



Right Sizing Your Investment Program

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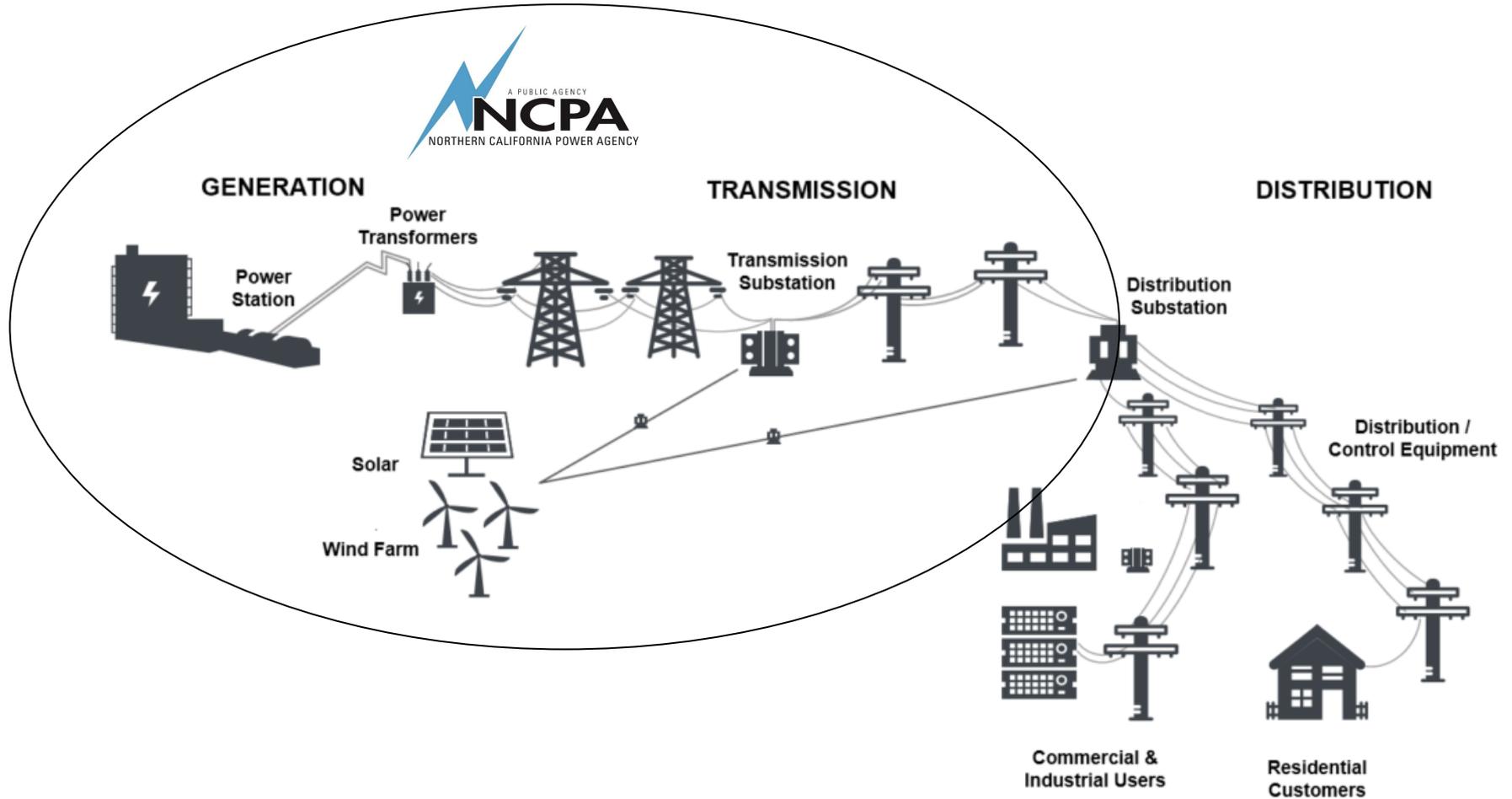
February 2023

Who is the Northern California Power Agency?

- A Public Agency formed under the California Joint Powers Agency
- **Builds and operates jointly-owned power plants**
- 15 Members and 1 associate Member serving 750,000 residents in communities throughout Northern California (city-owned and special districts)
- Represents Members before legislative and regulatory bodies
- Provides Power Management Services to non-Members, including Community Choice Aggregators (CCAs)



Who is the Northern California Power Agency?



MEMBERS

ALAMEDA

SAN FRANCISCO BART

BIGGS

GRIDLEY

HEALDSBURG

LODI

LOMPOC

PALO ALTO

PLUMAS-SIERRA REC

PORT OF OAKLAND

REDDING

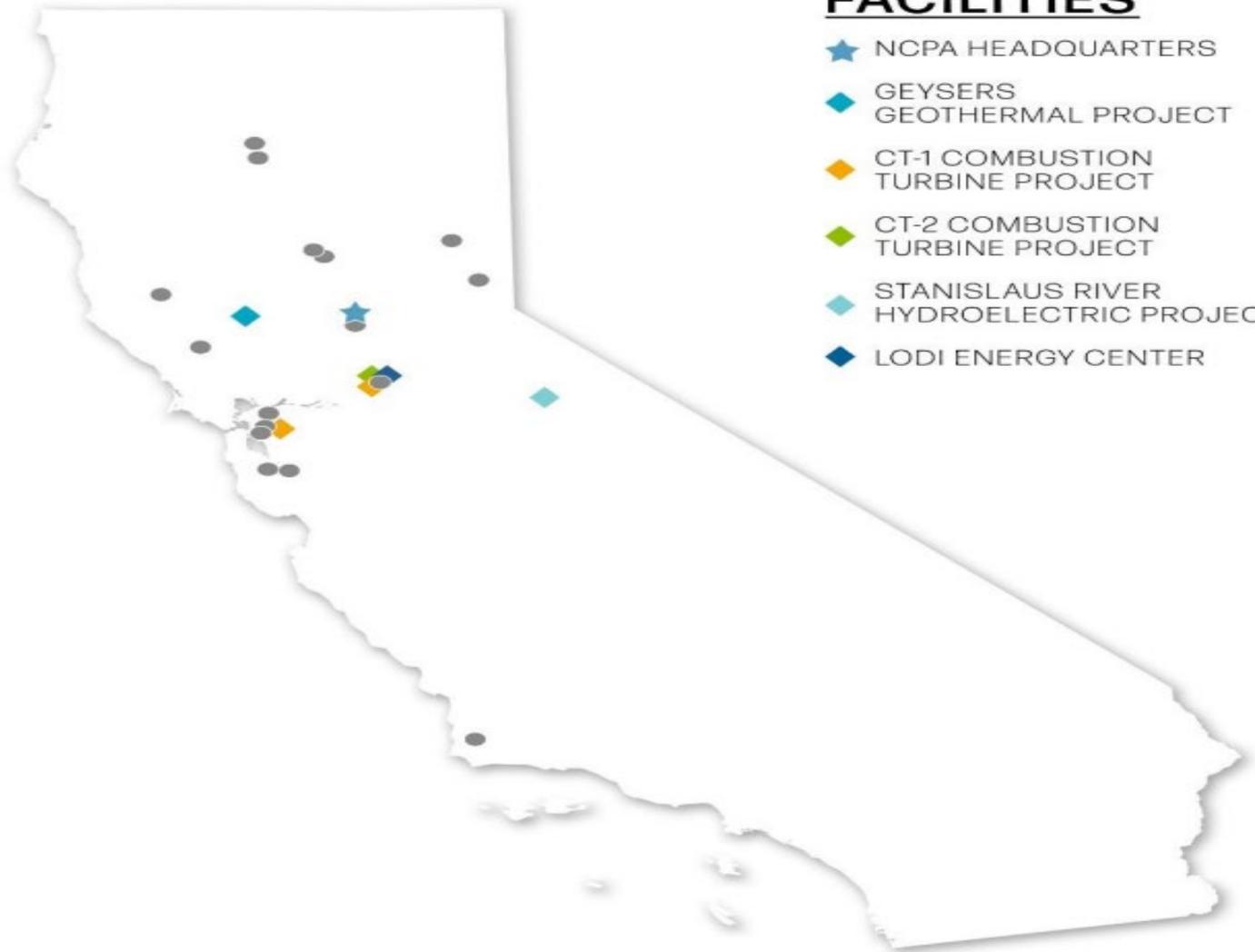
ROSEVILLE

SANTA CLARA

SHASTA LAKE

TRUCKEE DONNER PUD

UKIAH



FACILITIES

★ NCPA HEADQUARTERS

◆ GEYSERS
GEOTHERMAL PROJECT

◆ CT-1 COMBUSTION
TURBINE PROJECT

◆ CT-2 COMBUSTION
TURBINE PROJECT

◆ STANISLAUS RIVER
HYDROELECTRIC PROJECTS

◆ LODI ENERGY CENTER

Geothermal Projects





Hydroelectric Project

North Fork



Alpine, Union, & Utica

North Fork Stanislaus

Highland Creek



McKays Point
Reservoir Capacity: 2,065 acf



New Spicer Meadow
Reservoir Capacity: 189,000 acf
Generation: 6 MW (3 units)



Beaver Creek

Power Tunnel
~9 miles

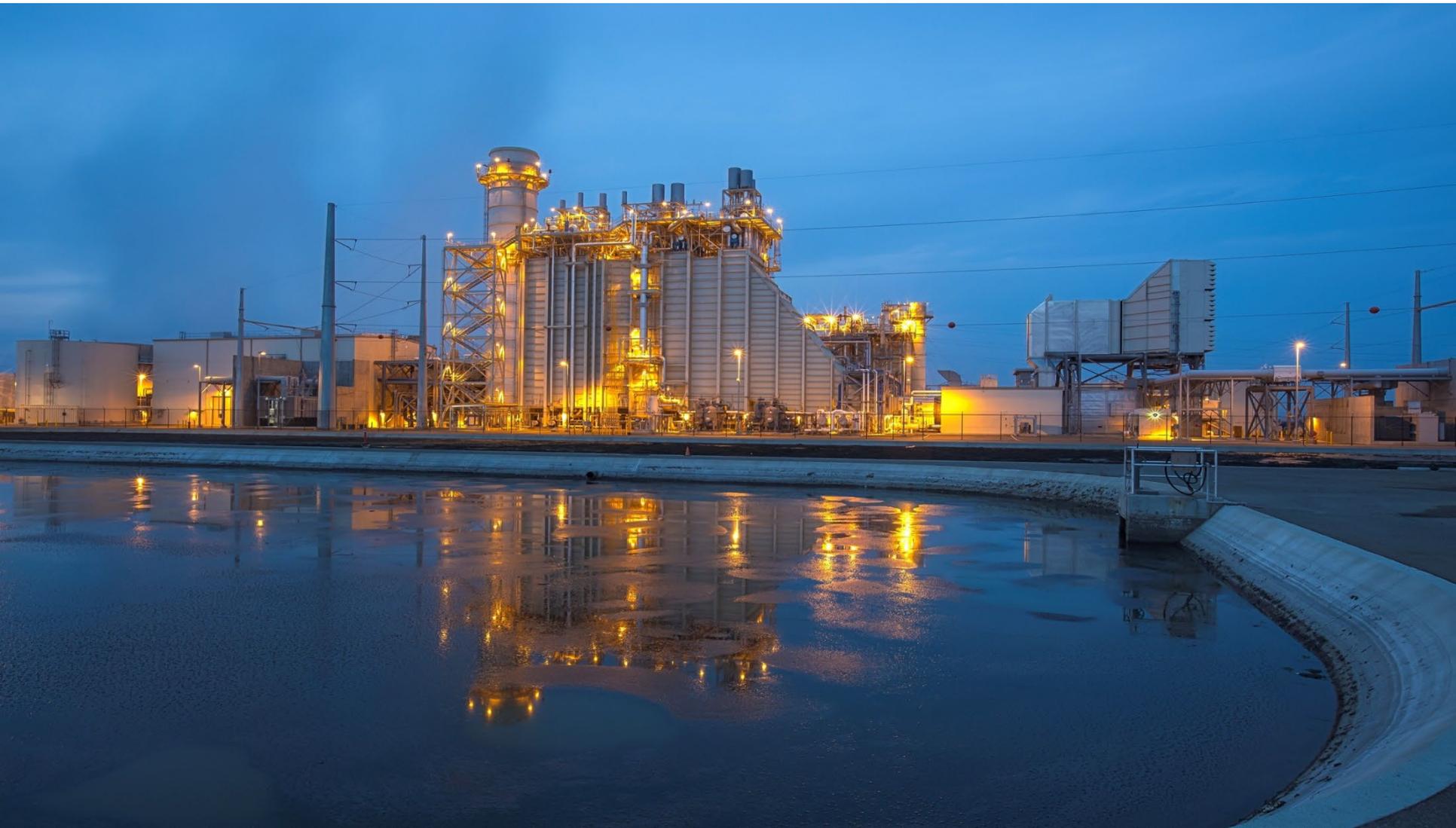


Collierville Power Plant
Generation: 253 MW (2 units)

Transmission
~40 miles



Lodi Energy Center Project

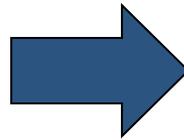


Right Sizing Your Investment Program

Where to start?



Start with the Rule Book



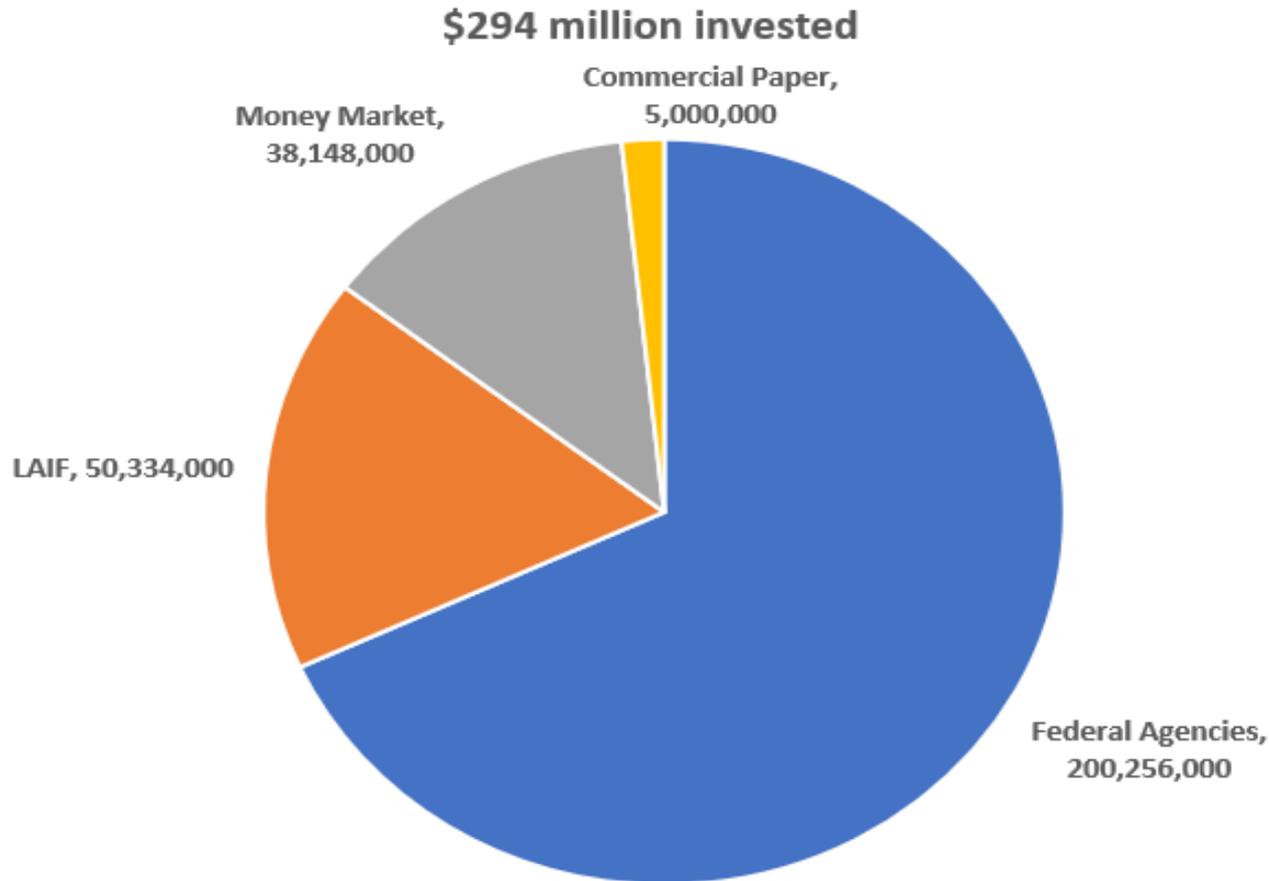
Investment Policy



2023
INVESTMENT
POLICY

NORTHERN CALIFORNIA
POWER AGENCY

Portfolio Composition as of 3/31/2017



Duration

\$93m @ 0-7 days

\$43m @ 8-90 days

\$158m @ 1-5 years

General Observations

- Policy more conservative than State Code
 - Medium-term Corporate Notes allowed by government code but not NCPA's Investment Policy
 - All funds are invested in cash, LAIF, or Federal Agencies
- Investment practice
 - Strategy not visible
 - Liquidity not identified
 - Surplus of cash
 - Recent trades concentrated in 4-5 year range

General Observations

- Policy stated: a 'pool' of qualified financial institutions, dealers, and approved brokers
 - NCPA had one broker on file
- Operating Account
 - Maximum Term of Investment – 1 Year
 - \$24m invested beyond one year
- Policy limit on Callable Securities was 20%
 - Portfolio was around ~33%
- Buy and hold practice

What's unique here?



Playbook Development – Liquidity

**FY 2023
BUDGET**

In thousands

- General
- Legisla
- Risk M

CASH FLOW ANALYSIS		
Period	Date	Disbursements
1	1/31/2015	28,422,427
2	2/28/2015	35,855,224
3	3/31/2015	28,157,496
4	4/30/2015	31,227,586
5	5/31/2015	35,739,068
6	6/30/2015	25,204,339
7	7/31/2015	30,399,553
8	8/31/2015	33,025,668
9	9/30/2015	27,979,891
10	10/31/2015	26,826,833
11	11/30/2015	32,370,828
12	12/31/2015	31,397,099
13	1/31/2016	28,584,845
14	2/29/2016	31,999,302
15	3/31/2016	33,067,973
16	4/30/2016	27,830,453
17	5/31/2016	33,063,147
18	6/30/2016	26,929,327
19	7/31/2016	30,149,081
20	8/31/2016	30,910,878
21	9/30/2016	29,696,234
22	10/31/2016	30,219,480
23	11/30/2016	32,675,053
24	12/31/2016	32,420,622
25	1/31/2017	32,667,600
26	2/28/2017	26,899,985
27	3/31/2017	24,249,198
28	4/30/2017	26,526,963
29	5/31/2017	31,691,868
30	6/30/2017	32,660,971
31	7/31/2017	32,309,024
32	8/31/2017	31,646,179
33	9/30/2017	30,221,870
	average	30,400,131

Playbook Development

- Amend Investment Policy closer to State Code
 - Add medium-term corporate notes to match government code
 - **No more than 5% in any single issuer**
- Reset investment objectives
 - Adopt a passive investment strategy
- Liquidity adjustment
 - Adjust liquidity levels that match historical and future cash flows
 - *Being too liquid minimizes potential returns*
- Diversification
 - Buying various, high-grade securities that align with the State Code
 - *Not putting all your eggs in one basket*

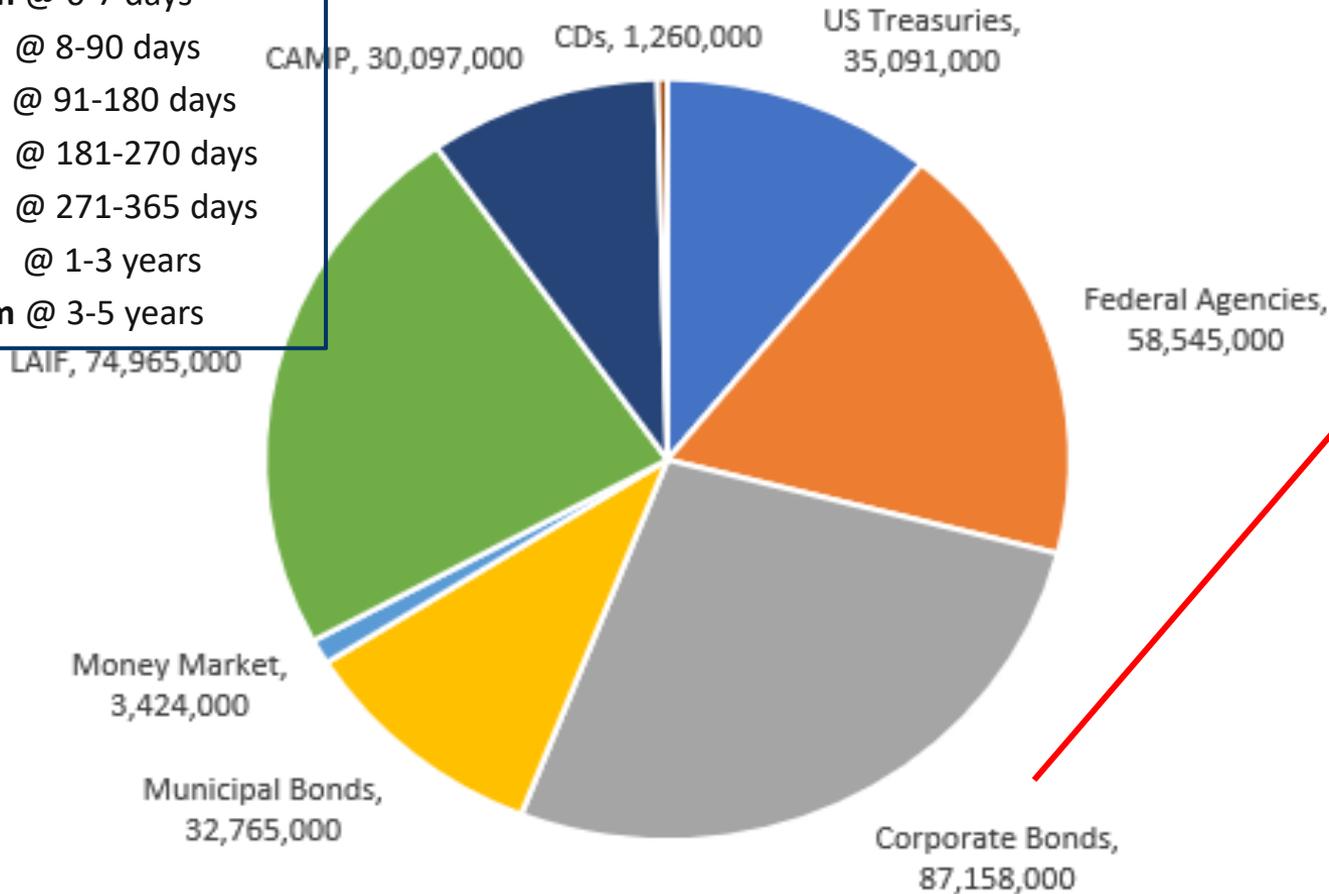
Once deployed, it's a process that takes some time

Portfolio Composition as of 12/31/2021

Duration

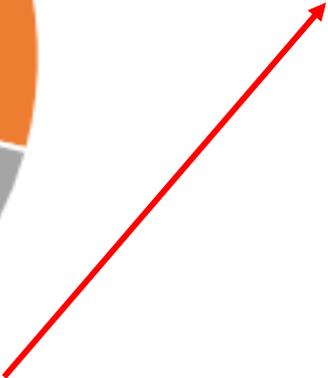
- \$102m @ 0-7 days
- \$29m @ 8-90 days
- \$8m @ 91-180 days
- \$13m @ 181-270 days
- \$10m @ 271-365 days
- \$61m @ 1-3 years
- \$100m @ 3-5 years

\$323 million Invested

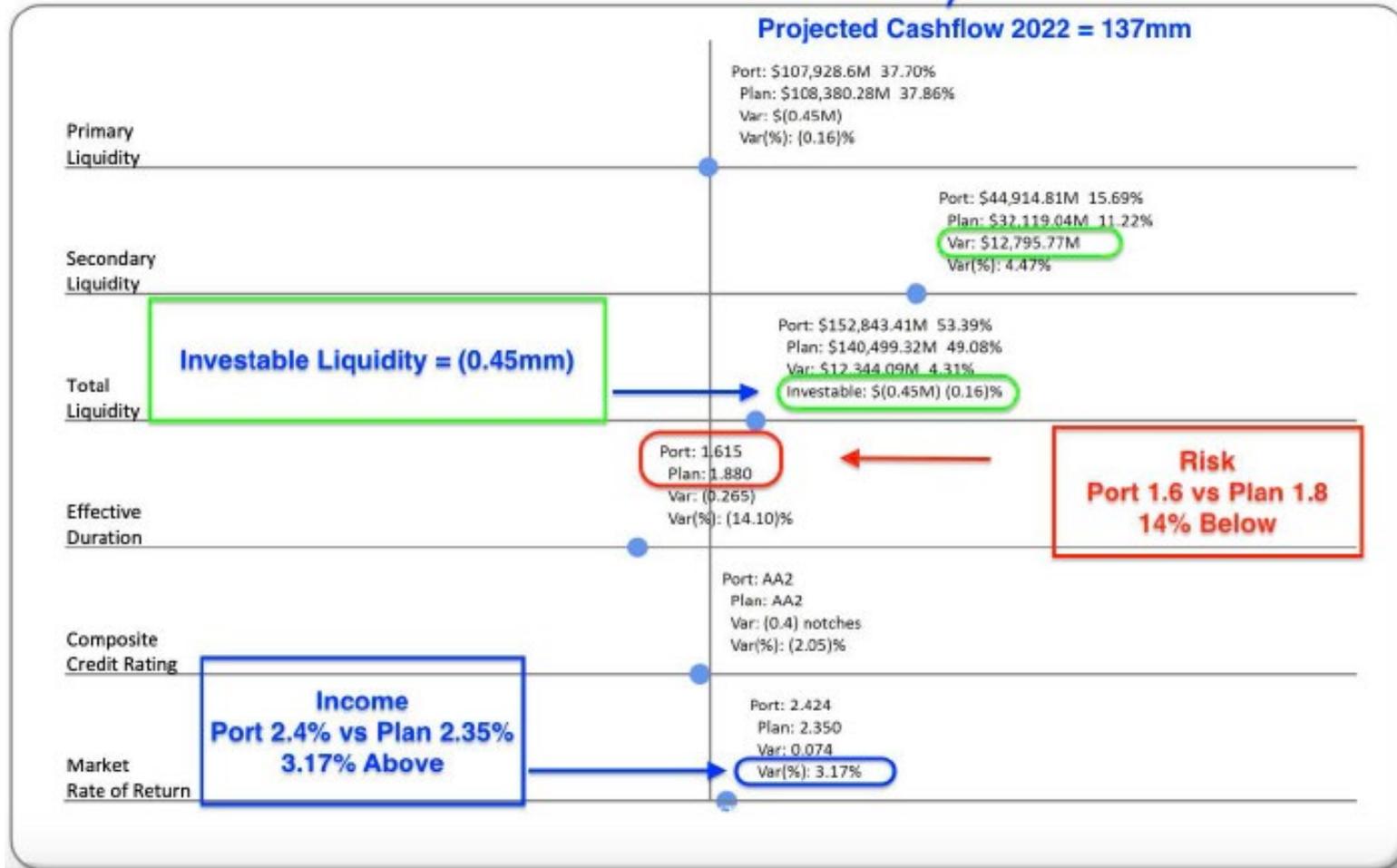


Corporates

- John Deere
- Cisco Systems
- Home Depot
- Intel
- Proctor & Gamble
- Johnson & Johnson
- Apple
- Visa
- Toyota Motor Credit
- Oracle
- Berkshire Hathaway
- Hershey Company
- Microsoft
- Chevron
- Exxon
- JP Morgan
- Caterpillar
- Bank of America
- Walt Disney
- Pfizer



Playbook Monitoring



Playbook Outcomes

- Investment Strategy (*Rule Book to Playbook*)
 - Adequate liquidity to meet current obligations
 - Strategy for optimizing income without violating the risk constraints of the policy
 - Diversified portfolio with the use of other permitted investments such as treasuries and corporate bonds

By following State Code and enhancing our Playbook, we diversified our portfolio, improved our agility and flexibility when market conditions change, and generated over \$500k in new income reducing costs to our members

Challenges to Right Sizing Our Investment Program

- New permitted investments
 - “Supranationals”
- ESGs – differing views
 - e.g. Prohibit investments in “fossil fuel companies”
- Managing corporate credit
 - Investment Adviser, broker, or software program
- What to do with downgrades...?
 - Suggest adding language to your Investment Policy
- Succession or Creating Business Resiliency
 - One person won’t work so build a team



Questions?

