

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Vicky Zavattono, Project Manager

SUBJECT: Guiding Principles for VCE Distribution System

DATE: January 9, 2020

RECOMMENDATION

Adopt a core set of principles to guide Valley Clean Energy's ownership and operation of the local distribution system in Yolo County.

BACKGROUND AND ANALYSIS

At the December 12th, 2019 VCE Board Meeting, staff presented a draft set of core principles to guide the ownership and operation of the local distribution system. The December 12th Staffing Report with background, analysis and draft principles is attached.

Based on feedback and direction from the Board, the recommended principles are:

1. Create and maintain an electric system that is reliable, maximizes safety for all customers *and encourages and supports local economic development.*
2. Ensure that rates and bills are affordable for all customer classes.
3. Conduct all business in a manner that is ethical, open and transparent to customers and communities.
4. Protect workers by preserving labor agreements and benefits.
5. Develop a governance structure that provides for and encourages customer participation and fosters local decision-making allowing *each community* to implement energy solutions that are right for them.
6. *Demonstrate leadership in climate, clean energy and GHG reduction as well as general environmental stewardship.*

(italics indicate adjustments to the original draft principles.)

After adoption of principles, staff will develop a set of metrics to measure the extent to which key principles have been achieved. As an example, if the principle is reliability the metric could be to

establish acceptable outage targets – metrics to measure the number of outages, the duration of outages and the number of customers impacted. Examples of the tactics to achieve this include adoption of rigorous maintenance schedules and reinvestment of funds into the system.

Staff believes that adoption of distribution system principles by the VCE Board will help:

1. Help drive the acquisition of the distribution system assets;
2. Communicate VCE's message and intent to customers, the community and regulators; and
3. Guide staff in policy and the operation of a distribution system.

Additionally, these principles can be used to help guide VCE's participation in the discussions related to the development of a greater northern California effort to move from PG&E to a public and/or customer-owned model.

Attachments:

1. Staff Report from 12/12/19 Board meeting – Item 15 Distribution System Principles
2. Resolution to adopt guiding principles

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Vicky Zavattero, Project Manager

SUBJECT: Guiding Principles for VCE Distribution System

DATE: December 12, 2019

RECOMMENDATION

Consider adoption of a core set of principles to guide Valley Clean Energy's ownership and operation of the local distribution system in Yolo County.

BACKGROUND and ANALYSIS

VCE is moving forward with its initiative to acquire the local distribution system from PG&E after determining it's financially feasible and is aligned with VCE's mission. PG&E has rejected VCE's bid of \$300M. Further action on VCE's offer will take place as part of the PG&E Bankruptcy and/or the state legislative process. In order to clearly communicate VCE's position in these settings, staff has drafted a set of principles to help guide the organization as VCE continues to evaluate financial and operational viability and pursue this acquisition. The draft principles are guided by and consistent with VCE's adopted Vision and Mission statements.

The draft principles are:

1. Create and maintain an electric system that is reliable and maximizes safety for all customers.
2. Ensure that rates and bills are affordable for all customer classes.
3. Conduct all business in a manner that is ethical, open and transparent to customers and communities.
4. Protect workers by preserving labor agreements and benefits.
5. Develop a governance structure that provides for and encourages customer participation and fosters local decision-making allowing communities to implement energy solutions that are right for them.
6. Demonstrate environmental leadership.

After adoption of principles, staff will develop a set of metrics to measure the extent to which key principles have been achieved. As an example, if the principle is reliability the metric could be to establish acceptable outage targets – metrics to measure the number of outages, the duration of outages and the number of customers impacted.

As VCE, San Francisco PUC, South San Joaquin Irrigation District and Nevada Irrigation District pursue the acquisition of their respective local distribution assets, there is a parallel effort by multiple public entities to explore creation of a northern California customer-owned Transmission & Distribution cooperative which would replace PG&E or substantially change its governance and operating structure. This effort is being led by the City of San Jose. As part of this effort, many CCAs such as Sonoma Clean Power and MCE are developing principles to guide their own involvement in evaluating opportunities for public power, customer owned utilities, and the potential reformation of PG&E as an investor owned utility. VCE's guiding principles will also help as it participates in the state and regional discussions.

Staff believes that adoption of distribution system principles by the VCE Board will help:

1. Help drive the acquisition of the distribution system assets;
2. Communicate VCE's message and intent to customers, the community and regulators; and
3. Guide staff in policy and the operation of a distribution system.

Additionally, these principles can be used to help guide VCE's participation in the discussions related to the development of a greater northern California effort to move from PG&E to a public and/or customer-owned model.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2020-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE (VCE) APPROVING PRINCIPLES TO GUIDE VCE'S POTENTIAL OWNERSHIP AND OPERATION OF THE LOCAL ELECTRIC DISTRIBUTION SYSTEM IN YOLO COUNTY

WHEREAS, the Valley Clean Energy Alliance (“VCE”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs;

WHEREAS, on January 23, 2019, the Board voted to participate in the Pacific Gas & Electric bankruptcy litigation and to explore all options;

WHEREAS, VCE is investigating the feasibility of acquiring some or all of Pacific Gas & Electric’s (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process; and,

WHEREAS, after determining that the acquisition of PG&E’s local distribution system was financially feasible and in alignment with VCE’s mission, VCE submitted an offer on October 18, 2019 to PG&E to acquire the local distribution system.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves to adopt the following principles to guide Valley Clean Energy’s potential ownership and operation of the local distribution system in Yolo County:

1. Create and maintain an electric system that is reliable, maximizes safety for all customers and encourages and supports local economic development.
2. Ensure that rates and bills are affordable for all customer classes.
3. Conduct all business in a manner that is ethical, open and transparent to customers and communities.
4. Protect workers by preserving labor agreements and benefits.
5. Develop a governance structure that provides for and encourages customer participation and fosters local decision-making allowing each community to implement energy solutions that are right for them.
6. Demonstrate leadership in climate, clean energy and GHG reduction as well as general environmental stewardship.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____ 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Don Saylor, VCE Chair

Alisa M. Lembke, VCE Board Secretary