

**VALLEY CLEAN ENERGY ALLIANCE**

**Staff Report – Item 7**

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**TO:** VCE Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager

**SUBJECT:** Reassessment of Solar Home and Business (Net Energy Metering) Enrollment Date

**DATE:** March 28, 2019

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The purpose of this report is to transmit the Rates and Services Task Group's *draft* report on the reassessment of the Solar Home and Business (Net Energy Metering) enrollment date.

The Task Group would like your feedback.

Attachment: Rates and Services Task Group NEM Enrollment Reassessment Draft Report

***NEM Enrollment Reassessment Draft Report  
Rates and Services Task Group  
3/28/19 CAC Meeting***

Background:

There are approximately 7,000 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 these solar residential and commercial 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 benefits of PG&E's NEM policy. Second, in December 2018 solar enrollment was further delayed due to the financial impacts to VCE caused by CPUC policy changes. No date has been determined or communicated to these solar residential and commercial accounts for when they will be enrolled as VCE customers.

Key Points to Consider:

1. Financial uncertainty will continue with the PG&E bankruptcy. PG&E has recently asked for yet another delay in calculating the revised PCIA costs and PG&E rates for 2019. VCE needs to serve all of its customers regardless of the volatility and uncertainty in the business. It is inappropriate to single out one subset of customers and message that they are costly to VCE to serve. All customers are affected by the increase in PCIA, the increase in power costs and the increase in RA (resource adequacy) requirements, yet solar accounts are being singled out as causing VCE financial strain and are being asked to wait. While there are some carrying costs associated with the annual true-ups in the current NEM policy, this should not be a reason to delay their enrollment further.
2. VCE has a legal obligation to serve all the accounts in its service area. The Rates and Services Task Group has not evaluated any potential litigation or other associated risks with enrollment deferrals.
3. The current NEM postponement was a financially-based decision made in November 2018 intended to mitigate the budgetary impacts of the increase in PCIA costs, increased power costs and increased RA requirements. The operating budget provided at the March 2019 Board meeting showed improved financials for VCE. The actual/estimated budget for FY18/19 shows a Net Income of \$5,101 vs \$3,821 estimated in November 2018. VCE is building reserves in FY18/19, with the Net Margin currently estimated to be 10% (5% above the target 5%). (See Tables 1 & 2)
4. Solar customers are natural partners for VCE. They bring clean energy to the grid and to their community. Solar residential and commercial accounts in Yolo County provided an estimated 160 GWh in 2018. Installation of solar panels provides jobs to the community. Solar customer investment and decisions should be recognized and acknowledged by VCE as a major, quantifiable benefit to Yolo County and the VCE member communities that far outweigh any economic impacts related to rates. PG&E has historically undervalued the solar customer and VCE should strive to differentiate itself from PG&E and avoid following suit.

Recommendation:

The Rates and Services Task Group recommends that VCE Staff and the Board:

1. Recognize and acknowledge that: a) VCE's financial outlook has improved since the second solar enrollment deferral decision was made, and b) enrolling and collaborating with these future customers would enhance existing strategic benefits of local solar deployment to VCE and its member communities.
2. Take immediate steps to enroll the solar residential and commercial accounts in its service area.

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 (Presented to Board March 14, 2019)

**VALLEY CLEAN ENERGY  
PRELIMINARY OPERATING BUDGET  
FY 2019/2020**

	APPROVED BUDGET FY2018/2019	ACTUAL YTD JAN 31, 2019 (7 MO) + FORECAST (5 MO) FY 2018/2019	PRELIMINARY BUDGET FY 2019/2020
OPERATING REVENUE	\$ 54,314	\$ 49,526	\$ 47,260
OPERATING EXPENSES:			
Cost of Electricity	41,103	40,207	40,144
Contract Services	2,719	2,444	2,599
Staff Compensation	1,358	1,047	1,200
General, Administration and other	1,094	554	620
TOTAL OPERATING EXPENSES	46,274	44,252	44,563
TOTAL OPERATING INCOME	8,040	5,274	2,697
NONOPERATING REVENUES(EXPENSES)			
Interest income	89	25	54
Interest expense	(590)	(194)	(175)
TOTAL NONOPERATING REVENUE (EXPENSES)	(501)	(169)	(121)
NET MARGIN	\$ 7,539	\$ 5,105	\$ 2,576
NET MARGIN %	13.88%	10.31%	5.45%