https://www.gotomeet.me/NCPALodi>

Dial: 1-872-240-3212

Access Code: 327-912-613

PLEASE TAKE NOTICE that pursuant to Government Code section 54956, a special meeting of the Northern California Power Agency Lodi Energy Center Project Participant Committee is hereby called for **Tuesday, December 1, 2020 at 3:30 pm** to discuss those matters listed in the attached Agenda. The meeting will be held via teleconference.

A handwritten signature in cursive script, appearing to read "Basil Wong".

Basil Wong, Chairman



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LEC PPC – Special Meeting Agenda

Date: November 24, 2020

Subject: December 1, 2020 Lodi Energy Center Project Participant Committee Meeting

Location: 651 Commerce Drive, Roseville CA and/or Posted Teleconference Locations

Time: 3:30 p.m.

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Persons requiring accommodations in accordance with the Americans with Disabilities Act in order to attend or participate in this meeting are requested to contact the NCPA Secretary at 916.781.3636 in advance of the meeting to arrange for such accommodations.

The Lodi Energy Center Project Participant Committee may take action on any of the items listed on this Agenda regardless of whether the matter appears on the Consent Calendar or is described as an action item, a report, or an information item. If this Agenda is supplemented by staff reports, they are available to the public upon request. Pursuant to California Government Code Section 54957.5, the following is the location at which the public can view Agendas and other public writings: NCPA, 651 Commerce Drive, Roseville, CA or www.ncpa.com

- 1. Review Safety Procedures**
- 2. Call Meeting to Order and Roll Call**

PUBLIC FORUM

Any member of the public who desires to address the Lodi Energy Center Project Participant Committee on any item considered by the Lodi Energy Center Project Participant Committee at this meeting, before or during the Committee's consideration of that item, shall so advise the Chair and shall thereupon be given an opportunity to do so. Any member of the public who desires to address the Lodi Energy Center Project Participant Committee on any item within the jurisdiction of the Lodi Energy Center Project Participant Committee and not listed on the Agenda may do so at this time.

BUSINESS ACTION ITEMS

- 3. Reapproval of Major Insurance Renewals for Policy Year of 2021** – Staff will provide an update regarding recent feedback from the markets and seek a new recommendation for approval, increasing the not-to-exceed amount of NCPA Major Insurance renewals for 2021. If recommended for approval, this item will be placed on the December 3, 2020 Commission agenda.

ADJOURNMENT

Persons requiring accommodations in accordance with the Americans with Disabilities Act in order to attend or participate in this meeting are requested to contact the NCPA Secretary at 916.781.3636 in advance of the meeting to arrange for such accommodations.



Lodi Energy Center Project Participant Committee

Staff Report

AGENDA ITEM NO.: ____

Date: December 1, 2020
To: Lodi Energy Center Project Participant Committee
Subject: Reapproval of Major Insurance Renewals for the Policy Year of 2021

Proposal

NCPA staff recommends that the LEC PPC delegate authority to the General Manager to negotiate and bind property damage and liability coverages amounts as presented (or better) and increasing the previous not-to-exceed proposed premiums from \$1,005,531 to \$1,249,100.

Background

NCPA utilizes the insurance brokerage services of Aon Risk Solutions, San Francisco, California to market and place NCPA's insurance programs. Each insurance policy and the related insurance market conditions are reviewed prior to the renewal date and remarketed as required to qualified insurers experienced in underwriting the applicable insurance risk. Current property and liability insurance coverage expires on December 15 and December 31, 2020, respectively.

This year NCPA, together with Aon, marketed NCPA's insurance programs to both existing and prospective underwriters (UWs), a total of 22 UWs from 15 different insurers, focused on presenting NCPA's proactive enterprise risk management approach and its rigorous loss prevention programs. The property insurance market had been soft for many years. It turned around in 2017-18, triggered by floods in Texas, hurricanes along the east coast, the devastation of Puerto Rico, and wildfires in California. NCPA management's commitment to loss prevention and the marketing effort successfully improved the insurance underwriters' confidence and knowledge of NCPA's business and risk profile.

Highlights of the Renewal Process

- The insurance market conditions hardened in 2017-18 after many years of soft markets. The members have benefited with reduced (or flat) premiums since 2015.
- On-going exposure to flooding, hurricanes, and catastrophic California wildfires have changed the insurance landscape.
- NCPA had six claims in the past five years: 2015 Geothermal wildfire and Hydro Plant landslide, 2017 storm damage on Hydro Beaver Creek, and 2018 Alameda Unit 1 equipment failure, 2019 Kincade Fire Business Interruption, and 2020 LEC turbine generator failure (\$44 million).
- California wildfires have a significant impact on the liability insurance market.
- Some underwriters withdrew from California liability insurance market while others have reduced capacities and/or excluded wildfire coverage altogether.

LEC Insurance Programs Renewal Proposal

At the November 10th LEC PPC meeting, the insurance underwriters were not ready to quote or even provide indications of NCPA’s program (including LEC) before assessing their potential exposures and previous losses. While NCPA and Aon are still in the process of securing final quotes, the insurance underwriters provided some indicative quotes on November 24 reflecting the need to increase the not-to-exceed limit approved by the LEC PPC on November 10th.

Staff requests the Commission grant the authority to the General Manager to negotiate and bind coverages increasing the previous not-to-exceed rates for the 2021 renewal premiums \$209,081 from \$1,005,531 to \$1,249,081. Of this amount, \$1,040,000 (68% increase over prior year) for LEC property damage coverage and \$209,100 (50% increase over prior year) for the excess liability coverage. While our broker will continue pushing the markets for better rates, this provides the General Manager the ability to bind coverages prior to the expiration of the policies. A final report will be made available after all the quotes and coverages are secured.

	2020	2021 Renewal Estimated	2021 Renewal Estimated (updated)	
Property Damage				
LEC	\$618,856	\$796,450	\$1,040,000	
Change		29%	68%	
Liability				
LEC	\$139,388	\$209,081	\$209,081	<-- no change
Change		50%	50%	
Total	\$758,244	\$1,005,531	\$1,249,081	Increase \$243,550
		33%	65%	
FY21 Budget			\$898,338	
Estimated Cost		1/2 of FY20	\$379,122	
		1/2 of FY21	\$624,541	
Estimated Shortfall				(\$105,325)

Fiscal Impact

The total cost of the policy year 2021 insurance programs is about \$1,249,081 or 65% higher than current year premiums. Depending on final premiums, a budget augmentation may be required for FY21. Staff will return in January with a final report of coverages and premiums.

Environmental Analysis

This activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a “project” for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary.

Submitted by:

Monty Hanks
 AGM Administrative Services