

Butte Choice Energy Authority

Board of Directors Regular Meeting

Monday, June 14, 2021, 5:30 pm

Board members may be present via teleconference or in person.

Members of the Public may view the meeting and comment as set forth below.

Coronavirus (COVID-19) Advisory Notice: The health and safety of community members, public officials and employees is a top priority for BCEA. In compliance with local and state Public Health stay at home orders currently in effect, and as authorized by Executive Orders N-25-20 and N-29-20, the members of the BCEA Board and BCEA staff will be participating in person, electronically, or via teleconference in this meeting. The public will not be permitted to attend at the meeting site to comply with Public Health Orders and social distancing rules. Members of the public are encouraged to participate remotely from a safe location in the manner described below.

Remote Public Participation:

A) How to watch the meeting via WebEx:

Meeting Link: <http://bcadmin.net/BCEAmtg>

Event Number: 187 081 5087

Event Password: BCEA6.14.21mtg (22326114 from phones)

Join by phone: 1-214-459-3653

Access code: 187 081 5087

Attendees will be admitted into the meeting beginning at 5pm the day of the meeting.

B) How to provide public comment:

- a) Before the meeting: email your comments to ButteChoiceEnergyCOB@buttecounty.net no later than noon on Monday, June 14, 2021 and they will be forwarded to the Board and included in the public record. Be sure to include the agenda item number you are addressing, as well as your full name and address.
- b) During the meeting: email your comment to ButteChoiceEnergyCOB@buttecounty.net and your comment will be read verbatim into the record.

Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact ButteChoiceEnergyCOB@buttecounty.net as soon as possible to ensure arrangements for accommodation.

1. Call to Order

2. Public Comment for Items Not on the Agenda

This item is reserved for persons wishing to provide comment to the Board on any BCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be at the time the matter is called. Public comments from members of the public that are read at this meeting will be limited to 300 words.

3. **Consent Agenda**

a. **Approval of Minutes from December 14, 2020 Board Meeting**

Requested Action: Approve the Minutes from the December 14, 2020 Board Meeting.

4. **Regular Agenda**

a. **Swearing in of New BCEA Board Members from the City of Oroville**

- I. Chuck Reynolds, Current Mayor
- II. Scott Thomson, Current Vice Mayor

b. **Operations and Administration Report from Interim Executive Officers**

Receive updates on various administrative activities and file with this report. Topics include:

- i. Butte Choice Energy Update
- ii. BCE Financials

Requested Action: Receive for information and provide any necessary direction.

c. **CCA and Energy Market Update (Denis Vermette – Pilot Power Group)**

Requested Action: Receive update on the overall CCA and CA energy market, including key market pricing variables (RA, PCIA), CCA financing and other startup CCAs.

d. **Butte Choice Energy Authority – Launch Timing**

Requested Action: In light of current market conditions, discussion BCE plan timing:

- i. Have pro-formas refreshed to help assess 2023 launch feasibility; or
- ii. Push potential launch date from 2023 to a date to be determined in 2024; or
- iii. Revisit joining another existing CCA; or
- iv. Cease operations.

5. **Board Member and Staff Announcements**

Board Members may briefly provide information to other members of the Board and the public, ask questions of staff, request an item to be placed on a future agenda, or report on conferences, events or activities related to BCE business. There is to be no action taken on comments made by Directors unless authorized by law.

6. **Adjournment**

Public records that relate to any item on the open session agenda for a regular Board meeting are available on the BCEA website at www.buttechoiceenergy.org. Public records that are distributed less than 72 hours prior to the meeting will be posted for public review at the same time they are distributed to all members, or a majority of the members of the Board.

Butte Choice Energy Authority

MINUTES

DECEMBER 14, 2020

1. CALL TO ORDER

Meeting called to order at 326 Huss Lane, Suite 100, Chico, California.

Present: Debra Lucero, Butte County Board of Supervisor, District 2
Doug Teeter, Butte County Board of Supervisor, District 5
Alex Brown, Chico City Council
Scott Huber, Chico City Council
Brian Ring, Interim Executive Director
Erik Gustafson, Interim Executive Director
Harriet Steiner, General Counsel
Ashley Snyder, Interim Clerk of the Board

CLERK'S NOTE: PURSUANT TO EXECUTIVE ORDER N-29-20 ON MARCH 17, 2020, RELATING TO THE CONVENING OF PUBLIC MEETINGS IN RESPONSE TO THE COVID-19 PANDEMIC, THE CHAMBERS WERE CLOSED TO MEMBERS OF THE PUBLIC AND THE MEETING WAS HELD VIRTUALLY.

2. PUBLIC COMMENT

PUBLIC COMMENT WAS OPENED AND CLOSED WITHOUT ANY SPEAKERS.

3. CONSENT AGENDA

MOTION: APPROVE THE CONSENT AGENDA.
(MOTION: BROWN; SECOND: TEETER)

VOTE: MOTION PASSED UNANIMOUSLY
AYES: BROWN, HUBER, TEETER, AND LUCERO
NAYS: NONE

- a. Minutes from July 27, August 26, September 28 and October 19, 2020 Board Meetings
Board action: Minutes approved.

4. REGULAR AGENDA

a. Operations and Administration Report from Interim Executive Officer

Interim Executive Officer Brian Ring provided a report for the Board.

Public comment was opened and closed without any speakers.

Board Action: Received for information.

b. Adopt Resolution to Approve the City of Oroville as a New Member and Party to the JPA Agreement.

Interim Executive Officer Brian Ring provided a report for the Board.

Public comment was opened and closed without any speakers.

MOTION: APPROVE RESOLUTION AUTHORIZING THE CITY OF OROVILLE AS NEW MEMBERS OF BUTTE CHOICE ENERGY AND COMMITMENT OF \$90,000 REIMBURSABLE TO THE CITY OF OROVILLE AS PER THE TERMS OUTLINED IN SECTION 7.3.2 OF BCE'S JPA AGREEMENT. A PAYMENT OF \$18,918 IS DUE BY THE CITY OF OROVILLE FOR COSTS INCURRED TO DATE.
(MOTION: LUCERO; SECOND: BROWN)

VOTE: MOTION PASSED UNANIMOUSLY
AYES: BROWN, HUBER, TEETER, AND LUCERO
NAYS: NONE

c. Approval of Contract Amendments with Certain BCE Vendors

Interim Executive Officer Brian Ring introduced the item.

Public comment was opened and closed without any speakers.

MOTION: APPROVE CONTRACT AMENDMENTS WITH CALPINE ENERGY SOLUTIONS, PILOT POWER GROUP, AND Z-GLOBAL INC., AND ALLOW FOR TEMPORARY CONTRACT SUSPENSION RATHER THAN TERMINATION.
(MOTION: HUBER; SECOND: LUCERO)

VOTE: MOTION PASSED UNANIMOUSLY
AYES: BROWN, HUBER, TEETER, AND LUCERO
NAYS: NONE

d. Adopt Resolution Regarding BCE's 2021 Regular Meeting Schedule

Interim Executive Officer Brian Ring introduced the item.

Public comment was opened and closed without any speakers.

MOTION: **APPROVE REGULAR BOARD MEETING CALENDAR FOR 2021.**
 (MOTION: BROWN; SECOND: HUBER)

VOTE: **MOTION PASSED UNANIMOUSLY**
AYES: **BROWN, HUBER, TEETER, AND LUCERO**
NAYS: **NONE**

5. BOARD MEMBER AND STAFF ANNOUNCEMENTS

Director Lucero requested that Staff look into the hydro-energy plants for sale by PG&E and evaluate this opportunity.

6. ADJOURNMENT

There being no further business before the Butte Choice Energy Authority, the meeting adjourned. The Butte Choice Energy Authority will reconvene at the next regular meeting, scheduled for June 14, 2021.

ATTEST:
Ashley Snyder
Interim Secretary and
Interim Clerk of the Board

Debra Lucero, Chair
Butte Choice Energy Authority

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 4a

To: Butte Choice Energy (BCE) Board of Directors

From: Brian Ring, BCE Interim Co-Executive Officer and Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, BCE Interim Co-Executive Officer and Public Works Director, City of Chico

Subject: Swearing in of New Board Members from the City of Oroville

Date: June 14, 2021

Recommendation

Swear in Chuck Reynolds and Scott Thomson, Councilmembers from the City of Oroville, to represent the City on BCE's Board of Directors.

Background

During the December 14, 2020 BCEA Board of Directors Regular Meeting, action was taken to approve the City of Oroville as a new member and party to the BCEA Joint Powers Authority agreement.

The City Council has appointed City of Oroville Mayor Chuck Reynolds and Vice Mayor Scott Thomson to serve on the BCEA Board unless and until term limits are reached, and/or the Council designates other Board representatives.

Attachments:

- A. Oath of Affirmation of Allegiance for Public Officers and Employees for Chuck Reynolds
- B. Oath of Affirmation of Allegiance for Public Officers and Employees for Scott Thomson

STATE OF CALIFORNIA

Butte Choice Energy Authority

County of Butte

**OATH OR AFFIRMATION OF ALLEGIANCE
FOR PUBLIC OFFICERS AND EMPLOYEES**

The execution of this Oath is required by Article XX, Section 3, of the Constitution of the State of California.

I, Chuck Reynolds, solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and the Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter.

Chuck Reynolds

Subscribed and sworn to before me, this 14th day of June, 2021.

Ashley Snyder
Interim Secretary and Clerk of the Board

STATE OF CALIFORNIA

Butte Choice Energy Authority

County of Butte

**OATH OR AFFIRMATION OF ALLEGIANCE
FOR PUBLIC OFFICERS AND EMPLOYEES**

The execution of this Oath is required by Article XX, Section 3, of the Constitution of the State of California.

I, Scott Thomson, solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and the Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter.

Scott Thomson

Subscribed and sworn to before me, this 14th day of June, 2021.

Ashley Snyder
Interim Secretary and Clerk of the Board

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 4b

To: Butte Choice Energy (BCE) Board of Directors

From: Brian Ring, BCE Interim Co-Executive Officer and Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, BCE Interim Co-Executive Officer and Public Works Director, City of Chico

Subject: Operations and Administration Report

Date: June 14, 2021

Recommendation

Receive update and provide direction and feedback as needed.

Background

Staff will provide regular updates to the Board of Directors regarding BCE organizational development, administration and start-up activities. These items are informational only.

Analysis and Discussion

i. 2020 Recap – BCEA Actions Taken

- BCE's original plan was to launch operations in 2021
 - i. Technical consultants and service providers were selected and under contract
 - ii. Recruitment for a Chief Executive Officer was on its way, interviews had started
 - iii. Final key variable being worked through was obtaining JPA credit
- In early 2020 COVID hit, causing the credit market to tighten and other energy related variables to become more uncertain
- In July, a CCA and Energy Market Update was provided and the Board gave staff direction to work on changing the launch date from 2021 to a date to be determined in 2022
- In late August, the Board approved taking appropriate action with the CPUC to decertify/deregister Butte Choice Energy's Implementation Plan – action required to officially delay the 2021 launch.
- In September and October work was done to assess the viability of including the City of Oroville into BCE and the overall viability of launching in 2022.
- In October, an updated CCA and energy market report was presented along with an updated proforma which prompted the Board to discuss next steps and launch options. It was determined to push a potential launch date back to 2023.
- In December, action was taken to amend contracts with existing service providers due to the launch delay and to approve the City of Oroville as a new member of BCEA.

- ii **Vendor notifications complete.** All vendors with which Butte Choice Energy has established relationships have been notified of the delay in launch of the BCE program. The following is the status of all vendors:
- Technical Consultants:
 - LEAN Energy US – Technical Support Contract - \$28,812 remains on contract – contract expires 06/30/21;
 - GDS Associates, Inc (formerly EES) – Technical Support Contract - \$22,600 remains on contract expires 6/30/21;
 - Pilot Power Group – Technical Support Contract – not to exceed \$13,900 – contract expires 6/30/23;
 - BB&K – Legal Counsel (general counsel and regulatory) - \$161,507 remains on contract – contract expires 2/28/23 (see below);
 - Professional Services:
 - Pilot Power Group – Wholesale Energy Services – contract good through 6/30/2026;
 - Z-Global – Schedule Coordination – contract good through two years after commencement of services;
 - Calpine Energy Solutions – Data Management/Customer Service – contract good through three years after commencement of services
 - BCAG – working on agreement to use facilities in 2021.
- iii. **General Counsel.** Staff worked to amend the contract with BB&K for General Counsel services. Contract was slated to terminate in February 2021. Contract was amended and now aligns with the fiscal year, extending the contract through June 30, 2022. This resulted in an extension of 16 months, and increasing the not-to-exceed cap from \$120,000 to \$280,000. This contract currently resides with the County.
- iv. **BCE Financial Update.** Attached please find an updated expense spreadsheet of interim staff, consulting, and other recent decertification/implementation expenses that will be reimbursed to Butte County and City of Chico once BCEA is revenue positive. These costs are contemplated in the cooperative service agreements with BCEA, and will be tracked for reimbursement as noted.

Attachment:

- A. BCE Expense Spreadsheet as 6/10/2021

2018 - 2021 Butte Choice Energy - Expense Detail Report

<u>Date</u>	<u>Vender</u>	<u>Tasks</u>	<u>Costs</u>
2018-19	EES Consulting	Feasibility Study (approximate costs)	\$85,000
		Development and filing of Butte Choice Energy Authority	
2019	EES Consulting	Implementation Plan	\$28,505.00
1/6/2020	LEAN Consulting	Technical support for 2019	\$9,388.78
3/12/2020	EES Consulting/GDS Associates	Technical support 2020 through February	\$19,847.50
3/26/2020	LEAN Energy	Technical support through March 26, 2020	\$9,437.50
3/30/2020	Avery and Associates	CEO Recruitment work	\$8,900.00
4/7/2020	EES Consulting/GDS Associates	Technical support for March 2020	\$15,870.76
5/5/2020	EES Consulting/GDS Associates	Technical support for April 2020	\$8,797.50
5/14/2020	BB&K	Legal services (Regulatory)	\$8,536.50
5/14/2020	BB&K	Legal services (General Counsel)	\$16,116.00
Through Sept	Butte County Labor	Labor to support Butte Choice Energy implementation efforts	\$103,873.37
FYTD	City of Chico Labor	Labor to support Butte Choice Energy implementation efforts	\$7,500.00
6/4/2020	LEAN Energy	Technical support through May 2020	\$19,524.48
5/31/2020	BB&K	Legal services (Regulatory)	\$7,649.50
5/31/2020	BB&K	Legal services (General Counsel)	\$7,348.00
6/9/2020	EES Consulting/GDS Associates	Technical Support	\$5,000.00
7/9/2020	LEAN Energy	Technical Support through June 2020	\$5,546.50
7/7/2020	Avery and Associates	CEO Recruitment work	\$5,500.00
7/7/2020	Avery and Associates	CEO Recruitment work (expenses)	\$3,316.01
7/30/2020	BB&K	Legal Services (General Counsel)	\$8,606.00
7/30/2020	BB&K	Legal services (Regulatory)	\$10,379.50
7/30/2020	BB&K	Legal Services (Power)	\$79.00
8/3/2020	PFM	Financial Advisory Services	\$9,490.00
8/26/2020	BB&K	Legal Services (General Counsel)	\$5,150.75
8/26/2020	BB&K	Legal services (Regulatory)	\$8,612.00
8/18/2020	EES Consulting/GDS Associates	Technical Support	\$7,400.00
9/23/2020	BB&K	Legal services (General Counsel)	\$1,540.50
9/23/2020	BB&K	Legal services (Regulatory)	\$28,148.50
10/9/2020	LEAN Energy	Technical Support July through Sept 2020	\$8,273.50
10/16/2020	BB&K	Legal services (General Counsel)	\$1,027.00
10/16/2020	BB&K	Legal services (Regulatory)	\$1,088.00
10/30/2020	LEAN Energy	Technical Support through October	\$3,017.00
4/13/2021	BB&K	Legal services (Regulatory)	\$14,211.50
2/18/2021	PPG	ERM policy, Board work, Regulatory, Oroville Analysis, ProForma	\$16,100.00

Total Expenses \$498,780.65 \$0.00

		<u>Balance</u>	<u>Balance</u>
		<u>Remaining on</u>	<u>Remaining on</u>
<u>Contract Details</u>		<u>Contracts</u>	<u>Contracts</u>
PFM	Banking and credit search consultant	\$510.00	Done/expired
Avery and Associates	CEO Recruitment	\$7,283.99	Done/expired
BB&K	General Counsel	\$161,507.25	Expires 6/30/22
EES Consulting/GDS Associates	Technical Support	\$0.00	Done/expired
LEAN Energy	Technical Support	\$28,812.24	Expires 6/30/21
EES Consulting/GDS Associates	Technical Support	\$22,600.00	Expires 6/30/21
Pilot Power Group	Technical Support	\$13,900.00	Expires 6/30/23
BCAG	Facility Agreement		12/31/2021

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 4c

To: Butte Choice Energy (BCE) Board of Directors

From: Denis Vermette, President and CFO - Pilot Power Group, LLC

Cc: Brian Ring, BCE Interim Co-Executive Officer and Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, BCE Interim Co-Executive Officer and Public Works Director, City of Chico

Subject: CA Energy Market and Credit Update

Date: June 14, 2021

Recommendation

Receive energy market update presentation, which provides context for BCEA launch timing.

Background

In 2020, the BCEA Board of Directors received periodic energy and credit market updates as they continued to track the market and determine best-case timing for program launch. The following narrative and accompanying power point presentation provide current energy market conditions to inform current discussions of launch timing and direction going forward.

Analysis & Discussion

As a result of market volatility during the summer of 2020, the forward curve for energy has dramatically shifted, increasing prices to new highs for hedged power. As of June 10, 2021, North Path 15 (NP15) On-Peak is currently at \$157.00, \$173.70, and \$125.00 per MWh during July 2021, August 2021, and September 2021, respectively. Furthermore, in subsequent years, forecasted curve prices are peaking at \$94.90/MWh in 2022, \$73.60/MWh in 2023, and \$62.10/MWh in 2024 for On-Peak power in the summer months. In addition, concerns of higher temperatures and rolling black and brownouts have caused the market to anticipate higher market prices during the summer months. This shift in energy prices implies BCEA would be procuring its base load at a potentially much higher cost, as the hedges would incorporate these anticipated higher summer prices.

On the positive side, the renewable energy premium for PCC1¹ has fallen to \$14.00/MWh from the highs of \$17-\$18.00/MWh during 2021. The decline is due to the number of large renewable projects coming online and the entering of long-term power purchase agreements (PPAs) with renewable generators.

¹ PCC1 and PCC2 are the names of compliance categories referring to renewable energy certificates (RECs), each of which represents one MWh unit of renewable power. PCC1 refers to in-state renewables and tends to be the highest cost of the three compliance categories.

However, keep in mind that On-Peak prices in the day-ahead and real-time markets are higher when solar energy is coming off-line. Prices for PCC2 have remained the same at \$8.00/MWh.

There continues to be a scarcity of Resource Adequacy (RA) in BCEA service territory; system RA has been transacting at \$8.00 per kW, which is nearly double the price seen in 2020 and 2021. Local RA previously transacted at \$7.58 per kW, but we see prices as high as \$9.00 per kW. However, the RA Central Procurement Entity (CPE) is still slated to launch in 2023, whereby PG&E would procure Local RA for Load Servicing Entities in its territory. Utilities are actively procuring now in anticipation of the launch of the CPE, and prices should normalize, removing the purchasing frenzy.

In 2021, PG&E raised its PCIA fees by approximately 41%, which existing CCAs in PG&E's territory will pay throughout 2021. The increase in the PCIA results from PG&E's under-collection of departing load charges is anticipated to impact only 2021. However, we will not know this for sure until the end of calendar year 2021 when PG&E publishes its new rates for 2022.

Unfortunately, due to higher commodity prices in the summer months and recent events including Covid, the credit provided by suppliers and banks is being scrutinized more. Therefore, credit capacity is going to be key to the success of any new CCA. Historically, the California energy market has been stable with very little volatility. However, as previously mentioned, with potential black and brownouts, price volatility has been a concern for creditors, and being able to cover your position with the CAISO will be critical. As a result, BCEA will potentially need to look for alternative credit structures versus the traditional banking structure. This is still TBD.

Pilot Power Group will be on-hand to deliver a slide presentation about these issues and to answer any questions the Board may have.

Fiscal Impact

None at this time

Attachments

Power Point Presentation

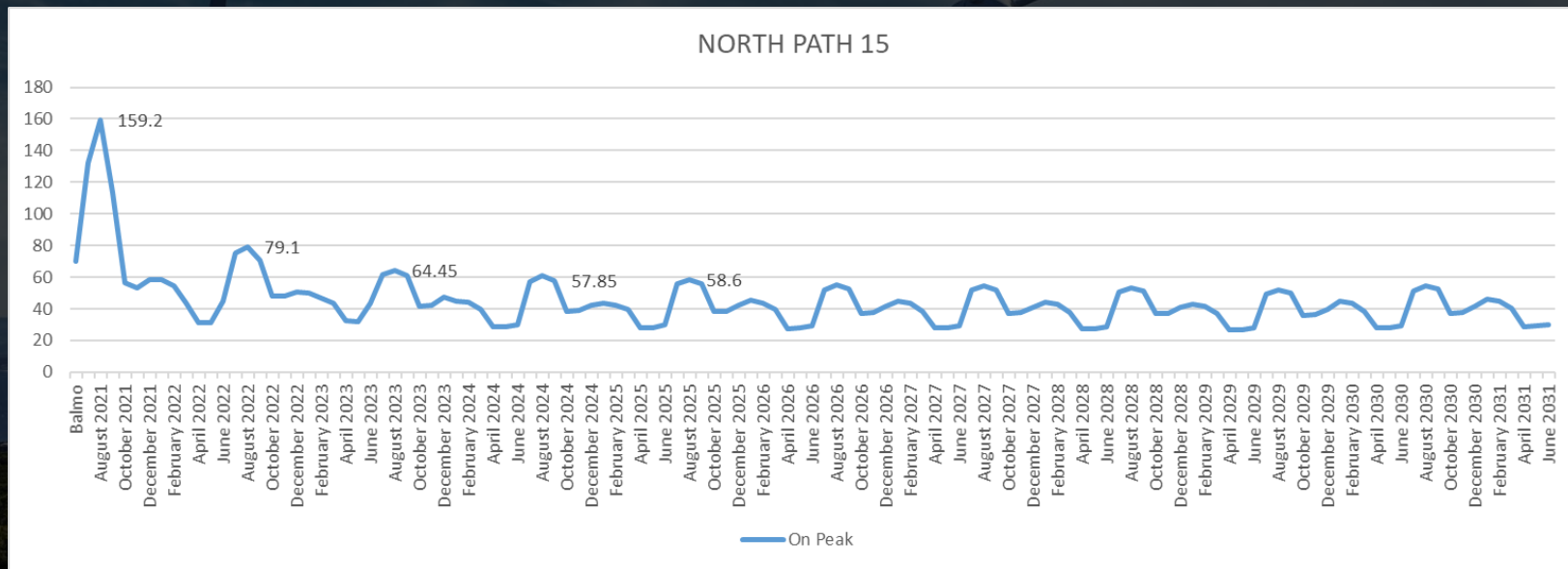
BUTTE CHOICE ENERGY

Energy Market Update

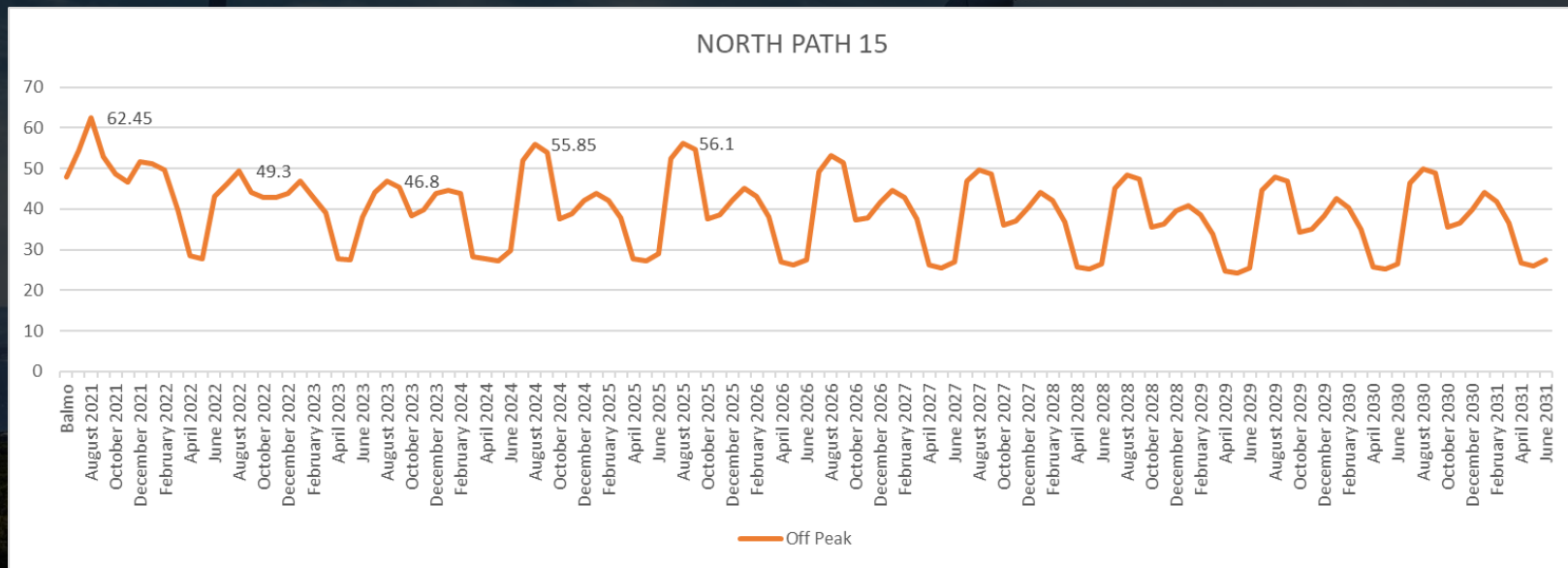
Pilot Power Group, LLC

June 15, 2021

ENERGYPRICES ON PEAK



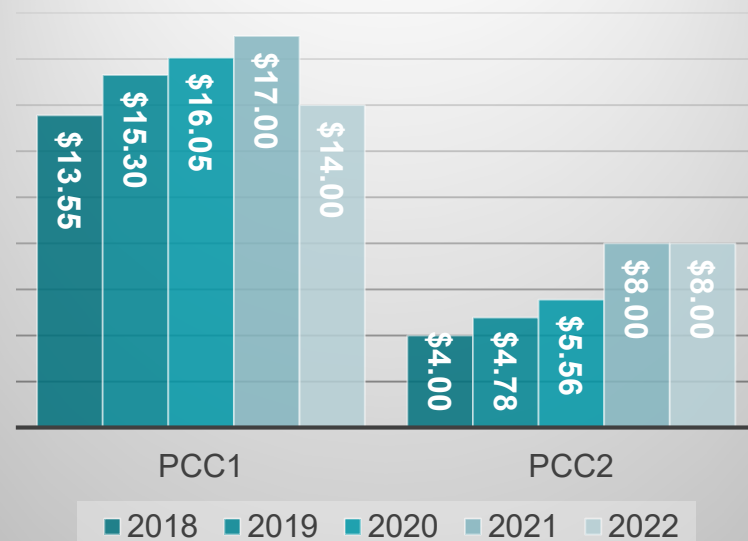
ENERGY PRICES - OFF PEAK



RENEWABLE ENERGY

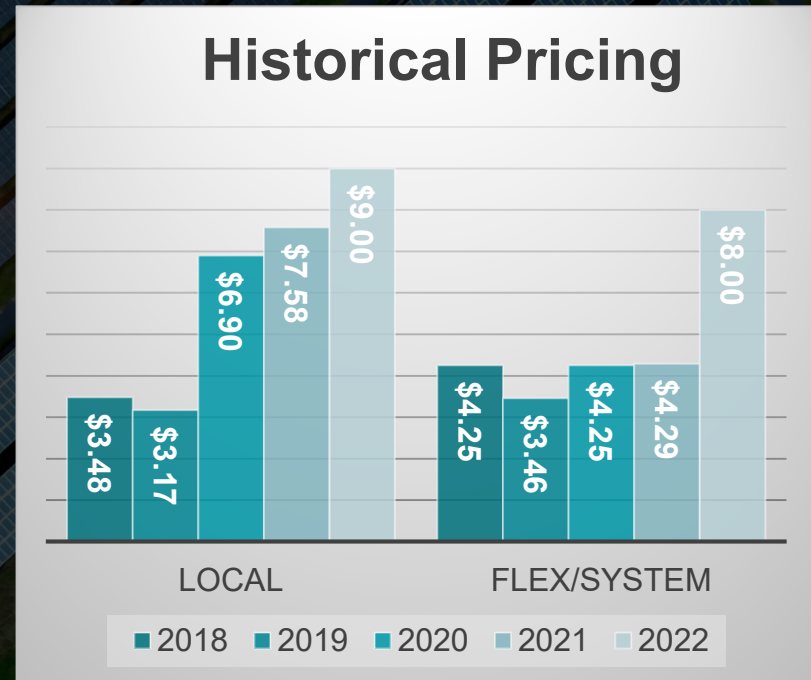
- PCC1– Procurement of Energy and REC delivered to California balancing authority (CBA) without substitution electricity
- PCC2– Procurement of Energy that cannot be delivered to a CBA without substituting electricity from another source
- PCC3– Unbundled renewable energy credits, no electricity component

Historical Pricing



RESOURCE ADEQUACY

- LOCAL– Procurement from ‘local’ resources where supply is needed due to insufficient transmission to serve the entire load
- FLEXIBLE– Procurement from ‘flexible’ resources that can ramp up or down on short notice to meet variations in load
- SYSTEM– Procurement from ‘system’ resources ensures that those resources will be available to serve CAISO demand when needed.



**Based on average contracted prices*

PG&E UNDER COLLECTION

PGE Rate Comparison												
Year	Rate Class	Type	Season	PGE Gen Rate (kWh)	PCIA (kWh)	Franchise Fee (kWh)	Available Rate (kWh)	Available Rate (MWh)	Change in Gen Rate	Change in PCIA	Change in Available	Dollar Impact (2000 kWh)
2020	E-1	Residential	All	\$ 0.11752	\$ 0.03336	\$ 0.00068	\$ 0.08348	\$ 83.48				
2021	E-1	Residential	All	\$ 0.11418	\$ 0.04705	\$ 0.00068	\$ 0.06645	\$ 66.45	-2.84%	41.04%	-20.40%	\$ (34.06)
2020	A-1	Small General Service	Summer	\$ 0.13350	\$ 0.03196	\$ 0.00066	\$ 0.10088	\$ 100.88				
2021	A-1	Small General Service	Summer	\$ 0.12847	\$ 0.04564	\$ 0.00066	\$ 0.08217	\$ 82.17	-3.77%	42.80%	-18.55%	\$ (37.42)
2020	A-1	Small General Service	Winter	\$ 0.09336	\$ 0.03196	\$ 0.00066	\$ 0.06074	\$ 60.74				
2021	A-1	Small General Service	Winter	\$ 0.08833	\$ 0.04564	\$ 0.00066	\$ 0.04203	\$ 42.03	-5.39%	42.80%	-30.80%	\$ (37.42)
2020	A-10	Medium General Demand	Summer	\$ 0.12331	\$ 0.03443	\$ 0.00069	\$ 0.08819	\$ 88.19				
2021	A-10	Medium General Demand	Summer	\$ 0.12788	\$ 0.04895	\$ 0.00069	\$ 0.07824	\$ 78.24	3.71%	42.17%	-11.28%	\$ (19.90)
2020	A-10	Medium General Demand	Winter	\$ 0.09600	\$ 0.03443	\$ 0.00069	\$ 0.06088	\$ 60.88				
2021	A-10	Medium General Demand	Winter	\$ 0.10612	\$ 0.04895	\$ 0.00069	\$ 0.05648	\$ 56.48	10.54%	42.17%	-7.23%	\$ (8.80)

CREDIT CONSIDERATIONS

- Supplier Credit – Large suppliers such as BP, Shell, Morgan Stanley, etc. are scrutinizing credit requirements closer for new as well as existing CCAs
- Banking Credit – Anticipate higher requirements to get through the credit underwriting process
- Credit Capacity – Much larger credit lines will be needed to withstand unforeseen weather events and increased day-ahead and realtime prices
- Preferred Supplier Relationship – Alternative to the traditional credit structure needs to be considered in launching a new CCA
- CAISO Schedule Coordination – CCAs will be looked to support their own credit requirements and meet CAISO credit requirements

2023 LAUNCH CONSIDERATIONS

- Credit – BCEA will need to begin sourcing its credit support NOW and at much higher credit limit than originally proposed
- Hedging Power – Potentially could be hedging power at higher prices than necessary with summer concerns “baked-in” to forward prices
- Launch Timing – Launching in October is a must to circumvent the summer months during the launch year
- Long-term RPS– Need to consider looking at contracting now with renewable generators to meeting long-term requirement
- Proforma – Required to recast proforma to determine feasibility
- HUD Data– Need load information from PG&E to determine forecast

BUTTE CHOICE ENERGY

Questions

Contract: Denis Vermette
Pilot Power Group, LLC
dvermette@pilotpowergroup.com

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 4d

To: Butte Choice Energy (BCE) Board of Directors

From: Brian Ring, BCE Interim Co-Executive Officer and Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, BCE Interim Co-Executive Officer and Public Works Director, City of Chico

Subject: BCE Discussion of Agency Options and Next Steps

Date: June 14, 2021

Recommendation

Receive information and provide direction to staff regarding various options for BCE. Provide direction to either: 1) move ahead (or not) with a late 2023 launch, 2) delay launch until 2024, 3) explore membership with one or more operational CCAs, or 4) cease activity and disband the JPA.

Background

At its Board meeting on October 19, 2020, the Board took action to change BCE's launch date to a date to-be-determined in 2023 due to events such as COVID and the impacts it has had on the economy, the impacts on the resource adequacy (RA) market, projected changes to the PCIA (exit fee) over the next several years, and the tightening of credit markets. Since this meeting, staff have been monitoring the credit market and other critical variables in the CCA and energy industry that impact the ability to successfully launch.

Analysis and Discussion

Unfortunately, the situation in the CCA industry and energy and credit markets has not improved since last year, rendering the Board's decision to decertify and delay program launch a very wise one. The pandemic continues to wreak havoc on credit market, there is still a lot of uncertainty with regard to the resource adequacy (RA) market, and PCIA forecasts continue to be high over the next few years, which only adds to the "perfect storm" of hurdles for new CCA start ups. The good news is that in 2024, PCIA fees in PG&E's service territory are slated to dramatically drop due to the decommissioning of the Diablo Canyon Nuclear facility. In addition, there will be more known about the central buyer method that is being introduced for resource adequacy (RA). It is believed that by 2024, CCAs can once again recover some of the headroom needed to move forward with a viable launch and early operations.

The following provides a summary description, key considerations, and next steps for each of four options for the BCEA organization at this time. Staff will be on hand to address any questions the Board may have.

1. **Move Ahead (or not) with Late 2023 Launch.** From a financial perspective - given ongoing pandemic concerns, high RA costs, and even higher PCIA impacts- this option is becoming increasingly unlikely unless a third party lender and/or BCE member agencies are able to provide significant financial support to both launch the program and absorb anticipated losses in the first year of operation. Given the Board's concern about not "starting in the red," moving ahead with a 2023 launch seems to carry significant fiscal risk at this time. Under this scenario, it is also unlikely that a rate discount and/or meaningful carbon reductions can be achieved due to the high costs of RA and the PCIA exit fees which are part of the Agency's cost stack and rate setting. The following are anticipated next steps in either a "go" or "no go" scenario for 2023.
 - a. If the Board directs staff to continue to move ahead with a late 2023 launch, the following are immediate next steps:
 - Refresh the proforma data;
 - Reengage banks and local government funders; and
 - Prepare and adopt new Implementation Plan by end of December, 2021.
 - b. If the Board directs staff to not to proceed with 2023 launch, the following are the next steps:
 - Adopt of Board of Directors calendar with fewer meetings in 2021;
 - Update website information and notify interested stakeholders; and
 - Work on the next steps depending on action taken by Board.
2. **Delay Launch Until 2024.** The primary drivers in this scenario are: 1) pandemic recovery, 2) leveling off of RA costs and 3) the anticipated reduction in PCIA exit fees (estimated to drop between 25% - 50% in 2024, depending on rate class). While margins look like they would be extremely thin in an October 2023 launch, the CCA/energy market is anticipated to stabilize midway through 2024. While the loss of momentum and further delay would be disappointing, this option appears to be the most fiscally prudent if BCEA wants to proceed with a County-focused CCA program over the long term.
 - a. If the Board indicates a preference for a proposed 2024 launch, the following are near-term next steps:
 - Continue to track market pricing and regulatory/legislative changes;
 - Develop an action plan for 2022 to identify specific action to take in order to launch in 2024; and
 - Reengage lenders and complete new Implementation Plan by end of 2022.
3. **Explore Membership with One or More Operational CCAs.** In previous discussions on this topic, elected representatives of BCE's member agencies have expressed a preference for local-control and a Butte County focused JPA. While this may still be the case, staff wanted to include this as an option since circumstances have significantly changed and market conditions remain uncertain over the next few years. There are one or two nearby CCAs

(Valley Clean Energy in Yolo County and Pioneer Community Energy in Placer County) that may be interested in expanding membership to include BCE if the Board directs staff to inquire. The primary upside to this option is that BCE member cities would join a fully functioning CCA organization, thus mitigating the need to continue with the time and cost of start-up, Agency financing, et al. In addition, having a built up reserve/rate stabilization fund has been critical for existing CCA's to weather these recent times, and this would be more readily available if BCE joins a neighboring program.

The downsides are: 1) the inability to recoup already sunk costs provided by the County and City -- although this could be a point of discussion and negotiation with the operational CCA, and 2) the more member agencies that are included dilutes some governance control. In any case, BCE customers would not be enrolled/receiving power until sometime in 2023 due to the time requirements of an amended implementation plan and 12-month waiting period imposed by the CPUC.

- a. If the Board directs staff to follow up on the CCA membership option, next steps are to:
 - Reach out to the General Manager/CEO of identified CCAs to inquire about the feasibility of joining their JPA, the customer and Agency benefits they would offer, any costs that would be incurred, and steps in the process to do so.
 - Return to the Board at it's August 9th meeting to determine best option and if there is a desire to proceed. If so, the Board would need to pass a resolution of intent at its October meeting and the selected CCA would amend its Implementation Plan by year-end.

4) Cease Activity and Disband BCE JPA. If the Board determines that BCE dissolution is the best course of action at this time, the JPA would be closed down in accordance with the law, existing contracts would be wrapped up and/or cancelled, and sunk costs would be absorbed as losses by the County and the City of Chico. Once these steps are completed, likely by the end of this year, all further activity on Butte's CCA initiative would be curtailed.

- a. If the Board determines that ceasing further operations is the best course of action, next steps are to:
 - Follow the termination provisions of the JPA Agreement and California law;
 - Wrap-up/cancel vendor contracts;
 - Complete final accounting report;
 - Notify state and other required stakeholders of JPA's dissolution; and
 - Remove website.

Fiscal Impact: Potentially minimal to significant depending on option selected.