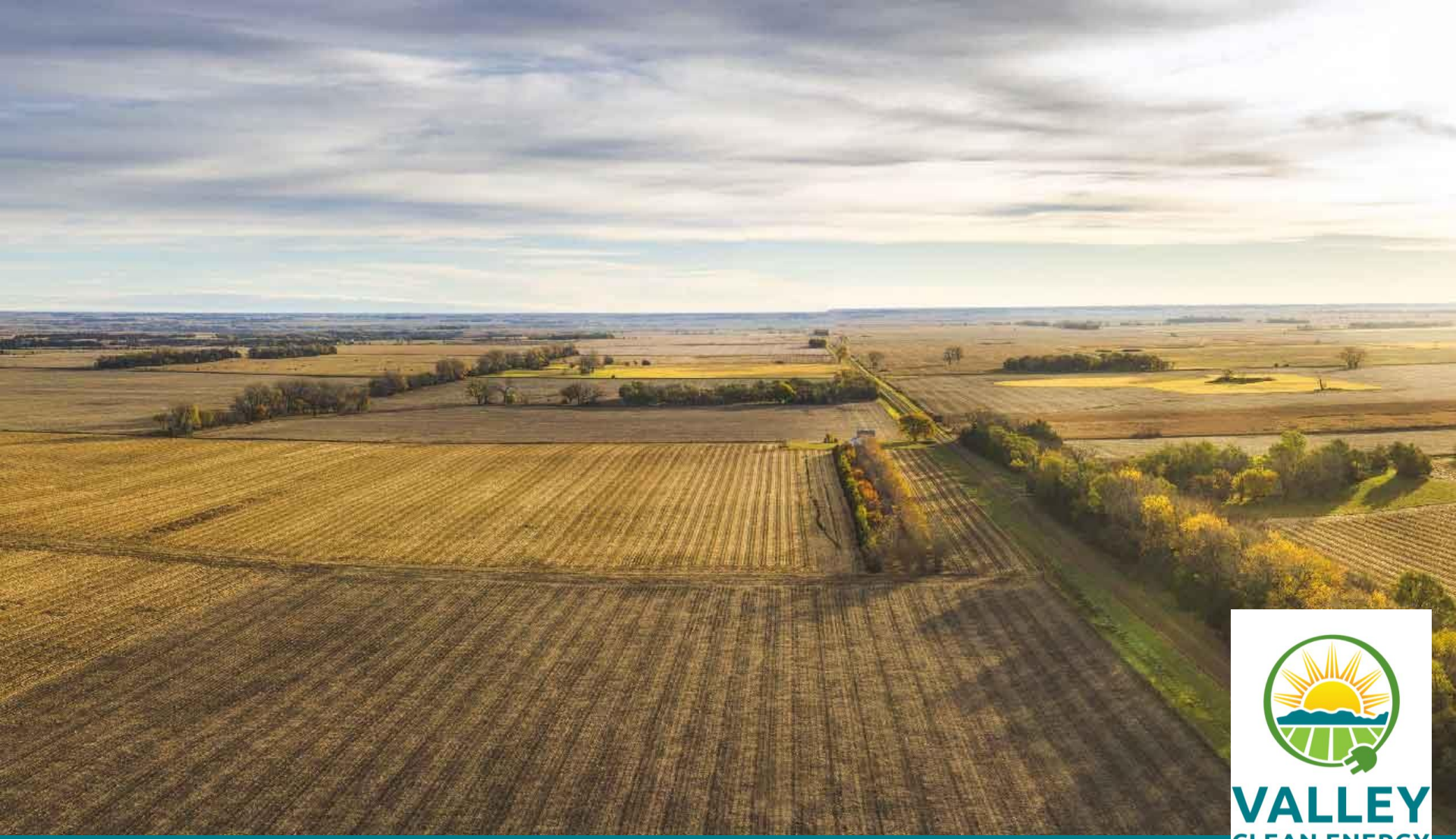

Valley Clean Energy Board Meeting
Item 11B –Implementation Plan Addendum 1

December 12, 2019, City of Davis Community Chambers

Implementation Plan Addendum 1 - Background

Background

- Prior to the addition of new communities to an existing CCA, CPUC rules require the filing of an Implementation Plan update by the enrolling CCA.
- Recently updated CPUC rules now require Implementation Plans (and updates) to be filed prior to the end of a calendar year (by December 31, 20XX) for communities wanting to form or join a CCA at the start of the 2nd calendar year out (January 1, 20XX+2).
- Pending the anticipated enrollment of Winters customers into VCE service, staff has prepared Implementation Plan Addendum 1.

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Implementation Plan Addendum 1 - Enrollment Details

Enrollment Details

- Customer Additions

	Phase 1		Phase 2
Customer Accounts	**2018 (a)**	**2020 (b)**	**2021**
Residential	47,213	6,331	2,561
Small Commercial	4,509	253	247
Medium Commercial	422	16	33
Large Commercial	219	10	13
Industrial	4	1	-
Agriculture	1,815	169	13
Street Lighting	625	4	30
	54,807	**6,784**	**2,899**

- Load Addition – 3.4% energy, 3.6% peak

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Implementation Plan Addendum 1

Questions?

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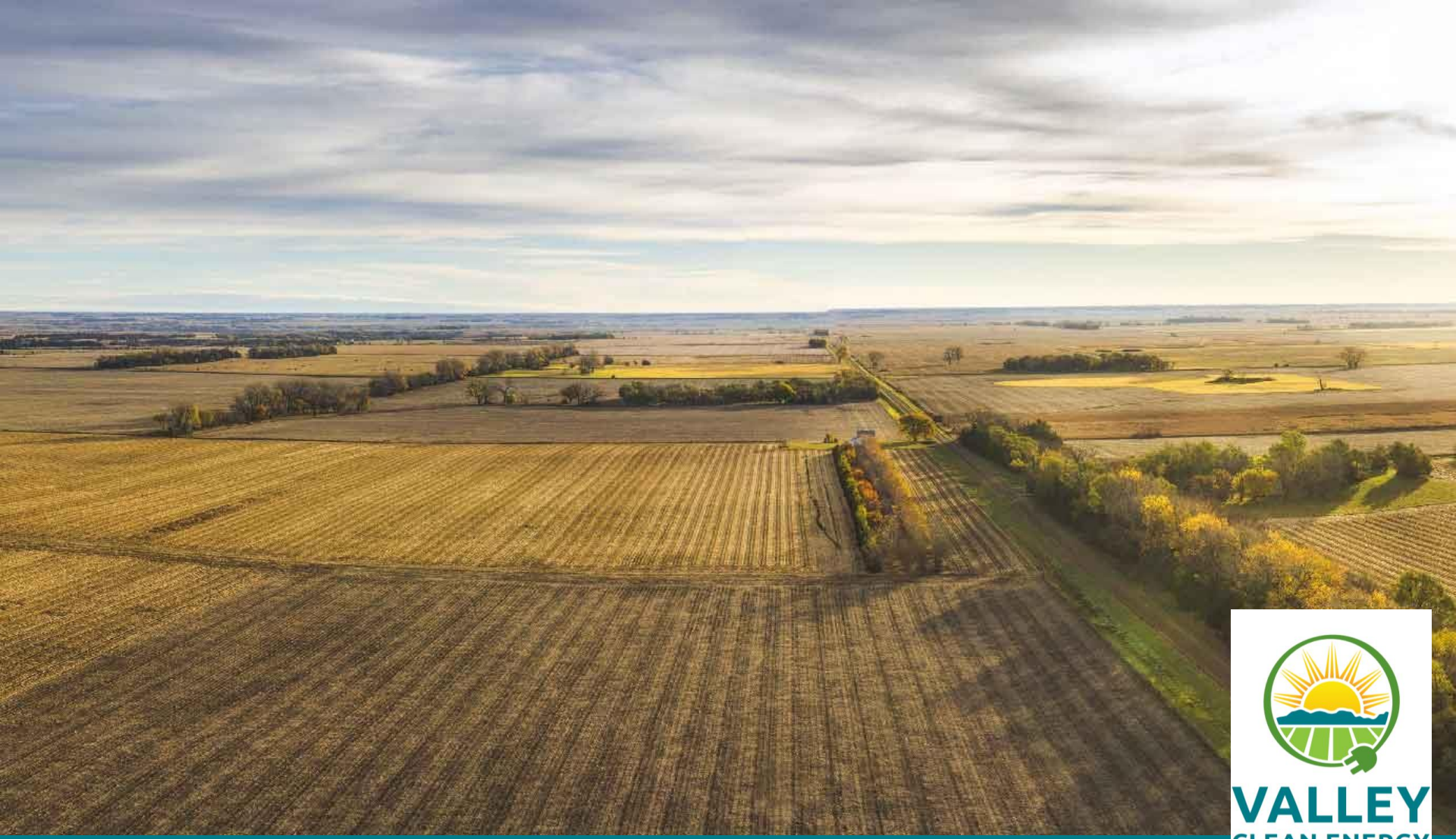

Item 12 – VCE Procurement Plan

VCE Board Meeting December 12, 2019

Item 12 - 2020 Procurement Plan

2020 Procurement Plan

- Apply primarily to 2021 short term procurements
- Establishes the key power procurement delegations to SMUD and VCE staff for 2020 procurement activities
- Approves continuing renewable and clean power minimum targets of 42% and 33%, respectively, into 2020.
- Approves 2021 minimum clean renewable target of 42% anticipated to be supplied from long-term contracts, and approves continuing 33% clean large hydro target.

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Item 12 - 2020 Procurement Plan

2020 Procurement Directives/Delegations

- Table 6 is the comprehensive list of procurement directives, giving delegation to SMUD and staff for the listed power products and strategies.

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Item 12 - 2020 Procurement Plan

Minimum Portfolio Targets

- Staff is recommending maintaining the minimum portfolio target levels for renewables of 42% and 33%, respectively, for both 2020 and 2021.
- CAC motion in support of staff's recommendation added a clarification:
  - The CAC further voted to recommend that 42% is the absolute minimum renewable portfolio percentage and encouraged that renewable purchases be made to increase that percentage above 42%, where fiscally appropriate. This is to maintain our renewable percentage above our competitor and meet our goal of cost competitive clean energy and establish us as a leader in the fight against climate change.

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Item 12 - 2020 Procurement Plan

2018 POWER CONTENT LABEL
Valley Clean Energy
valleycleanenergy.org/power-sources/

ENERGY RESOURCES	Standard Green	Ultra Green	2018 CA Power Mix**
Eligible Renewable	48%	100%	31%
Biomass & Biowaste	0%	0%	2%
Geothermal	0%	0%	5%
Eligible Hydroelectric	0%	56%	2%
Solar	0%	0%	11%
Wind	48%	44%	11%
Coal	0%	0%	3%
Large Hydroelectric	37%	0%	11%
Natural Gas	0%	0%	35%
Nuclear	0%	0%	9%
Other	0%	0%	<1%
Unspecified sources of power	15%	0%	11%
Total	**100%**	**100%**	**100%**

** "Unspecified sources of power" means electricity from transactions that are not traceable to specific generation sources.*

*** Percentages are estimated annually by the California Energy Commission based on the electricity generated in California and net imports as reported to the Quarterly Fuel and Energy Report database and the Power Source Disclosure program.*

PG&E's 2018 Power Content Label as reported to the California Energy Commission.[1]

ENERGY RESOURCES	PG&E 2018 POWER MIX			2018 CA POWER MIX[2] (For Comparison)
	Base Plan	100% Solar Choice	50% Solar Choice	
Eligible Renewable:	**39%**	**100%**	**69%**	**31%**
• Biomass and waste	4%	0%	2%	2%
• Geothermal	4%	0%	2%	5%
• Small hydroelectric	3%	0%	1%	2%
• Solar	18%	100%	59%	11%
• Wind	10%	0%	5%	11%
Coal	**0%**	**0%**	**0%**	**3%**
Large Hydroelectric[3]	**13%**	**0%**	**6%**	**11%**
Natural Gas	**15%**	**0%**	**7%**	**35%**
Nuclear	**34%**	**0%**	**17%**	**9%**
Other	**0%**	**0%**	**0%**	**<1%**
Unspecified[4]	**0%**	**0%**	**0%**	**11%**
TOTAL	**100%**	**100%**	**100%**	**100%**

[1] The figures above may not sum to 100 percent due to rounding.

[2] Percentages are estimated annually by the California Energy Commission based on the electricity generated in California and net imports as reported to the Quarterly Fuel and Energy Report database and the Power Source Disclosure program.

[3] A significant amount of energy generated by PG&E comes from clean, large hydroelectric power stations which do not qualify as an eligible renewable resource under California law.

[4] "Unspecified sources of power" means electricity from transactions that are not traceable to specific generation sources.

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Item 12 - 2020 Procurement Plan

2021 Power Mix

	Project COD	PPA Capacity	2020	2021	2022
Short Listed Projects					
Project 1 Phase 1	6/1/2021	72 MWs	0	119,734	205,590
Project 2 Phase 1	10/1/2020	50 MWs	21,380	139,281	139,281
Project 2 Phase 2	7/1/2021	50 MWs	0	65,889	139,281
Project 2 Option	7/1/2022	50 MWs	0	0	65,889
Total Supply		222 MWs	21,380	324,903	550,040
VCEA Retail Load			706,123	740,117	739,992
RPS Minimum Requirements			33.0%	35.8%	38.5%
Incremental Contribution to Renewable Content			3.0%	43.9%	74.3%

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Item 12 - 2020 Procurement Plan

Power Mix with Long Term Renewables

	2020	2021	2022
Renewable Content	42.0%	46.2%	75.2%
PCC1	58.93%	100.00%	100.00%
PCC2	41.07%	0.00%	0.00%
Required RPS Minimums	33.0%	35.8%	38.5%
PCC1	75%	100%	100%
PCC2	25%	0%	0%
Incremental Discretional Renewables	9.0%	10.4%	36.7%
PCC1	0%	100%	100%
PCC2	100%	0%	0%
Large Hydro	33%	33%	24.8%
Total "Clean"	75%	79%	100%

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Item 12 - 2020 Procurement Plan

Recommendations for 2021 Power Mix/Procurement

Renewables

- **No initial plan for short-term renewable procurements**
- **Only if it looks like deliveries from new long-term PPAs would fall below 42%**
- **Replace only with short-term PCC1 power**

Large Hydro

- **Procure for 33% large hydro content to keep portfolio at least 75% clean.**

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Item 12 - 2020 Procurement Plan

Questions?

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Item 13 – 2020 Integrated Resource Plan (IRP)

VCE Board Meeting December 12, 2019

Item 13 - 2020 Integrated Resource Plan

Approximate timing	Activity
August 16, 2019	2018 Preferred System Plan LSE Progress Status Data Request Due
September 20, 2019	CPUC staff release proposed data and requirements for 2020 filing
October 8, 2019	CPUC release of preliminary RESOLVE Reference System Portfolio
November 6, 2019	CPUC release of proposed Reference System Plan
November 7, 2019	CPUC IRP Procurement Decision
December 9, 2019	**Public IRP Workshop**
December, 2019	Final CPUC Decision on Reference System Plan (Input Data)
December, 2019	Final templates, tools, and filing instructions from CPUC
February, 2020	CPUC Decision on Reference System Plan
February, 2020	Draft IRP ready for consideration by VCE and public input
March, 2020	VCE Board discussion and feedback on draft IRP & CAC Recommendations
April, 2020	VCE Board Adoption of IRP
May 1, 2020	CPUC IRP Filing Due

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Item 14 - PCIA & ERRA Update

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Item 14 - Background

- Due to the recent PG&E ERRA update and forecasts from CalCCA consultants, PCIA rates may increase substantially in 2020 and beyond due to a variety of ongoing and one-time circumstances

- Our current rates are 2.7 cents and will likely increase, in an estimated range of 3.2 (18%) to 4.25 cents (58%) for 2020; this could lead to significant financial impacts

- PG&E generation rates, which VCE currently matches, are forecast to decrease slightly in 2020 and rebound in 2021

- Currently, this information is not final. We are likely to know much more in the coming months due to the CPUC ERRA decision scheduled for January 2020

- Staff analyzed a variety of PCIA scenarios as shown on the following pages

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Item 14 - Preliminary Analysis

Preliminary Analysis:

- VCE staff analyzed several likely PCIA scenarios:
  - Scenario 1: “As Is” scenario assuming no changes to PCIA (this scenario is very unlikely to occur but is here as a current baseline for comparison purposes to show impacts of changes)
  - Scenario 2: “PCIA to Cap” scenario assuming the PCIA rises to the cap of 3.17 cents per kWh in 2020 and stays there
  - Scenario 3: “PCIA Exceeds Cap” scenario assuming the PCIA rises high enough to trigger a cap exception and goes to 4.25 cents per kWh for 2020 and down to 3.50 cents in 2021 and beyond (this scenario assumes a decrease in 2021 since many of the costs driving the 2020 increase are one-time)

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Item 14 - 2020 Fiscal Year

		Fiscal Year Ended June 30, 2020		
		Scenario 1 "As Is"	Scenario 2 "PCIA to Cap"	Scenario 3 "PCIA Exceed Cap"
Assumptions				
PCIA - 2019		2.7 cents	2.7 cents	2.7 cents
PCIA - 2020		2.7 cents	3.2 cents	4.25 cents
2020 PG&E Generation Rate		-3%	-3%	-3%
Key Financial Measures	**Debt Covenants**			
Change in Net Position	At least $1.00	$8,157	$7,406	$3,734
Debt Service Coverage Ratio	1.25 or greater	29	26	13
Net Position	At least $11.0 million	$15,510	$14,762	$11,106
Liabilities to Net Position	2.0 or less	0.51	0.54	0.71
Cash (Unrestricted)		$12,505	$12,009	$9,583
Days Cash		54	52	41
Revenue		$55,708	$54,957	$51,289
Gross Margin		$13,003	$12,252	$8,584

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Item 14 - 2021 Fiscal Year

		Fiscal Year Ended June 30, 2021		
		Scenario 1 "As Is"	Scenario 2 "PCIA to Cap"	Scenario 3 "PCIA Exceed Cap"
Assumptions				
PCIA - 2020		2.7 cents	3.2 cents	4.25 cents
PCIA - 2021		2.7 cents	3.2 cents	3.5 cents
2020 PG&E Generation Rate		-3%	-3%	-3%
2021 PG&E Generation Rate		+3%	+3%	+3%
Key Financial Measures	**Debt Covenants**			
Change in Net Position	At least $1.00	$5,368	$2,817	*($2,956)*
Debt Service Coverage Ratio	1.25 or greater	11	6	*-6*
Net Position	At least $11.0 million	$20,052	$16,769	$7,359
Liabilities to Net Position	2.0 or less	0.36	0.43	0.97
Cash (Unrestricted)		$14,564	$11,845	$2,947
Days Cash		59	48	12
Revenue		$57,727	$55,189	$49,480
Gross Margin		$10,156	$7,618	$1,909

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Item 14 - 2022 Fiscal Year

		Fiscal Year Ended June 30, 2022		
		Scenario 1 "As Is"	Scenario 2 "PCIA to Cap"	Scenario 3 "PCIA Exceed Cap"
Assumptions				
PCIA - 2021		2.7 cents	3.2 cents	3.5 cents
PCIA - 2022		2.7 cents	3.2 cents	3.5 cents
2021 PG&E Generation Rate		+3%	+3%	+3%
2022 PG&E Generation Rate		0%	0%	0%
Key Financial Measures	**Debt Covenants**			
Change in Net Position	At least $1.00	$8,297	$4,625	$1,661
Debt Service Coverage Ratio	1.25 or greater	18	10	4
Net Position	At least $11.0 million	$27,478	$20,551	$8,190
Liabilities to Net Position	2.0 or less	0.25	0.34	0.84
Cash (Unrestricted)		$21,057	$14,734	$2,917
Days Cash		83	58	12
Revenue		$62,391	$58,765	$55,904
Gross Margin		$13,180	$9,554	$6,693

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Item 14 - Conclusions

The impact of the potential PCIA rate increases can be substantial. Following are the key takeaways from staff's preliminary assessments:

- VCE is able to absorb the PCIA impacts of Scenario 2 without incurring additional debt or missing key covenants, although it will delay achievement of VCE's 90-day cash reserve policy and impact VCE's dividends and local project/program development.
- In Scenario 3, VCE would need to raise generation rates to maintain its financial standing. Without doing so, VCE would lose its cash reserves over time and never attain adequate levels of cash to maintain operations.
- In Scenario 3 or a comparable outcome, it is important to note that raising generation rates over those of PG&E for a limited or longer-term duration may be necessary to maintain financial reserves and stability. VCE's rates could still be kept "competitive" with PG&E even if not exactly PG&E's rates.
- CalCCA and the collective CCA efforts related to the 2020 PCIA rates are focused on correcting errors in the investor owned utilities (IOU) PCIA calculations that may moderate a small portion of the 2020 PCIA impact. In addition, the effort also includes the potential for large one time under-collection amounts (if they are valid under the CPUC PCIA formula), to be paid by CCA's over several years to spread out the payments to reduce volatility and avoid a spike in 2020.

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Item 15 – Guiding Principles

VCE Board Meeting December 12, 2019

Item 15 - VCE Distribution System – Draft Principles

Consider the adoption of a core set of principles to guide Valley Clean Energy's ownership and operation of the local distribution system in Yolo County.

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Item 15 - VCE Distribution System – Draft Principles

Distribution system principles can help VCE:

1. Drive the acquisition of the distribution system assets;
2. Communicate VCE's message and intent to customers, the community and outside parties;
3. Guide staff in the execution and operation of the distribution system.

Additionally, principles can guide VCE's participation in the effort to transform PG&E to a public, customer-owned utility.

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Item 15 - VCE Distribution System – Draft Principles

Examples of principles include:

1. Create and maintain an electric system that is reliable and maximizes safety for all customers.
2. Ensure that rates and bills are affordable for all customer classes.
3. Conduct business in a manner that is ethical, open and transparent to customers and the community.

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Item 15 - VCE Distribution System – Draft Principles

Draft principles continued:

4. Protect workers by preserving labor agreements and benefits.

5. Develop a governance structure that provides for and encourages customer participation and fosters local decision-making allowing communities to implement energy solutions that are right for them.

6. Demonstrate environmental leadership.

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Item 15 - VCE Distribution System – Draft Principles

Next Steps

After a core set of principles is adopted, develop metrics to measure progress and adherence to the principles.

Example

Principle: Maintain exceptional reliability.

Metric: Adopt an outage target that measures the number of outages, the duration of outages and the number of customers impacted.

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