Valley Clean Energy Community Advisory Committee

Thursday, February 28, 2019
Davis Senior & Community Center

Item 8 - UltraGreen Details

- We have to buy RECs to cover 100% of load (Not just the incremental over the base product)
- RECs will be purchased at the same proportion of category 1 and 2 as the base product (75% cat 1)
- Category 1 prices are assumed to be $17
- Category 2 prices are assumed to be $6.50
- Average cost=$0.014375/kWh
- Premium revenue=$0.015
- Marginal revenue per kwh (excluding marketing/overhead) = $0.000625, a 4% margin

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Item 8 - Costs to Local Governments to Opt Up

- Woodland – cost to opt up = $118k to $123k annually, or approximately $10k/month.
- Yolo County procures approximately 2/3 of their energy from solar systems already. To opt up the remaining accounts with UltraGreen would cost $16k annually, or $1,330/month.
- Davis procures much of its energy from PV USA (~229 accounts). To upgrade the remaining accounts (~94) to UltraGreen would cost $26.3k annually or $2,200/month.

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Item 8 - Costs for School Districts to Opt Up

- Davis Joint Unified School District - $71,400/yr
- Woodland Joint Unified School District - $92,200/yr
- Esparto Unified School District - $10,100/yr
- River Delta Unified School District - $8,400/yr

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Item 10 – New Rate Structure / Dividend Program

Background

- Policy modifications approved by the Board in November 2018 included to study adoption of a new rate structure starting in July 2019 (VCE's 2020 Fiscal Year)
- In January 2019, by recommendation from staff, the CAC created a Rates and Services Task Group that would review rate, service and program projects that includes collaboration with staff in developing this draft Dividend program

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Item 10 – New Rate Structure / Dividend Program

Purpose

- The purpose of the staff report and presentation is to introduce the draft Dividend program and receive feedback from CAC

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Item 10 - Key Considerations

Key considerations

- Rate design impacts on customer opt-outs
- Trigger for payment of customer dividend – minimum net margin
- Impact on financial stability of VCE
- Allocation of revenue to reserves, dividends, and local program development/implementation
  - Short-term consideration of NEM Enrollment

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Item 10 - Rate design impacts on customer opt-outs

- Monterey Bay Clean Power (MBCP) analysis – no direct correlation with rates and customer opt-outs
  - Customer Opt-outs majority reason - Dislike automatic switched from PG&E without consent
- VCE customers cited similar reason - Dislike of being automatically enrolled into VCE
- Move away from a pre-determined, up-front rate discount to matching of PG&E rates
- VCE can shift the focus from rate comparisons to VCE long-term goals

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Item 10 – Financial Stability

Minimum Net Margin

- VCE will require higher margins to cover its costs and still build reserves to offer local programs and customer incentives
- VCE should maintain a minimum net margin (after any bank debt principal payment) of 5% before any dividends are paid to VCE customers

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Item 10 – Financial Stability

Cash Reserves

- In November 2018, the Board approved a reserve policy to build toward a 90-day cash level reserve within the next 4 years
- Timing:
  - more of the surplus to reserves in early years
  - portion of the surplus should be reduced until the target reserve is met

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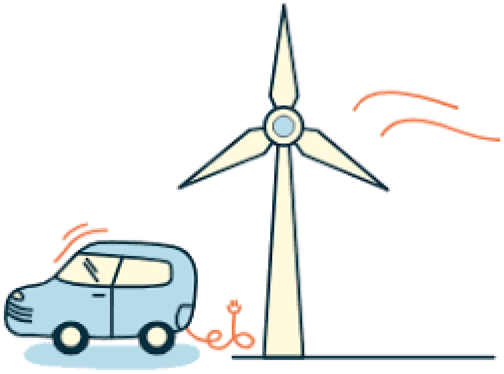
Item 10 – Allocation of Surplus

Local Programs

- VCE should establish its own portfolio of programs that will be designed specifically for local customers to help further reduce GHGs associated with transportation and other sectors of the local economy
- Currently – allocating 1% of net margin to Local Program Reserve



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Item 10 – Allocation of Surplus

Customer Dividends (Bill credits)

- CCA programs are community owned, managed and directed by a local Board representing its customers
- Reasonable to provide a return/dividend to VCE customers at the end of each fiscal year as a bill credit
- Dividends paid out on a "performance basis" will build customer satisfaction and loyalty

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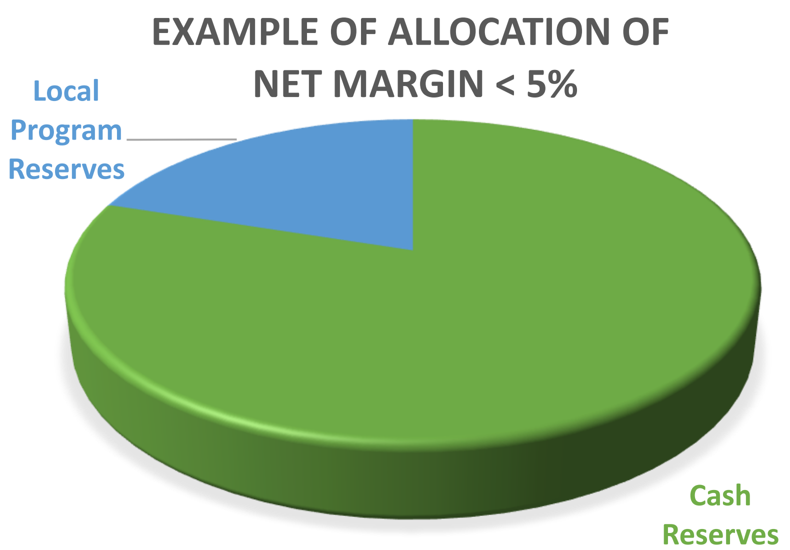
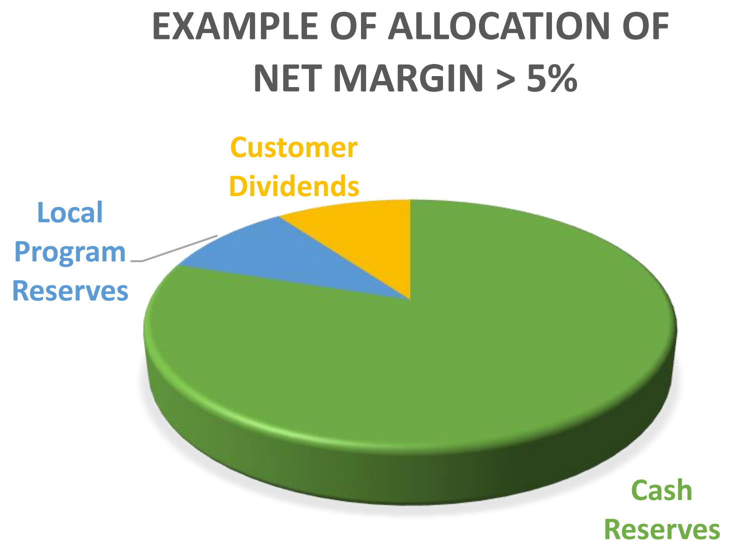
Item 10 – Allocation of Net Margin

- Net margin < 5% then the net margin will be allocated at a percentage determined annually by the Board of Directors between 1) Cash Reserves and 2) Local Program Reserves



Item 10 – Allocation of Net Margin

- Net margin > 5% - Any surplus above the 5% will be allocated at a percentage determined annually by the Board of Directors between 1) Cash Reserves, 2) Local Program Reserves and 3) Customer Dividends



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Item 10 – Draft Recommendation of Rate Structure

- Match PG&E electric generation rates less PCIA exit fee
- Require a minimum 5% net margin (less principal payments) before any dividends are paid to VCE customers
- Annually based on the audited financial statements:
  - Calculate the Net margin less principal payments
  - If Net margin < 5% - no customer dividends and Board determine allocation of net margin to Cash reserves and & Local Program reserves
  - If Net margin > 5% - Board determine allocation of any surplus (over 5%) to Cash reserves, Local Program reserves and Customer Dividends

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Item 10 – Draft Recommendation of Rate Structure

- Board approves allocation at the September Board meeting
- Any surplus allocation to customer dividends will appear as bill credits as follows:
  - Residential customers – annually in October bill
  - Non-residential customers – bi-annually in October and April bills

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Item 10 – New Rate Structure / Dividend Program

Questions and Feedback

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