

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 19

TO: VCE Board of Directors

FROM: Mitch Sears, Interim General Manager
Lisa Limcaco, Director of Finance and Internal Operations
Jim Parks, Director of Customer Care and Marketing

SUBJECT: Net Energy Metering (NEM) Customer Enrollment

DATE: June 17, 2019

RECOMMENDATION

Adopt a resolution:

1. approving the enrollment of net energy metered customers beginning January 2020.
2. approving a minor revision to the approved NEM policy related to net excess generation.
3. authorizing the Interim General Manager to sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement.

BACKGROUND

The enrollment of existing Net Energy Metered (NEM) customers into VCE has been delayed twice. The first time was due to issues that were identified with the original NEM policy. In that case, VCE staff worked with the Community Advisory Committee, VCE Board and the public to develop recommendations to revise the policy and submitted the new policy to the VCE Board. The revised policy was approved at the board meeting of September 13, 2018 and existing NEM customers were scheduled to start service with VCE on their true-up date in 2019.

The second delay came as the result of a decision by the California Public Utilities Commission (CPUC) on October 11, 2018. The decision changed the methodology for calculating the Power Charge Indifference Adjustment (PCIA), or exit fee, that CCAs pay to cover the stranded generation costs of the incumbent investor-owned utilities. The change in methodology was expected to yield a PCIA increase of approximately 30% (\$5 million), causing consideration of phasing in NEM customers who were not yet enrolled. Other factors included increased resource adequacy and energy procurement costs. As a result of these issues, staff recommended delaying NEM enrollments for at least one additional year. The VCE board approved the delay at their November 15, 2018 meeting.

UPDATE

In February 2019, the CPUC issued a decision approving the PG&E’s 2019 Energy Resource Recovery Account (ERRA) with modifications. The modification that impacted the calculation of PCIA, required PG&E to true-up the brown power value included in the indifference calculation used to determine PCIA rates, commencing with 2018. In June 2019, PG&E provided supplemental analysis that resulted in approximately \$79 million PCIA refund related to the brown power true-up. Based on the 2019 ERRA decision with supplemental modifications, the PG&E generation rate increased an average of 5.68% and PCIA remained flat for VCE’s customer load.

In November 2018, staff summarized that the financial impacts of PCIA and policy modifications to the VCE net income projected for FYE 2019 and 2020 were \$3.8 million and \$2.6 million, respectively. In comparison, based on the 2019 ERRA decision with supplemental modifications described above, enrolling the legacy NEM customers beginning January 2020, updates in VCE load forecasts, and update in VCE Power costs, the VCE net income projected for FYE 2019 and 2020 are \$8.5 million and \$7.6 million, respectively. This improved fiscal outlook puts VCE in a position to enroll NEM customers beginning in January 2020.

Table 1 below provides a comparison of the financial impacts with the Board approved policy modifications from November 2018 and updated with the current 2019 ERRA information.

Table 1. Financial impacts of 2019 ERRA and Enrollment of NEM customers in January 2020

	7/2018-6/2019	7/2019-6/2020
Net income before policy modifications	\$ 2,259	\$ (911)
Postpone NEM enrollment	779	1,767
Net income after Postponement of NEM	3,038	856
Match PG&E generation rate	783	1,744
Net income after modification of rate discount	\$ 3,821	\$ 2,600
Enroll Legacy NEM customers (1)	-	(600)
Changes to 2019 PCIA, PG&E rates, load forecasts & operating costs	4,744	5,631
Net income with 2019 ERRA & NEM enrollment January 2020	\$ 8,565	\$ 7,631

(1) - Enroll Legacy NEM customers beginning January 2020

Community Advisory Committee Recommendation

The Community Advisory Committee (CAC), considered the NEM enrollment issue beginning earlier this year. At their April 2019 meeting the Committee considered a report from their assigned Task Group and adopted the following Board recommendation:

That the Board initiate steps as needed to begin enrolling legacy NEM customers starting in January 2020, and if NEM enrollment is perceived to create negative financial impacts, to find alternatives rather than postponing legacy NEM enrollment.

At their May 2019 meeting the CAC adopted their final Task Group report on NEM enrollment which is attached.

Based on the improved financial outlook, Staff is also recommending that the VCE Board

approve legacy NEM enrollments beginning January 2020. These NEM customers will transfer to VCE during their true-up month, meaning it will take the entire year of 2020 to bring in all eligible NEM customers. The customers will be enrolled monthly to limit the number of enrollment batches that costs \$4,475 per batch, while still maintaining the customer’s annual true-up month.

REVISION TO APPROVED NEM POLICY

The approved NEM policy is attached to this staff report. Staff recommends one modification to the policy. The intent of the policy change is to ensure that NEM customers are paid for net excess generation on a monthly basis, not by TOU period. This policy change makes that correction:

- 10. Customers on time-of-use (TOU) rate schedules will receive a \$0.01/kWh credit for net excess generation ~~during any TOU period~~ on a monthly basis.

SMUD TASK PROPOSAL

SMUD developed a Task Proposal to provide VCE with the ability to enroll most legacy NEM customers into a policy that mirrors PG&E NEM billing. Customers with an estimated annual balance below the threshold set by VCE will settle annually on their existing NEM true-up date. In contrast, under VCE’s current policy for all new NEM customers who either installed solar after joining VCE or were new construction after VCE’s launch date of June 2018, enrolled NEM customers settle monthly and true up in February. All NEM customers, regardless of policy, will be compensated for their monthly surplus generation and true-up on an annual basis.

The schedule to implement this scope of work is estimated to be six (6) months, and includes the following milestones and due dates:

	Milestone	Responsible Party	Due Date
1	Task Proposal approved	VCE	June 17, 2019
2	Requirements gathering initiated	SMUD	July 1, 2019
3	Customer list to mass enroll on each policy approved	VCE	September 30, 2019
4	Development complete	SMUD	October 3, 2019
5	User testing complete	SMUD	October 25, 2019
6	CRM go-live: Customers begin pre-enrollment period on proper NEM policy	SMUD	November 1, 2019
7	Billing go-live: Customers begin receiving bills on proper NEM policy	SMUD	January 1, 2020

The fixed fee for this scope of work is \$100,000 and is budgeted in the operating budget for fiscal year 2019/2020. The ongoing operation of the NEM program is included in the services defined in Task Order 2: Data Management and Customer Call Center Services.

Staff recommends the Board authorize the Interim General Manager to approve and sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) in substantially the same form as attached.

ATTACHMENTS

1. VCE Net Energy Metering (NEM) Policy
2. Amendment 12 to Task Order 2 (Data Management and Call Center Services)
3. CAC Task Group Report - Net Energy Metering Customer Enrollment

NET ENERGY METERING POLICY

Adopted September 13, 2018

1. Residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle unless their annual balance exceeds \$500.
2. Residential NEM customers with solar systems installed prior to June 2018 with annual balances exceeding \$500 will be transitioned to monthly billing with a February true-up date.
3. Residential customers with solar systems installed prior to June 2018 that have been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than \$500 per year for a consecutive two-year period.
4. Non-residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle, unless their annual balance exceeds \$5,000.
5. Non-residential NEM customers with annual balances exceeding \$5,000 may be transitioned to monthly billing with a February true-up.
6. NEM customers may choose a monthly billing cycle with February true-up in lieu of an annual billing and true-up cycle.
7. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
8. The transition from PG&E to VCE will occur on the customer's true-up date in 2019.
9. NEM customers with less than \$100 in credits will have the credit balance roll over to the next billing cycle (with no loss of credits). NEM customers with a credit balance exceeding \$100 on their annual true-up date will be cashed-out, unless they choose to roll over the balance or donate the funds.
10. NEM customers that generate excess energy on a monthly basis will receive the retail value plus a \$0.01/kWh credit for the excess generation, without additional compensation for participation in renewable programs.
11. Customers on time-of-use (TOU) rate schedules will receive a \$0.01/kWh credit for excess generation during any TOU period on a monthly basis.
12. NEM customers that generate excess energy on an annual basis will receive the wholesale value of net surplus generation, plus a \$0.01/kWh adder.

13. NEM customers may opt-out of VCE's NEM program and return to PG&E at their discretion.
14. Residential customers adding solar systems beginning June 1, 2018 will be placed on monthly billing with an annual true-up date in February.
15. Non-residential customers adding solar systems beginning June 1, 2018 may be placed on monthly billing with an annual true-up in February.

AMENDMENT 12 TO EXHIBIT A: Scope of Services

A.4 Task Order 2 – Data Management and Customer Call Center Services

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 12 to Exhibit A, Task Order No. 2 (Amendment 12), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 12 conflict with any general provisions in the Agreement or Task Order 2, the provisions of this Amendment 12, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Amendment 12 is the date of last signature below.

1. Section 1, SCOPE OF WORK, is amended to add Section 1.10 below:

“1.10 IMPLEMENTATION OF SECOND NEM TRUE-UP POLICY

1.10.1. Scope of Work

Currently, VCE has one NEM True-up Policy which provides for NEM Customers to have monthly settlements and a true-up that occurs annually in February (Policy 1). With the introduction of the second NEM True-up Policy, Policy 1 will be available only to customers with an estimated annual balance above a dollar threshold that will be established by VCE. The second NEM True-up Policy will provide the ability to enroll the majority of legacy NEM customers according to a methodology that mirrors PG&E NEM billing, wherein customers with an estimated annual balance below the dollar threshold set by VCE will settle annually on their existing NEM true-up date (“Policy 2”). All NEM customers, regardless of whether they are enrolled in Policy 1 or Policy 2, will be compensated for their monthly surplus generation and true-up on an annual basis.

SMUD will implement a technology solution to support Policy 2 and to update the NEM adder methodology for all NEM customers. Both policies will be technically available to all customers but the placement of customers on either Policy 1 or Policy 2 will be dictated by VCE’s business rules.

- A. Policy 2 is detailed below:
 - Customers retain annual billing cycles and keep their existing true-up dates.
 - The true-up date is the month of the “True-up End Period” from the PG&E provided 4013 file.
 - The true-up will run in the first bill of that month every year.
 - VCE’s true-up date will not change if PG&E changes their true-up date in the 4013.
 - SMUD will coordinate with PG&E to seek a list of true-up dates for any NEM customers whose true-up date does not appear in the 4013.
 - Customers receive an informational bill each month, but settlement is not required outside the customer’s true-up month.

- B. The business process for determining customers' applicable policy is defined below:
- Legacy NEM customers on a list approved by VCE will be defaulted to VCE's existing NEM policy, defined as monthly settlement, annual true-up in February.
 - This customer list will be developed by evaluating customers' 2018 historical usage data. The analysis to compile this list is not included in this scope of work.
 - All new move-ins will be defaulted to Policy 1.
 - All new solar installations (existing VCE customer converting from non-NEM to NEM) will be defaulted to Policy 1.
 - If a customer request to change policies is approved by VCE, the policy change will be applied as directed by VCE:
 - Effective retroactively, since last true-up, or if no true-up has occurred, since beginning of enrollment. This would result in rebilling all periods on/after the effective date of the retroactive switch.
 - Effective on next bill cycle, triggering a true-up on the customer's next bill.
 - Effective on the next true-up of customer's current policy. Customer is billed and true-up according to their current policy, then begins billing on the new policy following their true-up.
 - After a customer is enrolled in Policy 1 or Policy 2, their status will not be automatically re-evaluated, and the customer will not be moved from one policy to another unless an evaluation of qualification for policy change is requested by the customer. Customers may request a policy change through the call center. Customer requests to move from Policy 2 to Policy 1 will be honored and the customer will change policies effective on either their next bill cycle or next true-up. Customer requests to move from Policy 1 to Policy 2, or customer requests for retroactive policy switch, will require approval from VCE. The policy switch can be made effective the next bill cycle after VCE approval, on the customer's next true-up date, or retroactive to the date approved by VCE.

Regardless of whether they are enrolled in Policy 1 or Policy 2, Legacy NEM customers will be enrolled on their true-up month beginning in January 2020.

The excess generation monthly compensation method will be updated to net billing determinants together prior to applying the penny adder. As a result, customers on time-of-use (TOU) rate schedules that generate excess energy on a monthly basis will receive the retail value plus a \$0.01/kWh credit for their excess generation. This updated methodology will apply to Policy 1 and Policy 2.

1.10.2. Deliverables and Due Dates

The schedule for the implementation of Policy 2 is estimated to be six (6) months, and includes the following milestones and due dates:

	Milestone	Responsible Party	Due Date
1	Task Proposal approved	VCE	June17, 2019
2	Requirements gathering initiated	SMUD	July 1, 2019
3	Customer list to mass enroll on each policy	VCE	September 30, 2019

	approved		
4	Development complete	SMUD	October 3, 2019
5	User testing complete	SMUD	October 25, 2019
6	CRM go-live: Customers begin pre-enrollment period on proper NEM policy	SMUD	November 1, 2019
7	Billing go-live: Customers begin receiving bills on proper NEM policy	SMUD	January 1, 2020

1.10.3. Schedule

It is estimated that the Scope of Services in this task will be completed in six (6) months from the effective date of this Amendment 6, and SMUD will finalize the system requirements and implement the technical solution prior to January 2020.”

Section 4, COMPENSATION FOR SERVICES is amended to add Section 4.6, *Implementation of a Second NEM True-up Policy*, as follows:

“The fixed fee for the Implementation of a second NEM True-up Policy is \$100,000. Monthly enrollment of NEM customers during 2020 and the ongoing maintenance of Policy 1 and Policy 2 are included in the included in the fixed fee for Data Management and Call Center Services as described in Section 4.1 of this Task Order 2.”

Section 5, PAYMENT TERMS, is amended to add the following.

“SMUD will invoice the fixed fee for the Implementation of the second NEM True-up Policy upon completion, and payment will be due net thirty (30) days from date of the invoice.”

[Signature Page follows]

SIGNATURES

The Parties have executed this Amendment 12, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: _____

Name: _____

Title: _____

Date: _____

**Approved as
to Form:** _____

Sacramento Municipal Utility District

By: _____

Name: _____

Title: _____

Date: _____

**Approved as
to Form:** _____

***NEM Enrollment Reassessment Report and Recommendation
Rates and Services Task Group
5/23/19 CAC Meeting***

Background:

There are approximately 7,000 residential and commercial solar accounts in the VCE service area with installations prior to VCE's launch in June 2018. These future VCE customers will represent 11% of VCE's 65,000 customers.

The enrollment of the legacy solar accounts has been delayed twice by VCE. First, in May 2018 solar enrollment was delayed from June 2018 to January 2019 in order to develop a revised NEM policy to incorporate some of the aspects of PG&E's NEM policy. VCE originally prepared a NEM policy that was similar to other CCAs' policies, with all NEM accounts having a true-up in April and all having monthly billing. This was different from what NEM customers experience with PG&E, which has an annual true-up date based on the date of solar installation and annual billing. After VCE was approached by a local solar provider as well as some solar accounts and shown that VCE's NEM policy would create one-time costs for many of the legacy NEM customers, causing them to potentially opt-out of VCE's service, VCE decided to revise its NEM policy to keep existing true-up dates for accounts and offering annual billing for most.

In December 2018 solar enrollment was further delayed. The second NEM postponement was a financially-based decision intended to mitigate the budgetary impacts of the expected increase in PCIA exit fees, increased power costs and increased resource adequacy (RA) requirements. Already enrolled VCE customers were also affected by the budget impacts as VCE decided to remove the 2.5% discount to PG&E's rates. In December 2018 the legacy solar residential and commercial accounts received a letter stating their enrollment would be delayed for at least one year. The letter further stated that the policy would be reviewed in mid-2019 at which time the VCE Board would decide whether to end or extend the deferral.

This report covers thoughts and considerations prepared by the Rates and Services task group of the Community Advisory Committee and is intended to provide input to VCE Staff and Board on the issue as they review and make a decision as to whether to end or extend the deferral of NEM enrollment.

Key Points to Consider:

1. Financial uncertainty related to PCIA exit fees, power costs, resource adequacy (RA), and PG&E's rates will continue, especially with the PG&E bankruptcy. PG&E has asked for numerous delays in calculating the revised PCIA exit fees and PG&E rates for 2019, which has made financial planning difficult. Additionally, the range of fees and rates presented to the CPUC has varied widely. For example, PCIA exit fees have varied from a 30% increase to no increase for 2019. While the planning context is challenging, VCE needs to develop financial strategies that will allow it to offer service to all of its customers regardless of the volatility and uncertainty in the business. One such strategy that is currently being considered by VCE is the Dividend Program. VCE originally offered a discount to PG&E's rates, but due the budgetary impacts of the expected increase in PCIA exit fees announced in November 2018 as well as increases in power costs, VCE decided to remove the discount and match PG&E rates. The Dividend Program allows VCE to give back to customers only after the financials are known which will allow more financial security and flexibility. Another

strategy that could assist VCE with the volatility, is to prepare alternative financial scenarios outlining the various assumptions used so that alternate planning can be done in advance rather than last minute. What the task group feels is not productive in times of uncertainty is to focus mitigation on a customer type thought to be more costly to serve and causing VCE financial strain, as was done with the legacy NEM accounts.

2. Due to the delays by the CPUC and PG&E in finalizing the PCIA exit fees and PG&E rates for 2019, VCE's financial outlook for FY18/19 is much better than previously estimated. The current operating budget shows an estimated Net Income of \$8,231 for FY18/19 vs \$3,821 estimated in November 2018. VCE is building reserves in FY18/19, with the Net Margin currently estimated to be 16%, well above the target 5%. (See Tables 1 & 2). The outlook for FY19/20 and FY20/21 is also currently estimated to be much better than the financials presented in November 2018 as it is now expected that there will be no increase in PCIA exit fees for 2019.
VCE Staff has prepared two scenarios with preliminary forecasts for FY19/20 and FY20/21, and looked at the effects of NEM enrollment starting in January 2020. (See Table 3) The first scenario's assumptions are what is currently expected to be approved by the CPUC. Staff also created a "worst case" scenario to show effects on financials with less favorable assumptions in future years. In both scenarios, the financials are strong with NEM enrollment beginning January 2020. The task group also considered a number of potential changes to the NEM policy, such as removing the additional one cent per kWh for excess generation, and bringing in residential customers first, then commercial. The financial impact of these potential changes was minimal (see Table 4).
3. Solar customers are natural partners for VCE. They bring zero carbon energy to the grid and to their community. Solar residential and commercial accounts in Yolo County generated an estimated 160 GWh in 2018, or 9 percent of Yolo County electricity usage. This percentage will increase as more and more residential and commercial VCE customers add solar. As the number of solar customers increase, VCE can partner with them in the implementation of local programs such as local storage. Solar customer investment and decisions should be recognized and acknowledged by VCE as a major, quantifiable economic and decarbonization benefit to Yolo County and the VCE member communities. A new proposed bill AB-961 directs the CPUC to define and prioritize non-energy benefits in clean energy and energy efficiency programs. Enrolling the legacy solar accounts and partnering with them on initiatives will provide such benefits while also benefitting VCE.
4. While the task group is aware of the financial advantages of long-term contracts that begin in 2021 and the additional financial security these will provide VCE, we don't think the average customer will factor that into his/her opinion of VCE. We believe an extension of the deferral for another year will have a negative impact on VCE's public image and will bring negative criticism to VCE at a time when the marketing team is working to build the VCE brand. There has already been criticism of VCE with respect to the current NEM enrollment deferral in Sacramento.

Recommendation:

The Rates and Services Task Group recommends that VCE Staff and the Board initiate steps as needed to begin enrolling legacy NEM customers starting in January 2020, and if NEM enrollment is perceived to create negative financial impacts to find alternatives rather than postponing legacy NEM enrollment.

Note: Additional issues that have been identified by staff during this process will be discussed as a separate agenda item with the CAC.

Table 1. Financial Impacts of PCIA and Policy Modifications (Presented to Board November 15, 2018)

Policy Modification Action	Fiscal Impact (\$1,000's)	
	FY 2018/19	FY 2019/20
Net income before policy modifications	\$2,259	\$(911)
Postpone NEM enrollment	\$779	\$1,767
Match PG&E generation rate	\$783	\$1,744
Net income after policy modifications	\$3,821	\$2,600

Table 2. VCE Preliminary Operating Budget

VALLEY CLEAN ENERGY PRELIMINARY OPERATING BUDGET FY 2019/2020			
		ACTUAL YTD	
	APPROVED BUDGET FY 2018/2019	MAR 31, 2019 (9 MO) + FORECAST (3 MO) FY 2018/2019	PRELIMINARY BUDGET FY 2019/2020
OPERATING REVENUE	\$ 54,314	\$ 51,253	\$ 54,047
OPERATING EXPENSES:			
Cost of Electricity	41,103	39,083	41,797
Contract Services	2,719	2,318	2,826
Staff Compensation	1,358	1,018	1,200
General, Administration and other	1,094	448	655
TOTAL OPERATING EXPENSES	46,274	42,867	46,478
TOTAL OPERATING INCOME	8,040	8,386	7,569
NONOPERATING REVENUES (EXPENSES)			
Interest income	89	41	120
Interest expense	(590)	(196)	(155)
TOTAL NONOPERATING REVENUE (EXPENSES)	(500)	(155)	(35)
NET MARGIN	\$ 7,539	\$ 8,231	\$ 7,534
NET MARGIN %	13.88%	16.06%	13.94%

Table 3. Two Scenarios: Preliminary Forecasts prepared by VCE Staff

Scenario 1: Expected Forecast

Wholesale Power	NP-15 04/05/19					
Rate Disc (entry on Ann Summ sht)	0.00%					
Resource Portfolio	E-Alt					
PG&E Scenario	ERRA/-3/3					
PCIA Scenario	ERRA/9%/9%		Roll- In 2020			
DRAFT VCEA Pro Forma						
		7/17-6/18	7/18-6/19	7/19-6/20	7/20-6/21	7/21-6/22
		2018	2019	2020	2021	2022
Accounts	-	54,099	54,267	57,861	61,479	61,889
Retail Load (MWh)	-	34,882	699,314	690,231	710,528	718,162
(Thousands of Dollars)						
Revenue (net uncollectible)	\$ -	\$ 3,311	\$ 51,253	\$ 54,047	\$ 55,144	\$ 58,673
Power Costs	\$ -	\$ 2,305	\$ 39,083	\$ 41,797	\$ 45,358	\$ 46,542
Gross Margin	\$ -	\$ 1,006	\$ 12,171	\$ 12,250	\$ 9,786	\$ 12,132
Operating Costs	\$ -	\$ 2,143	\$ 3,785	\$ 4,682	\$ 4,889	\$ 5,004
Operating Income	\$ -	\$ [1,137]	\$ 8,386	\$ 7,569	\$ 4,897	\$ 7,127
Interest Income [Expense]	\$ -	\$ (33)	\$ [155]	\$ [35]	\$ 14	\$ 81
Net Income	\$ -	\$ [1,170]	\$ 8,231	\$ 7,534	\$ 4,911	\$ 7,209
DSCR (1.25:1)			26.74	10.51	15.90	
Gross Margin		30.4%	23.7%	22.7%	17.7%	20.7%
Net Income (after principal repayments)	\$ (1,170)	\$ 7,061	\$ 7,336	\$ 4,516	\$ 6,813	
Net Margin (after principal repayments) %	-35.34%	13.78%	13.57%	8.19%	11.61%	
Net Margin		16.1%	13.9%	8.9%	12.3%	
Minimum Net Income (5% Net Margin)		\$ 2,563	\$ 2,702	\$ 2,757	\$ 2,934	

Assumptions:

PG&E Rates:

2019 – ERRA – 5.68%

2020 - -3%

2021 - + 3%

PCIA Exit Fee:

2019 – ERRA – 0%

2020 – +9%

2021 - -9%

Scenario 2: "Worst case" Forecast

Wholesale Power	NP-15 04/05/19
Rate Disc (entry on Ann Summ sht)	0.00%
Resource Portfolio	E-Alt
PG&E Scenario	ERRA/-3/0
PCIA Scenario	ERRA/18%/-9%

Roll- In 2020

		DRAFT VCEA Pro Forma				
		7/17-6/18	7/18-6/19	7/19-6/20	7/20-6/21	7/21-6/22
		2018	2019	2020	2021	2022
Accounts	-	54,099	54,267	57,861	61,479	61,889
Retail Load (MWh)	-	34,882	699,314	690,231	710,528	718,162
(Thousands of Dollars)						
Revenue (net uncollectible)	\$ -	\$ 3,311	\$ 51,253	\$ 53,261	\$ 52,464	\$ 54,767
Power Costs	\$ -	\$ 2,305	\$ 39,083	\$ 41,797	\$ 45,358	\$ 46,542
Gross Margin	\$ -	\$ 1,006	\$ 12,171	\$ 11,464	\$ 7,106	\$ 8,225
Operating Costs	\$ -	\$ 2,143	\$ 3,785	\$ 4,682	\$ 4,889	\$ 5,004
Operating Income	\$ -	\$ [1,137]	\$ 8,386	\$ 6,783	\$ 2,218	\$ 3,221
Interest Income [Expense]	\$ -	\$ (33)	\$ [155]	\$ [35]	\$ [1]	\$ 33
Net Income	\$ -	\$ [1,170]	\$ 8,231	\$ 6,747	\$ 2,216	\$ 3,254
DSCR (1.25:1)				23.97	4.76	7.18
Gross Margin		30.4%	23.7%	21.5%	13.5%	15.0%
Net Income (after principal repayments)	\$ (1,170)	\$ 7,061	\$ 6,550	\$ 1,821	\$ 2,858	
Net Margin (after principal repayments) %	-35.34%	13.78%	12.30%	3.47%	5.22%	
Net Margin		16.1%	12.7%	4.2%	5.9%	
Minimum Net Income (5% Net Margin)		\$ 2,563	\$ 2,663	\$ 2,623	\$ 2,738	

Assumptions:

PG&E Rates:

2019 – ERRA – 5.68%

2020 - -3%

2021 - 0%

PCIA Exit Fee:

2019 – ERRA

2020 – +18% (Cap)

2021 - -9%

Table 4. Sample analysis of financial impact of potential change to NEM policy of removing the additional one cent for excess solar production, using previous forecast data. The task group also considered enrolling residential accounts, then commercial which also showed minimal financial impact.

Valley Clean Energy				
	Current Forecast		Current Forecast elim \$.01	
ROLL IN 2020	2019/2020	2020/2021	2019/2020	2020/2021
Revenue	47,147	52,801	47,172	52,881
Power Costs	40,997	45,933	40,997	45,933
Gross Margin	6,150	6,868	6,175	6,948
Operating costs	4,497	4,740	4,497	4,740
Net income	1,653	2,128	1,678	2,208
Net Margin %	3.5%	4.0%	3.6%	4.2%
ROLL IN 2021				
Revenue	47,098	48,174	47,098	48,200
Power Costs	40,407	41,657	40,407	41,657
Gross Margin	6,691	6,517	6,691	6,543
Operating costs	4,438	4,554	4,438	4,554
Net income	2,253	1,963	2,253	1,989
Net Margin %	4.8%	4.1%	4.8%	4.1%
DIFFERENCE				
Revenue	49	4,627	74	4,681
Power Costs	590	4,276	590	4,276
Gross Margin	-541	351	-516	405
Operating costs	59	186	59	186
Net income	-600	165	-575	219
Forecast Assumptions:				
	Current Forecast		Current Forecast elim \$.01	
PCIA Fee	2019	17%	2019	17%
	2020	-0.5%	2020	-0.5%
	2021	-1%	2021	-1%
PG&E rates (same for all 3 scenarios)	2019	-2%	2019	-2%
	2020	0%	2020	0%
	2021	3%	2021	3%

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2019- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE ENROLLMENT OF LEGACY NET ENERGY METERING (NEM) CUSTOMERS AND REVISION TO REVISED NEM POLICY OF SEPTEMBER 13, 2018; AND, APPROVING AMENDMENT 12 TO TASK ORDER 2 (DATA MANAGEMENT AND CALL CENTER SERVICES) OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT PROFESSIONAL SERVICES AGREEMENT

WHEREAS, the Valley Clean Energy Alliance (“VCEA”) 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”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, in order to carry out its Mission, VCEA is setting Net Energy Metering (NEM) rates and associated administrative policies to encourage local generation of renewable energy.

WHEREAS, on February 8, 2018, the Board of Directors adopted via Resolution 2018-005 a NEM policy and procedures setting rates and associated administrative policies for the purpose of encouraging and incentivizing local renewable energy production.

WHEREAS, on September 13, 2018 the Board of Directors approved an updated NEM Policy (see attached as Exhibit A) and delayed enrollment of existing (“legacy”) NEM customers to start service with VCEA on their true-up date in 2019.

WHEREAS, due to a decision by the California Public Utilities Commission (CPUC) on October 11, 2018 changing the methodology for calculating the Power Charge Indifference Adjustment (PCIA), or exit fee, that Community Choice Aggregates, such as VCEA, pay to cover the stranded generation costs of the incumbent investor-owned utilities, resulting in an anticipated increase in PCIA costs, the Board of Directors on November 15, 2018 postponed enrollment of legacy NEM customers until at least January 2020 with a reassessment of enrollment date in mid-2019.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby:

1. approve the enrollment of net energy metered customers beginning January 2020;
2. approve a change to Item #10 of the September 13, 2018 adopted NEM Policy as follows: “10. Customers on time-of-use (TOU) rate schedules will receive a \$0.01/kWh credit for net excess generation ~~during any TOU period~~ on a monthly basis.”; and,
3. authorize the Interim General Manager to sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement.

ADOPTED, this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom Stallard, VCEA Chair

Alisa M. Lembke, VCEA Secretary

EXHIBIT A - Revised Net Energy Metering Policy

EXHIBIT A

Revised Net Energy Metering Policy