

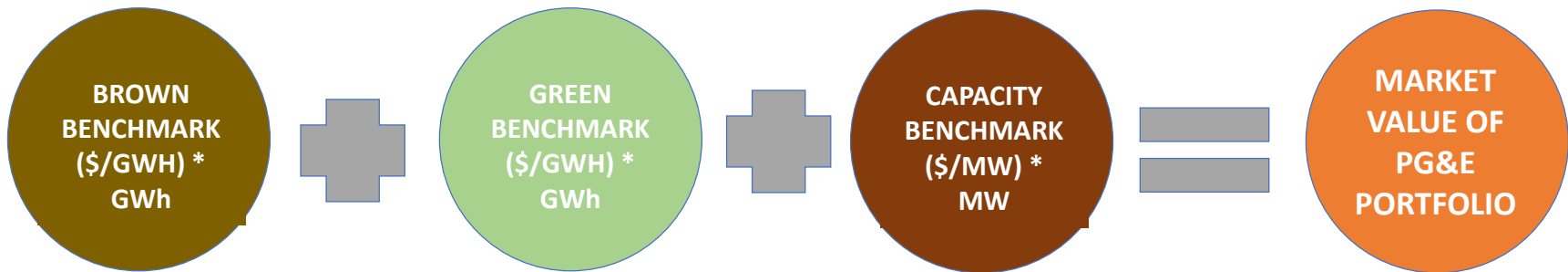


# Valley Clean Energy Special Board Meeting

Power Charge Indifference Adjustment Workshop  
November 1, 2018, Woodland

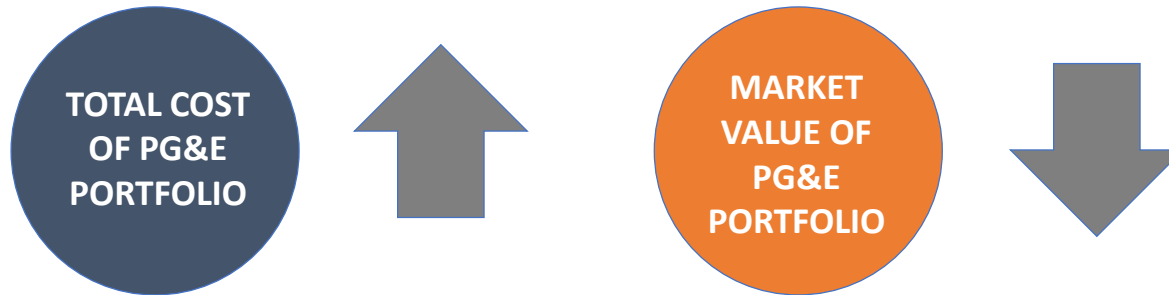
# Item 5: Discussion on Power Charge Indifference Adjustment (PCIA)

# PCIA History/Comparisons

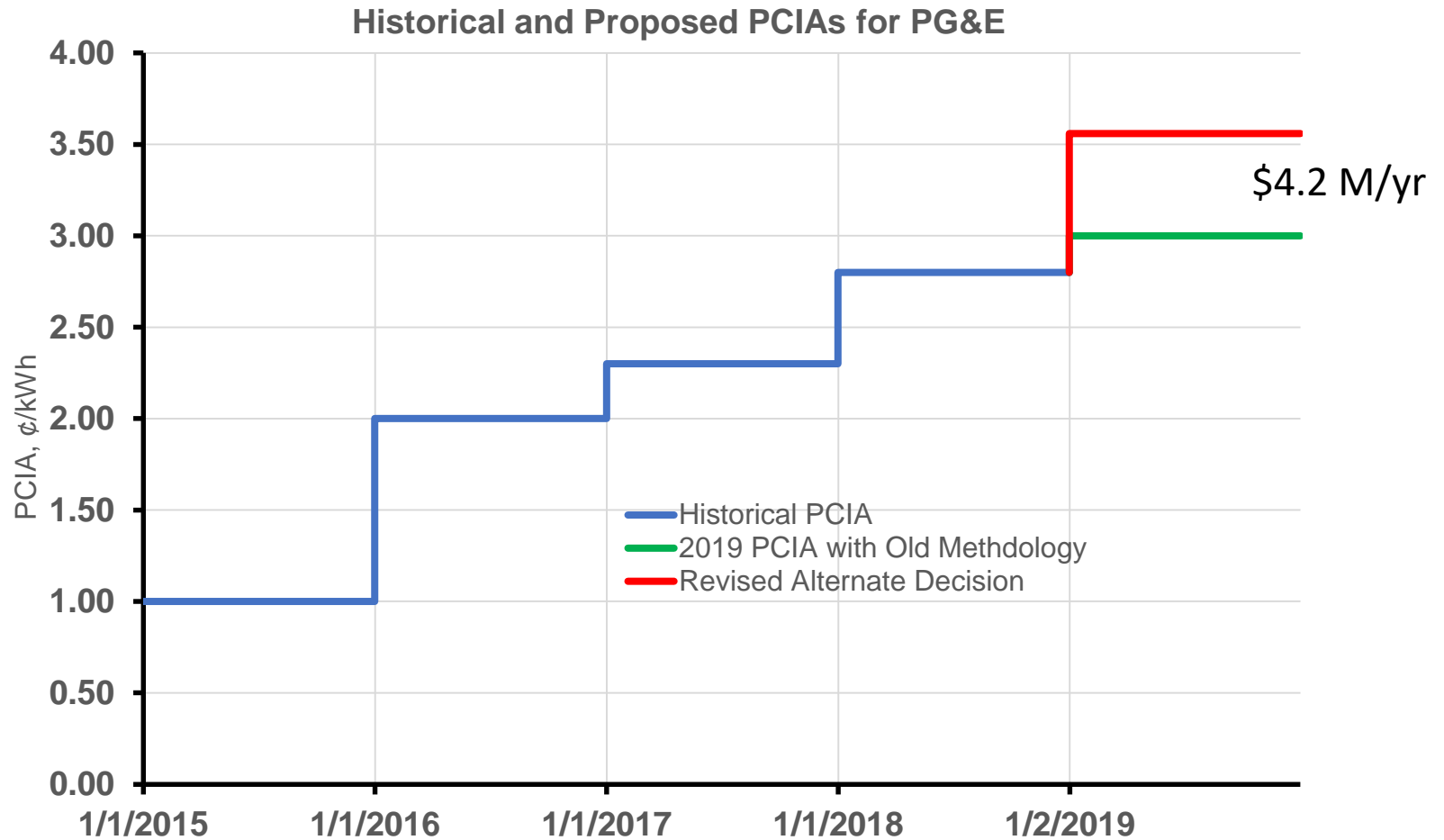


# PCIA History/Comparisons

- **Final PCIA Decision**



# PCIA History/Comparisons



# PCIA – Impact on VCE Financials

## Revised Comparison Base Case

- Rolls in current power costs (which have increased)
- Uses PG&E Sept 4<sup>th</sup> estimate of the adopted decision
- Assumes no annual PG&E rate increases

# PCIA – Impact on VCE Financials

## Revised Base Case - Current PG&E Calculated PCIA (Less Likely), Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	2.50%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	APD/Flat

						DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	783,204	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 46,874	\$ 49,276	\$ 49,661	\$ 50,002	\$ 50,346	\$ 50,694	
Power Costs	\$ -	\$ 26,591	\$ 43,858	\$ 49,301	\$ 45,321	\$ 46,140	\$ 46,974	\$ 47,823	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 3,016</b>	<b>\$ [25]</b>	<b>\$ 4,340</b>	<b>\$ 3,862</b>	<b>\$ 3,372</b>	<b>\$ 2,870</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	\$ 5,218	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ [1,505]</b>	<b>\$ [4,747]</b>	<b>\$ [499]</b>	<b>\$ [1,103]</b>	<b>\$ [1,718]</b>	<b>\$ [2,348]</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [218]	\$ [254]	\$ [253]	\$ [231]	\$ [215]	\$ [204]	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ [1,724]</b>	<b>\$ [5,002]</b>	<b>\$ [752]</b>	<b>\$ [1,334]</b>	<b>\$ [1,932]</b>	<b>\$ [2,552]</b>	
<b>DSCR (1.25:1)</b>				(3.60)	(0.39)	(0.90)	(1.46)	(2.08)	
Gross Margin		20.9%	6.4%	-0.1%	8.7%	7.7%	6.7%	5.7%	
Net Margin		8.7%	-3.7%	-10.2%	-1.5%	-2.7%	-3.8%	-5.0%	

# PCIA – Impact on VCE Financials

## Base Case - Updated PCIA Estimate (More Likely) , Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	2.50%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	Updated APD Estimate

	Updated APD Estimate					DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	783,204	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 49,501	\$ 53,155	\$ 53,568	\$ 53,941	\$ 54,317	\$ 54,695	
Power Costs	\$ -	\$ 26,591	\$ 43,858	\$ 49,301	\$ 45,321	\$ 46,140	\$ 46,974	\$ 47,823	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 5,644</b>	<b>\$ 3,854</b>	<b>\$ 8,247</b>	<b>\$ 7,801</b>	<b>\$ 7,342</b>	<b>\$ 6,872</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	\$ 5,218	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ 1,123</b>	<b>\$ [868]</b>	<b>\$ 3,408</b>	<b>\$ 2,835</b>	<b>\$ 2,253</b>	<b>\$ 1,654</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [210]	\$ [216]	\$ [176]	\$ [115]	\$ [58]	\$ [7]	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ 912</b>	<b>\$ [1,084]</b>	<b>\$ 3,232</b>	<b>\$ 2,721</b>	<b>\$ 2,195</b>	<b>\$ 1,647</b>	
<b>DSCR (1.25:1)</b>				(0.66)	2.68	2.32	1.92	1.47	
Gross Margin		20.9%	11.4%	7.3%	15.4%	14.5%	13.5%	12.6%	
Net Margin		8.7%	1.8%	-2.0%	6.0%	5.0%	4.0%	3.0%	



# PCIA – Impact on VCE Financials

## Base Case - PCIA Fully Adjusted for Recent Power Market Pricing Moves (Less Likely) , Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	2.50%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	PCIA w/Market Price Moves

	PCIA w/Market Price Moves					DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	783,204	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 52,918	\$ 55,425	\$ 55,859	\$ 56,250	\$ 56,644	\$ 57,041	
Power Costs	\$ -	\$ 26,591	\$ 43,858	\$ 49,301	\$ 45,321	\$ 46,140	\$ 46,974	\$ 47,823	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 9,060</b>	<b>\$ 6,124</b>	<b>\$ 10,538</b>	<b>\$ 10,110</b>	<b>\$ 9,670</b>	<b>\$ 9,218</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	\$ 5,218	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ 4,539</b>	<b>\$ 1,401</b>	<b>\$ 5,699</b>	<b>\$ 5,144</b>	<b>\$ 4,580</b>	<b>\$ 4,000</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [199]	\$ [176]	\$ [112]	\$ [27]	\$ 53	\$ 128	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ 4,339</b>	<b>\$ 1,226</b>	<b>\$ 5,587</b>	<b>\$ 5,117</b>	<b>\$ 4,633</b>	<b>\$ 4,129</b>	
<b>DSCR (1.25:1)</b>				1.06	4.48	4.21	3.90	3.55	
Gross Margin		20.9%	17.1%	11.0%	18.9%	18.0%	17.1%	16.2%	
Net Margin		8.7%	8.2%	2.2%	10.0%	9.1%	8.2%	7.2%	

# PCIA – Impact on VCE Financials

## Base Case - Updated PCIA Estimate (More Likely) , Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	2.50%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	Updated APD Estimate

	Updated APD Estimate					DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	783,204	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 49,501	\$ 53,155	\$ 53,568	\$ 53,941	\$ 54,317	\$ 54,695	
Power Costs	\$ -	\$ 26,591	\$ 43,858	\$ 49,301	\$ 45,321	\$ 46,140	\$ 46,974	\$ 47,823	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 5,644</b>	<b>\$ 3,854</b>	<b>\$ 8,247</b>	<b>\$ 7,801</b>	<b>\$ 7,342</b>	<b>\$ 6,872</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	\$ 5,218	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ 1,123</b>	<b>\$ [868]</b>	<b>\$ 3,408</b>	<b>\$ 2,835</b>	<b>\$ 2,253</b>	<b>\$ 1,654</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [210]	\$ [216]	\$ [176]	\$ [115]	\$ [58]	\$ [7]	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ 912</b>	<b>\$ [1,084]</b>	<b>\$ 3,232</b>	<b>\$ 2,721</b>	<b>\$ 2,195</b>	<b>\$ 1,647</b>	
<b>DSCR (1.25:1)</b>				<b>(0.66)</b>	<b>2.68</b>	<b>2.32</b>	<b>1.92</b>	<b>1.47</b>	
Gross Margin		20.9%	11.4%	7.3%	15.4%	14.5%	13.5%	12.6%	
Net Margin		8.7%	1.8%	-2.0%	6.0%	5.0%	4.0%	3.0%	

# PCIA – Impact on VCE Financials

## Base Case - Updated PCIA Estimate (More Likely) , Elimination of Rate Discount, Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	0.00%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	Updated APD Estimate

	Updated APD Estimate					DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	783,204	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 51,286	\$ 54,979	\$ 55,406	\$ 55,794	\$ 56,184	\$ 56,578	
Power Costs	\$ -	\$ 26,591	\$ 43,858	\$ 49,301	\$ 45,321	\$ 46,140	\$ 46,974	\$ 47,823	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 7,428</b>	<b>\$ 5,678</b>	<b>\$ 10,086</b>	<b>\$ 9,654</b>	<b>\$ 9,210</b>	<b>\$ 8,755</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	\$ 5,218	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ 2,907</b>	<b>\$ 955</b>	<b>\$ 5,247</b>	<b>\$ 4,688</b>	<b>\$ 4,120</b>	<b>\$ 3,537</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [205]	\$ [193]	\$ [135]	\$ [54]	\$ 21	\$ 92	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ 2,703</b>	<b>\$ 762</b>	<b>\$ 5,112</b>	<b>\$ 4,634</b>	<b>\$ 4,142</b>	<b>\$ 3,629</b>	
<b>DSCR (1.25:1)</b>				<b>0.72</b>	<b>4.13</b>	<b>3.83</b>	<b>3.51</b>	<b>3.14</b>	
Gross Margin		20.9%	14.5%	10.3%	18.2%	17.3%	16.4%	15.5%	
Net Margin		8.7%	5.3%	1.4%	9.2%	8.3%	7.4%	6.4%	

# PCIA – Impact on VCE Financials

## Base Case – Updated PCIA Estimate (More Likely), Elimination of Rate Discount, Eliminate NEM Gen Premium, Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	0.00%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	Updated APD Estimate

	Updated APD Estimate					DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	783,204	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 51,558	\$ 54,639	\$ 55,472	\$ 55,860	\$ 56,251	\$ 56,644	
Power Costs	\$ -	\$ 26,591	\$ 43,858	\$ 49,301	\$ 45,321	\$ 46,140	\$ 46,974	\$ 47,823	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 7,700</b>	<b>\$ 5,338</b>	<b>\$ 10,152</b>	<b>\$ 9,720</b>	<b>\$ 9,276</b>	<b>\$ 8,821</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	\$ 5,218	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ 3,179</b>	<b>\$ 616</b>	<b>\$ 5,313</b>	<b>\$ 4,755</b>	<b>\$ 4,186</b>	<b>\$ 3,603</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [204]	\$ [189]	\$ [131]	\$ [50]	\$ 26	\$ 97	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ 2,975</b>	<b>\$ 426</b>	<b>\$ 5,182</b>	<b>\$ 4,704</b>	<b>\$ 4,213</b>	<b>\$ 3,701</b>	
<b>DSCR (1.25:1)</b>				<b>0.47</b>	<b>4.18</b>	<b>3.89</b>	<b>3.56</b>	<b>3.20</b>	
Gross Margin		20.9%	14.9%	9.8%	18.3%	17.4%	16.5%	15.6%	
Net Margin		8.7%	5.8%	0.8%	9.3%	8.4%	7.5%	6.5%	

# PCIA – Impact on VCE Financials

## Base Case - Updated PCIA Estimate (More Likely), Elimination of Rate Discount, Deferral of NEM Enrollment, Reduced Operating Costs

Wholesale Power	NP-15 10/22/18
Rate Discount	0.00%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	Updated APD Estimate

	Updated APD Estimate					DRAFT VCEA Pro Forma			
	2017	2018	2019	2020	2021	2022	2023	2024	
Accounts	-	59,300	64,086	65,983	66,720	67,466	68,221	68,987	
Retail Load (MWh)	-	439,008	713,197	716,188	721,917	727,692	733,514	739,382	
(Thousands of Dollars)									
Revenue (net uncollectible)	\$ -	\$ 33,598	\$ 50,250	\$ 51,509	\$ 51,920	\$ 52,288	\$ 52,659	\$ 53,033	
Power Costs	\$ -	\$ 26,591	\$ 41,191	\$ 45,457	\$ 41,672	\$ 42,426	\$ 43,193	\$ 43,974	
<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 7,007</b>	<b>\$ 9,059</b>	<b>\$ 6,053</b>	<b>\$ 10,248</b>	<b>\$ 9,862</b>	<b>\$ 9,466</b>	<b>\$ 9,059</b>	
Operating Costs	\$ 483	\$ 3,980	\$ 4,493	\$ 4,683	\$ 4,799	\$ 4,924	\$ 5,047	\$ 5,174	
<b>Operating Income</b>	<b>\$ [483]</b>	<b>\$ 3,027</b>	<b>\$ 4,566</b>	<b>\$ 1,370</b>	<b>\$ 5,449</b>	<b>\$ 4,939</b>	<b>\$ 4,419</b>	<b>\$ 3,886</b>	
Interest Income [Expense]	\$ [10]	\$ [107]	\$ [199]	\$ [172]	\$ [110]	\$ [27]	\$ 52	\$ 127	
<b>Net Income</b>	<b>\$ [493]</b>	<b>\$ 2,920</b>	<b>\$ 4,367</b>	<b>\$ 1,197</b>	<b>\$ 5,339</b>	<b>\$ 4,912</b>	<b>\$ 4,472</b>	<b>\$ 4,012</b>	
<b>DSCR (1.25:1)</b>				1.04	4.28	4.04	3.76	3.45	
Gross Margin		20.9%	18.0%	11.8%	19.7%	18.9%	18.0%	17.1%	
Net Margin		8.7%	8.7%	2.3%	10.3%	9.4%	8.5%	7.6%	

# PCIA -Impact on VCE Financials, Policy Options

## Policy Options to Stabilize VCE Financials

- Reduce/eliminate rate discount
  - Match PG&E Rates (0% discount)
  - Adopt Dividend Policy (similar to MBCE approach)
- NEM Options
  - Enrollment Deferral out of 2019 (revisit for 2020)
  - Eliminate NEM Gen Premium (minimal positive impact)
- Reduce renewable/clean energy content
  - Not desirable and not large impact
- Trim operating costs
  - Approx 10% incorporated into current model - ~\$500k/yr

# PCIA – Policy Levers Discussion

## Benefits of Eliminating Rate Discount and Deferring NEM Enrollment

- Provides financial relief during the pinch years of 2019 and 2020 and creates minimal cushion against other possible events that could impact finances
- Retains price competitiveness
- By deferring 2019 NEM enrollment VCE retains the option to further delay that roll-in, if financially necessary
- NEM customers still benefit from their solar systems and are still contributing to the grid de-carbonization
- Avoids having to change the renewable/clean power mix

# PCIA Marketing

**Purpose: Outreach to VCE customers related to PCIA/Exit fee increase**

## ***Messages***

1. VCE is aware of the issue
2. VCE staff will work to mitigate negative effects on our customers by analyzing data, performing sensitivity analysis of options and developing recommendations
3. VCE supports a fair PCIA
4. VCE is disappointed in the CPUC decision
5. The decision is unfair to CCAs
6. Program changes will occur in public meetings
7. The public is invited to participate in the meetings



# PCIA Marketing Plan

## Marketing Schedule

Channel	Frequency	Message	Responsibility	Due Date
Web	Develop web content now and update as-needed	1-7	Outreach Committee/Jim Parks	11/9/2018
Call Center	Develop content now and update as-needed	1-7 with focus on 1, 2, 5, 6	SMUD/Parks	11/2/2018
Twitter/Facebook	Reactive responses until board approved decisions are made, then proactive postings	1, 2, 5, 6	Marketing Consultant/Parks	Start week of 11/19
Next Door	Develop content for “Friends of VCE” as-needed	1, 2, 5, 6	Marketing Consultant/Parks	11/19/2018
Newspaper	Develop op-ed now and after Bd decisions; respond as-needed	1-7	Jim Parks	Op-ed #1 draft by 10/27/2018 Op-ed #2 draft by 11/22/2018
Partnerships	As available	TBD		

# CAC Thoughts on PCIA Approach

## **Communicate Intention to Maintain Long Term Vision and Mission of VCEA**

- VCEA is committed to clean energy and sustainable future
  - Avoid lowering renewable/ clean energy content
- VCEA will maintain cost competitiveness with PG&E

# CAC Thoughts on PCIA Approach

## Importance of Messaging

- Timing of new marketing consulting agency important
- Clear communication of PCIA increase and resilience of VCEA
- Aim to avoid increase in opt-outs
- Financials improve as organization matures

# CAC Thoughts on PCIA Approach

## Ask Community to Support VCEA

- Encourage opt-ups
  - Make sure it is revenue positive
- Consider year-end rebate or other similar approach
- Consider load shifting / energy efficiency messaging

# CAC Thoughts on PCIA Approach

## NEM

- Need to think through NEM decision carefully
- Are there other options for inclusion that lesson the financial impact?
  - How does removing 1 cent premium on net generation affect numbers?
- Consider long term strategic impact of delaying NEM customer enrollment

# CAC Thoughts on PCIA Approach

**Retain Flexibility and Capacity to Ensure both Short and Long Term Vision**

# Future Decisions

## Calendar

- November 15th Special Board Meeting (cancelled 11/8)
  - Additional PCIA information from CPUC rolled into analyses
  - Policy recommendation/action
- December
  - Board Conditional Decision on 2019 rates (pending actual PG&E 2019 rates)
  - Any remaining decisions