Summer Readiness Communications

CEO Report
June 9, 2021
SVCE is leading a variety of communication efforts to address summer readiness

**Flex Alerts, Emergencies and PSPS**

- Content
  - Summer readiness fact sheet
  - Digital media toolkit
  - Draft social media posts
  - Program, eHub and resilience promotion

- Event-specific communications
  - MAWG and Board event notices
  - Social media posting
  - Customer emails

Conserve energy during Flex Alerts by doing the following between 3 p.m. and 9 p.m.

- Set air conditioning thermostats to 78 degrees, if health permits.
- Schedule EV charging after 9 p.m. if possible.
- Defer use of major appliances.
- Turn off unnecessary lights.
- Unplug unused electrical devices.
- Close blinds and drapes.
- Use fans when possible.
CAISO calls different kinds of power events during the summer

Alerts, Warnings & Emergencies

- CAISO monitors weather and issues various notifications depending on forecast
- Improvements from last summer
- CAISO and Flex Alert Twitter accounts are most up-to-date
  - twitter.com/California_ISO
  - twitter.com/flexalert

**Flex Alert** – Voluntary call for conservation.

**Stage 1** – Strong need for conservation.

**Stage 2** – Requires ISO intervention in the market, such as ordering power plants online.

**Stage 3** – Power outages likely or in progress.
Flex Alerts

4 p.m. – 9 p.m. Voluntary Call for Conservation

• Actions
  • Message to MAWG & BOD
  • Social media posts – share from Flex Alert account, SVCE messages in multiple languages and Nextdoor (limited)
  • Activate SVCE website pop-up
  • Email large energy users and EV drivers with conservation request and energy saving tips
• Same outreach during a Stage 1 emergency
Stage 2 Emergency

CAISO to intervene and order power plants online

• Actions
  • Message to MAWG & BOD
  • Social media
  • Nextdoor alert
  • Activate SVCE website pop-up
  • Email to all residential and small-medium business customers about need to conserve
Stage 3 Emergency

Rolling blackouts imminent or in progress

- Actions
  - Message to MAWG & BOD
  - Social media
  - Share info from CAISO, PG&E, County OEM w/ cooling center and power outage resources
  - Activate SVCE website pop-up
Public Safety Power Shutoff

PG&E planned outages to prevent wildfires during extreme weather events

• Actions
  • Communicate info from PG&E to MAWG and Board
  • Social media
  • Share PG&E posts; community resource centers
  • Activate website pop-up

• Promote resilience programs during PSPS season
Communications Actions Summary

**Flex Alerts & Stage 1**
- Social media, Nextdoor post & digital toolkits
- Activate SVCE website pop-up
- MAWG and BOD email
- Customer email – large users & EV drivers

**Stage 2**
- Social media, Nextdoor alert & digital toolkits
- Activate SVCE website pop-up
- MAWG and BOD email
- Customer email – all residential and small/med businesses

**Stage 3**
- Social media – share resources about power outages, cooling centers
- Activate SVCE website pop-up
- MAWG and BOD email

**PSPS**
- Social media – share info and updates from PG&E, customer resource center info
- Activate SVCE website pop-up
- MAWG and BOD email
- Promote SVCE resilience programs
Emergency Load Reduction Program (ELRP)

New commercial customer program administered by the state

- Incentive rate: $1/kWh - load reduction capacity not eligible for RA
- Availability: May-Oct, 7 days a week, 4 – 9 pm
- Event duration: 1 – 5 hours (60 hour annual dispatch limit)
- ELRP trigger: CAISO day-ahead alert, PG&E reserves the right to expand to a Day-Of trigger based on CPUC guidance.
- Eligible participants (bundled and unbundled customers)
  - Non-residential, non-DR customers
  - Base Interruptible Program aggregators
  - Rule 21 Exporting DERs
  - Virtual Power Plants
Proposed Update to SVCE’s Annual NEM Surplus Cashout Policy

SVCE Board of Directors
June 9, 2021
Staff is seeking BOD direction on a tactical update to SVCE’s solar NEM annual cashout policy for surplus generation.

- **Situation**
  - SVCE pays customers the full retail rate for rooftop solar generation, credited toward utilization over the course of the year.
  - For **13%** of SVCE NEM customers who generate **more** than they use annually, a significant premium is being paid via the “April cashout”
  - **Not related** to broader CPUC discussion of future ‘NEM 3.0’ policy

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

- **Goals**
  - Reduce NEM April cashout expenditures for surplus generation
  - Modify NEM cashout policy, but still compare favorably to PG&E
  - Introduce equity component
SVCE currently provides a generous NEM annual surplus payout ("cashout") 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, any **retail** generation credit balance is **zeroed out and forfeited**.

- For these customers, if they’ve generated more kWh during the year than they have consumed, they are paid a ‘**net surplus compensation rate**’ (NSC) for excess kWh.

- The NSC value varies, depending on the average daytime wholesale cost of power (currently 2.7 cents/kWh).
In April 2020, SVCE made NEM cashout payments to ~13% of NEM customers – those with annual retail credit balances >$100.

<table>
<thead>
<tr>
<th>Class</th>
<th>Number of Customers</th>
<th>Total Cash-out</th>
<th>Class Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>97</td>
<td>$134,444</td>
<td>$1,386</td>
</tr>
<tr>
<td>Residential</td>
<td>2,639</td>
<td>$656,870</td>
<td>$249</td>
</tr>
<tr>
<td>Total</td>
<td>2,736</td>
<td>$791,314</td>
<td></td>
</tr>
</tbody>
</table>
Separately, a general update to California NEM policy is now under discussion in the CPUC’s NEM 3.0 proceeding.

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 NEM customers receiving April cashout payments were in higher-income SEVI census tract quartiles.

Residential Annual NEM Cashouts by SEVI Quartile, 2020

<table>
<thead>
<tr>
<th>Residential Customers</th>
<th>SEVI 1</th>
<th>SEVI 2</th>
<th>SEVI 3</th>
<th>SEVI 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Customers</td>
<td>798</td>
<td>888</td>
<td>519</td>
<td>302</td>
</tr>
<tr>
<td>$ Paid % of Customers</td>
<td>$213,439</td>
<td>$213,848</td>
<td>$128,463</td>
<td>$68,473</td>
</tr>
<tr>
<td>34%</td>
<td>34%</td>
<td>21%</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

- 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 switched to an annual cashout method utilizing NSC for excess kWh, the savings would be substantial.

### Moving from Retail to NSC-based Annual Cashout

<table>
<thead>
<tr>
<th>Annual Cost (based on 2020 volumes)</th>
<th>Annual Savings vs 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVCE’s current retail cashout policy</td>
<td>$791,000</td>
</tr>
<tr>
<td>Net surplus compensation at <strong>1X</strong> PG&amp;E NSC for accounts with surplus balance &gt;$100</td>
<td>$64,000</td>
</tr>
<tr>
<td>Net surplus compensation at <strong>2X</strong> PG&amp;E NSC for accounts with surplus balance &gt;$100</td>
<td>$209,000</td>
</tr>
</tbody>
</table>
Recently, neighboring CCAs have moved to switch their retail NEM cashout policies to utilize an NSC/kWh payment.

### Updated CCA NEM Cashout Policies

<table>
<thead>
<tr>
<th>CCA</th>
<th>NSC Rate</th>
<th>NSC cents/kWh*</th>
<th>Other ‘Adders’</th>
</tr>
</thead>
<tbody>
<tr>
<td>3CE</td>
<td>2.5X</td>
<td>6.7</td>
<td>Currently proposing change to ~4.7 cents for TOU rates</td>
</tr>
<tr>
<td>MCE</td>
<td>2X</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td>SJCE</td>
<td>1.25X</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>SCP</td>
<td>2X</td>
<td>5.4</td>
<td>Adds 1 cent/kWh to value of retail generation used in NEM</td>
</tr>
<tr>
<td>EBCE</td>
<td>1X</td>
<td>2.7</td>
<td>CARE/FERA cashed out at full retail, plus 1 cent/kWh</td>
</tr>
</tbody>
</table>

* 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

- Establish a new annual cashout policy, effective immediately after the April 2022 cashout:
  - 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

- April 2022 ‘cutover’ allows for billing system changes, continuation of TOU transition bill protection for affected NEM customers, clear and timely customer communications

- Target August BOD meeting for approval of changes to NEM tariff cashout policy, effective April 2022, so related savings can be included in the FY22 budget
Questions
CEO Evaluation, SVCE Work Plan, Budget and Strategic Plan are linked

- **May**: Board starts CEO evaluation
- **May-Aug**: Strategic Plan Input & Updates
- **Sep**: Approve Budget, Strategic Plan & Focus Areas
- **Sep-Oct**: Complete CEO evaluation, set CEO Priorities
- **Oct-May**: Implementation
Aggressive State Goals are Now Supported by Changes at the Federal Level

**Statewide GHG Emissions**
(including electricity, natural gas, transportation, agriculture and industrial sectors)

- **2020 Target**
- **2020**: Back to 1990 levels
  - **ACHIEVED**
- **2030 Target**
  - **2030**: 40% below 1990 levels
- **2045 Target**
  - **2045**: Carbon Neutrality

Electricity makes up only **18%** of allowable statewide emissions in **2030**.

Graph based on data from the California Climate Change Scoping Plan: [https://www3.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf](https://www3.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf)
SVCE has set aggressive carbon reduction goals.

SVCE Emissions Reduction Goals

- **HISTORICAL**
- **FORECAST**

**2021 Goal:** 30% below 2015 levels

**2025 Goal:** 40% below 2015 levels

**2030 Goal:** 50% below 2015 levels

SVCE launched service in 2017; baseline data starts in 2015.
Over the last 4 years SVCE has reduced emissions tremendously.

2020 emissions were 35% below 2015 due to COVID, exceeding 2021 target of 30%.

**SVCE GHG Reduction Targets**
- **2021**: 30% below 2015
- **2025**: 40% below 2015
- **2030**: 50% below 2015

**2020 emissions**: 2.6 million MT CO2e
Recent External Shifts & Opportunities

2020-21 has brought tremendous changes at the national and local level; this leads to some new risks and new opportunities

USA
- Vaccines
- Stimulus
- Equity
- Clean energy

California
- COVID recovery
- Budget surplus
- Drought
- Wildfires
- Blackouts

CPUC, CEC, CAISO
- Reliability
- 11,500 MW
- PCIA
- PG&E Gen Rate
- Direct Access
- Demand flexibility
- Customer debt

CCAs
- CalCCA leverage
- CC Power
- WCE bankruptcy
No Changes to Mission

No changes to Mission and goals for 2025 and 2030

**MISSION:** Reduce dependence on fossil fuels by providing carbon free, affordable, and reliable electricity and innovative programs for the SVCE community

**MEASURE:** SVCE, working with SVCE member agencies, aspires to achieve energy and transportation GHG reductions of 30% from the 2015 baseline by 2021, 40% by 2025, and 50% by 2030
• Cyber-risk to be elevated along with physical risk as a specific Focus Area for FY 22
• Enhance work plan focus on Transportation opportunities including funding and regional collaboration
• Resilience to be added to Goal & not to Mission
# Update 5 Focus Areas to Adapt to Industry Changes

## Needed for:
- Board Direction
- CEO Goals
- Budget Priorities

## Staff Work Plan encompasses more than these areas

<table>
<thead>
<tr>
<th>Area</th>
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<tbody>
<tr>
<td>Additional Staffing to Maintain Capacity</td>
</tr>
<tr>
<td>Operations Mode with PPA’s coming online</td>
</tr>
<tr>
<td>Procurement, Clean Energy Mix &amp; Integration</td>
</tr>
<tr>
<td>Financial Stability &amp; Trade-Offs</td>
</tr>
<tr>
<td>Internal Operations &amp; Cyber Risk Management</td>
</tr>
</tbody>
</table>
Discussion & Next Steps

Board
Input & Decision
June 9, Aug 11, Sep 8

Staff
Detailed work plan aligned with Board priorities
• Background Slides
Distilling Strategic Plan to Focus Areas for Upcoming Fiscal Year
Last Year Focus Areas

- Additional Resources & Efficiencies
- Enterprise-wide systems, metrics & tools
- Focus on Equity
- Digital Pivot - Customer & Community engagement
- Community outreach and leverage
2021 Focus Areas – Highlights (1/3)

Additional Resources & Efficiencies

- Conducted successful recruitments for CFO, Director of Policy, Programs Analyst, Manager of Energy Services and Senior Government Affairs Manager positions
- Two summer interns for the Power Resources team starting in early June
- Recruitments in progress for Principal Policy Analyst, Senior Financial Analyst, and a part-time Decarb & Grid Innovation Programs intern
- Coming soon: Recruitments for a Data Scientist, Power Contracts and Settlements Manager, and two members of the Energy Services team

Enterprise-wide systems, metrics & tools

- Started a comprehensive assessment of SVCE’s business process as we mature from a startup phase -- Business Process Optimization (BPO). This BPO project will leverage technology to create optimal business processes for SVCE
- Hired contractor in May to develop detailed business requirements
2021 Focus Areas – Highlights (2/3)

Focus on Equity

• First Supplier Diversity Report submitted to the CPUC in February
• In Q1 2021, SVCE staff began to develop its equity framework to guide how to further integrate equity considerations into SVCE’s programs portfolio activities
• Developing a comprehensive Diversity Equity and Inclusion (DEI) plan for increasing equity program offerings, increasing spending on diverse suppliers and facilitating a diverse workforce

Digital Pivot - Customer & Community engagement

• Delivered 1,178,795 emails to customers with an average open rate of 31% through 11 email campaigns
• SVCE eHub and associated resources have received more than 38,000 unique engagements
• From Jan – Apr. 2021, SVCE website visits have increased by 112% during the same period in 2020
Existing Decarbonization Vectors

No changes

- Clean Electricity
- Clean Transportation
- Clean Buildings
- Energy Efficiency & Grid Innovation
Community outreach and leverage

• With the hiring of a Senior Government Affairs Manager, effectively able to engage our local elected officials, member agencies, and community organizations.
• The programs team regularly engages a group of local community advocates to share informational updates and solicit input on a variety of timely programs topics.
5 Focus Areas responsive to internal & external risks & opportunities

**Additional Staffing to Maintain Capacity**
- New positions to manage operational risk and support maturation
- Organization review

**Operations Mode with PPA’s coming online**
- $1.6 billion in 13 PPA investments over last 3 years
- First PPA online December 2021
- Operations, optimization, settlement

**Procurement, Clean Energy Mix & Integration**
- Long-term RPS% Policy & Procurement
- Mandated procurement, emerging technologies, demand flexibility
- CAISO involvement, Grid Integration

**Financial Stability & Trade-Offs**
- FY21 – SVCE in the red
- Power Prepay
- Energy Risk Management
- Trade-off’s (RPS % policy, Clean Energy, Discount, etc.)

**Internal Operations**
- Business Process Optimization
- Cyber & Physical Risk
- Post-COVID hybrid work for staff and Board
EC engaged & supportive

Resilience did not click at the level of Mission, but added to Goal

Cyber-risk to be elevated along with physical risk

Add specific tasks to Transportation

• Not sure about Resilience added to mission
  • How is it defined?
    • “Renewables”, as we utilize it, has a confusing definition. Will Resilience add to confusion or clarify?

• More context of RPS and CFE in the Financial Stability focus area

• Enterprise cyber-risk be its own focus area
  • Also, cyber-risk management should be expanded to our suppliers and grid
  • Also add Physical Risk

• Transportation vector – opportunities for SVCE to assist:
  • Regional organizations like BAAQMD
  • Funding opportunities and how cities can access this funding with SVCE help
  • VTA looking at “right placing” charging infrastructure; looking at hydrogen alternatives; should public transit a new area of focus for SVCE

• Overall agreement with post-COVID-19 hybrid work transition; financial stability; diversifying resources and contracts; Employee mental health around COVID