VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO:	Community Advisory Committee
FROM:	Alisa Lembke, Board Clerk – Administrative Analyst
SUBJECT:	Dividend Program
DATE:	April 25, 2019

This memorandum transmits the Rates and Services Task Group's *final* recommendation to the Community Advisory Committee (CAC) on the Dividend Program.

RECOMMENDATION TO CAC MEMBERS FROM TASK GROUP

That the CAC is in support of adopting the Dividend Program with the addition that dividends should not be paid out until legacy NEM accounts (accounts with solar installations prior to June 2018) in the VCE service area have been enrolled or are in the process of being enrolled.

BACKGROUND

In January 2019, staff recommended that the Community Advisory Committee (CAC) create a task group to collaborate with staff to develop a new rate structure and dividend program for VCE's 2020 fiscal year. The CAC created a Rates and Services Task Group and have collaborated with staff in developing a draft New Rate Structure / Dividend Program.

A preliminary draft New Rate Structure / Dividend Program was provided to the CAC at your February 28, 2019 meeting. The Committee's comments and suggestions were incorporated into draft Dividend Program Guidelines, then presented to the Board of Directors at their March 14, 2019 meeting for their comments. Those comments were then communicated to the Rates and Services Task Group for consideration.

The Rates and Services Task Group presented their draft recommendation to the Committee for comments and suggestions at your March 28, 2019 meeting. The attached is the Rates and Services Task Group's report with a recommendation that the Committee support the adoption of the Dividend Program with one addition.

Attachment: Rates and Services Task Group report and recommendation on Rate Structure / Dividend Program

New Rate Structure/Dividend Program Recommendation
Rates and Services Task Group
4/25/19 CAC Meeting

Background:
At the February 28, 2019 CAC Meeting, VCE Staff presented an overview of a proposed dividend program which would offer bill credits to VCE customers if certain financial thresholds are met. This program would be in lieu of any discounts to PG&E's rates. Staff presented a similar overview to the VCE Board on March 14, 2019. The Rates and Services Task Group met with Staff and assisted in the development of the Guidelines for the Dividend program (attached).

Recommendation:
The Rates and Services Task Group is in support of the Dividend Guidelines presented by VCE Staff with one addition – the task group recommends that dividends should not be paid out until legacy NEM accounts (accounts with solar installations prior to June 2018) in the VCE service area have been enrolled or are in the process of being enrolled. The enrollment of legacy NEM accounts was delayed in November 2018 due to financial constraints caused by the expected increase in 2019 PCIA costs and increased resource adequacy (RA) requirements. The task group feels that it would be inappropriate to pay dividends to current customers, which is a sign of financial strength, when legacy NEM customers have been told they cannot be enrolled due to financial constraints. Further, the task group recommendation supports VCE's mission to provide "cost-competitive clean energy" for all.

Valley Clean Energy Alliance

Dividend Program Guidelines

- Match PG&E electric generation rates less PCIA exit fee
- Require a minimum 5% net margin (less principal debt payments) before any dividends are paid to VCE customers
- Annually based on the audited financial statements:
  - Calculate the Net margin less principal debt payments
  - If Net margin < 5% - no customer dividends and Board determine allocation of net margin to Cash reserves and & Local Program reserves
  - If Net margin > 5% - Board determine allocation of any surplus (over 5%) to Cash reserves, Local Program reserves and Customer Dividends
- Guidelines of Allocation of Net Margin
  - Net Margin <= 5%
    - Up to 95% to Cash Reserves (Until 90-days of cash reserves met)
    - At least 5% to Local Program Reserves
  - Net Margin > 5%
    - Follow guidelines for Net Margin up to 5%
    - Net margin in excess of 5%:
      - At least 50% to Cash Reserves (Until 90-days cash reserves met)
      - Remaining excess split 50%/50% between Cash Dividends and Local Programs Reserve
- Board approves allocation of Net Margin on or around the September Board meeting
- Any surplus allocation to customer dividends will appear as bill credits or the customer may have the option to apply their dividend to the Local Program Reserve. Customer dividends will appear as bill credits as follows:
  - Residential customers – annually in October bill
  - Non-residential customers – bi-annually in October and April bills