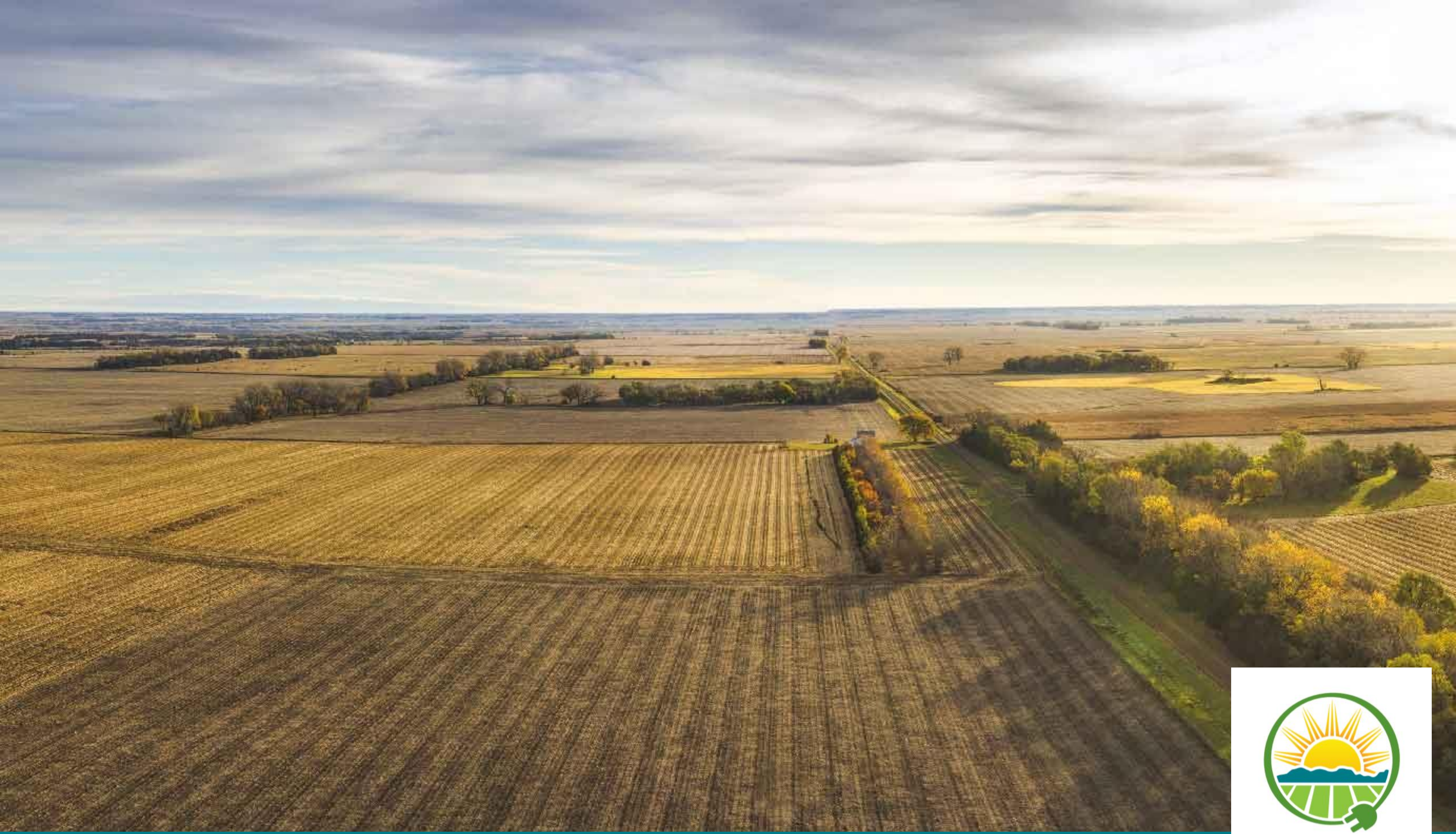

Valley Clean Energy Special CAC Meeting – April 23, 2020
Via Teleconference

Item 7 - Policy Strategies – Potential Options

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Item 7 - Policy Options - Background

Overview- This presentation provides information on several potential policy strategies that may help offset anticipated reduced net income in future budget cycles and help bridge the gap until lower cost long-term renewable energy contracts come on-line in late 2021/2022.

Staff is seeking feedback from the Committee to help inform analysis and Board recommendations.

Upcoming Key Dates:

- May 14th 2020 Board Meeting: Board's preliminary fiscal year (FY) 2020/21 budget discussion, where these policy options will be discussed in depth
- June 11th 2020 Board Meeting: final adoption of the 2020/21 FY Budget

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Item 7 - Preliminary Operating Budget FY 2020-21

2021 Budget - The preliminary FY 2020-21 Budget currently forecasts a Net Income of -$5.7 million (loss), due primarily to two major factors that are both outside of VCE's direct control:

- A forecast 44% increase in Power Charge Indifference Adjustment (PCIA), to 4.3 cents/kWh, and a 4% decrease in PG&E generation rates *(rates subject to change due to COVID energy market/load impacts and PG&E Bankruptcy)*
  - Staff is working with CalCCA and others to address the PCIA spike through regulatory and legislative solutions
  - More certainty will be coming on the PG&E generation rate; the latest forecast shows generation rates may come in roughly even or slightly positive in 2020

- VCE faces a major increase in power supply cost due to rising resource adequacy (RA) costs and later than expected commercial delivery on long-term solar projects

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Item 7 - Preliminary Budget – Key Assumptions

<u>Preliminary 2021 Budget Key Assumptions/Factors</u>

- The Preliminary 2021 Budget includes the following key assumptions/factors:
- Power mix reflected in the Preliminary 2021 Budget remains unchanged from the prior year's budget with 42% renewable and 75% clean content.
- The load forecast has been updated for 2020 and 2021 using actual load data, opt-out rates and opt-up rates. The retail load forecast for the FY 2021 is estimated at 722 GWh. Note: COVID related market/load impacts not currently factored into load forecast – analysis underway.
- Energy cost includes: (1) system energy, (2) eligible renewables and (3) carbon free attributes which are estimated at $37.6 million, or 73.9% of the total power costs. Resource adequacy cost is forecasted at $13.3 million, or 26.1% of the total power costs.

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Item 7 - Potential Policy Strategies

Key Points

- These policies are designed to help offset negative projected income while still enabling VCE to deliver superior value and keep on track with its brand and long-term strategy
- These policies may be enacted individually or in combination
- Due to the pressure that high PCIA rates puts on VCE's cash reserves, it will be more advantageous to implement one or more of these policies in a relatively timely manner
- If the PG&E generation rate ends up coming in at break-even or positive (rather than the currently projected -4%), that could help mitigate a portion of the negative cash flow

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Item 7 - Potential Policy Strategies

Notes: strategies not in priority order; can be combined

Rate Changes

- Potential options:
  - VCE could increase its combined generation rate (generation, PCIA and Franchise Fee Surcharge), above PG&E's generation rates. For every 1% that VCE's rates are above PG&E's generation rates, revenue will increase by approximately $800,000
  - VCE could add a third choice for customer rates that could be set near the minimum State standards for renewable energy content. This would allow customers the option to choose a more cost-effective rate while maintaining VCE's other two current rate options that deliver higher renewable and GHG free attributes at a premium. This approach has been employed by Clean Power Alliance (LA/Ventura CCA)

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Item 7 - Potential Policy Strategies

Potential Mitigation – Power Resource Planning Adjustments

VCE's long-term renewable PPA's will begin delivering energy and RA in mid-2021, displacing more expensive short-term renewable contracts (PCC1) and GHG free resources. Staff is analyzing the timing of these power deliveries in 2021 and when to dial back the existing short-term contracts.

Aligning the actual start dates and end dates may result in a period where overall renewable and GHG levels in VCE's portfolio are much lower but averaged out to meet VCE's goals over a 2 or 3 year period as the higher levels of renewables from the long-term contracts come on-line.

VCE could save several million dollars over a 2 to 3 year period while still meeting VCE's renewable goals and state renewable standards.

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Item 7 - Potential Policy Strategies

Other Potential Mitigation Strategies

- Accept the GHG-free large hydro and nuclear allocations from PG&E, at a potential benefit of $0.5 million and $0.8 million respectively. As the analysis previously presented to the CAC and Board indicates, these savings are speculative and would only be realized if a market exists in which to realistically sell these characteristics.
- Seek additional reductions in operating expense beyond those already captured. Although VCE has already crafted an operating budget that is lower than the current FY 2020 Budget, staff could present a set of more austere measures that could result in additional incremental operational expense savings. The scale of these measures would represent the smallest potential savings of the mitigation options outlined in this report.

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Item 7 - Potential Policy Strategies

Policy	Potential Savings	Ease of Implementation	Timing	Notes/Other Considerations
Rate Change – Rate Increase	$800,000 to $2.4 million	Medium-high difficulty due to outreach efforts and opt-out risk	Could start shortly after BOD approval and start seeing immediate revenue impact	Revenue increase is $800K per 1% change – assume 1-3% target for Potential Savings
Rate Change – Add'l Rate Class	$0.25 to $1.5 million	Medium to high difficulty due to complexity of the roll-out and communication efforts	Could start shortly after BOD approval and start seeing immediate revenue impact	Example scenario assumes ag rates would be slightly below PG&E gen rate; commercial would be at PG&E rate; and residential slightly above higher than PG&E. Other scenarios possible
Power Resource Planning Adjust.	$0 to $3.4 million	Low end of the range less difficult	Throughout fiscal year '21 –'22	Power Content Label impacts; Will require BOD approval
GHG Free – Large Hydro	$0 to $540,000	Low end of the range less difficult	Q3-Q4 2020	Volume is unknown; market interest/ability to resell may be low
GHG Free – Nuclear	$0 to $840,000	Low end of the range less difficult	Q3-Q4 2020	Volume is unknown; market interest/ability to resell may be low; reputational risk
Operations Reductions	$25,000 to $100,000	Low end of range less difficult; high end of range difficult	Impact spread throughout FY 2021 budget	Significant strategic trade-offs between program effectiveness and marginal cost savings

Item 7 - Summary of FY 2020-21 Preliminary Budget

VCE PRELIMINARY OPERATING BUDGET			
	APPROVED BUDGET FY 2019-2020	ACTUAL YTD JAN 31, 2020 (7 MO) + FORECAST (5 MO) FY 2019-2020	PRELIMINARY BUDGET FY 2020-2021
OPERATING REVENUE	$ 55,708	$ 54,763	$ 50,090
OPERATING EXPENSES:			
Cost of Electricity	41,575	41,280	50,941
Contract Services	2,910	2,961	2,982
Staff Compensation	1,183	1,078	1,118
General, Administration and other	728	543	780
TOTAL OPERATING EXPENSES	46,396	45,863	55,821
TOTAL OPERATING INCOME	9,312	8,900	(5,732)
NONOPERATING REVENUES (EXPENSES)			
Interest income	132	111	135
Interest expense	(155)	(123)	(57)
TOTAL NONOPERATING REV/(EXPENSES)	(23)	(12)	78
NET MARGIN	$ 9,289	$ 8,888	$ (5,654)
NET MARGIN %	16.7%	16.2%	-11.3%

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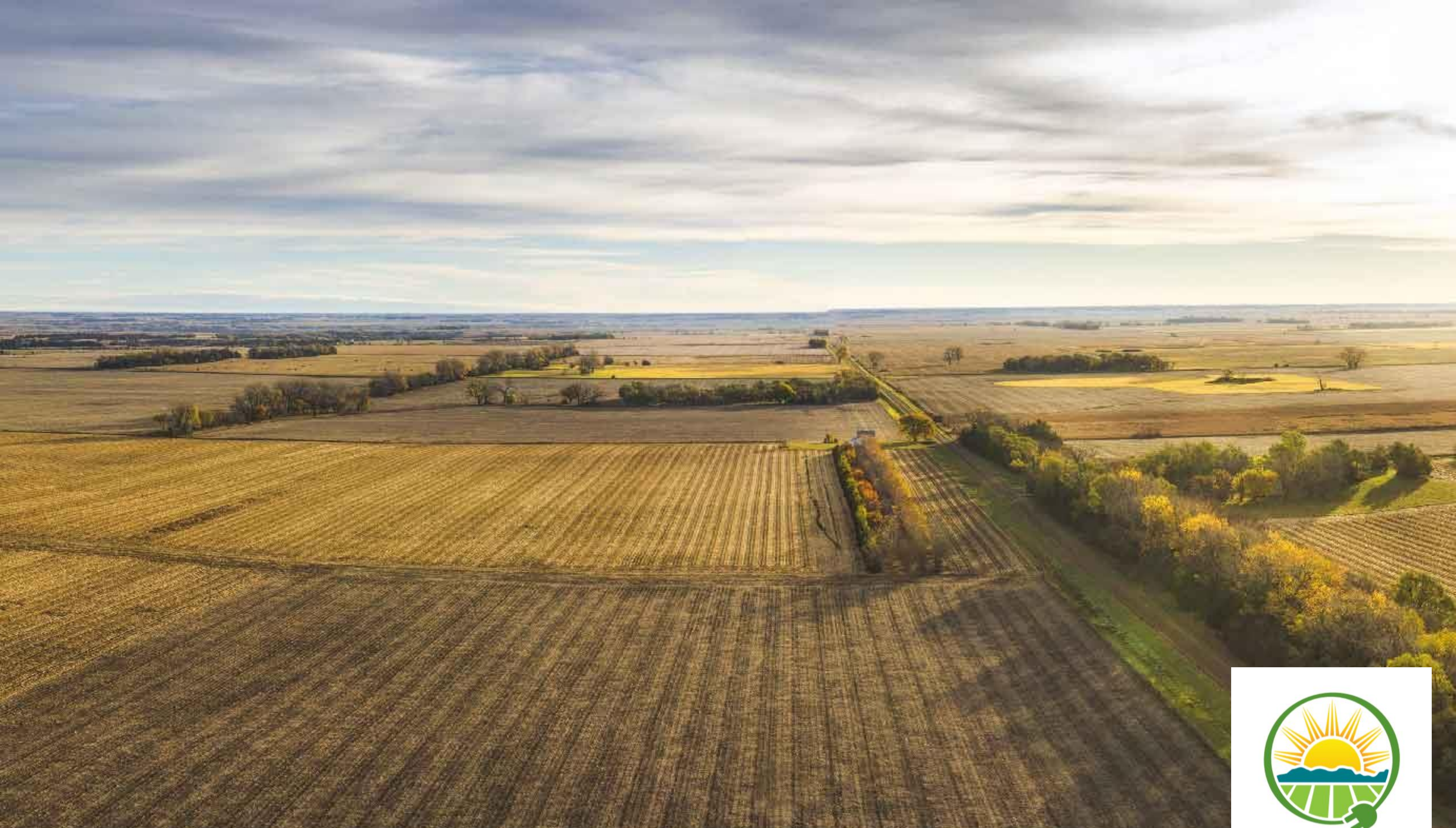

Valley Clean Energy Special CAC Meeting – April 23, 2020
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Item 8 – NEM Donation Program

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Item 8 – NEM Donation Program - Overview

- A request was made by CAC and board members to develop a program allowing NEM customers to donate excess credits to charity
- NEM customers are trued up once per year and some customers have a credit balance after true up
- The program focuses on customer with credits exceeding $100
- For customers with credits <$100, the amount automatically rolls over as a credit on their bill
- Customers with credits exceeding $100 will be given a choice of what to do with their credits

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Item 8 – NEM Donation Program - Potential

Potential

- At the 2019 true up, only 5 customers had credit balances exceeding $100—$3400, $1900, $304, $205, and $112 for a total of $6,000
- In 2020, 64 customers had credits exceeding $100—62 of those were between $100 and $311. One at $9,600 and one at $2,700, for a total of $22,000
- With more NEM customers enrolling, the potential for donations will continue to rise
- We’ve had one true-up per year in 2019 and 2020
- Beginning in 2021, we will have true-ups every month

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Item 8 – NEM Donation Program – Potential Charities

- Yolo Food Bank
- Habitat for Humanity
- STEAC
- Empower Yolo
- Yolo Crisis Nursery
- Grid Alternatives
- VCE Programs
- Many different opinions, but staff hopes to limit the number of charities to streamline the process and to provide reasonable donation levels to selected charities

Item 8 – NEM Donation Program - Mechanics

VCE will send a letter to all NEM customers with a postage paid envelope and return form with the following options:

1. Leave the credit on my account to roll over to future bills.
2. Receive a check from Valley Clean Energy for the full credit amount.
3. Donate the credit to charity. If yes, select one of the charities:
   a. Habitat for Humanity
   b. Yolo Food Bank

- Customers that do not return the form will automatically be enrolled in Option 2 (existing VCE NEM policy) and will receive a check for outstanding solar credits exceeding $100. Credits under $100 will stay on the customer account as a credit against future bills.

Item 8 – NEM Donation Program

- This could be the start of a larger donation program that could include:
  - Donating VCE dividends
  - Requesting donations to assist low income customers with the installation of weatherization/efficiency measures or bill
  - Other?
- Starting this program gives us the opportunity to start small and work out the bugs before expanding

Comments from CAC

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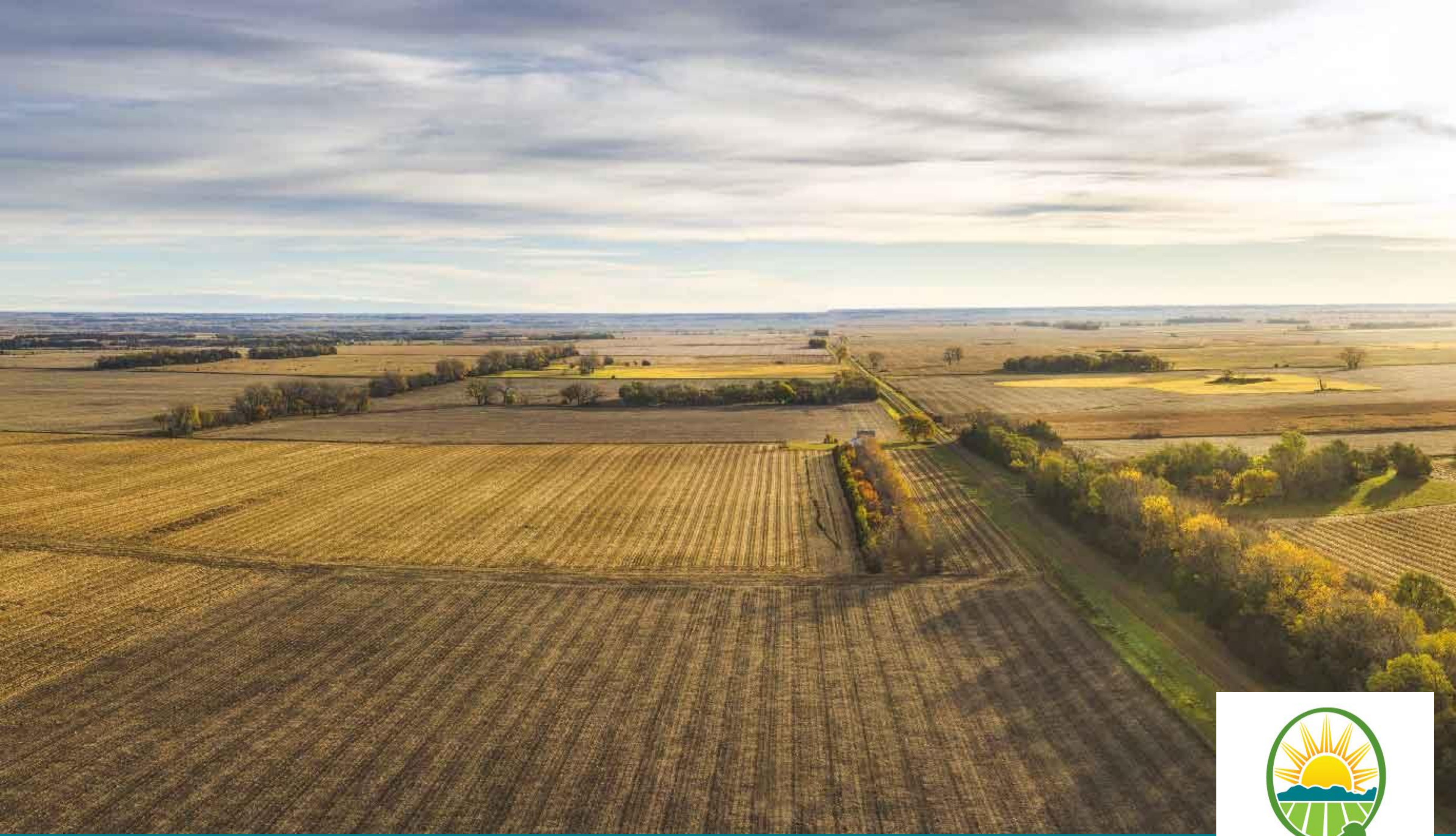

Valley Clean Energy Special CAC Meeting – April 23, 2020
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Item 9 – VCE Responses to COVID - 19

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Item 9 - VCE Response to COVID - 19

VCE responses to COVID-19 impacts on VCE customers, communities, and staff.

Customer Support

- VCE Customer Support Center operated by SMUD has been in continuous operation during normal business hours.
- VCE temporarily suspended collections on past due accounts.
- VCE outreach/web page/social media:
  - Added a COVID-19 VCE web page with VCE's response and other useful information/links.
  - Updated the website with a one-time, can't miss, banner stating "COVID-19 WILL NOT AFFECT YOUR ELECTRICITY".
  - Issued press release on March 24 providing an update on VCE's response to COVID-19.
  - Issued press release explaining the FERA program (a low income program offered by PG&E) was issued on March 27.
  - Issuing regular COVID messages through Facebook and Twitter.

Community

- VCE made donation to the Yolo Food Bank to support increased need due to COVID crisis.
- VCE is coordinating local energy related COVID funding support for creation of new local jobs in the energy sector.

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Item 9 – VCE Response to COVID - 19

Staff

- Implemented Shelter in Place policy effective Monday, March 16 at noon. VCE employees have been working from home since except for occasional trips to the office to retrieve mail or other necessary items.
- VCE staff are in regular communication through scheduled video conferencing twice per day, as well as frequent emails, texts and phone calls.

CCA Community

- The entire CCA community has shelter in place policies and has quickly transitioned to meeting online. CCA's are supporting their communities with donations, deferrals of collections and direct customer support programs.
- CalCCA is coordinating on IOU related COVID activities.

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