

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 12**

TO: Board of Directors

FROM: Edward Burnham, Director of Finance & Internal Operations
Rebecca Boyles, Director of Customer Care & Marketing
Mitch Sears, Executive Officer

SUBJECT: Adopt 2022 AgFIT Budget

DATE: September 8, 2022

RECOMMENDATION

1. Approve a \$1,200,000 Budget Amendment to allocate funds approved by the California Public Utilities Commission for the development and launch of VCE's Agricultural Flexible Irrigation Technology (AgFIT) pilot program.

If approved, this Board action will:

- a) Increase the 2022 Budget revenue estimate for Other Revenues - Programs by \$1,200,000; and,
- b) Increase the 2022 Budget expenditure appropriation for Programs - AgFIT by \$1,200,000.

Staff has evaluated the costs of the program and forecasts the current-year requirement of \$1,200,000 will have a net zero impact on VCE financials.

BACKGROUND AND ANALYSIS

The AgFIT pilot program is designed to provide VCE agricultural customers with hourly price signals and incentives for irrigation automation and scheduling software to better manage energy costs. More than 85% of VCE's service territory footprint is designated for agricultural use. Due to this high concentration, the agricultural sector represents approximately 18% of VCE's total annual load and 16% of its peak demand.

In support of VCE's significant agricultural sector, the Board adopted a 3-year programs plan on June 10, 2021, that included an agricultural demand side program which evolved into the AgFIT dynamic rate pilot program.

At its December 2, 2021 meeting the CPUC issued decision 21-12-015 authorizing VCE's proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs, including program funding of \$3,250,000 (inclusive of PG&E pilot related costs for \$750,000). VCE's portion of the initial CPUC funding was \$2,500,000. The Pilot includes automation of agricultural pumping loads to respond to dynamic prices set by VCE and implementation of an experimental rate that incorporates energy and delivery costs in hourly

prices. Customers who successfully respond to the prices and shift load out of expensive hours—typically the ramp hours—are projected to enjoy bill savings while contributing to grid reliability when it is most needed. A significant amount of the State’s agricultural irrigation pumping load is shiftable, presenting an important opportunity for California’s grid and environment.

Pilot Program Consultant Support

The AgFIT pilot is a unique undertaking that requires a combination of technical knowledge and electricity rate structuring that is matched with practical expertise in the agricultural sector, which is exceedingly uncommon. Polaris was awarded a grant by the California Energy Commission that is the precursor study for the AgFIT Pilot and provides them with the prerequisite skills and knowledge to support the VCE AgFIT pilot. Additionally, Polaris and TeMix sought out VCE based on our proposal submitted to the CPUC in late 2020 to implement a dynamic pricing structure to achieve load shift in the agricultural sector and formed an aligned effort to build the case for the Pilot awarded in the initial CPUC approval described above.

In addition to the industry-specific experience, VCE has relied on our general counsel and Regulatory counsel to facilitate the supplemental funding requests for the AgFit pilot program. The CPUC awarded additional funding of \$690,000 for other third-party and VCE administrative expenses. The total pilot program funding awarded by the CPUC is \$3,940,000 including \$750,000 for PG&E and 3,190,000 administered by VCE.

FISCAL IMPACT

As approved by the Board in January, VCE provided short-term budget support until the CPUC budget process was completed in the 2nd quarter of 2022. Following CPUC action and funding, VCE reimbursed short-term budget support expenditures incurred under pilot support services contracts to TeMix and Polaris. On January 27, 2022, the VCE Board approved a temporary budget of up to \$200,000 of the program reserve fund covered by reimbursable revenues as described above.

Staff has evaluated the costs of the AgFIT program and forecasts the current-year requirement of \$1,200,000 will have a net zero impact on VCE financials. VCE will continue to track and monitor its costs associated with the AgFIT Pilot and seek reimbursement through the CPUC during the three-year program for any anticipated budget amendments. AgFIT program revenues and expenditures will be included in the annual budget adoption in future years.

CONCLUSION

Staff recommends that the Board adopt the attached resolution for the budget amendment.

Attachment

1. Resolution

RESOLUTION NO. 2022-_____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE
AMENDING THE OPERATING BUDGET FOR YEAR 2022**

WHEREAS, the Valley Clean Energy Alliance (“VCE”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs;

WHEREAS, on February 10, 2022, the Board adopted the 2022 Budget via resolution 2022-005, including Operating Revenues totaling \$89.8M and purchased power and other operating expenses totaling \$72.3M for a net income of \$17.5M;

WHEREAS, On December 2, 2021, the California Public Utilities Commission issued decision 21-12-015 authorizing VCE’s proposed “Agricultural Flexible Irrigation Technology (AgFIT)” three-year dynamic rate pilot program, to be made available to customers taking electric service on irrigation pumping tariffs, including program funding for a total of \$3,190,000;

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts an Amendment to the 2022 Budget to increase program revenues for AgFIT by \$1,200,000 and program expenditures for AgFIT by \$1,200,000 for the costs associated with implementation of the AgFIT program in 2022.

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____, 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Jesse Loren, VCE Chair

Alisa M. Lembke, VCE Board Secretary