



Valley Clean Energy Board Meeting

Thursday, November 15, 2018
Woodland

Item 13: SACOG Grant Update - Background

Background

“The Green Region Program is SACOG’s newest competitive program. The program is intended to help our region’s transportation system emit fewer emissions while continuing to function effectively and efficiently.”

1. Green Region application issued June 25, 2018
2. Applications were due August 24
3. VCE staff worked with staff from Woodland (Ken Loman, Reyna Pinon), Davis (Kerry Loux) and Yolo County (Kimberly Villa) to join together to submit a regional application
4. Yolo and Davis were already planning to submit separately, but joined the VCE team
5. The team came together mid-August to develop, complete and submit the application by the Aug 24 deadline
6. Received notice of staff recommendation on October 29

SACOG Grant Update - The Awards

Green Region Staff Recommendation

Lead Agency	Project Title	Funding Request	Award Recommendation
City of Elk Grove	Purchase of one (1), 40' Zero Emissions Bus	\$717,000	\$0
City of West Sacramento	West Sacramento Plug-in Partnership- Charging for Public and Fleet	\$3,539,000	\$2,665,000
Paratransit Inc.	Multi-Modal Enhancement Project- Vehicle Purchasing and Infrastructure	\$1,800,000	\$0
Sacramento Metropolitan Air Quality Management District	DAC Mobility Hub	\$2,000,000	\$0
Sacramento Metropolitan Air Quality Management District	EV Carshare	\$7,731,000	\$0
Sacramento Metropolitan Air Quality Management District	EVSE Public Charging	\$1,777,000	\$0
Sacramento Metropolitan Air Quality Management District	Green Region SECAT Program Extension	\$7,475,000	\$3,844,000
Sacramento Metropolitan Air Quality Management District	Microtransit EV Program	\$1,164,000	\$0
Sacramento Municipal Utility District	Powerhouse Science Center DC Fast Charger	\$250,000	\$0
Sacramento Regional Transit District	Zero Emission Bus Service to the Sacramento International Airport	\$4,499,000	\$2,249,000
Valley Clean Energy	Electrify Yolo- Charging Infrastructure and Electric Shuttle	\$2,912,000	\$2,912,000
Yolo County Transportation District and Sacramento Regional Transit District	UC Davis to Sacramento Zero Emission Bus Service	\$5,291,000	\$0

Green Region Program Subtotal	\$ 39,155,000	\$ 11,670,000
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SACOG Grant - Equipment and Budgets



- Up to 40 Level 2 chargers \$1.05 million
- 6-10 Level 2 Mobile Chargers \$240k



- 2-5 DC Fast Chargers \$1.2 million



- Electric Shuttle Bus \$500k

Total Budget: \$3.3 million
Grant Amount: \$2.9 million
Cost Share: \$380k – 11.47%

SACOG Grant Update - Current Activities

What we're doing to prepare

- The team has set up weekly conference calls
- Developed a list of issues that team members can add to, e.g.:
 - Identify specific sites
 - Consider on-going maintenance
 - Don't start billable work until grant is approved
- Working to smooth the process once funding is approved

SACOG Grant Update - Schedule

Schedule

December 20

SACOG Board meets to approve staff recommendations

January 2019

Initiate programming and federal authorization request process

February 1, 2019

Earliest opportunity to receive funds

December 31, 2022

Project completion/final report

Item 14:

Approve modifications to VCE's rate discount and postponement of NEM customers enrollment to address financial impacts related to Power Charge Indifference Adjustment (PCIA) and other factors

Item 14 - VCE Policy Modifications - Overview

Overview

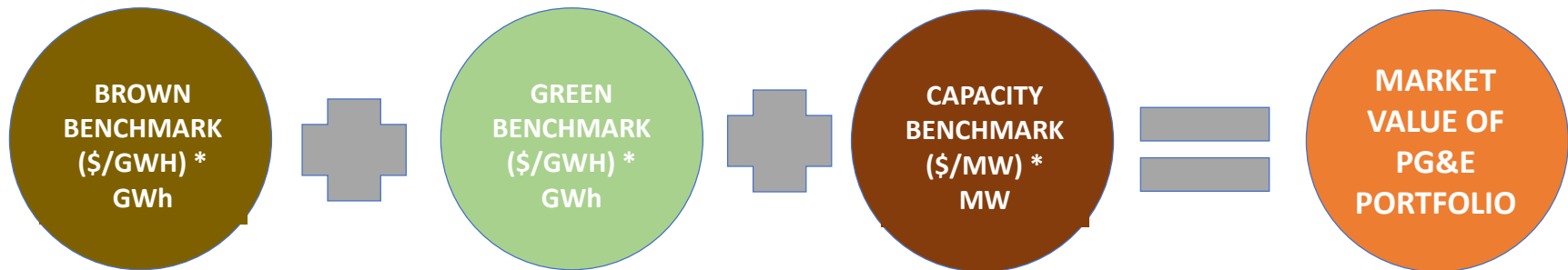
- Recent CPUC ruling on PCIA increases financial volatility for CCA's and significantly reduces VCE financial margins
- VCE joined with the other 17 CCA's in CA to counter the State's actions but outcomes were unfavorable to CCA's – an appeal of the State action is being considered
- The increased PCIA and the volatility of other factors make it necessary for VCE (and other CCA's) to consider cost saving policy measures to meet financial obligations
- A communications strategy will be implemented pending Board action

Item 14 - Key Financial Impact Factors

Key Financial Impact Factors:

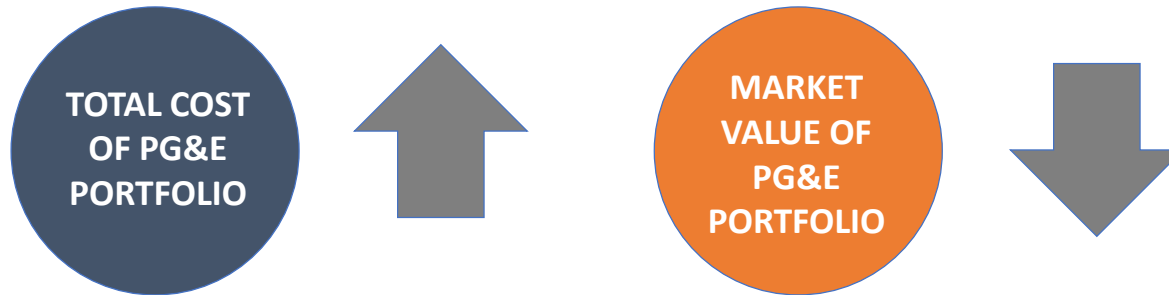
- Power Charge Indifference Adjustment (PCIA) - CPUC
- Resource Adequacy (RA) forecast increase – CEC
- Forward market power price increase – market driven

Item 14 - PCIA History/Comparisons

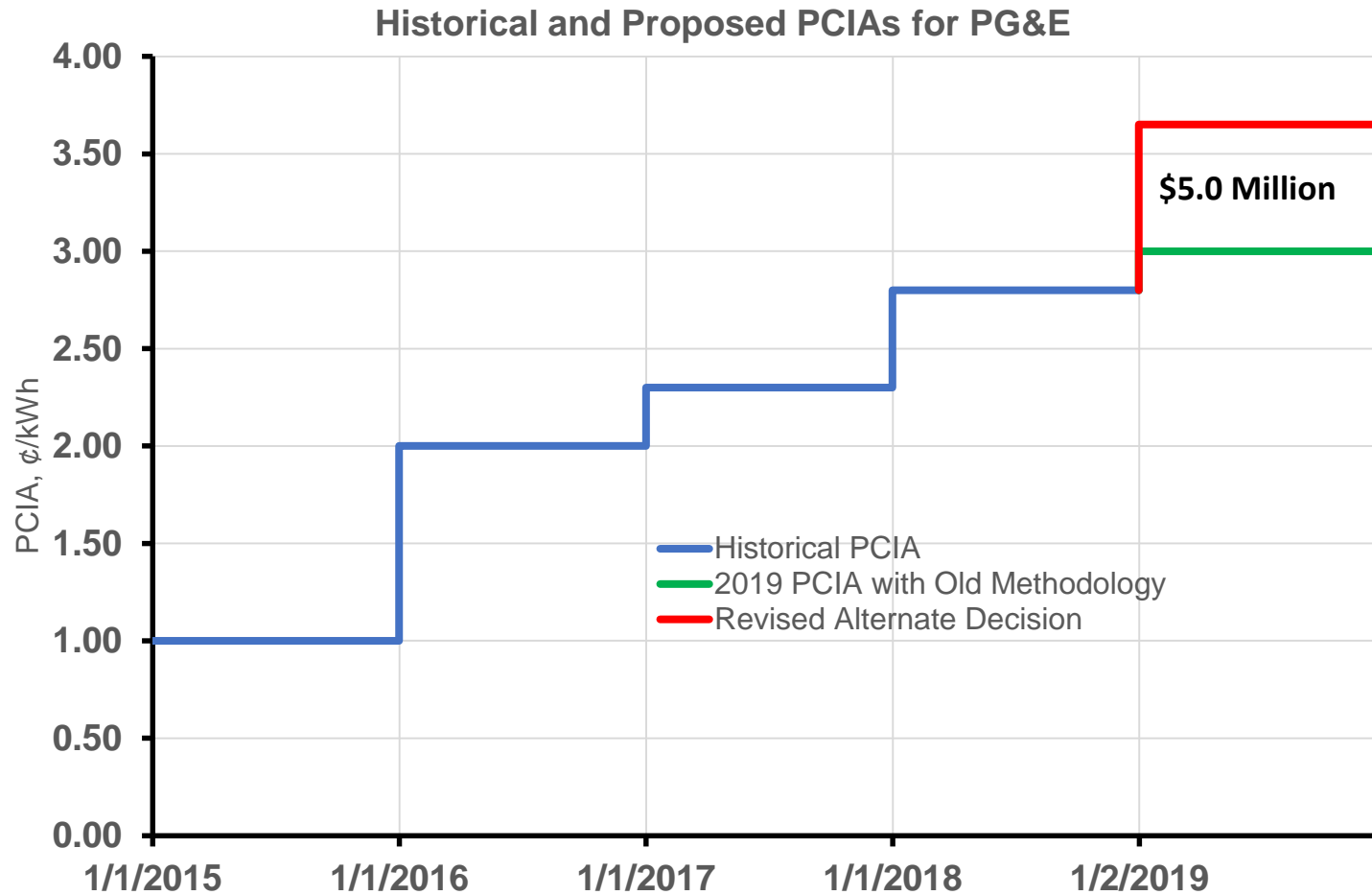


Item 14 - PCIA History/Comparisons

- **Final PCIA Decision By CPUC – October 2018**

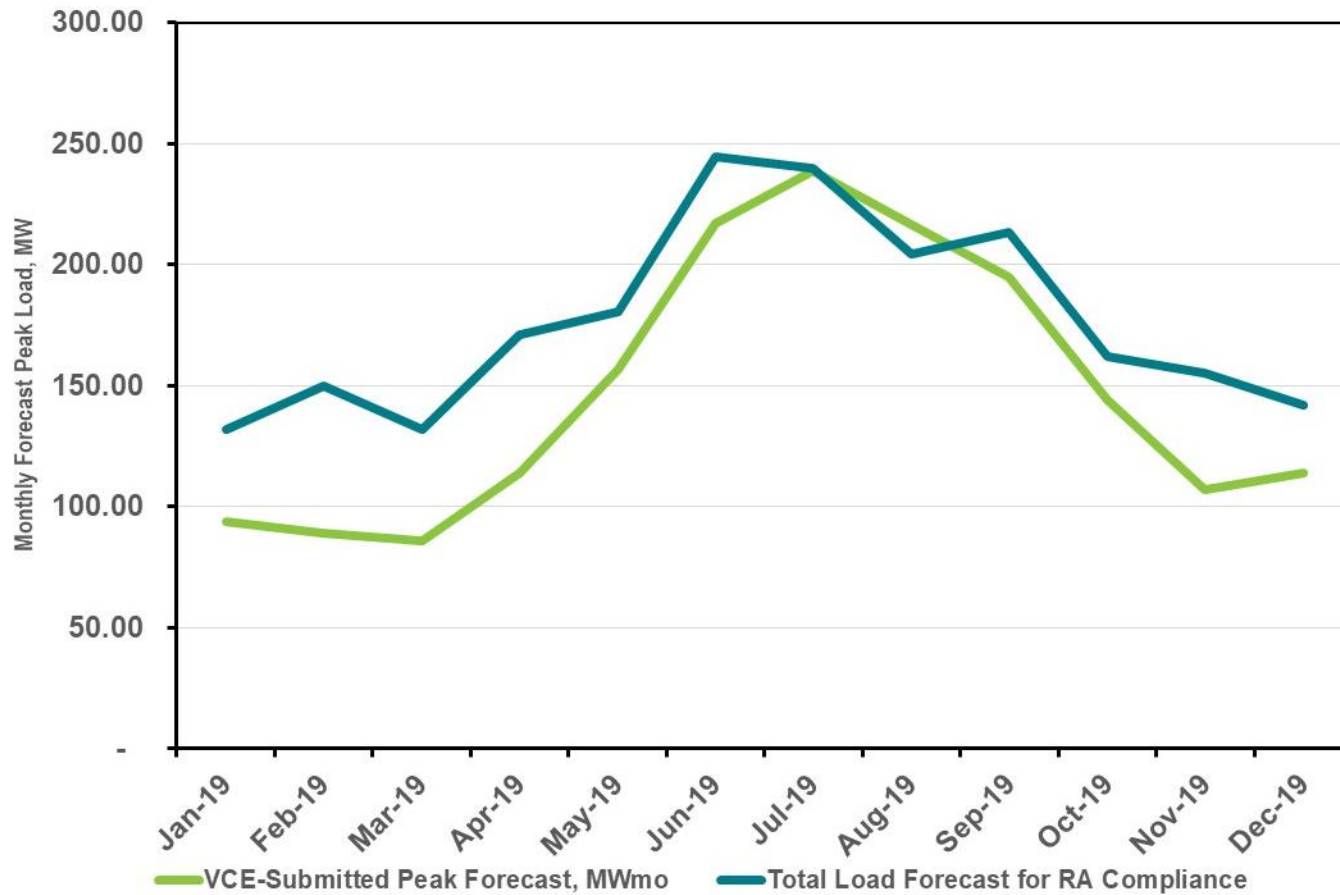


Item 14 - PCIA History/Comparisons – Impact to VCE



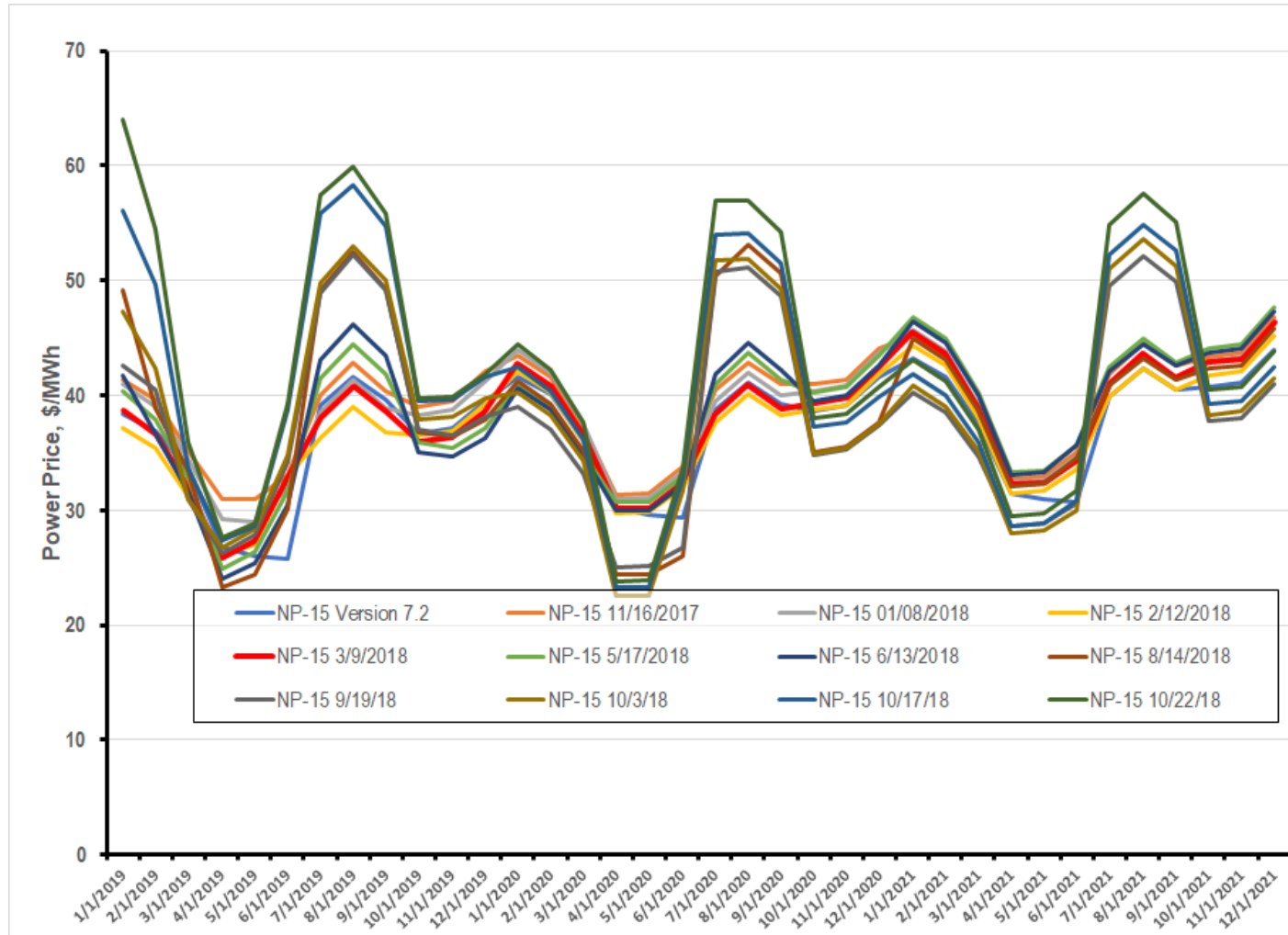
Item 14 – Resource Adequacy

VCE Load Forecast Changes by CEC



Item 14 - Forward Power Market Costs

Forward Market Power Price Changes



Item 14 - Financial Obligations

Financial Obligations

- SMUD contract – required to fund a Reserve account for \$1/MWh of wholesale energy procured monthly
- River City Bank (RCB) credit agreement – when the revolving Line of Credit (LOC) is outstanding - minimum profitability requirements - \$6.1 million at Fiscal Year End (FYE) June 2019
- RCB credit agreement – when LOC converted to term loan – minimum Debt Service Cover Ratio of 1.25 to 1 measured at FYE starting June 2020.



Item 14 - Recommended Policy Modifications

Staff recommendations of Policy Modifications

- Adopt a minimum net margin (after bank loan principal payments) target of 5%
- Postpone enrollment of NEM customers until at least January 2020 with a reassessment in mid-2019
- For 2019, VCE match PG&E electric generation rates less the PCIA fee (0% rate discount)
- Study adoption of new rate structure featuring an annual dividend rate structure starting FYE 2020

Note: Operating Cost savings for 2019 have been incorporated into the Board approved budget



Item 14 - Operating Costs Savings

Operating Costs Savings

Staff reduced operating costs by \$0.8 million or 20% with the largest savings in the following expenses:

- Salaries & Wages
- Legislative & Regulatory expenses
- Audit fees
- Accounting fees
- Contingency expense

Item 14 - Impact on VCE Financials

Financial impacts of Policy Modifications

- Postpone NEM enrollment until at least January 2020- \$0.78 million positive financial impact to net income in FYE 2019
- Match PG&E electric generation rates - \$.78 million positive financial impact to net income in FYE 2019

Item 14 – Impact on VCE Financials

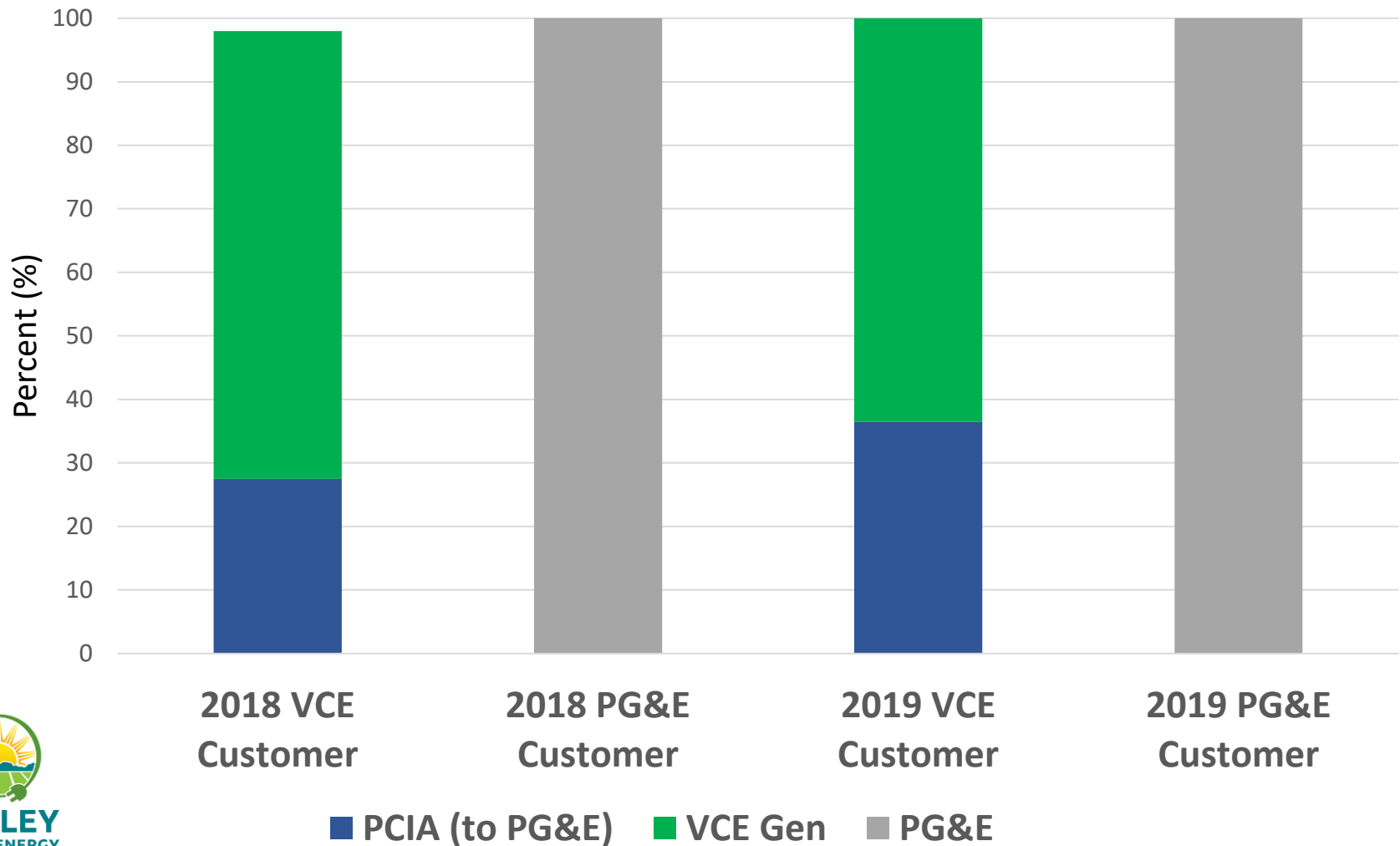
Results of Policy Modifications (from Base Case)

Policy Modification Action	Fiscal Impact (\$1,000's)			
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Net income before policy modifications	\$2,259	\$(911)	\$(1,037)	\$870
Postpone NEM enrollment (assuming NEM customers rolling in January 2021)	\$779	\$1,767	\$521	\$(202)
Match PG&E generation rate	\$783	\$1,744	\$1,775	\$1,862
Net income after policy modifications	\$3,821	\$2,600	\$1,259	\$2,530
Net Margin (after Principal payments) %	5.07%	4.22%	0.32%	2.75%



Item 14 - Impact of PCIA Change

Allocation of Revenues for VCE Customer vs. PG&E Customer For 2018 and 2019



Item 14 - Policy Modifications Discussion

Benefits of Deferring NEM Enrollment and Matching PG&E electric generation rates

- Provides financial relief during FYE 2019 and 2020 and creates minimal cushion against other possible events that could impact finances
- Retains price competitiveness
- With the current NEM roll-in planned for January 2019, VCE has opportunity to further delay that roll in
- NEM customers still benefit from their solar systems and are still contributing to grid de-carbonization
- Avoids having to change the renewable/clean power mix

Item 14 - Timing of CPUC decision on PG&E Electric Rates (including PCIA)

- December 13, 2018 – Final decision issued by the CPUC on the 2019 Energy Resource Recovery Account (ERRA) and GHG Forecast revenue
 - Late December will receive final rates to be implemented January 1, 2019
 - If the final decision is delayed past December 13th, PG&E would implement new rates on March 1, 2019

Item 14 – Draft Outreach Strategy

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
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

Item 14 – Draft Outreach Strategy

If Staff recommendation is adopted, initiate outreach strategy:

Marketing Schedule				
Channel	Frequency	Message	Responsibility	Due Date
Web	Develop web content now and update as-needed	1-7	Consultant/ Outreach Committee (OC)/Jim Parks	12/14/2018
Call Center	Develop content now and update as-needed	1-7 with focus on 1, 2, 5, 6	Consultant/SMUD/ Parks	12/14/2018
Twitter/Facebook	Proactive postings	1, 2, 5, 6	Consultant/Emily/ Parks	Ongoing - start week of 11/25
Next Door	Develop content for “Friends of VCE” as- needed	1, 2, 5, 6	Emily/Consultant/ Parks	11/25/2018
Newspaper	Develop op-ed now and after Bd decisions; respond as-needed	1-7	Mitch Sears/OC/ Consultant/ Parks	Draft op-ed by 11/27/2018
Public Meetings	As-scheduled	1-7	Bd/Sears/CAC/ Parks	Ongoing
Partnerships – Farm Bureau, Cool Davis, etc.	As available	1-7	Bd/Sears/CAC/Parks/ Other	Ongoing

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