



Valley Clean Energy Board Meeting

Thursday, March 14, 2019

City of Woodland Council Chambers, Woodland, CA

Item 14 – Update on Energy Resource Recovery Account (ERRA) 2019 and PCIA

Update

- February 21, 2019 – CPUC adopted the ADP PG&E ERRA 2019
 - Implemented brown power true-up for 2018 included in 2019 rates
 - Uncertainty on PCIA rate but will be lower than expected
 - New rates effective May 1, 2019
- February 26, 2019 – PG&E advice letter on Annual Electric True-Up (AET)
 - Rate changes effective March 1, 2019 -1.3% system average increase in generation rates

Item 14 – Update on Energy Resource Recovery Account (ERRA) 2019 and PCIA

Update

- March 12, 2019 – PG&E filed an extension on the ERRA rate changes
 - Asking for 30 or 45-day extension to calculate the brown power true-up for 2018
 - Earliest will be July 1 for the ERRA 2019 rate changes and true-up
 - Rates effective July 1 will recover 6 months of 2019 revenue requirements
 - Remaining 6 month shortfall will be included in 2020 revenue requirements

Item 15 – Preliminary Operating Budget FY 2019-2020

Background

- Operating Budget FY 2018-2019 -In June 2018, the Board approved the Operating Budget of \$46.3 M
 - VCE rates set at 2.5% discount of PG&E's generation rates
 - Power Mix of 42% renewable, 75% clean for the default product
 - Contingency of 10% of other operating expenses due to uncertainty surrounding initial year of operations

Item 15 – Preliminary Operating Budget FY 2019-2020

Actuals + Forecast FY 2018-2019

- YTD Actual (7 months ending January 31, 2019) plus remaining forecast for FY 2018-2019 – below approved budget due to:
 - Reduction of forecasted Load due to 1) Deferral of NEM customers and 2) Customer KWh usage down
 - Power costs increased due to additional RA allocation by CEC for 2019
 - Other operating costs - lower due to reduction in VCE staffing, marketing costs and operating costs based on customer counts and load
 - Reduced forecasted contingency % to 5% of operating expenses

Item 15 – Preliminary Operating Budget FY 2019-2020

In November 2018 – Board approved several policy modifications to address 1) PCIA Exit fee volatility and 2) Anticipated increase in power costs for 2019 and 2020

- Rates – eliminated up-front rate discount and simply matched PG&E rates for 2019
- Deferral of NEM customer enrollment from January 2019
 - Re-evaluate in 2019 – recommendation based on best available information will be included in the final FY 2019-2020 Operating Budget

Item 15 – Preliminary Operating Budget FY 2019-2020

Assumptions

- Electric Revenue:
 - Match PG&E generation rates net of PCIA and Franchise Fees
 - Estimated ERRRA 2019 rates:
 - 2019 PG&E generation rates decrease 2%
 - 2019 PCIA exit fee increase 17% to ~ 3.2 cents/KWh
 - Estimates from CalCCA consultant MRW at January 2019:
 - 2020 PG&E generation rates flat
 - 2020 PCIA exit fee decrease 2% to ~ 3.1 cents/KWh

Item 15 – Preliminary Operating Budget FY 2019-2020

Assumptions

- Power Costs/Mix:
 - 42% renewable and 75% clean content
 - Updated load forecast for 2019 & 2020 based on actual load data, opt-out rates and opt-up rates
 - Retail load forecast 685 GWh
 - Power costs:
 - System energy, eligible renewables and carbon free attributes - \$33.3M or 83.1% of power costs
 - RA costs \$6.8M or 16.9% of power costs

Item 15 – Preliminary Operating Budget FY 2019-2020

Assumptions

- Other Operating Costs:
 - Services currently under contract
 - Anticipation of increase legal costs due to PG&E bankruptcy
 - 2.2% annual inflation rate on all expense not under contract
 - 5% contingency rate for unanticipated operating expenses

Item 15 – Preliminary Operating Budget FY 2019-2020

VALLEY CLEAN ENERGY			
PRELIMINARY OPERATING BUDGET			
FY 2019/2020			
		ACTUAL YTD	
	APPROVED	JAN 31, 2019 (7 MO)	PRELIMINARY
	BUDGET	+ FORECAST (5 MO)	BUDGET
	FY 2018/2019	FY 2018/2019	FY 2019/2020
OPERATING REVENUE	\$ 54,314	\$ 49,526	\$ 47,260
OPERATING EXPENSES:			
Cost of Electricity	41,103	40,207	40,144
Contract Services	2,719	2,444	2,599
Staff Compensation	1,358	1,047	1,200
General, Administration and other	1,094	554	620
TOTAL OPERATING EXPENSES	46,274	44,252	44,564
TOTAL OPERATING INCOME	8,040	5,274	2,696
NONOPERATING REVENUES (EXPENSES)			
Interest income	89	25	54
Interest expense	(590)	(194)	(175)
TOTAL NONOPERATING REVENUE (EXPENSES)	(500)	(169)	(121)
NET MARGIN	\$ 7,539	\$ 5,105	\$ 2,575
NET MARGIN %	13.88%	10.31%	5.45%



Item 15 – Preliminary Operating Budget FY 2019-2020

Conclusion

- Net Margin – 5.45% - meets VCE's minimum 5%
- Based on best available information on PG&E generation rates and PCIA exit fee
 - Final recommended budget will incorporate actual 2019 PG&E generation rates & PCIA exit fee
- Based on Board feedback and direction - final recommended Operating Budget for FY 2019-2020 for consideration in May or June

Item 15 – Preliminary Operating Budget FY 2019-2020

Questions and Feedback



Item 16 – New Rate Structure / Dividend Program

Background

- Policy modifications approved by the Board in November 2018 included to study adoption of a new rate structure starting in July 2019 (VCE's 2020 Fiscal Year)
- In January 2019, by recommendation from staff, the CAC created a Rates and Services Task Group that would review rate, service and program projects that includes collaboration with staff in developing this draft Dividend program

Item 16 – New Rate Structure / Dividend Program

Purpose

- The purpose of the staff report and presentation is to introduce the draft Dividend program and receive feedback from the Board

Item 16 - Key Considerations

Key considerations

- Rate design impacts on customer opt-outs
- Trigger for payment of customer dividend – minimum net margin
- Impact on financial stability of VCE
- Allocation of revenue to reserves, dividends, and local program development/implementation
 - Short-term consideration of NEM Enrollment

Item 16 - Rate design impacts on customer opt-outs

- Monterey Bay Clean Power (MBCP) analysis – no direct correlation with rates and customer opt-outs
 - Customer Opt-outs majority reason - Dislike automatic switched from PG&E without consent
- VCE customers cited similar reason - Dislike of being automatically enrolled into VCE
- Move away from a pre-determined, up-front rate discount to matching of PG&E rates
- VCE can shift the focus from rate comparisons to VCE long-term goals

Item 16 – Financial Stability

Minimum Net Margin

- VCE will require higher margins to cover its costs and still build reserves to offer local programs and customer incentives
- VCE should maintain a minimum net margin (after any bank debt principal payment) of 5% before any dividends are paid to VCE customers

Item 16 – Financial Stability

Cash Reserves

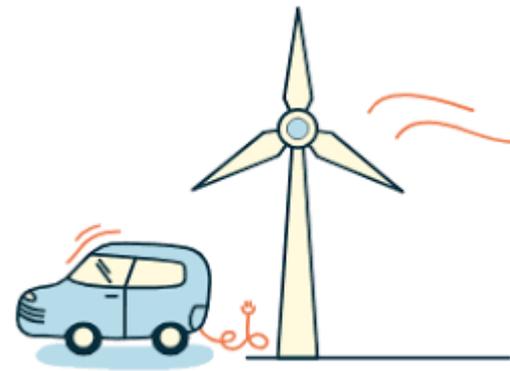
- In November 2018, the Board approved a reserve policy to build toward a 90-day cash level reserve within the next 4 years
- Timing:
 - more of the surplus to reserves in early years
 - portion of the surplus should be reduced until the target reserve is met



Item 16 – Allocation of Surplus

Local Programs

- VCE should establish its own portfolio of programs that will be designed specifically for local customers to help further reduce GHGs associated with transportation and other sectors of the local economy
- Currently – allocating 1% of net margin to Local Program Reserve



Item 16 – Allocation of Surplus

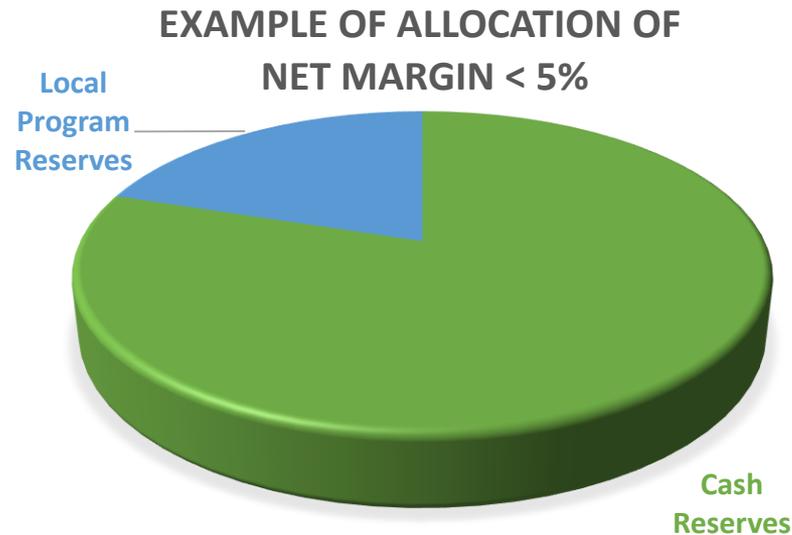
Customer Dividends (Bill credits)

- CCA programs are community owned, managed and directed by a local Board representing its customers
- Reasonable to provide a return/dividend to VCE customers at the end of each fiscal year as a bill credit
- Dividends paid out on a “performance basis” will build customer satisfaction and loyalty



Item 16 – Allocation of Net Margin

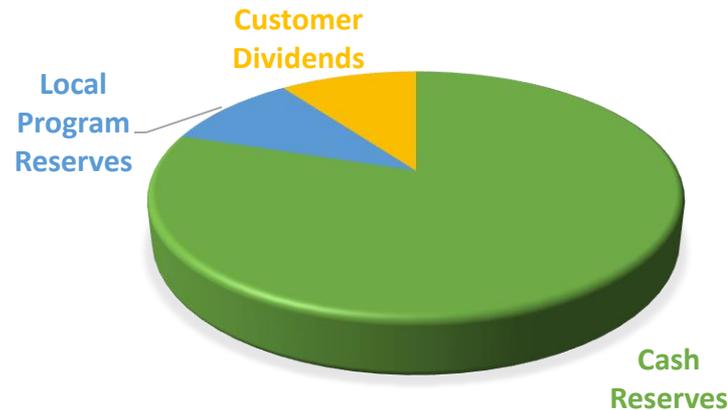
- Net margin $< 5\%$ then the net margin will be allocated at a percentage determined annually by the Board of Directors between 1) Cash Reserves and 2) Local Program Reserves



Item 16 – Allocation of Net Margin

- Net margin $> 5\%$ - Any surplus above the 5% will be allocated at a percentage determined annually by the Board of Directors between 1) Cash Reserves, 2) Local Program Reserves and 3) Customer Dividends

EXAMPLE OF ALLOCATION OF
NET MARGIN $> 5\%$



Item 16 – Draft Dividend Program Guidelines

- Match PG&E electric generation rates less PCIA exit fee
- Require a minimum 5% net margin (less principal payments) before any dividends are paid to VCE customers
- Annually based on the audited financial statements:
 - Calculate the Net margin less principal debt payments
 - If Net margin $< 5\%$ - no customer dividends and Board determine allocation of net margin to Cash reserves and & Local Program reserves
 - If Net margin $> 5\%$ - Board determine allocation of any surplus (over 5%) to Cash reserves, Local Program reserves and Customer Dividends

Item 16 – Draft Dividend Program Guidelines

- Guidelines of Allocation of Net Margin
 - Net Margin \leq 5%
 - Up to 95% to Cash Reserves (Until 90-days of cash reserves met)
 - At least 5% to Local Program Reserves
 - Net Margin $>$ 5%
 - Follow guidelines for Net Margin up to 5%
 - Net margin in excess of 5%:
 - At least 50% to Cash Reserves (Until 90-days cash reserves met)
 - Remaining excess split 50%/50% between Cash Dividends and Local Programs Reserve

Item 16 – Draft Dividend Program Guidelines

- Board approves allocation of Net Margin on or around the September Board meeting
- Any surplus allocation to customer dividends will appear as bill credits or the customer may have the option to apply their dividend to the Local Program Reserve
- Customer dividends will appear as bill credits as follows:
 - Residential customers – annually in October bill
 - Non-residential customers – bi-annually in October and April bills

Item 16 – New Rate Structure / Dividend Program

Questions and Feedback



Item 17 - Agenda

- Residential Time of Use (RTOU) Background and Overview
- Implementation Schedule
- Community Choice Aggregation (CCA) Pilot Results
- Next Steps

Item 17 - Residential Time Of Use Rates are Coming

- The investor owned utilities are required by the CPUC to develop and implement residential time of use rates (RTOU)
- PG&E is working with the CCAs to implement the rates over a 13-month schedule beginning October 2020
- **CCAs can choose whether or not to participate**
- PG&E and CCA members participate on regular calls to work out details—most CCAs are in general agreement to implement the rate
- Two CCAs participated with PG&E in RTOU pilots starting April 2018—MCE and Sonoma Clean Power

Item 17 - State Policy and TOU Transition

California Public Utilities Commission (Decision 15-07-001 July 3, 2015) identified Residential Rate Reform objectives to:

- Make rates more understandable to customers
- Make rates more cost-based
- Encourage customers to shift usage to times of day that support a cleaner more reliable grid.

The CPUC ordered the investor owned utilities to provide the following consumer protections:

- Optional, not mandatory
- Mild differential between on- and off-peak rates
- Bill Protection

Item 17 - The Proposed Rate

7-day rate including weekends and holiday

EVERY DAY

MORNING TO MID-DAY:
LOWER PRICE (OFF-PEAK)

5 a.m. to 4 p.m. \$

LATE AFTERNOON TO EVENING:
HIGHER PRICE (PEAK)

4 p.m. to 9 p.m. \$\$

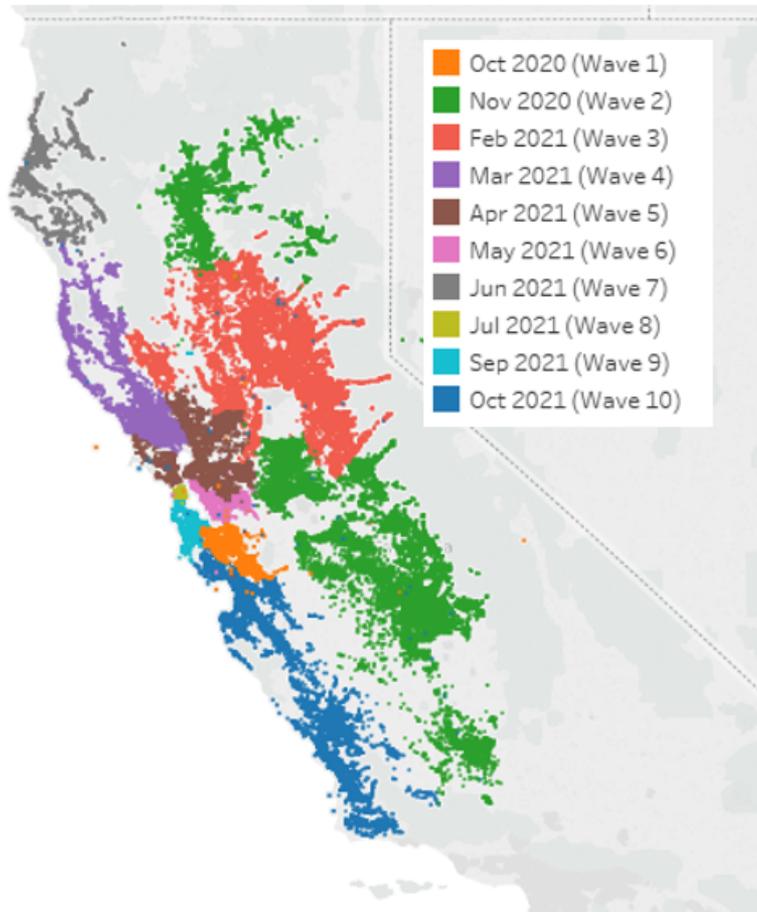
LATE NIGHT:
LOWER PRICE (OFF-PEAK)

9 p.m. to 5 a.m. \$

Item 17 - Additional Details

- The RTOU rate will be the new default rate for eligible residential customers
- Customers can elect to remain on their current rate plan or choose another rate plan at any time
- Solar customers will be transitioned to the new rate on their true-up date
 - They can also stay on their existing rate (typically E6)
 - Current E6 RTOU summer peak window is 3-8 PM
- PG&E is providing bill protection for one year and would like the CCAs to participate
 - Impact calculations will be ready by March 19
- All details subject to CPUC approval (~July 2019)

Item 17 - Draft TOU Rollout Plan

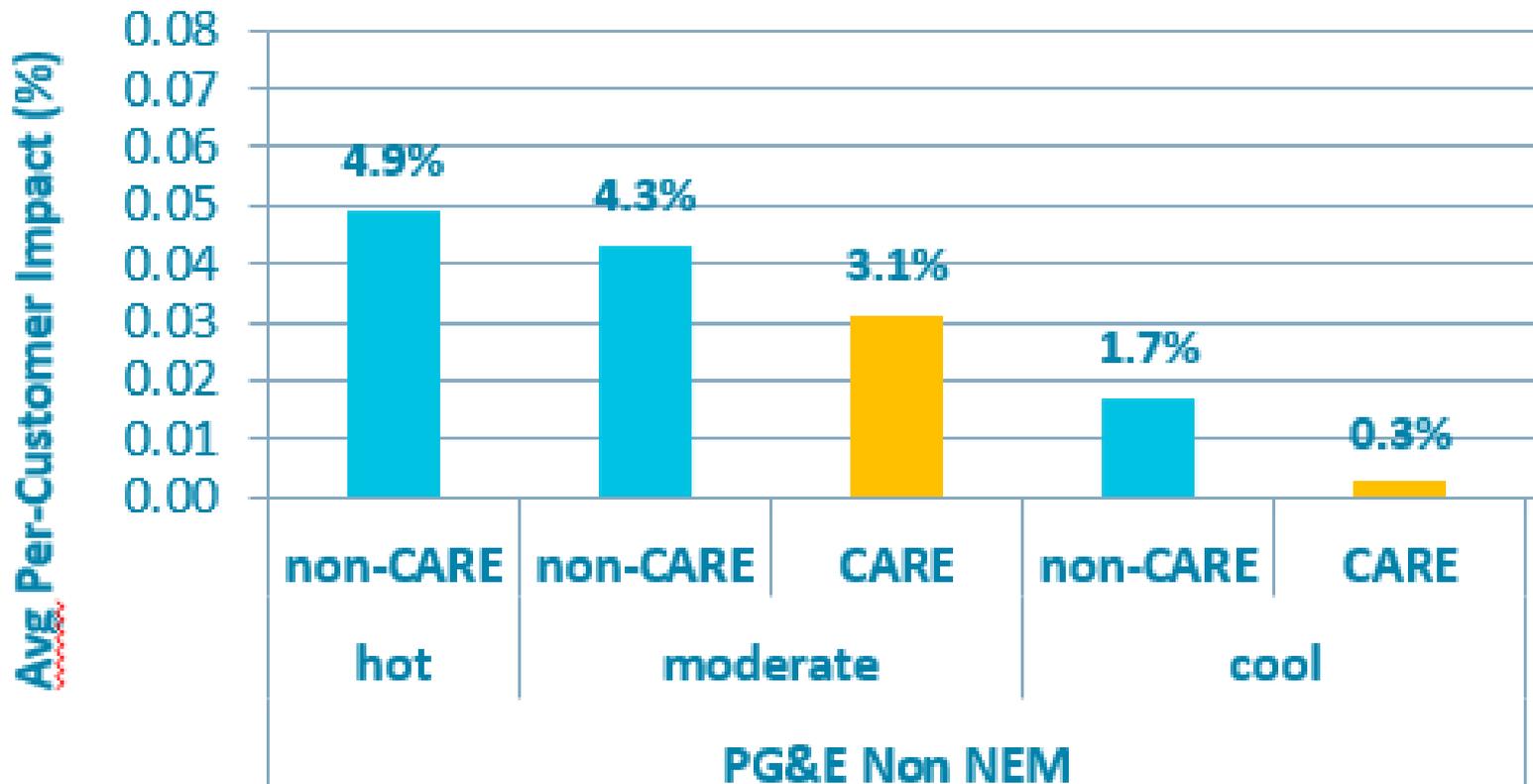


Counties	Service Provider Territory Included	Totals
Oct 2020 (Wave 1)		394,836
Santa Clara	San Jose Clean Energy (SJCE)	227,998
	Silicon Valley Clean Energy (SVCE)	166,838
Nov 2020 (Wave 2)		200,876
Fresno, San Joaquin, Kern, Tuolumne, Shasta, Madera, Merced, Tehama, Plumas, Stanislaus, Mariposa, Kings, Tulare, Lassen	PG&E Bundled	200,876
Feb 2021 (Wave 3)		181,459
Placer, El Dorado, Yolo, Butte, Nevada, Calaveras, Lake, Amador, Sutter, Yuba, Glenn, Colusa, Sacramento, Sierra, Alpine	PG&E Bundled	118,183
	Pioneer Community Energy (PIO)	43,125
	Valley Clean Energy (VCE)	20,151
Mar 2021 (Wave 4)		136,031
Sonoma, Mendocino	Sonoma Clean Power	136,031
Apr 2021 (Wave 5)		409,382
Contra Costa, Solano, Marin, Napa	MCE	307,341
	PG&E Bundled	102,041
May 2021 (Wave 6)		398,624
Alameda	East Bay Community Energy (EBCE)	369,913
	PG&E Bundled	28,711
Jun 2021 (Wave 7)		38,695
Humboldt, Trinity, Siskiyou	Redwood Coast Energy Authority (RCEA)	37,842
	PG&E Bundled	853
Jul 2021 (Wave 8)		261,529
San Francisco	CleanPowerSF (CPSF)	261,529
Sept 2021 (Wave 9)		200,182
San Mateo	Peninsula Clean Energy (PCE)	200,182
Oct 2021 (Wave 10)		262,936
Monterey, Santa Cruz, San Luis Obispo, Santa Barbara, San Benito	Monterey Bay Community Power (MBCP)	169,088
	PG&E Bundled	91,578
	King City Community Power	2,270

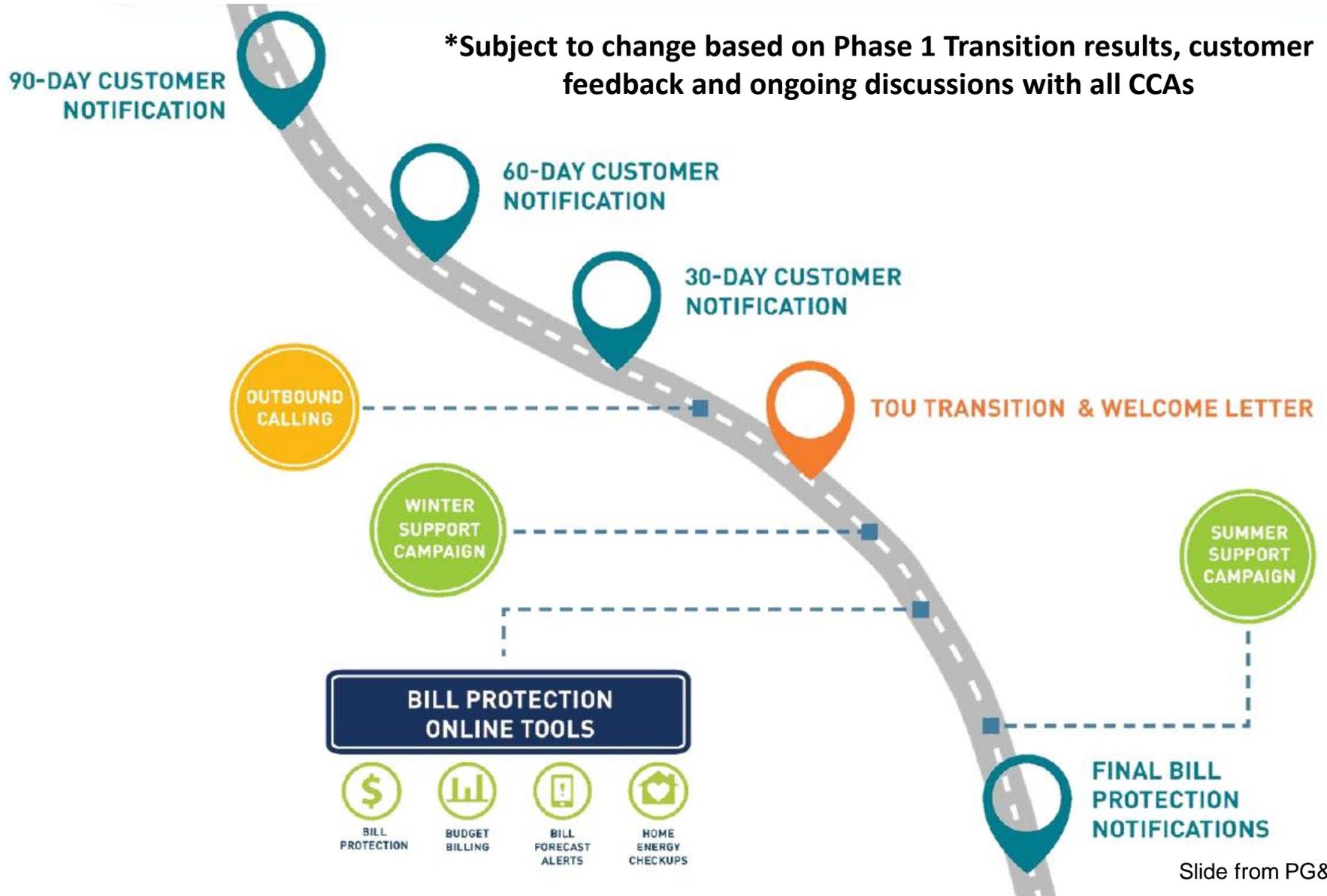
Note: Customer counts are approximate and depend on final exclusion criteria. Also, assuming NEM customers transition on their true-up date, each wave would have an additional ~10K NEM customers. This table assumes all customers within each CCA territory are enrolled with the CCA service provider.

Item 17 - TOU Pilot Results - Electric Load Reduction

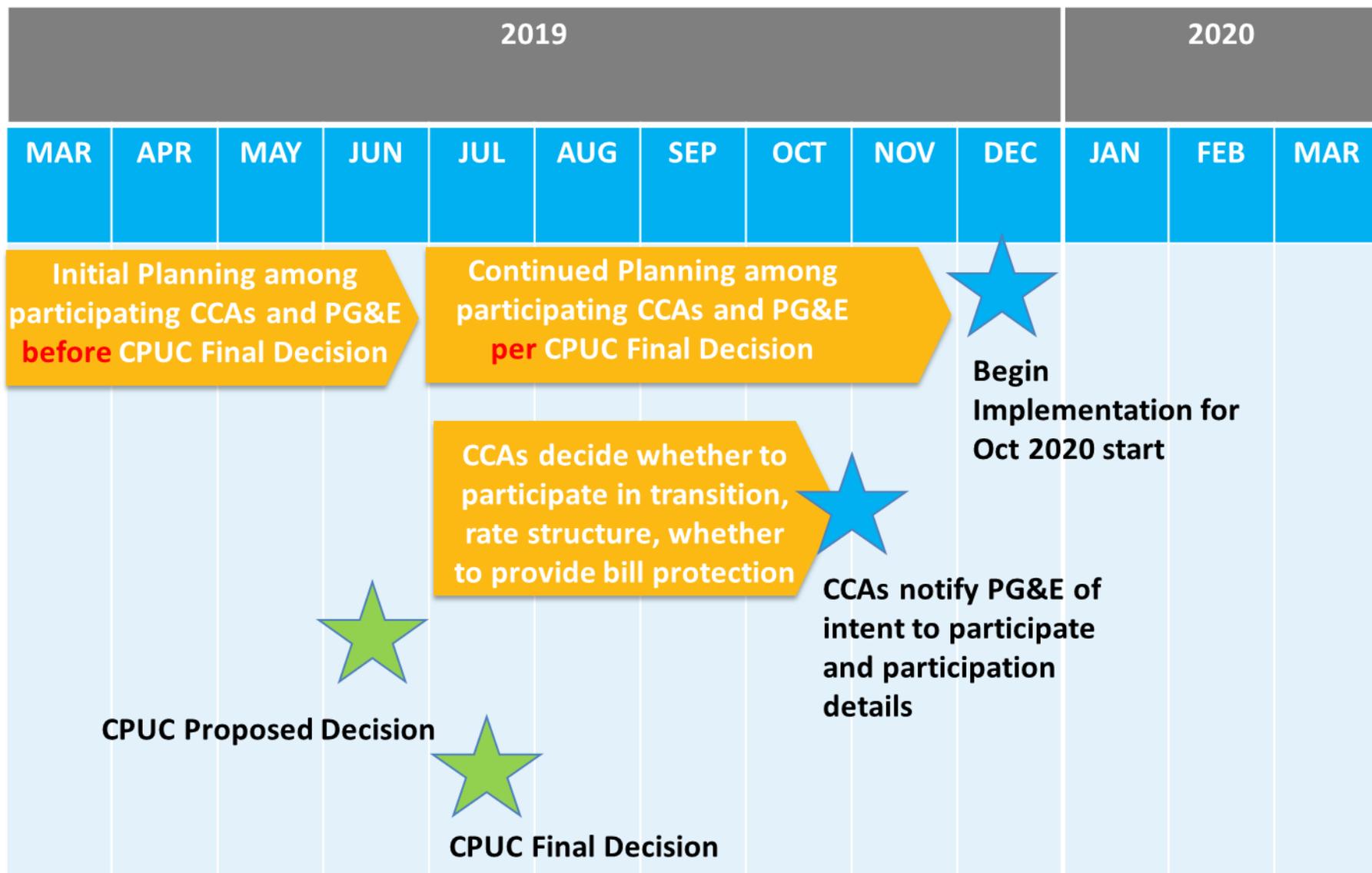
**Average Hourly Impacts During the Summer
On-Peak Period 4-9 PM (%)**



Item 17 - TOU Transition Roadmap



Item 17 - CCA/PG&E Joint Planning Timeline



Item 17 - Next Steps

- Determine impacts of Bill Protection (March)
- Present information to Community Advisory Committee (April)
- Joint presentation with PG&E to board (late Spring/early Summer)
- Board decision on VCE participation (late Summer)
- Continued VCE staff participation with TOU working group

Item 18 - Valley Clean Energy Strategic Marketing & Communications Plan Update

- The original plan rightly focused on start-up activities
- The revised plan focuses on current day-to-activities and looks to the future
- The plan went through several iterations with input provided by:
 - VCE staff
 - Green Ideals
 - Community Advisory Committee
 - Outreach Task Group
- The Community Advisory Committee recommends approval of the plan

Item 18 - Valley Clean Energy Strategic Marketing & Communications Plan Update

- The plan includes:
 - Goals and objectives
 - Key issues and challenges
 - Brand creation
 - Target audiences
 - Messaging and tone
 - Communication channels
 - Timing and priorities
 - Success measurements

Item 18 - One Change from Board Packet

Goals and Objectives, 2nd bullet

- to help customers and the public at large to understand and appreciate the connection between the use of fossil fuels and climate change, and further help them understand the urgent situation climate change represents.

Item 18 - Requested Action

- Approve the updated *Valley Clean Energy Strategic Marketing & Communications Plan*