

Issue Spotting & Priorities

1. Moving to Operations Mode

2. RPS Purchases & Grid Integration

- RPS% Policy; Mandated Procurement; 24x7 Carbon Free & Grid Integration

3. Staffing, Succession Planning, & Internal Operations

- New positions; Post-COVID hybrid work; Succession Planning
- Business Process Optimization; Enterprise Cyber-risk

4. Financial Levers & Trade-Offs

- Prepay; Carbon Free & RPS% Outlook



Clean Energy Procurement Update

Action - Authorize CEO to Execute:

- 1. 15-Year Power Purchase Agreement with Victory Pass I, LLC for Renewable Solar PV Supply (PCC1) and Storage and Any Necessary Ancillary Documents; and**
- 2. 15-Year Power Purchase Agreement with TGP Energy Management, LLC for Renewable Wind (PCC1) and Any Necessary Ancillary Documents**

Monica Padilla, Director of Power Resources

Ian Williams, Power Resources Manager

May 12, 2021

Agenda

1. Clean Energy Goals/Mandates & Renewable Portfolio Standard
2. Overview of Clean Energy Procurement Efforts
3. 2020 SVCE-3CE Joint RFP Update
4. Summary of RPS Position and Next Steps
5. Recommendation: Victory Pass I, LLC – Solar plus Storage PPA
6. Recommendation: TGP Energy Management, LLC – Cameron Crest Wind PPA

1. Clean Energy Goals/Mandates

SB 350

- 50% RPS by 2030 & long-term procurement mandate

SB 100

- 60% RPS by 2030 and 100% Clean by 2045

SVCE Goal

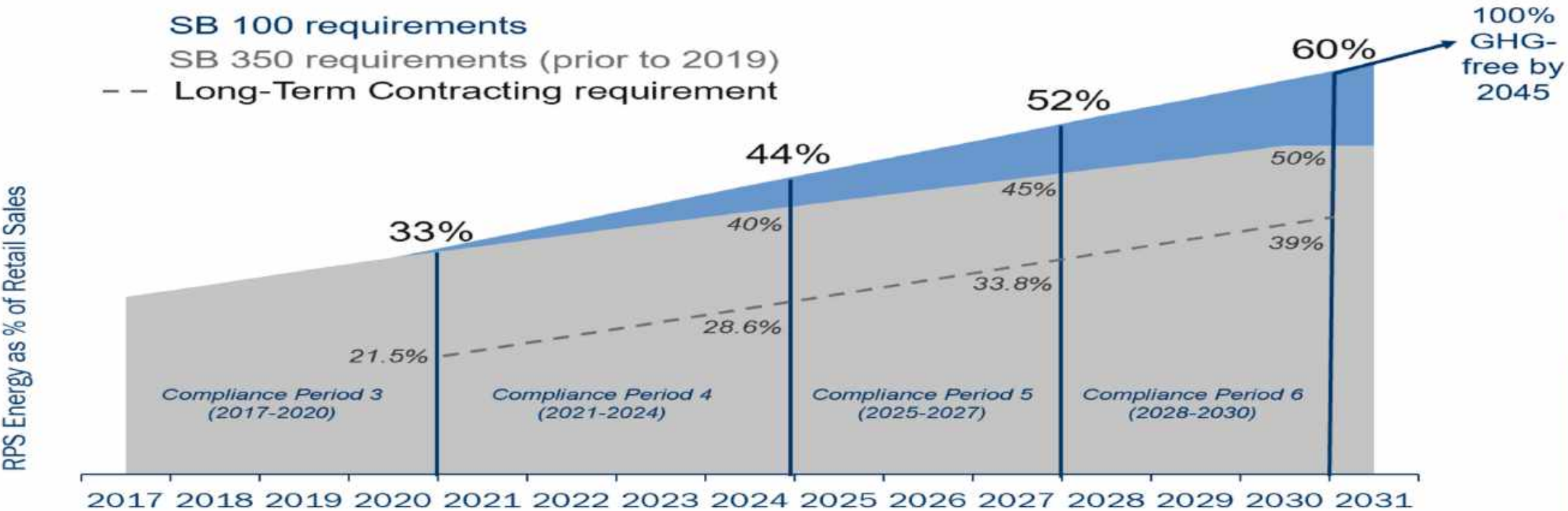
- 100% clean energy measured annually

CPUC IRP Mandates

- New geothermal and long-duration storage

Renewable Portfolio Standard

State RPS Procurement % Requirements



*Beginning in 2021, 65% of RPS requirements must be procured from contracts ≥ 10 years

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
State Mandate	31%	33%	36%	39%	41%	44%	47%	50%	52%	55%	57%	60%
SVCE Policy w/GreenPrime	52%	52%	52%	52%	52%	52%	52%	52%	54%	57%	59%	62%

2. RPS Procurement

- Meet GHG reduction, affordability and reliability goals
- Portfolio Category Content 1 (PCC1) -bundled energy + RECs
- New and existing resources
- Mix of short and long-term resources
- Fixed and Index + REC purchases
- Diversify supplier, location, tenor and technology
- Request for Proposals/Offers (RFP) every 1-2 years or as needed
 - 2017, 2019 & 2020
 - Jointly with Central Coast Community Energy (“3CE”)

3. Spring 2020 Request for Proposals Item 3 PRESENTATION

- Goals & Requirements
 - RPS Eligible Resources – PCC1
 - Meet Long-term RPS procurement mandate – 10 years minimum
 - Meet IRP Goals – Clean, Affordability and Reliability
 - Diversify technology, location and suppliers



January 2021: Atlas Solar PPA – Approved
March 2021: Angela Solar + Storage PPA – Approved (from 2019 RFP)
April 2021: San Luis West Solar + Storage PPA & AES Mountain View Wind – Approved
May 2021: Seek approval of Victory Pass Solar + Storage and Cameron Crest Wind

2020 RFP Implementation Update

	Project	Project/ Technology	Board Approval/PPA Status	% of load in 2024
1	Atlas	Altas Solar	January 2021	3.80%
2	Angela (from 2019 RFO)	New Solar + Storage	March 2021	1.40%
3	Mountain View	Existing Wind	April 2021	3.30%
4	San Luis West	New Solar + Storage	April 2021 - execution pending	4.10%
5	Victory Pass	New Solar + Storage	Pending May 2021	7.00%
6	Cameron Crest	Existing Wind	Pending May 2021	4.60%
			Total	24.20%

About Victory Pass Solar + Storage

Parent Company/ Developer	Clearway Energy Group
1 Product	Solar + storage Bucket 1 (PCC1) Renewable Energy w/Resource Adequacy
2 Project Name	Victory Pass
3 Expected Delivery Term	15 years September 2023 through September 2038
4 Location	Riverside County
5 Average Annual Contract Capacity (SVCE's share)	100 MW Solar + 25 MW of battery storage
6 Percentage of Retail Load Served	7.7% annually
7 Contract Price Structure	Fixed price solar (\$/MWh) and Fixed price battery (\$/kW-month) No escalator. Total amount not-to-exceed \$149,000,000



About Cameron Crest Wind

Parent Company/ Developer	Terra-gen
1 Product	Wind Bucket 1 (PCC1) Renewable Energy w/Resource Adequacy
2 Project Name	Cameron Crest – 3 existing facilities (Ridgetop 1, Ridgetop 2 and Morwind)
3 Expected Delivery Term	15 years January 2023 through December 2037
4 Location	Kern County
5 Average Annual Contract Capacity (SVCE's share)	77.7 MW Wind
6 Percentage of Retail Load Served	4.8% annually
7 Contract Price Structure	Fixed price (\$/MWh). No escalator. Total amount not-to-exceed \$150,000,000



4. RPS Summary Long-term RPS Contracts

	Project/ Technology	Project/Technology	Approximate % of load in 2024	Term (years)	Lifetime Nominal contract cost (M\$)	Average Annual Cost (M\$)	Annual Cost as % of Power Supply Cost	Board Approval	
1	Slate	New Solar + Storage	6.7%	17	\$198	\$12	5%	Oct-18	} 2017 RFP
2	Big Beau	New Solar + Storage	5.8%	20	\$196	\$10	4%	Oct-18	
3	Ormat Casa Diablo	New Geothermal	1.4%	10	\$43	\$4	2%	Feb-20	
4	Coso	Existing Geothermal	9.6%	15	\$331	\$22	9%	Mar-20	} 2019 RFP
5	Rabbitbrush	New Solar + Storage	3.0%	15	\$64	\$4	2%	Apr-20	
6	Yellow Pine	New Solar + Storage	4.1%	20	\$128	\$6	3%	May-20	
7	Aratina	New Solar + Storage	6.6%	20	\$174	\$9	4%	Jun-20	} 2020 RFP
8	Atlas	New Solar	3.8%	10	\$27	\$3	1%	Jan-21	
9	Angela	New Solar + Storage	1.4%	15	\$35	\$2	1%	Mar-21	
10	AES Mountain View	Existing Wind	3%	20	\$128	\$6	3%	Apr-21	} 2019 RFP
11	San Luis West	New Solar + Storage	4%	15	\$74	\$5	2%	Apr-21	} 2020 RFP
Sub Total			50%		\$1,398	\$84	35%		
12	Clearway Victory Pass	New Solar + Storage	8%	15	\$149	\$10	4%	pending	
Total with Victory Pass			57%		\$1,547	\$94	39%		} 2020 RFP
13	TGP Cameron Crest	Existing Wind	5%	15	\$150	\$10	4%	pending	
Total with Cameron Crest			62%		\$1,697	\$104	43%		

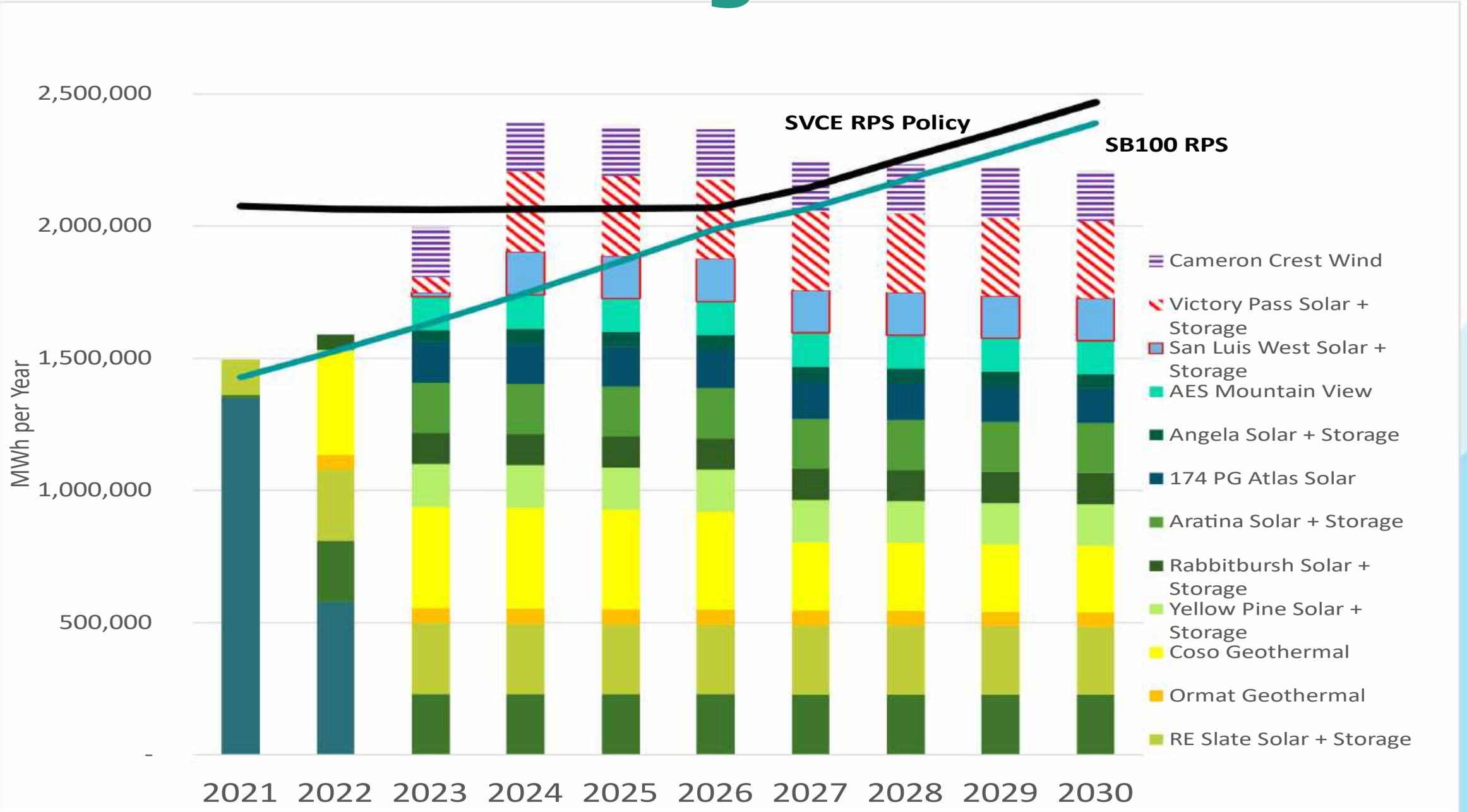
Compliance with Long-term Procurement Mandate Item 3 PRESENTATION

Compliance Period →	CP#4	CP#5	CP#6
	2021-2024	2025-2027	2028-2030
1. State Mandated RPS per Compliance Period - % of Retail Sales	40%	50%	57%
2. State Mandated % of Mandated RPS (Row #1) to be Contracted Under RPS Long-term Contracts	65%	65%	65%
3. State Mandated Retail Sales % with Long-term Contracts (Row 2 * Row 1)	26%	33%	37%
4. SVCE Compliance with (Row #3): CURRENT (includes San Luis West)	30.3%	48%	45%
5. SVCE Compliance with (Row #3): PROPOSED w/Victory Pass	32.6%	55.8%	53%
6. SVCE Compliance with (Row #3): PROPOSED w/Cameron Crest & Victory Pass	35%	60.6%	57.7%

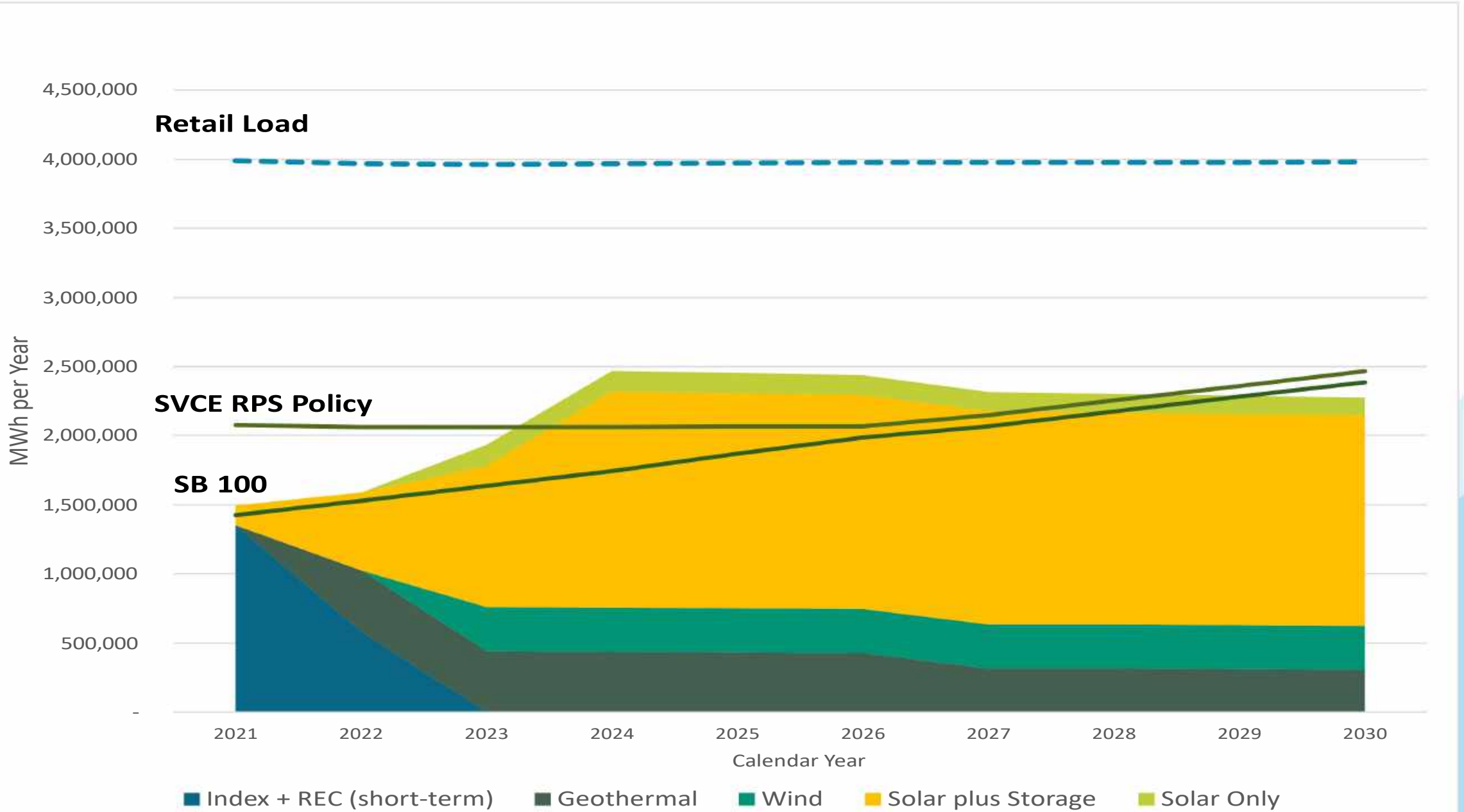


SVCE target is 5% above State Mandated

Annual RPS Progress



Load & RPS Resources



Next Steps

1. Implement Power Purchase Agreements
 1. Scheduling Coordination Agreement with 3CE and Zglobal
 2. Joint Operations Agreement with 3CE
 3. Monitor progress, milestones and delays
 4. Operate new resources end of 2021
2. 2020 IRP Procurement Mandates – Diablo Canyon Replacement Ruling
 1. Geothermal
 2. Long Duration Storage
3. 2030 Clean Energy Goals
4. Pathway to 2045 Carbon-free

4. Board Request – Clearway Victory Pass Solar + Storage

Authorize the Chief Executive Officer (CEO) to Execute Power Purchase Agreement (PPA) with **Victory Pass I, LLC** in substantial form and any necessary ancillary agreements and documents with the following key terms:

- **100 MW of Solar and 25 MW of battery storage** qualifying as Portfolio Category Content One (**PCC1**) renewable resource;
- **15-Year term** power delivery – expected September 30, 2023 through September 29, 2038 ; and
- Total amount not-to-exceed **\$149,000,000**.

5. Board Request – Terra-gen Cameron Crest

Authorize the Chief Executive Officer (CEO) to Execute Power Purchase Agreement (PPA) with **TGP Energy Management, LLC** in substantial form and any necessary ancillary agreements and documents with the following key terms:

- **77.7 MW of Wind** qualifying as Portfolio Category Content One (**PCC1**) renewable resource;
- **15-Year term** power delivery – expected January 1, 2023 through December 31, 2037 ; and
- Total amount not-to-exceed **\$150,000,000**.

Questions?





Proposed Update to SVCE NEM Policy

**SVCE Board Meeting
May 12, 2021**

Staff is seeking to confirm BOD direction on update to SVCE's Solar Net Energy Metering (NEM) Policy.

Situation

- SVCE is paying a high premium to NEM customers who over-generate on an annual basis

Complications

- SVCE financial pressure due to PCIA increases
- Equity & incentive-related concerns

Goals

- Reduce SVCE expenditures on NEM cashout
- Modify NEM cashout policy, but still compare favorably to PG&E
- Introduce clear equity component

SVCE currently provides a generous NEM annual surplus payout relative to PG&E.

SVCE

- Each April, customers with a NEM generation credit balance >\$100 are paid the **full retail value** of their credit (~7 cents/kWh or higher), up to \$5k
- Customers with a \$0-\$100 **retail** credit balance have their balance rolled forward into the following year.

PG&E

- Each year on the customer's annual true-up date, **retail** generation credit balances are **zeroed out and forfeited**
- Customers generating more kWh in a year than they have consumed are paid a '**net surplus compensation**' (NSC) rate of ~2.7 cents/kWh
- NSC value varies, depending on the average wholesale cost of power

In April 2020, SVCE made NEM cashout payments to ~13% of NEM customers – that had annual retail credit balances >\$100.

NEM Cashout Customers and Amounts, 2020

Class	Number of Customers	Total Cash-out	<u>Class Average</u>
Commercial	97	\$134,444	\$1,386
Residential	2,639	\$656,870	\$249
Total	2,736	\$791,314	



Concerns about the equity of NEM policy in California have been growing – a 'NEM 3.0' proceeding is now underway at the CPUC.

NEM Policy Concerns

- Cost shift from NEM customers to non-NEM customers
- Benefits of on-site solar more accessible to wealthier customers, single-family homeowners
- Changes to NEM must encourage more equitable access to solar and storage
- Changes to NEM must be reasonable and cannot hurt the growth of BTM solar industry – “gradualism” being encouraged

In 2020, most residential customers receiving NEM cashouts were in higher-income SEVI census tract quartiles.

Residential Annual NEM Cashouts by SEVI Quartile, 2020

	SEVI 1	SEVI 2	SEVI 3	SEVI 4
Residential Customers	798	888	519	302
\$ Paid	\$213,439	\$213,848	\$128,463	\$68,473
% of Customers	34%	34%	21%	11%

- SVCE has 23,000 residential NEM customers
- 1,000 are CARE/FERA



Note: totals do not include ~5% of customers not identified with a SEVI quartile

If SVCE were to switch to an annual cashout method that utilized NSC for excess kWh, the savings would be substantial.

Moving from Retail to NSC-based Annual Cashout

	Annual Cost (based on 2020 volumes)	Annual Savings vs 2020
SVCE’s current retail cashout policy	\$791,000	N/A
Net surplus compensation at 1X PG&E NSC for accounts with surplus balance >\$100	\$64,000	\$727,000
Net surplus compensation at 2X PG&E NSC for accounts with surplus balance >\$100	\$209,000	\$582,000

Recently, neighboring CCAs have moved to switch their retail NEM cashout policies to utilize an NSC/kWh payment.

Updated CCA NEM Cashout Policies

CCA	NSC Rate	NSC cents/kWh*	Other 'Adders'
3CE	2.5X	6.7	
MCE	2X	5.4	
SJCE	1.25X	3.4	
SCP	2X	5.4	Adds 1 cent/kWh to value of retail generation used in NEM
EBCE	1X	2.7	CARE/FERA cashed out at full retail, plus 1 cent/kWh

* Current NSC rate: 2.7 cents/kWh

In lieu of today's retail NEM balance cashout payment, staff recommends moving to an NSC/kWh-based payment.

Recommendation

- Effective for the April 2022 cashout payment calculation:
 - 2X NSC value (e.g. 5.4 cents)
 - 2.5X NSC for CARE/FERA customers (e.g. 6.75 cents)
 - calcs based on excess kWh produced by customers with positive annual retail balance
- Process and timing for 'cutover', required billing system changes, and customer communications require additional analysis
- Target June BOD meeting for approval of changes to NEM tariff

Questions



Discussion of COVID-related Customer Debt, and SVCE's Delinquent Payment Policy

**SVCE BOD Meeting
May 12, 2021**

Staff is seeking to confirm direction on resumption of SVCE's delinquent payment policy, beginning in summer 2021.

Background

- In March 2020, PG&E suspended service disconnections, and SVCE suspended customer 'send backs'
- SVCE customer arrearage has more than doubled to nearly \$6M, and customers in arrears from 13,000 to 21,000
- PG&E to resume service disconnections for non-payment in August 2021
- Immediate resumption of SVCE policy would result in 6,000+ send backs
- EC and F&A committees favor gradual policy resumption and investment in customer outreach and education, versus additional direct financial support

In March 2020, PG&E announced a service disconnection moratorium, and SVCE suspended its delinquent payment policy.

PG&E Disconnection Policy

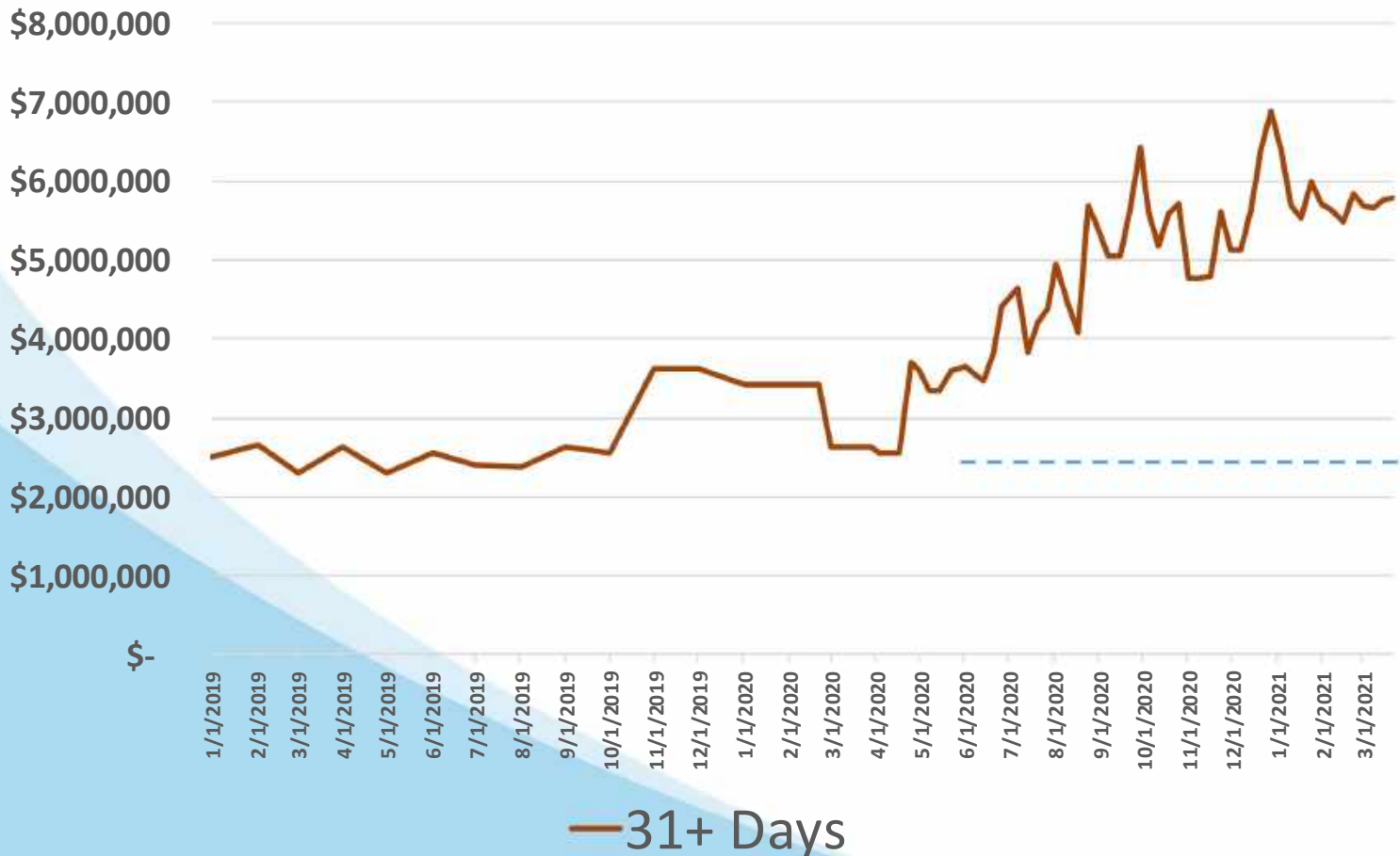
- Customers past due at 21+ days
- Collections threshold per customer's risk level, as low as \$75 > 26 days, or \$50 > 81 days
- Customers receive a 15-Day on-bill Notice, then a 48-Hour Notice and two phone calls
- Efforts made to collect partial payments, set up payment plans
- Residential "payment waterfall" means payments applied first to PG&E debt, then to SVCE/CCA debt

SVCE Delinquency Policy

- Customers with overdue balance of \$100+ and 90+ days are sent a Late Payment Notice (LPN) re return to PG&E service UNLESS they:
 - make a sufficient payment
 - set up structured Payment Plan with PG&E
- Customers that receive an LPN in three consecutive months are returned to PG&E
- Historically, returns were 150-200/month

Since March 2020, the number of past-due customers has increased by 1.6X, and overall arrearage amounts by 2.3X.

SVCE 31+ Day Arrearage Totals



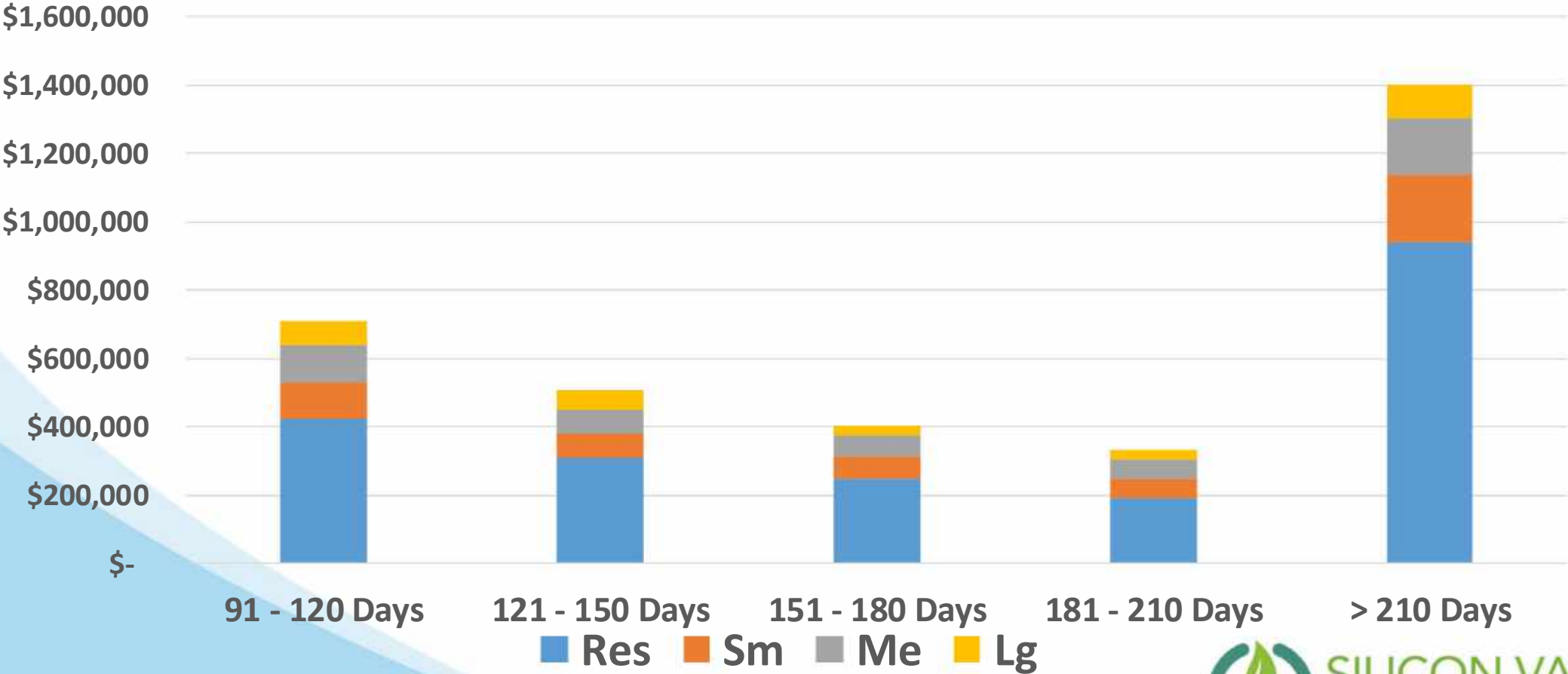
- 21,000 customers in arrears
- \$5.8M outstanding
- associated write-offs tbd

- 13,000 customers in arrears
- average \$2.5M outstanding
- write-offs ~\$500k/year



64% of problem arrearage is residential; 180+ day balances across all segments total ~\$1.7M.

90+ Day Arrearage by Customer Segment



Immediate resumption of SVCE's delinquency policy would imply 6,000+ customer send-backs, with 1,800+ being CARE/FERA.

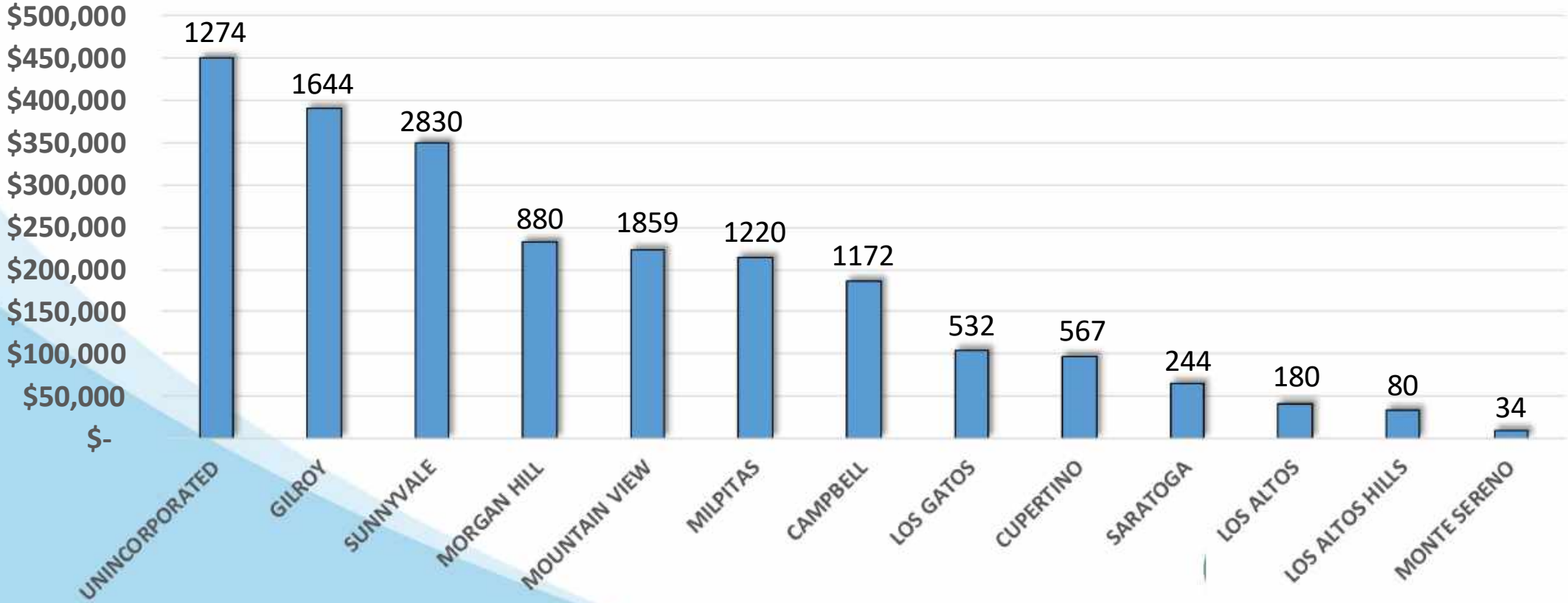
90+ Day Total Arrearage

	<u>CARE/FERA Customers</u>	<u>Non CARE/FERA Customers</u>	<u>Unassigned Customers</u>	<u>Total Customers</u>	<u>Total \$ Balance Outstanding</u>
90-120 days	3,097	6,487	1,465	11,049	\$ 714,050
121-150 days	2,266	4,148	1,349	7,763	\$ 507,629
151-180 days	1,833	3,579	1,194	6,606	\$ 405,810
181-210 days	1,394	2,847	841	5,082	\$ 333,757
>210 days	N/A	N/A	N/A	N/A	\$ 1,407,444

While all are affected to some degree, communities with larger low-income populations are seeing higher arrearage numbers.

Residential 90+ Day Arrearage & Customers by Community

> 90 Day Arrearage



Payment plans, discounts and debt forgiveness programs are available; additional actions are being considered by the CPUC.

Customer Relief Programs and CPUC Deliberations

- Income-qualified CARE/FERA for 20+% bill discounts
- Debt forgiveness via Arrearage Mgt Program (AMP) for qualifying CARE/FERA
 - 2,264 qualifying SVCE customers, and 280 enrolled
- 12-month 'Payment Plans'
- One-time payment support programs, e.g. LIHEAP, REACH
- CPUC 'special relief' proceeding considering:
 - one-time forgiveness of \$200 for res/small business with balances >\$1,000
 - expanded 24-month payment plans with three monthly deferrals before "broken"
 - proposed decision expected May 21st, final on June 24th

In addressing customer arrearage goals, SVCE faces a number of trade-offs and constraints.

SVCE Goals

- Enable customers to reduce arrearage and avoid service disconnection
- Leverage available external funding
- Minimize bad debt write-offs
- Minimize 'send backs' to PG&E
- Minimize exposure to new arrearage

Tradeoffs/Constraints

- SVCE balance only a portion (e.g. ~20%) of overall PG&E bill
 - does not include T&D, PCIA, gas
- Residential payment 'waterfall' - expected to resume post-COVID
- SVCE has limited visibility to customer's PG&E debt, financial need
- SVCE funding limited; PG&E write-offs and forgiveness programs can be recovered via charges to all ratepayers

The Exec and F&A committees considered three basic options for resumption of the Delinquent Payment Policy in Summer 2021.

SVCE Delinquency Policy 'Re-Start' Options

**1) Immediate
Resumption**

**2) Gradual
Resumption**

**3) Gradual
Resumption +
Cash Support**

The Committees generally favored Option 2, gradual resumption of the delinquency policy.

2) Gradual Resumption

- any customers >\$100 and 90+ days will receive notices re impending send-back within 3 months if conditions aren't met
- available debt relief and payment plans to be actively communicated to eligible customers



Re-start via BOD resolution in June 2021

- Devotes SVCE effort to customer education/outreach re available debt relief programs and payment plans, payment 'messaging'
- Rolling start provides all impacted SVCE customers with 2-3 months notice before send back
- Include latest info re LIHEAP, REACH, and federally-sponsored Emergency Rental Assistance Program and Homeowner Assistance Fund; possibly Coronavirus State and Local Fiscal Recovery Funds . . .
- Directing \$\$ to customers for direct debt relief viewed as difficult to apply/allocate, and only addressing portion of the customer's debt issue

Questions



Work Location Policies and Transition Issues Related to post- COVID

**Board of Directors
May 12, 2021**

SVCE pivoted to adapt to changing conditions under COVID

SVCE Offices closed on March 16, 2020 and staff anticipated working remotely for a month or two...

SVCE quickly began offering emergency leave (for COVID and other crises) and extended that benefit in September 2020.

In July 2020, SVCE extended remote work until January 2021, and later extended the duration to Sept 30, 2021.

SVCE's Staff and Board of Directors have risen to the challenges...

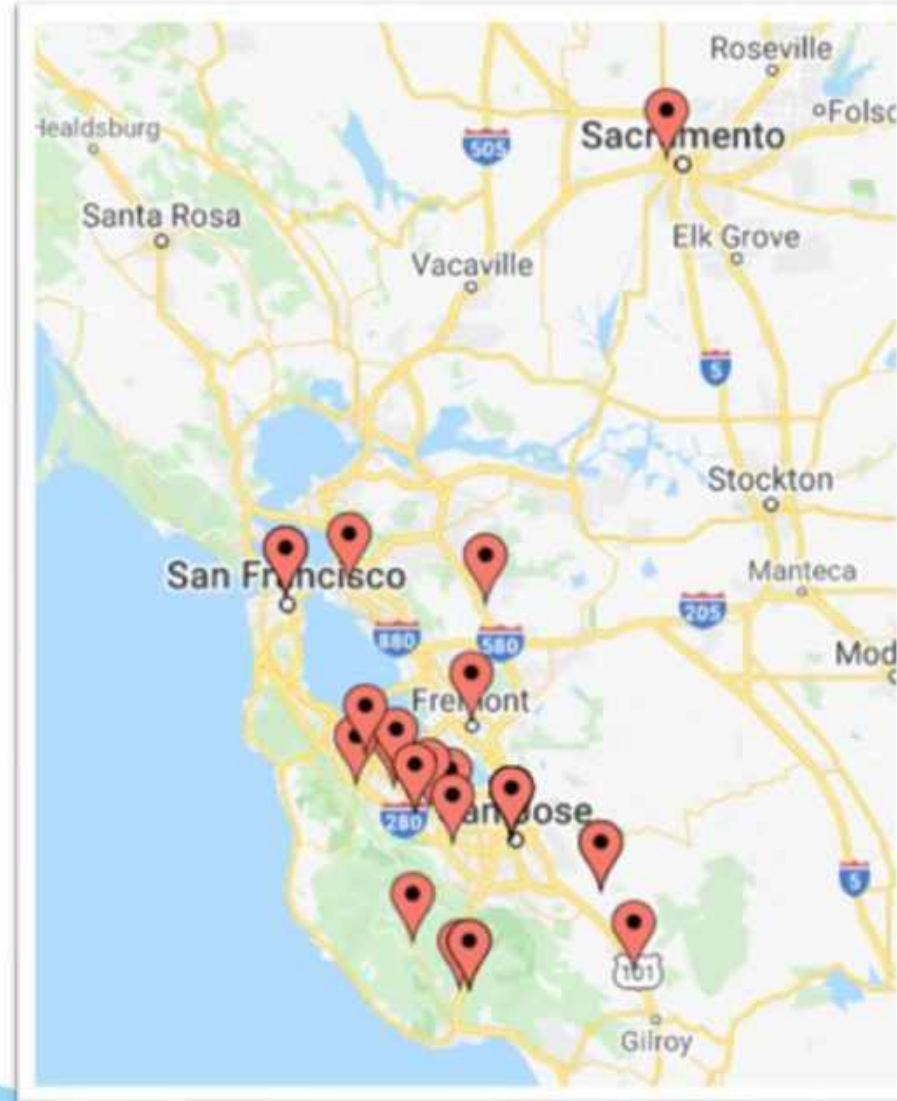


SVCE continued to evolve, as it pivoted during COVID

During COVID, we've all faced many challenges, and SVCE has evolved...

- 7 staff have departed
- 6 new staff have joined
- 6 new positions were created
- 7 positions are currently vacant

And spread out to new locations...



Employees Surveyed mid-COVID (Aug 2020) saw two sides of the remote work “coin”

- **Saved them a lot of time (22/25)***
- **Given them time to focus more on health (20/25)***
- **Changed Daily routines for the better (17/25)***
- **Disconnected them from coworkers (17/25)***
- **Blended work and personal life together more (25/25)***

*Results represent both “strongly agree” and “somewhat agree” responses.

Recent Employee Feedback reveals ongoing questions about a future SVCE structure

- Will in-person requirements be uniform, or vary by role?
- How will meetings work with staff both in-person and remote?
- Can in-person days be focused on collaboration?
- Phasing and iteration sound good
- Appreciate this being a discussion

What's the future of Board Meetings? What's the future for staff work location policies?

100% face-to-face
(Pre-COVID)

100% remote
(During COVID)

State Laws (and Emergency Orders) will define how Board and Committee Mtgs operate

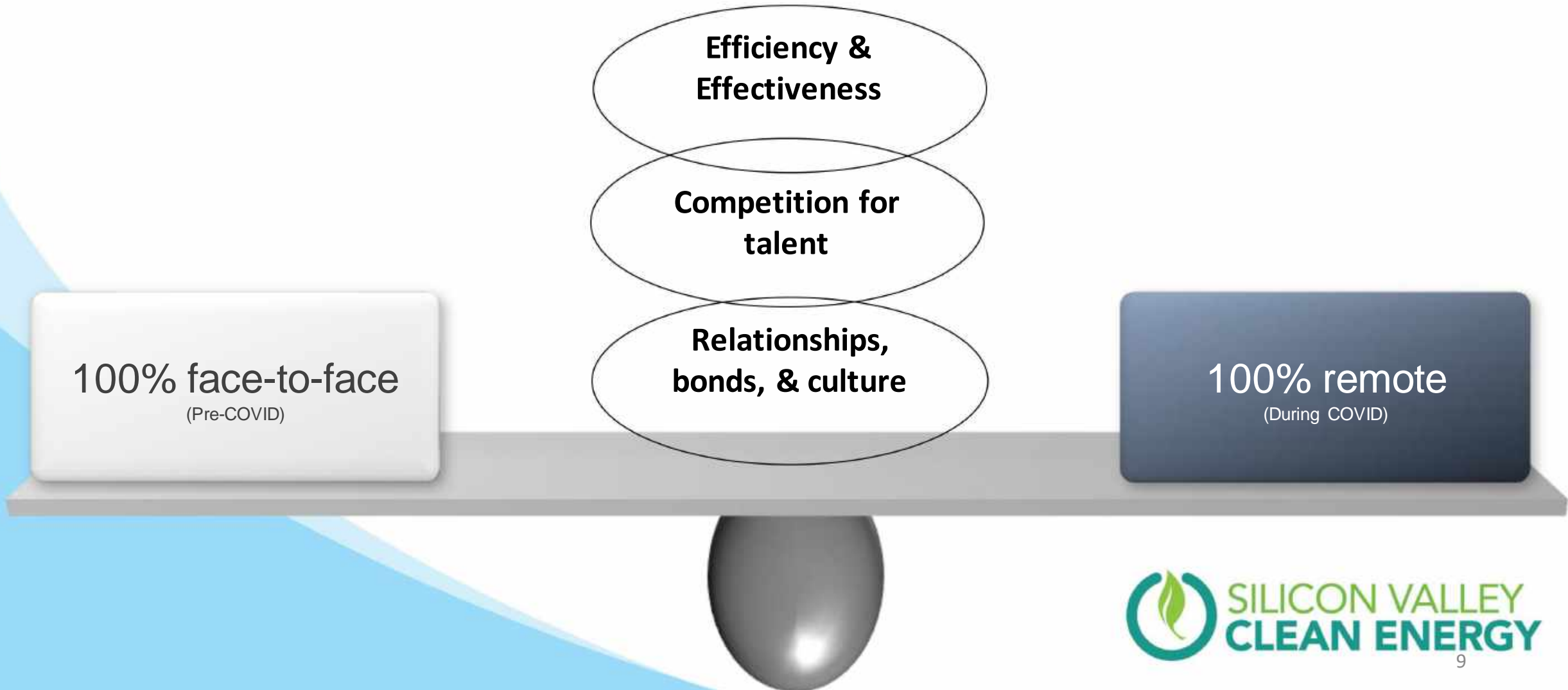
Governor's Emergency Executive Order (N-25-20)

- Enacted on March 12, 2020
- Allows for suspension of in-person public meeting requirements for the duration of the state of emergency (still ongoing)

Brown Act Changes / Status

- Continuation / Suspension going forward?

Future of Staff Work Location & Policies



SVCE will transition back to the office, with in-person work being voluntary at first

SVCE will continue to allow staff to work remotely through September 30th, with any in-person work being:

Voluntary

- No requirement to meet in person
- Maintain tele/videoconference options

Limited Capacity

- Stay outdoors, start social
- Start with small group meetings

After October 1st, transition to a “hybrid structure” over several iterations

During the 6-9 month transition to a long-term “hybrid structure,” SVCE will focus on in-person activities that offer the highest collaborative value:

- BOD and Committee Meetings (depends on CA leg.)
- Department and All-Staff Meetings
- Strategic and Workplan Meetings
- Team-building and Training Opportunities
- Project Kick-off Meetings
- External / Community Events

Next Steps for Board & CEO

1. Board Meetings - Board to discuss and decide

- Board meetings all in-person or hybrid?
- Committee meetings all in-person or hybrid?

2. CEO to develop post-October work location policies and procedures for staff

- Board to provide high-level guidance
- CEO to recommend changes to SVCE policies to Executive Committee and Board

Discussion

