



**MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER**

TO: Honorable Board of Supervisors

FROM: David Boesch, County Executive Officer
By: Brett Storey, Senior Management Analyst

DATE: May 19, 2015

SUBJECT: Presentation summary to the Board of Supervisors of the operations of the Middle Fork Project for 2014

Action Requested

Receive a presentation on the activities of the Middle Fork Project for 2014.

Background

Each year an informational session regarding the performance of Middle Fork Project is brought back in the spring to provide the Board a scorecard of each previous year of operations. Placer County staff has been working with Placer County Water Agency staff to focus the operations of the Middle Fork to operate, maintain and provide economic benefits for the project. With all of the final financial information reviewed and audited by MFPFA staff and consultants, the County Board will be presented information regarding the nature of the MFP costs and revenues, the volatility of the year, and an analysis of the delta of the forecasted revenue and final revenue for 2014. In addition, information regarding relicensing status and policy definition of the MFP will be provided. There were no net revenue distributions from the project during 2014. The annual operating costs by Placer County are being reimbursed monthly by PCWA per the joint agreement.

Fiscal Impact

There is no fiscal impact as this is an informational item.

Attachment:

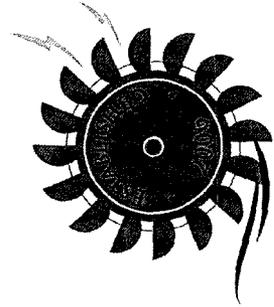
Power Point Presentation 2014 MFP Operations



Placer County Board of Supervisors

May 19, 2015

Middle Fork Project Status



MIDDLE FORK PROJECT
FINANCE AUTHORITY



Middle Fork Project

Purpose

Provide Update to the Board of:

- MFP Financing Authority Operating Year (2014) in Review
- MFP Project Update



MIDDLE FORK PROJECT
FINANCE AUTHORITY



2014 Operating Year in Review

- **Operations**

- First full year of PCWA operational control
 - PCWA scheduling of power into market
 - PCWA/PG&E coordinated operations for the MFP
 - Very few operational issues
 - System availability was very high, with minimal unplanned outages
- Invoicing and Payments from PG&E
 - Timely invoicing and payments from PG&E, No disputes with PG&E or ISO settlements

- **Marketing and Revenues**

- Hydrology
 - “Dry” hydro year (3rd year of drought)
 - Continued very dry in October, November and December resulting in power sales revenue under budget by \$1,900,000
- Prices
 - Slightly above expected prices, power team captured extra revenue



MFPFA Net Income
Fiscal Year 2014 (Jan – Dec)

	<u>2014 Adjusted Budget:</u>	<u>2014 Actual (Audited)</u>
Sources	\$47,416	\$45,539
Uses		
Expenditures		
Administration	\$3,633	\$3,609
PCWA Power Division	\$22,666	\$17,540
Total Expenditures	\$26,299	\$21,149
Capital Projects	\$11,841	\$11,328
Reserve Funding	\$9,276	\$13,062
Total Uses	\$47,416	\$45,539
Net Income	\$ -	\$ -

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2014 Income and Expenditures (Summary)

- 2014 year end results were favorable considering the drought conditions
- Total MFP Gross Revenue was lower than forecast by 4 percent
- Total Expenditures were lower than forecast by 23 percent
- \$13 million contributed towards Reserve funding

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2014 MFPFA Reserve Accounts

– Operating Reserve

- Partially funded: \$13.0 million, now totals \$20 million
- Shortfall for full funding: \$5.0 million

– Emergency Reserve

- Not scheduled for funding until Operating Reserve is met
- Target: \$2 million

– Capital Reserve

- 2014 Capital Project appropriations were funded to meet needs with no contributions to the Reserve
- Capital Reserve Target: \$27.5 million



Observations on MFPFA Reserves

- By MFPFA policy, all three Reserves must be fully funded before Net Revenues can be distributed
- Reserve contributions were higher than expected (given a drought condition) due to PCWA Power Division operating expenses under budget and slightly higher power market prices
- Capital expenditure plan for 2014 was met by direct appropriations; 2015 will be the same (reductions planned)
- \$1.2 Million approved use from Operating Reserves for emergency funding of debris management project associated with the King Fire (cost estimated to be as high as \$10 million over several years)



2015 Projections

- **Volatility in Action**

- 2015 Hydro year looks like it will be “Critically Dry,” even lower than 2014, Lowest snowpack on record! In the Driest 10% ever in watershed
- Prudent water management by PCWA, PG&E, NID and federal operators of Folsom Reservoir, and customer conservation efforts has allowed enough water to meet the consumptive water needs of Placer residents during 2015
- California energy market conditions continue to be dominated by extremely low natural gas prices therefore the average energy price is expected to remain low (25% - 30% lower than the conservative budget projected)



2015 Projections

- Impact: ***Reserve funding will be slowed, Revenue Distributions delayed***
 - Forecast of 2015 revenues expected to be substantially less than budget - Expect to meet a reduced Capital Plan need, not fund any towards Reserves
 - Cost savings measures being implemented
 - The July MFPFA meeting will include a mid-year review and budget modification recommendations



MFP Project Update

- **Relicensing process**

- CEQA/NEPA done in 2012, waiting for State Water Board approval (1 to 3 years)
- Annual license agreement with former conditions until new license issued including commitments to maintain existing recreation facilities
- Continuing to work with agencies to get ready for implementation

- **Energy**

- MFP Energy Marketing Oversight Policy & PCWA Energy Risk Management Policy adopted October 2014
- Energy Control Center development for increased value, reliability, security and risk management being developed, will be on-line before current contract ends
- 5 year Strategic Business Development Plan is progressing

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MFP Project Update

- **Risk Reduction**

- Development of an Internal Compliance Program that supports the North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) energy industry regulations through procedures, process and software
- Insurance/risk review of project to ensure lowest risk vs cost solutions

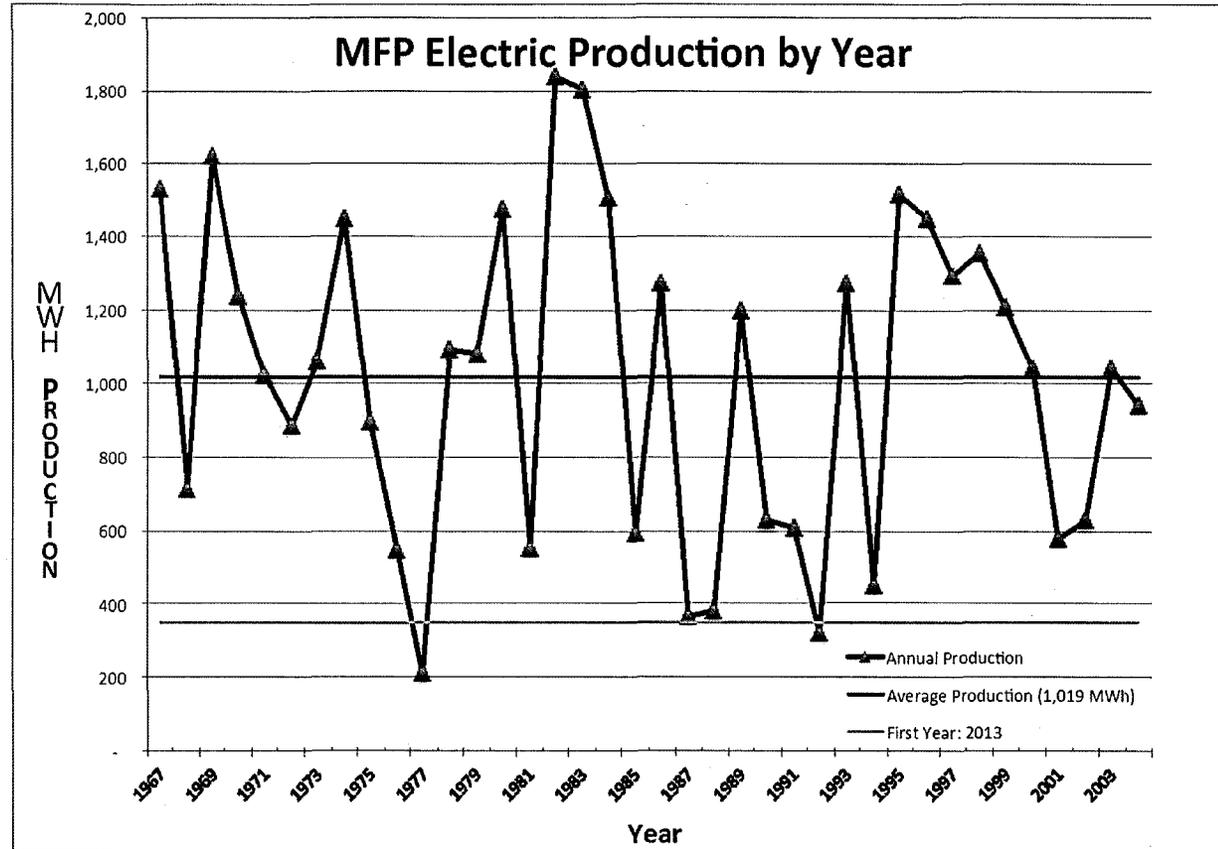
- **Infrastructure**

- Preparing to build proposed project improvements and implement new license conditions
- Replacement of critical generating infrastructure at multiple powerhouses and spillway controls
- Upgrades of software and communications

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Revenue Volatility : Hydrology Impact



Historical Range of production:

- Low: 209,000 MWh
- Average: 1,019,000 MWh
- High: 1,837,000 MWh

2014 Total Production: 513,000 MWh

2015 *Anticipated Production*: 390,000 MWh

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