# Meeting of the Community Advisory Committee (CAC) of the Valley Clean Energy Alliance (VCEA)
# March 12, 2018
# 5:30 PM
## Woodland Community & Senior Center, 2001 East Street, Woodland, 95776

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Mitch Sears, VCEA Interim General Manager, at least 2 working days before the meeting at (530) 757-5610 or msears@cityofdavis.org.

If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of VCEA staff who will distribute the information to the Committee members and other staff.

**Committee Members:**
Mark Aulman, Marsha Baird (Secretary), Gerry Braun (Chair), Tom Flynn, Yvonne Hunter, Lorenzo Kristov, Christine Shewmaker (Vice-Chair), David Springer

## 5:30 PM CALL TO ORDER

1. **Welcome and Roll Call**
2. **Approval of Agenda**
3. **Public Comment**

This item is reserved for persons wishing to address the Advisory Committee on any VCEA-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are customarily limited to two minutes per speaker, but an extension can be provided at the discretion of the Chair.

4. **Brief VCEA Staff and Advisory Task Group Reports**

Representatives of VCEA staff and active Task Groups will provide updates on on-going work. Task Group recommendations requiring Committee attention require a regular agenda item. Summaries of written reports received by the Committee in advance of the meeting will receive a time allocation of up to ten minutes. Otherwised, the time allocation will be five minutes, including questions and answers. The Committee may decide to allocate additional time at the end of the regular agenda.

## CONSENT AGENDA

5. **Approval of Minutes from January 29, 2018 Committee Meeting.**

6. **Action. Approve Criteria to Prioritize Legislative/Regulatory issues for Increased Activity.**

## REGULAR AGENDA

7. **Action. Review Board Workplan, Approve Recommended CAC Workplan updates, Approve Task Group Structure.**
    A. **Board Workplan & CAC Workplan Updates, e.g. Net Energy Metering and regular customer notifications.**
    B. **Task Group Structure, e.g. Energy Group**

8. **Action. Recommendation to the Board on Adoption of an Enterprise Risk Policy for VCE.**

9. **Action. Recommendation to the Board on adoption of the VCE UltraGreen Policy for the 100% Renewable Energy Customer Option.**

10. **Action. Recommendations to the Board on Program Launch related Energy Rates, Power Mix, and Budgets.**
    - **A. Adoption of the Final Customer Rate Discount.**
    - **B. Adoption of the Final Power Mix to be Offered to Customers.**
    - **C. Adoption of the Power Procurement and Operational Budgets.**

11. **Integrated Resource Plan – Introduction and Schedule (Informational)**

12. **Advisory Committee Member and Staff Announcements**

    Action items and reports from members of the Advisory Committee, including announcements, future agenda items, and reports on meetings and information which would be of interest to the Committee or the public.

13. **Adjournment (Approximately 7:30pm)**

    Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. Until VCEA has offices, the Board has designated the Department of Community Development and Sustainability at the City of Davis located at 23 Russell Blvd, Davis, CA for the purpose of making those public records available for inspection. The documents are also available on the City of Davis website located at: www.valleycleanenergy.org/meetings.

**VALLEY CLEAN ENERGY ALLIANCE**
**COMMUNITY ADVISORY COMMITTEE**

**Staff Report Item - 5**

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**TO:** VCEA Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager

**SUBJECT:** Minutes from January 29, 2018

**DATE:** March 12, 2018

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**Recommendation**

Receive and approve the minutes from the January 29, 2018 meeting.

**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE**
**Community Advisory Committee Meeting**
**January 29, 2018**

The meeting of the Community Advisory Committee (CAC) of the Valley Clean Energy Alliance (VCEA) began at 5:30pm in the Davis Senior Center, Activities Room, 646 A Street, Davis, CA.

**Committee Members Present**: Marsha Baird, Tom Flynn, Yvonne Hunter, Lorenzo Kristov, Christine Shewmaker, David Springer.

**Committee Members Absent**: Mark Aulman, Gerry Braun.

**Staff Members Present**: Emily Henderson, Mitch Sears, Kim Villa.

**Public Present**: Chris Granger, Cool Davis; Chris Soderquist, RePower Yolo.

**SMUD Consultants Present**: Jen Archuleta, Michael Champ, Toni Hoang, Gary Lawson.

1. Welcome and Roll Call
   Meeting called to order by Vice-Chair C. Shewmaker at 5:30pm.

2. Approval of Agenda
   Y. Hunter moved, L. Kristov seconded approval of meeting agenda. Approved unanimously.

3. Public Comment
   None.

4. Brief VCEA Staff and Advisory Task Group Reports
   - **Staff**: E. Henderson informed the committee that she brought VCE posters, tri-folds, stickers and tote bags to the meeting for committee members. She also updated the committee on the VCE Champion training that was held on January 24th. Circlepoint trained 15 people. M. Sears added that the training was videotaped and would be posted on the VCE website. He also informed the committee that the presentations to key groups were going well. When questions arise at presentations or elsewhere, they are to be sent to E. Henderson so she can consolidate and share with Circlepoint so responses can be prepared and added to the documentation.
   - **Energy task group**: The task group met with Kate Kelly from Defenders of Wildlife. She shared information on the environmental impacts to be considered when selecting sites for local renewable projects. The group suggested that CAC discuss the criteria for local projects, perhaps after launch.
   - **Outreach task group**: M. Baird reported that M. Aulman is monitoring Twitter and Facebook in addition to Circlepoint.
   - **Legislative/Regulatory task group**: Y. Hunter asked when the Leg/Reg Policy prepared by the task group would be presented to the Board for review. M. Sears responded that it would be on the February 8th consent agenda, that the January meeting had a very full agenda. M. Sears also discussed the CalCCA meeting that he attended, and he commented that he plans to follow-up with a contact from CleanPowerSF regarding how other CCAs chose what legislation to get involved with. T. Flynn also discussed the draft resolution on RA that the CPUC would be voting on at February 8th meeting.

**CONSENT AGENDA**

5. Approval of Minutes from January 11th Committee Meeting
   Y. Hunter moved, T. Flynn seconded approval of consent agenda. Approved unanimously.

**REGULAR AGENDA**

6. Action. Review Board workplan and approve recommended CAC work plan updates and task group structure.

   The March Board meeting is being moved from March 8th to March 22nd to allow more time for procurement. M. Sears asked if the CAC would like to move their meeting as well. E. Henderson will poll the committee to help determine the date of the next CAC meeting.

   No changes to the task group structure. The Energy task group will wait until G. Braun's return to determine if they will have a chair.

7. Action. Consider recommendation to Board on Net Energy Metering (NEM) Policy

   M. Champ presented slides on the NEM Policy, including a review of what other CCAs have done. There were about 5300 NEM customers within Davis, Woodland and unincorporated Yolo County at the end of 2016, 26% of which have surplus generation.

   Staff is recommending moving NEM customers from PG&E to VCE on a monthly basis on the customers' PG&E true-up month. These customers will then have a partial year true-up the following April in order to move all customers to the same true-up date. This is in line with what other CCAs have done, but different from what NEM customers are experiencing with PG&E. M. Baird asked about the impact of this on the NEM customers who will have a bill for the partial year true-up that they would not have if they stayed with PG&E. Staff is aware of this and will work with Circlepoint on communications to this group. VCE is also planning to bill NEM customers monthly. PG&E gives customers the option of monthly bills or one bill at the end of the true-up period. C. Shewmaker expressed concern with this change. Communicating the differences and impacts on VCE customers will be very important.

   M. Champ reviewed 3 options for how to compensate NEM customers and explained how they each performed on the stated goals of the NEM policy, as well as the financial impacts on customers and VCEA. Staff is recommending Option 2, which is similar to the approach currently taken by CCAs already serving customers.

   C. Soderquist from RePower Yolo offered public comment. Looking at solar from the homeowner and commercial customers perspective, the most valuable thing is 20 year agreement with PG&E. If anything happens to JPA, can customers go back to PG&E? [Later in the meeting, M. Sears commented that they had had a conversation with PG&E on this, and were told that customers take their 20 year agreement and NEM status with them and can go back to PG&E.] C. Soderquist also advised that VCE take a look at modeling the various rates – EV, Ag 4, A6. He also commented that metering aggregation is popular with ag customers and would need to consider impact on it.

   C. Granger from Cool Davis offered public comment. In Davis, focus is on increasing number of households with solar. Need to know how to tell the story within the community of VCE effect on solar customers.

   M. Baird asked if staff had considered anything between Options 1 and 2.

   L. Kristov brought up a concern with the ability of PG&E's system to handle additional solar and distribution system problems that could occur. He also raised the idea of incentives to install

storage. And encouraged staff to consider incentives to solar adoption other than rates, such as rebates. Rebates are more flexible than rates to adjust and change with time.

Y. Hunter made the below motion. C. Shewmaker seconded. No vote taken.

Recommend supporting the Staff recommendation of Option 2, and recommend coordinating with the solar industry, as well as solar, ag and commercial customers for input on messaging.

L. Kristov made the below motion. T. Flynn seconded. Motion passed, vote 5-1.

Recommend adoption modified Option 1, with modifications to make the VCEA offering better for existing NEM customers than PG&E's NEM rates.

Recommend that VCEA not use rates to create incentive for solar adoption, but should consider alternative, more flexible ways to incentivize solar, such as rebates, and in the future, incentives for adoption of solar+storage and other programs consistent with VCEA's vision.

Recommend coordinating with solar industry, as well as ag, commercial and residential solar customers to gather input for messaging about VCEA NEM rates.

C. Shewmaker voted against the motion, preferring Option 2 or a modified Option 2 of retail instead of retail plus one cent. Her reasoning was that it was important to send a message that NEM solar (and renewables), whether existing or new is an important part of who VCEA is. PG&E has in her words treated solar roof top customers as if they were part of the problem, wants VCEA to treat them like they are part of the solution.

8. Discussion. Enterprise Risk Policy

T. Hoang presented slides on Enterprise Risk Management, it's purpose and process. Creditors look to see if organizations have ERM. SMUD implemented in 2010, one of the first to do so. Other utilities have it now. Other CCAs do not have a ERM policy but do have components. A draft of the policy will be sent to CAC members for review. CAC members will have the opportunity before the meeting to review the draft and think about the relative importance of the various components.

9. Discussion. 100% Ultra Green Policy

M. Champ presented slides on options for the 100% renewable product offering from VCE, UltraGreen. He shared what other CCEs are doing for their 100% renewable product, including pricing. He also presented 3 options for VCE to consider, with the financial impact of each. There was discussion about fixed vs. variable charges for residential customers, especially LMI (low and moderate income) customers. C. Shewmaker pointed out that for NEM customers who are close to zero, a variable rate might be preferable. There was also discussion from Y. Hunter and C. Granger about ways to make solar accessible for low usage/low income users.

10. Board Member and Staff Announcements

None.

11. Adjournment

Meeting adjourned at 8:10pm. Y. Hunter moved, D. Springer seconded. Approved unanimously.

**Next Meeting TBD: Monday, February 26, 2018 or Monday, March 12, 2018 at 5:30pm at Woodland Senior Center.**

# VALLEY CLEAN ENERGY ALLIANCE

**Staff Report – Agenda Item 6**

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**TO:** Valley Clean Energy Alliance Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager

**SUBJECT:** Criteria to Prioritize Legislative/Regulatory issues for Increased Activity

**DATE:** March 12, 2018

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**RECOMMENDATION**

Approve the Community Advisory Committee (CAC) Legislative/Regulatory Task Group recommended criteria to prioritize Legislative/Regulatory issues for increased activity.

**BACKGROUND AND ANALYSIS**

In February, the Board approved a policy outlining when and how VCE would respond to legislative and regulatory matters that could have a significant impact on VCE. The attached procedure is designed to guide the CAC's Legislative/Regulatory Task Group's activities in recommending priorities for VCE engagement. The Legislative/Regulatory Task Group drafted the attached procedure which Staff is recommending for adoption by the CAC. Note, since this is a procedure that implements adopted Board policy, Staff will not be taking this to the Board for approval.

**Attachment**

1. Criteria to prioritize Legislative/Regulatory issues for increased activity

ATTACHMENT 1

# Criteria to Prioritize Leg/Reg Issues for Increased Activity

## Final 2-14-18

The final draft of the leg/reg task group's proposed policy and procedures related to VCEA positions on legislation and regulations, approved by the VCEA board in February 2018, includes the following statement:

5. The CAC legislative subcommittee will review the materials provided by CalCCA and LEAN throughout the year and will identify 2-4 high priority issues that VCEA may want to emphasize in its legislative and regulatory outreach efforts. (Note: The legislative committee will adopt criteria to explain why a bill is considered a priority and will propose this criteria to the CAC, which may forward it to the board.)

This statement was included to allow the task group to recommend some items that should receive an increased level of activity over others. Base level of action would be to recommend the board send a letter of support or opposition. Increased activity could be encouraging board, task group, full CAC or staff involvement, including having board members talk to legislators or legislative staff, testifying at committee hearings in coordination with CalCCA or writing op ed pieces or news releases for local papers and industry news media.

Nothing in the criteria suggested in this document is meant to preclude additional activity by VCEA board members or staff on issues not identified as priority issues. For example, this could include activities such as those requested by CalCCA to address late-breaking legislation or amendments or because a legislator representing VCEA members may be a critical vote or serves on a key legislative committee.

## Criteria

### Impact of the Legislation or Regulation

- Items should be considered for high priority if they would:
    - Be highly detrimental to the basic goals or interests of VCEA as expressed in the vision statement if enacted;

      or
    - Be highly beneficial to the goals or interests of VCEA as expressed in the vision statement if enacted.

- Items that should be considered for high priority may be ones where it is anticipated increased action can be effective. This could include consideration of timing or the committees on which our legislators serve, etc. This is secondary to the statement above.

- It may be useful to rank items meeting the criteria.

Goals – To use in Evaluating Legislation and Regulations as High Priority Issues Goals were identified using the vision statement adopted by the VCEA board on November 16, 2017 as a guide.

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E*

- Maintaining local control – including:

    - Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure*

    - Developing and offering additional low-carbon or local generation options at modest price premiums*

    - Developing and managing customized programs for energy efficiency, on-site electricity production and storage*

    - Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience*

    - Mainitaining the ability of the board to adopt and act in accordance with a governance structure that enables it to govern in an open and transparent manner and in the best interest of VCEA.

- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity*

    - Causing the deployment of new renewable and low carbon energy sources*

- Remaining open to the participation of additional jurisdictions *

*These phrases are verbatim from the Vision Statement adopted by the board on November 16, 2017.

# Valley Clean Energy Alliance

## Integrated Vision for Community Choice Energy

Valley Clean Energy Alliance (VCEA) is a joint-powers authority working to implement a state-authorized Community Choice Energy (CCE) program. Participating VCEA governments include the City of Davis, the City of Woodland and County of Yolo. The purpose of the VCEA is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the residential, commercial, agricultural and industrial users in their areas. PG&E would continue to deliver the electricity procured by VCEA and perform billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions would have the choice not to participate in the VCEA program.

### Near-Term[i] Vision

The near-term vision for VCEA is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price premiums;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCEA energy programs and mitigation of future energy costs and risks.

### Long -Term Vision

The future vision for VCEA is to continuously improve the electricity choices available to VCEA customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future; and
- Saving money for ratepayers on their energy bills.
- Remaining open to the participation of additional jurisdictions.

[i] Launch Phase and First Year

**Adopted: November 16, 2017**

**VALLEY CLEAN ENERGY ALLIANCE**
**COMMUNITY ADVISORY COMMITTEE**

**Staff Report Item – 7**

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**TO:** VCEA Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager

**SUBJECT:** Board/CAC Workplan and Task Group Structure

**DATE:** March 12, 2018

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## A. Board/CAC Workplan

**Recommendation**
Review board work plan. Approve recommended CAC work plan updates.

**Background and Analysis**
In order to keep the VCEA Board and VCEA Community Advisory Committee (CAC) working in alignment, and to allow for the CAC to revise its work plan when needed, this item will be a standing item on the CAC agenda.

## B. Task Group Structure

In accordance with the Brown Act, the CAC may form temporary task groups to address specific issues. Each task group may have no more than four members. Current task groups are as follows:

**Legislative/Regulatory**
Yvonne Hunter, Chair
Tom Flynn
Lorenzo Kristov
Christine Shewmaker

**Outreach**
Mark Aulman, Chair
Marsh Baird
Yvonne Hunter

**Energy**
Gerry Braun
Tom Flynn
Lorenzo Kristov
David Springer

# VALLEY CLEAN ENERGY ALLIANCE

**2018 Advisory Committee and Board Meeting Dates and Topics**

| MEETING DATE | | TOPICS | ACTION |
|---|---|---|---|
| February 8, 2018 | **Board** DAVIS | • NEM Policy | • Approve |
| February 26, 2018 | **Advisory Committee** WOODLAND | • Enterprise Risk Policy<br>• Ultra Green Policy<br>• Final Rate Discount<br>• Final Power Mix<br>• Power/Operational Budget<br>• Integrated Resource Plan | • Recommend<br>• Recommend<br>• Recommend<br>• Recommend<br>• Recommend<br>• Informational |
| March 22, 2018 | **Board** WOODLAND | • Enterprise Risk Policy<br>• Ultra Green Policy<br>• Final Rate Discount<br>• Final Power Mix<br>• Power/Operational Budget<br>• Integrated Resource Plan | • Approve<br>• Approve<br>• Approve<br>• Approve<br>• Approve<br>• Informational |
| April 2, 2018 | **Advisory Committee** DAVIS | • Integrated Resource Plan<br>• Recontracting | • Informational<br>• Approve |
| April 12, 2018 | **Board** DAVIS | • | • |
| April DATE TBD | **IRP Working Session** | • Integrated Resource Plan | • Working session |
| April 30, 2018 | **Advisory Committee** WOODLAND | • | • |
| May 10, 2018 | **Board** WOODLAND | • | • |

| | | | |
|---|---|---|---|
| June 4, 2018 | **Advisory Committee** DAVIS | • Integrated Resource Plan | • Informational |
| June 1, 2018 -- LAUNCH | | | |
| June 14, 2018 | **Board** DAVIS | • Integrated Resource Plan | • Discussion |
| July 2, 2018 | **Advisory Committee** WOODLAND | • Integrated Resource Plan | • Recommend<br>• |
| July 12, 2018 | **Board** WOODLAND | • Integrated Resource Plan | • Approve |
| July 30, 2018 | **Advisory Committee** DAVIS | • | • |
| August 9, 2018 | **Board** DAVIS | • | • |
| September 3, 2018 | **Advisory Committee** WOODLAND | • | • |
| Sept 13, 2018 | **Board** WOODLAND | • | • |
| October 1, 2018 | **Advisory Committee** DAVIS | • | • |
| October 11, 2018 | **Board** DAVIS | • | • |
| October 29, 2018 | **Advisory Committee** WOODLAND | • | • |
| November 8, 2018 | **Board** WOODLAND | • | • |

| | | | |
|---|---|---|---|
| December 3, 2018 | **Advisory Committee** DAVIS | • | • |
| December 13, 2018 | Board DAVIS | • | • |

**VALLEY CLEAN ENERGY ALLIANCE**

**Staff Report – Agenda Item 8**

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**TO:** Valley Clean Energy Alliance Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager
Toni Hoang, Sacramento Municipal Utility District (SMUD)

**SUBJECT:** Enterprise Risk Management Policy

**DATE:** March 12, 2018

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## RECOMMENDATION

Recommend that the VCEA Board adopt the attached Enterprise Risk Management Policy.

## BACKGROUND AND ANALYSIS

The Enterprise Risk Management Policy was revised for clarity following the CAC and Board review in February. The updated draft, included in Attachment 1, contains two new sections: Business Practices and Management Reporting and Metrics.

- Introduction: This section introduces the value of ERM as a structured approach to managing risk and uncertainty. It lays out the objectives of VCEA's ERM function, providing the framework for evaluating and managing risk in the organization's decision-making process.
- ERM Roles and Responsibilities: The ERM roles are consistent with the Board-approved Wholesale Power Procurement & Risk Management Policy. The Enterprise Risk Oversight Committee (EROC) has primary responsibility for the implementation of ERM. The policy lays out the scope of the EROC's risk management authority.
- Business Practices: This section identifies the steps of risk management and the basic process associated with each step. The intent is to provide a high level framework. Specific tools and techniques for implementing enterprise risk management will be recommended by the portfolio manager following approval of the policy.
- Management Reporting and Metrics: The policy defines two enterprise risk reports that will provided on a regular basis: a semi-annual report to the EROC and annual report to the Board.

## CONCLUSION

Staff is seeking a recommendation from the Community Advisory Committee in support of Board adoption of the attached Enterprise Risk Management Policy.

## Attachment

**1.** Enterprise Risk Management Policy

# DRAFT

# Valley Clean Energy Alliance

# Enterprise Risk Management Policy

Adopted: _____

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# 1 Introduction

## 1.1 Background and Purpose

Valley Clean Energy Alliance (VCEA) is implementing an Enterprise Risk Management (ERM) program to provide a structured, disciplined, and consistent approach to risk management that facilitates risk-informed decision making throughout the organization. ERM supports VCEA in aligning strategy, processes, people, and technology for the purpose of evaluating and managing uncertainties in executing its mission. By strategically managing risk, VCEA can proactively reduce the chance of loss, identify and take advantage of opportunities, create greater financial stability, and protect its resources to support its mission and create value for its members.

This policy has been established to ensure appropriate identification and evaluation of risks associated with all VCEA activities, and to ensure that these risks are managed to an acceptable level.

## 1.2 Enterprise Risk Management Objective

This ERM Policy (Policy) establishes VCEA's ERM Program (Program) and ensures that risk management assessments and decisions are based on a consistent approach and a common language.

The objective of the Policy is to provide a framework for identifying, assessing, responding to, managing, and communicating risks and opportunities to help VCEA achieve its objectives. The framework provides the means to embed risk management as a core competency in VCEA operations, enabling it to apply consistent risk management practices at both the enterprise-wide level and within each program in a way that facilitates risk-informed decision making at all levels.

The ERM objectives are to:

- Provide the VCEA Board with transparency and insight into risks that could impact the ability to execute VCEA's mission.
- Implement well-defined risk management process, tools and techniques.
- Identify current and emerging risks, and prioritize and develop response plans when necessary.
- Increase the likelihood of success in achieving the VCEA's objectives.
- Build credibility and sustain confidence in VCEA's governance by all stakeholders including private, federal, state, and local partners.
- Improve the understanding of interactions and relationships between risks.
- Establish clear accountability and ownership of risk.
- Develop the capacity for continuous monitoring and periodic reporting of risks.

## 1.3 Statement of Risk Policy and Risk Appetite

VCEA's approach is to conservatively manage its exposure to financial, legal, compliance and regulatory, operational, strategic, and reputational impacts while accepting and balancing risk taking in pursuit of its mission and objectives. It recognizes that its appetite for risk varies according to the activity undertaken, that acceptance of risk is subject to ensuring that potential benefits and risks are fully understood before taking action, and that sensible measures to mitigate risk are established.

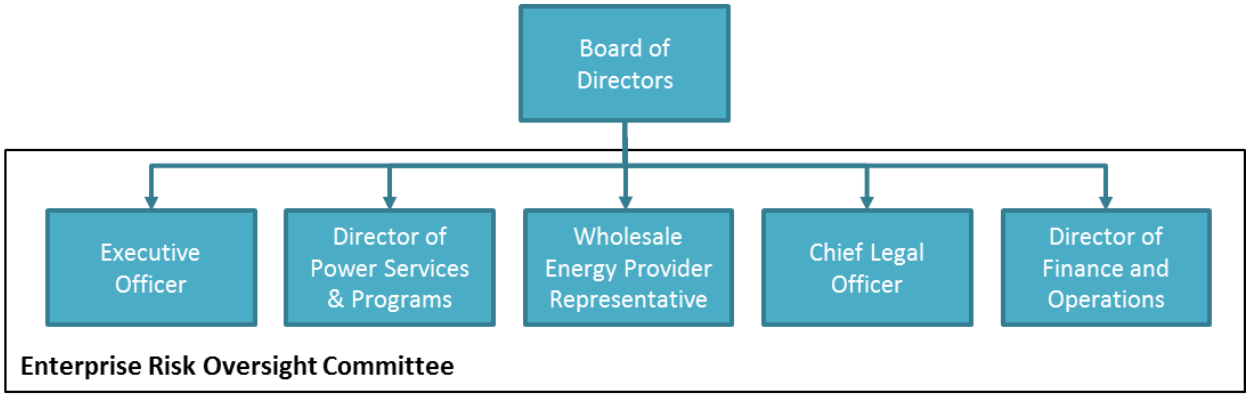
## 1.4 Policy Administration

The Board must approve amendments to this Policy.

# 2 ERM Roles and Responsibilities

## 2.1 Enterprise Risk Management Organizational Structure

Please refer to the Wholesale Power Procurement & Risk Management Policy, Section 3 for the ERM Risk Management Structure.




## 2.2 Enterprise Risk Oversight Committee (EROC)

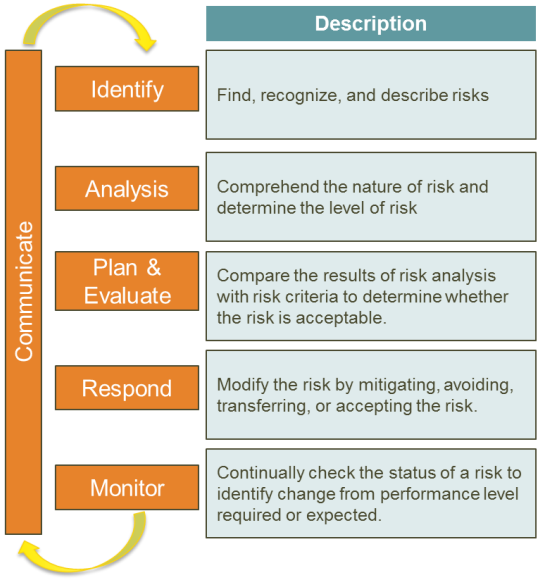
In addition to the EROC roles as outlined in Section 3 of the Wholesale Power Procurement & Risk Management Policy, the EROC is also responsible for overseeing the development and implementation of processes used to analyze, prioritize, and address risks across VCEA. The EROC is responsible for establishing risk appetite and risk tolerance levels to ensure that risks are managed to create value for VCEA members in a manner which is consistent with this policy.

In addition to the authorities outlined in Section 3 of the Wholesale Power Procurement & Risk Management Policy, the EROC maintains the additional authority and responsibility to:

- Approve ERM processes and risk appetite and risk tolerance guidelines;
- Receive and review ERM reports as described in this Policy;
- Maintain this Policy; and
- Perform any other activities consistent with this policy and governing laws that VCEA's Board determines are necessary or appropriate.

# 3 Business Practices

To develop a better understand of risks, a formal risk management process will be used (see diagram below).




At each stage of the risk management process, tools and/or techniques appropriate to VCEA's objectives, resources and capabilities shall be used. The portfolio manager shall recommend appropriate tools for proper risk identification, assessment and management.

## 3.1 Identify

The process begins with the identification of risks to the enterprise. Initially a set of risks will be identified through the use of surveys and staff brainstorming sessions. In the course of normal business operations, internal and external risks that could impact VCEA's achievement of set objectives are identified at various points in the business cycle. During strategic/business planning, the portfolio manager will help facilitate risk based conversations to help identify risks to the organization's objectives. Throughout the year, risk assessments, scans and/or surveys are performed where appropriate. VCEA risk management staff review the output from internal monitoring and assurance activities to identify gaps and emerging risk areas.

## 3.2 Analysis

After potential risks have been identified, risks are analyzed, considering likelihood, velocity (timeframe over which a risk could materialize) and impact to VCEA of a given outcome. While much of the risk assessment and analysis may be subjective, where appropriate, tolerance levels are adopted to serve as a guide for managing risks.

## 3.3 Plan & Evaluate

This phase is intended to assist in making decisions, based on the outcomes of the risk analysis, about which risks need to be further mitigated and the priority for the implementation. During this phase, the results of the risk assessments are compared with the agreed upon risk tolerance levels to determine whether the current level of exposure is acceptable. In addition to consideration of the risk analysis, Staff shall balance the cost of risk mitigation strategy implementation against the benefits to be derived.

## 3.4 Respond

Risk response is the process of developing strategic options and determining actions to enhance opportunities and reduce threats to VCEA. At this stage, appropropriate actions are developed to either get ahead of events in order to avoid exposure to the risk, or to respond to events in order to mitigate the impact of such risk. The process ensures that each risk requiring a response has an owner monitoring the response. When considering the response methodology, it is important to recognize the impacts of the decision as well as the capabilities of the organization to implement and maintain the response. Where appropriate, metrics will be established and/or adopted to help serve as early warning signals.

## 3.5 Monitor

Staff will be responsible for monitoring and measuring risk mitigation recommendations, risk trends and metrics to ensure the cost-effectiveness of the controls and introduce improvements when appropriate. Staff is responsible for reporting to the EROC and to the Board on the status of high priority enterprise risks.

# 4 Management Reporting and Metrics

The Portfolio Manager will work with the EROC to establish an appropriate reporting format and metrics for VCEA staff to use in reporting enterprise risks. The reports will show metrics, status and additional mitigations where appropriate. In addition, emerging risk evaluation and discussion will be integrated into the reporting and monitoring process.

- **Semi Annual Report to EROC**

Staff will report semi-annually to the EROC on the status of enterprise risks.

- **Annual Report to Board**

Staff will report annually to the Board on the status of enterprise risks.

# VALLEY CLEAN ENERGY ALLIANCE

**Staff Report – Agenda Item 9**

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**TO:** Valley Clean Energy Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager
Gary Lawson, Sacramento Municipal Utility District (SMUD)

**SUBJECT:** UltraGreen Rate

**DATE:** March 12, 2018

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## RECOMMENDATION

Support Board adoption of a resolution establishing a voluntary 100% renewable program that:

- Costs $0.015/kWh for both residential and commercial customers
- Is sourced with a mix of PCC-1 and PCC-2 resources equivalent to VCEA's overall renewable portfolio
- Uses any excess net revenue to fund local renewable projects
- Is Green-e certified

## BACKGROUND AND ANALYSIS

UltraGreen is a voluntary program that will allow customers to purchase their power from 100% renewable sources for a price premium. Renewable Energy Certificates (RECs) are procured for 100% of opt-in customer load and retired on behalf of the customer.

The program design recommended balances three goals:

- Offering 100% renewable power at a competitive, affordable price
- Purchasing RECs that have the greatest environmental impact
- Building reserves to quickly move beyond RECs to funding new local renewable projects.

Specific recommendations are as follows:

1. Price structure – volumetric (price per kWh)

   Although a flat monthly fee can be easier for customers to understand, it is not necessarily equitable, as lower usage customers will pay more than their share of the renewable costs, and higher usage customers will pay less. VCEA seeks to set prices that are reflective of the underlying costs, and to minimize cost shifting between customer classes. Designing marketing materials to highlight what a customer would pay on average each month can achieve some of the benefits of a flat rate program, without the associated cost shifts.

2. Price – $0.015/kWh

   At this price, VCEA will be competitive with other CCAs, and will ensure the total bill is lower for nearly all customers relative to the PG&E Solar Choice option. Due to fluctuations in PCIA and the PG&E Solar Choice rates across different customer classes, it is impossible to guarantee the rate will be better for all customers. However, $0.015/kWh represents a price on par with the lowest Solar Choice rates, and VCEA customers will combine this price with the 2% discount on the base power purchase. Reducing the price is possible, but would limit VCEA to purchasing renewable energy from existing plants, rather than investing in new local renewable resources, which tend to be more expensive than non-local projects.

3. Renewable Mix – Match VCEA base product renewable mix

   Staff recommends the program meet REC needs by incrementally increasing the overall procurement of renewables needed for VCEA load. For 2018, this will include 52% PCC-1 and 48% PCC-2 resources. This ensures a balance of PCC-1 and PCC-2 resources while minimizing complexity in the procurement process.

4. Green-e Certification

   Staff recommends obtaining Green-e certification. While this will represent a cost of approximately $17,000/year, it will provide customers with assurance that the renewable content in the program meets the highest standards. This will aid in marketing the program and establishing VCEA's reputation for quality. In addition, participation in Green-e will provide VCEA with access to resources outlining best practices in green energy marketing.

**CONCLUSION**

Staff is seeking a recommendation from the Community Advisory Committee in support of Board adoption of a resolution establishing a voluntary 100% renewable program that:

- Costs $0.015/kWh for both residential and commercial customers
- Is sourced with a mix of PCC-1 and PCC-2 resources equivalent to VCEA's overall renewable portfolio
- Uses any excess net revenue to fund local renewable projects
- Is Green-e certified

**VALLEY CLEAN ENERGY ALLIANCE**

**Staff Report – Agenda Item 10**

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**TO:** Valley Clean Energy Alliance Community Action Committee

**FROM:** Mitch Sears, Interim General Manager
Gary Lawson, Sacramento Municipal Utility District (SMUD)

**SUBJECT:** Initial Generation Rates, Power Mix, and Operating Budget

**DATE:** March 22, 2018

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**RECOMMENDATION**

Staff is requesting the Community Advisory Committee (CAC) recommend to the VCEA Board to approve the proposed PG&E rate discount, VCEA rates, power mix, and operating budget.

**BACKGROUND AND ANALYSIS**

In December, the Board reviewed pro forma financials and set targets for the mix of renewable and clean power, as well as for rates relative to PG&E. The pro forma financials were based on expected power prices, load forecast, and operating budget. Over the past months, staff has procured power, hedged power prices for the expected load volumes, refined the operating budget, and updated revenue forecasts based on phase-in schedule, NEM policy, and newly released PG&E generation rates. These changes have been factored into a revised set of pro forma financials that are provided in Attachment 2. These pro forma financials show that continuing with existing policy decisions will achieve desired outcomes while ensuring financial stability.

***Rates*** – The current pro forma financials continue to model a 2% rate discount. They also model additional revenue from the Board approved NEM policy, which has been forecast to be put into the local renewable development fund. Since the December Board meeting, PG&E has announced 2018 rate increases larger than forecasted. This increase in rates is currently modeled as providing faster repayment of startup capital and higher cash balances. VCEA rates, once established, will be in effect until they are changed by a subsequent Board action. The VCEA rates, set at a 2% discount from the recently confirmed 2018 PG&E rates, are provided in Attachment 1. Staff recommends that the Board delegate authority to the Interim General Manager to approve any new rates that appear midyear at an amount 2% below PG&E's rate.

***Power Mix*** – The power mix remains unchanged from previous Board conversations with 42% renewable and 75% clean content. Procurements are in place for the bulk of expected load. The expected power budget for 2018 was $26.45M, and actual forward power purchases came in lower than expected, putting the current power budget forecast for 2018 at $26.14M. Later in the year, after launch, a more accurate load forecast will be built with actual load data, opt-out rates, and opt-up rates. This updated load forecast will be used to guide a true-up procurement to ensure renewable and carbon-free content goals are met for 2018.

***Operating Budget*** – Staff has developed a draft operating budget based on known and expected costs. Several services are already under contract, and others are currently in the process of being procured. The current operating budget will support expected VCEA operations, and previously approved staff and outside services contracts. There is considerable uncertainty around unknown expenses in the initial year, as there is no operating history to ensure all items are accounted for. Therefore, a 10% contingency has been built into the operating budget. This budget will replace the previously approved launch budget. Any additional information obtained in the last months of FY 2017-18 will be used to inform an updated 2018-19 operating budget. The draft operating budget is included as Attachment 3.

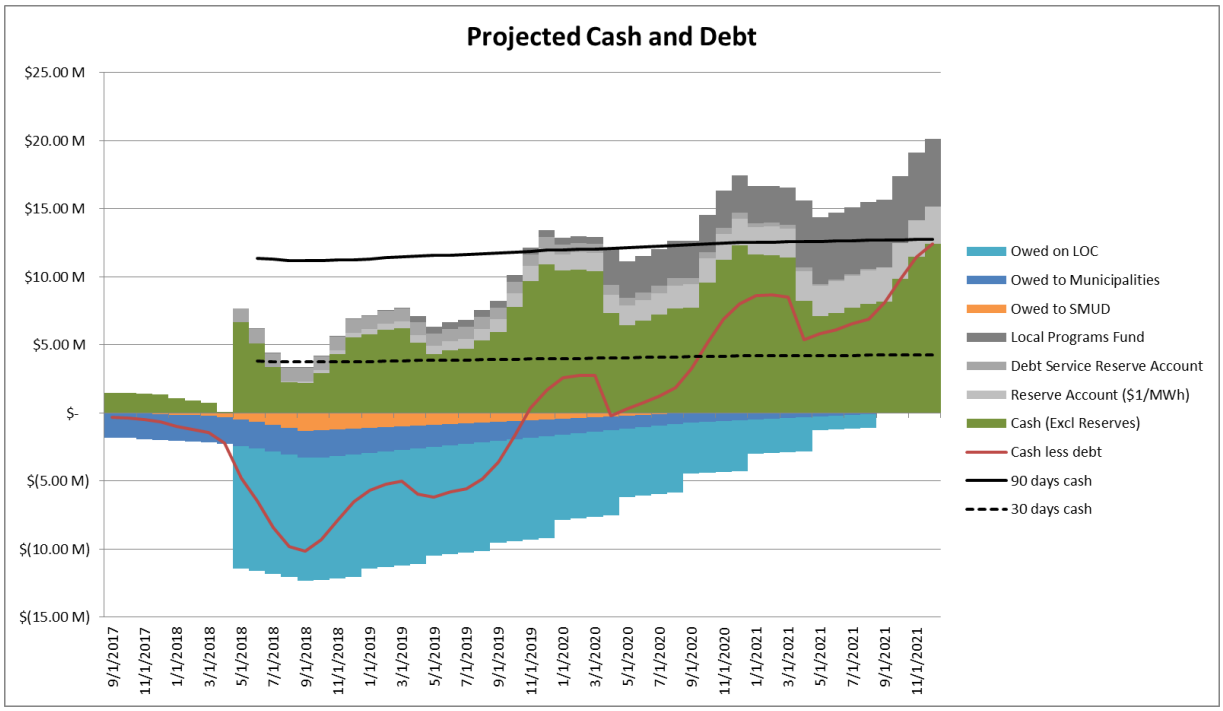
**CONCLUSION**

Staff is requesting the Community Advisory Committee (CAC) recommend to the VCEA Board to adopt a resolution establishing the following:

- The rates, included as Attachment 1, which are set at a 2% discount from PG&E's rates placed into effect March 1, 2018, net of PCIA and Franchise Fees.
- A Power Mix of 42% renewable, 75% clean.
- An Operating Budget of $1.48M for March-June 2018.
- Delegating authority to the Interim General Manager to approve any new rates that appear mid-year at an amount 2% below PG&E's rate.

**Attachment 1 – VCEA Rate Sheets**

## Attachment 2 – Pro Forma Financials




| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Accounts | 64,521 | 65,239 | 65,966 | 66,702 |
| Retail Load (MWh) | 439,008 | 757,840 | 760,165 | 762,817 |
| (Thousands of Dollars) | | | | |
| Revenue (net uncollectible) | $ 33,758 | $ 54,667 | $ 56,585 | $ 56,866 |
| Power Costs | $ 26,135 | $ 39,882 | $ 42,672 | $ 44,861 |
| **Gross Margin** | **$ 7,622** | **$ 14,784** | **$ 13,913** | **$ 12,004** |
| Operating Costs | $ 4,796 | $ 5,038 | $ 5,066 | $ 5,162 |
| **Operating Income** | **$ 2,826** | **$ 9,746** | **$ 8,848** | **$ 6,842** |
| Interest Income [Expense] | $ [336] | $ [456] | $ [228] | $ 27 |
| **Net Income** | **$ 2,490** | **$ 9,290** | **$ 8,619** | **$ 6,869** |

**Attachment 3 – Draft Operating Budget**
**Remainder of FY 2017-18**

| | 3/31/2018 | 4/30/2018 | 5/31/2018 | 6/30/2018 |
|---|---|---|---|---|
| Operating Expenses | $ 338,353 | $ 405,871 | $ 295,871 | $ 436,523 |
| Labor | $ 61,157 | $ 61,157 | $ 61,157 | $ 61,157 |
| Contract Labor | $ 58,333 | $ 58,333 | $ 58,333 | $ 58,333 |
| Non-Labor | $ 188,103 | $ 249,483 | $ 149,483 | $ 277,349 |
| PG&E Data Fees | $ - | $ - | $ - | $ 32,261 |
| Office Space | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 |
| Technology | $ 6,000 | $ 1,000 | $ 1,000 | $ 1,000 |
| Contracts | $ 78,825 | $ 79,205 | $ 79,205 | $ 174,310 |
| Launch Support | $ 94,678 | $ 159,678 | $ 59,678 | $ 59,678 |
| Supplies | $ 100 | $ 100 | $ 100 | $ 100 |
| Marketing Collateral | $ - | $ - | $ - | $ - |
| Community Engagement Activities & Sponsorships | $ - | $ 1,000 | $ 1,000 | $ 1,000 |
| Customer Credits and Adjustments | $ - | $ - | $ - | $ 500 |
| Travel (Excl Key Account) | $ 2,000 | $ 2,000 | $ 2,000 | $ 2,000 |
| Travel (Key Account 50mi/day) | $ 500 | $ 500 | $ 500 | $ 500 |
| CalCCA Dues | $ - | $ - | $ - | $ - |
| Memberships | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 |
| Contingency | $ 30,759 | $ 36,897 | $ 26,897 | $ 39,684 |

**Total: $1.48M**

## FY 2018-19 Forecast Operating Budget

| | 7/31/2018 | 8/31/2018 | 9/30/2018 | 10/31/2018 | 11/30/2018 | 12/31/2018 | 1/31/2019 | 2/28/2019 | 3/31/2019 | 4/30/2019 | 5/31/2019 | 6/30/2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating Expenses | $ 533,857 | $ 463,154 | $ 415,549 | $ 406,452 | $ 401,865 | $ 404,363 | $ 519,823 | $ 400,749 | $ 405,573 | $ 401,410 | $ 412,718 | $ 428,383 |
| Labor | $ 61,157 | $ 61,157 | $ 61,157 | $ 61,157 | $ 61,157 | $ 61,157 | $ 62,380 | $ 62,380 | $ 62,380 | $ 62,380 | $ 62,380 | $ 62,380 |
| Contract Labor | $ 58,333 | $ 58,333 | $ 49,167 | $ 49,167 | $ 49,167 | $ 49,167 | $ 49,167 | $ 49,167 | $ 45,383 | $ 45,383 | $ 45,383 | $ 45,383 |
| Non-Labor | $ 365,834 | $ 301,559 | $ 267,448 | $ 259,179 | $ 255,008 | $ 257,279 | $ 361,020 | $ 252,770 | $ 260,939 | $ 257,155 | $ 267,435 | $ 281,676 |
| PG&E Data Fees | $ 32,261 | $ 32,261 | $ 32,261 | $ 32,261 | $ 32,261 | $ 32,261 | $ 32,906 | $ 32,906 | $ 32,906 | $ 32,906 | $ 32,906 | $ 33,272 |
| Office Space | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,100 | $ 5,100 | $ 5,100 | $ 5,100 | $ 5,100 | $ 5,100 |
| Technology | $ 1,000 | $ 1,000 | $ 1,500 | $ 1,500 | $ 1,500 | $ 1,500 | $ 1,520 | $ 1,520 | $ 6,620 | $ 1,520 | $ 1,520 | $ 1,520 |
| Contracts | $ 278,573 | $ 214,248 | $ 202,031 | $ 193,761 | $ 189,590 | $ 191,861 | $ 192,385 | $ 186,135 | $ 189,204 | $ 190,500 | $ 200,780 | $ 214,401 |
| Launch Support | $ 43,901 | $ 43,901 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Supplies | $ 100 | $ 100 | $ 100 | $ 100 | $ 100 | $ 100 | $ 102 | $ 102 | $ 102 | $ 102 | $ 102 | $ 102 |
| Marketing Collateral | $ - | $ - | $ 21,507 | $ 21,507 | $ 21,507 | $ 21,507 | $ 21,937 | $ 21,937 | $ 21,937 | $ 21,937 | $ 21,937 | $ 22,181 |
| Community Engagement Activities & Sponsorships | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,020 | $ 1,020 | $ 1,020 |
| Customer Credits and Adjustments | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 500 | $ 510 |
| Travel (Excl Key Account) | $ 2,000 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 | $ 2,040 |
| Travel (Key Account 50mi/day) | $ 500 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 | $ 510 |
| CalCCA Dues | $ - | $ - | $ - | $ - | $ - | $ - | $ 102,000 | $ - | $ - | $ - | $ - | $ - |
| Memberships | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,020 | $ 1,020 | $ 1,020 | $ 1,020 | $ 1,020 | $ 1,020 |
| Contingency | $ 48,532 | $ 42,105 | $ 37,777 | $ 36,950 | $ 36,533 | $ 36,760 | $ 47,257 | $ 36,432 | $ 36,870 | $ 36,492 | $ 37,520 | $ 38,944 |

**Total: $5.19M**