



 **Board of Directors Meeting**
March 15, 2023





AGENDA ITEM 4

PUBLIC COMMENTS ON AGENDA ITEMS

 March 15, 2023



AGENDA ITEM 5

PUBLIC COMMENTS ON NON-AGENDA ITEMS

 March 15, 2023



AGENDA ITEM 6

DIRECTOR ANNOUNCEMENTS

 March 15, 2023



AGENDA ITEM 7

STAFF REPORT

 March 15, 2023



AGENDA ITEMS 8.1 TO 8.4

Consent Calendar



March 15, 2023

Recommended Action

Approve the Consent Calendar.



AGENDA ITEMS 9.1

CONSIDER DRAFT BYLAWS AND THIRD AMENDMENT
TO JOINT POWERS AGREEMENT

March 15, 2023

Recommended Action

1. Review draft Bylaws and Third Amendment to Joint Powers Agreement.
2. Direct staff to provide Member Agencies with a copy of the proposed Bylaws and Third Amendment and place the Bylaws and Third Amendment on a future agenda for final approval.



AGENDA ITEMS 9.2

OCPA DRAFT IMPROVEMENT PLAN



March 15, 2023



DRAFT IMPROVEMENT PLAN

 **March 15, 2023**

TIMELINE



- **November 2020:** Orange County Power Authority (OCPA) was formed
 - Staffed by employees from the City of Irvine and several consultants hired by the Board of Directors
- **January 2021:** OCPA hired the Chief Executive Officer, its first dedicated staff
- **June 2021:** OCPA concluded its first non-operational fiscal year
 - Engaged an independent auditor, Pisenti & Brinker LLP, to conduct the first financial audit of OCPA for fiscal year ended June 30, 2021
 - Outcome was a clean unqualified opinion
- **April 2022:** OCPA began providing electric service (generation) to municipal and commercial accounts throughout its service area
- **June 24, 2022:** Orange County Grand Jury released a report regarding OCPA's formation and activities
- **July 2022:** OCPA's independent financial auditor began its second financial audit of OCPA for fiscal year ended June 30, 2022
 - Outcome was a clean unqualified opinion
- **October 2022:** OCPA began providing electric service (generation) to residential accounts throughout its service area
- **December 9, 2022:** At the request of the Orange County Board of Supervisors, Local Power LLC released an analysis of OCPA's staff, operational structure, policies, and procedures. The report did not include recommendations but refers to best practices used by some California community choice aggregators (CCA)
- **December 14, 2022:** At the request of the Orange County Board of Supervisors, the Orange County Internal Auditor reviewed OCPA's business practices, including contracting, disbursements, human resources, payroll, invoicing, and analyzed financial data and costs incurred by OCPA on behalf of Orange County
- **February 28, 2023:** as directed by the Joint Legislative Audit Committee of the California Legislature (JLAC), the State Auditor released its report on OCPA's finances, projections, and other business operations, including compliance with various statutory requirements

AUDIT RESPONSE TEAM



Orange County Power Authority

- Brian Probolsky, CEO
- Tiffany Law, CFO
- Joe Mosca, Director of Communications & External Affairs
- Owen Lee, Controller

Balance Public Relations

- Dean Florez, CEO
- Elaine M. Howle, Principal & Chief Strategist and former California State Auditor
- Bob Alvarez, Vice President

STATE AUDIT MEDIA BRIEFINGS



1. Balita
2. Daily Pilot
3. Epoch Times (Chinese)
4. Epoch Times (English)
5. I Love Irvine
6. KFI
7. LAist
8. Little Saigon TV
9. Rafu Shimpo
10. Spectrum News 1
11. The Orange County Register
12. US News Express
13. US Asian Post
14. Voice of OC
15. World Forum
16. World Journal



DRAFT IMPROVEMENT PLAN





All audit findings are procedural and all the recommendations are implementable.

One-third of the recommendations have already been completed.

EIGHT COMPLETED RECOMMENDATIONS

Report findings primarily focus on processes and practices and recommendations are reasonable and implementable.



- ✓ Include the Community Advisory Committee as a standing item on the OCPA Board agenda and recognize the Community Advisory Committee as an advisory committee.
- ✓ To demonstrate to stakeholders its compliance with state law requiring open meetings, by May 2023, begin tracking information showing when meeting agendas are made publicly available.
- ✓ Utilize a member agency clerk or assign a qualified OCPA staff member to handle the agendas and minutes for the OCPA Board and OCPA Community Advisory Committee to ensure that they are prepared properly and posted in a timely manner.
- ✓ Ensure that new contracts between \$50,000 and \$125,000 are appropriately reported to the Board.
- ✓ Ensure the Board approves all contracts of more than \$125,000 before execution.
- ✓ By May 2023 the Board should direct staff to provide reports on at least a quarterly basis that specify the dollar value of each service contract, the amount paid to each contractor to date, and the amount owed to the contractor for work performed but not yet paid.
- ✓ Maintain a log to document who receives a manual check to establish accountability.
- ✓ Require large checks to be counter-signed by senior management.

IMPROVEMENT #1



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
GOVERNANCE	Implement OCPA by-laws consistent with those of other CCEs within California. (Grand Jury)	OCPA staff and counsel have drafted a set of By-laws and presented it to the Board for review at its February 15, 2023 meeting. After Board approval, the By-laws will be posted on the OCPA website.	CEO	2 nd review March 15, 2023 Final review and 30-day member distribution April 15, 2023 Final implementation May 15, 2023

IMPROVEMENT #2



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
GOVERNANCE	Include the Community Advisory Committee (CAC) as a standing item on the OCPA Board agenda and recognize the Community Advisory Committee as an advisory committee. (Grand Jury)	As soon as our new Board was seated in January, we began the process of receiving appointments and soliciting public members for our Community Advisory Committee and will start the 2023 series of regular meetings in March. CAC committee reports have been and will continue to be provided to the Board on a regular basis.	CEO	COMPLETED March 2023

IMPROVEMENT #3



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
GOVERNANCE Risk Management	To provide meaningful oversight of OCPA’s efforts to monitor, measure, report and control the market and credit risks that it is exposed to in the normal course of business the Board should: · amend its risk management policy to include a subset of Board members, · establish a schedule for the Risk Oversight Committee (ROC) to provide reports of its activities to the full board, and · direct the committee to fulfill its functions as defined in the OCPA’s risk management policy. (California State Auditor’s Office)	In coordination with the Chair, a discussion will be brought to the Board including options for greater Board involvement in Risk Oversight. A regular quarterly schedule for an ROC Board report beginning with the June 2023 Board meeting. While the ROC has been meeting on a regular basis, beginning in March meetings will be formalized and documented.	CEO	Estimated completion May 15, 2023

IMPROVEMENT #4



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
TRANSPARENCY	To build trust with current and potential customers, update its website to provide additional useful information about its operations and communicate whether and how it has provided savings to customers and other relevant benefits to member communities. (California State Auditor’s Office)	Improvements have been made over the last several months to the OCPA website to make it as user-friendly as possible and to convey more information about the cost of energy and the benefits of the program. A complete refresh of the website is underway with the goal of heightening transparency so people know who we are, what we provide, and how we benefit the community.	Director of Communications & External Affairs	July 2023

IMPROVEMENT #5



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
TRANSPARENCY	OCPA’s Board should develop a policy outlining the means by and circumstances under which OCPA can share key terms of its power purchasing agreements with officials from member agencies without compromising confidentiality of those terms. (California State Auditor’s Office)	OCPA has developed a process and executed an NDA with one member agency and is waiting for execution from agreements with two additional members who have also been offered NDAs. We will follow the same process for similar future requests from member agencies.	CEO	May 2023

IMPROVEMENT #6



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
TRANSPARENCY	To more conclusively demonstrate that it is appropriately responding to public record act (PRA) requests, improve its tracking, and handling of those requests by developing and following written procedures governing how it processes them. (California State Auditor’s Office)	The SAO determined that OCPA is largely in compliance with the PRA. In order to enhance PRA performance and public transparency staff will document our existing process for tracking and responding to PRAs, maintain a local copy of the PRA tracking log currently managed by our law firm, and will further pursue implementing custom PRA tracking software.	CEO	Document PRA process April 2023 Implement software system December 2023

IMPROVEMENT #7



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
TRANSPARENCY	By May 2023, direct staff to report no less than quarterly on the number of public records act requests received, closed, and pending; the average time OCPA took to respond, and the reasons for withholding or not providing requested documentation, if applicable. (California State Auditor’s Office)	See PRA item above. Staff will seek feedback from the Board and respond with information accordingly.	CEO	Board Discussion May 2023

IMPROVEMENT #8



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
TRANSPARENCY	To demonstrate to stakeholders its compliance with state law requiring open meetings, by May 2023, begin tracking information showing when meeting agendas are made publicly available. (California State Auditor's Office)	The SAO determined that we are in compliance with Public Meeting laws but could improve by establishing an auditable trail. OCPA has updated its server software which now generates a log each time a document is posted to the website.	CEO	COMPLETED February 2023

IMPROVEMENT #9



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
BUDGETING AND FORECASTING	Beginning with its Fiscal Year 2023-24 budget, OCPA should implement its plan to use information it has collected on customer power usage and opt-out rates when making projections of its revenues, expenditures, and its need to procure power. (California State Auditor’s Office)	Like all CCAs, prior to launching service OCPA needed to rely on customer load estimates provided by the incumbent investor-owned utility. OCPA will use our own customer consumption dataset and participation rates when developing the FY2023-24 budget plus 5-year projection.	CFO	June 2023

IMPROVEMENT #10



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
BUDGETING AND FORECASTING	To allow OCPA sufficient time to buy and sell the energy necessary to accommodate changes in member community participation, the Board should establish a policy specifying a process for member communities to follow when changing their default rate that includes the following: The number of days of advance notification a member agency must provide to OCPA of its decision to change its default rate before the change occurs.	Staff will seek feedback at a future Board meeting, which will guide the drafting of a policy.	CEO	Board discussion May 2023 Policy adoption June 2023

IMPROVEMENT #10 (CONTINUED)



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
BUDGETING AND FORECASTING	The maximum number of times a member community may change its default rate. (California State Auditor’s Office)	Staff will seek feedback at a future Board meeting, which will guide the drafting of a policy.	CEO	Board discussion May 2023 Policy adoption June 2023

IMPROVEMENT #11



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
STAFFING	Hire a Director of Power Purchases or other qualified staff positions to oversee Pacific Energy Advisors and Calpine contractors utilizing best practices. (Grand Jury) Immediately devote additional effort to hiring a power resources director with the necessary expertise to update its projections of power needs, to better evaluate purchase agreements, and to effectively oversee the work performed by its relevant contractors. (California State Auditor’s Office)	OCPA has contracted with one of the most experienced and respected firms in the state to provide power procurement support. OCPA is actively recruiting for a Power Resources Director. We review candidate submissions on a weekly basis and conduct interviews of qualified candidates on a regular basis. If the position is not filled by the end of May 2023, Staff will return to the Board with options including adjusting compensation ranges and hiring an outside recruiting firm.	CEO	By May 2023 or request additional resources from the Board in June 2023

IMPROVEMENT #12



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
STAFFING	Utilize a member agency clerk or assign a qualified OCPA staff member to handle the agendas and minutes for the OCPA Board and OCPA Community Advisory Committee to ensure that they are prepared properly and posted in a timely manner. (Grand Jury)	In November 2022, OCPA hired a Board Clerk and Assistant to the CEO who has over 20 years of experience. The Board clerk is responsible for coordinating all Board meeting agendas, making an official record of each public meeting, and publishing those details via written minutes and meeting videos. She will also be tracking required FPPC regulatory filings for Board members and Staff. All agendas and staff reports are distributed in accordance with the Brown Act. All minutes are approved by the OCPA Board and are posted as soon as possible after being approved. All minutes conform to industry standards.	CEO	COMPLETED December 2022

IMPROVEMENT #13



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	<u>Policies</u> Reduce the \$125,000 dollar threshold required for formal solicitation. Remove the provisions that allow the CEO to bypass existing OCPA purchasing requirements or revise to only allow such bypass in emergencies with appropriate documented justification. (Orange County Auditor)	Research policies that other CCAs use regarding threshold and discuss any suggested change with the Board. Discuss with the Board whether to remove the provision allowing CEO to bypass existing requirements and if recommendation is to keep provision ensure that there is a process to ensure adequate documentation of decision to bypass.	CEO/CFO	June 2023

IMPROVEMENT #14



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	To strengthen its procurement process, the Board should amend its procurement policy and contract delegation authority to clarify whether the thresholds in these policies apply to contract amendments. (California State Auditor’s Office)	Staff will recommend a policy revision to the Board creating clarity regarding contract delegation authority related to contract amendments.	CEO/CFO	June 2023

IMPROVEMENT #15



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	<u>Solicitations</u>	OCPA will document its contracting processes and ensure that the following steps are included:	CFO	April 2023
	To ensure that OCPA enters contracts with the most qualified vendor it should do the following:			
	· When appropriate, ensure that contracts are competitively bid,	Document type of procurement, informal or formal.	Respective Departments	April 2023
	· Proposals are received and evaluated, and	Document process for soliciting, reviewing, and evaluating proposals.	Respective Departments	April 2023
	· Adequately document the vendor selection process.	Document results of proposal evaluations and vendor selection.	Respective Departments	April 2023
	· When using sole source procurements adequately justify and document rationale.	Properly document decision and justification for using sole source procurement.	Respective Departments	April 2023
	(Orange County Auditor and California State Auditor’s Office)	Follow the procurement process policy that prohibits contract splitting to avoid competitive procurement requirements.	Respective Departments	April 2023

IMPROVEMENT #16



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	Ensure that contracts include sufficient cost details to clearly support the services being procured and establish a maximum obligation amount. (Orange County Auditor)	All contracts will include sufficient cost details to clearly support the services being procured and establish a maximum obligation amount.	Respective Departments	March 2023

IMPROVEMENT #17



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	<u>Board Notification</u> Ensure that new contracts between \$50,000 and \$125,000 are appropriately reported to the Board. (Orange County Auditor and California State Auditor’s Office)	Since October 2022, all contracts between \$50,000 and \$125,000 have been reported to the Board.	CFO	COMPLETED October 2022 ONGOING

IMPROVEMENT #18



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	<u>Board Approval</u> Ensure the Board approves all contracts of more than \$125,000 before execution. (Orange County Auditor)	All active contracts more than \$125,000 received Board approval. For all contracts of more than \$125,000 staff will seek Board's approval before execution.	Respective Departments	COMPLETED ONGOING

IMPROVEMENT #19



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	SUBJECT AREA	RECOMMENDATIONS
CONTRACTING PRACTICES	By May 2023 the Board should direct staff to provide reports on at least a quarterly basis that specify the dollar value of each service contract, the amount paid to each contractor to date, and the amount owed to the contractor for work performed but not yet paid. (California State Auditor's Office)	Provide Quarterly Contract Progress Report to the Board specifying the dollar value of each service contract, the amount paid to each contractor to date, and the amount owed to the contractor for work performed but not yet paid.	CFO	COMPLETED March 2023

IMPROVEMENT #20



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	Perform periodic evaluations of contractors' performance and provide those evaluations for the board's review when staff request approval of new contracts or contract amendments with those contractors. (California State Auditor's Office)	Develop a format for the contractor performance evaluations and include it on the staff report for the Board's review when staff request approval of new contracts or contract amendments with those contractors in amount that exceed \$125,000.	Respective Departments	March 2023

IMPROVEMENT #21



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	Ensure that a purchase requisition is completed for all contracts to document that purchasing duties are adequately segregated. (Orange County Auditor)	The existing OCPA Purchase Requisition Form, that was utilized for all non-contract and non-sole source purchases, will be completed to ensure proper segregation of duties being documented.	Respective Departments	March 2023

IMPROVEMENT #22



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
CONTRACTING PRACTICES	Ensure that requisitions are completed for all purchases to document that duties are adequately separated. (Orange County Auditor)	The existing OCPA Purchase Requisition Form, that was utilized for all non-contract and non-sole source purchases, will be completed for all contracts to ensure proper segregation of duties being documented.	Respective Departments	March 2023

IMPROVEMENT #23



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
DISBURSEMENTS	Maintain a log to document who receives a manual check to establish accountability. (Orange County Auditor)	OCPA Manual Check Request Form has been created to ensure accountability.	CFO	COMPLETED February 2023

IMPROVEMENT #24



SUBJECT AREA	RECOMMENDATIONS	COMMENTS AND PLANNED IMPROVEMENTS	RESPONSIBLE EXECUTIVE	STATUS ESTIMATED COMPLETION DATE
DISBURSEMENTS	Require large checks to be counter-signed by senior management. (Orange County Auditor)	OCPA Manual Check Process has been updated to include the counter-sign requirement for a manual check that exceeds \$5,000.	CFO	COMPLETED February 2023



CONCLUSION & QUESTIONS

Recommended Action

Discuss OCPA Draft Improvement Plan and provide direction.



AGENDA ITEMS 9.3

APPROVE FISCAL YEAR 2022-2023

 **MID YEAR OPERATING BUDGET**

March 15, 2023

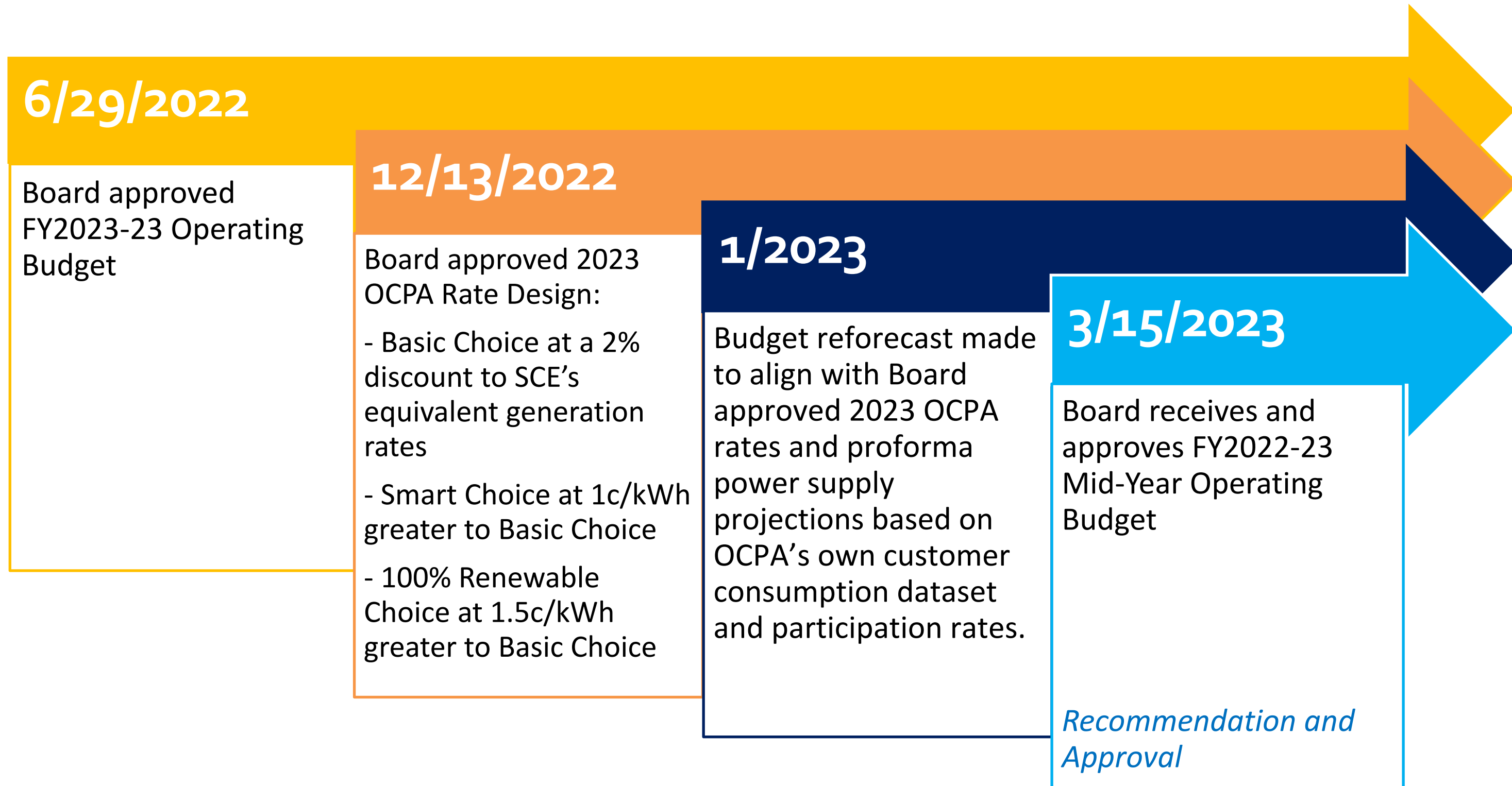


**9.3 APPROVE FISCAL YEAR 2022-2023
MID YEAR OPERATING BUDGET**

 **PRESENTATION**

March 15, 2023

FY 2022-23 MID-YEAR OPERATING BUDGET



OCPA FY2022-23 Mid-Year Budget Timeline

FY 2022-23 MID-YEAR OPERATING BUDGET

Stable Financial Year

- Good Operating Margin at 18%
 - Increase of 12.6 percentage points from the 5.4% presented in the original budget
- Healthy Contribution to Reserves of \$41mil
 - Increase of \$36.3mil from \$4.7mil presented in the original budget
- Offer Basic Choice at a 2% discount to SCE's equivalent generation rates



Key Highlights

FY 2022-23 MID-YEAR OPERATING BUDGET

\$ in thousands Period Ending June 30	Approved Budget	% of Revenue	Mid-Year Budget	% of Revenue	Adjustment/ Change	Change %
Electricity Revenues	301,750	100%	285,887	100%	(15,864)	(5.3%)
Cost of Energy	285,342	94.6%	234,366	82.0%	(50,976)	(17.9%)
Operating Margin	16,408	5.4%	51,521	18%	35,113	214.0%
Non-Energy Operating and Non- Operating Expenses	11,677	3.9%	10,535	3.7%	(1,142)	(9.8%)
Balance Available for Reserves	4,731	1.6%	40,986	14.3%	36,255	766.3%

- ✓ Support Basic Choice at a 2% discount to SCE's equivalent generation rates
- ✓ Began utilizing OCPA's own customer consumption dataset and participation rates

Mid-Year Budget vs Approved Budget Comparison

FY 2022-23 MID-YEAR BUDGET ASSUMPTIONS

“7+5” Forecast Approach:

- July 2022 to January 2023 Actual
- February to June 2023 Re-Forecast to adjust for known costs and trends

Guiding Principles:

- Renewable contracts to meet the adopted default product offerings:
 - Buena Park: 100% Renewable Choice across the board
 - Fullerton: Residential and Commercial Accounts will default to Smart Choice. Municipal accounts will default to Basic Choice
 - Huntington Beach: Basic Choice across the board
 - Irvine: 100% Renewable Choice across the board
- Establish OCPA as a trustworthy resource that is responsive to customers' needs
- Ensure OCPA is financially viable and fiscally responsible



OCPA Forecast Approach and Guiding Principles

FY 2022-23 MID-YEAR BUDGET ASSUMPTIONS

Demand Forecast:

- Total retail load consumption is estimated at 2,583 GWh
- Successful enrollment of 236,000 eligible commercial and residential accounts

2023 OCPA Rates:

- Basic Choice: 2% discount to SCE's equivalent generation rates
- Smart Choice: Basic Choice rates + 1c/kWh
- 100% Renewable Choice: Basic Choice rates + 1.5c/kWh
- Effective January 9, 2023

Uncollectible Allowance:

- Uncollectible is assumed at 1.25%



OCPA Revenue – Key Assumption Highlights

FY 2022-23 MID-YEAR BUDGET

Key contributors to the reduction in revenue of \$15.9 million compared to approved budget:

- Downward adjustment of customers sales volume after using OCPA's own customer consumption dataset and participation rates for customer load projection
- Approved budget was developed with SCE's outdated 2019 historical dataset because SCE was unable to generate a correct 2021 dataset for OCPA to use. The change in customer usage patterns since the 2019 period resulted in actual revenues being lower than projected.
- Greater than projected opt-outs in the residential sector and the actual enrolled customer mix being weighted more heavily within the smallest commercial GS-1 category than expected
- Actual load consumption from industrial TOU-8 customers has been lower than the forecast derived from SCE's 2019 historical dataset

OCPA Projected Revenue vs Approved Budget

FY 2022-23 MID-YEAR OPERATING BUDGET

Wholesale Purchase:

- Total wholesale load consumption is estimated at 2,738 GWh
- Includes 6% distribution system losses

Cost of Energy:

- Clean and renewable energy estimated at \$191.8mil or 81.8%
- Resource Adequacy (RA) is estimated at \$42.6mil or 18.2%

Power Hedging:

- Currently 100% hedged for expected consumption through June 2023



OCPA Cost of Energy – Key Assumption Highlights

FY 2022-2023 MID-YEAR OPERATING BUDGET

Key contributors to the reduction in cost of energy (COE) of \$51 million compared to approved budget:

- Downward adjustment of sales volume
- Excess procured energy was sold in the CAISO spot market for a gain throughout FY 2022-23
- Levelized price structure of OCPA energy contracts:
 - Levelized prices increase power costs during the spring relative to the monthly prices assumed in the budget, leading to higher COE
 - Levelized prices reduce power costs during the summer relative to the monthly prices assumed in the budget, leading to lower COE to be recognized
- The reduced COE has been offset by sharp increase in prices for renewable energy and RA costs arising from increasing market prices and constrained energy supply in the western US

OCPA Projected Cost of Energy vs Approved Budget

FY 2022-23 MID-YEAR OPERATING BUDGET

Non-Energy Operating and Non-Operating Expenses: Proposed an overall reduction by \$1.1 million

Expense (\$ in thousands)	Adjusting Reason	Approved Budget	Mid-Year Budget	Increase/ (Saving)
Data Manager & Utilities Service Fees	Favorable adjustment based on known costs	2,371	2,093	(278)
Staffing Costs	Longer than expected lead times to hire new positions. One new FTE addition (COO position approved by Board in Feb 2023) in mid-year budget, totaling 21 budgeted FTEs (10 hired + 4 recruiting in progress + 7 vacancies). Total amended staffing costs as a percentage of revenue (1.1%) is lower than the approved budget (1.3%).	4,046	3,070	(976)
Contract Services	Aligned with approved budget	1,302	1,287	(15)
Legal Services	Increase primarily due to unanticipated labor-related investigation costs and the high volume of regulatory and compliance filing services	580	790	210
Marketing & Outreach	Decrease primarily due to reduced customer enrollment notification cost	1,597	1,241	(356)
General & Administrative	Aligned with approved budget	844	800	(44)
Energy Programs	Aligned with approved budget	500	500	-
Capital Expenditure	Decrease due to postponement of an in-house analytics platform development to next FY due to a change of priority in FY2022-23	110	10	(100)
Debt Service	Increase due to the timing of loan draws and letters of credit posted for collateral for energy supply and a higher interest rate (current at 6% vs. 2.4% reflected in the approved budget)	329	753	424

OCPA Non-Energy Operating Expenses vs Approved Budget

Proposed FY 2022-23 Mid-Year Budget

Approved

Net Revenue
**\$301.7
Million**

Total Expenses
\$297 Million

Net Income
+\$4.7 Million

Mid-Year Update

Net Revenue
**\$285.9
Million**

Total Expenses
**\$244.9
Million**

Net Income
+\$41 Million

OCPA FY 2022-23 Mid-Year Budget Summary

FY 2023-24 Operating Budget and 5-Year Projection

Proposed Timeline	Budget Development Tasks
April 2023	• Staff develop operating budget • Present proposed budget overview for Board review
May 2023	• Ad-Hoc Budget and Finance Committee Preview and Feedback • Board Briefing and Feedback
June 21, 2023	• OCPA Board Approval
July 1, 2023	• Budget Implementation

(\$ in thousands)						
Period Ending Jun 30	Approved Budget FY 2022/23	% of Rev	Mid-Year Budget FY 2022/23	% of Rev	Change \$	Change %
REVENUE AND OTHER SOURCES						
Revenue - Electricity Base	261,500		258,486	90.4%	(3,014)	-1.2%
Revenue - Smart Choice Premium	5,573		4,145	1.4%	(1,428)	-25.6%
Revenue - 100% Renewable Premium	38,498		26,876	9.4%	(11,622)	-30.2%
Less: Uncollectible Accounts	(3,820)	(1.3%)	(3,619)	(1.3%)	201	-5.3%
Net Revenue - Electricity	301,750	100.0%	285,887	100.0%	(15,864)	-5.3%
Investment and Miscellaneous Income	1	0.0%	8	0.0%	7	529.0%
Total Net Revenue and Other Sources	301,752	100.0%	285,895	100.0%	(15,857)	-5.3%
EXPENDITURES AND OTHER USES						
CURRENT EXPENDITURES						
Cost of Energy	285,342	94.6%	234,366	82.0%	(50,976)	-17.9%
Data Manager	1,839	0.6%	1,403	0.5%	(436)	-23.7%
Utilities Service Fees	532	0.2%	690	0.2%	158	29.7%
Staffing Costs	4,046	1.3%	3,070	1.1%	(976)	-24.1%
Contract Services	1,302	0.4%	1,287	0.5%	(15)	-1.1%
Legal Services	580	0.2%	790	0.3%	210	36.1%
Marketing and Customer Enrollment	1,597	0.5%	1,241	0.4%	(356)	-22.3%
Other G&A	844	0.3%	800	0.3%	(44)	-5.2%
Energy Programs	500	0.2%	500	0.2%	0	0.0%
	296,582	98.3%	244,146	85.4%	(52,435)	-17.7%
OTHER USES						
Capital Outlay	110	0.0%	10	0.0%	(100)	-90.9%
Total Other Uses	110	0.0%	10	0.0%	(100)	-90.9%
DEBT SERVICE						
Interest costs - nonoperating	329	0.1%	753	0.3%	424	128.8%
Finance costs - Principal	0		0		0	0.0%
Total Expenditures and Other Uses	297,021	98.4%	244,909	85.7%	(52,112)	-17.5%
Net Income (Surplus/Deficit)	4,731	1.6%	40,986	14.3%	36,255	766.3%



OCPA FY 2022-23 Mid-Year Budget

Questions?

Recommended Action

Approve Fiscal Year 2022-2023 Mid-Year
Operating Budget.



AGENDA ITEMS 9.4

ENERGY MARKETS UPDATE



March 15, 2023

PROCUREMENT UPDATE: LONG-TERM RPS PROCUREMENT & FEED-IN TARIFF DEVELOPMENT

Orange County Power Authority

March 15, 2023



Key Resource Planning Considerations

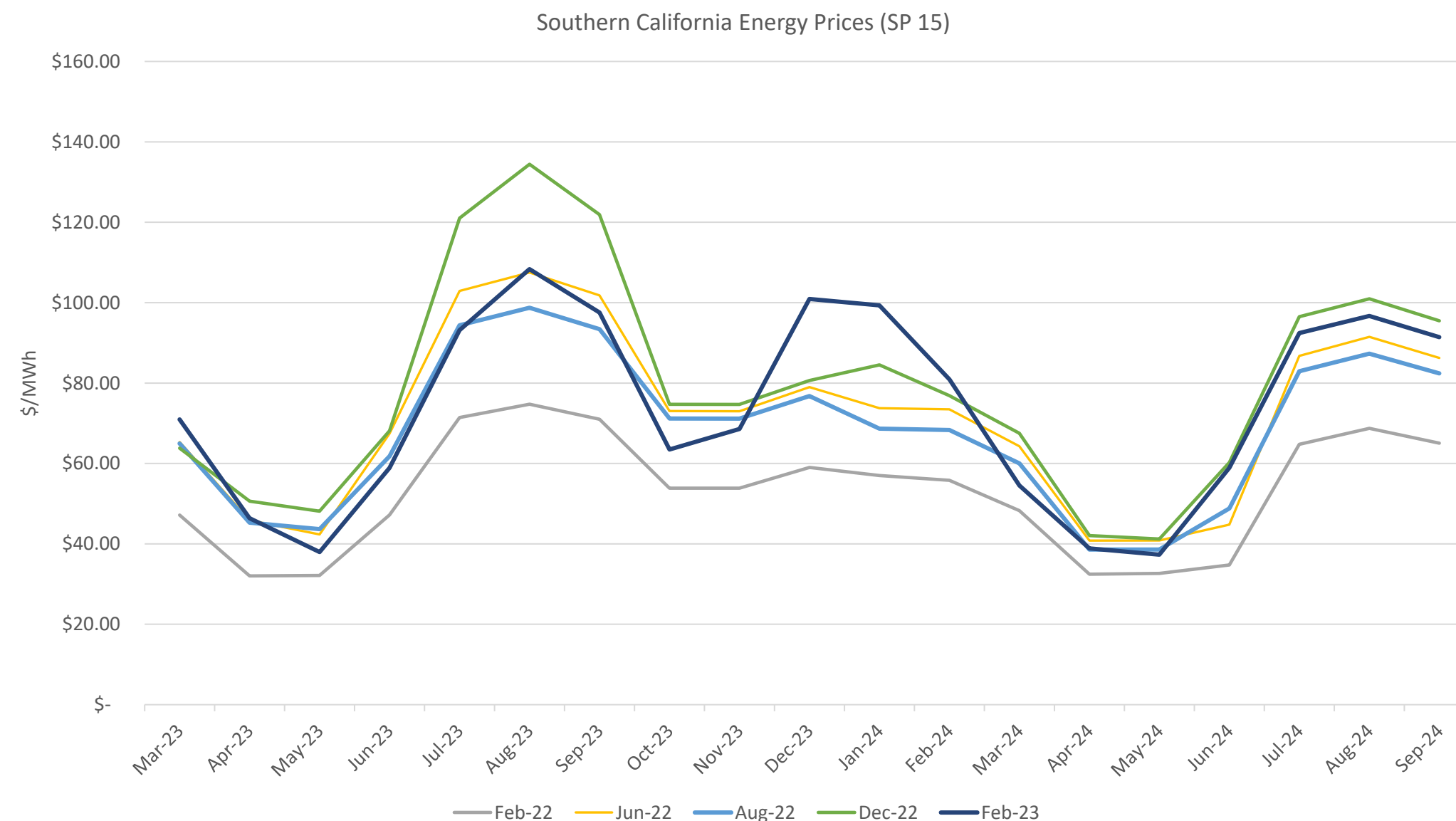
Near- and longer-term goals:

- Fulfill OCPA's near- and long-term RPS needs (voluntary and statutory)
- Promote budgetary certainty and rate stability
- Increase use of locally situated clean energy sources
- Support local economic development
- Reduce GHG emissions

Advance achievement of goals, subject to:

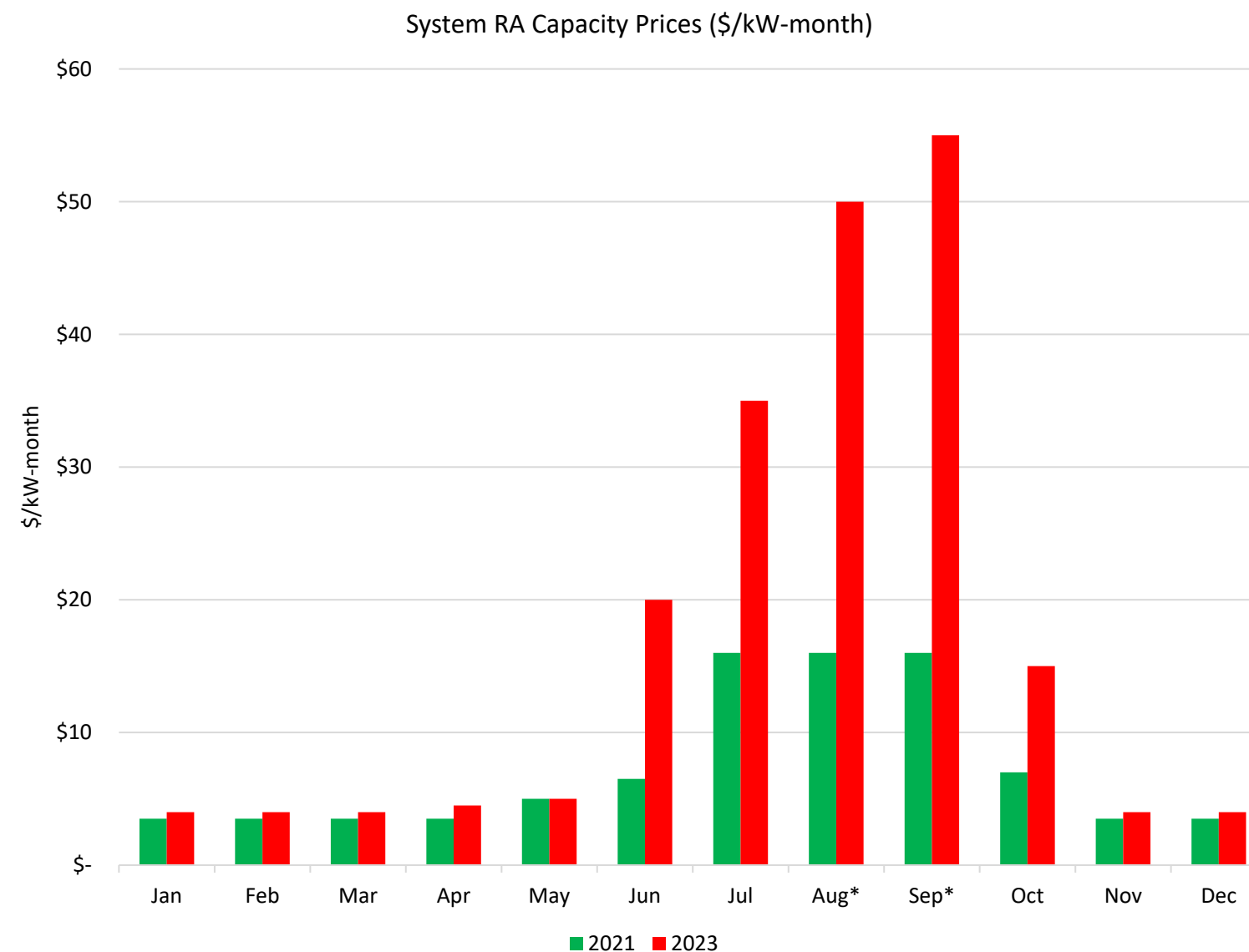
- Rate impacts to OCPA customers
- Financial/budgetary impacts to OCPA
- Achievement of compliance mandates
- Operational feasibility and reliability of supply
- Resource diversity and mitigation of market risks

Market Prices (CAISO Energy)



- Prices have fallen from peak levels in December 2022, yet remain quite high
- Winter months are impacted by high prices for western US natural gas
- 12-month peak forward prices are up 63% vs. 1 year ago and 148% vs. 2 years ago

Market Prices (Resource Adequacy)



**Aug & Sep 2023 volumes are not being offered, and capacity prices are much higher than the costs assessed for non-compliance*

RA prices in the summer months have more than doubled over the last two years
 Increased demand due to higher state-mandated planning reserve margins
 Supply constraints due to lower Net Qualifying Capacity (“NQC”) values for intermittent resources, natural gas plant retirements, new-build project delays and stricter import capacity requirements
 Longer dated contracts starting in 2025 are in the \$8 to \$9 per KW-mo. range, reflecting expectations of increased supply

Battery storage recently offered in the \$14-\$17/kW-month range

Market Prices (Renewable Energy)

PCC1 prices have traded around \$15-20/MWh over the past few years

PCC1 prices rose to nearly \$40/MWh in early 2023

PCC1 currently offered at \$48-50/MWh (limited volumes)

Short positions amongst large buyers and project delays seem to be the primary causes of upward price pressure

PCC2 prices have nearly doubled since the beginning of 2023 – PCC2 pricing trends tend to mirror those of PCC1 products (currently offered at ≈\$30/MWh)

Long-Term RPS Contracting Requirements

Renewables Portfolio Standard (“RPS”) requirements necessitate the purchase of renewable energy under long-term (“LT”) contracts (10 years or longer)

In CY 2021 and beyond (Compliance Periods 4, 5 and 6), LT contracting requirement equate to 65% of statutory RPS procurement obligations

Compliance is measured across multi-year Compliance Periods

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
RPS Procurement Quantity Requirement (% of Sales)	36%	39%	41%	44%	47%	49%	52%	55%	57%	60%	
Long-Term Contracting Requirement (% of PQR)	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Effective Long-Term RPS Procurement Mandate (% of Sales)	23%	25%	27%	29%	30%	32%	34%	36%	37%	39%	
Effective Long-Term RPS Procurement Mandate (% of Sales during Compliance Period)	Compliance Period 4				26%	Compliance Period 5		32%	Compliance Period 6		37%

RPS Compliance: Numeric Example for CP 4

Compliance Period 4	2021	2022	2023	2024	<i>Total</i>
Retail Sales (MWh)	100,000	110,000	120,000	130,000	460,000
Gross RPS %	35.8%	38.5%	41.3%	44.0%	40.2%
Gross RPS (MWh)	35,800	42,350	49,560	57,200	184,910
PCC1 @ 75% (MWh)	26,850	31,763	37,170	42,900	138,683
PCC2 @ 15% (MWh)	5,370	6,353	7,434	8,580	27,737
PCC3 @ 10% (MWh)	3,580	4,235	4,956	5,720	18,491
Gross LT %	65.0%	65.0%	65.0%	65.0%	65.0%
<i>Gross LT (MWh)</i>	23,270	27,528	32,214	37,180	120,192

To demonstrate RPS compliance, the noted/circled total volumes (MWh, for CP 4) must be procured and retired.

Long-Term Contracting: Status Update

- On a projected basis, OCPA is very close to meeting its statutory long-term RPS mandate in Compliance Period 4 (CP4)
- Two long-term RPS contracts (with SCE and Shell Energy North America) have already been executed with initial deliveries scheduled to occur in 2023
- Depending on eventual retail energy sales in CP4, another LT RPS contract may be needed to achieve compliance
- OCPA is currently negotiating a third LT RPS contract and hopes to complete this process within the next 1-2 months

Long-Term RPS Procurement Strategy

Begin addressing LT RPS open positions in Compliance Period 5 (2025-2027) and beyond through upcoming RFP
Recent long-term RPS project proposals have generally reflected initial deliveries that commence no sooner than 2026

Recent Supplemental Mid-Term Reliability Procurement order will also be a focus of this upcoming RFP

Supplemental Mid-Term Reliability

CPUC Decision 23-02-040 was issued February 28, 2023

Obligates California load-serving entities, including CCAs, to procure 4,000 MW (aggregate) in addition to the 11,500 MW previously ordered in D.21-06-035

4,000 MW requirement is phased across CY 2026-2027 and allocated based on load share

OCPA has been directed to procure 38 MW in 2026, 38 MW in 2027 – 76 MW total

By comparison, SCE was directed to procure 1,367 MW (684 MW in 2026 and 2027, respectively) for its bundled customers

Prior incremental capacity procurement mandates were not applicable to OCPA based on the timing of its launch

Potential LT RPS RFP Schedule

- Release RFP: Late March 2023
- Response Deadline: Late April 2023
- Proposal Evaluation: May 2023
- Short-List Selection: Late-May 2023
- Contract Negotiation(s): May-mid-July 2023
- OCPA Board Approval & Execution of Final Contract(s): July/August 2023

Current Renewable Energy Market

Fewer responses relative to prior solicitations: ongoing incremental procurement orders, supply chain challenges, increased voluntary RPS targets, etc. have reduced the pipeline of available projects

Seller's market:

- Seller credit expectations have generally increased, particularly for non-investment grade buyers

- Unconventional contract terms excusing performance for trade measure events, supply chain disruptions, etc. are now being requested by sellers

- Some sellers have walked away from “exclusive” negotiating processes to pursue higher-priced opportunities

Increased competition amongst buyers

Response Evaluation

Price/Value

Project Location

Size

Portfolio Fit/Delivery Profile

Technology Type

Initial Date of Deliveries/Commercial Operation Date

Delivery Term

Seller's Experience

Development Progress

Resource Adequacy/Incremental Capacity Benefits

Other Considerations

Feed-In Tariff: Overview

Feed-In Tariff for local, small-scale RE projects

- Provides opportunity for local RE developers to transact with OCPA
- Creates opportunity for smaller-scale projects
- Strikes balance between goal of RE advancement, rate impacts to OCPA customers, operations and budgetary impacts
- Standard offer eliminates need for negotiation and minimizes administrative costs
- Successfully administered by both IOUs and several CCAs
- Ongoing wholesale supply opportunity, subject to participatory cap
- Complementary to other wholesale RE supply options

Request for Proposals for RE projects

- Periodically administered, formal solicitation process(es)
- Longer-range planning activity to secure RE supply in consideration of OCPA needs and statutory mandates
- Each proposal will be evaluated across a broad scope of criteria
- Evaluative preference for local projects

Feed-In Tariff: Key Considerations & Requirements

- Often introduced as pilot program
 - Initial parameters represent starting point, subject to change – FIT will evolve over time
 - Allows sponsor to gauge participant interest
 - Allows sponsor to develop experience with FIT Program on a manageable scale
 - Allows flexibility related to pricing, program expansion and other parameters
- Standard offer: non-modifiable contract
- Total Program Size (limit): 2-5 MW
- Individual Project Size (limit): ≤ 1 MW
- Contract Term: 10, 15 or 20 years
- Location: w/in OCPA Member Communities
- Eligible Technologies/Fuel Sources: all RPS-eligible technologies w/CEC certification required
- Pricing Level(s) & Structure(s): may vary by technology type and/or delivery profile; should reflect value of energy, plus adjustments for local development costs and/or project size

Feed-In Tariff: Other Requirements

- Establishing FIT eligibility typically requires completion of application, indicating:
 - Project details (size, generating technology, location, etc.)
 - Permitting status and requisite environmental reviews
 - Demonstration of site control
 - Interconnection status
 - Financing plan and qualifications of project sponsor
 - Presentation of key documents:
 - Signed application
 - Evidence of site control
 - Financial statements of project sponsor
 - CEC application for RPS certification
 - Interconnection agreement
 - Signed FIT PPA

Feed-In Tariff: Other Requirements (continued)

- Participation may be limited to commercial operation dates occurring within specified time periods
- FIT projects can establish queue position and reserve price with documented completion of certain activities/milestones
- Local stakeholders can be engaged to provide input when developing program elements
- Local labor requirements can be incorporated, if desired

Feed-In Tariff: Next Steps

- Determine interest in further evaluating prospective FIT program parameters
- Evaluate key requirements
 - Overall participatory cap for initial program (MW)
 - Initial pricing parameters
 - Budgetary impact analysis
 - Timing of program implementation
 - FIT Application preparation
 - Power Purchase Agreement preparation
 - Other concerns/considerations
- OCPA is expected to benefit from available documentation prepared and utilized by other CCAs
- Staff to return with initial FIT requirements proposal at future Board Meeting

Questions & Discussion

Recommended Action

Receive and file.



AGENDA ITEMS 9.5

APPOINTMENT OF TWO AT-LARGE MEMBERS
TO THE COMMUNITY ADVISORY COMMITTEE

March 15, 2023

Recommended Action

Discuss and consider recommendation on appointment of two at-large members to the Community Advisory Committee (CAC).