

# Placer County Board of Supervisors

May 19, 2020

Middle Fork Project Status



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# Middle Fork Project

## Purpose

Provide Update to the Board of:

MFP Financing Authority Operating  
Year (2019) in Review

MFP Project Update



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# 2019 Operating Year in Review

## Operations

- Seventh year Placer County Water Agency (PCWA) scheduling power & optimizing water for revenue maximization/regulatory requirements
- No issues with PCWA/Northern California Power Agency (NCPA)/California Independent System Operator (CAISO) operations or payments
- MFP System availability was high, with minimal unplanned outages

## Marketing and Revenues

- Generation for 2019 came in well above budgeted levels with 175% of average hydrology
- Negative market prices increased from 2018 due to above normal spring hydro generation
- Early cold weather pushed February 2019 prices to record highs and revenue for that month exceeding \$10 Million
- 2019 revenues came in 65% higher than budget



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# 2019 Budget in Review

## MIDDLE FORK PROJECT FINANCE AUTHORITY

Budget Schedule  
For the Year Ended  
December 31, 2019

	2019 Adopted Annual Budget	Budget Adjustments & Transfers (Note 4)	2019 Adjusted Annual Budget
<b>Revenues and Other Financing Sources (Note 1):</b>			
Power Sales	\$ 37,440,000	-	37,440,000
Interest Income	200,000	-	200,000
Reserve Use	-	7,800,000	7,800,000
<b>Total Revenues and Other Financing Sources</b>	<b>37,640,000</b>	<b>7,800,000</b>	<b>45,440,000</b>
<b>Expenditures:</b>			
<b>Administration:</b>			
Operating Supplies/Services	2,000	-	2,000
Administration	70,000	-	70,000
Professional Services	50,000	-	50,000
<b>Total Administration Expenditures</b>	<b>122,000</b>	<b>-</b>	<b>122,000</b>
<b>PCWA Power Division - Operating:</b>			
Power Operations	14,336,817	17,570	14,354,387
General and Administrative	5,847,672	283,292	6,130,964
Natural Resources Management	3,272,311	(300,862)	2,971,449
Power Resources Management	1,686,253	-	1,686,253
Routine Capital	716,800	-	716,800
<b>Total PCWA Power Division - Operating</b>	<b>25,859,853</b>	<b>-</b>	<b>25,859,853</b>
<b>Debt Service</b>	<b>5,690,730</b>	<b>-</b>	<b>5,690,730</b>
<b>Capital Projects (Note 2):</b>			
Current Year Capital Project Appropriations	11,624,000	7,800,000	19,424,000
<b>Total Expenditures and Appropriations</b>	<b>43,296,583</b>	<b>7,800,000</b>	<b>51,096,583</b>
<b>Revenue over (under) Expenditure and Appropriations</b>	<b>(5,656,583)</b>	<b>-</b>	<b>(5,656,583)</b>
<b>Reserve Funding or (Use) (Note 3):</b>			
Operating Reserve	-	-	-
Emergency Reserve	-	-	-
Capital Reserve	(5,656,583)	-	(5,656,583)
<b>Total Reserve Funding / (Use)</b>	<b>(5,656,583)</b>	<b>-</b>	<b>(5,656,583)</b>
<b>Net Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Distributions and Debt Payment Requirement:</b>			
County	-	-	-
PCWA	-	-	-
Additional Principal Payment	-	-	-
<b>Total Distributions and Debt Payment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>

Reference discussion on the following page.

- Total MFP Gross Revenue was higher than forecast by 58 %

- Total Expenditures and Capital Projects accomplished were lower than forecast by 9 %



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# 2019 MFPFA Reserve Accounts

Operating Reserve

**Fully funded:** \$27,969,305

Emergency Reserve

**Fully funded :** \$2,000,000

Capital Reserve

**fully funded:** \$20,000,000

**All Reserve amounts are fully funded**



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# MFPFA Refinance of Original Loan

- The MFPFA Board directed staff to look at refinancing the debt given the lowering of interest rates October 2019.
- Staff worked diligently to secure the 2020 Bonds to be exempt from state and federal taxes, gain an investment grade rating, and interest rates continued to fall until the final day.
- On March 17, 2020, the MFPFA closed and settled the refinancing of the outstanding 2006 bonds.
- The County Treasurer's Office confirmed the receipt \$72,160,050 paying off the outstanding debt including accrued interest.
- The refinancing resulted in **\$460,000 of annual debt service savings** for the next 16 years and a total of **\$6.68 million in present value savings** compared to the 2006 bonds.



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# Observations on MFPFA Reserves

- ❖ By MFPFA policy, all three Reserves must be fully funded before Net Revenues can be distributed
- ❖ Once reserves are full and now that the loan has been refinanced; the MFPFA can choose to release funds for distribution under a new formula for every dollar:
  - ✓ 50% Placer County
  - ✓ 50% Placer County Water Agency
- ❖ All reserves were filled; net revenues were produced during 2019



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# MFPFA Board Action Regarding Possible Distributions

- ❖ By MFPFA policy, the MFPFA Board decides if any distributions are to be made
- ❖ The MFPFA Board decided to delay any possible distributions until the July meeting for the following reasons:
  - ❖ Water year far below normal
  - ❖ Energy market pricing historic low
  - ❖ Economic uncertainty given COVID crisis
  - ❖ Uncertainty of FERC License/Infrastructure spending
  - ❖ Likely several million dollars below budget estimates for this year



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# MFP Project Update

## Energy Products Sales

- 100% of all non-energy products sold for year, a portion to Pioneer CCA
- All energy being delivered to the CAISO market
- Forward market trading added \$1 million in revenue in 2019

## Infrastructure

- FERC license requirement requires a Dam Core Raise for the Hell Hole reservoir: Issues have delayed project; now a 2 year project to complete due to amount of rain/snow this past year
- Completed a sediment removal project at the intake of Ralston Afterbay's low level outlet and at North and South Fork Long Canyon Diversion Dams
- Completed all civil work construction for the MFP Communications System upgrade project; Completion is expected in 2019
- Planning for large infrastructure projects to fulfill FERC license requirements



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# MFP Project Update

## **Relicensing process**

- CEQA/NEPA finalized (2012), FERC is currently processing final license (2020)
- 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, Higher costs coming with FERC License implementation in 2020 (5 years to complete all infrastructure upgrades)

## **Risk Reduction**

- The North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) energy regulations procedures, process and software all enacted and operating at high levels
- Control Center Operations (24 hours) with NCPA are fully functioning

## **Forest Management**

- Watershed Restoration Partnership project (MFPFA/TNF/TNC/ others)  
22,000 acres surrounding French Meadows Reservoir Year 1 success, Y2 started



**MIDDLE FORK PROJECT**  
FINANCE AUTHORITY



# 2019 Projections

## Hydrology

- As of April 24, hydrology is at 59% of average and snowpack is 69% of average
- Reservoirs are at 84% of average
- 7 days a week rafting for the public this season

## Energy Markets

- With below average hydro generation, negative market priced hours will likely be less than 2019. The MFP will be only be running at minimum levels this spring, avoiding negative priced hours.
- Energy prices are currently 15% lower than 2019 due to a 25% drop in gas prices.
- Demand destruction due to business and school shutdowns, will drop energy prices further

## Revenue

- Precipitation is 59% average and energy prices are slightly lower than forecasted, The net effect is 2020 revenues are expected to be 20% less than the forecasted budget



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



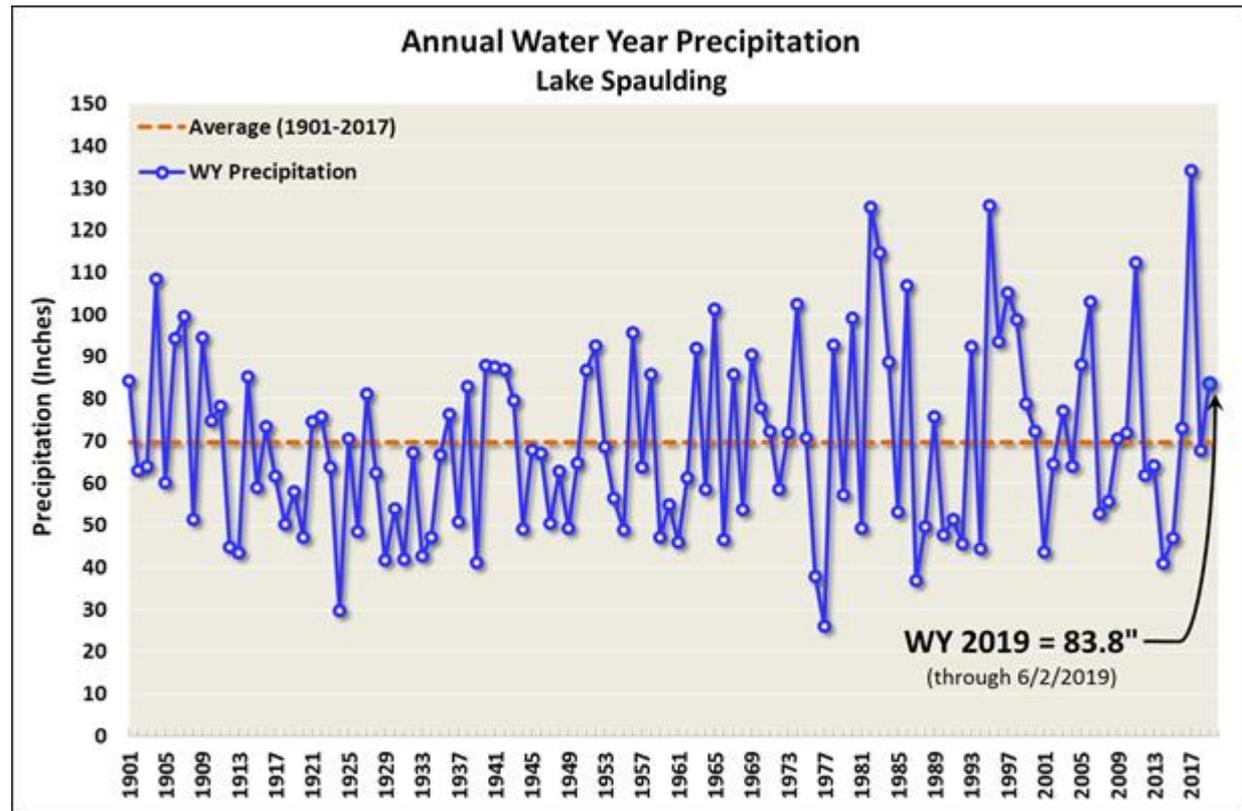
# Revenue Volatility: Hydrology Impact

Historical Range  
of production:

Low: 209,000 MWh

Average: 1,019,000  
MWh

High: 1,837,000 MWh



2019 Production: 1,441,337 MWhr

2020 Anticipated Production: 450,000 MWhr



MIDDLE FORK PROJECT  
FINANCE AUTHORITY



# Questions?



MIDDLE FORK PROJECT  
FINANCE AUTHORITY

