Silicon Valley Clean Energy Authority

Report to the Board of Directors by Pisenti & Brinker LLP
February 13, 2019
Introduction...

- Pisenti & Brinker –
  - Founded in 1965
  - Approximately 80 employees
  - Perform work for many governmental entities, including several CCAs

- Brett Bradford, CPA
  - Audit Partner
  - 15 years in public accounting and performing audits of governmental and other entities
Audit of the year ended September 30, 2018 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
Audit results:

- Audit is complete and we reported:
  - Unqualified opinion – Based on our audit, the financial statements are materially accurate.
  - No significant deficiencies or material weaknesses in internal control identified.
Our audit approach is risk-based. Risk assessment procedures include:

- Gaining understanding of the entity’s operating characteristics, practices, and procedures.
- Comparing to our knowledge of similar entities, industry and professional guidance.
- Reviewing procedures and controls surrounding significant transaction cycles and business processes.
Risk Assessment for the year 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 year 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 bank

- **Accrued cost of electricity**
  - Review subsequent bills from electricity providers and cash payments
  - Perform analytical procedures

- **Notes payable**
  - Confirmation that loans were paid off

- **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
EVSE Incentive Program
February 13, 2019
Programs Budget

• Board approved 2% operating revenues for programs
• Dec 2018 budget request accounted for ~60% of total programs budget
• Mobility programs currently budgeted at $300k in FY19 and $600k in FY20
• Requests for additional commitments of program funds planned throughout 2019
CEC’s CALeVIP Program

www.CALeVIP.org
CEC’s CALeVIP Program

• Goals:
  • Implement targeted incentive projects throughout California that address a specific region’s EV charging needs.
  • Provide a mechanism that speeds up the installation, reporting and funding processes.
• Funding:
  • Current Funding $33 million
  • Up to $200 million in future funding
CALeVIP 2019 Projects

• 4 projects in 2019
  – Sacramento County ($14M)
    • April 2019
  – Northern California ($6M)
    • Shasta, Humboldt, Tehama
    • June 2019
  – Central Coast ($6M)
    • Monterey, Santa Cruz, San Benito
    • August 2019
  – Central Valley ($14M)
    • October 2019
    • San Joaquin, Kern, Fresno
Coalition for CALeVIP Funds

• SVCE formed regional coalition to pursue CEC’s CALeVIP funding
• Letters of intent (LOI) due in Feb/Mar 2019
• Coalition member funding commitments greatly strengthens LOI & proposal
• Other prospective coalition benefits:
  • Regional consistency in EV charging incentives, application process, & reporting
  • Coordinated outreach, technical assistance, workforce development & training
Coalition Members for CALeVIP LOI/Proposal
Proposal for Leveraged Funds

• SVCE proposes establishing EVSE Incentive Program at $8M over 4 years to address key market gaps and barriers of EV charging infrastructure deployment (MUD, low-income, TNC, fleets)

• Summary of leveraged funding for CAleVIP coalition:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVCE</td>
<td>$8M, 4 yrs (proposal – not yet approved)</td>
</tr>
<tr>
<td>PCE</td>
<td>$12M, 4 yrs</td>
</tr>
<tr>
<td>San Jose</td>
<td>$4M, 2 years (considering – not yet approved)</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>$3M, 3 yrs</td>
</tr>
<tr>
<td>Santa Clara/Silicon Valley Power</td>
<td>$4M, 4 yrs</td>
</tr>
<tr>
<td>CEC’s CAleVIP</td>
<td>TBD – potentially $10M’s</td>
</tr>
<tr>
<td>PG&amp;E, BAAQMD, VW, etc.</td>
<td>$10M’s in complementary funds</td>
</tr>
</tbody>
</table>
Budget Request

• Total budget within Board-approved 2% operating revenue for program funds

• Of $8M program, $7.4M is new commitment and $600k in FY20 was included in Dec 2018 budget request for EV Fast Charge Depots program
Timeline & Next Steps

- CALeVIP timeline subject to change by CEC

EV Infrastructure Strategy & Plan
Decarb Roadmap

Feb/Mar 2019 Coalition* submits Letter of Intent to CEC
Apr 2019 Coalition refines program design & requirements
May 2019 SVCE updates Board on program
Jun 2019 CEC notifies grant recipients

*Coalition consists of SVCE, Peninsula Clean Energy, and the Cities of San Jose, Palo Alto, and Santa Clara
Staff Proposal

Staff recommends the Board adopt Resolution No. 2019-02 to approve the budget request for the Electric Vehicle Supply Equipment Incentive Program (EVSE Incentive Program) totaling $8M for the four-year period of FY2020-FY2023.
Thank you
2015 & 2017 GHG Inventory

Figure: 2015 and 2017 total emissions by subsector across SVCE service territory ("DA" = Direct Access)
ACHIEVING CA'S 2050 GHG GOAL WILL REQUIRE AN ADDITIONAL 61-74% REDUCTION BELOW FORECASTED 2030 LEVEL

CALIFORNIA 2030 TARGET: 40% BELOW 1990 LEVELS
CALIFORNIA 2050 TARGET: 80% BELOW 1990 LEVELS

THIS REDUCTION WILL REQUIRE AN UNPRECEDENTED SHIFT AWAY FROM NATURAL GAS IN COMMERCIAL AND RESIDENTIAL BUILDINGS, AND GASOLINE VEHICLES

ELECTRICITY (SVCE, PG&E, DIRECT ACCESS)
NATURAL GAS
TRANSPORTATION

CA 2030 GOAL
CA 2050 GOAL
SVCE GHG GOAL
GHG: BUSINESS-AS-USUAL
GHG: WITH PROGRAMS

SILICON VALLEY CLEAN ENERGY
3. Mobility

- **EV Charging Infrastructure Strategy and Plan**: Create an SVCE-wide EV readiness and infrastructure strategy considering permitting practices, ordinance/reach code integration, siting, rate design

- **EV Fast Charging Pilot Depots**: Work with private sector, member agencies, and regional partners to develop one or more EV fast charging pilots (e.g. for ride-hailing electrification, real-time pricing, “last mile”)

- **EV Incentives for Low Income**: Provide rebates for used EVs for low-income qualified customers in collaboration with Peninsula Clean Energy

- **EV Charging for Multi-Unit Dwellings**: Provide flexible grant offerings to address market gaps with multi-unit dwelling and small and medium business workplace charging

- **Fleet Electrification**: Support member cities and commercial customers in evaluating options to electrify their vehicle fleets
EV Charging Infrastructure Strategy & Joint Action Plan

- Stakeholder-driven process to determine SVCE/member agency strategies, priorities and actions to decarbonize transportation
- Spring-Summer 2019
- Program plan being crafted to ensure timely input for CALeVIP project proposal and program design
## 2018 Programs Budget Request

<table>
<thead>
<tr>
<th>Sector</th>
<th>Program</th>
<th>FY2019</th>
<th>FY2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Supply (PS)</td>
<td>C&amp;I Clean Power Offerings</td>
<td>$150k</td>
<td>$150k</td>
<td>$150k</td>
</tr>
<tr>
<td>Built Environment (BE)</td>
<td>Reach Codes</td>
<td>$400k</td>
<td>$400k</td>
<td>$400k</td>
</tr>
<tr>
<td></td>
<td>All-Electric Showcase Grants</td>
<td>$1M</td>
<td>$500k</td>
<td>$1.5M</td>
</tr>
<tr>
<td></td>
<td>FutureFit Heat Pump Water Heater</td>
<td>$150k</td>
<td>$175k</td>
<td>$325k</td>
</tr>
<tr>
<td>Mobility (MO)</td>
<td>EV Infrastructure Strategy &amp; Plan</td>
<td>$200k</td>
<td>$200k</td>
<td>$200k</td>
</tr>
<tr>
<td></td>
<td>EV Fast Charge Depots</td>
<td>$100K</td>
<td>$600k</td>
<td>$700k</td>
</tr>
<tr>
<td>Innovation (IN)</td>
<td>Innovation Partnerships/Onramp</td>
<td>$600k</td>
<td>$600k</td>
<td>$1.2M</td>
</tr>
<tr>
<td>Energy Efficiency &amp; Grid Integration (GI)</td>
<td>Virtual Power Plant</td>
<td>$100k</td>
<td>$1M</td>
<td>$1.1M</td>
</tr>
<tr>
<td>Educ. &amp; Outreach (EO)</td>
<td>Customer Resource Center</td>
<td>$150k</td>
<td>$200k</td>
<td>$350k</td>
</tr>
<tr>
<td></td>
<td>GHG emissions inventory update</td>
<td>$100k</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$2,950,000</strong></td>
<td><strong>$3,075,000</strong></td>
<td><strong>$6,025,000</strong></td>
</tr>
</tbody>
</table>

Budget committed for first tranche of programs by program and fiscal year
Residential Time-of-Use Rate Transition

Don Bray
Director of Account Services & Community Relations
Overview

• History & Background
• Timeline
• SVCE Participation Key Considerations
  o Rate Setting
  o Bill Protection
  o Marketing, Education & Outreach (ME&O)
# History of Tariff Reform

<table>
<thead>
<tr>
<th>1st Wave (1970s)</th>
<th>2nd Wave (1980s/1990s)</th>
<th>3rd Wave (early-2000’s)</th>
<th>4th Wave (present)</th>
<th>5th Wave (future)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Early experimental designs</td>
<td>- Further research from previous pilots</td>
<td>- CA energy crisis stimulates more pilots w/ dynamic pricing, some smart thermostats</td>
<td>- More than 30 utilities offer demand charges, some with energy-based dynamic pricing rates</td>
<td>- Customers could subscribe to “baseline” load shape</td>
</tr>
<tr>
<td>- 12 pilots funded by Federal Energy Administration</td>
<td>- Not much advancement due to lack of smart metering</td>
<td>- 50 million smart meters deployed</td>
<td>- Mandatory TOU transition for CA</td>
<td>- Customers to buy and sell deviations from baseline “transactive energy”</td>
</tr>
<tr>
<td></td>
<td>- Few utilities move forward with TOU rates for large residential customers</td>
<td>- Still low uptake for voluntary TOU rates</td>
<td>- Continued learning from several TOU pilots</td>
<td>- Idea has gained traction as WiFi-enabled appliances have become ubiquitous</td>
</tr>
<tr>
<td></td>
<td>- All utilities offer opt-in TOU, but little uptake</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: California Energy Commission, Docket # 17-IEPR-12
Statewide TOU Transition

- California residential electric customers will begin transitioning to a new Time-of-Use (TOU) rate plan as approved by the CPUC
  - Lower-priced power when demand is lower
  - Greater use of renewable energy
  - More customer choice and control
  - Path to a more reliable and sustainable energy future for California
  - Removes penalty for strategic electrification
Changing Grid Dynamics

Net load - March 31

Ramp need
~13,000 MW
in three hours

Potential over
generation
• 208,000 (87%) residential customers are on the tiered E-1 rate schedule
• Schedule’s pricing based on volume
• Pricing signals intended to encourage overall usage reduction
• Ineffective in mitigating steep ramping demand between 4 p.m – 9 p.m.
How will TOU work?

- When you use electricity is as important as how much you use
  - Electricity rates will be lower 19 hours a day
  - Customers benefit from lower pricing when electricity usage is shifted to off-peak times
Timeline

• Residential Customers
  o 10 waves from October 2020 through October 2021

• Commercial/Non-Res Customers
  o Opt-in period – spring 2019 through spring 2020
  o Transition – spring 2020

• Agricultural
  o Opt-in period – 2020
  o Transition – winter 2021
SVCE Customer Transition

• All PG&E customers in Santa Clara County will be transitioned in October 2020
• Other territories in the 13-month rollout plan are based on climate zones
• Customers can change their rate plan at anytime, before or after transition
• No geographic rollout for non-res accounts
Statewide Marketing Campaign

- **Keep California Golden**
  - Under Energy Upgrade CA brand
  - Launching statewide in March 2019
  - More info: [https://www.energyupgradeca.org/](https://www.energyupgradeca.org/)
CCA TOU
Transition Pilots
TOU Transition Pilot

• PG&E Phase 1 TOU transition pilot for 150,000 customers

• Included 18,000 MCE and Sonoma Clean Power customers, as well as ~7,500 SVCE Milpitas customers
Joint Communications

• PG&E worked with participating CCAs to collaborate on messaging and co-branded customer notifications

• Collaboration with PG&E and CCAs continues for statewide transition planning

Sample letter from Milpitas TOU pilot
Preliminary Results

• Early indication that customers have reduced load
  o Further analysis needed to determine if it was an overall reduction or usage shift
• 70% opted to participate in the pilot
• 15% chose to switch to another TOU rate
• 15% of pilot customers chose to return to E-1 rate
SVCE Considerations
Customer Rates

- Under the new TOU plan, customers will either see a smaller bill, or small annual bill increase – this assumes no change in energy use

<table>
<thead>
<tr>
<th>CUSTOMER 1*</th>
<th>CUSTOMER 2*</th>
<th>CUSTOMER 3*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakersfield non-CARE household with average annual electricity usage</td>
<td>Milpitas CARE household with high annual electricity usage**</td>
<td>San Luis Obispo household with low annual electricity usage</td>
</tr>
<tr>
<td>3 bed 1 bath, 1700 sqft home 7500 kWh annual usage</td>
<td>4 bed, 3 bath, 2500 sqft home 15,700 kWh annual usage</td>
<td>2 bed, 1 bath, 800 sqft home 2,300 kWh annual usage</td>
</tr>
<tr>
<td>Current Rate Plan: $1,921/year</td>
<td>Current Rate Plan: $2,741/year</td>
<td>Current Rate Plan: $517/year</td>
</tr>
<tr>
<td>Time-of-Use: $1,998/year</td>
<td>Time-of-Use: $2,666/year</td>
<td>Time-of-Use: $513/year</td>
</tr>
</tbody>
</table>

* Represents analysis of actual customers in phase 1 population
**Customers will not incur a high-usage surcharge under the Time-of-Use rate plan
Marketing, Education & Outreach (ME&O)

- SVCE among CCAs participating in statewide ME&O meetings
- 1 of 4 TOU notifications provides rate comparison, so customers are informed of their rate choices

<table>
<thead>
<tr>
<th>Your Rate Plan Options</th>
<th>Current Rate Plan</th>
<th>Transition Rate Plan</th>
<th>Optional Rate Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tiered (E-1)</td>
<td>Time-of-Use (Peak Pricing 4–9 p.m. Every Day)</td>
<td>Time-of-Use (Peak Pricing 4–9 p.m. Weekdays)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Higher prices 4–9 p.m. every day. Lower prices at all other times.</td>
<td>Higher prices 4–9 p.m. on weekdays. Lower prices at all other times.</td>
</tr>
<tr>
<td>Total Electricity Costs*</td>
<td>$3,064/year</td>
<td>$3,164/year</td>
<td>$3,217/year</td>
</tr>
</tbody>
</table>

Your lowest cost rate plan is: [NAME]

* Estimates assume current PG&E prices and will not match your previous 12 months’ bill.
**Bill Protection**

- CPUC requires IOUs offer bill protection for the first 12 months to allow customers to try new TOU rate risk-free
  - If customers pay more than they would have on their former rate plan, PG&E will credit them the difference
  - CCAs offered bill protection for TOU pilots
- Need financial impact analysis
  - CCAs still waiting on bill protection cost for phase 1 pilot customers
Next Steps
Next Steps

1. In summer timeframe, confirm participation with PG&E for CPUC filings
   - Confirm SVCE TOU transition and timing
   - Confirm SVCE will offer bill protection for first year
2. In late-2019/early-2020, perform financial modeling and rate analysis for E-1 to TOU
   - Setting of 2020 E-1 and E-TOU rates
Questions?