

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
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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.