



County Executive Office

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NEVADA COUNTY BOARD OF SUPERVISORS

BOARD AGENDA MEMO

MEETING DATE: October 10, 2023

TO: Board of Supervisors

FROM: Alison Lehman, County Executive Officer

SUBJECT: Presentation to inform the Board of Supervisors on Results of Impact Assessment Study for Pioneer Community Energy

RECOMMENDATION: Accept the presentation and provide staff direction on preferred option for moving forward.

FUNDING: \$15,000 was budgeted in the FY 2023/24 County Executive Office budget to pay for half the cost of the Impact Assessment Study. The other half of the total cost was funded by Pioneer Community Energy. No additional General Funds are required, and no budget amendment is needed.

BACKGROUND:

At the August 8, 2023, Board of Supervisors meeting, Nevada County staff and members of the Pioneer Community Energy team made a presentation to the Board of Supervisors on Community Choice Aggregation (“CCA”) and Pioneer Community Energy (“Pioneer”). The Board directed staff to return in October to consider whether Nevada County would join the Pioneer Board, a Joint Powers Agency (“Pioneer JPA”).

In the interim period, Pioneer Community Energy contracted with Pacific Energy Advisors to conduct an Impact Assessment Study. This study is required to identify the overall energy needs of Nevada County residents and the anticipated fiscal impacts to Pioneer Community Energy to expand service into unincorporated Nevada County. The study was completed in September 2023.

The Impact Assessment found that, because of a current spike in renewable energy prices, coupled with higher costs related to resource adequacy requirements (resource adequacy ensures that Pioneer has sufficient power purchased to support peak period demand), procuring power for Nevada County would put notable pressure on Pioneer’s financial performance. The consultants found that prices in the renewable energy markets increased from roughly \$12 per MWh in August 2022 to \$48 per MWh in August 2023; a four-fold increase year-over-year. The resource adequacy prices tripled year-over-year to roughly \$76/kW.

Utilizing the current higher market prices for renewable energy and resource adequacy, the consultants created a four-year financial forecast for Pioneer showing the impact to the organization’s net operating margin from expanding its service into Nevada County. The forecast shows that in the first full year of expansion (FY26), the addition of Nevada County

would result in a \$12.76 million operating deficit for Pioneer, followed by continued forecasted deficits of \$14.42 million and \$14.93 million in FY27 and FY28, respectively.

Generally, the Pioneer JPA expansion policy requires the expansion result in strengthening Pioneer's financials to support the priorities of rate competitiveness and stability. Due to the forecasted deficit, the Pioneer Board has requested that Nevada County customers absorb the higher procurement prices through the payment of a "rate-adder" which would be applied to cover the cost to serve Nevada County accounts to avoid subsidization from existing Pioneer customers.

Following discussions with Pioneer staff, the Pioneer Board made the decision that, while expansion to Nevada County will provide no financial benefits to Pioneer's existing ratepayers in the short-term, the partnership with Nevada County could add benefits for both organizations in the long-term.

Given this information, the Pioneer JPA Board agreed to move forward with the expansion into Nevada County under the following two conditions:

1. The County, if necessary, would accept a "rate-adder" to Pioneer's existing generation rate at the time of launch to cover their cost to serve County residents. The "rate-adder" would be paid by Nevada County customers in their monthly bills, until energy for Nevada County customers could be purchased comparably with current Pioneer customers.

Pioneer hedges the volatility in the power market through the purchase of long-term contracts and through Pioneer's energy risk management strategies that mitigate the impact of current market conditions to its ratepayers.

2. The County would accept a later launch date of October 2025 to avoid purchasing power during the extremely expensive high-use summer months.

Given the findings of the Impact Assessment Study, as well as the decision of the Pioneer Board, Nevada County has two options for moving forward:

1. Continue to move forward with joining the Pioneer JPA with the understanding that Nevada County likely would be required to pay a "rate-adder" to support elevated energy costs over the near term, as well as potentially delay the start of service from the initial timeframe of January 2025 until October 2025 to avoid procuring power during peak summer costs in 2025.

If the Board of Supervisors decides to move forward, the Pioneer Board would approve the addition of Nevada County to the Pioneer JPA in November 2023. In December 2023, the amended JPA and the Implementation Plan would be filed with the CPUC for approval. The Pioneer JPA agreement would then be amended to include Nevada County as a member agency and Nevada County could potentially join the Board in spring of 2024.

2. Nevada County can halt the current process with the option to re-start next year, or any year thereafter. Under this option, the start of service would be no earlier than January 2026. Restarting the process would require a new Impact Assessment Study and approval by the Board of Supervisors.

Item Initiated by: Mandy Stewart, Administrative Analyst II
Approved by: Alison Lehman, County Executive Officer
Submittal Date: 10/3/2023