

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 17

TO: Board of Directors

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

SUBJECT: Approve Budget Amendment for AgFIT Final Budget and non-reimbursable costs.

DATE: December 14, 2024

RECOMMENDATION

1. Approve a Budget Amendment to allocate \$650,000 in program funds for the final costs associated with the development and launch of VCE’s Agricultural Flexible Irrigation Technology (AgFIT) pilot program.

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 the automation of agricultural pumping loads to respond to dynamic prices set by VCE and the 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 requisite 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. VCE's allocation was reallocated to PG&E proportionally by \$225,000 to \$2,965,000 related to increased third-party contractor expenses.

FISCAL IMPACT

As approved by the Board in January 2022, 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. On September 8, 2022, the Board approved the overall scope and budget of the AgFIT pilot program as a fully reimbursable program. Due to the reduced reimbursable funding and increased costs from third-party contractors, VCE's final costs are estimated to exceed reimbursable funding from \$450,000 (best case) to \$650,000 (worst case). Staff will continue to work with PG&E, the energy division, and contractors to reduce the non-reimbursable costs through early 2025.

Staff has evaluated the costs of the AgFIT program and forecasts the current-year requirement of \$650,000 will have a net zero impact on VCE financials. Although the AgFIT program has resulted in non-reimbursable expenses that require the use of program funds, VCE will offset these costs through \$450,000 in annual cost savings starting in 2025. The savings are generated by reducing VCE's RA requirement annually by 3 MW. Future year savings will depend on the market value of RA and the levels of continued participation by VCE customers. Staff anticipates that the \$650,000 budget adjustment will be fully "repaid" within two years.

The success of AgFIT has resulted in the expansion of dynamic rate pilots with the potential to provide additional RA cost savings for VCE in support of our Strategic goals and address affordability challenges. These future savings increase VCE's net margins and potential allocations to additional program funding.

CONCLUSION

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

Attachment

1. Resolution 2024-XXX

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2024-_____

**RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE AMENDING
THE OPERATING BUDGET FOR YEAR 2024**

WHEREAS, the Valley Clean Energy Alliance (“VCE”) was formed as a community choice aggregation agency (“CCA”) on November 16, 2016, under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019;

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;

WHEREAS, On September 8, 2022, the Board of Directors of the Valley Clean Energy Alliance adopted 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.

WHEREAS, the Board of Directors of Valley Clean Energy Alliance adopted 2023 and 2024 AgFIT program revenues and program expenditures as part of the annual budget adoption process.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts an Amendment to the 2024 Budget to increase program expenditures for AgFIT by \$650,000 for the final costs associated with implementation of the AgFIT program.

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lucas Frerichs, VCE Chair

Alisa M. Lembke, VCE Board Secretary