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**Valley Clean Energy Board – March 10, 2022
via video/teleconference**

Item 16 – Line of credit – River City Bank



Public Comments

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Item 16 – Line of Credit (VCE / RCB)

Overview

- Background
- Proposed River City Bank Amended and Restated Credit Agreement
- Recommendation

Item 16 – Line of Credit (VCE / RCB)

Background

- Customer Rate Stabilization – Past 24 Months: COVID-19 pandemic, 2021 PCIA, power market prices, heat storm, drought, modeling, and CPUC delays.
- Reserves Policy – 30 Day Min (2022 Reserve target of 80-90 days by Dec. 31, 2022)
- Current Financial Instruments
 - Line of Credit with River City for \$5M Cash with \$2M letter of credit capacity under 45 day extension
 - Line of Credit with Yolo County for \$5M ending December 31, 2022
- 2022 PCIA and PG&E rates shows VCE net income ~\$17M by the end of 2022.

Proposed River City Amended and Restated Agreement

- (1) Revolving line of credit not to exceed \$11M and (2) Term loan for approximately \$1.1M.
- Renewal Period – 2-year agreement increased from short-term and annual extension
 - Cash Facility - \$2M increase in cash from \$5M to \$7M
 - Letter of Credit Facility - \$4M increase from \$7M to \$11M
 - Return to pre-pandemic credit facility

Item 16 – Line of Credit (VCE / RCB)

Line of Credit Summary (2 Year Agreement)

- Type of Financing: Commercial Revolving Line of Credit
- Maximum Amount: \$11M, with a \$7M limit for cash advances
- Maturity: March 1, 2024
- Interest Rate: Variable rate, Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (unchanged)
- Fees:
 - 0.50% of the total RLOC commitment, payable upon loan closing
 - \$5k, payable upon loan closing, provided that Borrower approves the use of Bank's standard form documents
 - 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC

Term Loan Summary (2 Year Agreement)

- Type of Financing: Term Loan
- Amount: \$ 1,120,079.13 (*outstanding principal as of 2/3/2022*)
- Maturity: Two (2) years 3/1/2024
- Interest Rate: Fixed 3.57%

Item 16 – Line of Credit (VCE / RCB)

Collateral/Pledged Assets

- Perfected security interest in 1st lien position for each of the following:
 - Debt Service Reserve Account (“DSRA”) maintained at \$1.1M
 - A security agreement that covers (i) the right of set-off to all of Borrower’s deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues not otherwise encumbered by outside liens. Accounts encumbered by outside liens include the SMUD lockbox/revenue account and the SMUD reserve account.
 - A perfected blanket lien filing covering all Accounts, Revenues, Resource Adequacy Contracts, and the Debt Service Reserve Account.
 - No junior liens will be permitted on any Collateral
 - Security: Rates set to recover costs covenant

Item 16 – Line of Credit (VCE / RCB)

Conclusions

- Staff believes that the reduced but continued uncertainty related to the PCIA fee, resource adequacy costs, and PG&E bundled rates for 2023 justify a 2-year agreement with River City Bank.
- Agreement allows VCE to manage minimum short-term operational reserves and build back longer-term reserves of approximately 80 to 90 days cash by the end of 2022.
- Additionally, credit support from both the County and River City Bank will allow VCE to (1) optimize borrowing costs, (2) provide additional assurance of rate stabilization and (3) work towards establishing a credit rating.

Recommendation & Discussion

1. Adopt a resolution approving terms for an Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed \$11M and term loan for approximately \$1.1M.
2. Authorize the Interim General Manager to conduct any final negotiations and implement the approval, sign all necessary documents, and ratify past actions related to the two-year Amended and Restated Credit Agreement with River City Bank



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**VCE Board of Directors Meeting – March 10, 2022
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Item 17 – Bill Protection in the Time-of-Use (TOU) Transition

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Item 17 – Bill Protection in the Time-of-Use (TOU) Transition

Background & Analysis

- Customers transitioning from flat rate (E1) to TOU rates – transition began in April 2021
 - VCE is part of statewide movement to TOU
- Nearly 20% of VCE customers will transition
 - CARE/FERA customers in hot climates exempt
- PG&E required to provide bill protection; CCAs are not
- 4 different bill protection options
 - Another option is not to provide bill protection (staff does not recommend)

Item 17 – Bill Protection in the Time-of-Use (TOU) Transition

Bill Protection Option	Estimated Cost	Notes
1. Standardized \$25 credit	Total: \$300,000-\$312,500	One-time \$25 bill credit for all residential TOU customers that stay on the rate for 12 months
2. Upon request by customer – Bill Calculation	<ul style="list-style-type: none"> • \$15,000 for billing engine tool • \$85 per account calculation • \$12,000-\$15,000 for bill protection credit • Total: \$78,000 81,000 	Manual calculation in which customers call in and are eligible for a “backwards looking” bill protection credit after 12 months on the rate.
3. Upon request by customer – Standardized \$25 credit	<ul style="list-style-type: none"> • \$15,000 - \$40,000 	One-time \$25 bill credit for residential TOU customers that opt for bill protection and stay on the rate for 12 months.
4. Automatic for all eligible customers	<ul style="list-style-type: none"> • \$22,500+ for billing engine tool • \$120,000-\$150,000 for bill protection credit • Total: \$142,500-\$172,500 	Tool estimate of \$22,500 could increase.



^[1] Assuming that of 6,000 eligible customers, 10% request bill protection. The average credit would be \$20-25. The high end of the range in total cost is unlikely as only 2-3% of customers are likely to call and request bill protection.

^[2] Assuming 10-20% of eligible customers call to request bill protection

^[3] Assuming \$20-\$25 credit for 6,000 eligible customers



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**VCE Board of Directors Meeting – March 10, 2022
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Item 18 – Heat Pump Pilot Program



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Item 18 – Heat Pump Pilot Program

Background: Growing trend in home electrification. Rebate programs through Comfortable Homes and TECH Clean California, incentivizing the adoption of heat pumps. Customers could receive up to \$4,800 for an installation.

VCE Program Design: Multi-phase

Phase 1 : Marketing, education and outreach (ME+O) – 2022-2023

- Customers, contractors, and key stakeholders (realtors, HVAC manufacturers, building officials, etc.)
 - **Primary Focus:** Encouraging replacements of failing, failed, or outdated cooling and heating systems with heat pumps
 - Highly efficient and lead to the near/total elimination of greenhouse gas emissions from furnaces
 - **Secondary Focus:** Retrofitting water heaters with heat pumps and home/duct insulation upgrades

Phase 2: Influenced by phase 1, could include additional rebates from VCE – 2023



Item 18 – Heat Pump Pilot Program

ME+O Details (could include):

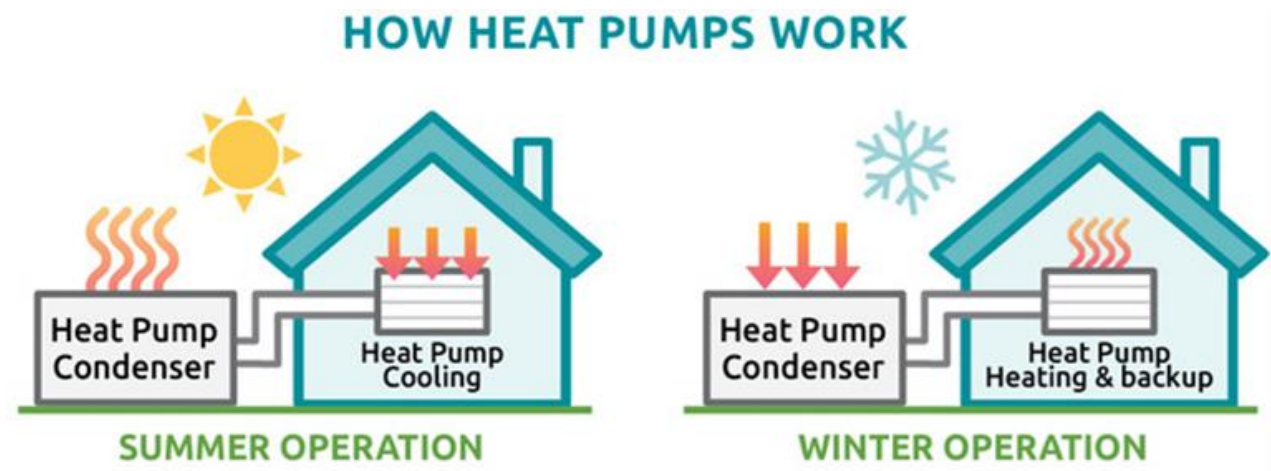
- **Contractors:** application assistance, web materials, webinars, 1:1 engagement
- **Customers:** web materials, social media, print info, events (“Ask a Contractor”), providing info on items like ducting and mitigating bill increases

Program Partners: Energy Solutions and Franklin Energy

Phase 1 Budget (2022-2023): \$5,000

Next Steps:

- Board approval 3/10/22
- Integrate feedback from Board
- Full program rollout in March





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Item 19 – Agricultural Flexible Irrigation Technology (AgFIT) Update

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Item 19 – AgFIT Update

Agricultural Flexible Irrigation Technology (AgFIT) Basics:

- 15% of VCE Load – Ag Sector/85% of service territory
- Pilot launch date: May 1st, 2022
- Duration: 3 years
- 5 MW cap
- Customer-centric: \$1M in automation incentives for growers; easy and intuitive UI
- Dynamic pricing – mimics energy markets
- Goal is to **shift load off peak**; customers save money by responding to price signals

Item 19 – AgFIT Update

←	7/31 Sunday	8/1 Monday	8/2 Tuesday	8/3 Wednesday	8/4 Thursday	8/5 Friday	8/6 Saturday	→
	0.09	0.08	0.09	0.06	0.08	0.07	0.06	
	0.07	0.07	0.06	0.05	0.05	0.05	0.05	
	0.05	0.06	0.05	0.04	0.04	0.05	0.04	
	0.05	0.05	0.05	0.04	0.04	0.04	0.04	
	0.05	0.05	0.05	0.05	0.04	0.05	0.04	
	0.08	0.06	0.07	0.08	0.05	0.05	0.08	
	0.09	0.09	0.10	0.10	0.05	0.06	0.11	
	0.07	0.05	0.06	0.07	0.06	0.05	0.07	
	0.07	0.05	0.06	0.07	0.06	0.05	0.06	
	0.08	0.06	0.06	0.08	0.07	0.05	0.07	
	0.11	0.07	0.09	0.14	0.09	0.07	0.11	
	0.18	0.09	0.15	0.22	0.14	0.12	0.17	
	0.22	0.15	0.21	0.27	0.15	0.16	0.22	
	0.27	0.22	0.28	0.34	0.18	0.17	0.28	
	0.34	0.28	0.32	0.40	0.21	0.19	0.34	
	0.39	0.32	0.31	0.46	0.24	0.22	0.38	
	0.41	0.32	0.43	0.47	0.26	0.29	0.39	
	0.40	0.29	0.44	0.39	0.29	0.25	0.35	
	0.37	0.28	0.36	0.37	0.31	0.20	0.34	
	0.40	0.37	0.36	0.38	0.33	0.22	0.35	
	0.38	0.37	0.32	0.41	0.29	0.21	0.37	
	0.31	0.27	0.24	0.36	0.24	0.17	0.31	
	0.21	0.19	0.16	0.26	0.18	0.12	0.20	
	0.13	0.11	0.09	0.16	0.11	0.08	0.11	

Agricultural Flexible Irrigation Technology (AgFIT) Update:

- Advice Letter submitted 1/5/22; Petition to Modify submitted 1/31/22 to increase admin budget
- Customer meetings in progress: interest level moderately high
- Press release went out in December 2021
- Contacted by press; other CCAs for more details
- Working with PG&E and the CPUC's Energy Division on Pilot structure/implementation
- Next steps: enroll customers; begin process of installing automation incentives for enrolled customers