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FY 2016-17 Mid-Year Budget Review

Don Eckert, Director of Administration & Finance

ASSUMPTIONS

- Re-forecast of Feb-Sept
- Includes the merging of Phase 3 into July
- Budget based on accrual accounting
- Energy sales revenue and power supply cost based on latest pro-forma

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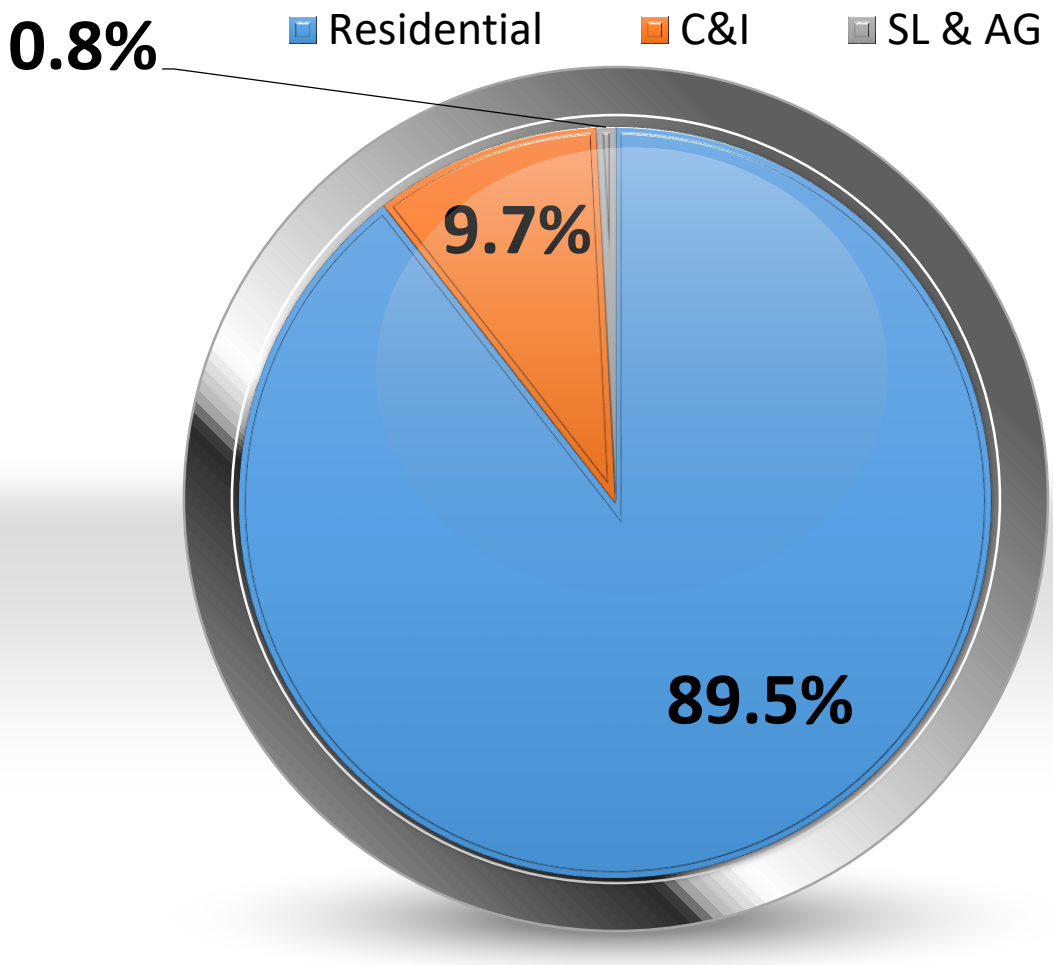
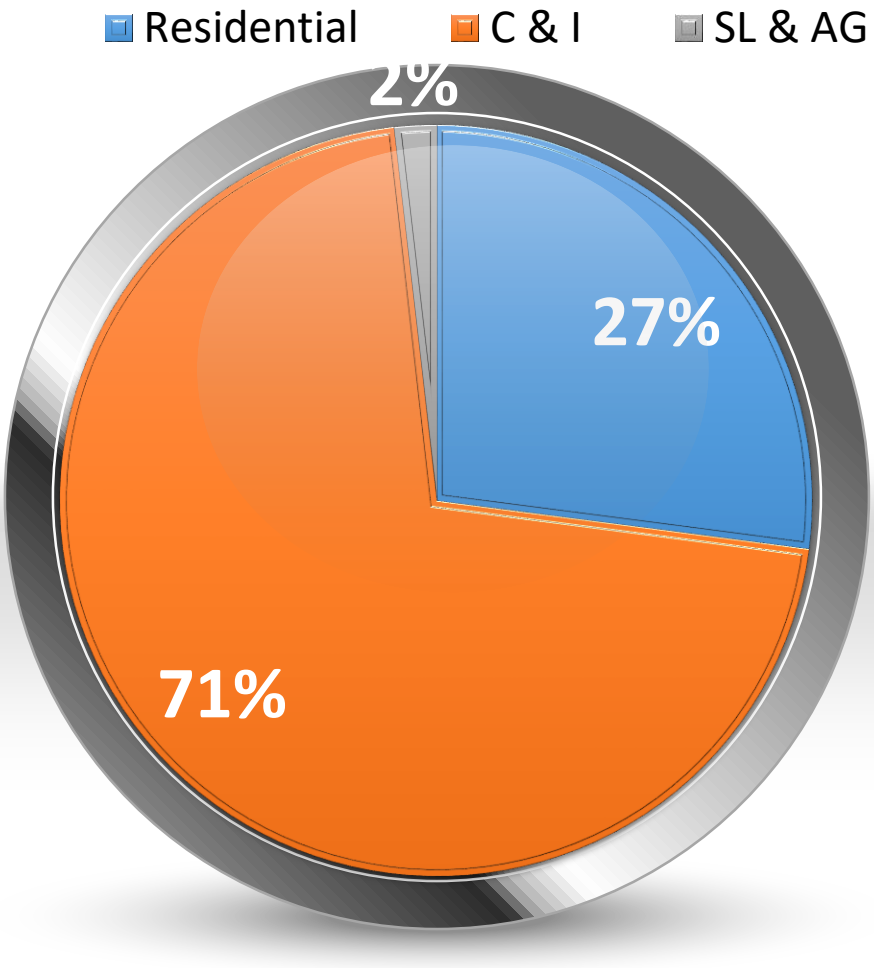
CUSTOMER ACCOUNTS



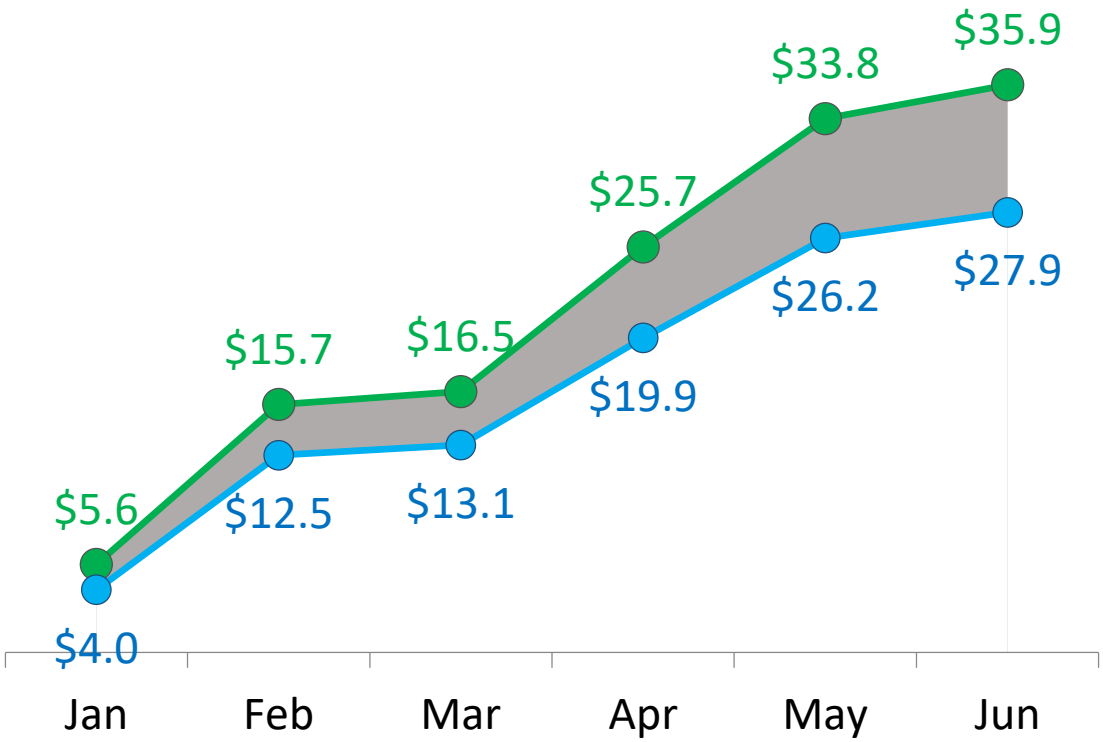
- With Phase 2 & 3 combined, projected total accounts at year end 231,800
- 20% Residential in Phase 1
- Assumed 8% opt out for residential and 4% for commercial

ENERGY



Projected 1.2 million MWH's of energy sold

REVENUES BY MONTH



- SVCE Projected Revenues $103.6 million. Includes Green Prime premium
- Area above blue line is what customer pays for PCIA and FF.
  - NOT received by SVCE.

Blue line – SVCE | Green line- With Surcharge

EXPENSE HIGHLIGHTS

- POWER SUPPLY $68.1 Million
  - Data Mgmt - $1.15/meter/month
  - Billing Svcs - $0.44/meter/month
- Personnel $1.9 Million
  - Funding 17 of 19 positions
  - Student internship program

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EXPENSE HIGHLIGHTS

- PROFESSIONAL SERVICES $1.7 MILLION
  - Support for power supply planning and acquisition, legal, regulatory, accounting, IT and HR services
- ENERGY PROGRAM $400,000

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PHASE 2 & 3 MERGER

REVENUES	**$9.5**
LESS VARIABLE COSTS	
POWER SUPPLY	7.4
DATA MANAGEMENT	0.3
BILLING	0.1
TOTAL VARIABLE COSTS	**$7.8**
CONTRIBUTION MARGIN	**$1.7**

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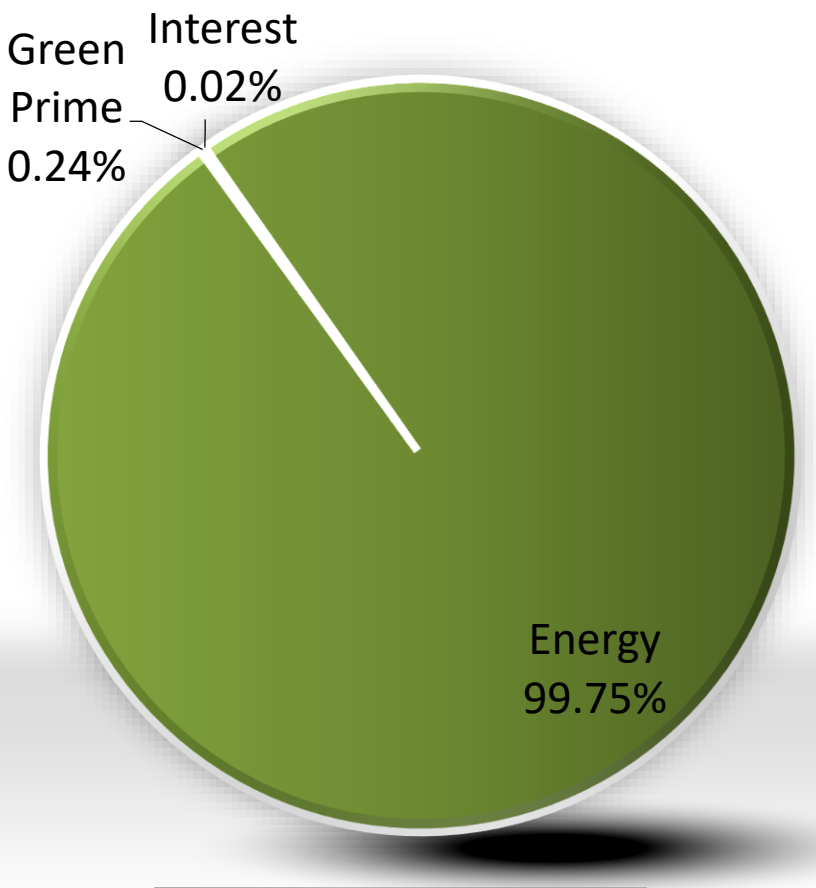
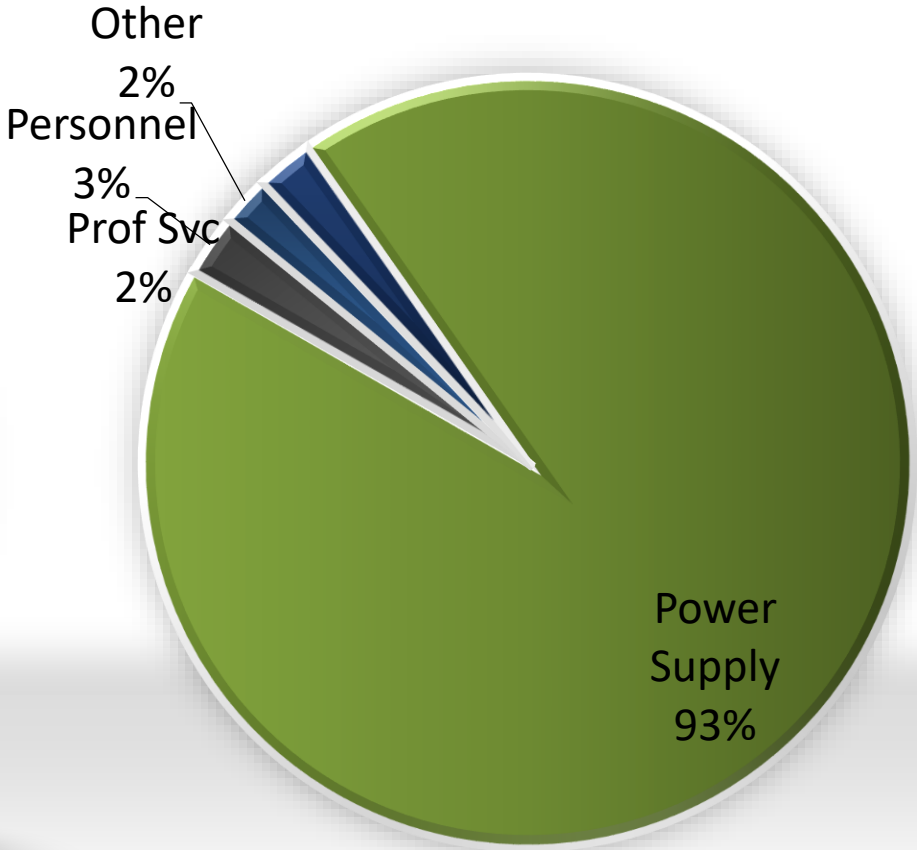
CASH FLOWS

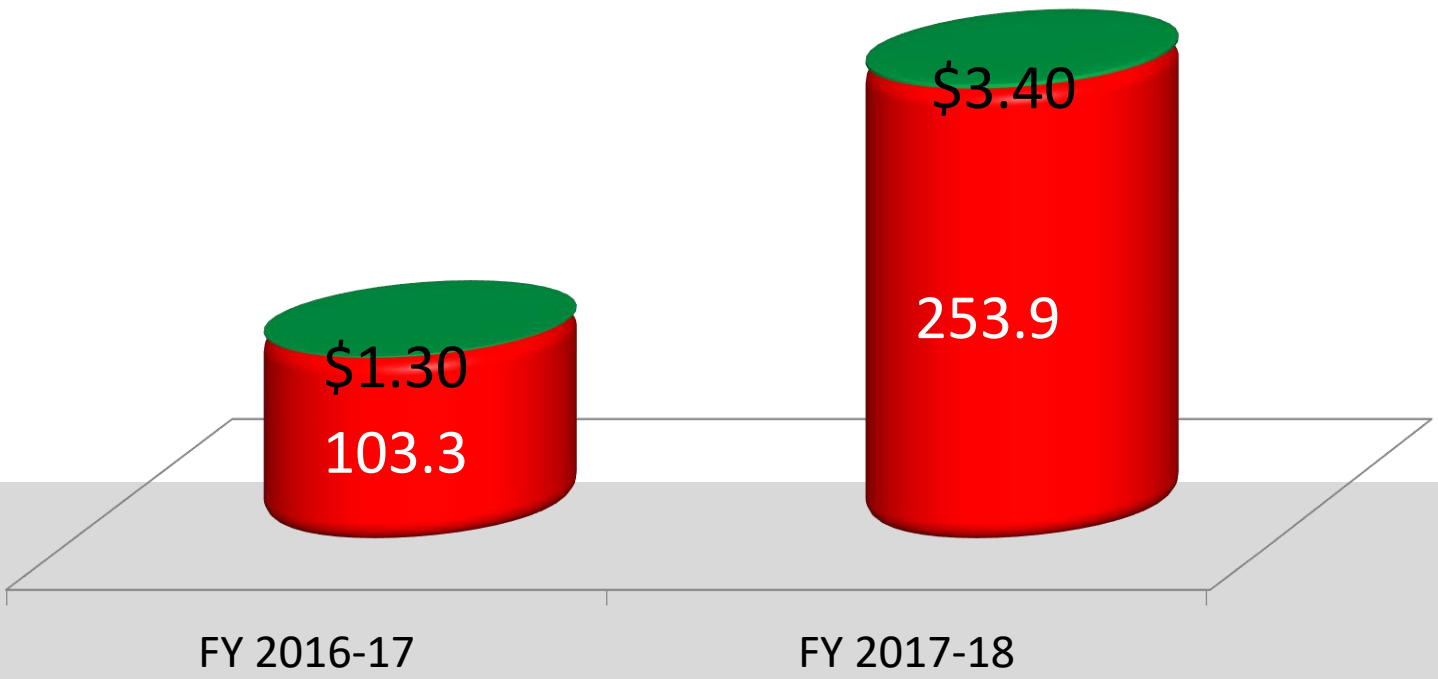


Inflow = $103.6M



Outflow = $73.5M

SVCE ECONOMIC VALUE



Without SVCE, customers would spend $104.6 million for electric generation service in FY 2016-17. SVCE has created $1.3 million in value. Next year the value would increase to $3.4 million.

NEXT STEPS

- Staff recommends approval of mid-year adjustment
- Variances against this budget will be part of Treasurer's monthly report
- Strategic planning has begun for FY 2017-18 budget process.

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THANK YOU

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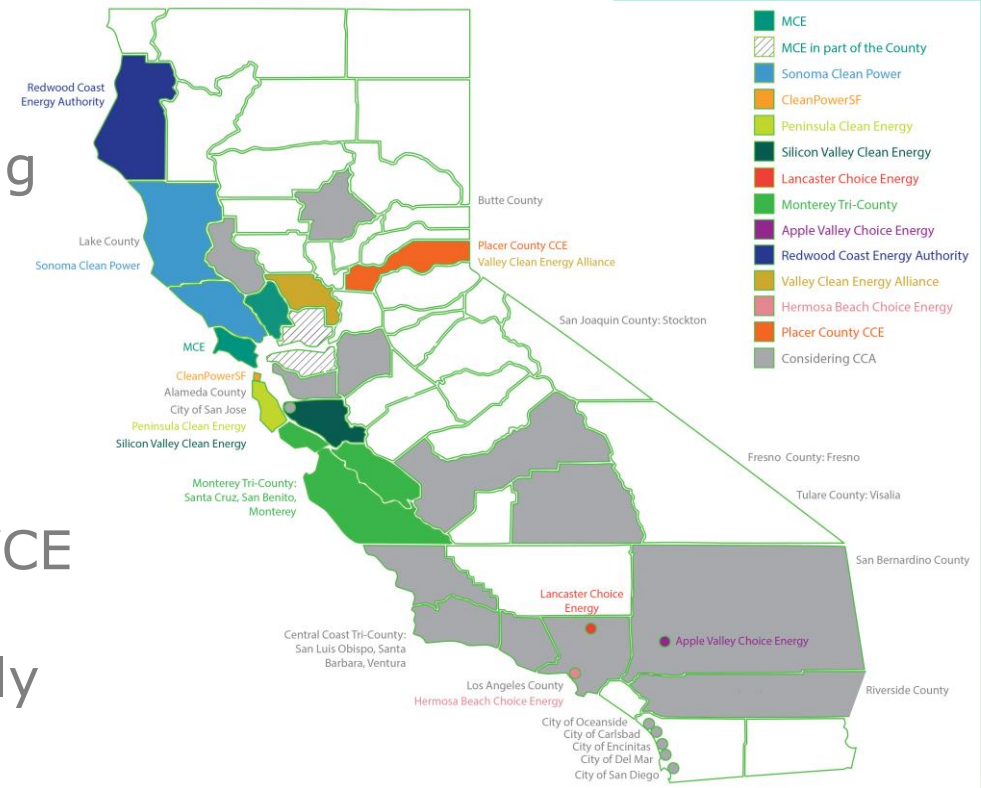
Regulatory/Legislative Update

March 8, 2017

Hilary Staver
Regulatory/Legislative Analyst
Silicon Valley Clean Energy

The CCA Landscape in Broad Strokes

- There are currently five CCAs in operation in California, the oldest being MCE and the youngest being PCE
- Three new CCAs will be coming online in the next two months, including SVCE
- Operating CCAs are mostly clustered in northern CA, but this will change



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Regulatory debates are driven by existential questions

- Up to 80% of California's load could eventually be served by CCAs
- What does this mean for:
  - The role of regulators?
  - The investor-owned utility (IOU) business model?
- How can we ensure fair treatment of all ratepayers regardless of supplier choice?

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Major Regulatory/Legislative Topics

Power Charge Indifference Adjustment (PCIA)

- The 2017 PCIA is $0.024/kWh, about 25% of SVCE's total per/kWh generation charge
- Magnitude and year-to-year volatility of the PCIA have significant implications for CCA rate stability and affordability
- Under A.14-05-024, the CCAs are participating in a working group with the IOUs to develop adjustments
  - Minor modifications are expected
- Most recently, the IOUs have proposed a portfolio allocation mechanism to replace the PCIA entirely
  - Significant areas of concern for CCAs

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Integrated Resource Planning

- SB 350 directed the CPUC to establish protocols by which all LSEs must participate in integrated resource planning in order to facilitate achievement of climate goals
- The CPUC is facilitating the development of these protocols under R.16-02-007
  - CCAs are requesting customized regulatory treatment in light of the role of CCAs' governing boards
- Most recently, CCA representatives participated in a joint workshop on February 23rd hosted by the CEC and the CPUC to discuss allocation of emissions targets between the LSEs under each agency's jurisdiction

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Diablo Retirement

- In June 2016, PG&E filed an application to retire the Diablo Canyon Nuclear Power Plant upon expiration of its current NRC license in 2024-2025 (A.16-08-006)
  - The Diablo plant represents about 20% of annual electricity generation in PG&E's service territory
- PG&E proposed replacing Diablo's capacity with three tranches of carbon-free resources: energy efficiency, renewables, and storage
- The costs of this procurement would be passed on to CCAs via a non-bypassable charge
- On February 27th, PG&E withdrew testimony proposing procurement for tranches 2 and 3

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BioRAM/Tree Mortality Non-Bypassable Charge

- In September 2016, SB 859 directed the IOUs to procure 125 MW of additional biomass capacity and authorized the costs of this procurement to be shared with CCAs via the creation of a new non-bypassable charge (NBC)
- In November the IOUs filed an application for the design of the new NBC (A.16-11-005), including a request to extend this design to cost recovery from an additional 50 MW of biomass capacity procured pursuant to a 2015 executive order by Governor Brown
- CalCCA and other parties have protested this application; pre-hearing conference is expected to be scheduled to set the scope and schedule of the continuing discussion

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Issues Especially Pertinent to New CCAs

- The CPUC is revisiting the methodology for determining the bond that must be posted by new CCAs (R.03-10-003)
  - A pre-hearing conference was held on February 16th, and a workshop will be held on April 5th
- SDG&E has applied to create an independent marketing division that could market against CCAs as specified by SB 790 (Advice Letter 3035-E)
  - On January 27th SDG&E submitted a revised compliance plan proposal; CalCCA has filed a protest and is challenging SDG&E's improper lobbying activity

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Legislative Topics to Watch

- Implementation of Ab 1110 at the California Energy Commission
  - Modifies the Power Content Label requirements
- SB 618 (Bradford)
  - Would extend CPUC oversight of and authority over CCA IRP planning
  - Currently in committee; no votes yet

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Any questions?

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