



651 Commerce Drive  
Roseville, CA 95678

phone (916) 781-3636  
fax (916) 783-7693  
web www.ncpa.com

# LEC PPC Meeting Minutes

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**Date:** March 12, 2018

**Time:** 10:00 a.m.

**Location:** Lodi Energy Center – 12745 N. Thornton Rd, Lodi, CA 95242 and by teleconference

**Subject:** Lodi Energy Center Project Participant Committee Meeting

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## 1. Call Meeting to Order and Roll Call

The PPC meeting was called to order at 10:02 a.m. by Chairman Martin Caballero. He asked that roll be called for the Project Participants as listed below.

<b>PPC Meeting Attendance Summary</b>		
<b>Participant</b>	<b>Attendance</b>	<b>Particulars / GES</b>
Azusa - Lehr	Absent	2.7857%
BART - Lloyd	Absent	6.6000%
Biggs - Sorenson	Present	0.2679%
CDWR - Yarbrough	Present	33.5000%
Gridley - Borges	Absent	1.9643%
Healdsburg - Crowley	Absent	1.6428%
Lodi - Chiang	Present	9.5000%
Lompoc - Singh	Absent	2.0357%
MID - Caballero	Present	10.7143%
Plumas-Sierra - Brozo	Absent	0.7857%
PWRPA - Bradley	Present	2.6679%
SVP - Hance	Present	25.7500%
Ukiah - Grandi	Absent	1.7857%
<b>Summary</b>		
Present	6	82.4001%
Absent	7	17.5999%
Quorum by #:	No	
Quorum by GES:	Yes	
Meeting Date:	March 12, 2018	

## **Public Forum**

Chairman Caballero asked if any members of the public were present in Lodi or at any of the other noticed meeting locations who would like to address the PPC on any agenda items or on any item within the jurisdiction of the LEC PPC and not listed on the agenda. No members of the public were present.

## **2. Meeting Minutes**

The draft minutes from the February 12, 2018 Regular Meeting were considered. The LEC PPC considered the following motion:

**Date:**

3/12/2018

**Motion:**

The PPC approves the minutes from the February 12, 2018 Regular Meeting as presented or *including any edits discussed at today's meeting.*

**Moved by:**

**Lodi**

**Seconded by:**

**PWRPA**

Discussion: No further discussion

<b>Vote Summary on Motion</b>		
<b>Participant</b>	<b>Vote</b>	<b>Particulars / GES</b>
Azusa	Absent	2.7857%
BART	Absent	6.6000%
Biggs	Yes	0.2679%
CDWR	Yes	33.5000%
Gridley	Absent	1.9643%
Healdsburg	Absent	1.6428%
Lodi	Yes	9.5000%
Lompoc	Absent	2.0357%
Modesto	Yes	10.7143%
Plumas-Sierra	Absent	0.7857%
PWRPA	Yes	2.6679%
Silicon Valley Power	Yes	25.7500%
Ukiah	Absent	1.7857%
<b>Vote Summary</b>		
Total Ayes	6	82.4001%
Total Noes	0	0.0000%
Total Abstain	0	0.0000%
Total Absent	7	17.5999%
Result:	Motion Passes	

## **MONTHLY REPORTS**

### **3. Operational Reports for February 2018**

Jeremy Lawson presented the Operational Report for February. There were no OSHA recordable accidents, and no NERC/WECC or permit violations. There were a number of outages that occurred during the month of February. Jeremy reviewed these outages with the Committee, including their durations and causes. Many of the outages were related to emissions compliance. Staff will be working with Siemens to address these issues. Jeremy also reviewed the work to be completed during the upcoming April outage. There will be two high-voltage outages with PG&E. Jeremy reviewed the work to be completed in relation to those outages, as well as other outage-related activities that will occur.

The operational report reflected monthly production of 110,676 MWH, 440 service hours, and equivalent operating availability of 97.8%. The report set for the Capacity Factor @ 280MW Pmax of 58.8% and 302MW Pmax of 54.5%. There were 13 hot starts, 8 warm starts, and 1 cold starts during the month.

### **4. Market Data Report for February 2018**

Mike Whitney presented the operating and financial settlement results for the month. LEC was committed to CAISO 25 out of 28 available days. 2 of the unavailable days were due to economics, while the other unavailable day was due to a forced outage. Most startups were for mid-range runs (12-17 hours), with two 24-hour runs in the month of February. The plant continues the trend of AM and PM runs, with the plant off during the middle of the day.

### **5. Monthly Asset Report**

Mike DeBortoli presented the monthly asset report for January 2018. Mike reported that January had strong revenues, despite fuel increasing. The trends on price are coming down, and January was a very good month, margin-wise. Mike reviewed the monthly historical comparisons as well as the 12-month history with the Committee.

### **6. Bidding Strategies Report**

Ken Goeke presented the Bidding Strategies Report for February 2018. The plant was awarded every day of the month. Margins appeared stronger towards the end of February. Ken reviewed bidding and calculating net start-up costs. Ken reviewed DA and RT net revenues over the month with the Committee.

## **Consent Calendar (Items 7 – 14)**

The consent calendar was considered. Chairman Caballero asked if any Participant wished to have any item removed for separate discussion. Hearing no requests, he then asked if any Participant wished to abstain from one or more items on the Consent Calendar. There were no abstentions. The LEC PPC considered the following motion:

**Date:** 3/12/2018

**Motion:** The PPC approves the Consent Calendar items consisting of agenda items no. **7.** Treasurer's Report for February 2018; **8.** Financial Reports for

February 2018; **9.** GHG Reports excerpted from monthly ARB; **10.** Bay Cities Fire Protection MTGSA not to exceed \$500,000 for fire systems maintenance, including testing and other necessary services, for use at all facilities owned and/or operated by NCPA, its Members, SCPPA, or SCPPA Members; **11.** T.A. Krause, Inc. dba T.A. Krause Construction and Custom Painting MTGSA not to exceed \$1,000,000 for preventative roof and siding maintenance services, for use at all facilities owned and/or operated by NCPA, its Members, SCPPA, or SCPPA Members; **12.** Nor-Cal Battery Company MTGSA not to exceed \$250,000 for battery maintenance services including testing, installing, and monitoring, for use at all facilities owned and/or operated by NCPA, its Members, SCPPA, or SCPPA Members; **13.** HRST, Inc. MTGSA not to exceed \$500,000 for inspection services, for use at all facilities owned and/or operated by NCPA, its Members, SCPPA, or SCPPA Members; **14.** Industrial Air Flow Dynamics, Inc. First Amendment to the GSA increasing the not to exceed amount from \$245,000 to \$300,000 for roof seal replacement services for use at the Lodi Energy Center.

**Moved by:** CDWR  
**Seconded by:** Lodi

Discussion: No further discussion.

<b>Vote Summary on Motion</b>		
<b>Participant</b>	<b>Vote</b>	<b>Particulars / GES</b>
Azusa	Absent	2.7857%
BART	Absent	6.6000%
Biggs	Yes	0.2679%
CDWR	Yes	33.5000%
Gridley	Yes	1.9643%
Healdsburg	Absent	1.6428%
Lodi	Yes	9.5000%
Lompoc	Absent	2.0357%
Modesto	Yes	10.7143%
Plumas-Sierra	Absent	0.7857%
PWRPA	Yes	2.6679%
Silicon Valley Power	Yes	25.7500%
Ukiah	Absent	1.7857%
<b>Vote Summary</b>		
Total Ayes	7	84.3644%
Total Noes	0	0.0000%
Total Abstain	0	0.0000%
Total Absent	6	15.6356%
Result:	Motion Passes	

## **BUSINESS ACTION ITEMS**

### **15. Siemens Energy, Inc. Change Order No. 1 to LTMPA**

Mike DeBortoli presented a proposed Change Order to the Long-Term Maintenance Planning Agreement between NCPA and Siemens Energy, Inc. This Change Order would add to the scope, as well as extend the sunset date of the current agreement from 2035 to 2041.

A major component of the Change Order would be the addition of a rotor exchange to the Scope of Work. Pricing would be based on refurbished rotor exchange, and would cost approximately \$3,600,000 (down from \$4.2mm). NCPA has proposed that collection for these costs begin now, and be set aside into a Maintenance Reserve Fund (Mike had previously discussed this with the Committee in the 2/12/18 LEC PPC Meeting). NCPA would not be locked into a refurbished rotor exchange; Siemens has stated that there would always be the option to pay the additional cost for a brand-new rotor. The first rotor exchange would likely happen during the first major overhaul (forecast for 2022). The Committee stated that it would be helpful to have a more in-depth discussion regarding refurbished rotors.

Other items added to the scope would include adding Steam Turbine Heating Blanket (reducing start times and increasing standby power), and generator inspections (both medium and major, to be performed in sync with HGP and CTG majors).

Mike would also like to add Energy Management Consultant Services for three years (at a cost of \$70,000/year). These services would include two workshops a year, as well as ISO design change or business updates by the authors of the CAISO software, which could allow NCPA to better manage the asset in the energy market.

Mike noted that this Change Order would increase cancelling to 18% of remaining payments (up from 12%). Jane Luckhardt explained that staff is still looking at these cancellation terms. These cancellation costs decrease at the sunset date gets closer, however, Staff still needs to look more at the terms and the impacts.

Mike reviewed the impacts of this Change Order on the FY19 budget. Approving this Change Order could result in a savings of up to \$990,362/year. If approved, this change would go into effect immediately.

The Committee stated they would like to hold off on approving this Change Order until the cancellation piece is fully vetted and finalized by NCPA legal. Some participants also expressed a concern about the status of the plant should California go towards 100% renewables in the future. Mike stated he will gather additional information and return with this item at the April LEC PPC Meeting.

Mike also reviewed a new T3000 Service Agreement which, while not currently ready for Committee approval, will have an impact on the FY19 budget. The previous Service Agreement recently expired. The new agreement would add a one-time DCS Software Upgrade to the scope, and could potentially save NCPA ~\$150,000 over previous quotes. Mike reviewed some of the additional items to be included in the new scope. Mike also reviewed the impacts that approval of this agreement could have on FY19 budget.

All Members present felt comfortable with assuming future approval of the LTMPA and T3000 Agreements for purposes of budget modeling, with official approval of both agreements to come once both agreements have been finalized and are brought back to the Committee at a later date.

## **BUSINESS ACTION ITEMS**

### **16. Adjourned to Closed Session**

The PPC adjourned to Closed Session at 11:15 a.m. A Closed Session discussion was had pursuant to California Government Code Section 54956.9(d)(1) regarding Pacific Gas and Electric Company's 2019 Gas Transmission and Storage Rate Case, *Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2019 – 2021*, California Public Utilities Commission Application 17-11-009 (filed November 17, 2017).

At 11:24 a.m. the Committee returned to Open Session. General Counsel Jane Luckhardt advised that no reportable action was taken during the Closed Session.

## **INFORMATIONAL ITEMS**

### **17. FY19 Budget Presentation – Review Only**

Mike DeBortoli reviewed the updated FY19 budget with the Committee. This budget assumed approval of the Change Order to the LTMPA and the T3000 Service Agreements. Mike broke down the updated Energy Production Costs (provided based on Plexos modeling from Jan Bonatto). Mike also reviewed other changes and impacts to the cost curve and the debt service chart.

Committee members asked that staff send out what documentation they have as soon as possible, to allow them plenty of time to review the proposed budget prior to April LEC PPC Meeting (which is when staff intends to seek formal approval of the FY19 budget).

Mike and Monty will work to gather and distribute FY19 budget documents to committee members. Any questions regarding the budget should be directed to Mike DeBortoli.

### **17. Additional Operational Updates**

There were no additional operational updates at this time.

## **Adjournment**

The next regular meeting of the PPC is scheduled for April 9, 2018.

The meeting was adjourned at 11:35 a.m.

Submitted by: Michelle Schellentrager