Valley Clean Energy Special Board Meeting – June 11, 2020
Via Teleconference

VALLEY CLEAN ENERGY

Item 17 – Approve Long Term Renewable Power Purchase Agreement

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Item 17 - Long Term Renewable Power Purchase Agreement - Background

Staff seeking approval for a 72 MW Power Purchase Agreement

- In August 2018, VCE issued a Long Term Renewables Solicitation
- 32 Projects were considered, 9 passed initial screening
- Selection Criteria included
  - Avoid prime agricultural land
  - Environmental & Cultural sensitivity
  - Development maturity
  - Inside California
  - Interconnection to grid
  - Value

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Item 17 - Long Term Renewable Power Purchase Agreement - Background (con't)

- Two Projects were Short Listed
  - Combined serve 42% of VCE's load
  - One project already secured (Westlands Solar Park)
  - No other combination provided enough energy to satisfy RPS minimum long-term contracting requirements

- The second of the two Projects is the Rugged Solar Project near San Diego, CA
  - Owner/Manager: Clean Focus
  - Developer: SunCapture

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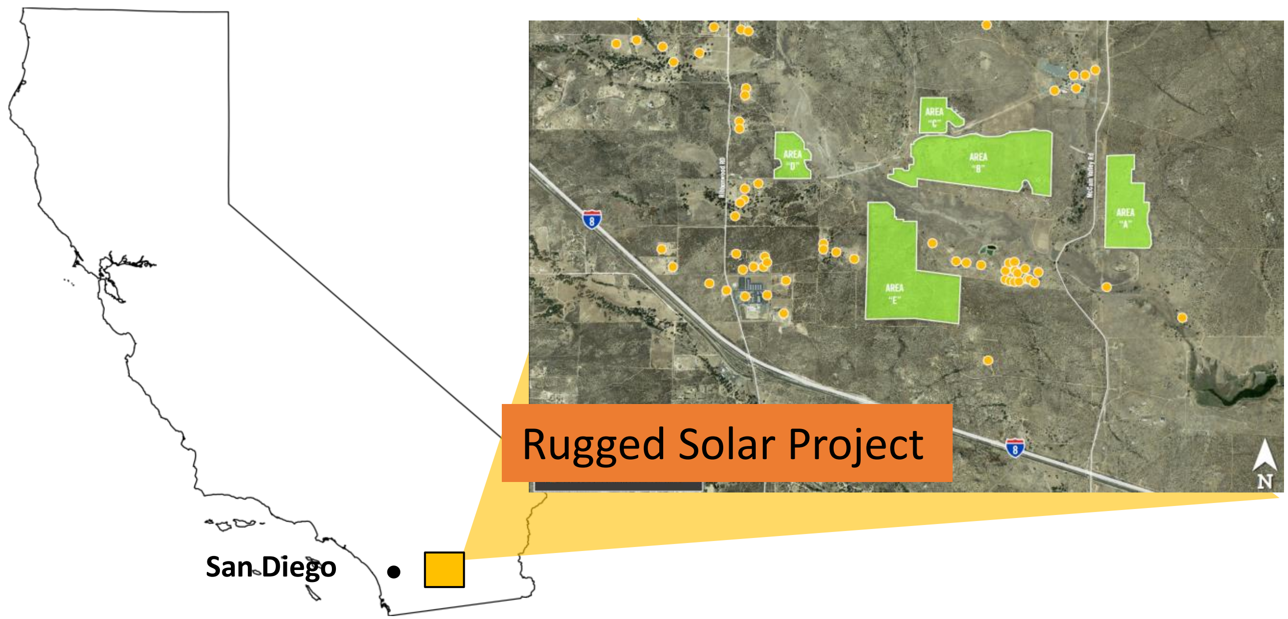
Item 17 - Long Term Renewable Power Purchase Agreement - Rugged Solar Overview

- Approx. 70 miles east of San Diego
- Construction Dec 2020 - Dec 2021
- Interconnect Agreement w/ CAISO
  - Delivery Point: SDG&E Boulevard East Substation
- Land: 35 year lease w/ option to buy



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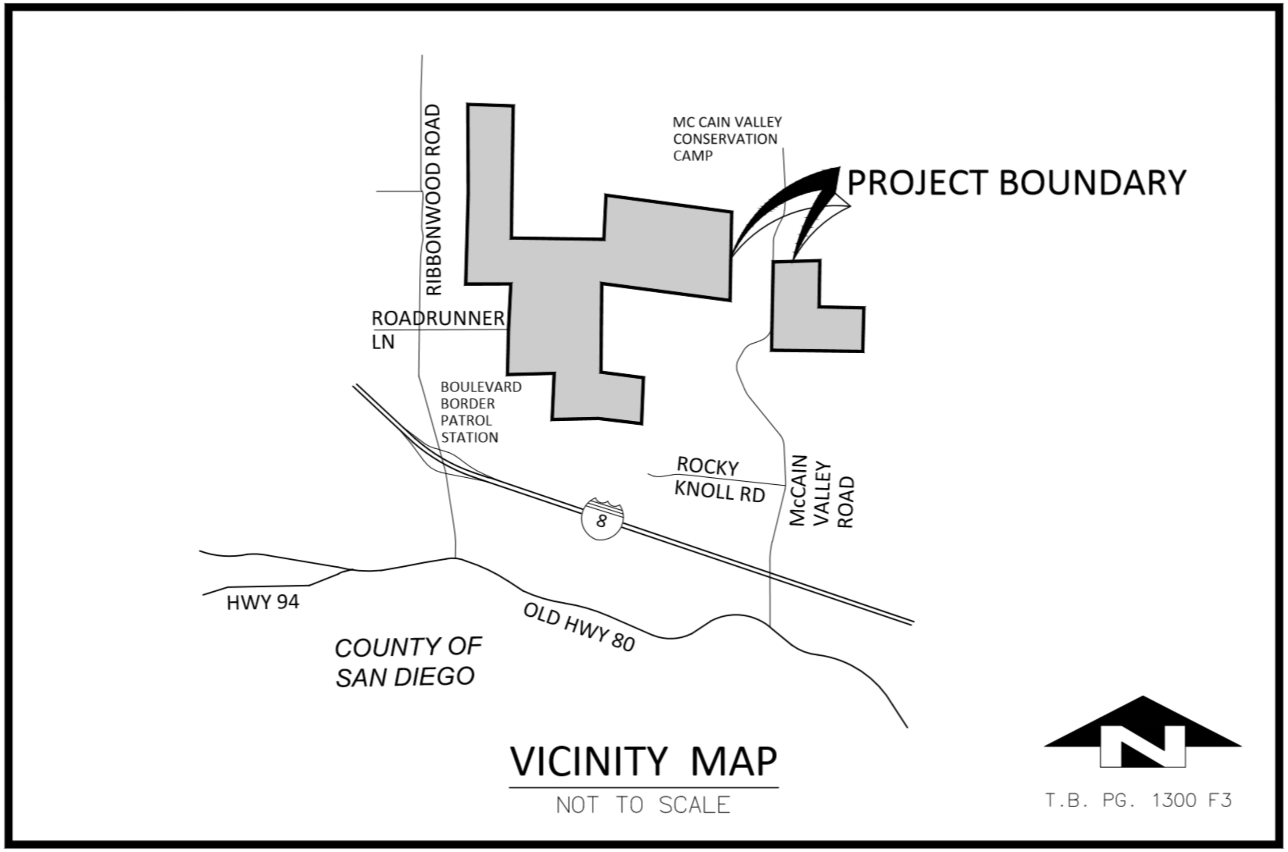
Item 17 - Long Term Renewable Power Purchase Agreement - Rugged Solar Overview

Land Designation
  -Rural

Land Use Approval
  -Solar Photovoltaic



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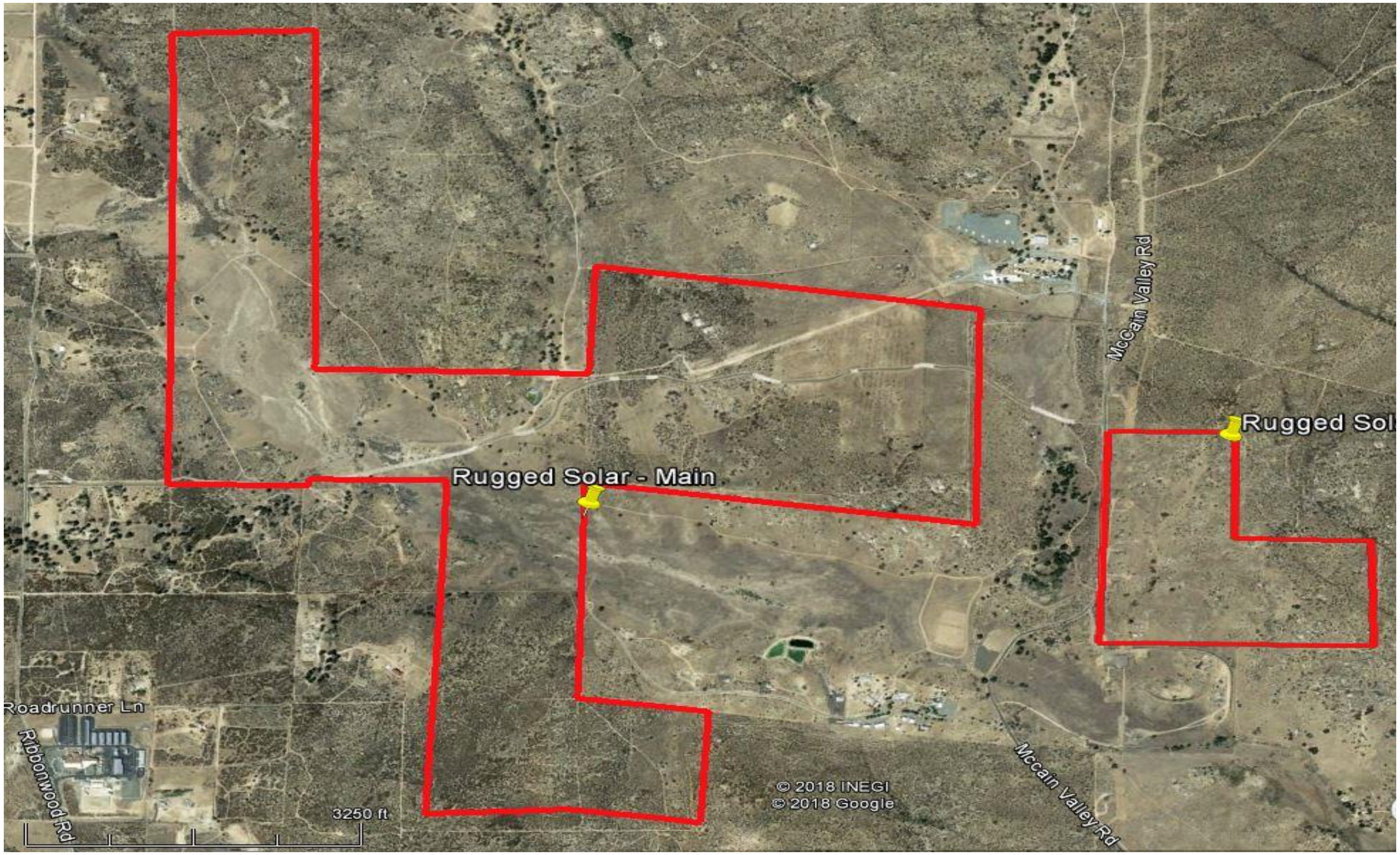
Item 17 - Long Term Renewable Power Purchase Agreement - Rugged Solar Overview



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Item 17 - Long Term Renewable Power Purchase Agreement - Terms

- Term: 20 years
- Volume: 72 MW
- Price reduction if Rugged does not achieve Full Capacity Deliverability Status (ability to provide Resource Adequacy)
- Savings vs. Purchasing RECs in Short Term Markets
- Savings vs. Budget: $3.8m (based on projections)
- Resource Adequacy capacity will provide additional value to savings projections

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Item 17 - Long Term Renewable Power Purchase Agreement – Staff Recommendation

- Approve the Power Purchase Agreement (PPA) by VCEA for 100% of the output for 20 years of the Rugged Solar Project under development by Rugged Solar LLC (Rugged).
- Authorize the Interim General Manager to execute the PPA substantially in the form attached and authorize to Interim General Manager, in consultation with General Counsel, to make minor changes to the PPA so long as the term and price are not changed.

Valley Clean Energy Special Board Meeting – June 11, 2020
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Item 18 - Policy Strategies

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Item 18 - Policy Strategies - Background

OVERVIEW: Factors Driving Policy Recommendations

- VCE and other CCA's face mounting fiscal challenges in the coming years (PCIA+RA+COVID)
- Need to efficiently incorporate long-term renewable power into VCE's portfolio
- The potential policy strategies are designed to help align incorporation of long-term PPA's and offset anticipated reduced net income
- Strategies bridge gap until lower cost long-term renewable energy contracts come on-line in late 2021/ early 2022

PROCESS

- The Board and Community Advisory Committee (CAC) considered and provided initial feed-back on policy strategy options at their meetings in April and May
- The Board and CAC provided feedback favoring adjustments to the power procurement planning strategy (Option C), approved acceptance of Large Hydro GHG Free allocations (Option D), and the study of additional rate choice for customers (Option B) - other Options not feasible/not favored
- The CAC supported Staff recommendations at their May 28, 2020 meeting

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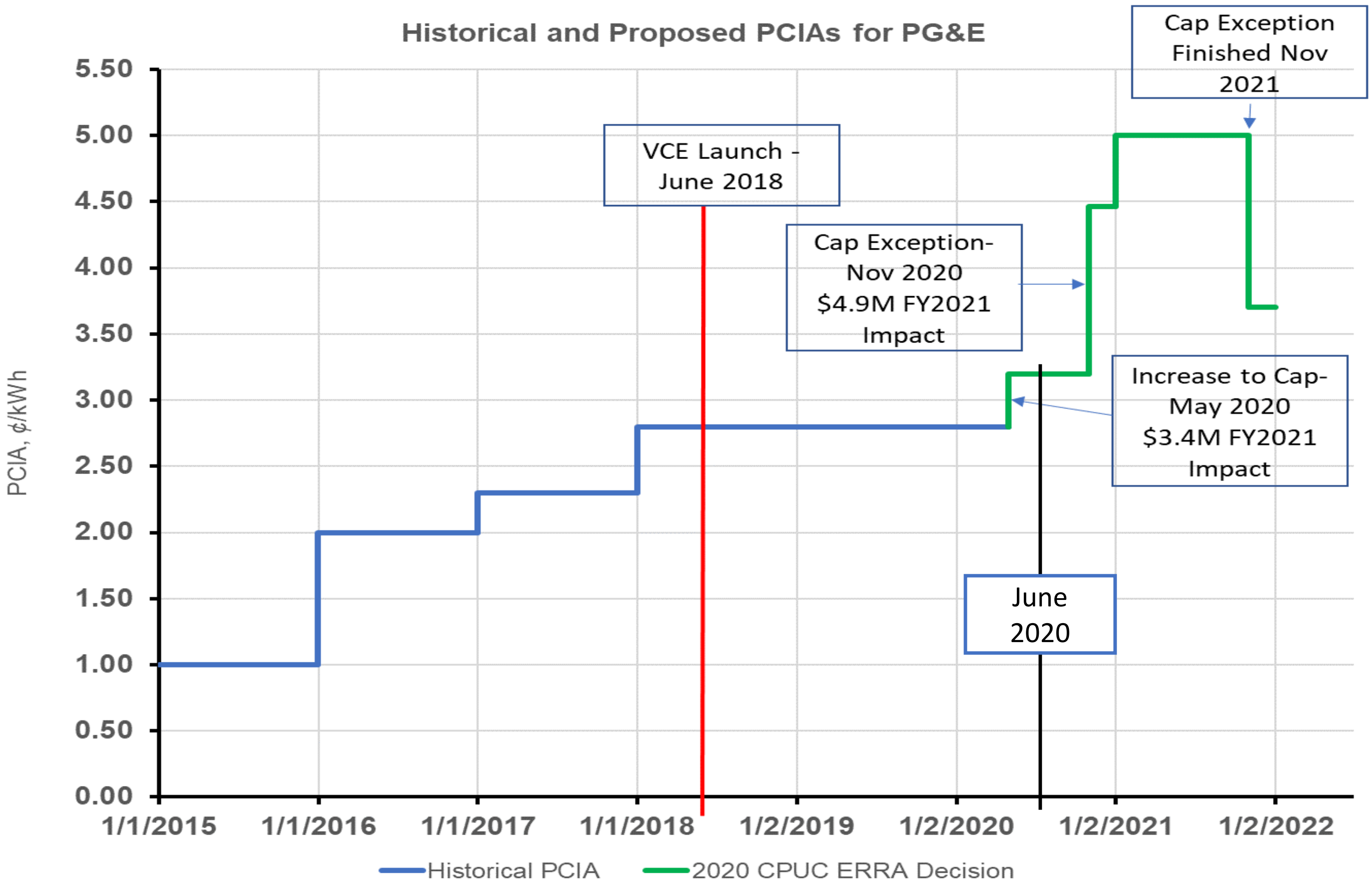
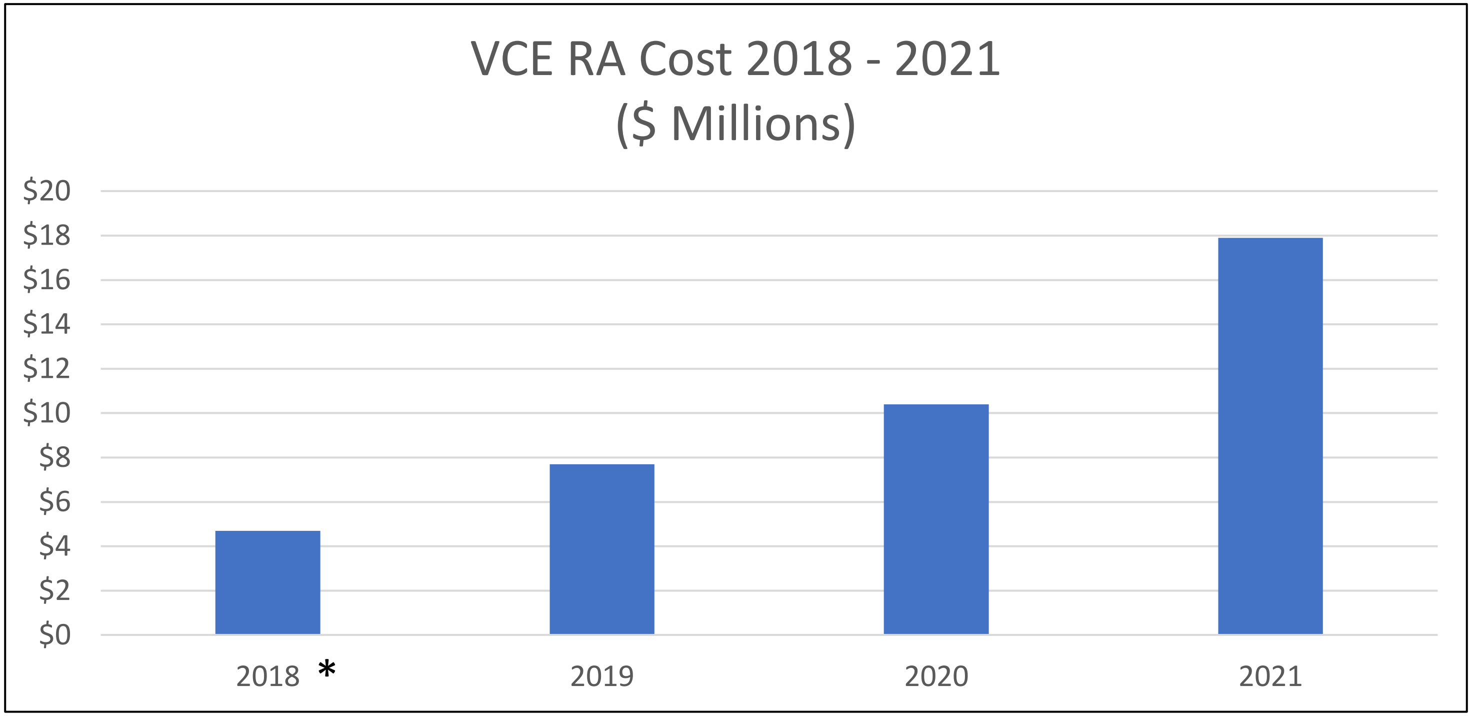
Item 18 - Policy Strategies - Background

PCIA History



Item 18 - Policy Strategies - Background

Resource Adequacy History - VCE



* 2018 VCE Launch Year – 6 Mo. of RA Purchase

- RA makes up approx. 27% of VCE's Total Power Budget
- 2019 to 2020: 35% increase; 2020 to 2021: 72% increase
- Overall increase since launch: 132%
- 2022 Forecast roughly equal to 2021

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Item 18 - Policy Strategies - Background

Projected COVID/Recession Impacts

Scenario Comparison, Impact on Power Costs & Revenue v. Base Case

- **Projections for Most Likely: Significant Initial Decline followed by Gradual Recovery**

		Best Case	Most Likely	Worst Case
2020	Retail Load	-3.8%	-3.8%	-8.0%
	Power Costs	-1.9%	-1.9%	-4.0%
	Revenue	-4.2%	-4.2%	-8.3%
2021	Retail Load	-2.3%	-3.6%	-8.7%
	Power Costs	-1.6%	-2.7%	-6.0%
	Revenue	-2.3%	-3.7%	-8.5%

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Item 18 - Policy Strategies - Background

FY 2020/21 Budget Overview

- Revisions from April to May Preliminary Budget Forecasts
- Forecast Factors in PCIA, RA, Revised Load Information, COVID

- $5.7 M: Net Income – April Budget Update
- $2.2 M: Load Forecast Revenue Impact (pre-COVID/Recession)
- $2.5 M: COVID/Recession impact
+ $4.2 M: Generation Rate increase
+ $1.0 M: Reduced Power Cost due to COVID/Recession
- **$5.2 M: Net Income – May Budget Update**

General fiscal objective – reduce FY budget shortfall by 50%

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Item 18 - Policy Strategies Reference – Original Master List

Policy	Potential Savings	Ease of Implementation	Timing	Notes/Other Considerations	Relative Priority
A. Rate Change – Rate Increase	$800,000 to $2.4 million	Medium-high difficulty due to outreach efforts and opt-out risk	Could start shortly after BOD approval and start seeing immediate revenue impact	Revenue increase is $800K per 1% change – assume 1-3% target for Potential Savings	CAC – Infeasible Staff - Lowest
B. Rate Change – Additional Rate Class	$0.25 to $1.5 million	Medium to high difficulty due to complexity of the roll-out and communication efforts	Could start shortly after BOD approval and start seeing immediate revenue impact	One example scenario could assume ag rates slightly below PG&E gen rate; commercial at PG&E rate; and residential slightly above PG&E rate. Other scenarios possible	CAC – Low/ Moderate Staff - Moderate
C. Power Resource Planning Adjustment	$0 to $3.1 million	Low end of the range less difficult	Throughout fiscal year '21 –'22	Power Content Label impacts;	CAC – Highest Staff - Highest
D. GHG Free – Large Hydro	$0 to $240,000	Low end of the range less difficult	Q3-Q4 2020	Volume is unknown; market interest/ability to resell may be low	CAC – Highest Staff - Highest
E. GHG Free – Nuclear	$0 to $420,000	Low end of the range less difficult	Q3-Q4 2020	Volume is unknown; market interest/ability to resell may be low; reputational risk	CAC – Lowest Staff - Lowest
F. Operations Reductions	$25,000 to $100,000	Low end of range less difficult; high end of range difficult	Impact spread throughout FY 2021 budget	Significant strategic trade-offs between program effectiveness and marginal cost savings	CAC – Lowest Staff – N/A

Item 18 - Policy Strategies – Additional Options

OPTION D – ACCEPT THE GHG-FREE LARGE HYDRO ALLOCATIONS:

- Accept the GHG-free large hydro allocations from PG&E, at a potential benefit of up to $240k. These savings are speculative and would only be realized if a market exists in which to sell these characteristics. For budgeting purposes Staff assumes mid-range savings of $125k.

Board Approval at May 14, 2020 meeting

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Item 18 - Policy Strategies – Power Resource Planning Adjustments

OPTION C - POWER RESOURCE PLANNING ADJUSTMENTS:

- Staff is analyzing the timing of PPA power deliveries in 2021 and when to dial back the existing short-term contracts. Possible to forego short-term contracts where renewable and GHG levels in VCE's portfolio are lower in a single year but averaged out to meet VCE's goals over a 2 or 3 year period. This tactic could lead to:
  - Net cost avoidance of several million dollars over a 2-3 year period while still meeting VCE's regulatory compliance requirements

Staff Recommendation – approval to plan for incorporation of long-term renewable contracts into VCE's portfolio and address fiscal year 2020/21 PCIA and Resource Adequacy cost impacts.

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Item 18 - Policy Strategies – Option C Alternatives

Policy Option C – Power Planning Resource Adjustments	2021 RPS Levels	2021 Large Hydro	2021 Carbon-Free	FY20/21 Financial Savings
Base Case	42%	33%	75%	$0
Alt 1 (Low RPS/Large-hydro)	6%	5%	11%	$2.50 - $3.00 million
Alt 2 (Moderate – Approx 25% Base Case) - Recommended	10%	10%	20%	$2.00 - $2.50 million
Alt 3 (Moderate – Approx 50% Base Case)	24%	14%	38%	$1.25 - $1.75 million
Alt 4 (Large Hydro Emphasis)	6%	44%	50%	$1.50 - $2.00 million

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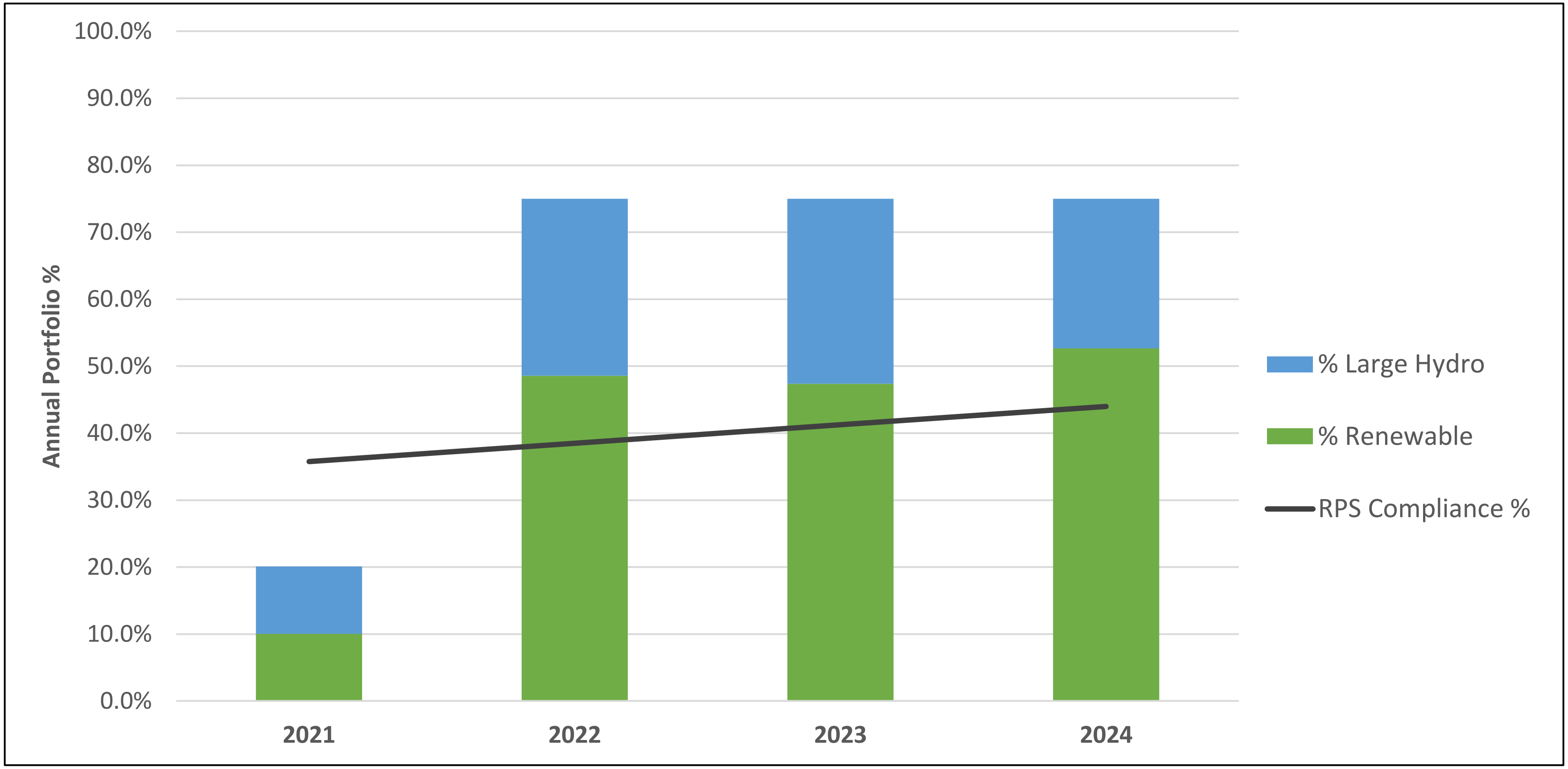
Item 18 - Policy Strategies – Option C Alternatives

Alternative 2 – Recommended



- Over the compliance period ('21-'24) RPS compliance standard will average 40%
- VCE will exceed 50% renewables in later compliance yrs to compensate for lower '21

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Item 18 - Policy Strategies – Rate Choices

OPTION B – IMPLEMENT A THIRD CUSTOMER RATE CHOICE:

- Add a third choice for customer rates that could be set near the minimum State standards for renewable energy content to allow customers the option to choose a more cost-effective rate, while maintaining VCE's other two current rate options that deliver higher renewable and GHG free attributes at a "cost plus" rate

Staff Recommendation – Study

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Item 18 - Policy Strategies – Conclusion

CONCLUSION

Staff is recommending:

- Accept large-hydro allocation for 2020 (previously approved by Board)
- Approve Power Resource Planning Adjustments – Alt 2
- Direct Staff and the CAC to study additional customer rate choices

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Valley Clean Energy Special Board Meeting – June 11, 2020
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Item 19 – Fiscal Year 2020-2021 Operating Budget

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Item 19 – Operating Budget FY 2020-2021

Overview

- Preliminary budget presentations in March, April, May
- Two budget options are presented for consideration by the Board:
    - Budget Option 1: Staff-recommended budget reflecting a $2.8 million loss, which includes $2.4 million in recommended policy adjustments to help mitigate an otherwise higher loss.
    - Budget Option 2: Alternative “business as usual” budget reflecting a $5.2 million loss, which does not include any mitigating policy adjustments by the Board

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Item 19 – Operating Budget FY 2020-2021

Background

- Operating Budget FY 2019-2020 - In June 2019, the Board approved the Operating Budget of $46.4 M
  - VCEA rates set to match PGE&E's generation rates, net of PCIA and Franchise Fees
  - Power Mix of 42% renewable, 75% clean for the default Standard Green energy product
  - Contingency of 5% of other operating expenses

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Item 19 – Operating Budget FY 2020-2021

Key Assumptions (Budget Option 1):

- The staff recommended Budget Option 1 reflects a loss of $2.8 million. Included are the following assumptions:
  - VCE's most current load forecasts are reflected, which include substantial reductions in load and revenue related largely to COVID and associated recessionary factors
  - Consistent with current policy, VCE will match PG&E's generation rates – which are expected to increase 1.5% overall in 2020 and 2.0% in 2021
  - PCIA is significantly higher in FY2021 budget than prior year, increasing 18% to the PCIA cap of 3.2 cents per kWh in May 2020 and a further 38% increase to 4.4 cents per kWh in 4th quarter 2020

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Item 19 – Operating Budget FY 2020-2021

Key Assumptions (Budget Option 1) – continued:

- Power costs are $6.1 million higher than FY2020 budget – due to increasing Resource Adequacy (RA) costs and an anticipated delay in generation from pending long-term solar projects
- Budget reflects the inclusion of two policy options recommended by staff and the CAC which partially mitigate the financial loss:
  - Power Planning Resource Adjustment, which is expected to lower power purchase costs by $2.25 million
  - Accepting large hydro allocations from PG&E (potential $125k avoided costs)
- Other operating expenses (not including power costs) are nearly flat to FY2020 budget, reflecting only a 1.3% increase

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Item 19 – Operating Budget FY 2020-2021

Rates and Revenue – The revenue budget is based on the following assumptions:

- PG&E generation rates will increase by an overall average of 1.5% for 2020 and increase 2% for 2021
- PCIA increased to 3.2 cents per kWh on 5/1/20 and to 4.4 cents per kWh in Q4-2020 due to an expected cap exception trigger
- The FY2021 load and revenue reflects reductions due to the following factors: (1) COVID-19 and recessionary load decline of 3.8%, (2) weather patterns, (3) the latest actual load and customer count information, and (4) opt-out and opt-up rates.
- The retail load forecast for the FY 2021 is estimated at 677 GWh.

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Item 19 – Operating Budget FY 2020-2021

Power Costs/Mix:

- For calendar year 2020, the power mix remains unchanged from the prior year's budget with 42% renewable and 75% clean content.
- For calendar year 2021, if approved by the Board, VCE would utilize the Power Resource Planning Adjustment policy strategy – with a 10% renewable and 20% clean content mix in calendar year 2021 and then increases in later years to ensure compliance
- Power cost includes: (1) system energy, (2) eligible renewables and (3) carbon free attributes totaling $34.4 million, or 72.1% of the total power costs. Resource adequacy (RA) cost is forecasted at $13.3 million, or 27.9% of the total power costs.

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Item 19 – Operating Budget FY 2020-2021

Other Operating Expenses:

- Other operating expenses increase by a very modest 1.3% over FY2020 budget. VCE updated the budget based on the following:

  - VCE's Labor & Benefits will decrease slightly in FY2021 as internal positions continue to replace contracted positions
  - Increased costs due to PG&E bankruptcy, included as part of the Contingency line item
  - Slight increase in legal, regulatory and legislative support – totaling 2%
  - 2.5% assumed annual inflation rate on all expenses not under contract – and 5% contingency for unanticipated expenses

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Item 19 – Operating Budget FY 2020-2021

Budget Option 1 - Recommended

VALLEY CLEAN ENERGY BUDGET SUMMARY FY2021 - BUDGET OPTION 1	APPROVED BUDGET FY 2019-2020	ACTUAL YTD APR 30, 2020 (10 MO) + FORECAST (2 MO) FY 2019-2020	PRELIMINARY BUDGET FY 2020-2021
OPERATING REVENUE	$ 55,708	$ 55,122	$ 49,638
OPERATING EXPENSES:			
Cost of Electricity	41,575	41,844	47,670
Contract Services	2,910	2,876	2,982
Staff Compensation	1,183	1,065	1,132
General, Administration and other	728	524	772
TOTAL OPERATING EXPENSES	46,396	46,309	52,555
TOTAL OPERATING INCOME	9,312	8,813	(2,917)
NONOPERATING REVENUES (EXPENSES)			
Interest income	132	105	135
Interest expense	(155)	(111)	(57)
TOTAL NONOPERATING REV/(EXPENSES)	(23)	(6)	78
NET MARGIN	$ 9,289	$ 8,807	$ (2,839)
NET MARGIN %	16.7%	16.0%	-5.7%

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Item 19 – Operating Budget FY 2020-2021

Key Assumptions (Budget Option 2):

- Budget Option 2 reflects a loss of $5.2 million. It is not the staff-recommended budget option.
- It is identical to Budget Option 1 except that it does not include the following two policy strategy adjustment options:
  - Power Resource Planning Adjustment of $2.25 million avoided energy costs
  - Large Hydro allocation of $125,000

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Item 19 – Operating Budget FY 2020-2021

Budget Option 2

VALLEY CLEAN ENERGY							
BUDGET SUMMARY				ACTUAL YTD			
FY2021 - BUDGET OPTION 2		APPROVED		APR 30, 2020 (10 MO)		PRELIMINARY	
		BUDGET		+ FORECAST (2 MO)		BUDGET	
		FY 2019-2020		FY 2019-2020		FY 2020-2021	
OPERATING REVENUE		$	55,708	$	55,122	$	49,513
OPERATING EXPENSES:							
	Cost of Electricity		41,575		41,844		49,920
	Contract Services		2,910		2,876		2,982
	Staff Compensation		1,183		1,065		1,132
	General, Administration and other		728		524		772
	TOTAL OPERATING EXPENSES		46,396		46,309		54,805
	TOTAL OPERATING INCOME		9,312		8,813		(5,292)
NONOPERATING REVENUES (EXPENSES)							
	Interest income		132		105		135
	Interest expense		(155)		(111)		(57)
	TOTAL NONOPERATING REV/(EXPENSES)		(23)		(6)		78
	NET MARGIN	$	9,289	$	8,807	$	(5,214)
	NET MARGIN %		16.7%		16.0%		-10.5%

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Item 19 – Operating Budget FY 2020-2021

CONCLUSION

Budget Option 1 provides $2.4 million in savings in FY2021 and another $2.25M in FY2022, compared to Budget Option 2. Primary co-benefits include:

- It helps efficiently align power planning timelines to avoid duplicative power purchases
- In combination with reserves, it helps stabilize customer rates by addressing a known, immediate need (fiscal impact in FY2020/21)
- The approach of utilizing the Power Resource Planning Adjustment has a “shelf life,” meaning the impact diminishes the longer the delay in implementing it

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Item 19 – Operating Budget FY 2020-2021

CONCLUSION - continued

- The $2.375 million in avoided costs would help VCE address potential negative future cash balances and can be accomplished while still adhering to VCE goals and compliance standards
- Although VCE currently has a $7 million RLOC available, VCE is reluctant to utilize it for rate stabilization purposes
- It provides additional fiscal stability as the PCIA moderates in future years (i.e. Diablo Canyon removed from PCIA costs in 2024/25) and lower cost long-term renewable PPA’s come on-line

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Item 19 – Operating Budget FY 2020-2021

Staff recommends Board adopt resolution approving Budget Option 1 - Operating Budget of $52.6 million of Operating Expenses for Fiscal Year 2020/2021

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Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO

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Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO - Background

- **April 2020 VCE issued two solicitations**
  - Local renewable RFO (April 20th)
  - Joint solicitation with Redwood Coast Energy Authority (RCEA) for Incremental Resource Adequacy (RA) (April 28th)
- **June 2020 Joint CCA Request for Information (RFI)**
  - VCE joined with 10 other CCAs and issued an RFI on Long-Duration Storage (June 3rd)

VALLEY CLEAN ENERGY

Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO - Background

- **Local renewable RFO**
  - VCE Board approval April 9, 2020
  - 2019 RPS Plan: "VCE plans to establish an open solicitation for local renewables in the first quarter of 2020 in order to supply up to 25% of its targeted 2030 renewable goal of 80%."
- **Incremental RA**
  - VCE partnered with a similar sized CCA in RCEA

Procurement year (online by August 1)	2021	2022	2023
Percent of obligation required by year	50%	75%	100%
RCEA cumulative obligation (MW)	5.4	8.0	10.7
VCE cumulative obligation (MW)	6.3	9.4	12.6

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Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO – Response Summary

	Local RFO (5/26/2020)	Incremental RA (5/15/2020)
Bidders	12	6
Proposals	31	14
Technology types	PV, PV + Storage (BESS), Geothermal, Hybrid (combination of wind, PV and BESS)	Demand response, rooftop PV +BESS, Stand-alone BESS
Counties	Colusa, Lake, Solano, Yolo	N/A

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Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO – Timeline

Item	Local RFO	Incremental RA RFO
RFO issuance and Q&A open	April 20, 2020	April 28, 2020
Deadline to submit Q&A	May 15, 2020	May 5, 2020
Deadline to submit Notice of Intent to Bid	May 20, 2020	N/A
Deadline to submit RFO Proposals at 5:00pm PT	May 26, 2020	May 15, 2020
Bidders notified of shortlist status	July 13, 2020	Week May 25th
Complete Power Purchase Agreement (PPA) negotiations	Sept 30, 2020	Late May – Mid July
Award contracts / Approvals*	Q4 2020	June 25 (RCEA) and July 9 (VCE)

*Award and approval date for the joint RFO is subject to change

VALLEY CLEAN ENERGY

Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO – Next Steps

- **Staff evaluating Local RFO responses, arrive at a short-list in mid-July**
  - Update Board in August

- **Incremental RA RFO shortlisted four entities and has conducted the first round of interviews**
  - Negotiate one to two agreements and bring to Board for approval in the July / August timeframe

VALLEY CLEAN ENERGY

Item 20 – Update: Local RFO and Incremental Resource Adequacy RFO – Joint CCA RFI

- **Joint CCAs: CPA, CPSF, EBCE, MCE, MBCP, PCE, RCEA, SJCE, SVCE, SCP, VCE**
- **Goals:**
  - Collect information that may inform a subsequent long-duration storage request for offers
  - Inform the Joint CCAs in their long-term resource planning, including identifying candidate resources for the long-duration storage need identified in the 2019-2020 Reference System Plan
- **Responses due July 1, 2020**

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Valley Clean Energy Special Board Meeting – June 11, 2020
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Item 21 – Pilot NEM Donation Program

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Item 21 – Pilot NEM Donation Program - Overview

- **A request was made by CAC and board members to develop a program allowing NEM customers to donate excess credits to charity**
- **The potential for a donation program was incorporated into VCE NEM policy**
  - "NEM customers with a wholesale credit balance exceeding $100 on their annual true-up date will be cashed-out, unless they choose to roll over the balance or donate the funds."
- **NEM customers are trued up once per year and some customers have a credit balance after true up**
- **The program focuses on customer with credits exceeding $100**
- **For customers with credits <$100, the amount automatically rolls over as a credit on their bill**
- **Customers with credits exceeding $100 will be given a choice of what to do with their credits**

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Item 21 – Pilot NEM Donation Program - Plan

- **Develop a pilot program allowing customers to donate NEM credits to charity**
- **Charities would be non-profit community based organizations (CBOs)**
- **Up to 3 charities would be selected the first year for the pilot**
- **Charities could be in two categories—**
  - **Alignment with VCE mission—energy related**
  - **Focused on the community, but not energy related**
- **CAC recommendation—all felt the CBOs should be in alignment with VCE's mission – One member felt it should also include community focused orgs., but not exclusively on energy**
- **Charities (CBOs) would be reviewed each year and may rotate**

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Item 21 – Pilot NEM Donation Program – Potential Charities

Example Non-Profit CBOs in Alignment with VCE Mission (energy-related)—energy efficiency (EE), renewable energy, energy storage, demand response

- **Yolo County Housing Authority** (affordable housing EE)
- **Habitat for Humanity** (fund EE/renewable measures)
- **Grid Alternatives** (renewables and job training accessible to underserved communities)
- **Tree Davis** (tree planting in Yolo County)
- **Cool Davis** (focus on sustainability/EE)
- **Organizations that help low income customers with EE upgrades/weatherization**

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Item 21 – Pilot NEM Donation Program – Potential Charities

Example CBOs Focused on Community

- **Yolo Food Bank**
- **STEAC** (short term emergency aid)
- **Empower Yolo** (crisis intervention)
- **Yolo Crisis Nursery**
- **Habitat for Humanity**
- **Yolo County Housing Authority**

- **Some overlap (Habitat, YCHA) between categories as funds can be directed towards energy, or not, in some cases**
- **Seeking Board direction on one or two categories for the pilot program**

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Item 21 – Pilot NEM Donation Program - Potential

Potential Resources Available

- **At the 2019 true up, only 5 customers had credit balances exceeding $100—$3400, $1900, $304, $205, and $112 for a total of $6,000**
- **In 2020, 64 customers had credits exceeding $100—62 of those were between $100 and $311. One at $9,600 and one at $2,700, for a total of $22,000**
- **With more NEM customers enrolling, the potential for donations will continue to rise**
- **We've had one true-up per year in 2019 and 2020**
- **Beginning in 2021, we will have true-ups every month**

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Item 21 – Pilot NEM Donation Program - Mechanics

NEM customers will have three options:

1. **Leave the credit to roll over to future bills.**
2. **Receive payment from VCE for the full credit amount.**
3. **Donate the credit to charity. If yes, select one of the chosen CBOs.**

- **Customers who do not respond will automatically be enrolled in Option 2 per VCE policy.**

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Item 21 – Pilot NEM Donation Program

- **Pilot will help determine if this approach is viable and help inform potential larger donation program(s) that could include:**
  - **Donating VCE dividends**
  - **Requesting donations to assist low income customers with the installation of weatherization/efficiency measures or bill**
  - **Other TBD**
- **Starting this program gives us the opportunity to start small and work out the bugs before expanding**