Valley Clean Energy Board of Directors Meeting

Item 19 – Long Term Renewable Power Purchase Agreement

Thursday, February 13, 2020

City of Davis Community Chambers

Item 19 -Long Term Renewable Power Purchase Agreement Background

- Staff is seeking approval for a 50 MW solar Power Purchase Agreement (PPA)
- In August 2018, VCE issued a Long Term Renewables Solicitation
- 32 Projects were considered, 9 passed initial screening
- Selection Criteria included
  - Not on prime agricultural land
  - Environmental & Cultural sensitivity
  - Development maturity
  - Inside California
  - Interconnection to grid
  - Value

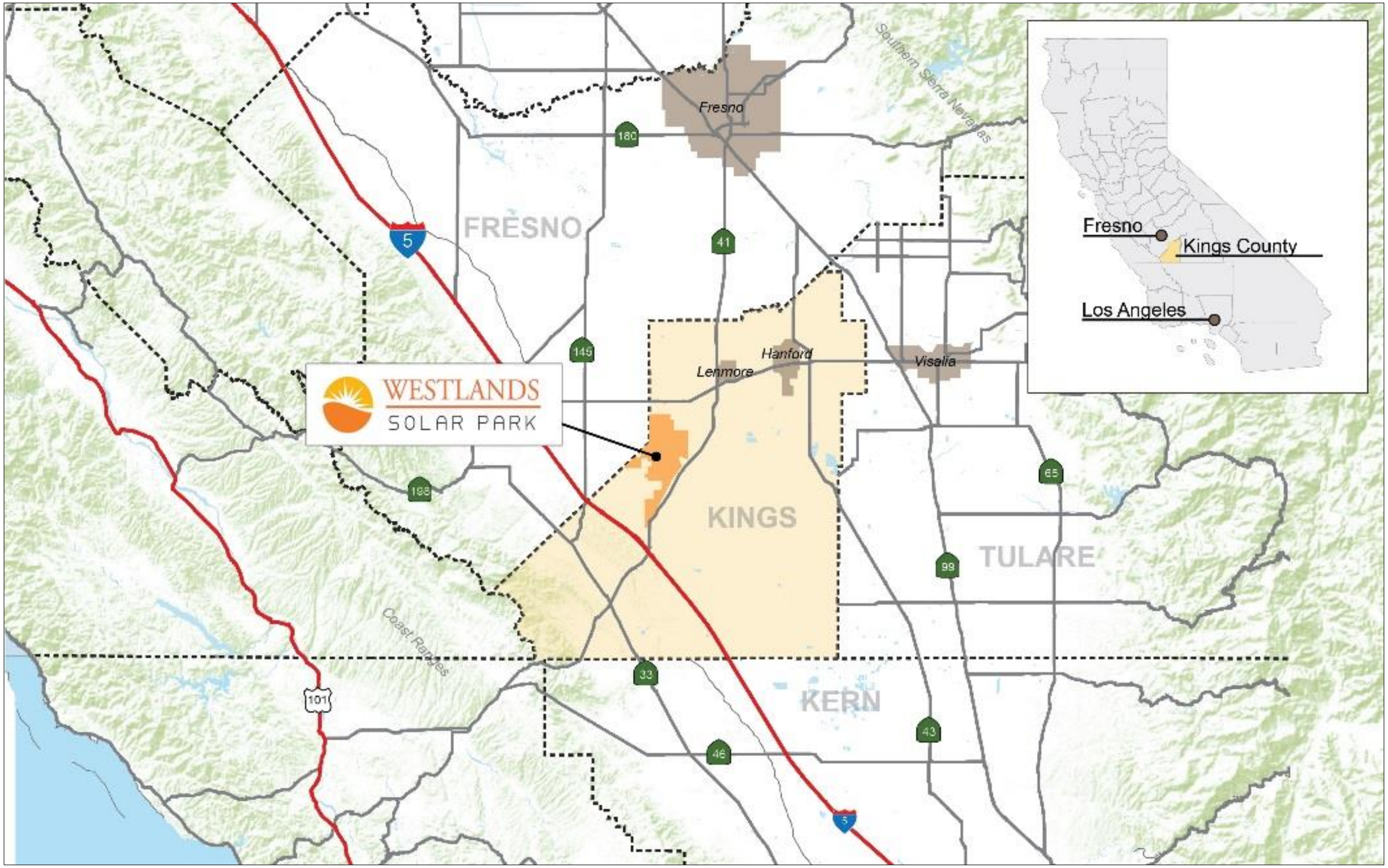
VALLEY
CLEAN ENERGY

Item 19 -Long Term Renewable Power Purchase Agreement
Background

- Two Projects were Short Listed
- The first of the two Projects is the Aquamarine Project within the Westlands Solar Park
  - Attractive, stable pricing
  - Serving 18% of VCE's load
  - Satisfies over 50% of the Long-term contracting requirement (D.17-06-026)

VALLEY
CLEAN ENERGY

Item 19 - Long Term Renewable Power Purchase Agreement
Westlands Solar Park Overview



Item 19 -Long Term Renewable Power Purchase Agreement
Aquamarine Site Map: 250MW

VALLEY
CLEAN ENERGY

Item 19 -Long Term Renewable Power Purchase Agreement
Significant Environmental Support

SIERRA CLUB
FOUNDED 1892

Audubon

The Nature Conservancy
Protecting nature. Preserving life.™

DEFENDERS OF WILDLIFE

NRDC
NATURAL RESOURCES DEFENSE COUNCIL

- **Westlands Solar Park is the highest environmentally rated CREZ in California**

VALLEY CLEAN ENERGY

Item 19 -Long Term Renewable Power Purchase Agreement Terms

- Term: 15 years Guaranteed COD – Sept 2021
- Volume: 50 MW, 134,684 MWh annually
- $2.49/MWh price reduction if VCE can offer credit support
  - Other CCAs have successfully received investment-grade credit ratings
- Implicit renewable premium: $8.13/MWh (based on projections)
- Savings vs. Short Term Renewable Contracts: $5.66/MWh
- Savings vs. Budget: $762,000 (based on projections)
- Resource Adequacy capacity will provide additional value to savings projections

VALLEY CLEAN ENERGY

Item 19 -Long Term Renewable Power Purchase Agreement
Next Steps

1. Board approval of 50 MW solar Power Purchase Agreement (PPA) with Westlands
2. Continue PPA negotiation with other shortlisted project
3. Assess options for other long term resources
   - Local/regional RFO
   - Technology options

VALLEY CLEAN ENERGY

Valley Clean Energy Board
Item 20 - Strategic Planning Process

February 13, 2020

VALLEY CLEAN ENERGY

Item 20 - Strategic Planning Process
Background

- The VCE Board adopted organizational level Vision (adopted 11/17) and Mission (adopted 12/16) statements as early actions to guide pre-launch, launch, and post-launch operations.
- As VCE matures and becomes more established, adoption of a multi-year strategic plan will make VCE more effective in achieving its vision and mission.
- Staff has begun research on other CCA strategic plans and conducted an internal SWOT analysis to help align its work with the VCE vision and mission.

VALLEY CLEAN ENERGY

Item 20 - Strategic Planning Process
Draft Purpose

Draft Purpose

- VCE will maintain a multi-year Strategic Plan, updated at a consistent cadence, and encompassing all key areas of the business.
- The primary focus of VCE's initial strategic plan will be on broad policy objectives.
- This Plan will be a public document and provide direction on the mission, vision, and strategy of VCE
- This Plan will be the basis for:
  - Annual company & individual goals
  - Annual budgets
  - Key decisions and priorities

VALLEY CLEAN ENERGY

Item 20 - Strategic Planning Process
Cadence & Key Roles

Potential Cadence

- Strategic Plan to be updated every two years
- Mission & Vision to be reviewed and updated every three years, or as the business changes demand it
- Company and employee goals to be updated annually
- Company budgets to be updated annually

Potential Key Roles

- Board to set direction to staff and review at a high level
- Board Sub committee to provide guidance to staff on Board direction and in execution of the process and plan development
- CAC to review and provide insight to support the direction of the organization
- Staff to prepare and communicate the Plan
- Other subject matter experts (e.g., SMUD or outside consultants) to provide expertise where needed and beneficial

VALLEY CLEAN ENERGY

Item 20 - Strategic Planning Process
Proposed Tentative Schedule

Date	Meeting/Milestone	Purpose
2/13/20	Board	Adopt development process and timeline
Last week of Feb 2020	Board (Special meeting)	Establish strategic objectives to guide development of draft plan
2/27/20	CAC	Process update; Taskgroup direction
3/12/20	Board	Process update
3/26/20	CAC	Process update; Taskgroup report
Late Q1 2020	**Milestone**	Completion of working draft plan end of Q1 2020
Early Q2 2020	**Milestone**	Begin collection of stakeholder feedback
4/9/20	Board	Process update; report on working draft
4/23/20	CAC	Process update; Taskgroup report on working draft
Mid Q2 2020	**Milestone**	Complete initial draft plan
5/14/20	Board	Review/provide direction on draft plan
5/28/20	CAC	Review/provide feedback and recommendation on final draft plan
Late Q2 2020	**Milestone**	Complete final draft plan
6/11/20	Board	Consider adoption of final plan

Item 20 - Strategic Planning Process
Direction/Next Steps

Board Direction/Next Steps

- Staff is seeking Board direction on:
  - Confirm role of Board subcommittee
  - Confirm Role of Community Advisory Committee
  - Adoption of the tentative timeline

REFERENCE SLIDES

REFERENCE SLIDES

Mission

VCE Mission Statement Review (12/16)

Deliver cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions

VALLEY CLEAN ENERGY

Vision

VCE Integrated Vision – Long term

Future vision for VCE is to continuously improve the electricity choices available to VCE customers, while expanding local energy-related economic opportunities.

- **Causing the deployment of new renewable and low carbon energy sources;**
- **Evaluating and adopting best practices of the electricity service industry for planning and operational management;**
- **Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;**
- **Developing and managing customized programs for energy efficiency, on-site electricity production and storage;**
- **Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;**
- **Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future; and**
- **Saving money for ratepayers on their energy bills.**
- **Remaining open to the participation of additional jurisdictions.**

VALLEY CLEAN ENERGY

Vision

VCE Integrated Vision – Short term (adopted 2017)

- Provide electricity users with greater choice over the sources and prices of the electricity

1. Offer basic electricity service with higher renewable electricity content, at a rate competitive with PG&E
2. Develop and offer additional low-carbon or local generation options at modest price premiums
3. Establish an energy planning framework for developing local energy programs and local energy resources and infrastructure
4. Accomplish vision goals while accumulating reserve fund: future VCE energy programs and mitigation of future ener costs and risks

VALLEY CLEAN ENERGY

Valley Clean Energy – Board Meeting
Item 21 - 2020 GHG Free Allocation

Feb 13, 2020

VALLEY CLEAN ENERGY

Item 21 - 2020 GHG Free Allocation
Background

- VCE goal for 2020 is to provide a minimum 75% GHG-free energy.
- In 2020:
  - 42% of VCE’s GHG-free energy portfolio are resources that qualify as renewable energy under the state’s RPS program (RPS) and 33% are resources that do not qualify under the RPS, but are considered GHG-free. Large hydro and nuclear do not emit any GHG emissions, but don’t qualify under the state’s RPS.
- VCE has procured all needed RPS and GHG free to meet its 2020 goals
- A number of PG&E GHG free resources (large hydro and nuclear) are paid for through the PCIA
- PG&E submitted an advice letter to the CPUC offering large hydro and nuclear GHG free attributes to LSEs (CCAs)

VALLEY CLEAN ENERGY

Item 21 - 2020 GHG Free Allocation
PG&E Proposal

Interim Proposal by PG&E

Key elements of the interim proposal include:

- Limited in time to 2020
- Limited in the resources to which it applies:
  - In-state
  - Large hydroelectric
  - Nuclear
- Only available to retail suppliers whose customers pay PCIA with large hydroelectric and nuclear in their PCIA vintage
- Requires active agreement between retail suppliers to offer and to take generation
- Requires that the CPUC approve a mechanism for the allocation of such generation
- No payment required

Item 21 - 2020 GHG Free Allocation
PG&E Proposal - VCE

- VCE 750 GWh/yr Load: Approx. ~1% of PG&E
  - Approx VCE share: 90 GWh of large hydroelectric power
  - Approx VCE share: 140 GWh of nuclear power

Scenario	Total Allocated GHG Free Resources (Large Hydro + Nuclear)	Accepted GHG Free Resources	Potential Savings
A (Hydro + Nuclear)	230 GWh	230	$1,380,00
B (Nuclear only)	140 GWh	140	$840,000
C (Hydro only)	90 GWh	90	$540,000

Item 21 - 2020 GHG Free Allocation
2020 GHG Free Allocations

Factors to consider

- The Diablo nuclear plant will continue to operate until 2024/25
- VCE customers will pay for the GHG attributes from the plant through the PCIA charge
- Potential savings would help VCE advance its policy goals
- Potential reputational risk from accepting the nuclear allocation
- VCE's power procurement budget was balanced for 2020 without this additional funding
- Generally nuclear is not considered a clean fuel source due to risks associated with spent fuel and practical long-term disposal options.

VALLEY CLEAN ENERGY

Item 21 - 2020 GHG Free Allocation
2020 GHG Free Allocations

CAC Recommendation

- Accept the 2020 Large hydro allocation but not the Nuclear allocations, subject to confirmation that:
  - The allocations are for the GHG Free attributes only; and
  - Clarification of the meaning of the statement that the LSE (VCE) "will waive their ability to make petitions, arguments or filings at the CPUC or at the California State Legislature regarding PG&E not offering any allocation, sale or transfer of Carbon Free Energy or attributes for the period that the eligible LSE accepts the offer".

Note: Staff believes that: (1) allocations are for the attributes only and (2) that the waiver only applies to comments on the 2020 GHG Free attribute offer. If staff research shows that this is not the case for either question, staff will return to the Board with an update before finalizing acceptance of the 2020 allocation if it is approved.

VALLEY CLEAN ENERGY

2020 GHG Free Allocations - Recommendation

Staff Recommendation

Accept the hydro allocations for 2020 but not the nuclear allocations

Valley Clean Energy Board
Item 22 - PCIA & ERRA Update

February 13, 2020

Item 22 - PCIA & ERRA Update
Background

- Due to the recent CPUC Proposed Decision (PD) on the PG&E ERRA filing, PCIA rates will increase substantially in 2020, triggering a mechanism to enable PCIA to exceed the current cap

- VCE's current PCIA rate of 2.7 cents per kWh will likely increase, in an estimated range of 4.1 cents (52% incr.) to 4.6 cents (70%) for 2020 – which would be collected in rates approximately Q4-2020 to Q4-2021

- PG&E generation rates, which VCE currently matches, are forecast to decrease 4% in 2020, causing additional financial pressure, and rebound in 2021 - 2022

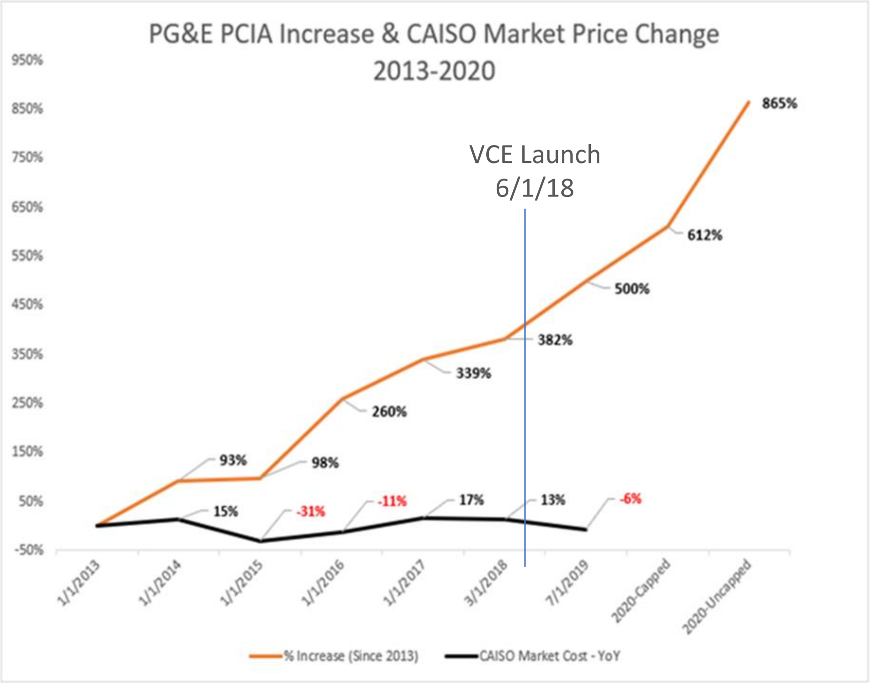
- Currently, this information is not final. We will have more certainty when we receive a final decision – likely in late February – and once PG&E initiates its cap exception trigger

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

VALLEY CLEAN ENERGY

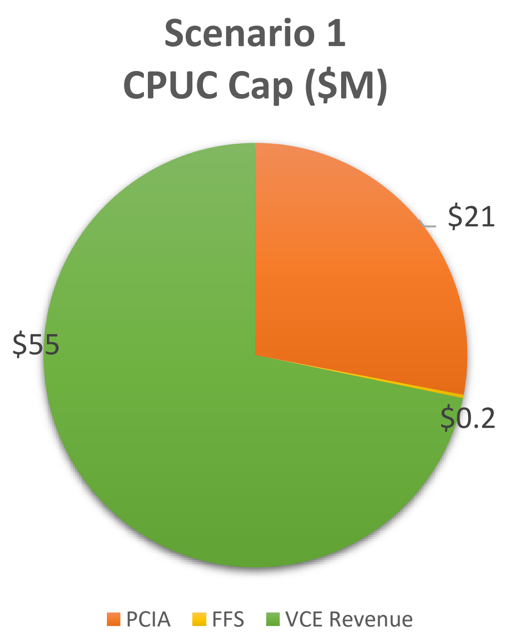
Item 22 - PCIA & ERRA Update
PCIA Volatility

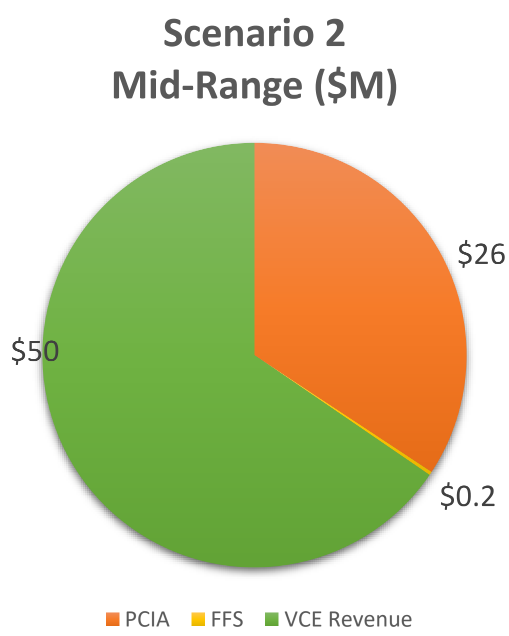
- PCIA is an existential threat to all CCAs
- Results in VCE Customers paying $29 million in the year following the triggering of the cap exception, and PG&E CCAs paying $1.3 billion annually
- PCIA increases will result in a $7.7 million revenue decrease to VCE in FY 2021 over base case
- Under current CPUC regulatory framework PCIA costs have increased 800% since 2013

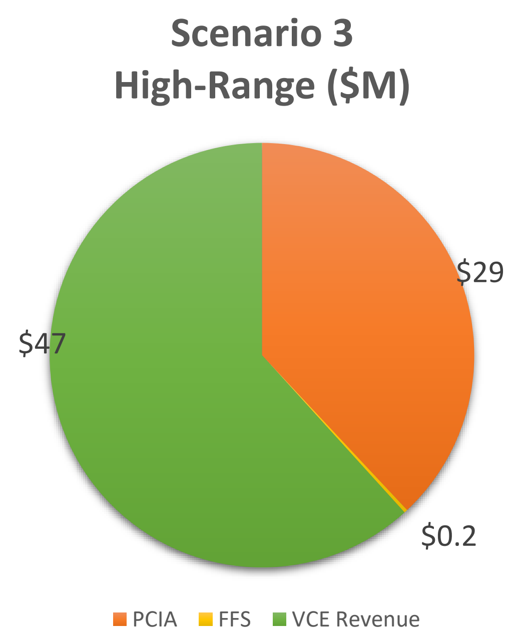


Item 22 - PCIA & ERRA Update
PCIA Effect on VCE Revenue

- Assuming VCE continues to match PG&E gen rates, every dollar that PCIA increases directly reduces VCE revenue and cash flow by the same amount
- The charts below show total annual customer billings split into component parts for FY 2021:







FFS = Franchise Fee Surcharge

VALLEY CLEAN ENERGY

Item 22 - PCIA & ERRA Update
Preliminary Analysis

- **PRELIMINARY ANALYSIS:**
- VCE staff evaluated three PCIA scenarios:
  - Scenario 1 – CPUC Capped Rate (Unlikely): Assume that PCIA rises to the cap of 3.2 cents per kWh and stays at that rate in the foreseeable future
  - Scenario 2 – Mid-Range (Less Likely): Assume that PCIA rises to the cap of 3.2 cents, then up to approximately 4.1 cents starting Q4-2020, then back down to a stable range in the mid-3's starting Q4-2021
  - Scenario 3 – High-Range (Most Likely)- Assume that PCIA rises to the cap of 3.2 cents, then up to approximately 4.6 cents starting Q4-2020, then back down to a stable range of approx. 4 cents starting Q4-2021
- PG&E Generation Rate Sensitivity:
  - All scenarios assume a 4% *decrease* in PG&E generation rates in 2020, followed by 2% increase in 2021 and 5% increase in 2022 (MRW forecast)
  - If we assume a 2% decrease in 2020 (instead of 4%), that adds approximately $1.7 million per year to revenue and net income
- Models assume no draw on $11 million RLOC

VALLEY CLEAN ENERGY

Item 22 - PCIA & ERRA Update
2021 Fiscal Year

		Fiscal Year Ended June 30, 2021		
		Scenario 1	Scenario 2	Scenario 3
		CPUC Cap - Unlikely	Mid-Range - Less Likely	High Range - Most Likely
Assumptions				
PCIA - 2020		3.1 cents	4.1 cents	4.6 cents
PCIA - 2021		2.8 cents	3.7 cents	4.1 cents
2020 PG&E Generation Rate		-4%	-4%	-4%
2021 PG&E Generation Rate		+2%	+2%	+2%
Key Financial Measures	**Debt Covenants**			
Customer Payments - Gen Rates		$76,584	$76,584	$76,584
Less PCIA		($21,638)	($26,451)	($29,342)
Revenue to VCE		$54,946	$50,133	$47,242
Power Cost		$48,174	$48,174	$48,174
Gross Margin		$6,773	$1,959	($932)
G&A Expense		$4,813	$4,812	$4,831
Net Income		$1,959	($2,853)	($5,763)
Net Margin %		3.6%	-5.7%	-13.0%
Debt Service Coverage Ratio	1.25 or greater	4	-6	-12
Unrestricted Net Position	At least $11.0 million	$13,460	$9,062	$5,117
Liabilities to Net Position	2.0 or less	0.65	0.97	1.72
Cash (Unrestricted)		$10,173	$7,537	$4,159
Days Cash		45	33	18
		*All dollars in thousands (000)		

NOTE: All data is preliminary and will be solidified as firmer data and regulatory decisions arise.

VALLEY CLEAN ENERGY

Item 22 - PCIA & ERRA Update
2022 Fiscal Year

		Fiscal Year Ended June 30, 2022		
		Scenario 1	Scenario 2	Scenario 3
		CPUC Cap - Unlikely	Mid-Range - Less Likely	High Range - Most Likely
Assumptions				
PCIA - 2021		2.8 cents	3.7 cents	4.1 cents
PCIA - 2022		2.8 cents	3.6 cents	4.0 cents
2021 PG&E Generation Rate		+2%	+2%	+2%
2022 PG&E Generation Rate		+5%	+5%	+5%
Key Financial Measures	**Debt Covenants**			
Customer Payments - Gen Rates		$82,002	$82,002	$82,002
Less PCIA		($21,045)	($29,731)	($32,999)
Revenue to VCE		$60,957	$52,271	$49,003
Power Cost		$49,277	$49,277	$49,277
Gross Margin		$11,680	$2,994	($274)
G&A Expense		$4,929	$5,012	$5,064
Net Income		$6,751	($2,017)	($5,337)
Net Margin %		11.1%	-3.9%	-11.7%
Debt Service Coverage Ratio	1.25 or greater	15	-4	-12
Unrestricted Net Position	At least $11.0 million	$19,905	$6,780	($476)
Liabilities to Net Position	2.0 or less	0.43	1.26	-17.87
Cash (Unrestricted)		$15,023	$2,770	($3,992)
Days Cash		74	14	-20
		*All dollars in thousands (000)		

NOTE: All data is preliminary and will be solidified as firmer data and regulatory decisions arise.

VALLEY CLEAN ENERGY

Item 22 - PCIA & ERRA Update
Conclusions

- Based on Staff's preliminary assessment, the impact of the potential PCIA rate increases could be substantial. Following are the key takeaways:
  - VCE is able to absorb the PCIA impacts of Scenario 1 without incurring additional debt or missing key covenants
  - VCE can work around Scenario 2 but with significant impacts to future business needs and the potential to increase debt
  - VCE and the CCA business model face significant challenges in Scenario 3 and may require a strategic change such as consolidation with another CCA or an increase in VCE customer rates
  - In Scenario 3, VCE will rely on its RLOC around the end of calendar year 2021 to keep cash balances positive
  - In Scenarios 2 & 3, both VCE's 90-day cash reserve policy and Dividend policy will be impacted
- The CalCCA Board supports this effort and is exploring legislative solutions to the PCIA issue

VALLEY CLEAN ENERGY

Valley Clean Energy Board
Item 23– SACOG Grant Update

February 13, 2020

Item 23 - SACOG Grant
Background

- SACOG Board approved the award of $2.9 million on December 20, 2018
- The project includes:
  1. 15 to 40 Level 2 Chargers
  2. 2 to 5 DC Fast Chargers in downtown areas within ½ to 5 miles of major freeway corridors
  3. 2 to 10 Mobile Chargers
  4. Electric Shuttle Pilot Project in Davis, with purchase or lease of one or more electric vehicles to transport 8 or more people.

VALLEY CLEAN ENERGY

Item 23 - SACOG Grant
Status

- Fund Exchange Agreement was approved by SACOG at the end of 2019
- On 1/28, the Davis City Council approved the City Manager to execute the Agreement, complete the $2.9 M budget adjustment, and enter into MOUs with the partner agencies
- Davis City Manager sent fully executed Agreement to SACOG on 2/3/20
- Individual MOUs are under development between the City of Davis and—
  1. Yolo County
  2. Woodland
  3. VCE

VALLEY CLEAN ENERGY

Item 23 - SACOG Grant
Status

- Due to the Fund Exchange Agreement, the local match (11.47%) is no longer required per SACOG staff
- Each jurisdiction will run their own projects and decide if they want to spend extra
- Funding allocations:
  - Davis $1.9 M
  - Yolo County $700,000
  - Woodland $150,000
  - VCE (for Winters) $150,000
- Funding paid out in 85% lump sum, 15% retention
- Project deadline – 12/31/2023

VALLEY CLEAN ENERGY

Item 23 - SACOG Grant Schedule

Task Number	Task	Jurisdiction	Planned Start Date	Anticipated Due Date
1	**Local jurisdiction approval**			
		City of Davis	Q1 2020	Complete
		Yolo County	Q1 2020	Q1 2020
		City of Woodland	Q2 2020	Q2 2020
		Winters (VCE)	Q1 2020	Q2 2020
2	**Site identification**			
		City of Davis	Q2 2020	Q4 2020
		Yolo County	Q1 2020	Q2 2020
		City of Woodland	Q2 2020	Q3 2020
		Winters (VCE)	Q1 2020	Q2 2020
3	**Design**			
		City of Davis	Q2 2020	Q4 2020
		Yolo County	Q4 2020	Q4 2021
		City of Woodland	Q4 2020	Q4 2020
		Winters (VCE)	Q3 2020	Q4 2020
4	**Site work/prep**			
		City of Davis	Q1 2021	Q4 2021
		Yolo County	Q1 2022	Q4 2022
		City of Woodland	Q1 2021	Q1 2021
		Winters (VCE)	Q4 2020	Q1 2021
5	**Installation schedule**			
		City of Davis	Q1 2021	Q4 2021
		Yolo County	Q1 2023	Q3 2023
		City of Woodland	Q2 2021	Q2 2021
		Winters (VCE)	Q2 2021	Q2 2021
6	**Commissioning and acceptance**			
		City of Davis	Q1 2022	Q1 2022
		Yolo County	Q4 2023	Q4 2023
		City of Woodland	Q2 2021	Q2 2021
		Winters (VCE)	Q3 2021	Q3 2021
7	**Operational start date**			
		City of Davis	Q1 2022	Q1 2022
		Yolo County	Q4 2023	Q4 2023
		City of Woodland	Q3 2021	Q3 2021
		Winters (VCE)	Q3 2021	Q3 2021

VALLEY CLEAN ENERGY