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**VCE Community Advisory Committee Meeting – Thursday,  
September 23, 2021 via video/teleconference**

**Item 9 – Legislative End of Session Update**



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# Item 9 – Legislative End of Session Update

## Legislative/Regulatory Task Group “Charge”

Work with VCE’s lobbyist and VCE staff to:

- Provide feedback, technical information and strategic advice to VCE staff on key legislative and regulatory issues facing VCE and the CCA community in general, including legislation and regulatory issues related to VCE’s Strategic Plan and Environmental Justice Statement.
- Provide periodic reports to the CAC about legislation and regulatory issues.
- Solicit recommendations from the CAC on VCE positions on key legislation and regulatory proceedings.
- Contribute to VCE’s engagement with legislators and other stakeholders.
- Advise VCE staff on CalCCA’s regulatory work where and when appropriate.



# Item 9 – Legislative End of Session Update

- **Major Impacts on Session**

- Covid
  - Capitol mostly closed
  - Bill limit
- Recall
- Budget
  - Record Surplus
  - Negotiations all session

# Item 9 – Legislative End of Session Update

- Legislation of Note
  - AB 843 (Aguiar-Curry) – VCE Supported
    - Awaiting Governor signature
  - SB 99 (Dodd) – VCE Supported
    - Held on Asm. Appropriation's Suspense File
  - SB 612 (Portantino) – VCE Supported
    - Held in Asm. U&E
  - AB 1395 (Muratsuchi)
    - Senate Floor

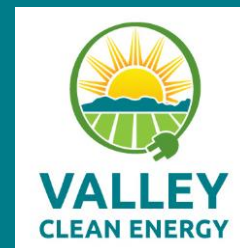




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# VCE Community Advisory Committee Meeting – Thursday, September 23, 2021 via video/teleconference

## Item 10 – Operational Budget Update



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# Item 10 – Overview –Operational Budget Update

## Overview

Since March 2020, the overall economy and energy sector has been highly unpredictable due to COVID-19, regulatory decisions, and weather conditions driving volatility in pricing. Recent increased load demand and energy costs that have outpacing revenues.

### **This presentation will:**

- Examine key factors influencing VCE Operating Budget Results
- Provide an update on the Operational Budgets for Fiscal years 2020/21 and 2021/22 (current)



# Item 10 - Background – Key Factors

## Key Factors Influencing VCE Operating Budget Results

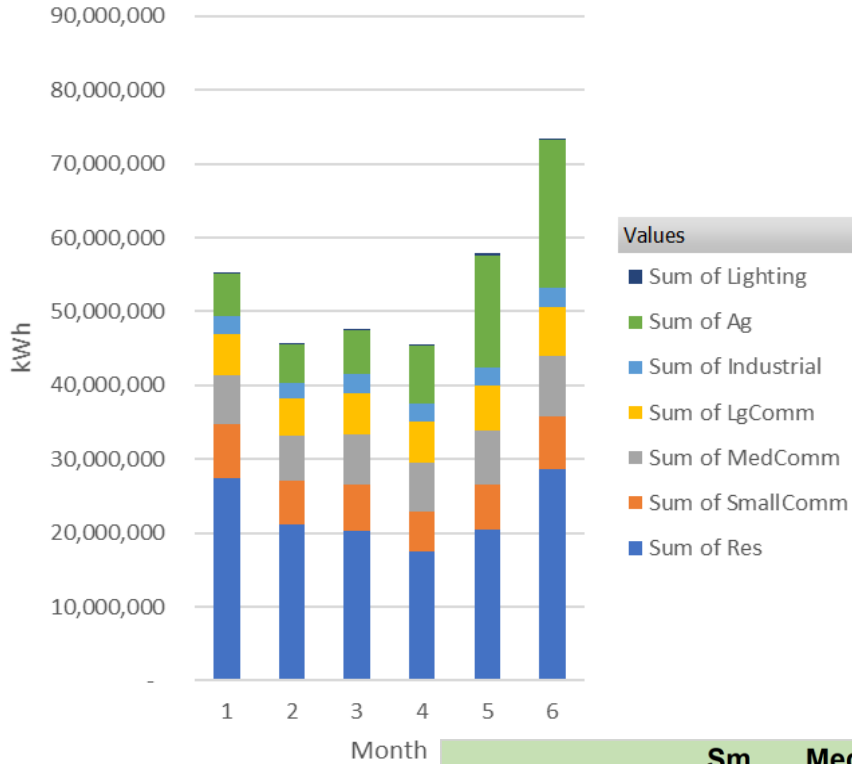
- **Load Forecast.**
  - COVID-19 Load and Revenue Impacts and anticipated recessionary factors.
  - Residential Usage – Remote work, Remote Learning, etc.
  - Commercial/Ag Usage – Droughts, TOU transition, etc.
  - Weather – Increase and changed load demand for all
- **Power Prices.** Long-term forward market prices and hourly price changes due to weather impacts.
- **Power Charge Indifference Adjustment (PCIA).** Overall, an approximately 39% increase for \$21 M for YTD 2021.
- **Resource Adequacy (RA).** Changing/increased penalties, market demand, and market supply.
- **Fiscal Year & Budget Adoption Timing.** Load updates, peak season, and hedging activities overlap with fiscal year end and budget adoption timing.
- **VCE Rates Policy.** Rates policy matches PG&E's generation rates for its default energy product (Standard Green) limits recovery of costs.  
(Companion Board Item 11)



# Item 10 - 2021 Load Forecast vs. Actual – January through June

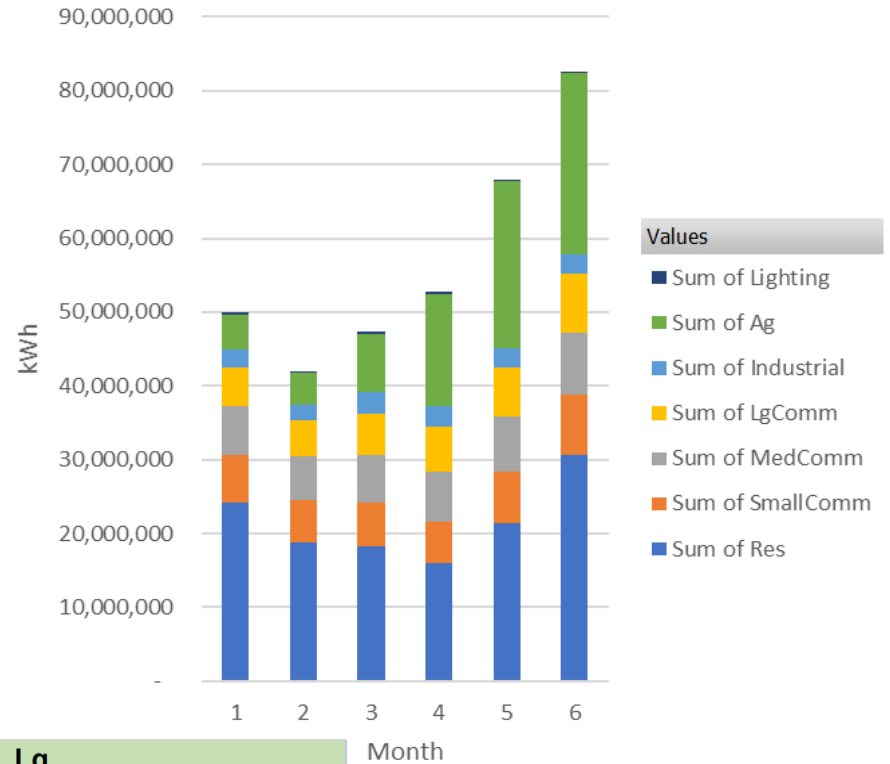
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### Load Forecast



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### Actual Load



Month	Sm		Med	Lg	Ind	Ag	Light
	Res	Comm	Comm	Comm			
1	88%	92%	97%	95%	101%	83%	83%
2	89%	96%	97%	97%	101%	83%	91%
3	90%	95%	96%	99%	111%	136%	96%
4	92%	103%	102%	111%	108%	198%	102%
5	105%	113%	103%	109%	107%	149%	109%
6	107%	115%	102%	123%	97%	123%	113%



# Item 10 - Operational Budget Update

## **FY 2020/21 Operation Budget (Unaudited)**

- May and June power expenditures grew by approximately \$2.4M for a total net loss of \$3.5M. The key factors that resulted in the \$2.4M difference include:
  - Load. Wholesale Load Requirements – May wholesale energy load increased by 15% and June by 10%.
    - Agricultural irrigation accelerated and increased due to drought
    - Residential sector continued higher demand than COVID-19 load forecast
  - Power Costs. Total Power Costs – May Increased by 8% and June increased by 48%
- Overall, FY 2020/21 \$3.5M net loss generally in line with the \$2.8M net loss budget forecast completed in October 2020 when considering COVID-19, PCIA, RA and power cost increases.

## **FY 2021/22 Operation Budget (Unaudited)**

- FY 2021/22 (July 2021) approximately \$350K better than forecast.

# Item 10 - Operational Budget Update

## Additional Factors

- **Resource Adequacy (RA).** Rising RA costs result in additional negative fiscal impacts. CY 2022 prices have exceeded budget by approximately \$1.6M.
  - ~10% of VCE's open RA positions of CY 2022 still need to be filled
- **Long-term power contracts (PPAs).** Full delivery of VCE's PPAs in 2023 for ~60% of VCE's load will met with lower cost energy and RA.
- **Current Reserves.** VCE's current net position is approximately \$13M; \$8M in unrestricted cash reserves. VCE Cash reserves are used to manage monthly cash flow requirements for peak season and unanticipated events such as COVID-19 and heat storms.

Updated Multi-Year Forecast		Actuals		ACTUALS UNAUDITED	ACTUAL YTD July 31 (1 MO) + FORECAST (11 MO)	Forecasted	
		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Description							
Revenue	51,035	55,249	55,080	51,887	59,100	59,600	
Power Cost	38,540	41,538	54,318	53,563	53,800	49,600	
Other Expenses	3,850	4,346	4,267	4,771	5,100	5,200	
Net Income	8,646	9,365	(3,505)	(6,447)	200	4,700	

Note: The table does not account for forward power market price fluctuation and resource adequacy costs





# Item 10 - Operational Budget Update – Conclusions

## Next Steps

- Continue Quarterly financial updates to the Board and CAC
  - Monitor Operating Budget
  - Monitor financial cash reserves
- Continue to refine multi-year forecast updates
- Fiscal Impacts Mitigation - VCE Rates Strategies (Companion Board Item 11)



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**VCE Community Advisory Committee – Thursday,  
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**Item 11 – Customer Rate Structure Policy**



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# Item 11 - Overview – Customer Rate Structure Policy

## I. Background

- VCE Strategic Plan – Financial Goals/Objectives

## II. VCE Financial Context

- Market (Forward Market Prices, Resource Adequacy, Demand)
- Regulatory (Power Charge Indifference Adjustment, RA Market Structure)
- CCA Business Model (Different than Utilities - no automatic cost recovery)

## III. VCE Financial Mitigation Strategies To Date

## IV. Customer Rate Structure Option

## V. Direction Request/Next Steps



# Item 11 - Customer Rate Structure Policy

## I. Background

# Item 11 - Background

- VCE Strategic Plan
  - Finance Goal 1: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.
  - Finance Objective 1.4: Manage customer rates to optimize VCE's financial health while maintaining rate competitiveness with PG&E.
- Challenge: Achieve long-term financial stability to deliver choice and local benefits to customers and communities served by VCE.

# Item 11 - Customer Rate Structure Policy

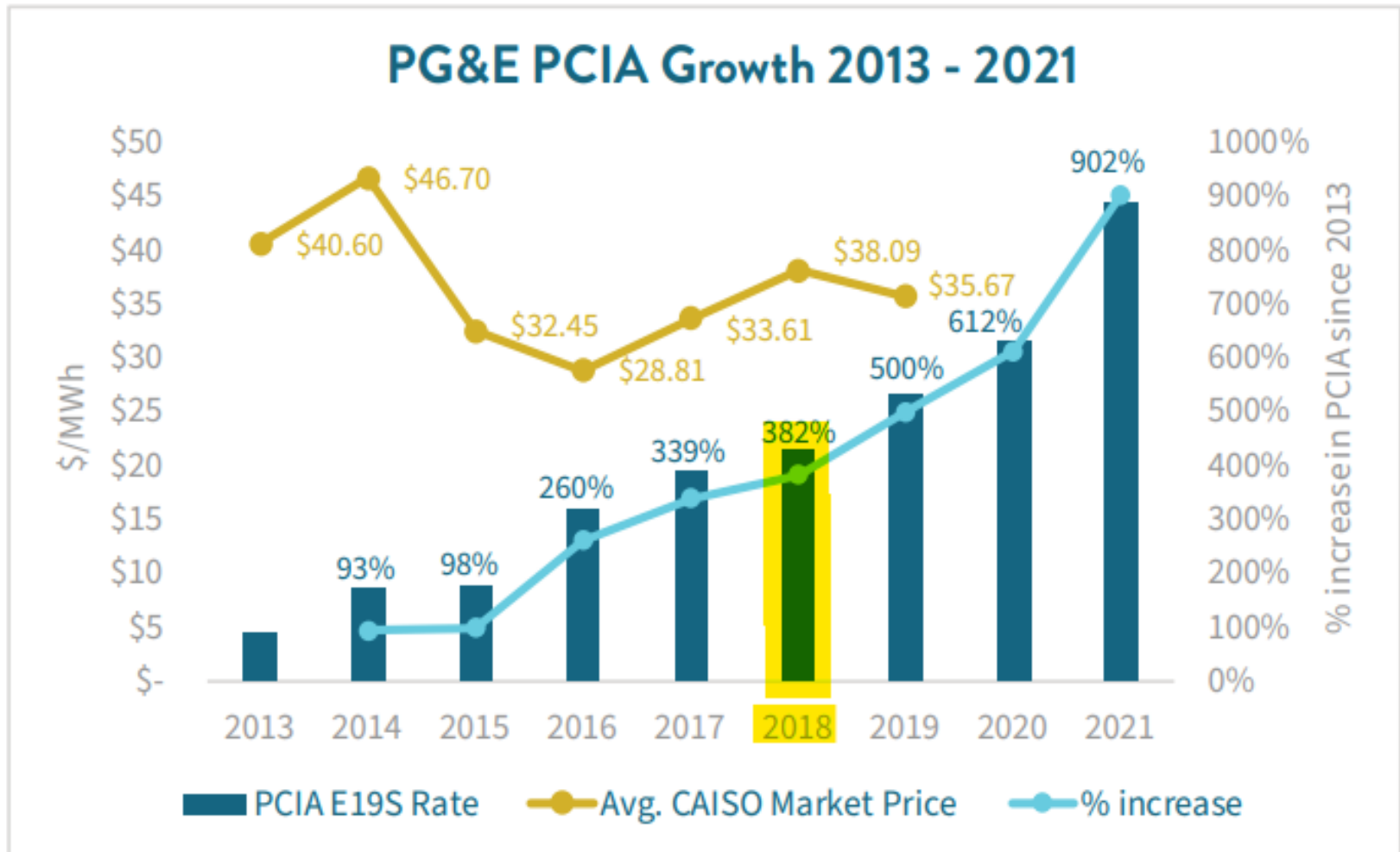
## II. VCE Financial Context

# Item 11 - VCE Financial Context

- Current Rate Policy
  - Match + Customer Dividend Program (since 2019)
- PCIA Trends: structural (+900% since 2013; +136% since 2018) \$21M YTD in 2021
- RA Trends: structural (+100% since launch: ~\$10M/yr v. \$20M/yr)
- Market Pricing Trends: <5% increases for 2021 and 2022
- Other Factors
  - Western Community Energy Bankruptcy (2021)
  - Business Transactions – More Favorable Terms with Power Contract Counterparties, Financial Institutions
  - Program Implementation



# Item 11 - Financial Context – Cont.



Source: San Jose Clean Energy, Feb 2021

# Item 11 - Customer Rate Structure Policy

## III. VCE Financial Mitigation Strategies To Date

# Item 11 - Financial Mitigation Efforts to Date

## Actions taken to address financial stability:

- Customer Rates (Fall 2018)
- Renewable portfolio content (Summer 2020) - \$3.8M
- Long-term Power Purchase Agreements (PPAs) (Initiated Fall 2019) - \$4.0M/yr beginning 2023/24
- Joint Procurement (Spring 2019) – shared transaction costs
- Pre-payment of debt (Fall 2019) – interest savings
- Cost containment (Summer 2018). >10%/yr overhead since launch

Remaining primary policy lever – rate setting for cost recovery

# Item 11 - Customer Rate Structure Policy

## IV. Customer Rate Structure Option



# Item 11 - Rate Related Fiscal Strategies

- Early 2020 – Investigation of rate related strategies employed by other CCA's to address on-going financial pressures outside of a CCA's control (e.g. PCIA, RA).
- May/June 2020 - Staff outlined a possible customer rate structure employed by other CCA's to increase choice while helping stabilize finances. Board approved the following in June 2020:

***Direct Staff and the Community Advisory Committee to study additional customer rate choices for future Board consideration.***

- Fall 2020/Spring 2021 – Staff & CAC Task Group researched expanded and cost-recovery based customer rate structures by other CCA's.
  - 5 CCA's in PG&E service territory have implemented expanded and/or higher generation rates than PG&E (two additional CCA;s in SCE territory)

# Item 11 - Expanded/cost-recovery based customer rate structures

CCA (Launch Date)	IOU Territory	Customer Accounts	% Difference to IOU Gen Rate (default product)	Renewable Content Target (default product)
Valley Clean Energy (6/18)	PG&E	63,509	0% (match)	42%
Clean Power SF (6/15)	PG&E	311,777	+2%	50%
East Bay Community Energy (6/18)	PG&E	546,707	0%	60%
MCE Clean Energy (5/10)	PG&E	473,826	+7%	60%
Peninsula Clean Energy (6/16)	PG&E	287,987	-3%	50%
Pioneer Community Energy (4/17)	PG&E	87,704	+6%	33%
San Jose Clean Energy (2/19)	PG&E	350,000	+8%	55%
Silicon Valley Clean Energy (3/16)	PG&E	225,973	0%	42%
Sonoma Clean Power (12/12)	PG&E	243,436	+5%	50%
Clean Power Alliance (Los Angeles area) (4/18)	SCE	1,000,000	+8%	50%
Desert Clean Energy (12/17)	SCE	37,375	+20%	100%

# Item 11 - Expanded/cost-recovery based customer rate structures

## Notes on previous slide Table:

- CCA programs with additional customer rate options and/or cost-recovery based rates have not seen significant “opt-out” or “opt down” activity in either the residential or commercial/industrial sectors.
- CCA sample includes:
  - Large and moderate sized CCA’s
  - Several with years of implementation with rates above their respective investor-owned utilities.
  - Information gathered from CCA’s in various parts of the State: Southern California, Northern California, inland and coastal.

# Expanded/cost-recovery based customer rate structures

## San Jose Clean Energy – Example (3 Customer Rate Options)

### SAMPLE RESIDENTIAL COST COMPARISON\*

GreenValue	GreenSource	TotalGreen
<b>36% Renewable Energy</b>	<b>55% Renewable Energy</b>	<b>100% Renewable Energy</b>
Electric Generation \$29.93	Electric Generation \$32.32	Electric Generation \$36.97
PG&E Added Fees \$22.10	PG&E Added Fees \$22.10	PG&E Added Fees \$22.10
PG&E Electric Delivery \$80.31	PG&E Electric Delivery \$80.31	PG&E Electric Delivery \$80.31
<b>Average Total Cost \$132.35</b>	<b>Average Total Cost \$134.74</b>	<b>Average Total Cost \$139.39</b>

\*Based on a typical residential usage of 465 kWh under the E-TOU-C rate schedule at SJCE rates effective May 15, 2021. Actual costs will vary depending on usage and other factors.

This estimate is an average of seasonal rates.

# Item 11 - Customer Rate Structure Policy

## V. Direction Request/Next Steps

# Item 11 - Board Direction

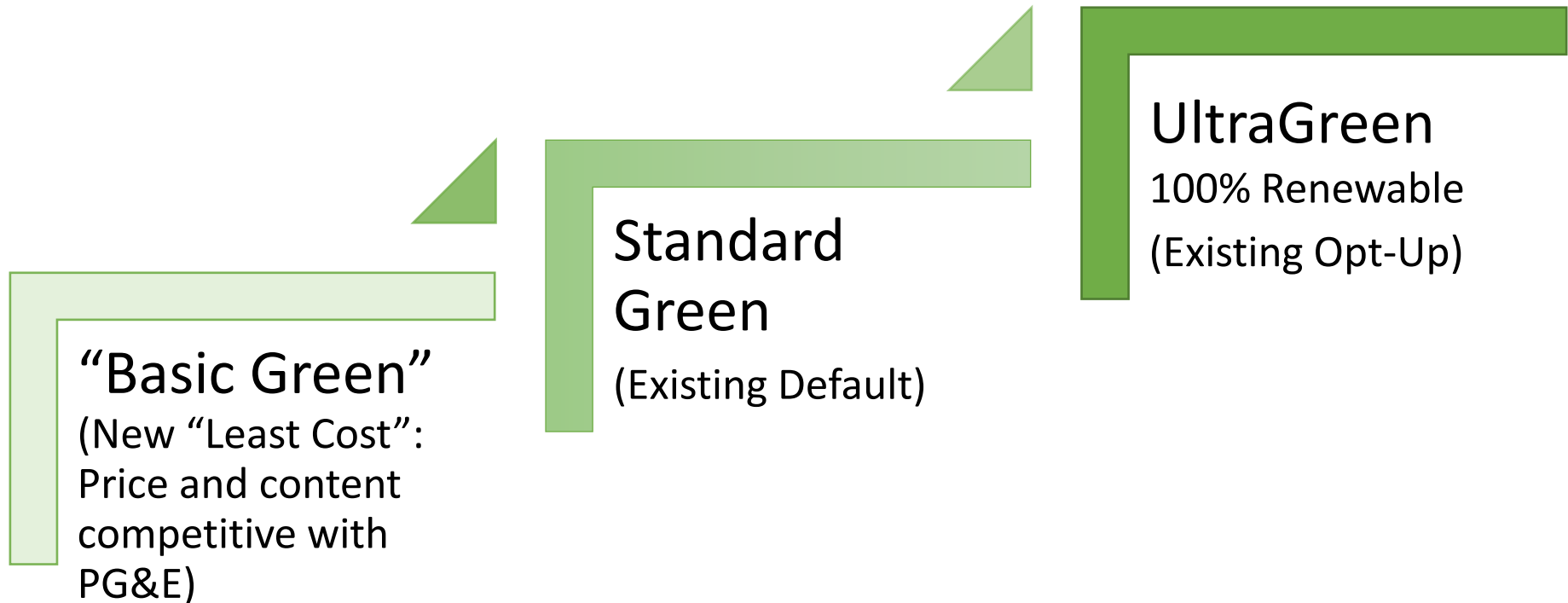
In Sept. the Board unanimously directed staff to develop an expanded and cost-recovery based customer rate structure similar to other CCA's including consideration of the following elements:

- Expand to 3 customer rate options: (1) “Least Cost” (new), (2) Standard Green (existing default), (3) UltraGreen (existing 100% renewable)
- “Least Cost” option price competitive with PG&E Generation Rates
- Standard Green (default) and UltraGreen cost-recovery based rates
- Auto “opt-down” for CARE/FERA and medical baseline customers while retaining default renewable portfolio
- Retain customer Dividend program
- Engage SMUD to conduct financial impact sensitivity analysis



# Item 11 - Expanded/cost-recovery based customer rate structures

## Draft Structure Example (3 Customer Rate Options)



Notes: Proposed name of new rate option and pricing and portfolio content of each option to be analyzed/presented to Board and CAC at next step.

# Item 11 - Board Direction – Cont.

Board direction included approval of the following timeline:

- **Sept (Previous Action):** Board direction; Based on Board direction, staff + CAC Task Group finalize draft rate policy and expanded and cost-recovery based customer rate structure.
- **Sept (Current):** CAC examination/feedback on draft rate policy and expanded and cost-recovery based customer rate structure; input on customer outreach strategy.
- **October:** Board update/direction; finalize SMUD analysis and final draft policy/rate structure.
- **October:** CAC consideration/recommendation on final draft policy/rate structure.
- **Nov:** Board consideration/action on final draft policy/rate structure.
- **Nov-Jan 2022:** Execute customer outreach strategy.
- **Jan 2022:** Update report to Board/CAC.
- **Feb 2022:** Implement expanded and cost-recovery based customer rate structure.
- **Post-implementation:** Monitoring/reporting customer opt-out/opt-down activity.





# Discussion





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**Item 12 – Outreach Task Group Report**



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# Item 12 – Outreach Task Group Report

## 2021 Outreach Task Group Charge

- Collaborate with VCEA staff and consultants on community outreach to, and liaison with, member communities
- Assist in the development of public information strategies, planning, and materials related to VCEA policies and programs. As requested by staff, review draft materials and provide comments

# Item 12 – Outreach Task Group Report

## Specific tasks

- 1. Consult with staff and Green Ideals on short-term and long-term outreach strategies and communications projects
- 2. Help define audience segments within VCE's service area and consult on appropriate messages and communications approaches
- 3. Provide a sounding board to assist in message development and copy testing
- 4. Review development procedures for marketing communications and public relations projects
- 5. Conduct review of marketing materials at the draft (pre-release) stage
- 6. Provide concise summaries of activities at the monthly CAC meetings
- 7. Assist with projects designed to implement the VCE Outreach and Marketing Plan with emphasis on environmental justice **TBD**



# Item 12 – Outreach Task Group Report

## Collaborate with VCEA staff and consultants on community outreach to, and liaison with, member communities

- OTG members have roles and relationships within participating jurisdictions
- CAC/OTG and community member testimonial ads and op-eds
  - “Putting a face on the brand”
- Putah Creek Solar Facility event
- City of Winters
  - Contacted community members in the City of Winters and provided the Director of Marketing with recommendations for the Winters enrollment testimonial campaign
- City of Woodland
  - Proposed presentation to CoW Sustainability Advisory Committee on building electrification
- **Strategic Plan Goal 3.2** *Cost analysis for all member jurisdictions to opt-up to Ultra Green.*

# Item 12 – Outreach Task Group Report

## Assist in the development of public information strategies, planning, and materials related to VCEA policies and programs...

- Conducted monthly OTG meetings to review specific projects and upcoming roadmap
- Assisted with development of VCE Outreach & Marketing Plan
- Reviewed current *Green Ideals* Outreach Plan
- Performed informal S.W.O.T analysis of VCE outreach strategies and projects
- Ongoing review of VCE messaging for audience appropriateness, accuracy and brand consistency
- Assisted with public events when conditions allowed
- Modified call center (CSR) procedures to deflect potential opt-outs

# Item 12 – Outreach Task Group Report

## ....review draft materials and provide comments as appropriate

- Made editorial suggestions to VCE website content (e.g. banners, visual elements, infographics)
  - New topic areas: environmental justice sub-page / Spanish language version of website
  - New program offerings and customer benefits: Ohm Connect, Putah Creek solar, electric vehicles, navigating time-of-use, ‘understanding your bill’... etc.
  - 2021 website analytics (first 257 days vs. prior comparable period)
    - Sessions ↑ 31% (19,590)
    - Page views ↑ 22% (39,461)
    - Bounce rate 55% (↑ 9%)
    - Average session duration 2m 13sec (↓ 11%)
    - 58% are new visitors
- Offered suggestions and provided content for *Power Up with VCE* Newsletter: customer-focused news, program updates and ‘how-to’ money-saving tips
- Provided detailed review of collateral communications
  - Examples: NEM communications; CCPower ‘Long-Duration Storage’ RFO fact sheet, and others
- Monitored and reviewed social media content

# Item 12 – Outreach Task Group Report

## Opportunities

- VCE brand enhancement
  - Innovative
  - Customer-focused
  - **Outreach & Marketing Plan Goal 2** Establish VCE as a Trusted Community Resource
- VCE’s value proposition will be enhanced by technological advances and program innovations – bringing more value to customers
  - **Outreach & Marketing Plan Goal 2** Support VCE’s Programs Plan and Decarbonization Roadmap
  - Deployment of new, local renewable energy sources
    - New product offerings – e.g. ‘Ultra Green+’
    - New range of rate options optimized to fit customer wants and needs
  - Local grid modernization – adding reliability and intelligence
  - Advances in storage technology
    - Availability of cost-effective long-duration batteries
    - Electric vehicles as a storage resource
  - Emphasis on continuing electrification
  - Proactive energy conservation outreach
    - Flex Alerts. Etc.

# Item 12 – Outreach Task Group Report

## Challenges

- Adapting VCE marketing communications to a changing financial and regulatory environment, e.g. PCIA, demand variations due to pandemic
- Maintaining consistency of messages in a dynamic and complex environment
  - Issue: ongoing changes will impact customers, example: potential rate structure changes
  - Possible solution – research other CCA approaches and results; offer new choices for customers
  - Issue: variables can be complex, example: Power Content Label adjustments
  - Possible solution -- emphasize positive power content mix over 2021-2024 period
- Prioritizing VCE’s value promise requires an understanding of the wants and needs of Yolo County’s diverse customer segments
  - Climate-related: emphasis on increasing availability of renewable, carbon-free electricity
  - Market-focused: product choice, competitive rates, local control with investment in local infrastructure
  - **Outreach & Marketing Plan Goal 1** From Brand Awareness to Increased Customer Satisfaction
    - Issue: customer/stakeholder research via surveys and possible community focus groups remains a continuing need
    - Issue: increased availability of website/social media response metrics
  - **Strategic Plan Goal 5.2** *Identify key stakeholder groups and work on shared decarbonization and electrification goals.*