



# Valley Clean Energy Board Meeting

Monday, June 17, 2019

City of Woodland Council Chambers, Woodland, CA

# Item 18 – New Rate Structure / Dividend Program

## Background

- Policy modifications approved by the Board in November 2018 included to study adoption of a new rate structure starting in July 2019 (VCE's 2020 Fiscal Year)
- Staff and CAC Rates and Services Task Group collaborated in developing this New Dividend program

# Item 18 - Key Considerations

## Key considerations

- Rate design impacts on customer opt-outs
- Trigger for payment of customer dividend – minimum net margin
- Impact on financial stability of VCE
- Allocation of revenue to reserves, dividends, and local program development/implementation
  - Short-term consideration of NEM Enrollment

# Item 18 – Dividend Program Guidelines

- Match PG&E electric generation rates less PCIA exit fee
- Require a minimum 5% net margin (less principal payments) before any dividends are paid to VCE customers
- Require the enrollment process for the legacy NEM accounts in the VCE service area has begun 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

# Item 18 – Dividend Program Guidelines

- Guidelines of Allocation of Net Margin
  - Net Margin  $\leq$  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

# Item 18 – Dividend Program Guidelines

- 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

# Item 18 –SMUD Task Proposal

- Amendment 11 to SMUD Task Order 2 – to develop technology enhancements to support VCE’s annual Dividend program
- Fixed Fee is \$75,000
  - Budgeted in FY 2019/2020 Operating Budget

# Item 18 –CAC Recommendation

- The Community Advisory Committee recommends the adoption of the new Rate Structure and Dividend Program Guidelines



# Item 18 – Recommended Action

Board adopt a resolution:

1. Approving the New Rate Structure and Dividend Program Guidelines
2. Authorizing the Interim General Manager to approve and sign Amendment 11 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement



Item 19 - Approval of enrollment of NEM legacy accounts beginning January 2020; revisions to the approved NEM Policy; and, Amendment 12 to Task Order 2 of SMUD Agreement



# Item 19 - Recommended Action

Adopt a resolution:

1. Approving the enrollment of net energy metered customers beginning January 2020.
2. Approving ~~a~~ minor revisions to the approved NEM policy ~~related to net excess generation~~.
3. Authorizing the Interim General Manager to sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement.

# Item 19 - Background - Net Energy Metering (NEM) Policy

## **NEM Policy has been delayed twice:**

### **1. Issues with original policy were identified**

- NEM enrollment was delayed to address issues
- Worked with public, CAC, board to revise the policy
- New policy was approved by the board at the Sept 2018 meeting
- Policy was scheduled to go into effect beginning January 1, 2019

### **2. California Public Utilities Commission (CPUC) Decision**

- Decision of 10/11/2018, changed methodology for calculating the Power Charge Indifference Adjustment (PCIA)
- Expected increased power procurement costs
- Expected increased Resource Adequacy costs
- Board decision to defer NEM enrollment “at least until 2020” but as soon as practical at November 15 Special Meeting
- “Reassessment of the future enrollment date in mid-2019”;  
(Current recommendation to Board)



# Item 19 - PG&E 2019 ERRR Forecast update

CPUC Energy Division issued Final Disposition letter on the PG&E 2019 ERRR forecast proceeding on June 10, 2019

- Financial impact on VCE:
  - PG&E generation rates increased by approximately 6.74% from 2018 rates (VCE rates followed the increase per VCE board decision to match PG&E rates)
  - PCIA exit fee based on VCE load forecast is essentially flat from 2018 ~ average \$0.0265/kWh

# Item 19 - Updated VCE Proforma for FYE 2019 & 2020

## Financial impact comparison of November 2018 (Board approved policy modifications) vs. Current 2019 ERRA information

	7/2018-6/2019	7/2019-6/2020
Net income before policy modifications	\$ 2,259	\$ (911)
Postpone NEM enrollment	779	1,767
Net income after Postponement of NEM	3,038	856
Match PG&E generation rate	783	1,744
<b>Net income after modification of rate discount</b>	<b>\$ 3,821</b>	<b>\$ 2,600</b>
Enroll Legacy NEM customers (1)	-	(600)
Changes to 2019 PCIA, PG&E rates, load forecasts & operating costs	4,764	7,289
<b>Net income with 2019 ERRA &amp; NEM enrollment January 2020</b>	<b>\$ 8,585</b>	<b>\$ 9,289</b>
(1) - Enroll Legacy NEM customers beginning January 2020		

# Item 19 - Financial Update

- Net margin for FY 2019/2020 \$9.3 million or 16.32%
- Improved fiscal outlook puts VCE in position to enroll legacy NEM customers as soon as practical- beginning in January 2020

# Item 19 - Enrollment Method and PG&E Costs

- NEM customers will be enrolled in monthly batches
- VCE pays PG&E \$4,475 per batch to move customer groups greater than 100
  - Monthly batching makes the most sense
  - Less frequent batching would negatively impact true-up dates
  - More frequent batching would cost more



# Item 19 - Enrollment Costs - SMUD

- SMUD developed a Task Proposal to enable NEM enrollment that mirrors PG&E NEM billing
- Task will take 6 months to complete
- Fixed fee for task is \$100,000

	Milestone	Responsible Party	Due Date
1	Task Proposal approved	VCE	June 17, 2019
2	Requirements gathering initiated	SMUD	July 1, 2019
3	Customer list to mass enroll on each policy approved	VCE	September 30, 2019
4	Development complete	SMUD	October 3, 2019
5	User testing complete	SMUD	October 25, 2019
6	CRM go-live: Customers begin pre-enrollment period on proper NEM policy	SMUD	November 1, 2019
7	Billing go-live: Customers begin receiving bills on proper NEM policy	SMUD	January 1, 2020

# Item 19 - NEM Policy with Proposed Changes

1. Residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle unless their annual balance exceeds \$500.
2. Residential NEM customers with solar systems installed prior to June 2018 with annual balances exceeding \$500 will be transitioned to monthly billing with a February true-up date.
3. Residential customers with solar systems installed prior to June 2018 that have been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than \$500 per year for a consecutive two-year period.
4. Non-residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle, unless their annual balance exceeds \$5,000.
5. Non-residential NEM customers with annual balances exceeding \$5,000 may be transitioned to monthly billing with a February true-up.
6. NEM customers may choose a monthly billing cycle with February true-up in lieu of an annual billing and true-up cycle.
7. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
8. The transition from PG&E to VCE will occur on the customer's true-up date in ~~2019~~ 2020. 18

# Item 19 - NEM Policy with Proposed Changes

9. NEM customers with less than \$100 in wholesale credits will have the credit balance roll over to the next billing cycle (with no loss of credits). 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.
10. NEM customers that generate excess energy on a monthly basis will receive the retail value plus a \$0.01/kWh credit for the excess generation, without additional compensation for participation in renewable programs.
11. Customers on time-of-use (TOU) rate schedules will receive a \$0.01/kWh credit for net excess generation ~~during any TOU period~~ on a monthly basis.
12. NEM customers that generate excess energy on an annual basis will receive the wholesale value of net surplus generation, plus a \$0.01/kWh adder.
13. NEM customers may opt-out of VCE's NEM program and return to PG&E at their discretion.
14. Residential customers adding solar systems beginning June 1, 2018 will be placed on monthly billing with an annual true-up date in February.
15. Non-residential customers adding solar systems beginning June 1, 2018 may be placed on monthly billing with an annual true-up in February.

## Item 19 - CAC Recommendation

- The Community Advisory Committee (CAC) recommends starting NEM enrollment for legacy solar customers beginning January 2020

# Item 19 - Recommended Action

Adopt a resolution:

1. Approving the enrollment of net energy metered customers beginning January 2020.
2. Approving ~~a~~ minor revisions to the approved NEM policy ~~related to net excess generation~~.
3. Authorizing the Interim General Manager to sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement.

# Item 20 – Operating Budget FY 2019-2020

## Background

- Operating Budget FY 2018-2019 -In June 2018, the Board approved the Operating Budget of \$46.3 M
  - VCE rates set at 2.5% discount of PG&E's generation rates
  - Power Mix of 42% renewable, 75% clean for the default product
  - Contingency of 10% of other operating expenses due to uncertainty surrounding initial year of operations

# Item 20 – 2018 Policy Modifications

In November 2018 – Board approved several policy modifications to address 1) PCIA Exit fee volatility and 2) Anticipated increase in power costs for 2019 and 2020

- Rates – eliminated up-front rate discount and simply matched PG&E rates for 2019 with Board direction to design a customer revenue sharing system for adoption in 2019
- Deferral of NEM customer enrollment from January 2019 to 2020 or 2021 with Board direction to enroll as soon as practical

# Item 20 – Operating Budget FY 2019-2020

## Assumptions

- Electric Revenue:
  - Match PG&E generation rates net of PCIA and Franchise Fees
  - Estimated ERRA 2019 rates:
    - 2019 PG&E generation rates increase 6.74%
    - 2019 PCIA exit fee essentially flat to ~ 2.64 cents/KWh
  - Estimates from CalCCA consultant MRW at April 2019:
    - 2020 PG&E generation rates decrease 3%
    - 2020 PCIA exit fee increase 9% (1/2 of cap) ~ 2.89 cents/KWh
  - Enrollment of legacy NEM customers beginning January 2020



# Item 20 – Operating Budget FY 2019-2020

## Assumptions

- Power Costs/Mix:
  - 42% renewable and 75% clean content
  - Updated load forecast for 2019 & 2020 based on actual load data, opt-out rates and opt-up rates
  - Retail load forecast estimated 690 GWh
  - Power costs:
    - System energy, eligible renewables and carbon free attributes - \$34.16M or 82.15% of power costs
    - Resource Adequacy (RA) costs \$7.42M or 17.85% of power costs

# Item 20 – Operating Budget FY 2019-2020

## Assumptions

- Other Operating Costs:
  - Increase in head count – 2 Senior interns to assist developing customer programs and outreach for new member jurisdictions
  - Costs related to the addition of new member jurisdictions
  - Services currently under contract
  - Anticipation of increase legal costs due to PG&E bankruptcy
  - Increase in Joint CCA regulatory costs related to 2020 ERRA proceeding
  - 2.2% annual inflation rate on all expense not under contract
  - 5% contingency rate for unanticipated operating expenses

# Item 20 – Budget Summary

<b>VALLEY CLEAN ENERGY</b>				
<b>BUDGET SUMMARY</b>				
<b>FY 2019/2020</b>				
		<b>YTD ACTUAL</b>		
	<b>APPROVED BUDGET</b>	<b>APR 30, 2019 (10 MO) + FORECAST (2 MO)</b>	<b>PROPOSED BUDGET</b>	
	<b>FY 2018/2019</b>	<b>FY 2018/2019</b>	<b>FY 2019/2020</b>	
OPERATING REVENUE	\$ 54,314	\$ 51,043	\$ 55,708	
<b>OPERATING EXPENSES:</b>				
Cost of Electricity	41,103	38,577	41,575	
Contract Services	2,719	2,318	2,910	
Staff Compensation	1,358	1,003	1,183	
General, Administration and other	1,094	428	728	
<b>TOTAL OPERATING EXPENSES</b>	<b>46,274</b>	<b>42,326</b>	<b>46,396</b>	
<b>TOTAL OPERATING INCOME</b>	<b>8,040</b>	<b>8,717</b>	<b>9,312</b>	
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	89	40	132	
Interest expense	(590)	(191)	(155)	
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>(500)</b>	<b>(151)</b>	<b>(23)</b>	
<b>NET MARGIN</b>	<b>\$ 7,539</b>	<b>\$ 8,565</b>	<b>\$ 9,289</b>	
<b>NET MARGIN %</b>	<b>13.88%</b>	<b>16.78%</b>	<b>16.67%</b>	



# Item 20 – Conclusion

- Net Margin – 16.67% - meets VCE's minimum 5%
- Based on estimates provided with Disposition Letter from CPUC Energy Division on PG&E Advice Letter 5527-EB issued June 10, 2019
- Enrollment of legacy NEM customers beginning January 2020

# Item 20 – Recommendation

Staff recommends Board adopt resolution approving Operating Budget of \$46.4 million of Operating Expenses for Fiscal Year 2019/2020



## Valley Clean Energy Board

### Item 22 – Amendment #1 to Wholesale Risk Policies

June 17, 2019

Woodland City Council Chambers

# Amendment #1 to Wholesale Energy Risk Management Policy

## Background

- The current policy sets Credit Exposure Limits to \$1.5 M per counter party.
- With the increase in market power prices over the last year, Credit Exposure Limits of some key trading partners has risen to levels above \$1.5M.
- Current credit policy dictates that we do no more business with those counter parties until exposure drops below the \$1.5M.
- The \$1.5M limit creates challenges for Resource Adequacy (RA) procurement that could further constrain RA availability for VCE.

# Amendment #1 to Wholesale Energy Risk Management Policy

## Credit Exposure

- What is Credit Exposure?
- For power purchases, it's the financial exposure that VCE has if the seller defaults and doesn't deliver the expected product.

Counter Party Credit Exposure = Cost of Replacement Power Contract  
– Total Existing Contract Value

Counter Party Credit Exposure = Contract Volume x (Current Market Price  
– Contract Price)



# Amendment #1 to Wholesale Energy Risk Management Policy

## Credit Exposure

### ***Counter Party "A" Purchase Contract Information***

Contract Volume, MWWhs	200,000
Delivery Term	2020
Contract Price, \$/MWh	\$22.50
Contract Execution Date	6/1/19
Total Contract Value, \$	\$4,500,000
Market Price at time of Contract, \$/MWh	\$22.50
Market Price on 12/1/2019, \$/MWh	\$31.60

### ***Counter Party "A" Credit Exposure Calculation***

<b><i>Time of Calculation</i></b>	<b><i>Volume</i></b>	<b><i>Market Price</i></b>	<b><i>Contract Price</i></b>	<b><i>Exposure</i></b>
At Time of Contract	200,000	\$22.50	\$22.50	\$0
12/1/2019	200,000	\$31.60	\$22.50	\$1,820,000

# Amendment #1 to Wholesale Energy Risk Management Policy

## Proposed Policy Edits

- Amendment #1 to the Risk Policy will modify the credit limit exposure calculation to exclude Resource Adequacy purchase contracts

### 6.1 Credit Limit and Monitoring

In executing transactions on VCEA's behalf, the WESP will observe a pass-through counterparty credit maximum limit equal to \$1.5 million, with an exception for Resource Adequacy capacity purchase/buy transactions, which will not be included in this credit limit.

# Amendment #1 to Wholesale Energy Risk Management Policy Recommendation

- Staff recommends adoption of Amendment #1 to the VCE Wholesale Energy Risk Management Policy.



# Valley Clean Energy Board Sub Committee

## Item 22 – Update on LT Renewable Solicitation Short List

June 17, 2019

Woodland City Council Chambers

# Long Term Renewable Solicitation – Short List Update

## Current Status

- Projects previously selected for short listing
  - ~~72 MW solar project~~ (project withdrawn by developer – no longer available)
  - ~~40 MW solar project~~ (no longer available)
  - 100 MW solar project (other project selected from preferred list)
- Contribution to Portfolio:

	PPA Capacity	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Supply	100 MWs	0	10,536	278,561	278,561	278,561	279,152	278,561	278,561	278,561	279,152	278,561	278,561
Implicit Combined Premium			\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.22
VCEA Retail Load		686,131	706,123	715,572	715,596	717,257	722,514	724,832	728,923	733,079	738,723	741,959	746,451
Incremental Contribution to Renewable Content		0.0%	1.5%	38.9%	38.9%	38.8%	38.6%	38.4%	38.2%	38.0%	37.8%	37.5%	37.3%
IRP Targets		42.0%	42.0%	51.0%	60.0%	62.5%	65.0%	67.5%	70.0%	72.5%	75.0%	77.5%	80.0%

# Long Term Renewable Solicitation – Short List Update

## Next Steps

- Complete Short-Listing
  - Close to execution of an LOI with developer of 100 MW project
  - Still reaching out to have discussions with developers having projects on the short list.
- Negotiate PPA(s)
- Obtain Board approval