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
Overview

• Background
• Overview
• Results
• Key Takeaways
• Next Steps
Background

• PG&E offers commercial customers a demand response program, Peak Day Pricing (PDP)
  o CCA customers are not eligible for PDP
  o Potential benefit (or cost) based on ability to reduce usage during hot summer days
  o Prior to SVCE launch, about 50% of commercial customers had PDP
  o Multiple customers stated concerns over losing PDP “benefits”

• August 9th, 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)?

- 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
  o All municipal customers

• 12 Accounts saved with SVCE for a total of $42,821.06
  o All 3 commercial customers
  o 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
  o Most customers did not change behavior during events
    ▪ Most savings came from Peak load management regardless of event days
  o 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
  o Large scale data management
  o Tariff modeling
  o Potential for future demand management savings

• Market conditions have changed since 2010 likely limiting PDP effectiveness
  o Massive investments in solar, energy efficiency, updated building codes, and energy storage programs
  o Current tariffs already promote load shifting via higher Peak demand charges
Next Steps

• SVCE will continue the savings match in 2018
  o Extend offer to new Milpitas customers to minimize opt-outs

• Retention
  o Enable existing customers to opt-in for savings match

• Re-enrollment
  o Analyze results for Opted-out customers with PDP accounts
Learn More:

SVCleanEnergy.org

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