

**Item 7 – Final Draft CAC First Year Progress Report
Correct Outreach Task Group 2017-18 Activities Report**

**VCE COMMUNITY ADVISORY COMMITTEE OUTREACH TASK GROUP (OTG)
2017-18 ACTIVITIES REPORT**

Task Group Members: Mark Aulman (chair), Marsha Baird, Yvonne Hunter

Charge: The charge to the VCEA Community Advisory Committee (CAC) from the VCEA board states that the CAC should “Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities.”

Highlights of Accomplishments:

- Reviewed and provided editorial feedback on a variety of marketing materials: web content, print collateral, presentation slides, outgoing letters and postcards, flyers, and policy statements.
- Discussed concerns with Staff regarding the quality of work and attention to detail of marketing communications consulting agency engaged by VCE. Suggested editing, re-writes and quality improvements to materials prepared by consulting agency.
- Assisted with public outreach via staffing tables at Farmers’ Markets, making presentations to interested public groups, and moderating community workshops.
- Monitored social media for VCE-related postings and replied as needed.
- Volunteered to assist Jim with marketing communications agency RFP response review Q3 '18.

Lessons Learned – Challenges and Opportunities

Challenges:

- Needed to compensate for the performance deficiencies of the marketing communications consulting agency engaged by VCE.
- Many marketing materials were printed or published without adequate review and contained errors. The OTG alerted Staff when errors were found, but the work was reactive as opposed to proactive. Over time, the OTG was brought into the review cycle earlier.

Opportunities

- Hiring a marketing communications agency that will better meet VCE’s needs.
- The addition of VCE Staff focused on marketing and communications tasks has improved the ability of the OTG to participate and assist in a more proactive manner.



Valley Clean Energy CAC Meeting

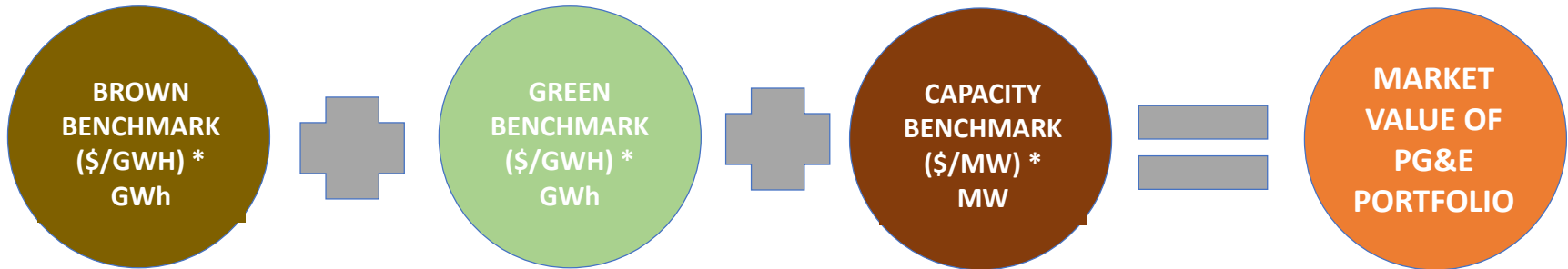
October 29, 2018
Woodland

Item 8: Power Charge Indifference Adjustment (PCIA)

PCIA History/Comparisons

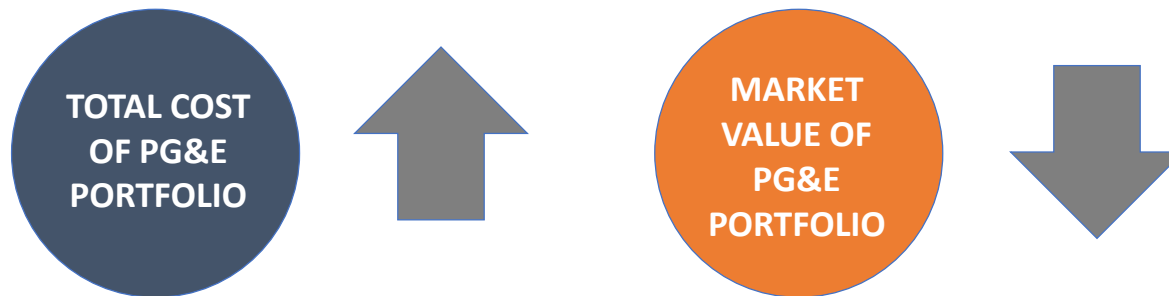
- Law requires remaining PG&E customers to be left economically “indifferent” to VCE’s customers leaving PG&E’s service.
- The PCIA is the “exit fee” that is intended to ensure such indifference.
- The PCIA can be negative (PG&E customers paying VCE customers) or positive (VCE customers paying PG&E customers)

PCIA History/Comparisons

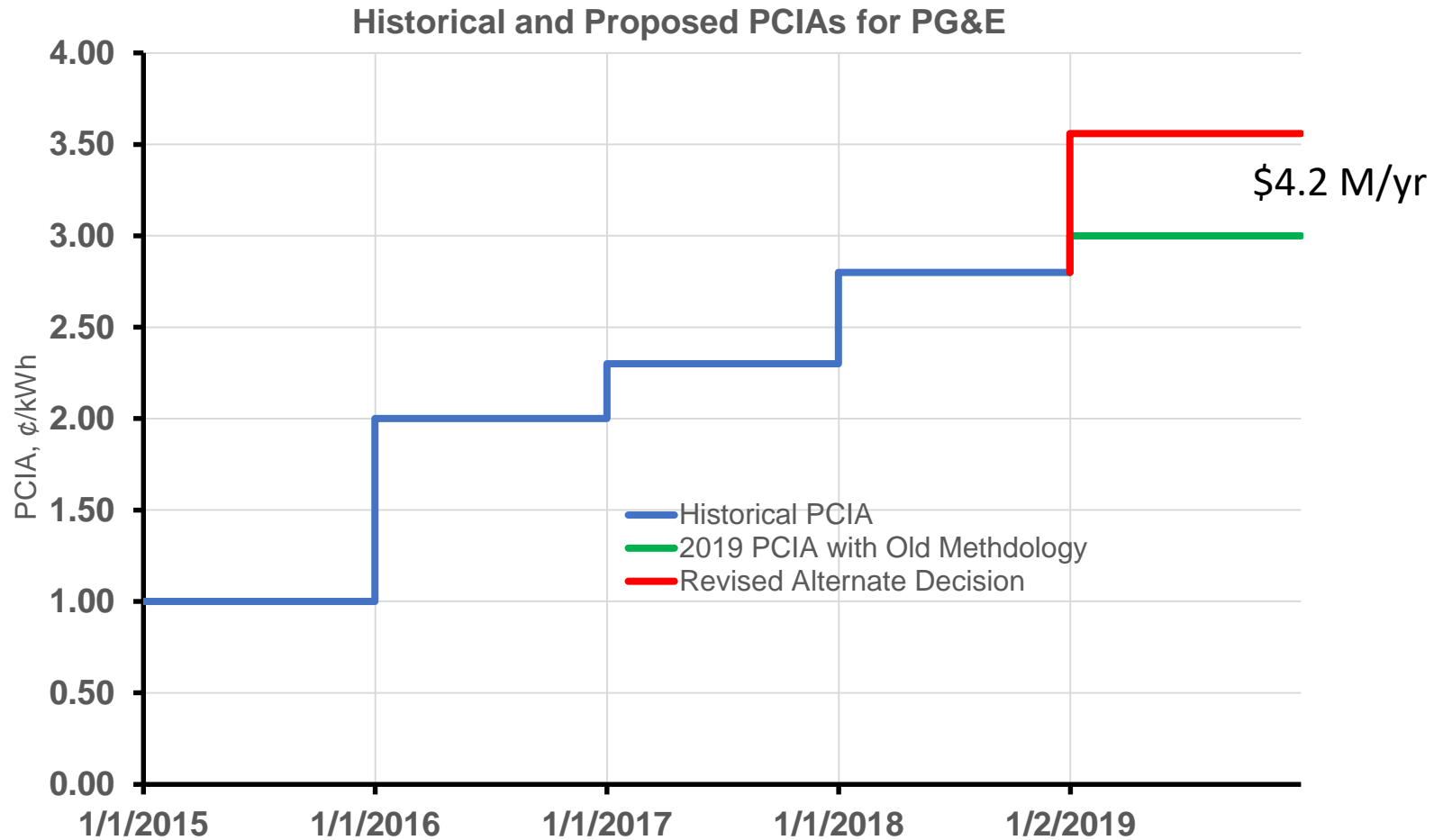


PCIA History/Comparisons

- **The CPUC has been considering changes to the method for calculating PCIA.**
 - On Aug 1, the Judge issued a proposed decision (“PD”) on PCIA changes that was generally acceptable to CCAs
 - On Aug 14, the presiding Commissioner issued an alternate proposed decision (“APD”) that was generally favorable to PG&E
 - On Oct 5, the presiding Commissioner issued a revised alternative proposed decision (replacing the first APD) that had some small tweaks to the APD
- **On October 11, the CPUC voted 5-0 to adopt the revised APD**
 - The APD no longer keeps the 10 year limit on costs recovery for certain PG&E-owned generation (increases Total Portfolio Cost)
 - Reduces the benchmarks for green power and capacity (Reduces Portfolio Value)
 - Increases the PCIA



PCIA History/Comparisons



PCIA – Impact on VCE Financials

Base Case

- VCE Financials with 2019 PCIA Calculated under Prior Methodology
- Assumes slight annual PG&E rate increases
- General outcomes are fiscally positive, meet business financial objectives and allow VCE to pursue core mission objectives

PCIA – Impact on VCE Financials

Base Case

	NP-15 10/3/18		DRAFT VCEA Pro Forma					
	2.50%							
	E-Alt							
	Baseline 1/1/1/0							
	ERRA 3/3/0							
	2017	2018	2019	2020	2021	2022	2023	
Wholesale Power	NP-15 10/3/18							
Rate Discount	2.50%							
Resource Portfolio	E-Alt							
PG&E Scenario	Baseline 1/1/1/0							
PCIA Scenario	ERRA 3/3/0							
Accounts	-	57,500	64,086	65,983	66,720	67,466	68,221	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	
(Thousands of Dollars)								
Revenue (net uncollectible)	\$ -	\$ 33,543	\$ 52,168	\$ 54,911	\$ 55,564	\$ 55,946	\$ 56,331	
Power Costs	\$ -	\$ 26,481	\$ 42,643	\$ 45,639	\$ 42,411	\$ 43,178	\$ 43,959	
Gross Margin	\$ -	\$ 7,063	\$ 9,525	\$ 9,272	\$ 13,153	\$ 12,768	\$ 12,372	
Operating Costs	\$ 483	\$ 3,969	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	
Operating Income	\$ [483]	\$ 3,094	\$ 5,004	\$ 4,549	\$ 8,314	\$ 7,802	\$ 7,282	
Interest Income [Expense]	\$ [10]	\$ [273]	\$ [468]	\$ [246]	\$ 20	\$ 160	\$ 235	
Net Income	\$ [493]	\$ 2,820	\$ 4,535	\$ 4,303	\$ 8,334	\$ 7,963	\$ 7,518	
DSCR			2.66	1.68	3.22	3.19	3.14	
Gross Margin		21.1%	18.3%	16.9%	23.7%	22.8%	22.0%	
Net Margin		8.4%	8.7%	7.8%	15.0%	14.2%	13.3%	

PCIA – Impact on VCE Financials

Base Case Adjusted for Higher PCIA (Alternate Proposed Decision)

- 2019 and 2020 are “pinch” years
 - Net Margin significantly below desirable levels
 - Would not meet contractual obligation to fund reserves
- Low Net Margin runs counter to sound financial management
- General outcomes: significant fiscal impact, does not meet business financial objectives and significantly impacts VCE’s ability to pursue core mission objectives

PCIA – Impact on VCE Financials

Base Case Adjusted for Higher PCIA (Alternate Proposed Decision)

Wholesale Power		NP-15 10/3/18								DRAFT VCEA Pro Forma	
Rate Discount		2.50%									
Resource Portfolio		E-Alt									
PG&E Scenario		Baseline 1/1/1/0									
PCIA Scenario		APD/Flat									
		2017	2018	2019	2020	2021	2022	2023			
Accounts		-	57,500	64,086	65,983	66,720	67,466	68,221			
Retail Load (MWh)		-	439,008	743,764	758,635	764,704	770,822	776,988			
(Thousands of Dollars)											
Revenue (net uncollectible)	\$	-	\$ 33,543	\$ 47,963	\$ 51,313	\$ 52,659	\$ 53,016	\$ 53,378			
Power Costs	\$	-	\$ 26,481	\$ 42,643	\$ 45,639	\$ 42,411	\$ 43,178	\$ 43,959			
Gross Margin	\$	-	\$ 7,063	\$ 5,320	\$ 5,673	\$ 10,248	\$ 9,838	\$ 9,419			
Operating Costs	\$	483	\$ 3,969	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090			
Operating Income	\$	[483]	\$ 3,094	\$ 799	\$ 951	\$ 5,409	\$ 4,873	\$ 4,329			
Interest Income [Expense]	\$	[10]	\$ [273]	\$ [481]	\$ [298]	\$ [66]	\$ 44	\$ 89			
Net Income	\$	[493]	\$ 2,820	\$ 318	\$ 653	\$ 5,343	\$ 4,917	\$ 4,418			
DSCR				0.42	0.35	2.10	1.99	1.87			
Gross Margin			21.1%	11.1%	11.1%	19.5%	18.6%	17.6%			
Net Margin			8.4%	0.7%	1.3%	10.1%	9.3%	8.3%			

PCIA – Impact on VCE Financials

Base Case Adjusted for Higher PCIA and flat PG&E rates (APD + best available information on PG&E rates for 2019)

- Negative Net Income violates loan covenants
- General outcomes: further significant fiscal impact, does not meet business financial objectives and further impacts VCE's ability to pursue core mission objectives
- Requires policy action by VCE

PCIA – Impact on VCE Financials

Base Case Adjusted for Higher PCIA and flat PG&E rates (APD + best available information on PG&E rates for 2019)

Wholesale Power	NP-15 10/3/18
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	
Accounts	-	57,500	64,086	65,983	66,720	67,466	68,221	
Retail Load (MWh)	-	439,008	743,764	758,635	764,704	770,822	776,988	
(Thousands of Dollars)								
Revenue (net uncollectible)	\$ -	\$ 33,543	\$ 47,209	\$ 49,770	\$ 50,318	\$ 50,659	\$ 51,004	
Power Costs	\$ -	\$ 26,481	\$ 42,643	\$ 45,639	\$ 42,411	\$ 43,178	\$ 43,959	
Gross Margin	\$ -	\$ 7,063	\$ 4,566	\$ 4,131	\$ 7,907	\$ 7,481	\$ 7,045	
Operating Costs	\$ 483	\$ 3,969	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090	
Operating Income	\$ [483]	\$ 3,094	\$ 45	\$ [591]	\$ 3,068	\$ 2,516	\$ 1,955	
Interest Income [Expense]	\$ [10]	\$ [273]	\$ [483]	\$ [310]	\$ [95]	\$ [9]	\$ 12	
Net Income	\$ [493]	\$ 2,820	\$ [439]	\$ [901]	\$ 2,972	\$ 2,507	\$ 1,967	
DSCR			0.02	(0.22)	1.19	1.03	0.84	
Gross Margin		21.1%	9.7%	8.3%	15.7%	14.8%	13.8%	
Net Margin		8.4%	-0.9%	-1.8%	5.9%	4.9%	3.9%	

PCIA -Impact on VCE Financials, Policy Options

Policy Options

- Reduce/eliminate rate discount
- NEM enrollment deferral
- Reduce renewable/clean energy content
- Trim operating costs (Approx 10% incorporated into current model - ~\$500k/yr)

PCIA – Impact on VCE Financials

New 2019 PCIA, Flat PG&E Rates and No VCE Rate Discount

- 2019 remains below business financial objectives but improves
- 2020 declines from 2019 financial position

PCIA – Impact on VCE Financials

New 2019 PCIA, Flat PG&E Rates and No VCE Rate Discount

Wholesale Power		NP-15 10/3/18								DRAFT VCEA Pro Forma	
Rate Discount		0.00%									
Resource Portfolio		E-Alt									
PG&E Scenario		Flat									
PCIA Scenario		APD/Flat									
		2017	2018	2019	2020	2021	2022	2023			
Accounts		-	57,500	64,086	65,983	66,720	67,466	68,221			
Retail Load (MWh)		-	439,008	743,764	758,635	764,704	770,822	776,988			
(Thousands of Dollars)											
Revenue (net uncollectible)	\$	-	\$ 33,543	\$ 48,994	\$ 51,587	\$ 52,148	\$ 52,504	\$ 52,863			
Power Costs	\$	-	\$ 26,481	\$ 42,643	\$ 45,639	\$ 42,411	\$ 43,178	\$ 43,959			
Gross Margin	\$	-	\$ 7,063	\$ 6,350	\$ 5,948	\$ 9,736	\$ 9,325	\$ 8,904			
Operating Costs	\$	483	\$ 3,969	\$ 4,521	\$ 4,723	\$ 4,839	\$ 4,965	\$ 5,090			
Operating Income	\$	[483]	\$ 3,094	\$ 1,829	\$ 1,225	\$ 4,897	\$ 4,360	\$ 3,814			
Interest Income [Expense]	\$	[10]	\$ [273]	\$ [478]	\$ [287]	\$ [54]	\$ 51	\$ 91			
Net Income	\$	[493]	\$ 2,820	\$ 1,351	\$ 938	\$ 4,843	\$ 4,411	\$ 3,905			
DSCR				0.97	0.45	1.90	1.78	1.65			
Gross Margin			21.1%	13.0%	11.5%	18.7%	17.8%	16.8%			
Net Margin			8.4%	2.8%	1.8%	9.3%	8.4%	7.4%			

PCIA – Impact on VCE Financials

New 2019 PCIA, Flat PG&E Rates and No VCE Rate Discount, NEM Roll-in After 2020

- 2019 Improves but is still below business financial objectives
- 2020 Remains below business financial objectives

PCIA – Impact on VCE Financials

New 2019 PCIA, Flat PG&E Rates and No VCE Rate Discount, NEM Roll-in After 2020

Wholesale Power	NP-15 10/3/18
Rate Discount	0.00%
Resource Portfolio	E-Alt
PG&E Scenario	Flat
PCIA Scenario	APD/Flat

							DRAFT VCEA Pro Forma	
	2017	2018	2019	2020	2021	2022	2023	
Accounts	-	57,500	56,180	56,524	56,801	57,019	57,240	
Retail Load (MWh)	-	439,008	713,197	716,188	721,917	727,692	733,514	
(Thousands of Dollars)								
Revenue (net uncollectible)	\$ -	\$ 33,543	\$ 46,843	\$ 48,683	\$ 49,213	\$ 49,548	\$ 49,885	
Power Costs	\$ -	\$ 26,481	\$ 40,228	\$ 42,109	\$ 39,045	\$ 39,750	\$ 40,469	
Gross Margin	\$ -	\$ 7,063	\$ 6,614	\$ 6,574	\$ 10,169	\$ 9,797	\$ 9,416	
Operating Costs	\$ 483	\$ 3,969	\$ 4,361	\$ 4,461	\$ 4,561	\$ 4,668	\$ 4,773	
Operating Income	\$ [483]	\$ 3,094	\$ 2,253	\$ 2,114	\$ 5,608	\$ 5,129	\$ 4,643	
Interest Income [Expense]	\$ [10]	\$ [273]	\$ [476]	\$ [277]	\$ [35]	\$ 78	\$ 126	
Net Income	\$ [493]	\$ 2,820	\$ 1,777	\$ 1,837	\$ 5,572	\$ 5,207	\$ 4,770	
DSCR			1.20	0.78	2.17	2.10	2.01	
Gross Margin		21.1%	14.1%	13.5%	20.7%	19.8%	18.9%	
Net Margin		8.4%	3.8%	3.8%	11.3%	10.5%	9.6%	

PCIA – Policy Levers Discussion

Benefits of Eliminating Rate Discount and Deferring NEM Enrollment until 2021

- It provides financial relief during the pinch years of 2019 and 2020 and creates minimal cushion against other possible events that could impact finances
- With the current NEM roll-in planned for January 1, 2019, VCE has opportunity to further delay that roll-in
- Avoids having to change the renewable/clean power mix
- NEM customers are still benefitting from their solar systems and are still contributing to the grid de-carbonization
- Retains price competitiveness
- Could move to a rate discount/rate rebate structure that leaves the opportunity for customer bill reductions – i.e Monterey Bay Community Energy

Future Decisions

Suggested Calendar

1. November 1st – Special Board Meeting/working session on PCIA impacts and policy response
 - More refinement on the economic analysis
2. November 15th Special Board Meeting (cancelled 11/8)
 - Additional PCIA information from CPUC rolled into analyses
 - Policy recommendation/action
3. December
 - Board Conditional Decision on 2019 rates (pending actual PG&E 2019 rates)
 - Any remaining decisions

SB 237 – Some Basics – Expansion of Direct Access

10/29/2019

Provided by C.K. Shewmaker
(CAC Vice Chair)

The Basis Information

- SB 237 (Hertzberg) passed and signed at end of 2018 legislative session
- 4000 GW hours more of power will be added to Direct Access (DA) by June 2019. It is to be apportioned among “service territories of electrical corporations”.
- At present there is 24,000 GW hours. So after June 2019 there will be 28,000. That is a 16% increase.
- At present Direct Access accounts for about 13% of the statewide load, after the June addition it will be in the range of 15.5% range.
- While DA accounts for 13% of the statewide load, it is less than 1% of the customers
- Most existing DA is non-residential
- Anyone on DA as of January 2019 can stay on DA.
- By June 2020, a report is due to the legislature on if or how to open up DA to all remaining non-residential customers
- 8000 GW hours on the waiting list (according to Green Tech article)
- How the 4000 GW hours will be allocated is not known yet.

Questions / Considerations

- What is VCEA’s non-residential load? What percent is it of our total load?
- Can we estimate the impact on VCEA if the GW hours are allocated equally? (and they probably won’t be – but would be nice to see)
- What is the total remaining non residential load in CA after the additional 4000 goes to DA.
- If the report due in June 2020 has a path for all non-residential to go to DA and the legislature passes that, what do VCEA's long term financials look like without any non-residential customers (worst case scenario)
- The GreenTech article says 8000 GW hours is in the queue. I wonder if that is where the 4000 will come from? Wonder if there is any way to find out if any of that 8000 GW hours in the queue is in VCEA's territory

Information from leg info

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB237

And GreenTech Media article

<https://www.greentechmedia.com/articles/read/california-law-will-expand-direct-access-market>



VCE Community Advisory Committee Meeting

Monday, October 29, 2018

Woodland

Agenda Item 9: Quarterly Procurement Update

Quarterly Procurement Update

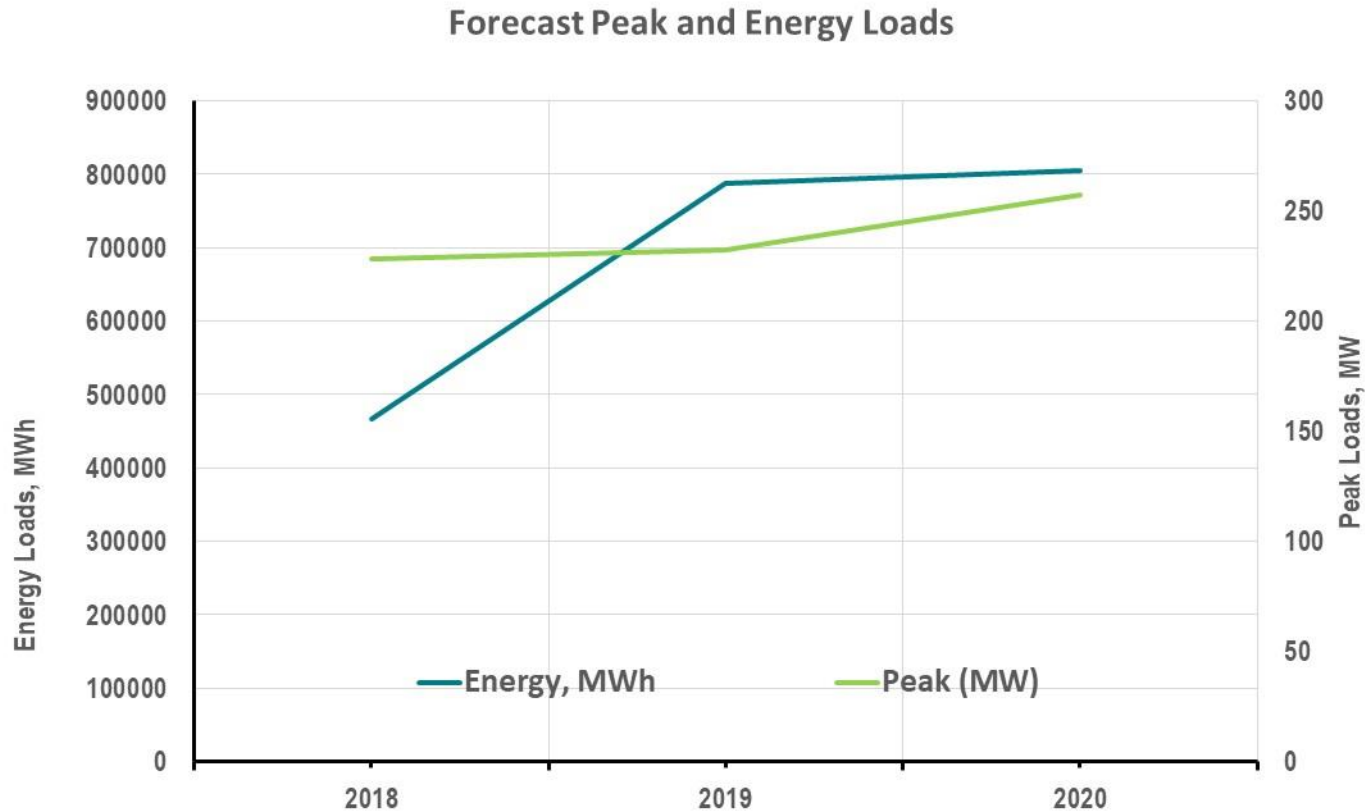
What We'll Cover

- Background
- Energy Portfolio Net Position
- Forecast Power Costs
- Procurement Progress

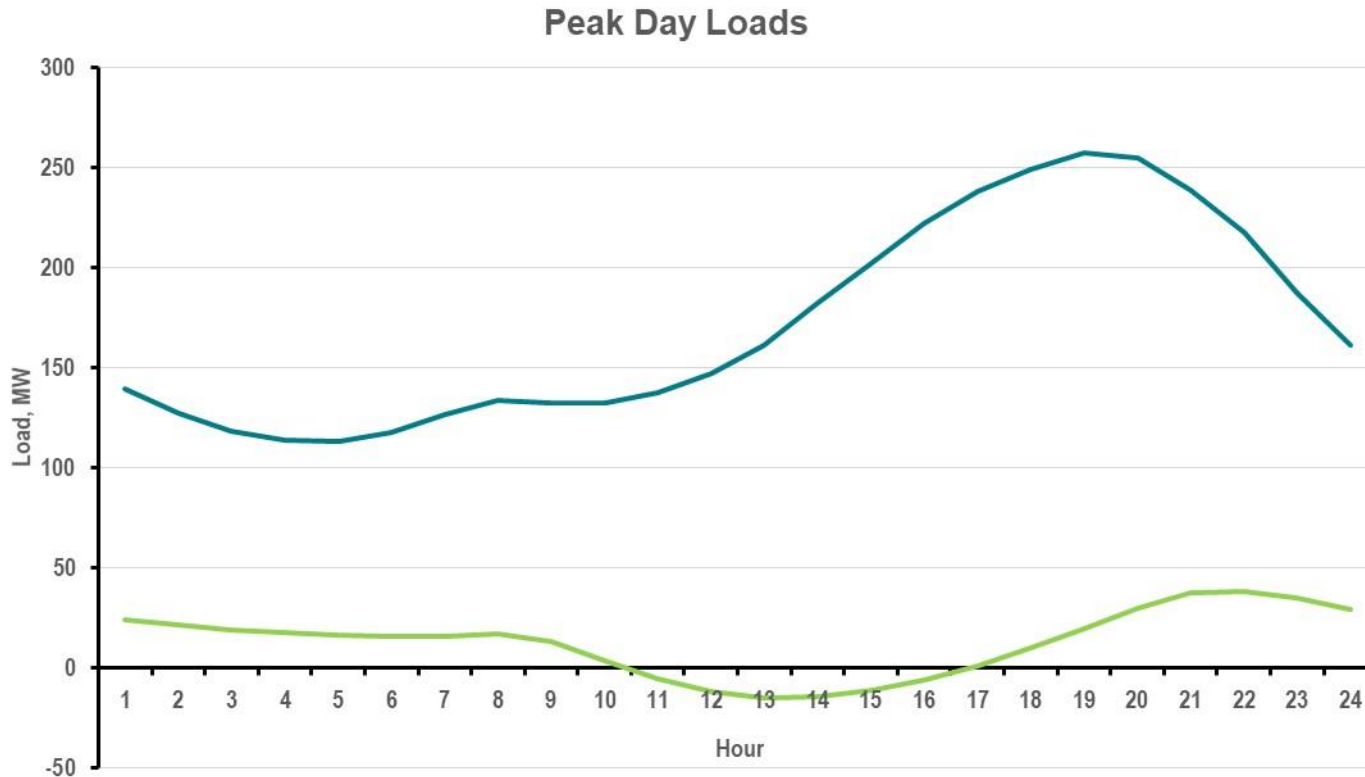
Quarterly Procurement Update Background

- **Wholesale Energy Risk Management Policy**
- **Procurement Guidelines**

Quarterly Procurement Update Background



Quarterly Procurement Update Background



Quarterly Procurement Update Background

			2018	2019	2020
Total Renewable Content			42.0%	42.0%	42.0%
	PCC 1	Calculated	75%	75%	75%
	PCC 2	Calculated	25%	25%	25%
	PCC 3	Calculated	0%	0%	0%
RPS Required Minimums			29.0%	31.0%	33.0%
	PCC 1		75%	75%	75%
	PCC 2		25%	25%	25%
	PCC 3		0%	0%	0%
Incremental Discretionary Renewables			13.0%	11.0%	9.0%
	PCC 1		0%	0%	0%
	PCC 2		100%	100%	100%
	PCC 3		0%	0%	0%
Non Renewable Carbon Free			33.0%	33.0%	33.0%
Total Carbon Free			75.0%	75.0%	75.0%

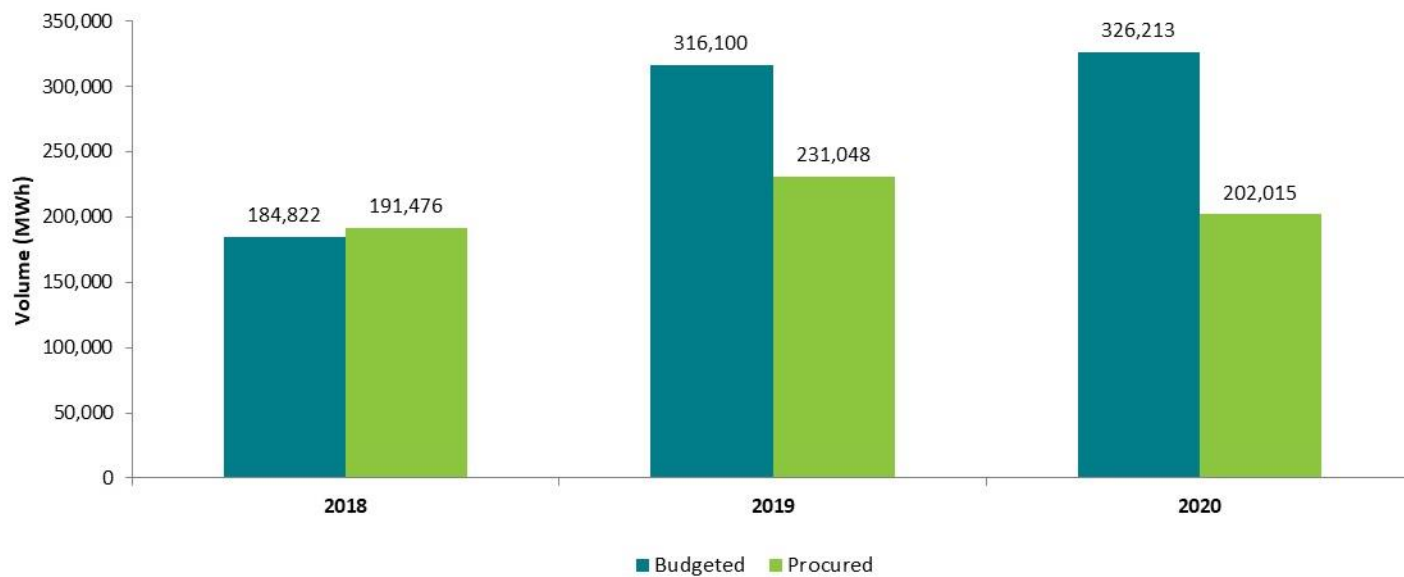
Quarterly Procurement Update

Net Position

Portfolio Component	2018	2019	2020
Renewable	103.6%	73.1%	61.9%
Large Hydro	101.7%	101.9%	0.0%
Resource Adequacy	101.4%	79.3%	39.8%
Fixed Priced Energy	101.5%	98.5%	0.3%
Average	102.1%	88.2%	25.5%

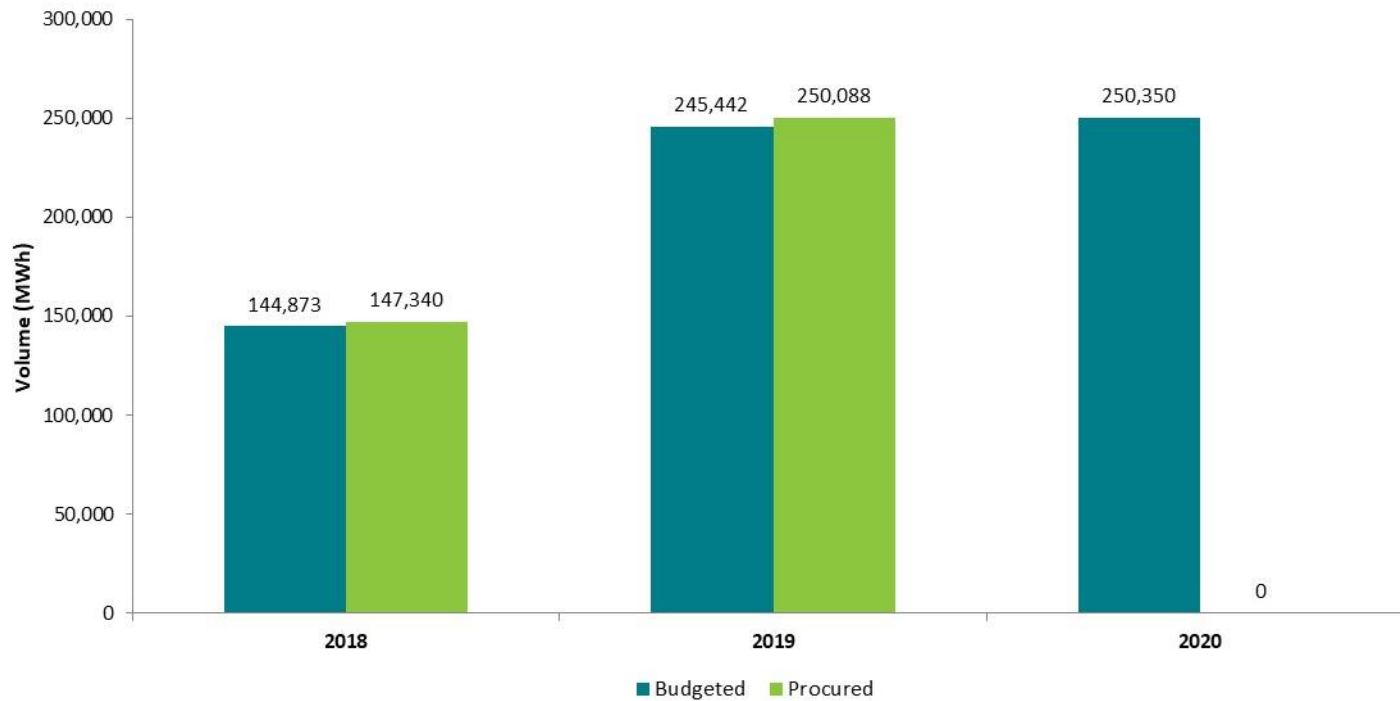
Quarterly Procurement Update

Renewable Net Position



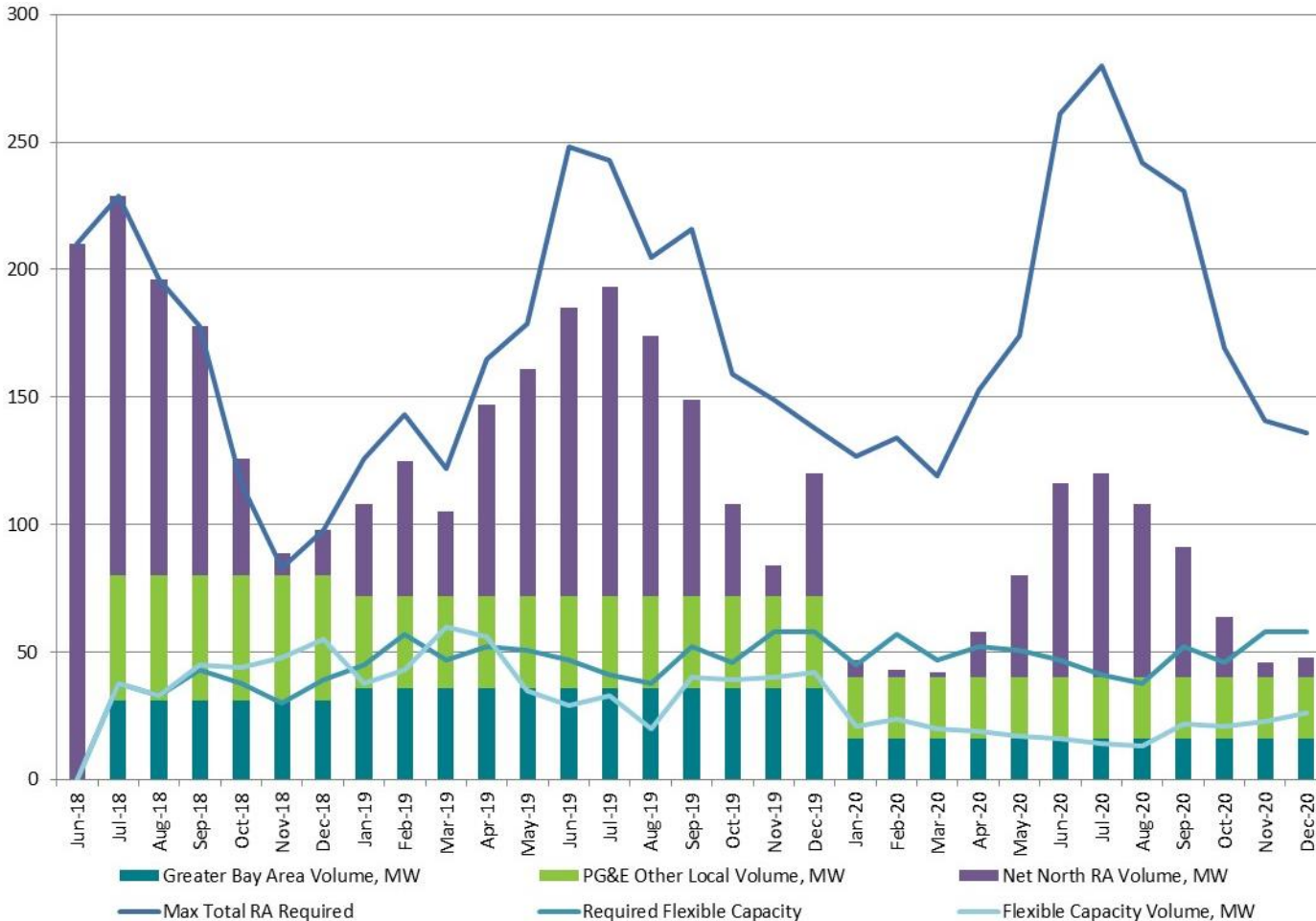
Quarterly Procurement Update

Large Hydro Net Position



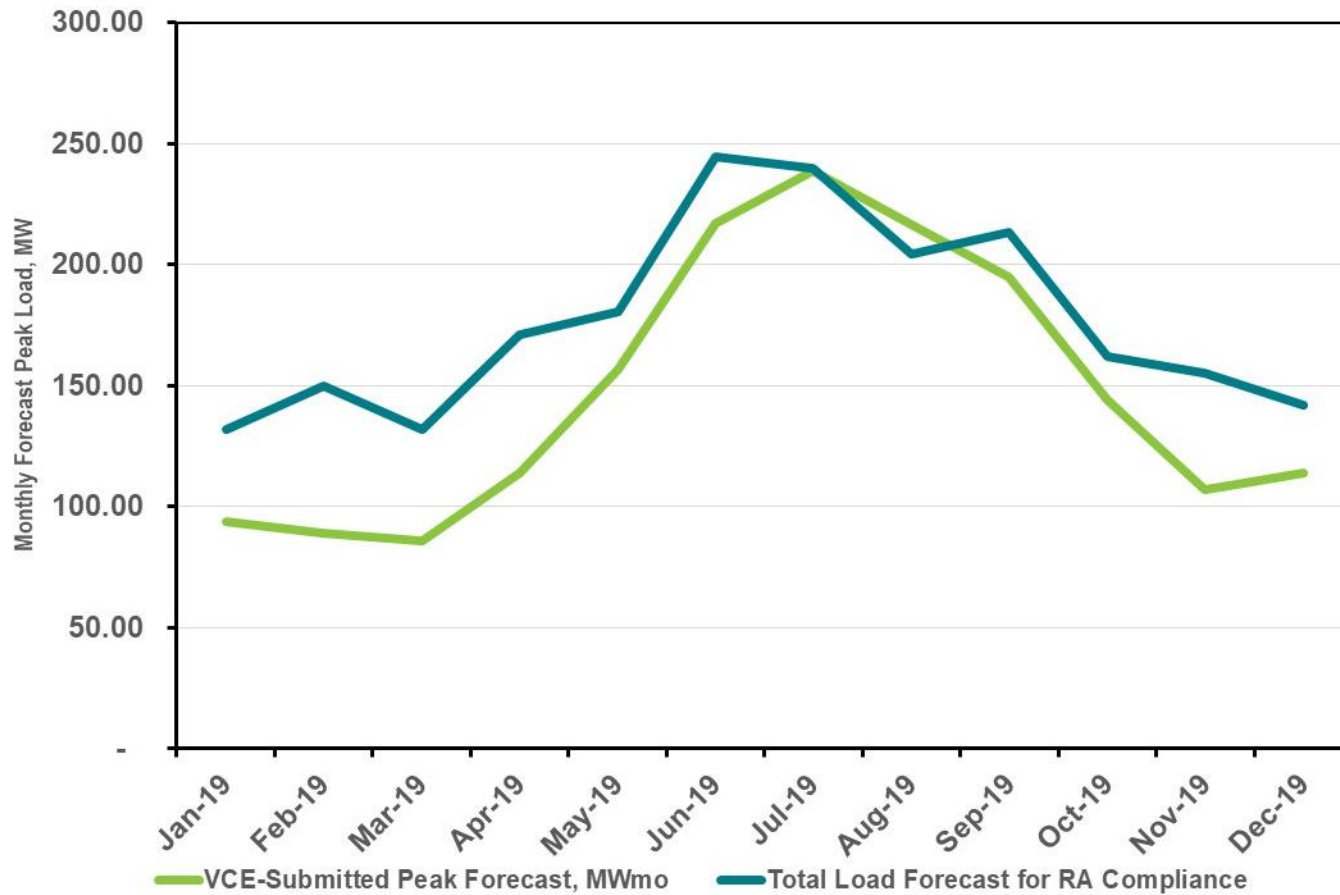
Quarterly Procurement Update

Resource Adequacy Net Position



Quarterly Procurement Update

Resource Adequacy Net Position



Quarterly Procurement Update

Power Budget - 2018

2018 Power Supply Cost	Target Budget	Current Budget	Net Savings (Costs)
Market Energy	\$ 18,452,415	\$ 19,080,790	\$ (628,375)
CAISO Variable Fees	\$ 74,915	\$ 74,525	\$ 390
REC Costs	\$ 2,120,484	\$ 2,134,666	\$ (14,182)
Resource Adequacy Cost	\$ 4,902,369	\$ 4,657,090	\$ 245,279
CAISO GMC Cost	\$ 188,622	\$ 187,676	\$ 946
Market Services Charge	\$ 39,986	\$ 39,778	\$ 208
System Operations Charge	\$ 141,637	\$ 140,899	\$ 738
SCID Fee	\$ 7,000	\$ 7,000	\$ -
Carbon Free Premium	\$ 715,004	\$ 345,842	\$ 369,162
2018 Total Power Cost	\$ 26,453,811	\$ 26,480,590	\$ (26,779)

Quarterly Procurement Update

Power Budget - 2019

2019 Power Supply Cost	Original Forecast	Current Forecast	Net Savings (Costs)
Market Energy	\$ 29,919,046	\$ 30,492,587	\$ (573,541)
CAISO Variable Fees	\$ 133,517	\$ 132,425	\$ 1,092
REC Costs	\$ 3,918,978	\$ 3,619,312	\$ 299,666
Resource Adequacy Cost	\$ 6,262,962	\$ 6,960,485	\$ (697,524)
CAISO GMC Cost	\$ 335,696	\$ 333,049	\$ 2,648
Market Services Charge	\$ 71,265	\$ 70,682	\$ 583
System Operations Charge	\$ 252,431	\$ 250,367	\$ 2,065
SCID Fee	\$ 12,000	\$ 12,000	\$ -
Carbon Free Premium	\$ 1,274,315	\$ 1,105,514	\$ 168,800
2019 Total Power Cost	\$ 41,844,514	\$ 42,643,373	\$ (798,859)

Quarterly Procurement Update

Power Budget - 2020

2020 Power Supply Cost	Original Forecast	Current Forecast	Net Savings (Costs)
Market Energy	\$ 31,073,696	\$ 32,334,716	\$ (1,261,019)
CAISO Variable Fees	\$ 140,623	\$ 141,826	\$ (1,202)
REC Costs	\$ 4,050,729	\$ 3,918,653	\$ 132,076
Resource Adequacy Cost	\$ 6,250,724	\$ 7,534,976	\$ (1,284,252)
CAISO GMC Cost	\$ 352,924	\$ 355,839	\$ (2,915)
Market Services Charge	\$ 75,058	\$ 75,700	\$ (642)
System Operations Charge	\$ 265,866	\$ 268,139	\$ (2,273)
SCID Fee	\$ 12,000	\$ 12,000	\$ -
Carbon Free Premium	\$ 1,342,136	\$ 1,353,134	\$ (10,998)
2020 Total Power Cost	\$ 43,210,833	\$ 45,639,144	\$ (2,428,311)

Questions