

# VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

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TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Sustainability Manager, City of Davis  
Regina Espinoza, Sustainability Manager, Yolo County  
Shawn Marshall, LEAN Energy US

SUBJECT: VCEA Implementation Update

DATE: June 13, 2017

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## RECOMMENDATION:

Receive program administration updates and provide feedback and direction as needed.

**BACKGROUND & DISCUSSION:** The following program implementation related topics are addressed in this report:

- A. Banking and Credit Services RFP update.
  - B. Project Schedule and summer meeting schedule update.
  - C. Community outreach/website update.
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- A. Banking and Credit Services

At the Board's direction, staff released an RFP for banking and credit services that closed on April 27, 2017. Three responsive proposals were received and are currently under review a panel review. The evaluation panel consists of County and City Staff and Finance Representatives as well as a Consultant Representative. Once the evaluations and interviews with the Banking entities are complete, staff is planning to return to the Board with this item at its July meeting.

As a reminder, the following key components were included in the RFP:

- 1) Requesting a line of credit (LOC) for up to approximately \$7,000,000 which uses the estimated amount in the CCE technical study and incorporates anticipated costs associated with Woodland participating and contingency funds; this LOC will cover additional pre-revenue costs, credit for power contracts, and working capital for early operations;
- 2) Stated preference to do business with a bank that has headquarter and/or branch operations within Yolo County;
- 3) Credit terms are requested with and without guaranty requirements; it is likely that a guaranty will be required for at least the pre-revenue portion of credit drawn down;

- 4) Lender is asked to provide capitalization limits and must be a member of the Federal Reserve System or Federal Deposit Insurance Corporation; and,
- 5) Credit and banking services may be awarded to a single or multiple financial institutions depending on operational and credit capacity and terms offered.

## B. Project and Summer meeting schedules

### Project timeline

At its February 2017 meeting, the VCEA Board reviewed and approved a critical dates project timeline that targets an April 2018 program launch, giving specific direction to maintain project momentum to achieve that target launch date. At its subsequent meeting in April, the Board directed staff to prioritize the hiring of VCEA's CEO prior to moving forward with vendor contracts in the areas of technical and energy services, data management/call center, and marketing/community outreach. It was determined that this direction would not impact the overall project timing as long as the CEO was in place by early June and key vendors were hired by early July so that the Implementation Plan could be developed over the summer for a late August/early September submission to the CPUC.

Given the recent delays in completing the CEO search (and subsequent delays in contracting for additional vendor support), there is growing concern that VCEA's overall timeline is at risk of slippage past April 2018. As previously discussed, the key issue is development and certification of the Implementation Plan, which in total takes five months including the CPUC's three-month certification window. Much can be done in parallel during this time, but a delayed Implementation Plan has a cascading effect that impacts power procurement, public outreach, and even rate setting.

Staff thought it prudent to alert the Board that the slack that existed in the critical dates timeline has now been used, and further delays in CEO hiring and vendor contracting will have a material effect on program launch date. In short, for every month's delay now the program launch will move out by a month. This does not necessarily compromise the potential success of the program, but it does deviate from previous direction and will have an economic impact if program launch is significantly delayed past May/June 2018.

### Summer meeting schedule

Based on previous direction from the VCEA Board, staff has begun the process of establishing additional meeting dates in late summer. Based on the current adjusted schedule noted above, staff is anticipating two meetings in August and September. Staff will be coordinating with VCEA Board Members to establish firm dates. Once selected and confirmed, the VCEA schedule of meetings will be updated.

## C. Community outreach/website update

Floyd Communications has provided initial content and recommendations for key messaging and updating information on VCEA's temporary web page hosted by the City of Davis. The key messaging is based on VCEA's mission statement and is consistent with the approaches employed by other CCE

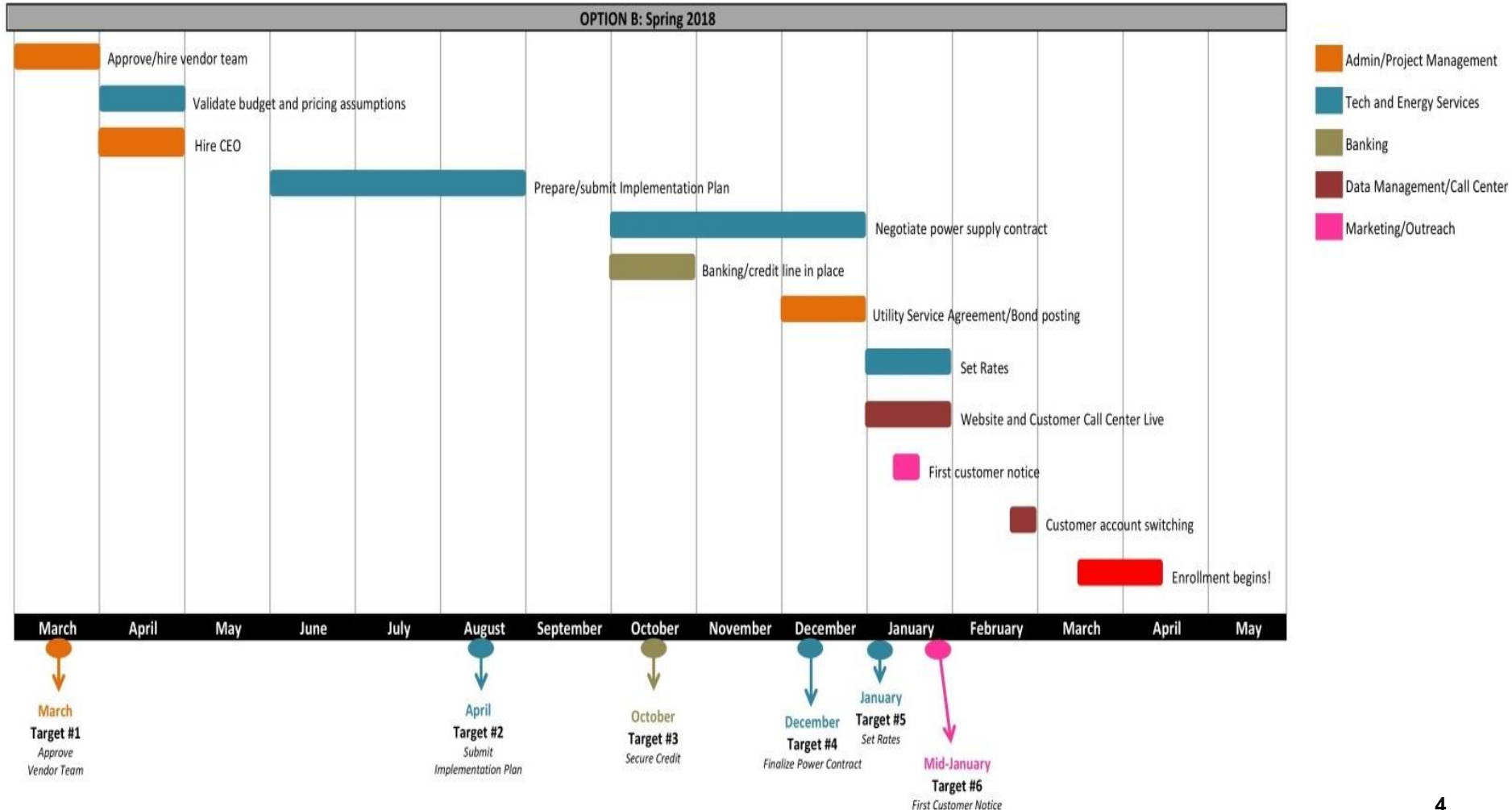
programs. The key messaging is designed to be simple and easily integrate with and support the work of the consultant firm eventually selected to provide outreach services for VCEA.

Staff has begun the process of updating the web page information based on the attached key messaging document. Staff will notify the Board when the new content has been posted to the web page.

Attachments:

- 2018 Critical Dates Timeline (as approved in February 2017)
- VCEA Key Messaging

# VCEA Critical Path Timeline – Spring 2018 Launch



**Valley Clean Energy Alliance**  
**Key Messages – Program Education**  
**6.5.17**

The Valley Clean Energy Alliance (VCEA) will soon introduce customer choice into Yolo County’s electric utility market. The joint powers authority, formed in October 2016 by the City of Davis and Yolo County, has a mission to “...facilitate cost competitive clean energy, product choice, price stability, energy efficiency and greenhouse gas emission reductions.” The authority’s board is comprised of two representatives each from the Davis City Council, Woodland City Council and Yolo County Board of Supervisors, advised by a nine-member citizens’ committee and supported by staff from member agencies.

**Key Message**

**VCEA gives Yolo County residents the “power to choose” between two electric service providers, VCEA and PG&E. VCEA customers will receive:**

- **Rates competitive with PG&E’s**
- **An opportunity to increase the percentage of power they receive from renewable and lower GHG energy sources (“green energy”)**
- **A voice in the operation of the energy program (local control)**
- **Investment in local green energy projects and energy efficiency programs**

**Supporting Messages**

**VCEA offers customers a choice in the local electric utility market.**

- Currently, residents have only one option – PG&E – for electric service. PG&E is a for-profit, investor-owned utility.
- VCEA is a community-operated, not-for-profit energy supplier. It intends to provide cost-competitive service, annual rate certainty, and maximum local control.
- VCEA customers can choose the percentage of power they receive from green energy sources at levels greater than those offered by PG&E.

**VCEA will deliver high-quality electric service at comparable/competitive rates.**

- VCEA customers will not experience any noticeable changes or disruptions in their electric service.
- In partnership with VCEA, as required by state law, PG&E will continue to transmit power on its grid and bill for gas/electric services in a single bill.
- VCEA customers may select from energy packages comprised of varying levels of green energy, at competitive rates.

**VCEA customers will have a strong voice in their local electric energy program’s operations.**

- VCEA is governed by a Board of Directors comprised of two elected officials each from the Davis City Council, Woodland City Council and the Yolo County Board of Supervisors.
- The VCEA Board has established a citizens’ advisory committee to provide input to the board.
- VCEA will conduct its business in open, accessible public meetings.
- VCEA will purchase power supply through a competitive, public contracting process. Customer input into the selection process will be encouraged.
- Customers can encourage and help to identify opportunities for investment in local green energy projects and energy efficiency programs.

**VCEA customers can, collectively, reduce their community’s environmental footprint and work toward energy independence.**

- Customers can receive as much as 100 percent of their power from green energy sources.

- The use and development of green energy is designed to move the member communities toward “zero net” energy use (amount of energy used is roughly equal to the amount of green energy created).
- VCEA can design rates and incentives to encourage customers with green energy facilities, such as roof-top solar panels, to sell electricity to VCEA at rates equal to or better than those offered by PG&E.
- VCEA customers can still participate in existing rate-payer funded PG&E energy efficiency programs and may benefit from other energy efficiency programs, as developed and offered by VCEA.

**Switching to VCEA service is easy and seamless.**

- The switch from PG&E to VCEA will not cause any disruption in power supply or service.
- Customers will be automatically enrolled in the VCEA program and will continue to receive billings through PG&E (as per state law).
- Customers may elect to opt out and return to PG&E bundled service at any time, for any reason.

**The greatest risk to the success of VCEA is the loss of customers if rates do not remain competitive. Strategies to minimize risk include:**

- Developing and maintaining a balanced energy supply portfolio that is less susceptible to market volatility.
- Maintaining a low-cost structure for operations.
- Ensuring transparency in utility operations and involving the community in decision-making processes.

**VCEA service will become available in spring 2018.**

- Currently, the VCEA Board of Directors is in the process of hiring an executive director and a consultant team to assist with start up and operations.
- VCEA will implement a comprehensive public outreach program to provide customers with information and address questions and concerns.
- The Board typically meets at 5:30 p.m. on the second Tuesday of each month, alternating between the Davis City Council and Yolo County Board of Supervisors meeting rooms.

**Background Messages**

**The VCEA is a joint power authority established in October 2016 by the City of Davis and Yolo County to “deliver cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions to its customers.”**

- VCEA will provide power to customers through a Community Choice Energy (CCE) program enabled by state law passed in 2002.
- That enabling legislation:
  - o allows for the creation of CCEs by cities, counties and/or JPAs
  - o requires that the incumbent investor-owned utility (PG&E) continue to provide transmission, distribution and billing services
  - o provides for the automatic enrollment of customers within the CCE service area
  - o allows customers to opt out of the CCE and return to service provided by PG&E
  - o requires that the VCEA purchase all electricity needed to meet customer needs
  - o requires that the VCEA assume responsibility for meeting all regulatory requirements

**A feasibility study completed in March 2016 analyzed options for CCE implementation and risks. Ultimately, with input from the Davis Community Choice Energy Advisory Committee and Yolo County and City of Davis staff, the JPA structure was selected for its potential to:**

- lower rates for customers
- build a power supply portfolio that emphasizes renewable sources at levels greater than currently offered by PG&E

- establish a locally controlled and governed CCE which is accountable and responsive to the citizens of the City of Davis and Yolo County
- innovate through piloting and establishing local energy programs
- ability to expand to include other municipalities within Yolo County and/or nearby counties which may share a similar vision
- develop programs, services and rate structures which address the unique needs of the Davis and Yolo communities, including residential, commercial, industrial and agricultural interests