Valley Clean Energy Board – March 10, 2022
via video/teleconference

Item 16 – Line of credit – River City Bank
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Item 16 – Line of Credit (VCE / RCB)

Overview
• Background
• Proposed River City Bank Amended and Restated Credit Agreement
• Recommendation
Item 16 – Line of Credit (VCE / RCB)

**Background**

- **Reserves Policy** – 30 Day Min (2022 Reserve target of 80-90 days by Dec. 31, 2022)
- **Current Financial Instruments**
  - Line of Credit with River City for $5M Cash with $2M letter of credit capacity under 45 day extension
  - Line of Credit with Yolo County for $5M ending December 31, 2022
- **2022 PCIA and PG&E rates shows VCE net income ~$17M by the end of 2022.**

**Proposed River City Amended and Restated Agreement**

1. Revolving line of credit not to exceed $11M and (2) Term loan for approximately $1.1M.
   - Renewal Period – 2-year agreement increased from short-term and annual extension
   - Cash Facility - $2M increase in cash from $5M to $7M
   - Letter of Credit Facility - $4M increase from $7M to $11M
   - Return to pre-pandemic credit facility
Item 16 – Line of Credit (VCE / RCB)

**Line of Credit Summary (2 Year Agreement)**
- **Type of Financing:** Commercial Revolving Line of Credit
- **Maximum Amount:** $11M, with a $7M limit for cash advances
- **Maturity:** March 1, 2024
- **Interest Rate:** Variable rate, Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (unchanged)
- **Fees:**
  - 0.50% of the total RLOC commitment, payable upon loan closing
  - $5k, payable upon loan closing, provided that Borrower approves the use of Bank’s standard form documents
  - 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC

**Term Loan Summary (2 Year Agreement)**
- **Type of Financing:** Term Loan
- **Amount:** $1,120,079.13 (*outstanding principal as of 2/3/2022*)
- **Maturity:** Two (2) years 3/1/2024
- **Interest Rate:** Fixed 3.57%
Collateral/Pledged Assets

- Perfected security interest in 1st lien position for each of the following:
  - Debt Service Reserve Account ("DSRA") maintained at $1.1M
  - A security agreement that covers (i) the right of set-off to all of Borrower’s deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues not otherwise encumbered by outside liens. Accounts encumbered by outside liens include the SMUD lockbox/revenue account and the SMUD reserve account.
  - No junior liens will be permitted on any Collateral
  - Security: Rates set to recover costs covenant
Conclusions

- Staff believes that the reduced but continued uncertainty related to the PCIA fee, resource adequacy costs, and PG&E bundled rates for 2023 justify a 2-year agreement with River City Bank.
- Agreement allows VCE to manage minimum short-term operational reserves and build back longer-term reserves of approximately 80 to 90 days cash by the end of 2022.
- Additionally, credit support from both the County and River City Bank will allow VCE to (1) optimize borrowing costs, (2) provide additional assurance of rate stabilization and (3) work towards establishing a credit rating.

Recommendation & Discussion

1. Adopt a resolution approving terms for an Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed $11M and term loan for approximately $1.1M.
2. Authorize the Interim General Manager to conduct any final negotiations and implement the approval, sign all necessary documents, and ratify past actions related to the two-year Amended and Restated Credit Agreement with River City Bank
VCE Board of Directors Meeting – March 10, 2022
via video/teleconference

Item 17 – Bill Protection in the Time-of-Use (TOU) Transition
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Item 17 – Bill Protection in the Time-of-Use (TOU) Transition

Background & Analysis

• Customers transitioning from flat rate (E1) to TOU rates – transition began in April 2021
  • VCE is part of statewide movement to TOU

• Nearly 20% of VCE customers will transition
  • CARE/FERA customers in hot climates exempt

• PG&E required to provide bill protection; CCAs are not

• 4 different bill protection options
  • Another option is not to provide bill protection (staff does not recommend)
# Item 17 – Bill Protection in the Time-of-Use (TOU) Transition

<table>
<thead>
<tr>
<th>Bill Protection Option</th>
<th>Estimated Cost</th>
<th>Notes</th>
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<tbody>
<tr>
<td><strong>1. Standardized $25 credit</strong></td>
<td>Total: $300,000-$312,500</td>
<td>One-time $25 bill credit for all residential TOU customers that stay on the rate for 12 months</td>
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| **2. Upon request by customer – Bill Calculation** | • $15,000 for billing engine tool  
• $85 per account calculation  
• $12,000-$15,000 for bill protection credit  
• Total: $78,000-$81,000 | Manual calculation in which customers call in and are eligible for a “backwards looking” bill protection credit after 12 months on the rate. |
| **3. Upon request by customer – Standardized $25 credit** | • $15,000 - $40,000 | One-time $25 bill credit for residential TOU customers that opt for bill protection and stay on the rate for 12 months. |
| **4. Automatic for all eligible customers** | • $22,500+ for billing engine tool  
• $120,000-$150,000 for bill protection credit  
• Total: $142,500-$172,500 | Tool estimate of $22,500 could increase. |

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1. Assuming that of 6,000 eligible customers, 10% request bill protection. The average credit would be $20-25. The high end of the range in total cost is unlikely as only 2-3% of customers are likely to call and request bill protection.  
2. Assuming 10-20% of eligible customers call to request bill protection  
3. Assuming $20-$25 credit for 6,000 eligible customers
Item 18 – Heat Pump Pilot Program
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Item 18 – Heat Pump Pilot Program

**Background:** Growing trend in home electrification. Rebate programs through Comfortable Homes and TECH Clean California, incentivizing the adoption of heat pumps. Customers could receive up to $4,800 for an installation.

**VCE Program Design:** Multi-phase

**Phase 1:** Marketing, education and outreach (ME+O) – 2022-2023

- Customers, contractors, and key stakeholders (realtors, HVAC manufacturers, building officials, etc.)
  - **Primary Focus:** Encouraging replacements of failing, failed, or outdated cooling and heating systems with heat pumps
    - Highly efficient and lead to the near/total elimination of greenhouse gas emissions from furnaces
  - **Secondary Focus:** Retrofitting water heaters with heat pumps and home/duct insulation upgrades

**Phase 2:** Influenced by phase 1, could include additional rebates from VCE – 2023
Item 18 – Heat Pump Pilot Program

ME+O Details (could include):

• **Contractors:** application assistance, web materials, webinars, 1:1 engagement

• **Customers:** web materials, social media, print info, events (“Ask a Contractor”), providing info on items like ducting and mitigating bill increases

**Program Partners:** Energy Solutions and Franklin Energy

**Phase 1 Budget (2022-2023):** $5,000

**Next Steps:**

• Board approval 3/10/22

• Integrate feedback from Board

• Full program rollout in March
Item 19 – Agricultural Flexible Irrigation Technology (AgFIT) Update
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Agricultural Flexible Irrigation Technology (AgFIT) Basics:
• 15% of VCE Load – Ag Sector/85% of service territory
• Pilot launch date: May 1\textsuperscript{st}, 2022
• Duration: 3 years
• 5 MW cap
• Customer-centric: $1M in automation incentives for growers; easy and intuitive UI
• Dynamic pricing – mimics energy markets
• Goal is to \textbf{shift load off peak}; customers save money by responding to price signals
Agricultural Flexible Irrigation Technology (AgFIT) Basics:

- Launch date: May 1st, 2022
- Duration: 3 years
- 5 MW cap
- Customer-centric: $1M in automation incentives for growers, easy and intuitive UI
- Dynamic pricing
- Goal is to shift load off peak; customers save money by responding to price signals

### Item 19 – AgFIT Update

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Agricultural Flexible Irrigation Technology (AgFIT) Update:

• Advice Letter submitted 1/5/22; Petition to Modify submitted 1/31/22 to increase admin budget
• Customer meetings in progress: interest level moderately high
• Press release went out in December 2021
• Contacted by press; other CCAs for more details
• Working with PG&E and the CPUC’s Energy Division on Pilot structure/implementation
• Next steps: enroll customers; begin process of installing automation incentives for enrolled customers