Public Power Pool (P3)

A Program Overview for the North & East Texas County Judges & Commissioners Association

Brazos County Expo Center, Wednesday May 15th, 2019

P3: The largest aggregation in Texas Competitively Bidding Power for the Public Sector

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Public Power Pool

“The Whole is Greater than the Sum of its Parts”

P3 members’ combined annual load: 1,019,282 MWh
P3 members’ combined annual spend: $72.5 million
Number of P3 members: 99
Number of member accounts: 5,464
2019 Public Power Pool Members

Apostacia County
Bee County
Bell County
Bell County Appraisal District
Brazoria County
Calhoun County
Chambers County
Chelford City MUD
Cherokee County
Cinco MUD #7
City of Arcola
City of Bedford
City of Brison
City of Cockrell Hill
City of Crowley
City of Friendswood
City of Haslet
City of Hutchins
City of Jamaica Beach
City of Santa Fe
City of Uvalde
Collin County
Cooke County
Coryell County
Crockett County
Cypresswood Utility District
Dallas Central Appraisal District
Dallas County
Denton County
Dicks County
Ector County
Ector County Appraisal District
Falls County
Foard County
Foard County Hospital District
Fountainhead MUD
Freestone County
Galveston County
Grayson County
Green Trails MUD
Harris County
Harris County Health System
Harris County 911
Harris County Appraisal District
Harris County MUDs #
11, 18, 23, 46, 102, 191, 278 & 383
Harris County Sports & Convention Corp.
Heatherloch MUD
Howard County
Irion County
Jack County
Jackson County
Jeff Davis County
Jim Hogg County
Johnson County
Johnson Co. Central Appraisal District
Kaufman County
Kleinwood MUD
Mason Creek MUD
McLennan County
MHMR Tarrant County
Midland County
Midland CSCD
Mills Road MUD
North Central TX Council of Govts
North Mission Glen MUD
NTTA North TX Tollway Authority
Nottingham Country MUD
Nueces County
Nueces County MHMR
Presidio County
Rains County
Reeves County
Rockwall County
Rolling Creek MUD
Runnels County
San Patricio County
Scurry County
Smith County
Somervell County
Tarrant Appraisal District
Tarrant County
Tarrant County 911 District
Tarrant County Hospital District
Town of Lakeside
Uvalde County CSCD
Van Zandt County
Wharton County
Wichita Appraisal District
Williamson County
Wise County
Zapata County
P3: Serving the State
Members from North, South, East, West Texas Agree:
By Working Together We Lower Our Rates

From the Red River…
P3: Serving the State
Members from North, South, East, West Texas Agree:
By Working Together We Lower Our Rates

...to the
Rio
Grande...
P3: Serving the State
Members from North, South, East, West Texas Agree:
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…to the
Undisputed
Barbeque
Capital of Texas…
(your county here)
How Have P3’s Contracts Performed?
P3’s Record: $124,296,920 saved against market prices since 2002
P3’s 21 North & East TX counties: $17,488,860 saved

- Had members procured power alone, they would pay $\frac{1}{3}$ to $\frac{1}{2}$ cent more per kWh
Building on P3’s Record of Savings: Our 2017 Procurement for 2020-22

- Based on our market analysis, in 2017 P3’s Technical Committee recommended, and our Board approved, a new procurement for 2020-22:

  - Every registered retailer invited to bid: 38 REPs responded, 6 short-listed
  - Members had 60 days to review our proposal and customized price targets
  - The winning bid: a fixed weighted three-year average price for the group of 3.2509 cents/kWh from Cavallo for 2020-22; the lowest rate in our history
  - We improved on our member price targets by 4.3% and secured a 15.4% reduction from current commodity rates, worth $5.6m a year to members
Where are we now?
P3’s Current Position

Forward Retail Electric Rates, ERCOT Blend

$0.030 $0.035 $0.040 $0.045 $0.050 $0.055


Locked Price  Market  Prior Month
Key Price Trends

• Decoupling of on-peak power and underlying natural gas prices

• Gas prices rising with increasing demand

• Long term on-peak power price declining with impact of renewables
Grid Evolution and Price Impact

**Near Term**
Upward price pressure with robust load growth and thin capacity reserve margins

**Long Term**
On-peak price volatility suppressed by rapidly deployed solar at a known cost of production
Emerging Market Trends

• Renewables achieve price parity *
  * Requires longer than normal contract term

• Decision makers face competing interests with consideration of carbon issues and infrastructure resiliency balanced with price objectives

• Innovative contract structures that reflect the evolving generation mix are now on offer

• Contract term lengthening

Future Considerations

➢ Grid scale solar PV versus onsite solar

➢ Advancements in energy storage technology that converts an intermittent resource into a more valuable firm resource
Energy Contracting Issues and Objectives

• Virtues of long term and stable contract offset by increased counterparty performance and credit risk

• For purposes of risk management, the equation reads:

\[
\text{Intermittent resource} + \text{unfamiliar counterparty} + \text{untested contract structure} \\
+ \text{long term} = \text{Counterparty Performance/Credit risk}
\]

• With innovative contract forms now appearing, the challenge is to develop contract terms that provide adequate protections for the buyer - a bedrock principle for P3

• In preparation for the next contract cycle beginning 2023, P3 is ready to enter the market from a position of strength to negotiate a contract that is built to last
Five Reasons Why P3 is a County’s Best Option for Purchasing Power

1. We negotiate bulk discounts unavailable to individual entities
   • The combined flattened load we take to market reduces risk for the retailer, producing discounted rates and competitive bids from eager retailers
   • If P3 members had procure power alone, they would pay over 1/3 – 1/2 cent/kWh more; thus P3 members are saving $3.2m each year by working together

2. Our contracts are the most member-friendly in the business
   • No penalties for consumption changes due to aggregate swing benefit provisions
   • No minimum use requirements
   • Enhanced supplier performance standards and enforcement penalties
   • Competitive pricing for large load add; small loads are added at the contract price
   • Unfettered member access to demand-side programs

3. Our transparent aggregation fee of 59.3 c/MWh is the lowest in the business
   • By sharing energy expertise, legal counsel, operating expenses and account management, members receive a suite of services without paying a premium

4. We provide valued and customized support to County officials and staff
   • From expertly-managed RFPs & procurements, to account adds & deletes, monthly bill checks, semi-annual audits, forward budgeting, HB3693 reports, we help you plan

5. We are a non-profit owned and operated by our members
   • Unlike brokers, we take no commission from REPs to steer business their way
   • Our unbiased, ethical RFP awards contracts to only the best and lowest offer
Case Study #1: “Caveat Emptor”

• A Texas county asked us to respond to their RFP
• Despite our protocols (P3 originates its own RFP for members), we decided to compete – if only to be informed about the bid process
• P3’s price prevailed in the first round, but we came in #2 in second round
• The County awarded to the lowest bid…
• … and a week later called us back because the lowest bidder was having difficulty executing at that rate.
• Three theories:
  1) The broker offered an artificially low bid to win
  2) The broker dropped his fee by three-quarters to shave enough off the price to win – and then tried adding the full commission back in when it was time to execute
  3) The contract’s small print meant included hidden cost add-ons that had not been disclosed during the bid process
Case Study #2: “Non-Profit vs For-Profit Pricing”

- A Texas county invited us to estimate a rate for them as a member of the group so they could compare to the rate offered by a local broker to extend their contract
- P3’s estimate: 3.216 for a three-year term
- The broker pointed out that this rate did not include our aggregation fee, line losses, or the TDSP costs
- We agreed; to ensure an “apples-to-apples” comparison we identified a total rate of 5.53 cents/kWh and the total dollar cost
- The dollar differential between our rate and the brokers was worth $25,000 to the county
- The broker admitted the only way he could beat our rate was by eliminating his entire commission; he did not want to work for free
- The county joined P3 and will see their energy expenditures reduced by $538,834 over a three year period 2020-22
Case Study #3:
“Going long and going it alone” doesn’t mean you’ll get the lowest rate

- A Texas county asked us to estimate what they would pay if they joined
- Their existing broker had offered 4.3 cents for a 10-year contract, then reduced this to 4.1 cents when they heard P3 was in the mix
- P3 estimates the county would pay 3.4 cents/kWh for 2023-2029 had they waited for our next groupwide procurement and paid a slightly higher rate for 2020-23…
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