



**Valley Clean Energy Board Meeting – May 13, 2021
via video/teleconference**

Item 15 – Power Content Policy Strategies



Public Comments

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Item 15 – Power Content Policy Strategy: Background

- June 2020 Board adopted a 2021 policy for a power content target of 10% renewable, 10% large hydro for a combined 20% carbon free
- Policy addressed:
 - Aligning VCE's short and long-term power procurement efforts
 - The increasing/unpredictable PCIA
 - Volatility in RA power pricing
- Policy adjustments saved an estimated \$2.25M in the current fiscal year (FY 2020-2021)

Item 15 – Power Content Policy Strategy: Background (con't)

2021 Power Content Outlook

VCEA Retail Load	719,098	
Renewable Supply	77,458	11%
Aquamarine Solar	23,028	
Indian Valley	1,500	
Putah Creek Energy Farm	930	
Short Term RECs	52,000	
Large Hydro	79,427	11%
Hydro Contract	29,427	
PG&E Allocation Estimate	50,000	
System Power	562,213	78%

1) Above % based on VCE Board policy decision (June 2020)

2) VCE does not plan to contract for additional large hydro (GHG-free) other than the allocations received from PG&E (approx. 5-10%), during this compliance period.

Item 15 – Power Content Policy Strategy: Managing PPA Commercial Operation Dates

VCE Contracted Resources

(1) Aquamarine Solar Facility – Kings Co.

50 MW PV-only (approx. 130,000 MWhs)

Scheduled online – Q3 2021

2 Yolo County Solar (PV) + Storage Projects

(2) 3 MW/3 MW BESS and **(3)** 20MW/6.5 MW BESS (approx. 7,500/50,000 MWhs)

Scheduled online – Fall 21/22

(4) Tierra Buena Battery Storage Facility - Sutter Co.

VCE share is 2.5 MW

Anticipated online – Summer 2022

(5) Aggregated Demand Response – System wide

VCE share is 7 MW

Anticipated online – Summer 2021

Solar (PV) + Storage Project

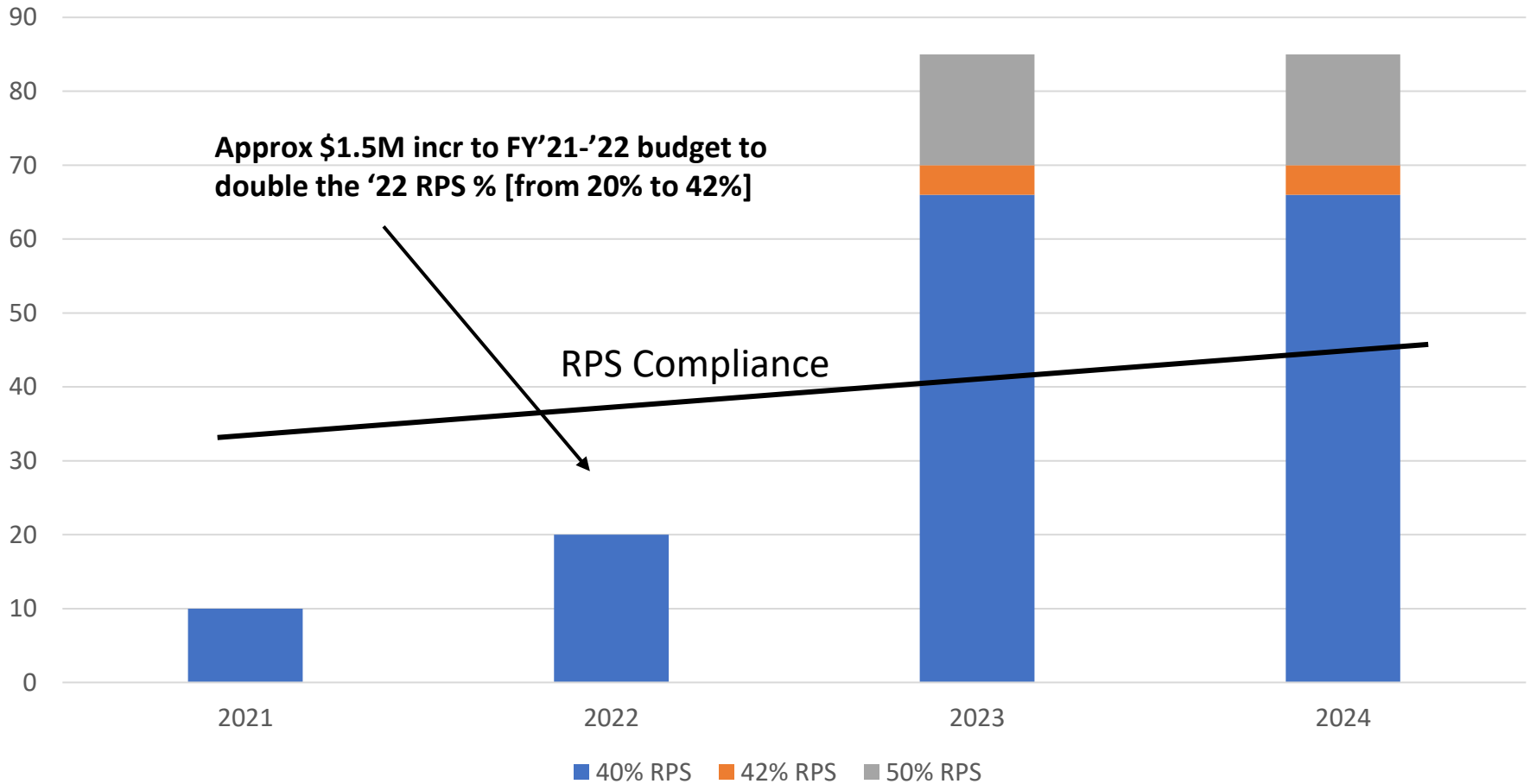
(6) Resurgence Solar I – San Bernadino Co.

90 MW (PV) / 75 MW BESS (approx. 250,000+ MWhs)

Scheduled online end 2022



Item 15 – Power Content Policy Strategy: Renewable Portfolio Standard (RPS) Compliance



Note: 1) Compliance period '21-'24

2) RPS Compliance Avg for this period = 40%

3) All 2022-2024 “Blue” above met w/ VCE’s PPAs



Item 15 – Power Content Policy Strategy: Discussion

- Staff is seeking feedback from the Board on the following policy options:

1. Should VCE extend the Power Content Policy strategy adjustments approved by the Board last June?

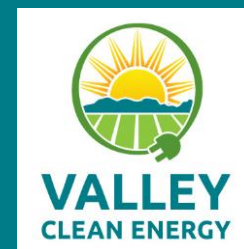
- If yes;

2. What Renewable Portfolio Standard (RPS) target should VCE consider for the current RPS compliance period (2021 – 2024)? 40%, 42%, or 50%



**Valley Clean Energy Board Meeting – May 13, 2021
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Item 16 – COVID Adjustment Load Update



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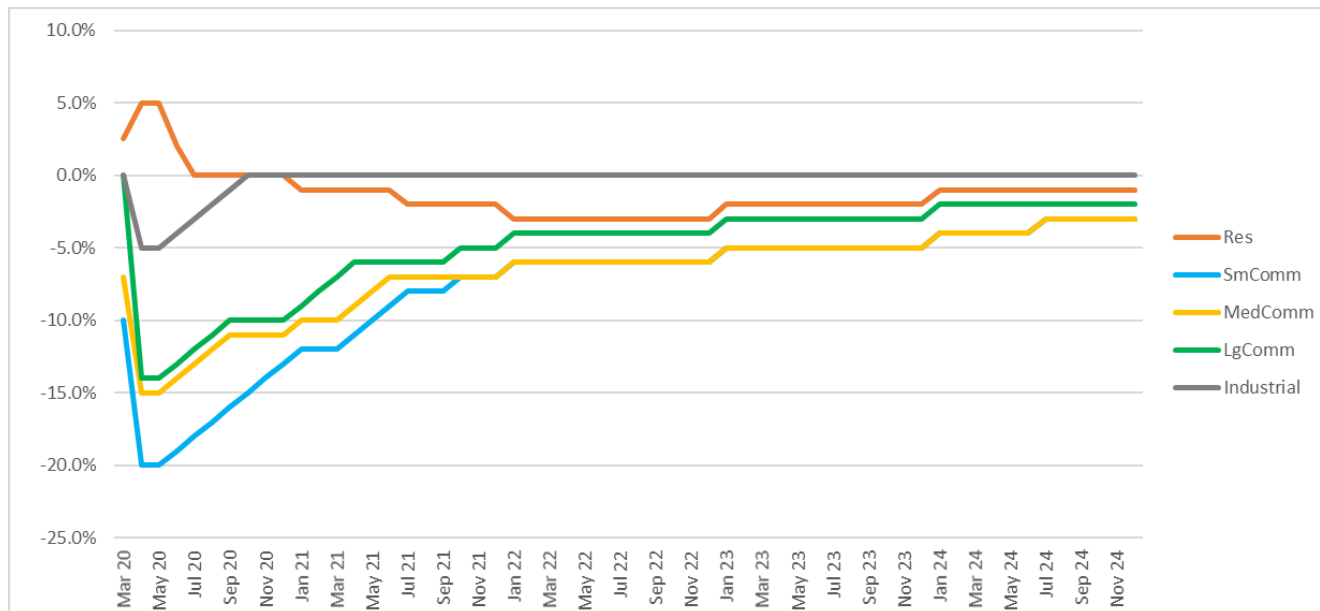
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Item 16 – COVID Adjustment Load Update: Original COVID Load Forecast

- At the May 2020 Board Meeting, staff and SMUD presented expected scenarios resulting from the COVID-19 pandemic, shelter-in-place orders, and a predicted economic recession
- Best Case, Worst Case, and Most Likely Case scenarios were developed. The Most Likely Case, used for the VCE FY 20/21 budget reflected a 3.8% load reduction in CY 2020 and a 3.6% load reduction in CY 2021 compared to pre-COVID estimates

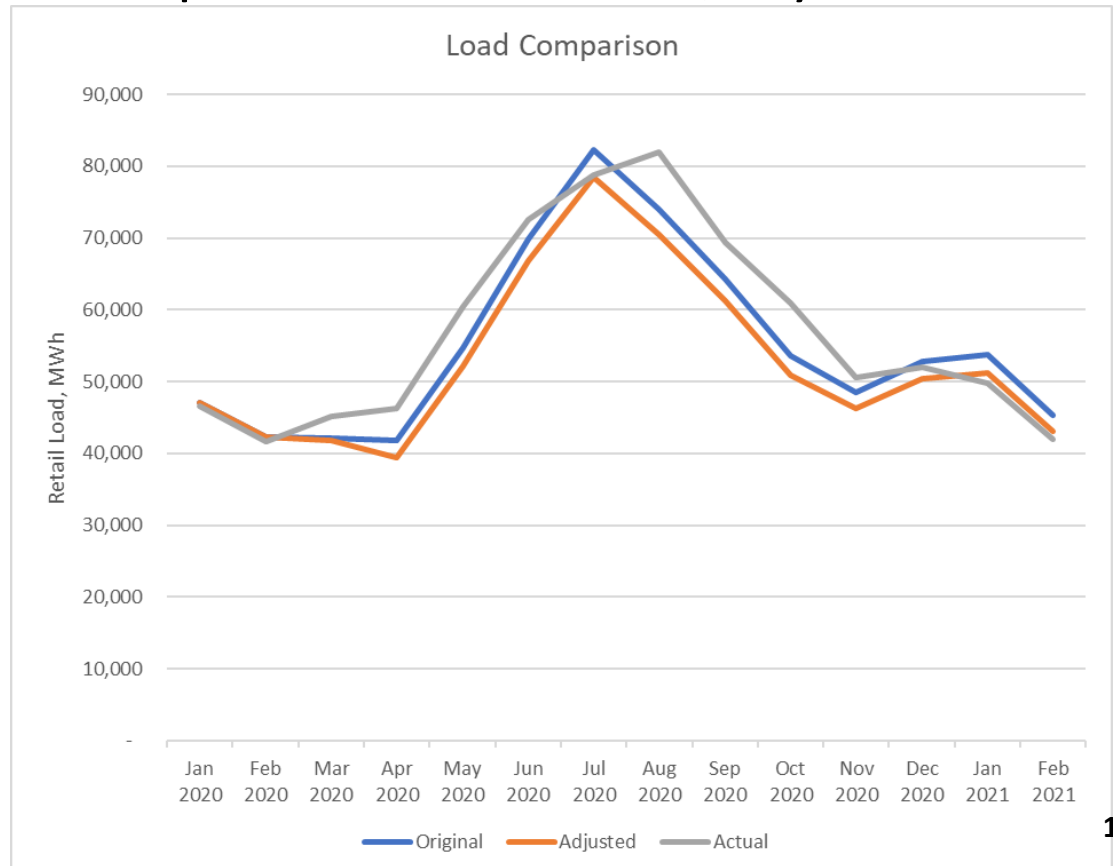
Item 16 – COVID Adjustment Load Update: Original COVID Assumptions – May 2020

- The COVID adjustment reduced CY 2020 load by 3.8% from the original baseline
- Some load recovery during staggered reopening in fall 2020
- Ongoing recessionary impact through 2023-24
- Residential loads drop 2% per year for two years, in line with 2008 recession
- No change to Ag load



Item 16 – COVID Adjustment Load Update: Actual Impact and Updated Assumptions

- Summer 2020 was very hot, driving residential load significantly higher than expected
- October load was highest deviation from baseline
- Winter load was lower than expected due to warm, dry weather
- CY 2020 load came in 5% higher than the original baseline
- Current load forecast carries forward residential increase and commercial decrease through CY 2022

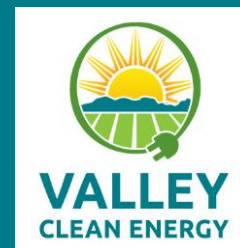




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**Valley Clean Energy Board Meeting – May 13, 2021
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Item 17 - FY 21/22 Draft Operating Budget Update



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Item 17 - FY 21/22 Draft Operating Budget Update: Overview

Overview

- Annual electricity demand forecast update and impacts
- Current FY 2021 actuals update
- FY 2022 key factors and budget update

The current outlook when considering both FY 2021 actual performance and FY 2022 draft budget are inline with previously forecasted updates.

Item 17 - FY 21/22 Draft Operating Budget Update: Annual Electrical Demand Update

Annual electricity demand forecast performed by SMUD

FY 2022 Key Demand Factors

- Largest Driver - 0.5% increase in demand for FY 2022
- Additional Considerations
 - Updated load usage – COVID Impact
 - Normalized weather impacts
 - Customer growth

Electricity demand forecast resulted in \$250K additional power costs

Item 17 - FY 21/22 Draft Operating Budget Update: FY 2021 Update

FY 2021 Actuals for February and March resulted in \$1M additional favorable impact.

Negative Impacts:

- Lower interest earnings

Positive Impacts:

- Revenue increases from higher demand
- Continued lower actual to budgeted non-operating expenditures
- Continued lower actual to budgeted contract labor and SMUD services

Item 17 - FY 21/22 Draft Operating Budget Update: FY 2022 Draft Budget Update

FY 2021 draft budget update resulted in \$0.6M additional unfavorable impact compared to October 2020 forecast.

Negative Impacts:

- 7% increase in average market prices since June 2020
- Time of Use (TOU) rate transitions lower than anticipated at 80% vs 100%.
 - Confirmation from PG&E expected in May 2021.

Item 17 - FY 21/22 Draft Operating Budget Update: Update Comparison

May-20 Forecast	FY2020	FY2021	FY2022
Revenue	\$ 55,249	\$ 49,467	\$ 49,400
Power Cost	\$ 41,538	\$ 47,695	\$ 50,335
Other Expenses	\$ 4,346	\$ 4,611	\$ 4,992
Net Income	\$ 9,365	\$ (2,839)	\$ (5,927)

Oct-20 Forecast	FY2020	FY2021	FY2022
Revenue	\$ 55,249	\$ 53,038	\$ 51,159
Power Cost	\$ 41,538	\$ 50,630	\$ 53,288
Other Expenses	\$ 4,346	\$ 4,671	\$ 4,990
Net Income	\$ 9,365	\$ (2,263)	\$ (7,119)

May-21 Forecast	FY2020	FY2021	FY2022
Revenue	\$ -	\$ 54,926	\$ 49,218
Power Cost	\$ -	\$ 51,740	\$ 52,095
Other Expenses	\$ -	\$ 4,470	\$ 4,827
Net Income	\$ -	\$ (1,284)	\$ (7,703)

Oct-20 vs May-21		FY2021	FY2022
Revenue	\$ -	\$ 1,888	\$ (1,941)
Power Cost	\$ -	\$ 1,110	\$ (1,193)
Other Expenses	\$ -	\$ (201)	\$ (163)
Net Income	\$ -	\$ 979	\$ (584)

Item 17 - FY 21/22 Draft Operating Budget Update: Draft Budget Summary

VALLEY CLEAN ENERGY DRAFT OPERATING BUDGET SUMMARY	APPROVED BUDGET FY 2020-21	ACTUAL YTD March 31 (9 MO) + FORECAST (3 MO) FY 2020-21	DRAFT BUDGET UPDATE FY 2021-2022
Energy - Megawatt Hours	717,987	753,546	773,652
OPERATING REVENUE	\$ 49,638	\$ 54,926	\$ 49,218
OPERATING EXPENSES:			
Cost of Electricity	47,670	51,740	52,095
Contract Services	2,723	2,594	2,559
Outreach & Marketing	241	224	241
Programs	12	2	135
Staffing	1,132	1,135	1,164
General, Administration and other	772	544	742
TOTAL OPERATING EXPENSES	52,550	56,238	56,937
TOTAL OPERATING INCOME	(2,912)	(1,313)	(7,718)
NONOPERATING REVENUES (EXPENSES)			
Interest income	135	80	56
Interest expense	(57)	(52)	(42)
TOTAL NONOPERATING REV/(EXPENSES)	78	28	15
NET MARGIN	\$ (2,834)	\$ (1,284)	\$ (7,703)
NET MARGIN %	-5.7%	-2.3%	-15.7%

Item 17 - FY 21/22 Draft Operating Budget Update: Conclusion

Conclusion

- Outlook since October 2020 has not changed significantly
- Challenges of short-term renewable power costs, PCIA and RA remain
- Cash reserves utilization as planned
- Normalization is still expected in CY 2023 and beyond by changing environment and cost structure