

# Silicon Valley Clean Energy Authority

*Report to the  
Board of Directors  
by Pisenti & Brinker LLP  
February 14, 2018*



**PISENTI & BRINKER** LLP  
Certified Public Accountants & Advisors

An independently owned member  
**RSM US Alliance**



# Introduction...

- Brett Bradford, CPA
  - Audit Partner
  - 14 years in public accounting and performing audits of governmental and other entities
- Matt Brewer, CPA (not present)
  - Manager
  - 6 years in public accounting, audits of governments, not-for-profits, works with two other CCAs

# Audits of the periods ended September 30, 2017, 2016 and June 30, 2016 Financial Statements

## Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control
  
- **Auditor** is responsible for auditing the Financial Statements
  - Considering risks of material misstatement in the Financial Statements – Inherent risk
  - Considering internal controls relevant to the Financial Statements – Control risk
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures

## Status of the current audit:

- Audit is complete – we reported:
  - Unqualified opinion – Based on our audit, the financial statements are materially accurate.
  - No significant deficiencies or material weaknesses in internal control identified.

# Risk Assessment for the periods audited

- Our audit is a risk-based audit. Risk assessment procedures include:
  - Gain understanding of the entity's operating characteristics, practices, and procedures.
  - Compare to our knowledge of similar entities, industry and professional guidance.
  - Review procedures and controls surrounding significant transaction cycles and business processes

# Risk Assessment for the periods audited

- Review of procedures and controls surrounding significant transaction cycles and business processes:
  - Obtain SVCE's description of controls and processes.
  - Evaluate the **design** of controls within the context of the entities activities.
  - Evaluate the **implementation** of controls by performing walk-throughs:
    - Interview of staff
    - Observe performance of control
    - Inspect documentation demonstrating control performed

# Audit Procedures

- Significant areas of focus
  - Revenue recognition
    - Accounts receivable and accrued revenue
      - Test a sample of customer billings
      - Relate total cash received during the period of operations to revenue
      - Look at cash received subsequent to year-end and relate to A/R
      - Evaluate the adequacy of the allowance for uncollectible accounts
    - Cut-off
      - Review revenue recognition through year-end and method for determining (accrued revenue)

# Audit Procedures

- Cash – Existence
  - Confirmations sent to Union Bank, River City Bank
- Accrued cost of electricity
  - Review subsequent bills from electricity providers and cash payments
  - Perform analytical procedures
- Notes payable
  - Confirmation sent to River City bank, reviewed JPA agreement, tested select members' loans to SVCE
- Financial Statement Note Disclosures – Complete and without bias



## Required Board Communications

- The significant accounting policies adopted by SVCE throughout the periods audited appeared appropriate and consistently applied.
- No alternative treatments of accounting principles for material items in the financial statements were discussed with management.

## Required Board Communications

Other Required Communications with those charged with governance:

- We did not propose any adjustments to the financial statements.
- We did not identify any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.

## Required Board Communications

- There were no disagreements with management concerning the scope of our audits, the application of accounting principles, or the basis for management's judgments on any significant matters.

## Required Board Communications

- We did not encounter any difficulties in dealing with management during the performance of our audit.

# Questions?

- Brett Bradford: 707-577-1582
- Matt Brewer: 707-559-7325

# Demand Response - Commercial

**Board Meeting**  
February 14, 2018



# Overview

- Background
- Overview
- Results
- Key Takeaways
- Next Steps



# Background

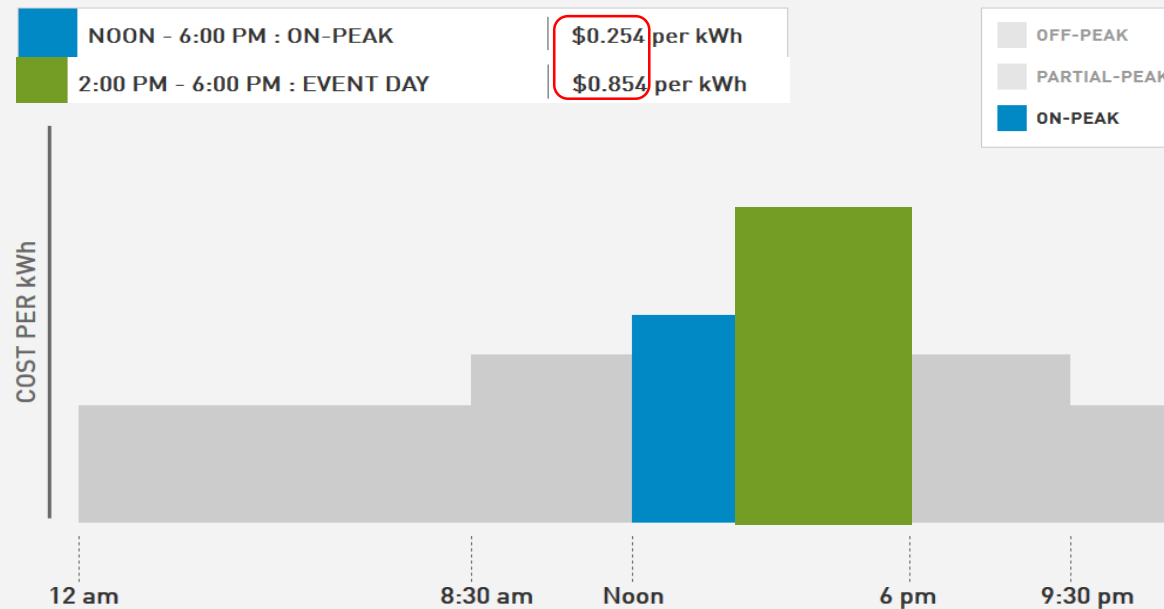
- PG&E offers commercial customers a demand response program, Peak Day Pricing (PDP)
  - CCA customers are not eligible for PDP
  - Potential benefit (or cost) based on ability to reduce usage during hot summer days
  - Prior to SVCE launch, about 50% of commercial customers had PDP
  - Multiple customers stated concerns over losing PDP “benefits”
- August 9<sup>th</sup>, 2017 SVCE Board approved a staff recommendation to develop rapidly and implement a pilot commercial demand response (DR) program



# What is Peak Day Pricing (PDP)?

## Peak Day Pricing: Summer Rates

Summer rates are in effect May through October. With Peak Day Pricing, your regular summer rates are discounted in exchange for higher rates on 9-15 Event Days per year.



- Designed around 2010 to curtail load during extremely hot weather
- 100% of PG&E commercial customers placed in PDP, but can opt-out
- 9-15 Event Days per year, from 2pm-6pm
- kWh rates increase by 4-8x during event window (as high as \$1.20 per kWh)
- kW rates decrease for entire 6 month period (as much as \$5.00 per kW)

# Overview – SVCE transition offering

- Design characteristics
  - By Opt-in request, review customer bills during the utility Summer
  - Compare SVCE savings (1%) vs PG&E PDP savings (or costs)
  - SVCE will match PDP savings above our standard 1%
- Anticipated results
  - SVCE expected majority to qualify for savings match
    - Customers would be aware of PDP, and
    - Likely be benefitting from PDP
- Promoted via newsletter, website, social media, and direct customer outreach.



# Results

- 6 Accounts receive SVCE savings match totaling \$ 8,754.50
  - All municipal customers
- 12 Accounts saved with SVCE for a total of \$42,821.06
  - All 3 commercial customers
  - Several municipal customer accounts
- Awaiting corrected data from PG&E for 8 accounts
- All participants receive results summary

# Key Takeways

- Analyses provided tremendous insight into Demand Response
  - Most customers did not change behavior during events
    - Most savings came from Peak load management regardless of event days
  - Identified inconsistencies in Perception vs Reality
    - Found customers who thought they were on PDP, but actually were not
    - Observed losses for customers who thought PDP saved money
- Effort spurred development of internal capabilities to support customer engagements
  - Large scale data management
  - Tariff modeling
  - Potential for future demand management savings
- Market conditions have changed since 2010 likely limiting PDP effectiveness
  - Massive investments in solar, energy efficiency, updated building codes, and energy storage programs
  - Current tariffs already promote load shifting via higher Peak demand charges



# Next Steps

- SVCE will continue the savings match in 2018
  - Extend offer to new Milpitas customers to minimize opt-outs
- Retention
  - Enable existing customers to opt-in for savings match
- Re-enrollment
  - Analyze results for Opted-out customers with PDP accounts

# Learn More:



SVCleanEnergy.org



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