

Staff Report

TO: Board of Directors

FROM: Keane Sommers, P.E., Director of Power Systems

DATE: October 11, 2023

SUBJECT: **Combie South and Deer Creek Powerhouse Power Purchase Agreements**

HYDROELECTRIC

RECOMMENDATION:

Approve a contract for the sale of Portfolio Content Category 1 Product Resource Contingent Bundled Renewable Energy Credits (RECs) and a contract for the sale of Designated Resource Adequacy (RA) Capacity of RA Attributes, Local RA Attributes, and if applicable, Flexible RA Attributes from the Combie South Powerhouse and Deer Creek Powerhouses and authorize the General Manager to execute the necessary documents including any non-substantive modifications as may be approved by NID's General Counsel.

BACKGROUND:

In February of 2020 and again in October of 2021 the Board authorized the sale of energy, RA, and RECs from the Combie South Powerhouse (CSPH) to the Northern California Power Agency (NCPA). The original contract was the result of a Request for Interest (RFI) submitted to 82 entities including energy brokers, direct access purchasers, Community Choice Aggregators (CCAs), cities, and counties. Following the RFI process three entities were asked to submit bids. NCPA was selected following a detailed review of the bids.

Key terms of the current agreement are as follows:

- Term of Transaction: 2 years; January 1, 2022 – December 31, 2023
- REC Price: \$13.00 / REC
- Resource Adequacy Price: \$5.50 / kW-month
- Energy Price: Applicable California Independent System Operator (CAISO) Locational Marginal Price (LMP) calculated at the Delivery Point

In order to continue to sell the product from the CSPH a new contract is necessary. The District approached NCPA to see if they were interested in a contract extension. After negotiations the agencies have settled on a contract with the following key terms:

- Term of Transaction: 2 years; January 1, 2024 – December 31, 2025 for CSPH. Start date for Deer Creek Powerhouse dependent on close of sale. End date December 31, 2025.
- REC Price: \$18.00 / REC
- Resource Adequacy Price: \$6.10 / kW-month
- Energy Price: CAISO LMP calculated at the Delivery Point

Similar agreements are necessary for the Deer Creek Powerhouse (DCPH). NCPA has indicated a willingness to purchase the Deer Creek products under agreements with the same terms and pricing.

The prices for RECs and RA reflect changes in market conditions since the initial contract was signed. Although a competitive bid process was not completed prior to this contract, current pricing information from energy brokers representing four firms was reviewed. The data they provided shows that pricing in the proposed agreement is consistent with market prices. Additionally, pricing from a local Community Choice Aggregator was reviewed. The terms of the NCPA offer are slightly more beneficial to the District.

BUDGETARY IMPACT:

Projected revenue for each of the powerhouses was calculated based on the following:

- Average monthly Day Ahead LMP for the north of path 15 (NP-15) zone of the CAISO control area (which includes the District’s delivery nodes) from August 2018 through July 2023
- Generation data from January 2018 through December 2022.

Based on the assumptions, approximate annual revenue from the CSPH is expected to range from a low of \$234,000 to a high of \$580,000 and average \$351,000. From 2018 to 2022 expenses at CSPH ranged from \$177,525 to \$262,101 and averaged \$214,286. The period of expense reviewed includes several significant capital projects that raised costs at the powerhouse. To date in 2023, CSPH has earned \$426,807 in revenue and expenses have totaled \$163,576.

Approximate revenue from DCPH is expected to range from \$1,315,000 to \$1,704,000 and average \$1,484,000