

# Exhibit to Agenda Item #5

Authorize the Chief Executive Officer and General Manager to execute Amendment No. 1 to each of the following contracts with Ethos Energy Power Plant Services (Ethos) for operations and maintenance services through December 31, 2025:

- a. Contract 4500094455 for the CVFA Carson Ice Generation Plant in an amount not to exceed \$70 million.
- b. Contract No. 4500094454 for the SCA Procter & Gamble Cogeneration Plant in an amount not to exceed \$100 million.
- c. Contract No. 4500094452 for the SFA Cosumnes Power Plant in an amount not to exceed \$177 million.
- d. Contract No. 4500094453 for the SPA Campbells Cogeneration Plant in an amount not to exceed \$85 million.

## Joint Annual Meetings of the Joint Power Agencies (JPAs)

Thursday, August 20, 2020, immediately following the SMUD Board of Directors Meeting scheduled to begin at 5:30 p.m.

Virtual Meeting (online)



# Requested Action

Authorize the Chief Executive Officer and General Manager to execute Amendment No. 1 to each of the following contracts with Ethos Energy Power Plant Services (Ethos) for operations and maintenance services through December 31, 2025:

- a. Contract 4500094455 for the **CVFA** Carson Ice Generation Plant in an amount not to exceed \$70 million.
- b. Contract No. 4500094454 for the **SCA** Procter & Gamble Cogeneration Plant in an amount not to exceed \$100 million.
- c. Contract No. 4500094452 for the **SFA** Cosumnes Power Plant in an amount not to exceed \$177 million.
- d. Contract No. 4500094453 for the **SPA** Campbells Cogeneration Plant in an amount not to exceed \$85 million.

# SMUD/Ethos Contract History

- Ethos Energy Power Plant Services (Ethos) has been the Operations and Maintenance (O&M) Contractor at the Cosumnes Power Plant since Start up began in 2004
- In 2010, Ethos won the O&M Services contract for the Campbells Cogen
- In 2015, Ethos won the O&M Services contract for all Thermal plants
  - Cosumnes, Carson, Procter and Campbells/McClellan
- The current contract expires on December 31, 2020, but has a 5-year extension option at SMUD's sole discretion

# SMUD Evaluation and Ethos Proposals

Staff evaluated all aspects of Ethos' performance.

- Health and Safety
- Environmental and Compliance
- Budget and Reliability
- Plant Management and
- Corporate Relationship with SMUD

Ethos has proposed specific improvements.

- Human Performance Improvement (HPI) Program
- Internal Controls with a concentration on Non Conformance Reporting (NCR)
- NERC/WECC Program support
- Refocused role for Plant Engineer

Common HPI Tools		
Two Minute Rule	3-way communication	Peer checking
Stop when unsure	Phonetic alphabet	Concurrent verification
Self-checking (STAR)	Pre-job Briefing	Independent verification
Post job review (AAR)	Benchmarking	Observations
Self-assessments	Procedure use and adherence	

# SMUD Evaluation and Ethos Proposals (cont.)

## SEED Participation

- Ethos' current contracts have a requirement to extend SMUD's SEED program through their subcontracting efforts:
  - Annually review the SMUD SEED qualified Vendor list
  - Perform outreach to possible matches
  - Submit quarterly reports on SEED Subcontracting efforts
- In 2019, Ethos:
  - Performed outreach to 16 potential SEED Subcontracting vendors
  - Issued 13 contracts
  - Total SEED subcontracting spend in 2019 was \$299,697

# SMUD Evaluation and Ethos Proposals (cont.)

## MARKET SUMMARY

- Ethos has several competitors in the marketplace
- Our market survey indicates that the current contract terms remain competitive
- The SMUD/Ethos relationship appears to be unique
  - Liability Sharing
  - Willingness to subcontract major maintenance activities and capital projects
  - No markup on pass through expenses
- Current Covid environment is challenging
- Extension preserves ability to terminate for convenience, rebid at a later date

# Recommendation

Staff recommends that the Commission authorize the Chief Executive Officer and General Manager, or his designee, to execute a five-year contract extension with Ethos Energy Power Plant Services for each CVFA, SCA, SPA, and SFA

# CVFA Carson Ice Gen Projected Expenses

	2021	2022	2023	2024	2025	Total
Fixed Contract Fees (Ethos)	\$ 1,889,452	\$ 1,936,688	\$ 1,985,105	\$ 2,034,733	\$ 2,085,601	\$ 9,931,579
Operating Bonuses (Ethos)	\$ 262,044	\$ 371,096	\$ 380,373	\$ 389,881	\$ 399,628	\$ 1,803,022
Permits and Fees (External Agencies)	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 7,500
Reimbursable Expenses (Commodities and Periodic Maintenance)	\$ 2,280,882	\$ 2,525,278	\$ 2,490,127	\$ 2,545,790	\$ 2,602,844	\$ 12,444,921
Major Maintenance (Equipment Overhauls)	\$ 170,000	\$ 2,425,000	\$ 145,000	\$ -	\$ 6,500,000	\$ 9,240,000
Capital Expenses	\$ 1,135,000	\$ 200,000	\$ -	\$ -	\$ -	\$ 1,335,000
Total Expenses	\$ 5,738,878	\$ 7,459,562	\$ 5,002,105	\$ 4,971,904	\$ 11,589,573	\$ 34,762,022



# SCA Procter Cogen Projected Expenses

	2021	2022	2023	2024	2025	Total
Fixed Contract Fees (Ethos)	\$ 2,645,232	\$ 2,711,363	\$ 2,779,147	\$ 2,848,626	\$ 2,919,842	\$ 13,904,211
Operating Bonuses (Ethos)	\$ 784,632	\$ 804,244	\$ 824,354	\$ 844,957	\$ 866,081	\$ 4,124,267
Permits and Fees (External Agencies)	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 225,000
Reimbursable Expenses (Commodities and Periodic Maintenance)	\$ 3,080,146	\$ 3,060,174	\$ 3,140,159	\$ 3,208,813	\$ 3,279,184	\$ 15,768,476
Major Maintenance (Equipment Overhauls)	\$ 6,550,000	\$ 1,850,000	\$ 250,000	\$ 7,150,000	\$ -	\$ 15,800,000
Capital Expenses	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000
<b>Total Expenses</b>	<b>\$ 13,105,010</b>	<b>\$ 8,470,781</b>	<b>\$ 7,538,660</b>	<b>\$ 14,097,396</b>	<b>\$ 7,110,107</b>	<b>\$ 50,321,954</b>

# SPA Campbells Cogen Projected Expenses

	2021	2022	2023	2024	2025	Total
Fixed Contract Fees (Ethos)	\$ 3,117,595	\$ 3,195,535	\$ 3,275,424	\$ 3,357,309	\$ 3,441,242	\$ 16,387,105
Operating Bonuses (Ethos)	\$ 497,820	\$ 510,265	\$ 523,022	\$ 536,102	\$ 549,504	\$ 2,616,712
Permits and Fees (External Agencies)	\$ 152,499	\$ 152,499	\$ 152,499	\$ 152,499	\$ 152,499	\$ 762,495
Reimbursable Expenses (Commodities and Periodic Maintenance)	\$ 3,620,625	\$ 3,223,603	\$ 3,455,806	\$ 3,396,276	\$ 3,662,558	\$ 17,358,869
Major Maintenance (Equipment Overhauls)	\$ 730,000	\$ 4,830,000	\$ 830,000	\$ 830,000	\$ 880,000	\$ 8,100,000
Capital Expenses (Including Gas Turbine major maintenance)	\$ -	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000
<b>Total Expenses</b>	<b>\$ 8,118,539</b>	<b>\$ 14,911,903</b>	<b>\$ 8,236,750</b>	<b>\$ 8,272,186</b>	<b>\$ 8,685,803</b>	<b>\$ 48,225,181</b>

# SFA Cosumnes Power Plant Projected Expenses

	2021	2022	2023	2024	2025	Total
Fixed Contract Fees (Ethos)	\$ 4,067,978	\$ 4,169,678	\$ 4,273,920	\$ 4,380,768	\$ 4,490,287	\$ 21,382,631
Operating Bonuses (Ethos)	\$ 565,704	\$ 579,847	\$ 594,343	\$ 609,201	\$ 624,431	\$ 2,973,526
Permits and Fees (External Agencies)	\$ 232,151	\$ 232,751	\$ 238,866	\$ 238,866	\$ 238,866	\$ 1,181,501
Reimbursable Expenses (Commodities and Periodic Maintenance)	\$ 8,440,279	\$ 6,342,411	\$ 7,477,633	\$ 6,056,574	\$ 6,463,739	\$ 34,780,637
Major Maintenance (Equipment Overhauls)	\$ 1,144,000	\$ 14,820,000	\$ 5,995,000	\$ 2,055,000	\$ 225,000	\$ 24,239,000
Capital Expenses (Including Gas Turbine major maintenance)	\$ 285,000	\$ 14,900,000	\$ 8,450,000	\$ 600,000	\$ 500,000	\$ 24,735,000
<b>Total Expenses</b>	<b>\$ 14,735,113</b>	<b>\$ 41,044,687</b>	<b>\$ 27,029,762</b>	<b>\$ 13,940,409</b>	<b>\$ 12,542,323</b>	<b>\$ 109,292,294</b>