Valley Clean Energy Board Meeting
Thursday, September 12, 2019 at 5:30 p.m.
Woodland Council Chambers, Woodland, CA
Item 16 - Adoption of RTOU Rates and First Year Bill Protection

September 12, 2019
1. Adopt PG&E’s residential time of use (RTOU) rates.

2. Adopt First Year Bill Protection for new RTOU customers.
• CPUC required investor owned utilities to implement residential time of use rates
• CCAs can choose whether or not to participate
• PG&E has worked closely with CCAs to provide information and answer questions
• RTOU rates will be rolled out over a 13-month window
• Roll out in Yolo County is scheduled for February 2021
• PG&E requested a decision from CCAs by October 2019 due to the time required to make changes to the billing system
Item 16 – Impacted Customers

• Eligible customers on the E1 rate will transition to RTOU

• VCE has 42,500 E1 customers of which approximately 20,000 (47%) may transition to RTOU

• 90% of the 46,900 VCE residential customers are on E1

• Elements impacting eligibility include:
  • At least 12 months of billing history
  • CARE, FERA, MED are ineligible in hot climates
Item 16 – Reasons for Recommendations

• TOU rates are proven to reduce peak electrical loads
  • CCA/PG&E studies showed a 5.2% peak period reduction, SMUD study showed 5.9% reduction
  • Provides customers with more control of their electricity costs
  • Reduces utility loads and reduces amount of peak power needed

• Bill Protection
  • PG&E will offer bill protection
  • Reduce opt-outs by offering bill protection
Item 16 – CCA Participation

• CCA Decisions to Participate in RTOU to-date
  1. East Bay Community Energy
  2. Sonoma Clean Power
  3. Silicon Valley Clean Energy
  4. Redwood Coast Energy Authority
  5. Peninsula Clean Energy
  6. Monterey Bay Community Power
  7. King City Community Power

• 4 CCAs have recommendations to approve RTOU
• 1 CCA has declined to participate
Item 16 - Customer Notifications

- 90 day notice (see rate comparison below)
- 30 day notice
- 30 day Email notice
- Post-transition welcome notice
- 11 month Bill Protection notice
- Customers will default to ETOU-C but can choose another rate

Your Personalized Electric Rate Plan Comparison

This report is based on your last 12 months of electricity usage and assumes no change to how you use energy. Estimates do not include gas.

<table>
<thead>
<tr>
<th>Your Rate Plan Options</th>
<th>Current Rate Plan</th>
<th>Transition Rate Plan</th>
<th>Optional Rate Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tiered (E-1)</td>
<td>Time-of-Use (Peak Pricing 4–9 p.m. Every Day)</td>
<td>Time-of-Use (Peak Pricing 5–8 p.m. Weekdays)</td>
</tr>
<tr>
<td></td>
<td>Two pricing levels based on monthly usage. Price does not vary by hour of the day.</td>
<td>Higher prices 4–9 p.m. every day. Lower prices at all other times.</td>
<td>Higher prices 5–8 p.m. on weekdays. Lower prices at all other times.</td>
</tr>
<tr>
<td>Total Electricity Costs*</td>
<td>$765/year</td>
<td>$720/year</td>
<td>$700/year</td>
</tr>
</tbody>
</table>

Your lowest cost rate plan is: [Lowest cost rate plan]
Item 16 – CAC Recommendations

• Motion: approve staff’s recommendations with the addition that the CAC is making this recommendation with the knowledge that VCE can change the rates at any time.
  • Motion passed: 7-0-0.

• Motion: the CAC encourages VCE Staff to coordinate rollout and program messaging with PG&E to VCE’s customers.
  • Motion passed: 7-0-0.
Item 17 – RCB Credit Agreement/Debt Restructure Analysis

Background

• May 10, 2018 Board meeting – Board approved the Credit Agreement with River City Bank
  • $11 M Revolving Line of Credit (RLOC)
  • Term – 12 months (May 2019) with 6 month option to extend (Nov 2019)
  • Member jurisdictions signed Subordination Agreements for $500K loan to RCB
• Current RLOC balance $1,976,610 (last draw in August 2018)
• April 11, 2019 Board meeting – Board approved to exercise option to extend RLOC term to November 2019
Item 17 - Bank Update

• RCB terminated the Subordination Agreements with member jurisdictions September 6, 2019
• Currently working on renewal of RLOC for $11 M
  • Bring terms of agreement to the October 10, 2019 Board meeting
  • Similar terms as previous agreement
  • Any amount from current RLOC converted term loan will reduce RLOC availability
• Term loan interest rate based on current 3-Yr Treasury rates ~ 3.5%
**Item 17 - Debt Repayment Options**

- **Summary of Debt Repayment Options:**

<table>
<thead>
<tr>
<th></th>
<th>Option 1</th>
<th>Option 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repay Member Loans</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Repay RLOC</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Convert to Term Loan (5yr Repayment)</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Dividend Rate FY 2020</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Dividend Rate FY 2021</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
## Item 17 - Debt Repayment Options

### Financial Impacts:

<table>
<thead>
<tr>
<th></th>
<th>2020/2021</th>
<th>2020/2021</th>
<th>2021/2022</th>
<th>2021/2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Margin</strong></td>
<td>$8,419</td>
<td>$8,3871</td>
<td>$4,377</td>
<td>$4,322</td>
</tr>
<tr>
<td><strong>Net Margin %</strong></td>
<td>15.42%</td>
<td>15.35%</td>
<td>7.78%</td>
<td>7.68%</td>
</tr>
<tr>
<td><strong>Unrestricted Cash</strong></td>
<td>$9,603</td>
<td>$11,344</td>
<td>$10,819</td>
<td>$12,110</td>
</tr>
<tr>
<td><strong>Restricted Cash</strong></td>
<td>2,636</td>
<td>2,636</td>
<td>3,450</td>
<td>3,450</td>
</tr>
<tr>
<td><strong>Total Cash</strong></td>
<td>$12,239</td>
<td>$13,980</td>
<td>$14,269</td>
<td>$15,560</td>
</tr>
<tr>
<td><strong>Member Loans</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>RLOC</strong></td>
<td>-</td>
<td>1,779</td>
<td>-</td>
<td>1,384</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td>$ -</td>
<td>$1,779</td>
<td>$ -</td>
<td>$1,384</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>$15,667</td>
<td>$15,629</td>
<td>$20,044</td>
<td>$19,951</td>
</tr>
</tbody>
</table>
Item 17 - Projected Cash and Debt

Option 1:

Projected Cash and Debt

90 Day Cash Reserve July 2021

Debt Free Nov 2019
Item 17 - Projected Cash and Debt

Option 2:

90 Day Cash Reserve July 2020
Item 17 - Conclusion

• Termination of RCB’s subordination agreements provide VCE flexibility

• Asking for Board feedback and direction on repayment of VCE’s current debt structure
Item 18 - Update on VCE Potential Acquisition of Local Electricity Distribution System

SOURCE VCE

DELIVERY VCE

CUSTOMER YOU

VCE 9/12/19 Board Meeting

City of Woodland Council Chambers, Woodland, CA
Item 18 - VCE P.O.U Effort Initiative - Overview

Project Scope

Explore the feasibility and if economically and organizationally feasible, pursue the acquisition and operation of the local distribution system in Yolo County through the current PG&E bankruptcy proceedings.

Will leverage existing Yolo County efforts & research as well as the substantial work completed by other public agencies pursuing municipalization.
Three major phases

- **Phase 1** – Initial feasibility exploration of purchasing and operating the local distribution system, culminating in a non-binding offer to the PG&E subject to approval by the Bankruptcy Court on October 7 and initial assessment of operational, financial, risk (Now – December 31, 2019)

- **Phase 2** – Due diligence post offer submittal and prior to offer acceptance (estimated timeline October 2019 – June 2020)

- **Phase 3** – After offer accepted, prior to purchase and beginning operations.
Item 18 - Where Are the Off-Ramps?

Between initial offer submittal (October 7, 2019) and formal plan acceptance by the creditor committee (Jan-April 2020) VCE can withdraw or amend the offer at any time.

**Likely Go/No Go Decision Points**

- Valuation of assets (initial & detailed)
- Financial feasibility (initial & detailed)
- Results of risk assessment
- Assessment of detailed operational options
- Ability to finance purchase of assets
Next Steps

✓ Update VCE Board at September 12th Meeting (including progress on valuation/financial feasibility)

✓ Brief BOS, Davis City Council September 10th, Woodland City Council September 17th

✓ Provide VCE Board with results of valuation/feasibility (end of Sept/Early October)

✓ Move forward with submitting offer to Bankruptcy Court early October based on results of valuation study and VCE Board approval.
Valley Clean Energy Board Sub Committee
Item 19 – Delegation for Procuring 2021 Price Hedging Energy
September 12, 2019
Woodland City Council Chambers
Background

- Price Hedging Energy is used to fix the cost of market energy purchased for load from the CAISO.
- It provides VCE protection in the event CAISO market energy prices go high.
- SMUD has wrapped up procuring hedging energy for VCE for 2020.
**Hedge Transaction Example**

<table>
<thead>
<tr>
<th></th>
<th>August, 2019</th>
<th>June, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 2020 Energy Price</strong></td>
<td>$ 35.00</td>
<td>$ 40.00</td>
</tr>
<tr>
<td><strong>Year Ahead Hedge Transaction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract for June 2020 Energy (includes Hedge Premium)</td>
<td>$ 36.75</td>
<td></td>
</tr>
<tr>
<td><strong>Settlement of June 2020 Hedge Contract</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge Contract Pays VCE the June 2020 Market Price</td>
<td>$ 40.00</td>
<td></td>
</tr>
<tr>
<td>VCE Pays Seller</td>
<td>$ 36.75</td>
<td></td>
</tr>
<tr>
<td>VCE Net from Hedge Contract</td>
<td>$ 3.25</td>
<td></td>
</tr>
<tr>
<td><strong>VCE CAISO Market Energy Purchases</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Actual Cost of CAISO Energy for June, 2020</td>
<td>$ 40.00</td>
<td></td>
</tr>
<tr>
<td>Net from Hedge Contract</td>
<td>$(3.25)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Market Energy Cost</strong></td>
<td></td>
<td>$ 36.75</td>
</tr>
</tbody>
</table>
Item 19 - Delegation for 2021 Hedging Energy - Background
We’ve been buying hedging energy on a year-ahead basis.  
With recent drops in forward prices for market energy, staff recommends that we begin some hedging procurement for 2021.  
Recent forward prices for 2021 if we locked in all of 2021 hedging energy needs, would fix market power costs at better than $4 million less that projected in May.  
On August 29, the VCE EROC issued a delegation for SMUD to begin procuring 2021 hedging energy for up to 50% of VCE’s needs.
Item 19 - Delegation for 2021 Hedging Energy - Recent Pricing Moves
Item 19 - Delegation for 2021 Hedging Energy - Recent Pricing Moves
Requested Action

• Adopt resolution that:
  1. Replaces the August 29, 2019 EROC delegation, and Authorizes SMUD to procure up to 100% of the forecast hedging energy needs;
  2. Authorizes the General Manager to approve the actual procurement strategy employed for this procurement.
Current Status

- Projects previously selected for short listing
  - 72 MW solar project 72 MW solar Project (developer returned with project)
  - Up to 100 150 MW of solar from developer of large scale project

- Contribution to Portfolio:

- Letters of intent executed with 2 developers for the combined 222 MW of solar capacity.
- PPA negotiation has started and is ongoing with developers.
Item 20 - Long Term Renewable Solicitation – Short List Update

Next Steps

• Complete negotiations
  • Developer 1
    • 50 MW PPA for larger project for capacity with 2020 commercial operation date
    • 50 MW PPA & 50 MW Option for final of the 150 MW.
  • Developer 2
    • 72 MW PPA for project with

• Obtain Board approval for contracts (depending on time, as negotiations are completed).