

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 19

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To: Board of Directors

From: Mitch Sears, Interim General Manager  
Rebecca Boyles, Director of Customer Care and Marketing  
Edward Burnham, Director of Finance & Internal Operations

Subject: Approve temporary use of up to \$200,000 of the program reserve fund to initiate the Ag FIT (Flexible Irrigation Technology) dynamic pricing pilot. (Action)

Date: January 27, 2022

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### RECOMMENDATION

Approve temporary use of up to \$200,000 of the program reserve fund to initiate the Ag FIT (Flexible Irrigation Technology) dynamic pricing pilot.

### BACKGROUND AND ANALYSIS

More than 85% of VCE's service territory is designated for agricultural use. Due to this high concentration, the agricultural sector represents approximately 18% of VCE's total annual load and 16% of its peak demand.

On December 14, 2017, the VCE Board adopted a Financial Reserve Policy that included a local programs reserve fund equal to a minimum of 1% of net income.. The Program Reserve Fund currently has \$225K. In addition, the Board adopted a 3-year programs plan on June 10, 2021 that included an agricultural demand side program which evolved into the Ag FIT dynamic rate pilot program.

At its December 2, 2021, the CPUC issued decision 21-12-015 authorizing VCE's proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs. The Pilot includes automation of agricultural pumping loads to respond to dynamic prices set by VCE and implementation of an experimental rate that incorporates energy and delivery costs in hourly prices. Customers who successfully respond to the prices and shift load out of expensive hours—typically the ramp hours—are projected to enjoy bill savings of over 10% while contributing to grid reliability when it is most needed. A significant amount of the State's agricultural irrigation pumping load is shiftable, presenting an important opportunity for California's grid and environment.

VCE, along with several partners, had proposed this innovative 3-year pilot more than a year earlier as a way to help address grid reliability during peak electricity summer months. Significant effort was required to steer through the obstacles critics placed in the path during

the CPUC process. And, although the pilot was approved, it includes budget provisions that now require VCE to use its existing program reserve as a temporary (reimbursable) source of funds to launch the pilot by the May 1<sup>st</sup> deadline set by the CPUC. Once CPUC funds are made available later in 2022, VCE's programs reserve fund will be reimbursed. Notes: (1) the funds remaining in the programs reserve will be adequate to meet the needs associated with VCE's other local programs that are in development (i.e. customer education/engagement on electric heat pumps and EV's); and (2) VCE is in the process of working with the CPUC to expand the administrative budget to minimize financial outlays by VCE and its partners for the pilot.

### Ag Fit Pilot Program Framework

#### **Program Budget**

The overall funding allocated by the CPUC to the 3-year pilot is \$3.25M. The anticipated temporary budget requirement from VCE for this program for 2022 is \$200,000 for funding VCE contractors for services related to program start-up and implementation.

#### **Implementation Participants**

VCE will collaboratively lead the administration and implementation with the support of Polaris, TeMIX, CPUC Energy Division, and PG&E.

#### **Program Launch Date**

The three-year pilot program will be launched by May 1, 2022.

#### **Anticipated Program Benefits to participants**

- Automation. Incentives up to \$150 per HP to help pay for technology to improve operations and reduce costs.
- Bill Savings. 10-15% monthly savings for irrigating when power is least expensive.
- Easy. The intuitive app makes it easy for growers to plan schedules in response to hourly prices published a week in advance. No demand charges. No penalties. No clawbacks.
- Flexible. Use irrigation technology provided by any vendor, or none at all. Automated, remote/manual, or fully manual.

#### **FISCAL IMPACT**

The anticipated temporary budget of up to \$200,000 of the program reserve fund will be covered by future reimbursable revenues to have a net neutral impact on the budget. Staff will review and provide a more detailed program budget for the three-year program in Q2/22.

If approved, the Ag FIT program budget will be included in the staff recommended budget to the Board on February 10, 2022.

#### **CONCLUSION**

Staff recommends the Board approve temporary use of up to \$200,000 of the program reserve fund to initiate the Ag FIT (Flexible Irrigation Technology), dynamic pricing pilot, to meet the desired program timeline.