Background

“The Green Region Program is SACOG’s newest competitive program. The program is intended to help our region’s transportation system emit fewer emissions while continuing to function effectively and efficiently.”

1. Green Region application issued June 25, 2018
2. Applications were due August 24
3. VCE staff worked with staff from Woodland (Ken Loman, Reyna Pinon), Davis (Kerry Loux) and Yolo County (Kimberly Villa) to join together to submit a regional application
4. Yolo and Davis were already planning to submit separately, but joined the VCE team
5. The team came together mid-August to develop, complete and submit the application by the Aug 24 deadline
6. Received notice of staff recommendation on October 29
### SACOG Grant Update - The Awards

#### Green Region Staff Recommendation

<table>
<thead>
<tr>
<th>Lead Agency</th>
<th>Project Title</th>
<th>Funding Request</th>
<th>Award Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Elk Grove</td>
<td>Purchase of one (1), 40' Zero Emissions Bus</td>
<td>$717,000</td>
<td>$0</td>
</tr>
<tr>
<td>City of West Sacramento</td>
<td>West Sacramento Plug-in Partnership- Charging for Public and Fleet</td>
<td>$3,539,000</td>
<td>$2,665,000</td>
</tr>
<tr>
<td>Paratransit Inc.</td>
<td>Multi-Modal Enhancement Project- Vehicle Purchasing and Infrastructure</td>
<td>$1,800,000</td>
<td>$0</td>
</tr>
<tr>
<td>Sacramento Metropolitan Air Quality Management District</td>
<td>DAC Mobility Hub</td>
<td>$2,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>Sacramento Metropolitan Air Quality Management District</td>
<td>EV Carshare</td>
<td>$7,731,000</td>
<td>$0</td>
</tr>
<tr>
<td>Sacramento Metropolitan Air Quality Management District</td>
<td>EVSE Public Charging</td>
<td>$1,777,000</td>
<td>$0</td>
</tr>
<tr>
<td>Sacramento Metropolitan Air Quality Management District</td>
<td>Green Region SECAT Program Extension</td>
<td>$7,475,000</td>
<td>$3,844,000</td>
</tr>
<tr>
<td>Sacramento Metropolitan Air Quality Management District</td>
<td>Microtransit EV Program</td>
<td>$1,164,000</td>
<td>$0</td>
</tr>
<tr>
<td>Sacramento Municipal Utility District</td>
<td>Powerhouse Science Center DC Fast Charger</td>
<td>$250,000</td>
<td>$0</td>
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<tr>
<td>Sacramento Regional Transit District</td>
<td>Zero Emission Bus Service to the Sacramento International Airport</td>
<td>$4,499,000</td>
<td>$2,249,000</td>
</tr>
<tr>
<td>Valley Clean Energy</td>
<td>Electrify Yolo- Charging Infrastructure and Electric Shuttle</td>
<td>$2,912,000</td>
<td>$2,912,000</td>
</tr>
<tr>
<td>Yolo County Transportation District and Sacramento Regional Transit District</td>
<td>UC Davis to Sacramento Zero Emission Bus Service</td>
<td>$5,291,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

| Green Region Program Subtotal | $39,155,000 | $0 | $11,670,000 |
SACOG Grant - Equipment and Budgets

- Up to 40 Level 2 chargers: $1.05 million
- 6-10 Level 2 Mobile Chargers: $240k
- 2-5 DC Fast Chargers: $1.2 million
- Electric Shuttle Bus: $500k

Total Budget: $3.3 million
Grant Amount: $2.9 million
Cost Share: $380k – 11.47%
What we’re doing to prepare

• The team has set up weekly conference calls
• Developed a list of issues that team members can add to, e.g.:
  • Identify specific sites
  • Consider on-going maintenance
  • Don’t start billable work until grant is approved
• Working to smooth the process once funding is approved
<table>
<thead>
<tr>
<th>Date</th>
<th>Task Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 20</td>
<td>SACOG Board meets to approve staff recommendations</td>
</tr>
<tr>
<td>January 2019</td>
<td>Initiate programming and federal authorization request process</td>
</tr>
<tr>
<td>February 1, 2019</td>
<td>Earliest opportunity to receive funds</td>
</tr>
<tr>
<td>December 31, 2022</td>
<td>Project completion/final report</td>
</tr>
</tbody>
</table>
Item 14: Approve modifications to VCE’s rate discount and postponement of NEM customers enrollment to address financial impacts related to Power Charge Indifference Adjustment (PCIA) and other factors
Overview

• Recent CPUC ruling on PCIA increases financial volatility for CCA’s and significantly reduces VCE financial margins
• VCE joined with the other 17 CCA’s in CA to counter the State’s actions but outcomes were unfavorable to CCA’s – an appeal of the State action is being considered
• The increased PCIA and the volatility of other factors make it necessary for VCE (and other CCA’s) to consider cost saving policy measures to meet financial obligations
• A communications strategy will be implemented pending Board action
Key Financial Impact Factors:

- Power Charge Indifference Adjustment (PCIA) - CPUC
- Resource Adequacy (RA) forecast increase – CEC
- Forward market power price increase – market driven
Item 14 - PCIA History/Comparisons

- TOTAL COST OF PG&E PORTFOLIO
- MARKET VALUE OF PG&E PORTFOLIO = INDIFFERENCE AMOUNT (PCIA)

- BROWN BENCHMARK ($/GWh) * GWh
- GREEN BENCHMARK ($/GWH) * GWh
- CAPACITY BENCHMARK ($/MW) * MW

= MARKET VALUE OF PG&E PORTFOLIO
Item 14 - PCIA History/Comparisons

• Final PCIA Decision By CPUC – October 2018
Historical and Proposed PCIAs for PG&E

- **Historical PCIA**
- **2019 PCIA with Old Methodology**
- **Revised Alternate Decision**

$5.0 Million
Item 14 – Resource Adequacy

VCE Load Forecast Changes by CEC

VCE-Submitted Peak Forecast, MWmo
Total Load Forecast for RA Compliance
Item 14 - Forward Power Market Costs

Forward Market Power Price Changes
Item 14 - Financial Obligations

Financial Obligations

• SMUD contract – required to fund a Reserve account for $1/MWh of wholesale energy procured monthly

• River City Bank (RCB) credit agreement – when the revolving Line of Credit (LOC) is outstanding - minimum profitability requirements - $6.1 million at Fiscal Year End (FYE) June 2019

• RCB credit agreement – when LOC converted to term loan – minimum Debt Service Cover Ratio of 1.25 to 1 measured at FYE starting June 2020.
Staff recommendations of Policy Modifications

• Adopt a minimum net margin (after bank loan principal payments) target of 5%
• Postpone enrollment of NEM customers until at least January 2020 with a reassessment in mid-2019
• For 2019, VCE match PG&E electric generation rates less the PCIA fee (0% rate discount)
• Study adoption of new rate structure featuring an annual dividend rate structure starting FYE 2020

Note: Operating Cost savings for 2019 have been incorporated into the Board approved budget
Operating Costs Savings

Staff reduced operating costs by $0.8 million or 20% with the largest savings in the following expenses:

- Salaries & Wages
- Legislative & Regulatory expenses
- Audit fees
- Accounting fees
- Contingency expense
Financial impacts of Policy Modifications

• Postpone NEM enrollment until at least January 2020- $0.78 million positive financial impact to net income in FYE 2019

• Match PG&E electric generation rates - $.78 million positive financial impact to net income in FYE 2019
## Item 14 – Impact on VCE Financials

### Results of Policy Modifications (from Base Case)

<table>
<thead>
<tr>
<th>Policy Modification Action</th>
<th>Fiscal Impact ($1,000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>Net income before policy modifications</td>
<td>$2,259</td>
</tr>
<tr>
<td>Postpone NEM enrollment (assuming NEM customers rolling in January 2021)</td>
<td>$779</td>
</tr>
<tr>
<td>Match PG&amp;E generation rate</td>
<td>$783</td>
</tr>
<tr>
<td>Net income after policy modifications</td>
<td>$3,821</td>
</tr>
<tr>
<td>Net Margin (after Principal payments) %</td>
<td>5.07%</td>
</tr>
</tbody>
</table>
Item 14 - Impact of PCIA Change

Allocation of Revenues for VCE Customer vs. PG&E Customer
For 2018 and 2019


PCIA (to PG&E) VCE Gen PG&E

Percent (%)

0 10 20 30 40 50 60 70 80 90 100
Benefits of Deferring NEM Enrollment and Matching PG&E electric generation rates

• Provides financial relief during FYE 2019 and 2020 and creates minimal cushion against other possible events that could impact finances
• Retains price competitiveness
• With the current NEM roll-in planned for January 2019, VCE has opportunity to further delay that roll in
• NEM customers still benefit from their solar systems and are still contributing to grid de-carbonization
• Avoids having to change the renewable/clean power mix
Item 14 - Timing of CPUC decision on PG&E Electric Rates (including PCIA)

• December 13, 2018 – Final decision issued by the CPUC on the 2019 Energy Resource Recovery Account (ERRA) and GHG Forecast revenue

  • Late December will receive final rates to be implemented January 1, 2019

  • If the final decision is delayed past December 13th, PG&E would implement new rates on March 1, 2019
Purpose: Outreach to VCE customers related to PCIA/Exit fee increase

Messages
1. VCE is aware of the issue
2. VCE staff will work to mitigate negative effects on our customers
3. VCE supports a fair PCIA
4. VCE is disappointed in the CPUC decision
5. The decision is unfair to CCAs
6. Program changes will occur in public meetings
7. The public is invited to participate in the meetings
If Staff recommendation is adopted, initiate outreach strategy:

<table>
<thead>
<tr>
<th>Channel</th>
<th>Frequency</th>
<th>Message</th>
<th>Responsibility</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web</td>
<td>Develop web content now and update as-needed</td>
<td>1-7</td>
<td>Consultant/Outreach Committee (OC)/Jim Parks</td>
<td>12/14/2018</td>
</tr>
<tr>
<td>Call Center</td>
<td>Develop content now and update as-needed</td>
<td>1-7 with focus on 1, 2, 5, 6</td>
<td>Consultant/SMUD/Parks</td>
<td>12/14/2018</td>
</tr>
<tr>
<td>Twitter/Facebook</td>
<td>Proactive postings</td>
<td>1, 2, 5, 6</td>
<td>Consultant/Emily/Parks</td>
<td>Ongoing - start week of 11/25</td>
</tr>
<tr>
<td>Next Door</td>
<td>Develop content for “Friends of VCE” as-needed</td>
<td>1, 2, 5, 6</td>
<td>Emily/Consultant/Parks</td>
<td>11/25/2018</td>
</tr>
<tr>
<td>Newspaper</td>
<td>Develop op-ed now and after Bd decisions; respond as-needed</td>
<td>1-7</td>
<td>Mitch Sears/OC/Consultant/Parks</td>
<td>Draft op-ed by 11/27/2018</td>
</tr>
<tr>
<td>Public Meetings</td>
<td>As-scheduled</td>
<td>1-7</td>
<td>Bd/Sears/CAC/Parks</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Partnerships –</td>
<td>As available</td>
<td>1-7</td>
<td>Bd/Sears/CAC/Parks/Other</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Farm Bureau, Cool Davis, etc.</td>
<td></td>
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</tbody>
</table>
Item 14 - Recommended Policy Modifications

Staff recommendations of Policy Modifications

- Adopt a minimum net margin (after bank loan principal payments) target of 5%
- Postpone enrollment of NEM customers until at least January 2020 with a reassessment in mid-2019
- For 2019, VCE match PG&E electric generation rates less the PCIA fee (0% rate discount)
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