



Valley Clean Energy Board Meeting

March 22, 2018

Woodland City Council Chambers

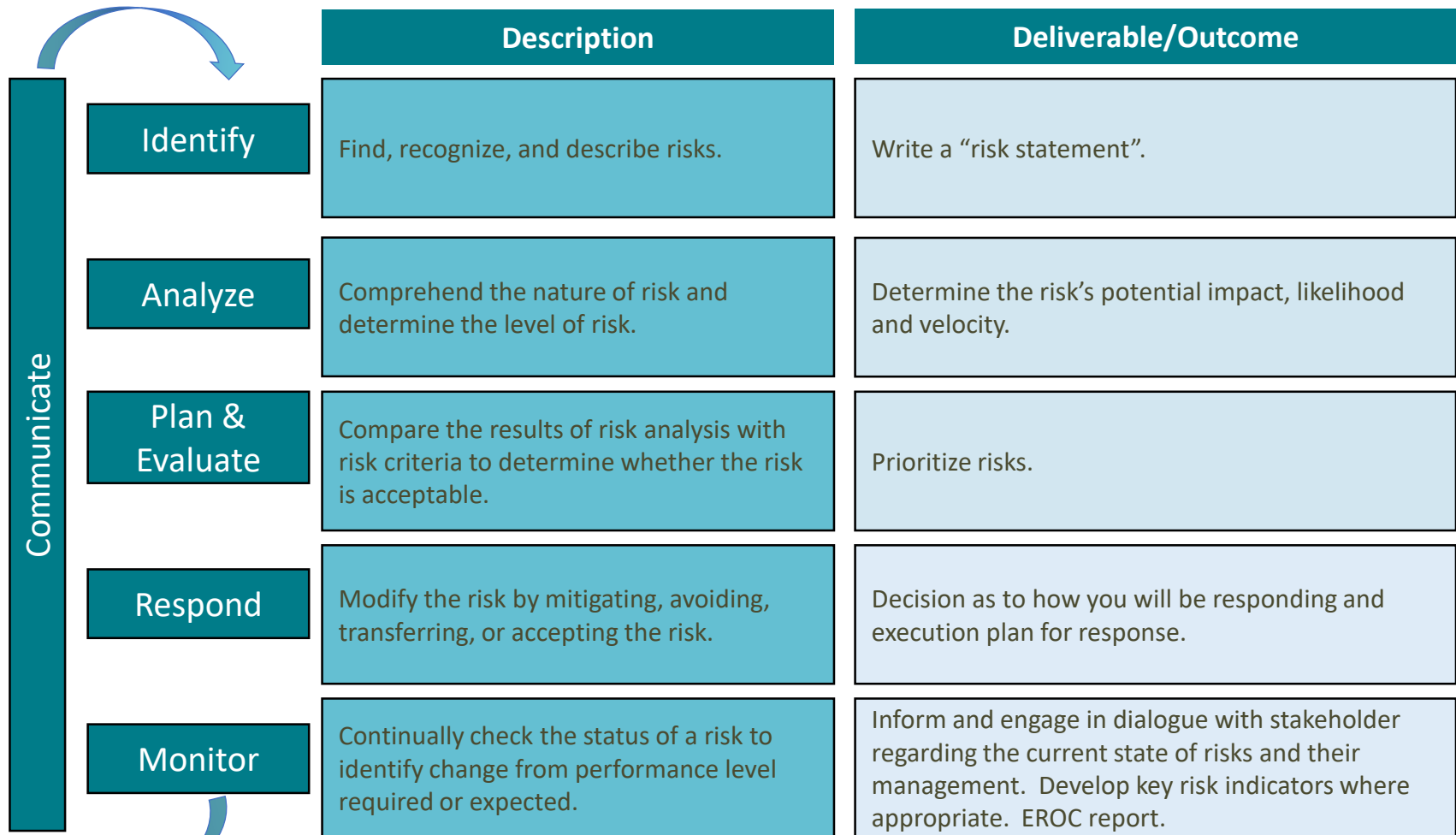
Consent Agenda

- **Minutes – February 8, 2018**
- **Regulatory/Legislative Update**
- **Typographical Correction in 2018 and 2019 Power Procurement Delegation**
- **Regulatory Legal Services**
- **Long Range Calendar**

Item 9 - Enterprise Risk Management Policy

Request – Adopt resolution approving Enterprise Risk Management Policy






Enterprise Risk Management Policy - Risk Management Process



Enterprise Risk Management Policy – Identify

- Your Implementation Plan is a good starting point in identifying risks:
 - What are we trying to accomplish?
 - What's got to go right?
 - What are we assuming could or will go wrong?
- Survey/Interview with Executives and Directors
- Survey staff
- Benchmark to other entities
- Include risk discussion in all meetings on strategic initiatives

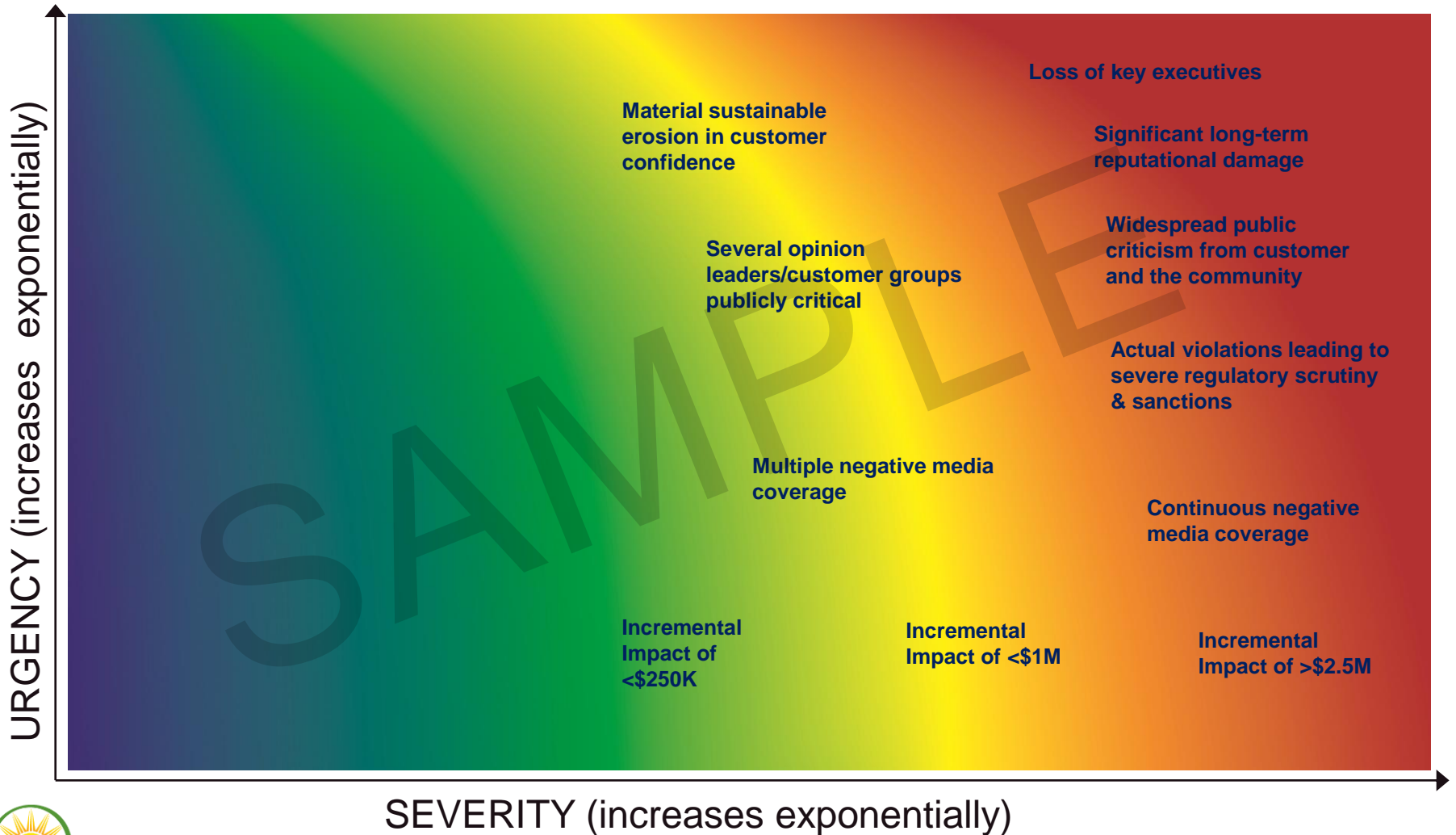
Enterprise Risk Management Policy – Identify, Sample Risk Portfolio

Risk	Description	Response/Mitigation	Residual Risk
Opt-out risk	Risk of higher than expected opt-out level.	2% discount, marketing campaign, contacting large customers, following up with large customers who choose to opt out, community engagement.	
Commodity risk	Risk of higher commodity prices combined with load forecast variance.	Hedges, day-ahead scheduling.	
Regulatory risk	Risk of additional regulatory requirements increasing complexity and cost of operations.	Active in CalCCA. Monitoring regulatory proceedings. Legislative advocacy.	
PCIA risk	Risk of PCIA increasing in the face of stable PG&E rates.	Build financial reserves to be able to withstand negative PCIA impact.	
Energy contracting risk	Risk of power providers not performing to contract.	Working with established, well capitalized counterparties. Using proven technologies.	

Enterprise Risk Management Policy - Analyze



Enterprise Risk Management Policy – Analyze cont'd, Heat Map Example



Enterprise Risk Management Policy – Plan & Evaluate

Impact		Likelihood		Velocity	
What is the impact?		How likely will it occur?		How quickly will it happen?	
Minor	Moderate	Major	Critical		
Slight change in customer metrics and surveys. Limited public criticism from a few media platforms.	Modest decline in customer metrics and surveys. VCE is subject to criticism from several opinion leaders/customers, media sources and the Board.	Significant deterioration in customer metrics and surveys. Negative media reaches headlines of several publications. Significant erosion of trust from the Board.	Major deterioration in customer metrics and surveys. Irreparable negative media coverage and damage to VCE's reputation and credibility with the media and the Board.		
Critical	>\$2.5M impact to annual net income	Violations resulting in loss of data or license qualifications >\$250K	Cessation of business services for foreseeable future. Possible loss of life.	Failure to meet VCE goals and objectives.	surveys. Irreparable negative media coverage and damage to VCE's reputation and credibility with the media and the Board.



Enterprise Risk Management Policy – Respond, Example Response Plan

Risk Event	Response	Plan	Trigger/Control	Owner
High opt-out rates	Reduce	Identify root cause, adjust marketing	Opt-out reports and survey responses	Director Customer and Marketing
Load forecast variance	Reduce	Update forecast methodology, trade in day-ahead and forward markets	Power budget variance reports	AGM Power Services and Programs

Enterprise Risk Management Policy – Monitor

How do we know if a risk is increasing, decreasing, or remaining the same?

- Subjective view based on dollars spent
 - Gut check
- Data-driven analysis to support conclusion
 - Use metrics to measure

Item 10 - UltraGreen Rate

Request – Adopt resolution approving recommended UltraGreen rate structure

UltraGreen - Recommendation

Recommendation:

- \$0.015/kWh
 - Per kWh cost reflects REC costs
 - Competitive with PG&E on a total cost basis
 - Price level designed to fund new renewable projects
 - Flat rate would be expensive for NEM customers
 - Flat rate reduces certainty of covering expenses and transfers costs between customers, especially NEM customers
- Procure with overall renewable portfolio
 - Simplifies procurement
 - Provides balanced mix of 52% PCC1 and 48% PCC2
- Green-e certification
 - Assures customer power portfolio meets green standards
 - Ensures best practices for marketing and program administration
 - Approximately \$17,000/year
- Charge NEM usage, but do not credit NEM production
 - VCEA needs to green entire NEM load, as RECs are not typically provided to VCEA
 - Intent of program is to increase renewables adoption

Net Impact:

- Expected enrollment of 3-5%, based on marketing efforts
- Customers receive 100% renewable power
- VCEA builds reserves of approximately \$50k-100k/yr. to fund new renewable projects that will be added to the UltraGreen portfolio.

UltraGreen - Comparison to Other Products

Entity	Premium Residential	Premium Commercial	Name	Green-e?	Technology
Marin Clean Energy	\$0.010	\$0.010	Deep Green	Yes	75% Wind, 25% Solar
Sonoma Clean Power	\$0.025	\$0.025	EverGreen	No	100% Geothermal
CleanPowerSF	\$0.020	\$0.014	SuperGreen	Yes	100% Wind
Peninsula Clean Energy	\$0.010	\$0.010	ECO100	Yes	100% Wind
Silicon Valley Clean Energy	\$0.008	\$0.008	GreenPrime	Yes	100% Wind
Redwood Coast Energy Authority	\$0.010	\$0.010	REpower+	No	100% Renewable
City of Lancaster	\$10.00/mo	\$0.015	SMARTChoice	Yes	100% Wind
Apple Valley Choice Energy	\$2.00/mo	\$0.002	MoreChoice	No	50% Renewable
Pico Rivera Innovative Municipal Energy	\$11.00/mo	\$0.010	Prime Future	No	100% Renewable
East Bay Community Energy	1.5% of PG&E Gen	1.5% of PG&E Gen	Brilliant 100	No	40% Renew., 100% Clean
Valley Clean Energy	\$0.015	\$0.015	UltraGreen	Yes	100% Renewable
PG&E	\$0.026	\$0.0149 - \$0.0334	Solar Choice	Yes	100% Solar

UltraGreen - Alternative

Alternative:

- \$0.015/kWh
- Change - Procure 100% PCC2
- Green-e certification
- Charged to usage from NEM, but not credited for production

Net Impact:

- VCEA builds reserves of approximately \$200k-300k/yr., allowing for more rapid adoption of new local renewable power sources.

UltraGreen - Next Steps

- Development of marketing and communication materials

Item 11 - VCEA Initial Rates

Request – Adopt resolution approving VCE rates, power mix, and operational budget

VCEA Initial Rates – Power Costs

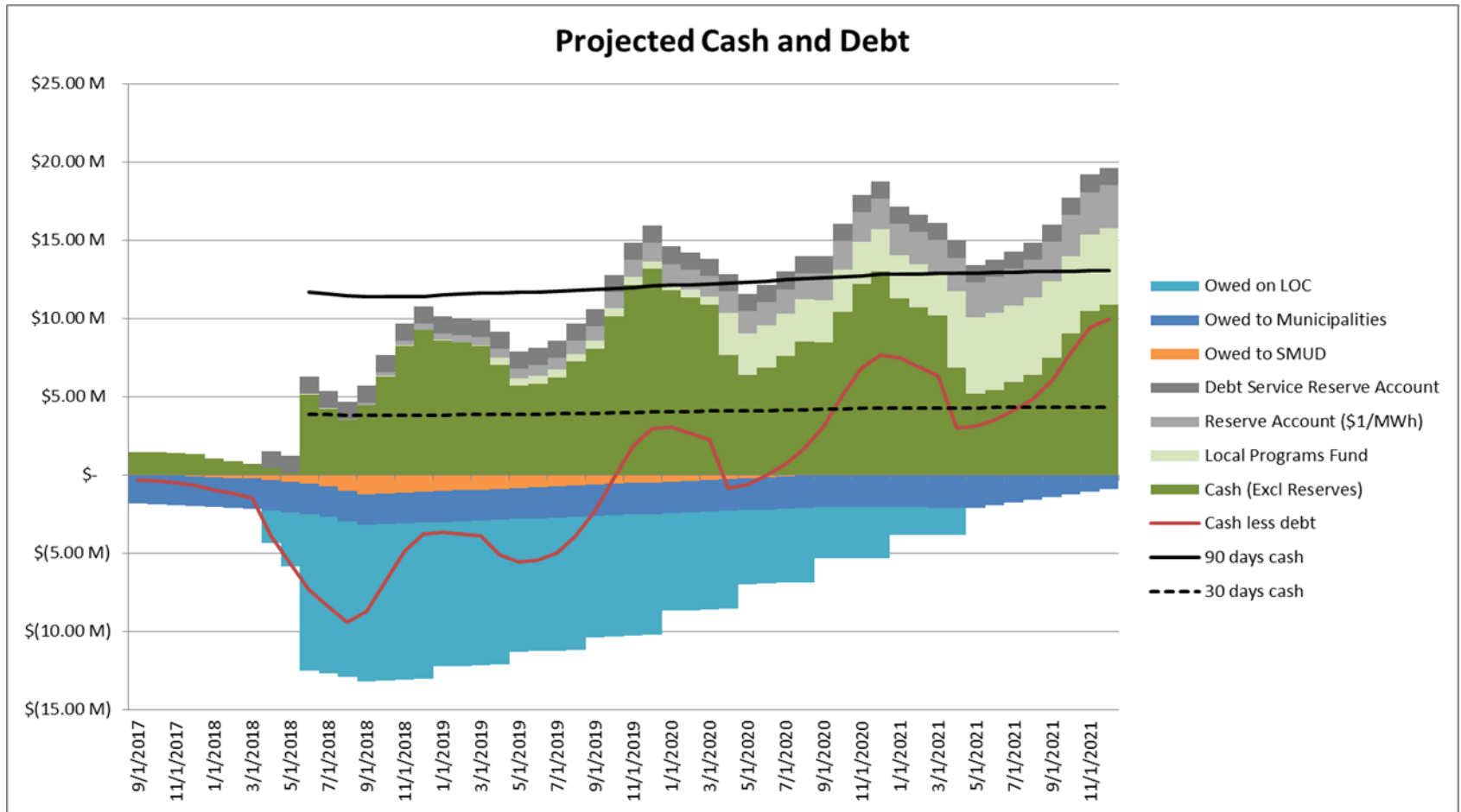
2018 Power Supply Cost	Target Budget	Current Budget	Net Savings (Costs)
Market Energy	\$ 18,452,415	\$ 18,955,290	\$ (502,875)
CAISO Variable Fees	\$ 74,915	\$ 73,662	\$ 1,253
REC Costs	\$ 2,120,484	\$ 2,187,325	\$ (66,841)
Resource Adequacy Cost	\$ 4,902,369	\$ 4,782,719	\$ 119,651
CAISO GMC Cost	\$ 188,622	\$ 185,584	\$ 3,038
Market Services Charge	\$ 39,986	\$ 39,317	\$ 669
System Operations Charge	\$ 141,637	\$ 139,267	\$ 2,369
SCID Fee	\$ 7,000	\$ 7,000	\$ -
Carbon Free Premium	\$ 715,004	\$ 341,838	\$ 373,166
Total Power Cost	\$ 26,453,811	\$ 26,526,418	\$ (72,607)

Highlighted Products Have Been Procured

VCEA Initial Rates – Ops Budget

	3/31/2018	4/30/2018	5/31/2018	6/30/2018
Operating Expenses	\$ 338,353	\$ 476,844	\$ 366,844	\$ 436,523
Labor	\$ 61,157	\$ 61,157	\$ 61,157	\$ 61,157
Contract Labor	\$ 58,333	\$ 58,333	\$ 58,333	\$ 58,333
Non-Labor	\$ 188,103	\$ 314,004	\$ 214,004	\$ 277,349
PG&E Data Fees	\$ -	\$ -	\$ -	\$ 32,261
Office Space	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Technology	\$ 6,000	\$ 1,000	\$ 1,000	\$ 1,000
Contracts	\$ 78,825	\$ 143,726	\$ 143,726	\$ 174,310
Launch Support	\$ 94,678	\$ 159,678	\$ 59,678	\$ 59,678
Supplies	\$ 100	\$ 100	\$ 100	\$ 100
Marketing Collateral	\$ -	\$ -	\$ -	\$ -
Community Engagement Activities & Sponsorships	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
Customer Credits and Adjustments	\$ -	\$ -	\$ -	\$ 500
Travel (Excl Key Account)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Travel (Key Account 50mi/day)	\$ 500	\$ 500	\$ 500	\$ 500
CalCCA Dues	\$ -	\$ -	\$ -	\$ -
Memberships	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Contingency	\$ 30,759	\$ 43,349	\$ 33,349	\$ 39,684

VCEA Initial Rates – Financials



Rate Discount	2.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0

VCEA Initial Rates – Financials

	2017	2018	2019	2020	2021
Accounts	-	64,521	65,239	65,966	66,702
Retail Load (MWh)	-	439,008	757,840	760,165	762,817
(Thousands of Dollars)					
Revenue (net uncollectible)	\$ -	\$ 33,758	\$ 54,672	\$ 56,591	\$ 56,871
Power Costs	\$ -	\$ 26,247	\$ 40,559	\$ 43,357	\$ 46,135
Gross Margin	\$ -	\$ 7,510	\$ 14,113	\$ 13,234	\$ 10,736
Operating Costs	\$ 527	\$ 4,687	\$ 5,038	\$ 5,066	\$ 5,162
Operating Income	\$ [527]	\$ 2,823	\$ 9,076	\$ 8,168	\$ 5,574
Interest Income [Expense]	\$ [10]	\$ [341]	\$ [470]	\$ [211]	\$ 68
Net Income	\$ [538]	\$ 2,482	\$ 8,606	\$ 7,957	\$ 5,642
DSCR		1.26	5.21	11.19	#N/A
Gross Margin		22.2%	25.8%	23.4%	18.9%
Net Margin		7.4%	15.7%	14.1%	9.9%

VCEA Initial Rates – Recommendation

Recommendation:

- Adopt rates which are set at a 2% target discount from PG&E's generation rates placed into effect March 1, 2018, net of PCIA and Franchise Fees
- Delegate authority to the Interim General Manager to approve any new rates that appear mid-year at an amount 2% below PG&E's rate
- Adopt the target power mix of 42% renewable, 75% clean

Integrated Resource Plan – Agenda Item 12

Informational topic – Introduction to IRP

Integrated Resource Planning (IRP) Key Dates

- February 8 – CPUC IRP Decision
- June 1 – CCA go-live
- July – VCEA Board Approves IRP
- August 1 – VCEA Submits IRP to CPUC

VCEA Consultations with Board and Public Need to fit into the timeline



Key Issues for VCEA

- **Long term Vision/Mission/Objectives and Action Plan with respect to**
 - Resource mix
 - Local sources
 - Battery storage
 - Demand-side programs (EV, EE DR, etc)
 - Costs / Rates
 - GHG targets
- **Regulatory Compliance**
- **Approval and public stakeholder review process**
- **Retaining operational and strategic flexibility**

CPUC-Required IRP Features

(Based on CPUC Decision and IRP Template)

- Covers 2018-2030
- Must include at least one conforming portfolio based on 2017 IEPR Mid Demand Case
- 1-3 year action plan
- Report on GHG emissions of portfolio
- Methodology explanation
- Demonstrate compliance with PUC 454.52(a)(1), i.e. GHG, RPS, Just and reasonable rates, minimize ratepayer bills, reliability, diversity and sustainability, local pollution, distribution systems



VALLEY
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Leverage data available from CPUC on load, CAISO Prices and New Resource Costs

Proposed IRP Milestones

- April – CAC meeting to review and discuss resource options and preferences
- End of May – Draft IRP Report
- June Board Meeting – discussion and feedback on draft IRP
- July – Board Approves IRP
- August 1 – VCEA Submits IRP to CPUC

Proposed Scope for CAC Session in April

- **CAC to provide general direction on :**
 - VCEA energy supply sources
 - Long term vision for resources, load and programs
 - 1-3 year action plan
 - Provide feedback on proposed CPUC-compliant portfolio
- **SMUD to present overview of key considerations in the IRP:**
 - Potential PG&E rate trends based on history (sets benchmark)
 - CPUC-modeled cost of electricity
 - Projected cost of alternative technologies, in particular solar and storage
 - Load forecast and procurement needs in the 2018-2030 period – using both CPUC IEPR forecast and VCEA/SMUD forecast
 - Present one or more potential supply portfolios that comply with CPUC mandates
- Based on outcome SMUD to prepare a draft IRP report

Based on CAC Session Outcome, SMUD will prepare draft IRP

Item 13 – Community Advisory Committee Report

VCEA Community Advisory Committee Report February 8, 2018

1. Advise the VCEA Board of Directors on VCEA's general policy and operational objectives, including portfolio mix and objectives, as well as technical, market, program and policy areas;
2. Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities;
3. Provide a public forum to inform, advise and consult through community discussions on energy related issues and a wide variety of strategies to reduce carbon emissions;
4. Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues.

Launch Phase Task Groups:

1. Energy. Braun, Flynn, Kristov, Springer
2. Outreach. Task Group: Aulman (Chair), Baird, Hunter
3. Public Forum. Task Group: TBD
4. Legislative and Regulatory – 2018 legislative session: Hunter (Chair), Flynn, Kristov, Shewmaker.

March 12, 2018 VCEA CAC Meeting Report

- **Board/Staff/CAC Check-in**
 - Launch/Operations Transition
 - Revisit
 - Focus
 - Charge
 - Member Terms
- **CAC Support of IRP Development**
 - Workshop
 - Possible Liaison Goals:
 - Dovetail with City/County CAAPs
 - Technical support of City/County Engagement with PG&E

Item 14 – General Managers Report

- Staffing Recruitment
- Carrying out Energy Procurement with SMUD
- CalCCA Board – Elected Officials Engagement
- River City Bank 2018 Business Outlook

Item 16 – Board Member and Staff Announcements

- April Board Meeting



Valley Clean Energy Board Meeting

March 22, 2018

Davis Community Chambers

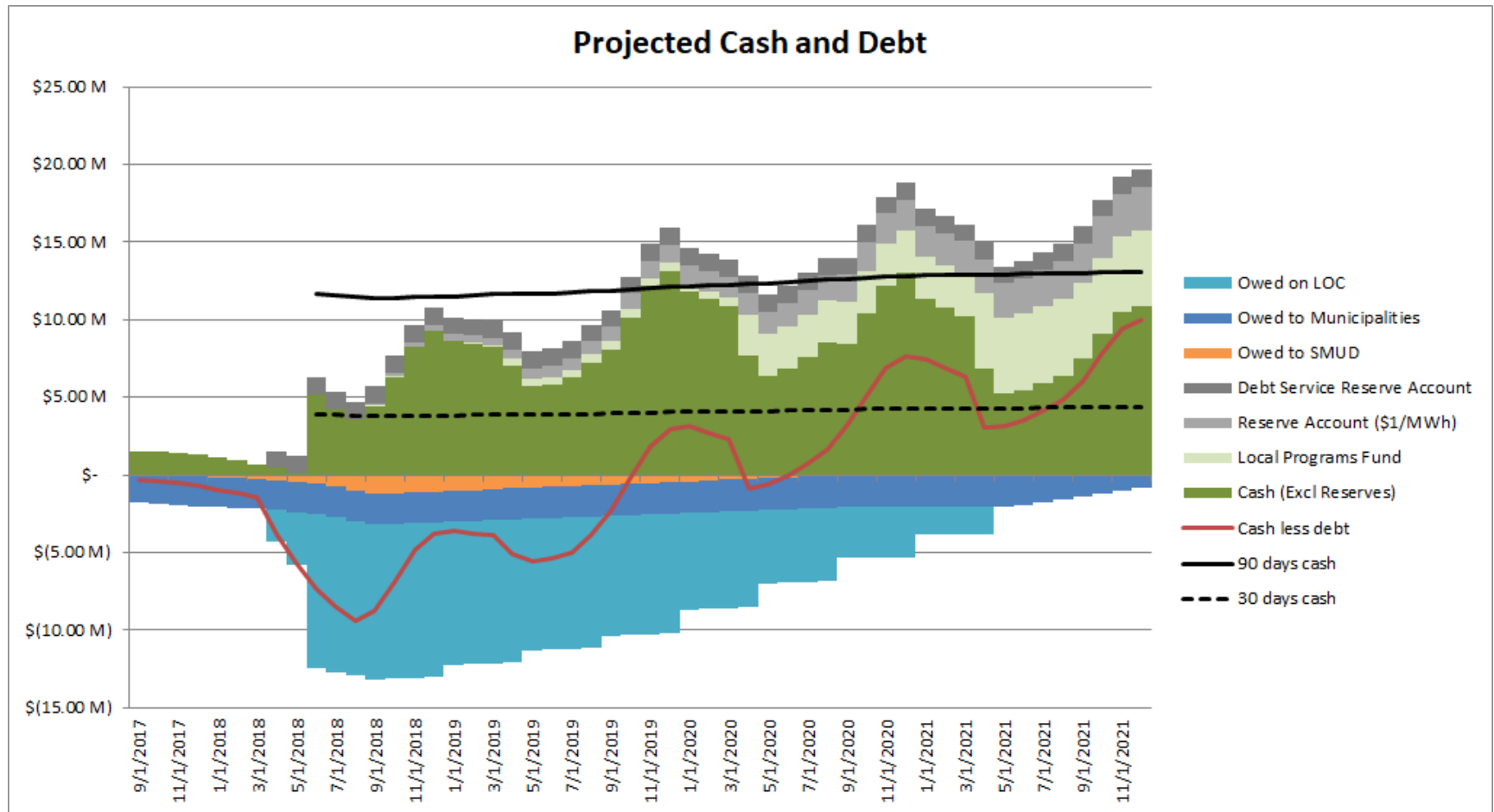
Reference Slides

VCEA – 2% target discount vs. 3% target discount

Considerations:

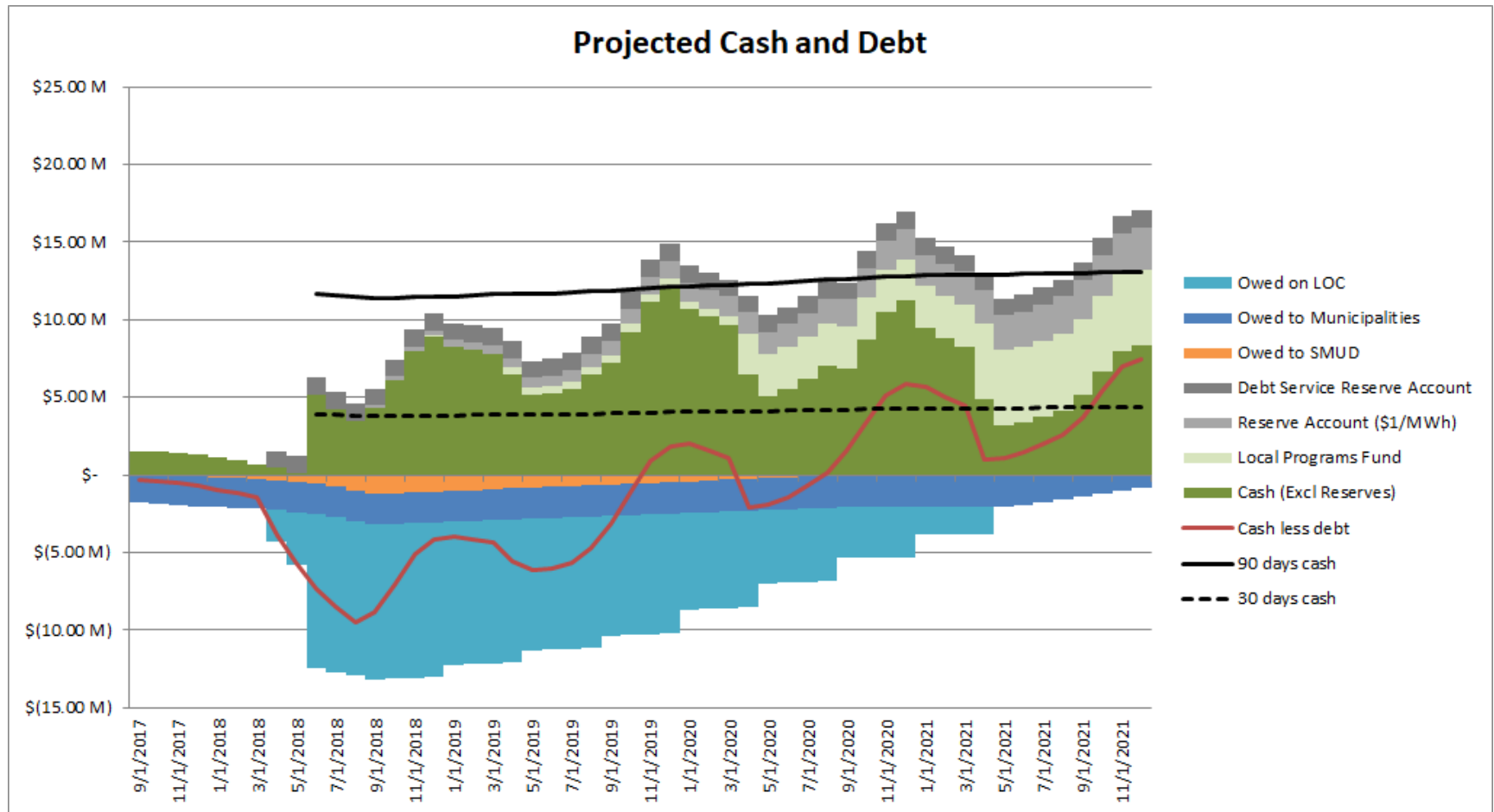
- No guarantee PG&E will have similar rate increase next year
- PCIA may continue to increase
- Difficult to reduce rate discount if financially squeezed later
- Resulting Reduction of Net Income leads to:
 - Bank debt taking longer to repay
 - Delay and extension of repayment of Municipalities debt
 - More difficult getting to 90 day cash reserve on hand
 - May have to dip into Local Programs fund to manage 30 day cash balance
 - May impact availability of fund for longer term VCEA goals

VCEA Initial Rates – 2% Discount From PG&E Generation rates



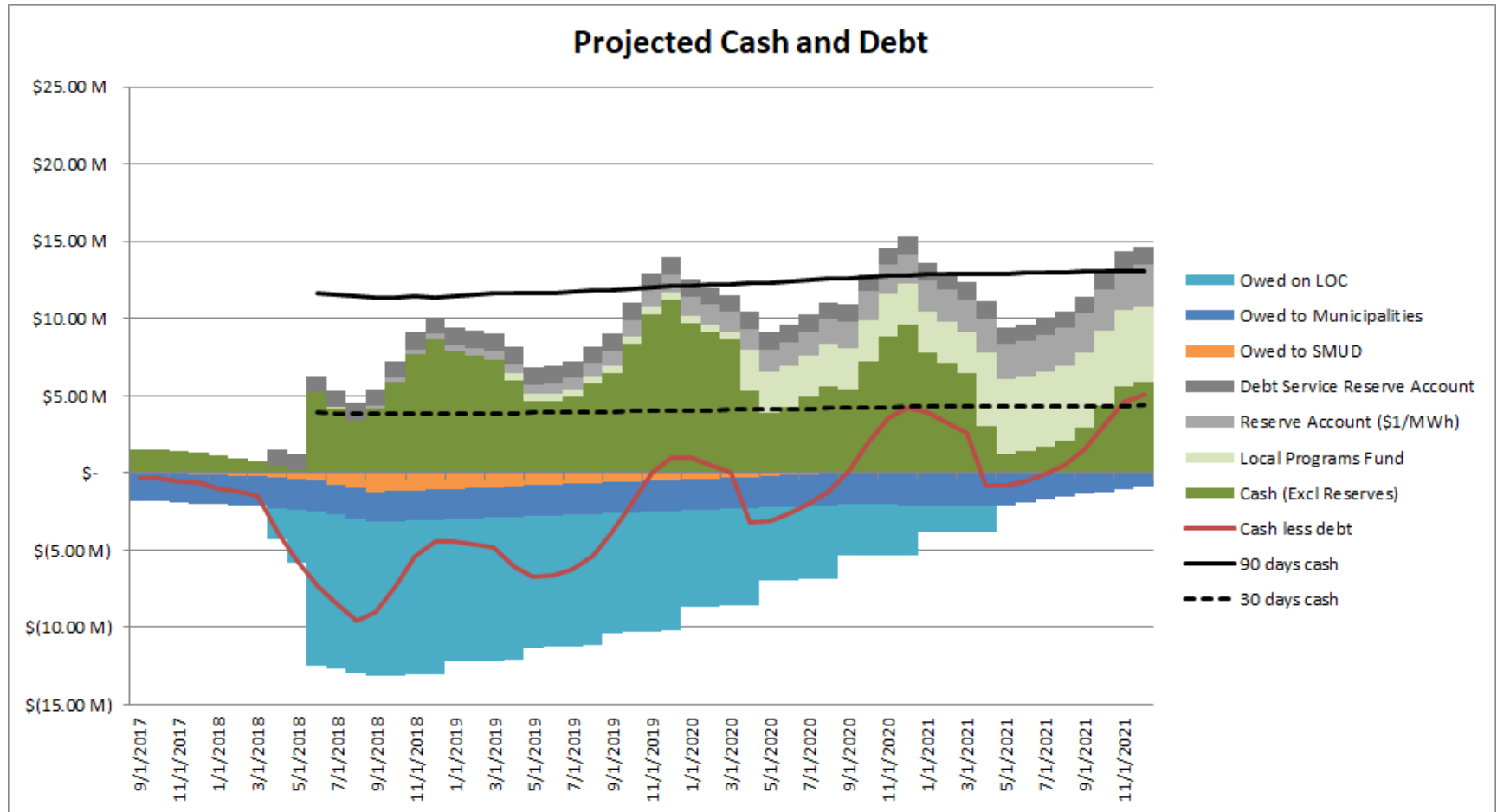
Rate Discount	2.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0

VCEA Initial Rates – 3% Discount From PG&E Generation rates



Rate Discount	3.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0

VCEA Initial Rates – 4% Discount From PG&E Generation rates



Rate Discount	4.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0

VCEA Financials @2% Discount

	2017	2018	2019	2020	2021
Accounts	-	64,521	65,239	65,966	66,702
Retail Load (MWh)	-	439,008	757,840	760,165	762,817
(Thousands of Dollars)					
Revenue (net uncollectible)	\$ -	\$ 33,758	\$ 54,672	\$ 56,591	\$ 56,871
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Operating Costs	\$ 527	\$ 4,687	\$ 5,038	\$ 5,066	\$ 5,162
Operating Income	\$ [527]	\$ 2,823	\$ 9,076	\$ 8,168	\$ 5,574
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Net Income	\$ [538]	\$ 2,482	\$ 8,606	\$ 7,957	\$ 5,642
DSCR		1.26	5.21	11.19	#N/A
Gross Margin		22.2%	25.8%	23.4%	18.9%
Net Margin		7.4%	15.7%	14.1%	9.9%



Rate Discount	2.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0

VCEA Financials @3% Discount

	2017	2018	2019	2020	2021
Accounts	-	64,521	65,239	65,966	66,702
Retail Load (MWh)	-	439,008	757,840	760,165	762,817
(Thousands of Dollars)					
Revenue (net uncollectible)	\$ -	\$ 33,329	\$ 53,940	\$ 55,849	\$ 56,120
Power Costs	\$ -	\$ 26,247	\$ 40,559	\$ 43,357	\$ 46,135
Gross Margin	\$ -	\$ 7,081	\$ 13,381	\$ 12,492	\$ 9,984
Operating Costs	\$ 527	\$ 4,687	\$ 5,038	\$ 5,066	\$ 5,162
Operating Income	\$ [527]	\$ 2,394	\$ 8,343	\$ 7,426	\$ 4,822
Interest Income [Expense]	\$ [10]	\$ [341]	\$ [477]	\$ [225]	\$ 46
Net Income	\$ [538]	\$ 2,053	\$ 7,867	\$ 7,201	\$ 4,869
DSCR		1.07	4.79	10.17	#N/A
Gross Margin		21.2%	24.8%	22.4%	17.8%
Net Margin		6.2%	14.6%	12.9%	8.7%



Rate Discount	3.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0

VCEA Financials @4% Discount

	2017	2018	2019	2020	2021
Accounts	-	64,521	65,239	65,966	66,702
Retail Load (MWh)	-	439,008	757,840	760,165	762,817
(Thousands of Dollars)					
Revenue (net uncollectible)	\$ -	\$ 32,900	\$ 53,207	\$ 55,106	\$ 55,368
Power Costs	\$ -	\$ 26,247	\$ 40,559	\$ 43,357	\$ 46,135
Gross Margin	\$ -	\$ 6,652	\$ 12,649	\$ 11,750	\$ 9,233
Operating Costs	\$ 527	\$ 4,687	\$ 5,038	\$ 5,066	\$ 5,162
Operating Income	\$ [527]	\$ 1,965	\$ 7,611	\$ 6,684	\$ 4,071
Interest Income [Expense]	\$ [10]	\$ [342]	\$ [483]	\$ [239]	\$ 25
Net Income	\$ [538]	\$ 1,623	\$ 7,128	\$ 6,445	\$ 4,096
DSCR		0.87	4.37	9.16	#N/A
Gross Margin		20.2%	23.8%	21.3%	16.7%
Net Margin		4.9%	13.4%	11.7%	7.4%

Rate Discount	4.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0