Response to COVID19 – Policy & Delegation Changes

Executive Committee
March 27, 2020
SAFETY VALVE

• In the event a Board meeting were to be cancelled
• Resolution presented at April Board meeting to allow the CEO to:
  • Set rates
  • Execute long-term PPA’s
  • Execute time-sensitive contracts >$100,000
• 90-day life
OTHER BUSINESS

• While Board meetings are being conducted remotely

• Staff recommends limiting presentation topics
  • Allow agreements/contracts to be eligible for consent
May 2020 Rate Update

SVCE Executive Committee Meeting
March 27, 2020
Summary and Recommendations

- New PG&E rates are expected in late April, effective May 1:
  - gen rate change increase of approximately +0.4% (formerly -6.0%)
  - PCIA increase averaging 21%, to 3.2 cents/kWh

- Another major PCIA increase anticipated in October to 4.9 cents/kWh, requiring SVCE to lower rates significantly and likely draw from reserves

- Major market uncertainties in 2H2020 and FY2021
  - plan for additional reserve set-aside of $8M for targeted customer relief and community resiliency programs

- Recommend reducing SVCE discount from 4% to 1% effective May 2020, resulting in a 5% decrease in SVCE gen rates

- ‘Guard rails’ if PG&E rate changes much different than expected
Uncertainty and Risk

ECONOMY
General economic slowdown due to COVID-19

PCIA
PCIA uncapped later in 2020, 2021 reserve call

PAYMENTS
Customer defaults, payment issues due to COVID-19

LOAD LOSS
Revenue shortfall and excess supply due to COVID-19 shutdowns

SUPPLY
Project delays and financing issues due to COVID-19

DIRECT ACCESS
Potential for DA market expansion
Changes to PG&E Gen Rates

- 6.6% weighted average reduction per 11/8/19 PG&E Filing
- 5.0% average reduction per MRW March 2020 Rate Outlook
- 0.4% weighted average increase per March 13th PG&E advice letter
- PEA and other CCA sources indicating March 13th rates should be close to final

SVCE Rate Impact % from PG&E Gen Change = PG&E Gen Rate Change * 1.4

= 0.4 * 1.4

= 0.6%
Changes to PG&E PCIA Rates

• 21.2% weighted average increase, capped at 3.2 cents/kWh effective May 1
• Trigger mechanism set to increase PCIA to 4.9 cents/kWh on October 1
• Total PCIA increase from 2019 of 81%
• Current FY2020 SVCE budget assumes no PCIA or gen rate changes

SVCE Rate Impact % = PG&E PCIA Rate Change * - 0.4

from PG&E PCIA Change

= 21.2% * -0.4

= -8.5%
Rate Impact of PG&E Gen & PCIA Changes?

Net SVCE Rate Impact from PG&E Gen & PCIA Changes

≈ (1.4 * PG&E Gen Rate % Change) - (PCIA % Change * 0.4)

Anticipated SVCE Net Rate Impact:

- 8.0 % ≈ (1.4 * 0.4%) – (21.4% * 0.4)
Budget Impact of Load and Rate Changes

Alternative Discount Scenarios

FY 19-20 PROJECTED SURPLUS

Adopted Budget 0% 1% 2% 3% 4%

$ IN THOUSANDS

DISCOUNT TO PG&E

Assumes COVID-19 Load Reduction of 15% for Balance of Fiscal Year
Staff recommends adding $15MM-$20MM in reserves FY20.
Outlook

- Revenues will be reduced but still positive margin
  - PCIA & load reduction
- Staff is not recommending operating expense cuts
  - Will need funding to strengthen the “bench”
  - Uncertain how the load reduction will impact power supply costs
    - Impact from selling power to CAISO
- FY2021 will be fiscally challenging
  - Expected residual impact from shut-down
  - PCIA trigger
The recommended May 1st SVCE Discount can be made contingent upon actual PG&E gen and PCIA rates published for May 1.

<table>
<thead>
<tr>
<th>Net Rate Impact PG&amp;E Gen &amp; PCIA (Range)</th>
<th>May 1 SVCE Discount</th>
<th>Average May 1 SVCE Rate Reduction</th>
<th>Projected Contribution FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>-8% or more</td>
<td>1%</td>
<td>-5% or more</td>
<td>&gt;$28M</td>
</tr>
<tr>
<td>-7 to -8%</td>
<td>1%</td>
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<td>$28M</td>
</tr>
<tr>
<td>-6 to -7%</td>
<td>2%</td>
<td>-5%</td>
<td>$28M</td>
</tr>
<tr>
<td>-5 to -6%</td>
<td>3%</td>
<td>-5%</td>
<td>$28M</td>
</tr>
<tr>
<td>less than -5%</td>
<td>4%</td>
<td>less than -5%</td>
<td>&gt;$28M</td>
</tr>
</tbody>
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Recommendation

• Direct CEO and Staff to implement a rate change reflecting a revised FY2020 reserve contribution target of approximately $20MM, with additional $8M planned for relief programs

• Move to a 1% discount to current PG&E generation rates effective May 1st subject to the following

• Direct CEO to develop customer relief and community resiliency programs for the May Board meeting (or sooner if needed)
  • Balance of 2020 and residual impact of the shut-down in 2021.
SVCE Integrated Resource Plan Update

Executive Committee Meeting
March 27, 2020
IRP Modeling Efforts to Date

- Evaluated Six Portfolios of Clean Resources
- Measured against Three Metrics – Decarbonization, Reliability and Affordability
- Identified Preferred Portfolio
  - Incremental Distributed Energy Resources
  - Solar + Storage
  - Wind
  - Geothermal
  - Large Hydroelectricity
- Ability to meet Compliance Obligations
CPUC’s March 26, 2020 IRP Ruling

- New Submission Deadline: September 1
- Submission Templates Available on May 11
- Must Submit two portfolios to meet 2030 GHG reduction targets (46 and 38MMT)
- Cannot include PG&E Allocations
- Must show plan for replacement power from Diablo Canyon

More modeling necessary to ensure compliance
2020 IRP & Clean Energy Procurement Upcoming Board Action

Apr 2020
1. Approve 2020 PG&E Carbon-Free Allocation
2. 2020 Clean Procurement and IRP Update

May 2020
3. Approve 1-2 New Solar plus Storage PPA
4. Direction on PG&E Long-term Carbon-Free & RPS Allocation

June 2020
5. Approve 1-2 New Solar plus Storage PPAs
6. Draft 2020 IRP Review

Aug 2020
7. Approve Western Area Power Administration Large Hydro
8. Approve 2020 IRP for CPUC Submittal
Questions?
Purpose

Provide update to the Executive Committee re: SVCE Board succession and education based on feedback from February Executive Committee meeting.
Board Succession Planning

Based on Exercise #1: BOD Questions, 2/24/20

1. What do you feel are the most important topics to discuss with incoming members within their first month of being on the Board, and what didn’t you know or understand about energy prior to your assignment on SVCE’s Board?

2. Out of the various forms of education offered throughout your tenure as a Director, what do you feel would be the most beneficial tools to learning about the business and organization? (ex: special meetings, one-on-one meetings with the CEO, staff meetings, written correspondence, distributed materials, committee membership, etc.)

3. What topic(s) were the most difficult to understand, or what gave you your first ‘oh no!’ moment, and should be addressed in greater length and detail?

4. What advice would you give to incoming board members on their SVCE board assignment, and how does it differ from your member agency council/board?

5. Any other feedback you can suggest about how to successfully onboard new directors and prepare them for success?
Board Orientation/Continuous Education

- Desk reference discussed 2/24/20
- Fewer concepts
- Not overwhelming
“Technical Fundamentals to Be an Effective SVCE Policy Maker” Sample Modules

What is...
a CCA;
SVCE’s mission statement;
SVCE’s Strategic Plan;
a load-serving entity;
a Power Purchase Agreement;
a REC;
Resource Adequacy (RA);
The California Independent System Operator (CAISO)

How...
does the business of energy generation, transmission, and deliver work;
does accounting for clean energy work;
and why was SVCE established;

Where...
do SVCE funds come from and where do they go
Thank you