Risk Management Committee – Minutes	
Meeting Type:	**Risk Management Committee**
Meeting Location:	**Meeting Room 1, Lebanon City Hall, 51 N. Park Street, Lebanon, NH & Microsoft Teams Meeting**
Meeting Date:	**Tuesday, August 8, 2022**
Meeting Time:	**Noticed for 2PM**

Committee Members in Attendance:

- Risk Management Committee Chair Matt Miller, Town of Pembroke Director
- Kevin Charette, City of Portsmouth Director
- Jackson Kaspari, City of Dover Alternate
- Clifton Below, City of Lebanon Director (virtual)
- Peter Kulbacki, Town of Hanover Alternate (virtual)
- Treasurer Kimberly Quirk, Town of Enfield Director

Committee Members in Absence:

- April Salas, Town of Hanover Director
- Nick Devonshire, Town of Exeter Director

Guests:

- Samuel Golding, Consultant

COMMITTEE DELIBERATIONS AND RECOMMENDATIONS

The Risk Management Committee held a public meeting on 8/8/22 to discuss the proposals offering to provide Portfolio Management Services (inclusive of Load Serving Entity / LSE services and Credit Support).

Director Miller provided an overview of the evaluation process to-date, explained that CPCNH had received a number of proposals for various aspects of Portfolio Management, Load Serving Entity (LSE), and Credit Support services, that the proposals from The Energy Authority (TEA) and Ascend Analytics (Ascend) had been shortlisted as being more comprehensive and in line with CPCNH's requirements, and summarized the interview and clarification process that had taken place over the course of the last two months.

Director Miller then invited general comments and impressions:

- Chair Below noted how TEA's proposal had initially appeared comprehensive, while Ascend's proposal had focused on presenting their portfolio management software and had identified the need to seek clarifications from CPCNH prior to submitting firm scope and pricing for managed services, and how the committee had initially explored the option of pairing Ascend's portfolio management services with TEA's LSE and credit services, and how Ascend had been willing to proceed under such an arrangement but that TEA had later clarified this wouldn't be acceptable to them.

  He then summarized the process under which the committee had provided the clarifications necessary for Ascend to submit a proposal for the full scope of managed services at a fixed price, to allow for an "apples to apples" comparative evaluation against TEA, and Ascend's qualifications in this regard (e.g., having assisted several retailers / suppliers to launch and operate in competitive markets).

He then noted several key differentiators between Ascend and TEA that the committee had uncovered over the course of the interview and clarification process, such as that TEA did not perform cost of service or ratesetting, and had proposed solutions that might pose issues for CPCNH and its Members in regard to rate competitiveness and cost shifting, and how Ascend's software was designed to calculate cost of service at a granular level and how Ascend was qualified and willing to provide ratesetting services, how Ascend was notably more experienced in and knowledgeable regarding the ISO-NE market in comparison to TEA which would be entering ISO-NE for the first time, and how TEA's modeling approach was less sophisticated and capable than Ascend's software, noting that Ascend's software forecasts and optimizes on a sub-hourly basis, and can match the 5-minute settlement periods used for supply in ISO-NE markets, which would better enable local projects and the use of battery storage in particular.

Lastly, he noted that Ascend had been more proactive than TEA in terms of reviewing CPCNH's materials, and how Ascend had reviewed CPCNH's JPA from an enterprise risk management perspective already, whereas TEA hadn't.

Director Miller then invited a discussion regarding Ascend and TEA's cost of service and credit support proposals.

- Alternative Director Kulbacki explained how the credit solutions of Ascend and TEA were significantly different, in that TEA's costs remained fixed no matter how quickly CPCNH accrued financial reserves, whereas Ascend's credit fees would decline as CPCNH began using its own credit / funds.

  He noted that TEA's fixed price credit solution had been used by two California CCAs contacted to provide client references, and that both negotiated a declining fee structure with TEA (based on reserves) after their initial 3-year service contract had expired. Both Ascend and TEA client references had offered no negative comments, and both firms received positive reviews in terms of educational training, drafting and advising upon governance agreements (cost sharing agreement, energy risk management, rates, and financial reserves policies).
- Chair Below explained that TEA's fixed price would total ~$5.5 million over the 3-year contract term, which would be 1.5% to 2.8% of the value of the portfolio cashflow, noting that the percentage spread depended on which average rate we assume (8.2 cents / kWh based on historic data or ~15 cents / kWh based on current annual averages).
- Consultant Golding voiced that the cost of these categories of services were coming in high relative to assumptions in the business model for both proposers, whereas Calpine's costs had come in substantially lower than forecasted. He explained how credit fees make a substantial difference, and how the total cost could be lower with Ascend if CPCNH prioritizes negotiating and executing its own credit facility. He explained how Ascend assumed this would be the most likely case, as it would result in least-cost rates while enhancing CPCNH's financial independence and autonomy in decision-making regarding

procurement decisions. He also noted that CPCNH's draft Business Plan assumed CPCNH would put its own credit facility in place soon after launch for these reasons, as is established industry best practice.

- Chair Below noted how Ascend's fees for services were about \$5 million which were higher than TEA's, and how part of this is the cost of licensing Ascend's software platform. He noted how as CPCNH develops reserves in 2nd and 3rd years of operation, then Ascend's fees would go down, and if CPCNH did put its own credit facility in place over the first nine months than Ascend's fees would total ~\$5.4 million, which would be bit less than TEA. The worst case would be that CPCNH does not develop credit facility or build operating reserves, in which case Ascend's cost would rise above TEA's.

  He also noted that both firms' fees escalate based on the CPI inflation rate, though TEA's had a floor of 4% (which is significantly below inflation right now), both would require priority positions on CPCNH's lockbox account and might want a secured position on CPCNH's reserves as well, and both entities had committed to working on a technical assessment and financial forecast right away.
- Consultant Golding clarified that Ascend had recognized and committed to commencing work on broad range of activities to maintain momentum toward April/May launch, whereas TEA had recently clarified that certain activities would not start until contracts are finalized and approved and explained the scenarios in which this would likely jeopardize CPCNH's ability to launch in the April-May 2023 window.

  He also clarified that Ascend was offering two lines of credit in addition to covering LSE and wholesale credit requirements, which would consist of a \$1.5 million line of credit to be used by CPCNH to defer their payments after launch and an additional \$100,000 line of credit for CPCNH to use in deferring non-Ascend expenses.

Director Miller invited a discussion around Ascend and TEA's approach to CPCNH's critical path.

- Treasurer Quirk commented that TEA had stated an intent to analyze the critical path in the early stage of their work to see if CPCNH could make the launch target, whereas with Ascend, it wasn't a question of whether CPCNH could make the launch target, but how Ascend could help achieve that goal to the best of their ability.
- Chair Below explained how neither Ascend nor TEA is currently registered as LSE in ISO-NE, though both are LSEs in other markets, and how TEA had recently clarified its intended schedule to register as an LSE in ISO-NE, which would push out the date by which CPCNH could begin procuring power, preclude an April 2023 launch, and could potentially preclude a May 2023 launch as well.

  He contrasted this with how Ascend's proposal was to contract with a registered LSE in ISO-NE, and that Ascend had committed to providing LSE services for \$20,000 a month but would reduce these fees if LSE services came in at a lower cost than this amount. He explained how CPCNH would present a compelling opportunity as a client for LSEs, in the event we contract with Ascend, and Calpine and the other service providers, and also because of the favorable CPA administrative rulemaking to-date, and how Ascend was confident that a number of registered LSEs in ISO-NE would propose services on favorable terms. He also recounted how Ascend had explained that different LSEs had different capabilities.

- Consultant Golding further clarified that Ascend was confident that the solicitation [for LSE services, which Ascend would conduct] would be concluded in four to six weeks' time, explained how this aligned with CPCNH's critical path requirements, and should therefore avoid the risk that TEA's proposal would introduce by needing to go through the ISO-NE registration process as a new LSE.
- Director Miller also commented on TEA's need to register as an LSE in ISO-NE, and how that represents a risk for CPCNH in terms of the timing of power procurement, whereas the Ascend approach seems to introduce less risk in this regard.
- Alternative Director Kulbacki commented that the process in ISO-NE to register as an LSE takes two months, according to TEA, and pointed out that TEA's Board would also have to approve moving forward, and how this could introduce another dimension of potential delay and risk for CPCNH.
- Director Charette pointed out that TEA's original proposal had expressed confidence in meeting the April-May 2023 launch window, and that TEA had only disclosed these concerns regarding meeting CPCNH's critical path at the "11th hour" in response to CPCNH pressing them on this question specifically. He stated that the way the information came out, and how their clarifications seemed contrary to their initial proposal, was concerning to him.
- Chair Below clarified that TEA's Board would have to approve moving forward with CPCNH based on the technical assessment TEA was going to prepare, and that TEA would only commence the LSE registration process after that point. He contrasted this to Ascend's "all-in approach" in committing to CPCNH, and noted how Ascend's CEO had been looped into the process and had participated directly in the clarification interviews.
- Alternative Director Kulbacki commented that it gave him pause to think about how CPCNH could get to the point that TEA completes its technical assessment, but then TEA's Board decides not to move forward, and then CPCNH would have to "start over".
- Consultant Golding commented that TEA had clarified they could commence work on the technical assessment and initial forecast prior to contract execution, whereas Ascend committed to doing those same tasks as well as updating CPCNH's business plan, advising on the cost sharing agreement, drafting the energy risk management / rates / reserves policies, engaging with Members and Board, and committing to undertaking any "additional actions to maintain CPCNH critical path timeline", which he took as a powerful assurance that Ascend intended to meet CPCNH's critical path.
- Director Miller commented that TEA's initial proposal had looked more integrated, whereas Ascend's first proposal was primarily focused on modeling and hedging strategies.

Director Miller then invited a discussion on what the committee had learned over the course of the clarification process in terms of any integration risks or benefits posed by Ascend and TEA's respective approach to providing services.

- Treasurer Quirk commented that she was excited about the capabilities of both models, but with Ascend one clear advantage would be that CPCNH staff could run the software in future.
- Chair Below explained how certain modeling capabilities would have to be custom built for CPCNH by TEA, such as to support local energy projects enabled under Senate Bill 321, and how TEA maintains Excel-based models to do scenario analyses. He noted how Ascend's software solutions (PowerSIMM, SmartBidder) were set up to support a wider range of capabilities in a more integrated fashion, and explained how this translated into different levels of sophistication and capability in terms of portfolio risk management services. He identified cost of service analysis and ratesetting as example in this regard, and detailed their capabilities in regard to demand bidding as another example. Specifically, Ascend proposed to use their SmartBidder AI-informed software to optimize CPCNH's ISO-NE load bidding strategy. He explained that SmartBidder is being used by different market participants right now to bid in ~5,000 MW of power into competitive markets in order to maximize value between Day-Ahead and Real-Time markets, and noted that ISO-NE had seen significant price differentials between the two markets this summer. In contrast, TEA had stated they would simply bid all of CPCNH's forecasted load (plus a margin, i.e., 102% to 105% of forecasted load) into the ISO-NE Day Ahead Market.
- Director Miller commented that he was initially concerned, from an integration perspective, that Ascend was proposing to contract with a third-party LSE, but that he no longer viewed this as a negative aspect of their proposal, based on understanding how this was an industry-standard integration / service arrangement, and because Ascend had integrated their portfolio management services with multiple LSEs to-date, including LSEs in the ISO-NE market, and that he was convinced this should not be a source of concern.
- He also concurred that Ascend was better able to support local project developments, including Senate Bill 321 pilots.
- Consultant Golding confirmed that separating portfolio management from LSE services is an industry-standard arrangement and provided examples of how several CPA JPAs in the California market have successfully implemented this model.

  He further commented on how Ascend's software represents a proven product, and a holistic / integrated solution in that their software directly enabled a broader range of services for CPCNH, whereas TEA's service would rely on constructing custom models. He expanded upon ratesetting and cost of service as an example of this, explaining how Ascend's software automates cost of service and headroom (margin) calculations at a granular level — for every CPA / launch wave, customer class, and every customer with interval meters — which underscores how Ascend's software is an integrated solution that can handle complexities and innovations. In contrast, TEA had clarified they didn't have comparable capabilities, and that TEA had stated they could attempt ratesetting but cautioned CPCNH that they'd be relying on an "unproven product". He also pointed out that TEA had stated there would be a limit to certain capabilities / models they could develop without incurring additional fees, and how the need to develop custom models would slow down CPCNH's practical ability to offer new services in future (by introducing development risk and timeline risk).

- Director Miller concurred and offered further insights into the differences between Ascend and TEA in terms of ratesetting and cost allocation. He felt that it was clear that Ascend could accommodate CPCNH's requirements across different scenarios, and that Ascend had offered numerous insights and options for CPCNH over the course of each interview with "fluency" that offered solutions to potential challenges CPCNH would face. He contrasted this with his experience in interviewing TEA, which generally were more difficult conversations inasmuch as TEA did not point to actionable solutions and instead left him with the impression that their analytics didn't have the capability to deal with the specific complexities CPCNH would face, given the different rate classes across four utilities, and default rates change every six months on different schedules, etc.
- Alternative Director Kulbacki concurred, noting how this would be a serious concern in regard to Wave 1 vs. Wave 2 CPA launches, and recounted how Ascend demonstrated how PowerSIMM had been designed to handle different CPA / waves, load assets, rates, etc., and how Ascend has walked through and populated the inputs to PowerSIMM in this regard "within minutes" for hypothetical CPAs in NH when this topic came up during an interview. He contrasted this with TEA and pointed out that a lack of sophistication in ratesetting risked causing CPCNH's Wave 1 CPAs to subsidize the costs of Wave 2 CPAs (or vice versa).
- Treasurer Quirk clarified that Ascend didn't recommend treating each Member CPA as a different portfolio, but had made clear they could track and allocate costs by members, waves, etc.
- Consultant Golding clarified that TEA had eventually, over the course of multiple interviews, recognized the problem of having one rate across multiple utilities with different prices to beat and had said they were open to working on it, but that they did not have a ready-made solution and had stated "*it would be a lot of work to figure out how that would work*", which he noted had not inspired confidence. He contrasted this with how Ascend's software capabilities are set up to accommodate CPCNH's requirements in this regard.

  He also commented on how this was an example that demonstrated how TEA had not fully reviewed or prepared insights based on the materials CPCNH had provided in advance of the interviews, and that consequently CPCNH had had to spend significant time walking through the issues with TEA during interviews. He recounted how conversations with Ascend started off at a higher level and progressed much further, in part due to the fact their team had reviewed and understood CPCNH's materials in advance.

Director Miller concurred, and asked members to provide their evaluation of the two firms capabilities regarding supporting local project valuation and Senate Bill 321 projects in particular.

- Chair Below recounted how TEA's initial recommendation was that CPCNH hold off on local projects, and power purchase agreements, until some point after their initial 3-year contract term had expired. He explained how Ascend's response was more nuanced, and appropriate, in that they explained that conventional wisdom would be to defer new project development during CPCNH's early stages of operations — similar to TEA — but that the project development opportunities enabled under Senate Bill 321 likely represented a financially advantageous contracting opportunity for CPCNH.

He explained how SB 321 enabled the development of 1-5 MW local projects in New Hampshire, which is a relatively untapped market in New Hampshire, in a way that lowers the cost of energy for CPAs. He provided an example under which 5 Member CPAs could jointly contract for projects in Liberty's territory, and how Ascend's modeling and services were designed to value such projects, in terms of the long-term financial benefit, and was capable of allocating project-specific costs and benefits across different Member CPAs within CPCNH.

He conveyed Director Devonshire's perspective that recent Federal legislation that has enabled municipalities to receive a "direct pay" equivalent to the investment tax credit opens a "huge opportunity" for CPCNH, particularly in relation to SB 321 projects, and further explained how CPCNH could develop and own projects for Members by issuing low-cost tax-exempt revenue bonds for the projects in this context.

He represented that Calpine was enthusiastic about supporting SB 321 projects, and that Ascend's CEO was impressed by the legislative achievement and believes CPCNH is positioned to consider developing these projects.

In his opinion, project development would be more challenging to execute on with TEA, whereas Ascend is positioned and willing to fully support CPCNH. He also noted that TEA had concluded their final interview saying that "*not every cool idea we were talking with them about*" would be in scope and might incur additional fees, without saying what those fees would be — which left it unclear what was actually "in scope" in TEA's proposal and what would be additional service at extra cost.

- Consultant Golding clarified that both TEA and Ascend proposed to manage CPCNH as a single portfolio, and had explained how managing multiple, smaller portfolios would incur unnecessary transaction costs for Members. However, Ascend quickly understood and articulated that while the risk would be managed at the aggregate portfolio level, the allocation of costs to CPAs would be tracked and allocated according to cost-causation principals. In contrast, it took a while for TEA to understand this requirement, and TEA had tended to recommend simpler, cost averaging solutions in response.

  He stated that Ascend had similarly immediately understood the potential of SB 321 project economics, and the potential for these projects to be developed as a primary source of price competition and advantage for CPCNH — which was not a surprise considering that Ascend is comprised of commodity risk managers and economists who specialize in providing a software for developing advanced energy projects.

Director Miller then invited a discussion regarding Ascend and TEA's ISO-NE expertise and Portfolio Risk Management capabilities.

- Consultant Golding recapped how TEA would be entering the ISO-NE for the first time, and while TEA clarified that they employ an analyst familiar with the market they would intend to staff up to bolster their understanding. He explained how that had impacted the interviews, as TEA had to speak generically at times owing to a lack of familiarity regarding the types of products available in the market, pricing, liquidity, etc. and certain aspects of the market structure.

He said that Ascend had a lot of ISO-NE experience and publishes a report and dataset every 6 months — with more frequent updates in the near future — where they are forecasting market prices and fundamentals in the ISO NE market from present day to 2045. They have a lot of situational awareness and understand aspects of New England's electric and gas markets, how the fleet is changing, how state policies are changing, and how these factors would advantage or disadvantage different assets or strategies in the market over certain time frames. He clarified that the reports would be provided to CPCNH, and that Ascend updated their models with the inputs more frequently than the written explanatory reports were published.

- Chair Below clarified that neither firm could recommend specific hedging or portfolio strategies in advance of conducting a technical assessment. Ascend emphasized how CPCNH is a new competitive retail electric power supplier and that there are tradeoffs with risk and price competitiveness, and that Ascend had discussed how CPCNH would have to navigate and balance those considerations.

- Director Charette stated that while Ascend didn't dismiss the complexity and risk around the proposed scope of work, they quickly came to a suite of solutions to help manage risk whatever the topic was — which built confidence in their partnership from his perspective. Ascend seemed genuinely excited about the Coalition and the potential for the partnership, and their level of skill, competency, capabilities came across on each topic that was discussed over the two-and-a-half-hour final interview.

  He contrasted this with TEA, which he characterized as a clearly capable organization, but one that had expressed levels of skepticism, caution and risk that seemed to be unfolding for them as the discussion progressed — without offering much in the way of solutions, and statements such as "we'll need to look into that more" in response. His sense was that they do good work but that Ascend would be a stronger and more enthusiastic partner.

- Director Miller concurred and stated that he shared that impression.

- Chair Below discussed and compared the examples of position reports that Ascend and TEA had provided, explained how Ascend's software generates richer datasets and metrics, and commented on how TEA relies on spreadsheets to track certain metrics.

  He contrasted Ascend and TEA in terms of their preparedness to incorporate customer migration risk — opt-in / opt-out risk, particularly in response to rate competition against utilities and competitive suppliers — into portfolio management forecasts and procurement. He explained how it was not a primary focus for TEA and was something they'd have to work on developing, and noted that TEA asked whether CPCNH had developed an analysis of customer elasticity they could build their modeling off of, whereas understanding and predicting customer migration risk was something built into Ascend's software, because they developed it to provide services in competitive markets, and that Ascend had insights, data, and experience already in terms of understanding specific customer migration risk factors.

He summarized feedback received by Silicon Valley Clean Energy (SVCE, a CPA JPA in California) during a reference check for Ascend, in which SVCE emphasized how Ascend enabled them to create specialized rates for large commercial and industrial customers. and that they could analyze custom product risk on a case-by-case basis, which was necessary to be competitive. SVCE had highlighted how Ascend structured a significant deal with Google to provide a 24/7 carbon-free product that directly offsets their load with renewables in real-time (not just on a total MWh basis).

Director Miller asked whether the deliberation should continue, or if the committee was ready to make a recommendation.

- Alternative Director Kaspari agreed with what the other members of the committee had put forward, and their perspectives on the tradeoffs and the options. He was impressed with Ascend's expertise, modeling abilities, being able to tailor their software and services to CPCNH's goals and objectives, our core operating principles, and thresholds needed to launch.
- Chair Below voiced that both Director Devonshire and Director Salas were absent but had indicated they were happy for the committee to go ahead and vote in their absence.

ACTIONS TAKEN

The Risk Management Committee voted 6-0 with 2 absences to recommend that the CPCNH Member Board enter contract negotiations with Ascend Analytics for Portfolio Risk Management Services (inclusive of LSE services and Credit Support).