

Monterey Bay Community Power Fee for Services Issues

Facilities Committee Meeting

November 2, 2017

Background

- NCPA regularly receives RFP's for Power Management services
 - SCPPA
 - Monterey Bay Community Power (MBCP)
 - East Bay Community Energy (EBCE)
 - On the horizon
 - South Feather Water and Power
 - California State University System
 - San Jose Community Choice
 - Los Angeles CCA's (Beach Cities)

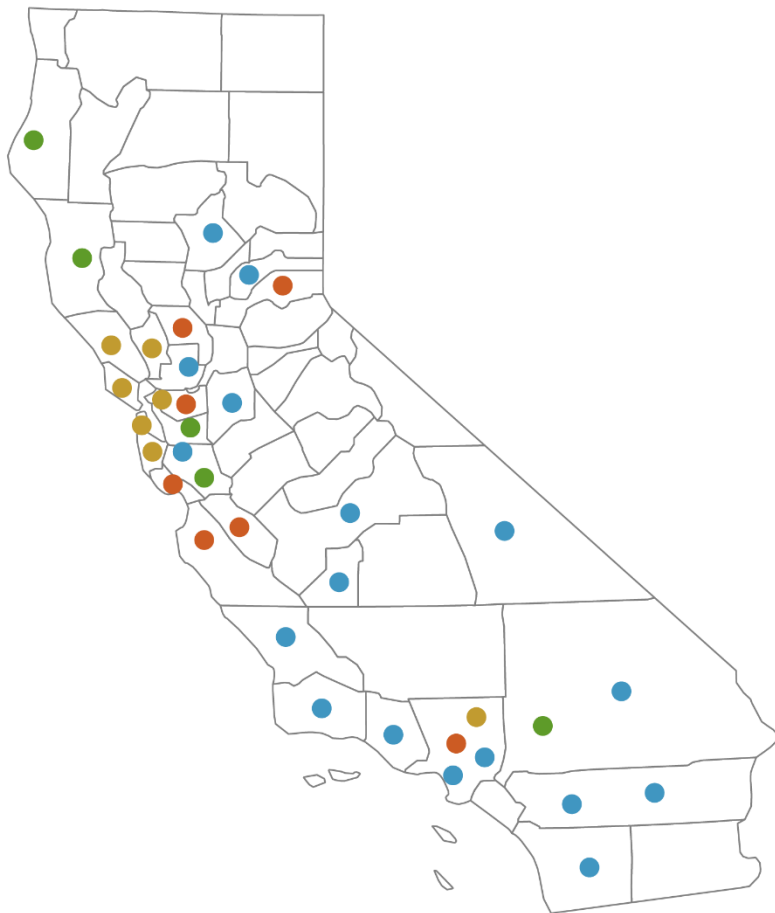
Background (cont.)

- Three services proposals executed
 - Merced Irrigation District (started 7/1/17; \$390K/yr.)
 - Placer County Water Agency (starts 1/1/18; \$410K/yr.)
 - Pioneer Community Energy (starts 2/1/18; \$425K/yr.)

Background (cont.)

- RFP response times set externally
- Non-binding offers provided
 - MBCP (received 9/15/17; responded 10/17/17)
 - \$508K/yr.
 - EBCE (received 10/20/17; responded 10/27/17)
 - \$640K/yr.
 - SCPPA (received 9/25/17; responded 10/30/17)
 - Pricing examples provided
- Numerous implementation plans filed
 - Targeting start-up in early 2018
 - Ahead of next legislative session

Status of CCA in California



www.leanenergyus.org/cca-by-state/california

● Operational CCA/CCEs

MCE Clean Energy (*includes Marin and Napa Counties, parts of Contra Costa and Solano Counties*)
 Sonoma Clean Power
 Lancaster Choice Energy
 Clean Power San Francisco
 Peninsula Clean Energy (*San Mateo County*)

● 2017 Launch

East Bay Community Energy (*Alameda County*)
 Mendocino County (*as member of Sonoma Clean Power*)
 Redwood Coast Energy Authority (*Humboldt County*)
 Silicon Valley Clean Energy (*Santa Clara County*)
 Town of Apple Valley

● 2018 Launch (anticipated)

Contra Costa County
 Monterey Bay Community Power (*Monterey, Santa Cruz and San Benito Counties*)
 Los Angeles County (*Phase 1*)
 Placer County
 Valley Clean Energy Alliance (*Yolo County and City of Davis*)

● Exploring / In Process

Butte County
 City of Hermosa Beach
 City of Pico Rivera
 City of San Jacinto
 City of San Jose
 Fresno County
 Inyo County
 Kings County
 Nevada County
 Riverside County
 San Bernardino County
 San Diego County
 San Joaquin County
 San Luis Obispo County*
 Santa Barbara County*
 Solano County
 Ventura County*

*Central Coast Tri-County

Issue

- Monterey Bay Community Power
 - Request to float initial CAISO estimated aggregate liability amounts (EAL)
 - Request to cover collateral obligations at CAISO
- Willingness amongst competitors to meet this request
- Issue(s) will persist as CCE's in future service proposals/evaluations
- Competitive offers may require accepting new risks
- Purpose of this discussion is to address those risks
 - In the context of an MBCP proposal
 - More broadly in the context of a policy proposal for future offers

Example Impact for MBCP

Assumes 80% Coverage and \$1.50 Congestion Costs; \$0.75/MWh Load GMC; \$0.55/MWh AS Load Cost

YEAR	MONTH	Load MWh	Load Costs	Supply Revenue	Net ISO Costs		Load Rate	Retail Rate	Rate Margin	Income Margin
2018	3	39,314	\$ 1,367,813	\$ 1,012,682	\$ 355,131		\$ 34.79	\$ 50.00	\$ 15.21	\$ 597,887.06
2018	4	90,048	\$ 2,735,221	\$ 2,002,239	\$ 732,982		\$ 30.38	\$ 50.00	\$ 19.62	\$ 1,767,179.38
2018	5	95,728	\$ 2,968,654	\$ 2,176,976	\$ 791,678		\$ 31.01	\$ 80.00	\$ 48.99	\$ 4,689,585.57
2018	6	98,156	\$ 3,570,766	\$ 2,652,623	\$ 918,143	\$ 2,797,934	\$ 36.38	\$ 80.00	\$ 43.62	\$ 4,281,673.70
2018	7	133,378	\$ 5,246,174	\$ 3,921,553	\$ 1,324,621		\$ 39.33	\$ 80.00	\$ 40.67	\$ 5,424,025.97
2018	8	159,279	\$ 6,668,987	\$ 5,002,938	\$ 1,666,049		\$ 41.87	\$ 80.00	\$ 38.13	\$ 6,073,293.35
2018	9	159,399	\$ 6,385,549	\$ 4,779,138	\$ 1,606,412		\$ 40.06	\$ 80.00	\$ 39.94	\$ 6,366,330.52
2018	10	145,679	\$ 6,120,084	\$ 4,592,339	\$ 1,527,745		\$ 42.01	\$ 80.00	\$ 37.99	\$ 5,534,196.18
2018	11	142,551	\$ 5,750,332	\$ 4,304,562	\$ 1,445,770		\$ 40.34	\$ 50.00	\$ 9.66	\$ 1,377,218.31
2018	12	141,371	\$ 5,866,430	\$ 4,401,063	\$ 1,465,367		\$ 41.50	\$ 50.00	\$ 8.50	\$ 1,202,119.90
		=====	=====	=====	=====					\$ 37,313,509.94
		1,204,901	\$ 46,680,010	\$ 34,846,113	\$ 11,833,897					

Excludes RA and CRR liabilities

Example Offers

- Marin Clean Energy (Z Global)
 - Executed June 2016
 - Posted \$1,000,000 cash/letter of credit performance bond
 - Posted \$500,000 Collateral with CAISO for MCE
 - Service fees waived for first six months
 - Annual service cost approximately \$283,000 annual/ \$29,000 first year due to fee waiver
 - NCPA offer at \$756,000; Ascend offer at \$386,000; Three Phases offer at \$480,000

Example Offers (cont.)

- Silicon Valley Clean Energy (Z Global)
 - Executed November 2016
 - Posted \$500,000 cash/letter of credit performance bond
 - Posted \$500,000 collateral with CAISO for SCVE
 - Fixes SVCE's max EAL Security obligation at \$75,000
 - Difference from MCE (going concern vs start-up)
 - Service Fees waived for first six months
 - Annual service costs approximately \$200,000/yr. (\$.05/MWh)
 - Same CEO for SVCE and MBCP

Example Offers (cont.)

Valley Clean Energy Alliance (VCEA) and SMUD

- VCEA Selected SMUD to provide CCA services
 - SMUD is excited to be involved with California CCA movement
 - Publicly owned, value driven mission alignment
- SMUD
 - Vertically integrated publicly owned utility in Sacramento
 - ~600,000 accounts, established for 70+ years
 - focus on community investment and innovative customer energy solutions
- VCEA
 - CCE program in Yolo County, serves City of Davis, City of Woodland, and Unincorporated Yolo County
 - Mitch Sears, Interim General Manager
 - ~65,000 accounts
 - Launch in June 2018 – 1 phase



SMUD's CCA Services

- SMUD's Comprehensive Services
 - Wholesale Energy Services
 - Procurement, SC, Settlements, Regulatory, Credit Sleeve, Enterprise Risk Management
 - Data Management and Call Center Services
 - Cloud based CRM/EDI, JD Power award winning call center and customer operations
 - Operational Services
 - Able to access SMUD operational services through hybrid cost + materials and fixed cost placement of staff on-site
 - Budgeting, planning, accounting, and other operational services
 - Access to planning function for Day-2 services, including DER planning



- Key Elements of SMUD Service Proposal:
 - SMUD proposing to front credit for CCAs
 - SMUD will take title to energy project and power portfolio
 - Direct SC services (no agent model)
 - Full Suite (including call center and retail support services)

Responsive Options for MBCP

- Utilize existing cash on hand and/or LOC to float MBCP EAL and Service Charges for an agreed upon duration
 - To cover start-up cash flow issues
 - To cover start-up cash flow and ongoing EAL obligations
- Allow for flexible recovery of costs of float
 - Fixed charge equal to lost interest payments/actual costs
 - Interest based charge on actual credit amounts advanced
- Post/maintain CAISO collateral for MBCP
 - Can likely cover within unsecured credit limits if transacting under NCPA's SCID
 - Reduces NCPA's available unsecured limits for EAL purposes
 - Would require \$500K when transacting under MBCP SCID
 - Could reduce to \$100K after six months

Tools for Supporting Responsive Options

- Letter of credit
 - Preliminary discussions with investment banks
 - Appears to range between 2% to 4% of credit extended
 - NCPA would set up credit facility
 - Bank would pursue service recipient for default
 - ◆ No recourse back to NCPA for defaults
- Combination of available agency funds and letter of credit
 - Could be used to optimize/minimize LOC costs where service offers are highly competitive

Status Update on Staffing Analysis

- Created task lists for Schedule Coordination, Dispatch and Pre-Scheduling
 - Evaluating each groups ability to complete required tasks within timeframes allowed
 - SC's and Dispatchers (hourly, shift, and sub-shift increments)
 - Pre-scheduling (pre-scheduling timelines and deadlines)
- Forecasting and Contracting activities not task based
 - Still assessing method for evaluating capabilities here
- IS/Settlements and Accounting
 - Have held initial discussions of concept, but more work to do

General Observations

- CCA's won't have significant impact on SC/Dispatch/Pre-Schedule functions
 - Loads scheduled DA and not adjusted
 - Limited supply through contracts (IST's)
 - Expect CCA's to have Power Management staff
 - Will provide load schedules/shapes to be utilized
 - Will manage procurement activities and functions
- Anticipate CCA's will have some impacts to IS/Settlements and Accounting
- New generators will have significant impact on all areas of the organization
 - South Feather
 - SCPPA

Recommendation

- Support a recommendation to the Commission authorizing staff to incorporate the “Tools” described herein into non-binding offers (as needed), where final use and approvals of such “Tools” will remain subject to standard reviews and approvals under NCPA’s governance processes (e.g. Facilities Committee, Utility Directors and Commission)

Questions / Comments