



Call to order / Roll call

Public Comment

Action to set the agenda and approve consent items

Agenda

- 7:30 8:00 Breakfast
- 8:00 8:15 Call to order / Roll call Public Comment Action to Set Agenda and Approve Consent Agenda Items
- 8:15 8:30 Market Outlook and Regulatory/Legislative State of Affairs (Discussion)
- 8:30 9:15 Review of PCE's Strategic Goals (Discussion)
 - Status of goals
 - Proposed updates or modifications
- 9:15 10:15 Local Energy Programs Roadmap (Discussion)

Agenda

10:15 – 10:30 Break

10:30 – 12:20 Possible Strategies to Employ PCE's Reserves

- Operating / Working Capital Reserves
- Load Stabilization Program
- Customer Rebates
- Local Programs
- PCE-owned Local Generation
- 12:20 12:45 PCE Marketing Strategy (Discussion)

12:45 – 1:00 Conclusions and Wrap-Up

8:15 – 8:30 Market Outlook and Regulatory/Legislative State of Affairs (Discussion)

Market Outlook and Regulatory/



September 29, 2018

Historical Natural Gas Prices and PG&E Generation Rates



Historical NG Prices Compared to PG&E Electric Gen Rates

Projected Natural Gas Prices



- When natural gas was the marginal resource, there was a correlation between PG&E rates and natural gas prices
- Today, there is a negative correlation between PG&E gen rates and natural gas prices on a yearly basis
- There is likely a delay between natural gas price changes and PG&E gen rate changes
- As more renewables make up a higher percentage of PG&E's portfolio, natural gas prices are not a predictor of future PG&E gen rates

PCIA Update



- Resolution of the PCIA has been postponed until the Commission's October 11, 2018 Voting Meeting
- No revisions to Alternate Proposed Decision or Proposed Decision have been released

Legislative Update

Bills signed by the Governor:



- **SB 237** Expands Direct Access statewide by 4000 GWH
 - Load would likely be able to depart starting in January 2020 based on current CPUC rules which use a waitlist determined by lottery
- **SB 100** Requires 60% RPS by 2030; 100% zero-carbon by 2045
 - **SB 901** Various provisions related to IOU liability for wildfires.
 - Likely outcome will be a fixed charge on all customers' bills to pay for wildfire liability

8:30 – 9:15 Review of PCE's Strategic Goals (Discussion)

Progress on Strategic Goals

- 1. Power portfolio
 - 100% GHG free by 2021 currently 85% GHG free, inc by 5%/yr
 - 100% RPS eligible renewables by 2025 *on target*
 - 20 MW of new local power by 2025 on target
- 2. ECOplus at rates at parity or lower than PG&E
 - Does the board want to commit to rates 5% below PG&E?
- 3. Develop new renewables and clean-tech innovation
 - 300 MW of new solar under contract
 - Short-list of additional projects
- 4. Quantifiable economic benefits to County; local hiring
 - Saving \$17 million annually throughout county
 - Expanding workforce policy to add inclusionary provisions

Progress on Strategic Goals

- 5. Implement local programs to reduce GHG emissions
 - *EV dealer promotion starting October 1*
 - Community Pilots program awards scheduled for board approval in Oct
 - Partnering with County BOE
 - Small grants program for outreach
- 6. Maximize and maintain customer participation in PCE
 - Opt-out rate steady at 2.4%
 - ECO100 participation at 1.8%; Facebook and VISA are ECO100
 - Applications for Green Power Communities underway
- 7. Build financially stable organization
 - \$85 million in reserves to be discussed later this morning
- 8. Foster work environment with sustainable business practices, and culture of innovation, integrity, commitment to mission
 - Collaboration with Citizens Advisory Committee

9:15 – 10:15 Local Energy Programs Roadmap (Discussion)



What is a Roadmap?

lt <u>is</u>

- Communication tool
- Iterative
- Qualitative first, later quantitative

It is <u>not</u>

- A project plan
- Technical analysis
- Program design

Existing Targets

PCE Goals

- 100% GHG-free power for 2021
- 20 MW of new local power by 2025
- 100% renewable energy by 2025

State Goals

- GHG reduction to 1990 Levels by 2020, 40% below 1990
 Levels by 2030, 80% below 1990 levels by 2050
- 50% Renewable Energy by 2026, 60% by 2030
- 100% Clean Energy by 2045
- 5M EVs by 2030
- 1,325 MW of storage by 2020
- 100% ZEV Transit Buses by 2040 (proposed)

Roadmap Philosophy – Near Term

- GHG reductions
- Technical readiness & timing
- Community benefits
- Start on building electrification
- Encourage innovation
- Community engagement

Longer-term: analytics driven program targeting

San Mateo County Emissions



High-Level Roadmap



Transportation Detail

2019 H1 | 2019 H2 | 2021 2018 2020 **Private EV** Ride & Drives, New & Phase 2 Expanded Marketing Low-Inc purchase Shared Mobility **EV Cash For Cash for Clunkers** Clunkers Multi-unit **MUD** Technical Phase 2: MUD & Workplace Infrastructure dwelling & Assistance Incentives Public Fast-charging, curbside Charging Public Light-**Municipal fleets** School & School & Transit **Buses**

State Goal by 2025: 45,544 EVs in San Mateo County

Transportation

Renewables Detail



Community Scale

PCE Goal by 2025: 20 MWs new local renewables

Renewables

Building Electrification

Building Electrification



State GHG Goals: 1990 level by 2020, 40% below 1990 by 2030

Load Shape



PCE Goal by 2025: 100% renewable power

Innovation Program





Goals: Supports all goals

Engagement & Grants

2018 | 2019 H1 | 2019 H2 | 2020 | 2021



Goals: Supports all goals

Energy Programs Prioritization

Capital Intensive Program

- 1. EV Infrastructure
- 2. Heavy duty vehicle electrification (ex: buses)
- 3. Resilience microgrids (muni critical facilities)
- 4. Electrification of existing buildings
- 5. Vehicle to Grid
- 6. Innovation Program (+ risk tolerance)

Other Considerations

- PCIA impact on investment capacity
- DER regulation, business models, procurement resource
- Large customer retention strategies

Roadmap FY2021 budget



* Potentially addressed in Procurement budget

** Staff time plus <\$1M community pilots

Roadmap and Current Budget

	FY 2018-2019	FY 2019-2020	FY 2020-2021
Current PCE Projections*	\$4M	\$6M	\$8M
Roadmap Proposed Budgets*	\$4M	\$6-12M	\$16-32M

* Includes both Energy Programs and associated Professional Services (separate categories in PCE budget)

10:15 - 10:30 Break

10:15 – 12:20 Possible Strategies to Employ PCE's Reserves (Discussion)

- Operating / Working Capital Reserves
- Load Stabilization Program
- Customer Rebates
- Local Programs
- PCE-Owned Local Generation

Possible Strategies to Employ PCE's Reserves

- Operating / Working Capital Reserves
 - Current Policy
 - Proposed Extended Reserves Policy
- Scenarios
- Unrestricted Cash Position
- Strategy Options:
 - Load Stabilization Program
 - Customer Rebates
 - Local Programs
 - PCE-owned Local Generation
- Board Prioritization

Operating / Working Capital Reserves

- Operating / Working Capital Reserves
 - Current Policy
 - Proposed Extended Reserves Policy

\$ in millions

	5-YEAR PROJECTIONS									
Accounts	FY2	018-19	F۱	/2019-20	F	Y2020-21	F۱	/2021-22	F۱	/2022-23
		proved	Pr	ojection	P	rojection	P	rojection	Р	ojection
Cost of Energy	\$	176.1	\$	176.9	\$	169.8	\$	173.8	\$	181.0
Data Manager		3.8		3.9		4.0		4.1		4.2
Service Fees - PG&E		1.3		1.3		1.3		1.4		1.4
Bad Debt Expense		0.9		0.9		0.9		0.9		0.9
Communications & Outreach		1.0		1.0		1.1		1.1		1.1
General and Administrative		1.2		1.3		1.3		1.4		1.5
Professional Services		1.4		1.9		2.3		2.8		3.2
Energy Programs		3.2		4.8		6.4		8.0		9.6
Legal		1.1		1.2		1.3		1.3		1.4
Personnel		4.5		4.9		5.3		5.8		6.3
TOTAL OPERATING EXPENSES	\$	194.6	\$	198.0	\$	193.7	\$	200.6	\$	210.7
PROJECTED CASH RESERVES @ 120 days	\$	64.9	\$	66.0	\$	64.6	\$	66.9	\$	70.2

\$ in millions

		5-YEAR PROJECTIONS				
Catagorias	Target Days	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Categories	Cash	Approved	Projection	Projection	Projection	Projection
Operations Budgeted Expenditures		\$ 15.2	\$ 16.3	\$ 17.5	\$ 18.8	\$ 20.1
Projected Cash Reserves	180	7.6	8.2	8.8	9.4	10.0
Energy Programs Budgeted Expenditures Projected Cash Reserves	Full Amount	3.2 3.2	4.8 4.8	6.4 6.4	8.0 8.0	9.6 9.6
Energy Purchases Budgeted Expenditures Projected Cash Reserves	120	176.1 58.7	176.9 59.0	169.8 56.6	173.8 57.9	181.0 60.3
TOTAL PROJECTED CASH RESERVES - EXTENDED POLICY		69.5	71.9	71.8	75.3	80.0
TOTAL CASH RESERVES - CURRENT POLICY		64.9	66.0	64.6	66.9	70.2
INCREASE IN CASH RESERVES		4.7	5.9	7.2	8.5	9.7
NET POSITION AT END OF PERIOD - EXTENDED POLICY		\$ 70.9	\$ 130.7	\$ 200.8	\$ 263.6	\$ 318.7

Scenarios

- 1. Current Budget
- 2. AET + PD
- 3. AET + PCIA Freeze
- 4. AET + APD
- 5. ERRA and APD

Bracaadings	2019		20	20	2021		
Froceedings	RES	СОМ	RES	СОМ	RES	СОМ	
Generation Rates:							
ERRA	13% decrease	12% decrease	No change	No change	No change	No change	
AET (Annual Electric True-up)	5% decrease	4% decrease	No change	No change	No change	No change	
PCIA:							
PD (Proposed Decision)	26% decrease	3% increase	\$0.005/kW	/h increase	\$0.005/kW	/h increase	
APD (Alt Proposed Decision)	8% increase	15% increase	25% increase		25% increase		
PCIA Freeze	No change from 2018		No change from 2018		No change from 2018		

Scenario 3: AET Generation Rate + PCIA Freeze

			\$ in millions
Approved Budget & Projections	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	\$256.5	\$259.4	\$262.3
Total Operating Expenses	\$194.6	\$198.0	\$193.7
Change in Net Position	\$62.2	\$62.2	\$69.9
Net Position at the end of period	\$140.4	\$202.6	\$272.5

Variance in \$	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	-\$8.5	-\$16.5	-\$16.6
Total Operating Expenses	\$.0	-\$.1	-\$.1
Change in Net Position	-\$8.5	-\$16.4	-\$16.6
Net Position at the end of period	-\$8.5	-\$24.9	-\$41.5

Variance in %	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	-3.3%	-6.3%	-6.3%
Total Operating Expenses	0.0%	0.0%	0.0%
Change in Net Position	-13.6%	-26.4%	-23.7%
Net Position at the end of period	-6.0%	-12.3%	-15.2%

AET Gen Rates + PCIA Freeze Scenario	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	\$248.0	\$242.9	\$245.7
Total Operating Expenses	\$194.5	\$198.0	\$193.6
Change in Net Position	\$53.7	\$45.8	\$53.3
Net Position at the end of period	\$131.9	\$177.7	\$231.0

Assumptions

• Generation Rates: Decrease by 5% and 4% for RES and COM, respectively; No changes to rates in 2020 and 2021.

No changes to PCIA

Scenario 3: AET Generation Rate + PCIA Freeze





Scenario 4: AET Generation Rate + APD PCIA

			\$ in millions
Approved Budget & Projections	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	\$256.5	\$259.4	\$262.3
Total Operating Expenses	\$194.6	\$198.0	\$193.7
Change in Net Position	\$62.2	\$62.2	\$69.9
Net Position at the end of period	\$140.4	\$202.6	\$272.5

Variance in \$	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	-\$17.4	-\$49.7	-\$83.6
Total Operating Expenses	-\$.1	-\$.2	-\$.3
Change in Net Position	-\$17.3	-\$49.5	-\$83.3
Net Position at the end of period	-\$17.3	-\$66.8	-\$150.2

Variance in %	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	-6.8%	-19.2%	-31.9%
Total Operating Expenses	0.0%	-0.1%	-0.2%
Change in Net Position	-27.8%	-79.6%	-119.2%
Net Position at the end of period	-12.3%	-33.0%	-55.1%

AET Gen Rates + APD PCIA Scenario	FY 2018-19	FY 2019-20	FY 2020-21
Total Operating Revenues	\$239.2	\$209.7	\$178.7
Total Operating Expenses	\$194.5	\$197.8	\$193.4
Change in Net Position	\$44.9	\$12.7	-\$13.5
Net Position at the end of period	\$123.1	\$135.8	\$122.3

Assumptions

• Generation Rates: Decrease by 5% and 4% for RES and COM, respectively; No changes to rates in 2020 and 2021.

• PCIA increase by 8% and 15% for RES and COM, respectively; PCIA increase by 25% for all customer class in 2020 and 2021.

Scenario 4: AET Generation Rate + APD PCIA





Scenario 5: ERRA Generation Rate + APD PCIA

Net Position at the End of Period



Unrestricted Cash Position

Net Position at end of period

\$ in millions

Number	Scenario	Current	FY 2018-19	FY 2019-20	FY 2020-21
1	Approved Budget	\$85.4	\$140.4	\$202.6	\$272.5
2	AET+PD	\$85.4	\$140.4	\$194.8	\$238.0
3	AET+PCIA Freeze	\$85.4	\$131.9	\$177.7	\$231.0
4	AET+APD	\$85.4	\$123.1	\$135.8	\$122.3
5	ERRA+APD	\$85.4	\$107.9	\$91.3	\$48.1

Unrestricted Cash at end of period (extended reserves policy)

\$ in millions

Number	Scenario	Current	FY 2018-19	FY 2019-20	FY 2020-21
1	Approved Budget	\$15.9	\$70.9	\$130.7	\$200.8
2	AET+PD	\$15.9	\$70.9	\$122.8	\$166.2
3	AET+PCIA Freeze	\$15.9	\$62.4	\$105.8	\$159.3
4	AET+APD	\$15.9	\$53.5	\$63.9	\$50.6
5	ERRA+APD	\$15.9	\$38.4	\$19.3	-\$23.6

Strategy Options

Additional Contributions to Reserves

Load Stabilization Program

Customer Rebates

Local Programs

PCE-owned Local Generation

Definition of Issue:

PCE currently operates on a 'month to month' service agreement with customers where customers have the option to opt-out of PCE service at anytime. Although less that 3% of our customer base has chosen to do so, the 'month to month' service agreement model poses inherent risks to long term planning and operations. What we propose:

In an attempt to mitigate some of this operational risk PCE staff proposes to seek longer term service agreements with some of our largest commercial customers.

- Agreement term of 3-5 years
- Sliding scale of additional discount or fixed rate pricing depending on term length and projected volume of energy sales
- Available to customers meeting a minimum energy sales threshold

Long Term Agreements Pros and Cons

Pros

- Provides a degree of load certainty for PCE which assists with long term power procurement planning
- Provides a degree of cost certainty to customers
- Increases customer investment and involvement with PCE long term

Cons

- Reduces margin from some customers due to increased discounts
- Individual contract management creates additional operational overhead for staff
- Increases complexity in billing and rates

Should PCE issue a Rebate/Dividend payment to customers?

- Pros and Cons
- -Funding Options
- Staff Recommendation

Pros

- Opportunity to promote additional PCE benefits to customers with more noticeable bill impact
- If timed correctly, and large enough, rebate payment can provide significant utility bill relief for many customers
- Simple way to redistribute PCE funds directly to customers

Cons

- Customers may not notice payment from PCE
- Creates an extra 'program' to manage vs. lower rates all the time
- PCE Reserves may need to be held for other financial obligations

Funding Options

- Divided by all customers equally OR
- Split proportionally between Com/Ind and Residential and then divided equally between respective customer classes OR
- Calculate individual credits based on a fixed rebate back per kWh consumed or fixed % refund of Generation costs OR
- Rebates for low-income customers only

For example, if Goal is to . . .

Provide \$50 rebate to every account - - -

requires \$15 million in unrestricted cash

- Current Active Customer Count is 291,987
- Goal to issue a \$50 rebate to all accounts
- \$50 per account * 291,987 = \$14,599,350
- CA Climate Credit follows similar model

Staff Recommendation

- Staff does not recommend rebates at this time
- Re-evaluate Rebate/Dividend option at the end of the 18/19 FY
 - Maintaining consistent 'everyday' discount of at least 5% should be the priority

Roadmap FY2021 budget



* Potentially addressed in Procurement budget

** Staff time plus <\$1M community pilots

Roadmap and Current Budget

	FY 2018-2019	FY 2019-2020	FY 2020-2021
Current PCE Projections*	\$4M	\$6M	\$8M
Roadmap Proposed Budgets*	\$4M	\$6-12M	\$16-32M

* Includes both Energy Programs and associated Professional Services (separate categories in PCE budget)

PCE-owned Local Generation

- Opportunities
- Financing Options
- Pros and Cons

• Staff Recommendation

PCE goal of 20 MW of local generation by 2025

Multiple county sites for solar (+storage): San Mateo County Event Center San Carlos Airport City buildings / community centers New county buildings

Community solar projects Resiliency projects

Financing Options



Solar ITC is 30% of project basis for projects that commence construction through 2019

Storage combined with a solar project can qualify for the ITC

ITC steps down to 26% for projects that commence construction in 2020

ITC steps down to 22% for projects that commence construction in 2021

After 2021, residential credit is 0 and commercial credit drops to permanent 10%

Pros and Cons of PCE-owned Local Generation

Pros

- Positive way to invest PCE funds provided economics are more favorable as owner
- Stabilizes cost of power
- Funding models under development that reduce cost of power if PCE provides tax-exempt debt financing

Cons

- Timing may dictate that PCE wait as we cannot take advantage of ITC currently
- Solar / storage costs will continue to decrease, therefore may be advantageous to wait before investing

Staff Recommendation

- Pursue initial local generation projects under PPAs while ITC is substantial
 - Evaluate options for PCE to take ownership after taxperiod expires
- Continue to evaluate alternative funding options that can reduce costs

Board Prioritization Exercise

How does the board want to prioritize PCE's unrestricted cash to these options?

Additional Contributions to Reserves

Load Stabilization Program

Customer Rebates

Local Programs

PCE-owned Local Generation

12:20 – 12:45 PCE Marketing Strategy (Discussion)

- Current Status and Future Strategy

PCE Strategic Marketing Goals

Maximize and maintain customer participation in PCE:

✓ Provide a superior customer experience

✓ Develop PCE brand awareness and loyalty throughout the County

 ✓ Actively encourage voluntary participation in ECO100

Actively encourage participation in other programs
 PCE develops

November 2017 Market Research



Marketing Budget

Communications and Outreach	FY 2019	FY 2020	FY 2021
Advertising	160,000	164,800	169,744
Communications consultants	219,600	226,188	232,974
Grants	196,000	201,880	207,936
Sponsorships and memberships	102,000	105,060	108,212
Website	20,000	20,600	21,218
Communications - misc expenses	30,000	30,900	31,827
Promotions & Branding	63,000	64,890	66,837
Required Mailings	220,000	226,600	233,398
TOTAL	1,010,600	1,040,918	1,072,146

Strategic Marketing Questions

What is the appropriate level of marketing for PCE to engage in?

How do we increase customer awareness of PCE?

 Should PCE engage in general marketing to increase fundamental customer understanding of what PCE is?

OR

• Should customers learn about PCE through marketing of specific program offerings?

Next Steps

- Recruit board members to serve on ad hoc marketing committee
- Hire marketing consultant
- Report back to board at January 2019 meeting



12:45 – 1:00 Conclusions and Wrap-Up (Discussion)

Adjourn