



**Special Meeting of the Board of Directors of the  
Valley Clean Energy Alliance (VCEA)  
November 15, 2018 at 5:30 p.m.  
Yolo County Board of Supervisors Chambers  
625 Court Street, Room 206, Woodland, CA 95695**

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Alisa Lembke, VCEA Board Clerk/Administrative Analyst, at least two (2) working days before the meeting at (530) 446-2754 or [Alisa.Lembke@valleycleanenergy.org](mailto:Alisa.Lembke@valleycleanenergy.org).

If you have anything that you wish to be distributed to the Board and included in the official record, please hand it to a member of VCEA staff who will distribute the information to the Board members and other staff

Please note that the numerical order of items is for convenience of reference. Items may be taken out of order on the request of any Board member with the concurrence of the Board. Staff recommendations are advisory to the Board. The Board may take any action it deems appropriate on any item on the agenda even if it varies from the staff recommendation.

**Board Members:** Lucas Frerichs (Chair/City of Davis), Tom Stallard (Vice Chair/City of Woodland), Angel Barajas (City of Woodland), Duane Chamberlain (Yolo County), Don Saylor (Yolo County), and Dan Carson (City of Davis)

**5:30 p.m. Call to Order**

- 1. Welcome and Roll Call**
- 2. Approval of Agenda**
- 3. Public Comment**

This item is reserved for persons wishing to address the Board on any VCEA-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to two minutes per speaker, but an extension can be provided at the discretion of the Chair.

**CONSENT AGENDA**

- 4. Approval of Draft October 18, 2018 Special Meeting Minutes**
- 5. Receive Long Range Calendars**

6. **Receive Financial Update – September 30, 2018 (unaudited) financial statements (with comparative information from prior periods) and Actual vs. Budget for the quarter ending September 30, 2018**
7. **Receive November 7, 2018 Regulatory Update provided by Keyes & Fox**
8. **Receive Customer Enrollment Update as of November 7, 2018**
9. **Receive Community Advisory Committee's (CAC) October 29, 2018 Meeting Summary; comments on November 1, 2018 Special Board meeting / Power Charge Indifference Adjustment workshop; and, First Year Progress Report**
10. **Approve revised Community Advisory Committee "Charge"**
11. **Approve Solicitation and Appointment process to the Community Advisory Committee and confirm appointments of current CAC Members to terms of service**
12. **Approve Marketing and Outreach Vendor and Authorize Interim General Manager to negotiate and enter into a contract**

#### **REGULAR AGENDA**

13. **Presentation on collective Grant Application to SACOG for Regional, Community Design, and Green Region funding programs (Informational)**
14. **Approve modifications to Valley Clean Energy's rate structure, rate discount, and postponement of Net Energy Metering Customer enrollment for 2019 to address financial impacts related to the California Public Utilities Commission's October 11, 2018 Power Charge Indifference Adjustment (PCIA) decision and other power cost related factors**
15. **Board Member and Staff Announcements**  
Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members at VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

***The next VCEA Board meeting: Thursday, December 13, 2018 at 5:30 p.m. at the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA 95616.***

16. **Adjournment (Approximately 7:00pm)**  
Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA's offices located at 604 Second Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. The documents are also available on the Valley Clean Energy website located at: <https://valleycleanenergy.org/about-us/meetings/>

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Agenda Item 4

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Alisa Lembke, VCEA Board Clerk/Administrative Analyst  
**SUBJECT:** Approval of Minutes from October 18, 2018 Special Board Meeting  
**DATE:** November 15, 2018

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### RECOMMENDATION

Receive, review and approve the attached draft Minutes from the October 18, 2018 Special Board Meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE  
BOARD OF DIRECTORS SPECIAL MEETING  
OCTOBER 18, 2018**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their Special meeting scheduled for Thursday, October 18, 2018 at 6:00 p.m. at the Yolo County Library Davis Branch, Blanchard Room, 315 E. 14<sup>th</sup> Street, Davis, CA 95616. Chairperson Lucas Frerichs established that there was a quorum present and began the meeting at 6:04 p.m.

Board Members Present: Lucas Frerichs, Tom Stallard, Dan Carson, \*Don Saylor, Skip Davies

Board Members Absent: Angel Barajas, Duane Chamberlain

\* = Don Saylor left at 7:32 p.m.

Approval of Agenda Motion made by Director Stallard to approve the October 18, 2018 Board Agenda, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.

Public Comment Chairperson Frerichs opened the floor for public comment. There being no public comment, the floor was closed.

Approval of Consent Agenda Director Carson abstained from the vote only on Item 4 – Approval of the draft September 13, 2018 meeting minutes. Motion made by Director Stallard to approve the Consent Agenda, Items 4-13, noting Director Carson abstention from Item 4, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent, and Director Carson abstaining from Item 4 only.

Approval of Minutes from September 13, 2018 Meeting Director Stallard made a motion to approve the September 13, 2018 meeting minutes, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent, and Director Carson abstaining from the vote on this Item.

Long Range Calendars Director Stallard made a motion to receive the long-range calendars, which include the remaining months in 2018 and the 2019 calendar year, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.

Receive Financial Update Director Stallard made a motion to receive Financial Update – August 31, 2018 (unaudited) financial statements with revised comparative information from July 31, 2018, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.



Approval of contract with Automate Mailing Services / Resolution 2018-027	Director Stallard made a motion to approve a resolution titled “a Resolution of the Board of Directors of the Valley Clean Energy Alliance approving the contract with Automate Mailing Services (AMS) for printing, mailing and processing services and authorizing the Interim General Manager to execute the contract”, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Approval of amending Circlepoint contract	Director Stallard made a motion to approve the amendment to the Circlepoint contract by increasing the contract amount by \$30,000 for a new not to exceed amount of \$428,035, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Approval of amending Task Order No. 4 of the Sacramento Municipal Utility District (SMUD) Professional Services Agreement / Resolution 2018-028	Director Stallard made a motion to approve a resolution titled “a Resolution of the Valley Clean Energy Alliance approving Amendment 5 to the Sacramento Municipal Utilities District professional services agreement for implementation and operational services Task Order 4, Section 1.2 Scope of Services and Section 4.1.1 Dedicated Operational Staff”, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Regulatory Update	Director Stallard made a motion to receive the regulatory monitoring report dated October 10, 2018 from Keyes & Fox, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Customer Enrollment Update	Director Stallard made a motion to receive the Customer Enrollment Update dated October 10, 2018, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Community Advisory Committee Meeting Update	Director Stallard made a motion to receive the October 1, 2018 Community Advisory Committee meeting updated, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Approve CAC Solicitation, Selection and Appointment Policy	Director Stallard made a motion to approve the Community Advisory Committee solicitation, selection and appointment policy, seconded by Director Saylor. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Recognition of Tom Flynn	Chairperson Frerichs presented an honorary resolution to Mr. Tom Flynn for his service volunteering on the Community Advisory Committee and prior to VCE’s formation, the CCE Advisory Committee, representing the City of Woodland. Chairperson Frerichs thanked him for all of his work. Director and Council Member Tom Stallard thanked Mr. Flynn on behalf of the City of Woodland for his long and hard work of taking in lots of information prior to launch. Mr. Flynn



thanked everyone. Christine Shewmaker on behalf of Gerry Braun and the other Community Advisory Committee Members thanked him for his service on the CAC and his expertise and hard work during pre-launch and launch of Valley Clean Energy.

Receive and  
Approve audited  
financial statements  
for the period of  
January 1, 2017  
(inception) to June  
30, 2018 presented  
by James Marta &  
Company

Lisa Limcaco introduced the item. James Marta of James Marta & Company provided a brief overview of his firm and the audit they prepared for VCE by looking at the financial statements from VCE's inception through June 30, 2018. Mr. Marta reviewed his PowerPoint summarizing what the audit was by going over the audit highlights, financial results, financial statements summary, and internal control itemization letter.

Director Saylor made a motion to receive and approve VCE's audited financial statements for the period of January 1, 2017 (inception) to June 30, 2018 prepared and presented by James Marta & Company, seconded by Director Carson. Motion passed unanimously by the following vote:

AYES: Frerichs, Stallard, Carson, Saylor, Davies  
NOES: None  
ABSENT: Barajas, Chamberlain  
ABSTAIN: None

Director Stallard thanked Mr. Marta for a clear financial statement.

Receive Keyes &  
Fox Update on  
Power Charge  
Indifference  
Adjustment (PCIA)

Interim General Manager Mitch Sears stated to those present that the California Public Utilities Commission (CPUC) made a decision on the Power Charge Indifference Adjustment (PCIA) or commonly known as an "exit fee", which has implications to Community Choice Aggregates (CCAs) in general. Mr. Sears explained that VCE Staff Member Gary Lawson and attorney Tim Lindl of Keyes & Fox are here to outline the potential impacts of the PCIA to VCE, offer various scenarios, and provide options that may be available. Per Mr. Lindl, in early November, the CPUC and IOUs will announce their PCIA rates. This Board will need to analyze, evaluate and make some policy changes. Tonight, general information is being presented with potential policy changes, and that no decisions need to be made tonight.

Tim Lindl of Keyes & Fox reviewed his slide presentation which included PCIA history and how PCIA is calculated.

VCE Staff Gary Lawson reviewed several potential financial impact scenarios, focusing on maintaining the proper reserves to meet the banking and contractor required levels. Mr. Lawson also presented potential policy changes, such as eliminating/reducing the rate discount, deferring NEM



enrollment until 2021, reduction of renewable/clean energy content, trimming operating costs, and/or potentially VCE offering a rebate structure program.

Board Members offered their input of various other ideas to counterbalance the anticipated PCIA increase, such as: looking at other segments within the market rather than postponing the enrollment of NEM customers, the possibility of refinancing with River City Bank to extend out the repayment of the loan, looking at adding customers, looking into what the other CCAs are doing to address PCIA, looking into what can be done legislatively, and possibly looking at asking for a rehearing at the CPUC.

Mr. Lindl announced that the CPUC has scheduled to come out with the new rates on or around November 8<sup>th</sup>, when the Board has a regularly scheduled Board meeting. Mr. Lindl also explained the re-hearing process and request procedure available for “parties” to the CPUC PICA hearing. Other legal issues/considerations could be discussed.

The Board requested that a Closed Session be added to the November meeting Agenda to discuss legal options.

Mr. Sears reviewed the following suggested meeting calendar:

1. Late Oct/Early Nov - Special Meeting/working session on PCIA impacts and policy response
  - More refinement on the economic analysis
2. November Board Meeting (move to week of 11/12)
  - Additional PCIA information from CPUC rolled into analyses
  - Policy recommendation/action
3. December
  - Conditional Decision on 2019 rates (pending actual PG&E 2019 rates)
  - Any remaining decisions

Several questions and concerns were raised by the Board Members, such as: the importance of Board Members being educated on all options available to VCE, what is the impact of the “direct access” legislative bill on utilities, what are the future impacts on VCE when policy or rate changes are made, and to think about VCE’s overall strategy.

Mr. Sears announced that CalCCA is looking at being very active in the upcoming legislature and the potential of challenging the CPUC’s decision. He reminded those present that CCAs service over 160 cities and counties, which makes a strong voice for CalCCA and CCAs in the legislature.



Several Board Members commented on the CPUC hearing they attend in September, wherein the CPUC made a decision contrary to the signing of Senate Bill 100 by the Governor.

(Don Saylor left at 7:32 p.m.)

Public comment was provided Community Advisory Committee (CAC) Member Ms. Christine Shewmaker that VCE should look at Senate Bill 237 along with PCIA and that it is her opinion that CalCCA, of which VCE is a member, can help in the legislature.

Director Stallard made a motion to receive the Keyes & Fox Power Charge Indifference Adjustment (PCIA) update, seconded by Director Carson, motion carries unanimously, with Directors Saylor, Barajas and Chamberlain absent.

VCEA Staff Report on Quarterly Procurement Update VCE Staff Gary Lawson asked if the Board had any questions about the quarterly procurement update provided in his Staff Report. There being no questions, Director Carson made a motion to receive the Quarterly Procurement Update, seconded by Director Stallard. There being no questions or public comment, motion carried with Directors Saylor, Barajas and Chamberlain absent.

Board Member and Staff Announcements Mr. Sears provided a brief update of the City of Winters presentation made on VCE to the Winters City Council at their meeting held on October 16<sup>th</sup>. Mr. Sears also introduced Tracy Carlson, SMUD Director of Community Energy Services.

Announcements The next VCEA Board meeting scheduled for Thursday, November 8, 2018 at 5:30 p.m. at the Woodland Council Chambers and a special meeting will be scheduled for the week of November 12<sup>th</sup>.

Meeting was adjourned at 7:38 p.m.

Alisa Lembke  
Board Clerk/Administrative Analyst



**VALLEY CLEAN ENERGY ALLIANCE  
Board of Directors Meeting**

**Staff Report – Agenda Item 5**

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**TO:** VCEA Board  
**FROM:** Mitch Sears, Interim General Manager  
**SUBJECT:** Long Range Calendars  
**DATE:** November 15, 2018

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**Recommendation**

Please find attached the long-range calendars for the remaining 2018 year and 2019.

**VALLEY CLEAN ENERGY**  
**2018 Meeting Dates and Topics – Board and Community Advisory Committee**

MEETING DATE		TOPICS	ACTION
May 10, 2018	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>Recontracting Master Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Approve</li> </ul>
June 4, 2018	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>Integrated Resource Plan</li> </ul>	<ul style="list-style-type: none"> <li>Informational</li> </ul>
<b>June 1, 2018 -- LAUNCH</b>			
June 6, 2018	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>Integrated Resource Plan</li> </ul>	<ul style="list-style-type: none"> <li>Discussion</li> </ul>
July 2, 2018	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Integrated Resource Plan</li> </ul>	<ul style="list-style-type: none"> <li>Recommend</li> </ul>
July 12, 2018	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>Integrated Resource Plan</li> <li>NEM Enrollment – Postponement</li> </ul>	<ul style="list-style-type: none"> <li>Approve</li> <li>Approve</li> </ul>
July 30, 2018	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>NEM Policy Amendment Update</li> <li>Long Term Renewables Procurement Policy</li> </ul>	<ul style="list-style-type: none"> <li>Informational</li> <li>Recommend</li> </ul>
August 9, 2018	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>NEM Policy Amendment Update</li> <li>Long Term Renewables Procurement Policy</li> </ul>	<ul style="list-style-type: none"> <li>Informational</li> <li>Approve</li> </ul>
August 29, 2018 (Wednesday)	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>NEM Policy Amendment</li> </ul>	<ul style="list-style-type: none"> <li>Recommend</li> </ul>
Sept 13, 2018	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>NEM Policy Amendment</li> </ul>	<ul style="list-style-type: none"> <li>Approve</li> </ul>

October 1, 2018	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• New Member Solicitation Process</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion</li> </ul>
<del>October 11, 2018</del> October 18, 2018	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Financial Audit</li> <li>• New Member Solicitation</li> <li>• PCIA Update</li> <li>• Quarterly Procurement</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
October 29, 2018	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• PCIA and SB237</li> <li>• Quarterly Procurement Update</li> <li>• First Year Progress Report</li> <li>• CAC Updated Charge</li> <li>• Terms of Service</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
November 1, 2018 Special/Workshop	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• PCIA Workshop</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<del>November 8, 2018</del> November 15, 2018 (Special)	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Strategy of Bringing on New Members</li> <li>• PCIA</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
December 3, 2018	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Election of Positions</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
December 13, 2018	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Election of Positions</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

**VALLEY CLEAN ENERGY**  
**2019 Meeting Dates and Topics – Board and Community Advisory Committee**

MEETING DATE		TOPICS	ACTION
December 31, 2018 HOLIDAY	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Need to reschedule and/or cancel</li> <li>• Review of Task Groups</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
January 10, 2019	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
February 4, 2019	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
February 14, 2019	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
March 4, 2019	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
March 14, 2019	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
April 1, 2019	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
April 11, 2019	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
April 29, 2019	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
May 9, 2019	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
June 3, 2019	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

June 13, 2019	<b>Board</b> DAVIS	•	•
July 1, 2019	<b>Advisory Committee</b> WOODLAND	•	•
July 11, 2019	<b>Board</b> WOODLAND	•	•
July 29, 2019	<b>Advisory Committee</b> DAVIS	•	•
August 8, 2019	<b>Board</b> DAVIS	•	•
September 2, 2019 HOLIDAY	<b>Advisory Committee</b> WOODLAND	• Need to reschedule	•
September 12, 2019	<b>Board</b> WOODLAND	•	•
September 30, 2019	<b>Advisory Committee</b> DAVIS	•	•
October 10, 2019	<b>Board</b> DAVIS	•	•
November 4, 2019	<b>Advisory Committee</b> WOODLAND	•	•
November 14, 2019	<b>Board</b> WOODLAND	•	•
December 2, 2019	<b>Advisory Committee</b> DAVIS	•	•
December 12, 2019	<b>Board</b> DAVIS	• Need to Reschedule or move location: City of Davis Chambers <u>not</u> available	•

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Agenda Item 6

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Lisa Limcaco, Finance and Operations Director, VCEA  
Chad Rinde, Asst. Chief Financial Officer, Yolo County  
Mitch Sears, Interim General Manager, VCEA

**SUBJECT:** Financial Update – September 30, 2018 (unaudited) financial statements (with comparative information from prior periods) and Actual vs. Budget for the quarter ending September 30, 2018

**DATE:** November 15, 2018

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#### **RECOMMENDATION:**

Accept the Financial Statements (unaudited) for the period of September 1, 2018 to September 30, 2018 (with comparative information from prior periods) and Actual vs. Budget for the quarter ending September 30, 2018.

#### **BACKGROUND & DISCUSSION:**

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, staff is reporting the Actual vs. Budget variances for the quarter ending September 30, 2018.

#### Financial Statements for the period September 1, 2018 – September 30, 2018

In the Statement of Net Position, VCEA as of September 30, 2018 has a total of \$2,522,678 in its checking and lockbox accounts, \$1,100,000 restricted cash for the Debt Service Reserve account and \$201,443 restricted cash for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of September 30, 2018 \$600,931 and \$1,512,360 respectively for a grand total of \$2,113,291. The outstanding line of credit balance with River City Bank at September 30, 2018 totaled \$2,976,610. At September 30, 2018, VCE's net position is \$933,300.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$5,108,041 of revenue (net of allowance for doubtful accounts) of which \$5,214,366 was billed in September and (\$113,994) represent estimated unbilled revenue (net August and September). The cost of the electricity for the September revenue totaled \$3,843,458. For September, VCEA's gross margin is approximately 24.76% and operating income totaled \$976,468.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,252,110 due to full month of cash receipts from July and August revenue and the payment of August purchased electricity. The August purchased electricity (paid in September) was paid with cash from operations. VCE used the cash from operations to make a \$3,000,000 principal payment on the line of credit.

#### Actual vs. Budget Variances for the quarter ending September 30, 2018

Below are the financial statement line items >\$25,000 and 5%:

Electric revenues - (\$1,162,230) and (6%)- actual electric revenues are down from budget due to the mild weather in August and September which led to lower retail customer usage than forecasted load.

Purchased Power – (\$884,583) and (6%) - The wholesale load is down from budget due to lower revenues which led to a reduction in Purchased Power.

Salaries & Wages/Benefits – (\$123,146) and (66%) – the decrease is due to the budgeted Assistant general manager position has not been filled.

CalCCA dues - \$25,030 and 100% - the increase is due to CalCCA billing on a quarterly basis, but our budget has it as a one-time annual expense in January 2019.

Legislative/Regulatory – (\$25,704) and (43%) – the decrease is due to no legislative expenditures incurred for this quarter.

PG&E Data Fees – (\$30,769) and (32%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$120,780) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

#### **Attachments:**

- 1) Financial Statements (Unaudited) September 1, 2018 to September 30, 2018 (with comparative information for prior periods.)
- 2) Actual vs. Budget for the quarter ending September 30, 2018



**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF SEPTEMBER 1, 2018 TO SEPTEMBER 30, 2018**

**(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)**

**PREPARED ON OCTOBER 31, 2018**



**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2018**  
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)  
(UNAUDITED)

	SEPTEMBER 30, 2018	AUGUST 31, 2018	JULY 31, 2018	JUNE 30, 2018
<b>ASSETS</b>				
Current assets:				
Cash in Yolo County Treasury	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	2,522,678	4,450,588	1,246,062	963,388
Accounts receivable, net of allowance	5,601,292	6,608,758	5,281,479	5,671
Accrued revenue	2,525,209	2,639,781	3,789,784	2,824,490
Prepaid expenses	5,955	9,743	16,687	-
Inventory - Renewable Energy Credits	958,474	966,415	1,029,703	436,587
Other current assets and deposits	2,540	2,540	2,540	2,540
Total current assets	<u>11,616,148</u>	<u>14,677,825</u>	<u>11,366,255</u>	<u>4,232,676</u>
Noncurrent assets:				
Restricted cash	1,301,443	1,136,293	1,136,293	1,100,000
Other noncurrent assets and deposits	600,000	600,000	600,000	600,000
Total noncurrent assets	<u>1,901,443</u>	<u>1,736,293</u>	<u>1,736,293</u>	<u>1,700,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,517,591</u>	<u>\$ 16,414,118</u>	<u>\$ 13,102,548</u>	<u>\$ 5,932,676</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 42,544	\$ 86,527	\$ 122,542	\$ 137,475
Accrued payroll	1,983	2,807	2,332	1,624
Interest payable	104,047	79,229	67,968	61,556
Due to member agencies	600,931	594,152	574,654	534,639
Accrued cost of electricity	5,773,656	6,832,967	6,804,900	2,673,939
Other accrued liabilities	1,512,360	1,290,314	1,082,390	837,294
User taxes and energy surcharges	72,160	54,992	33,690	10,002
Total current liabilities	<u>8,107,681</u>	<u>8,940,988</u>	<u>8,688,476</u>	<u>4,256,529</u>
Noncurrent liabilities				
Line of credit	2,976,610	5,976,610	3,600,885	1,600,000
Loans from member agencies	1,500,000	1,500,000	1,500,000	1,500,000
Total noncurrent liabilities	<u>4,476,610</u>	<u>7,476,610</u>	<u>5,100,885</u>	<u>3,100,000</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 12,584,291</u>	<u>\$ 16,417,598</u>	<u>\$ 13,789,361</u>	<u>\$ 7,356,529</u>
<b>NET POSITION</b>				
Net position:				
Restricted				
Local Programs Reserve	\$ 23,571	\$ 14,203	\$ 7,370	\$ -
Unrestricted	909,729	(17,683)	(694,183)	(1,423,853)
<b>TOTAL NET POSITION</b>	<u>\$ 933,300</u>	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ (1,423,853)</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)**  
**(UNAUDITED)**

	SEPTEMBER 1, 2018 - SEPTEMBER 30, 2018	AUGUST 1, 2018 - AUGUST 31, 2018	JULY 1, 2018 - JULY 31, 2018	YEAR TO DATE
<b>OPERATING REVENUE</b>				
Electricity sales, net	\$ 5,108,041	\$ 6,190,038	\$ 6,652,688	\$ 17,950,767
Other revenue	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>5,108,041</u>	<u>6,190,038</u>	<u>6,652,688</u>	<u>17,950,767</u>
<b>OPERATING EXPENSES</b>				
Cost of electricity	3,843,458	5,169,263	5,538,730	14,551,451
Contract services	181,505	229,566	320,470	731,541
Staff compensation	76,079	57,356	9,049	142,484
General, administration, and other	30,531	33,955	36,966	101,452
<b>TOTAL OPERATING EXPENSES</b>	<u>4,131,573</u>	<u>5,490,140</u>	<u>5,905,215</u>	<u>15,526,928</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	976,468	699,898	747,473	2,423,839
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	-	-	-	-
Interest and related expenses	(39,688)	(16,565)	(10,433)	(66,686)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(39,688)</u>	<u>(16,565)</u>	<u>(10,433)</u>	<u>(66,686)</u>
<b>CHANGE IN NET POSITION</b>	936,780	683,333	737,040	2,357,153
Net position at beginning of period	(3,480)	(686,813)	(1,423,853)	(1,423,853)
Net position at end of period	<u>\$ 933,300</u>	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ 933,300</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)**  
**(UNAUDITED)**

	SEPTEMBER 1, 2018 - SEPTEMBER 30, 2018	AUGUST 1, 2018 - AUGUST 31, 2018	JULY 1, 2018 - JULY 31, 2018	YEAR TO DATE
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from electricity sales	\$ 6,247,247	\$ 6,034,064	\$ 435,274	\$ 12,716,585
Payments for security deposits with energy suppliers	-	-	-	-
Payments to purchase electricity	(4,894,828)	(5,077,908)	(2,000,885)	(11,973,621)
Payments for contract services, general, and administration	(23,406)	(65,170)	(103,945)	(192,521)
Payments for member agency services	-	-	-	-
Payments for staff compensation	(76,903)	(56,881)	(8,341)	(142,125)
Other cash payments	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	<u>1,252,110</u>	<u>834,105</u>	<u>(1,677,897)</u>	<u>408,318</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Loans from member agencies	-	-	-	-
Draw of line of credit	-	2,375,725	2,000,885	4,376,610
Transfer to restricted cash	(165,150)	-	(36,293)	(201,443)
Principal payments of Line of Credit to bank	(3,000,000)	-	-	(3,000,000)
Interest and related expenses	(14,870)	(5,304)	(4,021)	(24,195)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(3,180,020)</u>	<u>2,370,421</u>	<u>1,960,571</u>	<u>1,150,972</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	-	-	-	-
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,927,910)	3,204,526	282,674	1,559,290
Cash and cash equivalents at beginning of period	4,450,588	1,246,062	963,388	963,388
Cash and cash equivalents at end of period	<u>\$ 2,522,678</u>	<u>\$ 4,450,588</u>	<u>\$ 1,246,062</u>	<u>\$ 2,522,678</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)**  
**(UNAUDITED)**

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 976,468	\$ 699,898	\$ 747,473	\$ 2,423,839
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase) decrease in net accounts receivable	1,007,466	(1,327,279)	(5,275,808)	(5,595,621)
(Increase) decrease in accrued revenue	114,572	1,150,003	(965,294)	299,281
(Increase) decrease in prepaid expenses	3,788	6,944	(16,687)	(5,955)
(Increase) decrease in inventory - renewable energy credits	7,941	63,288	(593,116)	(521,887)
(Increase) decrease in other assets and deposits	-	-	-	-
Increase (decrease) in accounts payable	(43,983)	(36,015)	(14,933)	(94,931)
Increase (decrease) in accrued payroll	(824)	475	708	359
Increase (decrease) in due to member agencies	6,779	19,498	40,015	66,292
Increase (decrease) in accrued cost of electricity	(1,059,311)	28,067	4,130,961	3,099,717
Increase (decrease) in other accrued liabilities	222,046	207,924	245,096	675,066
Increase (decrease) in user taxes and energy surcharges	17,168	21,302	23,688	62,158
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,252,110</u>	<u>\$ 834,105</u>	<u>\$ (1,677,897)</u>	<u>\$ 408,318</u>

**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 6-30-2019**  
**FOR THE QUARTER ENDING SEPTEMBER 30, 2018**

Description	9/30/2018	9/30/2018	YTD Variance	% over/under
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 17,950,767	\$ 19,112,997	\$ (1,162,230)	-6%
Interest Revenues	-	14,698	(14,698)	-100%
Purchased Power	14,551,451	15,436,034	(884,583)	-6%
Labor & Benefits	223,102	352,049	(128,948)	-37%
Salaries & Wages/Benefits	63,070	186,216	(123,146)	-66%
Contract Labor	160,031	165,833	(5,802)	-3%
Office Supplies & Other Expenses	29,189	14,400	14,789	103%
Technology Costs	2,086	3,500	(1,414)	-40%
Office Supplies	557	300	257	86%
Travel	1,516	7,600	(6,084)	-80%
CalCCA Dues	25,030	-	25,030	100%
Memberships	-	3,000	(3,000)	-100%
Contractual Services	650,923	713,611	(62,688)	-9%
LEAN Energy	4,836	12,000	(7,165)	-60%
Don Dame	919	3,000	(2,081)	-69%
SMUD - Credit Support	182,794	199,780	(16,986)	-9%
SMUD - Wholesale Energy Services	156,440	141,000	15,440	11%
SMUD - Call Center	175,801	193,563	(17,762)	-9%
CirclePoint	47,806	72,801	(24,995)	-34%
Legal	19,397	10,640	8,757	82%
Legislative/Regulatory	34,296	60,000	(25,704)	-43%
Accounting Services	5,064	16,667	(11,603)	-70%
Human Resources & Payroll	5,570	3,020	2,550	84%
Audit Fees	18,000	-	18,000	100%
Banking Fees	-	1,140	(1,140)	-100%
Rents & Leases	4,198	4,200	(2)	0%
Hunt Boyer Mansion	4,198	4,200	(2)	0%
Future Office Space	-	-	-	0%
Other A&G	66,133	122,039	(55,906)	-46%
Marketing Collateral	-	21,507	(21,507)	-100%
PG&E Data Fees	66,013	96,782	(30,769)	-32%
Community Engagement Activities & Sponsorships	120	3,000	(2,880)	-96%
Green-e Certification	-	750	(750)	-100%
Miscellaneous Operating Expenses	1,934	1,500	434	29%
Contingency	-	120,780	(120,780)	-100%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 15,526,929</b>	<b>\$ 16,764,613</b>	<b>\$ (1,237,683)</b>	<b>-7%</b>
Interest Expense - Munis	18,465	11,839	6,626	56%
Interest on RCB loan	42,993	107,551	(64,558)	-60%
Interest Expense - SMUD	5,228	3,767	1,461	39%
<b>NET INCOME</b>	<b>\$ 2,357,152</b>	<b>\$ 2,239,925</b>	<b>\$ 117,227</b>	<b>5%</b>

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Agenda Item 7

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: November 15, 2018

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**RECOMMENDATION:** Receive regulatory monitoring report.

### Regulatory Priorities

The Keyes and Fox Board report includes several priority issues including:

- **PCIA Decision.** The CPUC adopted Commissioner Peterman's Alternate Proposed Decision regarding the PCIA. The most recent estimates provided by PG&E anticipate system average PCIA rates for 2018 and 2019 vintages of \$0.03532/kWh. Going forward, the PCIA proceeding will enter a second phase to consider additional issues. The PCIA Decision also created a new reporting requirement applicable to VCE (due January 31, 2019).
- **ERRA Proceeding will implement the PCIA Decision.** PG&E's 2019 ERRA proceeding will implement the CPUC's PCIA Decision Decision and establish the amount of the PCIA for VCE's 2019 rates. PG&E is expected to provide its "November Update" (updating key information like its revenue requirement and CCA load forecasts) today, after which parties can provide comments through November 19.
- **PG&E General Rate Case.** PG&E notified the CPUC that it expects to file its Phase I General Rate Case between December 10-20.

**Attachment:** Keyes & Fox November 7, 2018 Regulatory Memorandum

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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To: Valley Clean Energy Alliance Board of Directors

From: Tim Lindl, Partner, Keyes & Fox LLP  
Sheridan Pauker, Partner, Keyes & Fox, LLP  
Ben Inskeep, Energy Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: November 7, 2018

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### Summary

Keyes & Fox LLP and EQ Research, LLC, are pleased to provide VCE's Board of Directors with this monthly informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC), California Energy Commission (CEC), and California Air Resources Board (CARB).

This month's report includes regulatory updates on the following priority issues:

- PCIA Rulemaking
- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- CCA Reentry Fees & Financial Security Requirements
- Renewables Portfolio Standard (RPS) Rulemaking
- Integrated Resource Plans
- Tree Mortality Nonbypassable Charge (NBC)
- PG&E Rate Design Window (RDW)
- Other Regulatory Developments

### PCIA Rulemaking

On October 19, 2018, the CPUC issued D.18-10-019, a Track 2 Decision adopting Commissioner Peterman's Alternate Proposed Decision. According to an October 31, 2018 revised filing by PG&E, the anticipated system average PCIA rates for 2018 and 2019 vintages are \$0.03532/kWh, with a residential PCIA rate of \$0.03739/kWh for those vintages. The Decision creates a new reporting requirement for CCAs and other LSEs, beginning on January 31, 2019.

- **Background:** The first phase of this proceeding had two tracks. [Track 1](#) addressed the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. [Track 2](#) addressed alternatives to the current PCIA methodology. A second phase of this proceeding is expected to be initiated through a future prehearing conference.
- **Details:** The [Track 2 Decision](#) leaves the current PCIA in place, maintaining the current brown power index, while adopting revised inputs to the benchmarks used to calculate the PCIA for

energy RPS-eligible resources and resource adequacy capacity. It finds that legacy utility-owned generation (UOG) is PCIA-eligible and should continue to be recovered from CCA customers. It also terminates the 10-year limit on PCIA cost recovery for post-2002 UOG and certain storage costs, meaning these costs will be included in the PCIA going forward. In addition, the Decision establishes a maximum annual increase in PCIA of \$0.005/kWh starting in 2020, although the investor-owned utilities (IOUs) will be allowed to propose a revised PCIA rate if the cap results in large balancing accounts equal to 10% of forecasted PCIA revenues. The Decision also adopts an annual PCIA true-up to reconcile any forecast-related errors in the annual PCIA. The RPS and RA true-ups will not go into effect until at least 2020, while the brown power true-up may go into effect as early as January 2019. DA customers and CCAs, on behalf of their customers, will be permitted to pre-pay their PCIA obligations.

Finally, the decision opens a second phase of the PCIA proceeding that will use a working group process to develop a number of proposals regarding portfolio optimization and cost reduction for future consideration by the CPUC. The second phase's purpose is to develop structures, processes, and rules governing portfolio optimization, with the CPUC noting that these proposals should include voluntary auction frameworks. Furthermore, the second phase will develop ways to minimize further accumulation of uneconomic costs and consider shareholder responsibility for portfolio mismanagement. The second phase will also use a workshop-based process to develop a record-based true-up for RA and RECs.

- **Analysis:** D.18-10-019 results in a higher PCIA for VCE's customers. The revised PCIA methodology will be used to calculate the PCIA that takes effect on January 1, 2019. In addition, D.18-10-019 creates new reporting requirements for LSEs, including CCAs, requiring them to submit specific resource contract information on January 31 each year, beginning in 2019.
- **Next Steps:** Applications for Rehearing of the Track 2 Decision are due November 19. A second phase of this proceeding using a working group process will be initiated at a future prehearing conference. A new reporting requirement established in the Decision requires VCE to file specific contract information with the Energy Division by January 31, 2019.
- **Additional Information:** [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); [D.18-07-009](#) resolving SCE & SDG&E PCIA exemption issues (July 23, 2018) (Application for Rehearing and Motion for Stay was issued regarding this decision); [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); [Track 2 Scheduling Memo](#) (May 2, 2018); Docket No. [R.17-06-026](#).

## PG&E's 2019 Energy Resource and Recovery Account Forecast

The Energy Division is hosting a workshop on November 8 on integrating the CPUC's recent PCIA decision (D.18-10-019) into each of the utility's 2019 forecast ERRAs proceedings. PG&E and Joint NorCal CCAs filed reply briefs on October 16, 2018, and Joint NorCal CCAs filed a motion to revise the procedural schedule on October 24, 2018.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. PG&E is forecasting a 2019 total revenue requirement of \$2.893 billion, comprised of \$1.597 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$82.2 million; the PCIA, \$1.068 billion; and the Cost Allocation Mechanism, \$146.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related forecasts, which includes a net GHG revenue return of \$314.2 million. PG&E's application was protested by CCA Parties and the Office of Ratepayer Advocates.
- **Details:** In its Motion, the Joint NorCal CCAs requested (1) the inclusion of specific detail in the November Update, (2) confidential information provided in the November Update to be made



available to any person who has signed a non-disclosure agreement in either this ERRA proceeding (A.18-06-001) or the PCIA proceeding (R.17-06-026), (3) PG&E to hold an online conference on November 9 (or two days following the November Update) to present their update and give parties the opportunity to ask questions, and (4) a timeline for discovery responses of three business days. Furthermore, they requested an extension of time for comments until November 21, 2018 if the CPUC believes additional time is warranted.

- **Analysis:** This proceeding will implement the October Track 2 Decision from the PCIA docket and establish the amount of the PCIA for VCE's 2019 rates and the level of PG&E's generation rates for bundled customers.
- **Next Steps:** PG&E will update the requested revenue requirements, including NBCs, as well as more current CCA load forecast information, in its November Update on November 7. Comments on the November Update are currently due November 19.
- **Additional Information:** [Joint NorCal CCA Motion](#) (October 24, 2018); [Scoping Memo and Ruling](#) (August 16, 2018); [CCA Parties' Protest](#) (July 5, 2018); [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

## Resource Adequacy (RA)

In October 2018, parties including CalCCA filed opening and reply comments on SCE's RA central buyer proposal. LSEs including VCE submitted their 2019 Year Ahead RA filing on October 31.

- **Background:** This proceeding has three tracks, and is currently focused on Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. The proceeding is currently in [Track 2](#), which is considering issues like the adoption of multi-year local RA requirements, a "Central Buyer" proposal for potential major revisions to RA procurement, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. A future [Track 3](#) will address issues including 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** The Ruling on which parties submitted comments and reply comments in October stated that the CPUC is interested in considering in more detail SCE's proposal in which a central buyer would procure Local RA on a residual basis. LSEs would continue to procure RA to meet their System and Flexible requirements with the assumption that their procurement objective will be to secure the least-cost resources to meet their RA needs. If these least-cost resources also meet local area needs, then they would reduce the quantity of Local RA that the central procurement entity needs to procure to meet the residual Local RA need. The LSE would need to have procured the resource for the duration of the three-year compliance period and agree to show the resource as RA in each month of all three years.
- **Analysis:** This proceeding affects VCE's RA compliance obligations for 2019 and 2020, and could potentially result in a new RA procurement framework in California that may impact VCE's ability to procure RA capacity on its own behalf. Changes being considered include requiring LSEs like VCE to procure RA for 3-5 years in advance instead of only for the year ahead, as well as moving to a central buyer model for local capacity requirements, where, under various proposals, PG&E, CAISO or another entity would be responsible for procuring RA capacity on VCE's behalf, either on an upfront or residual basis.
- **Next Steps:** Parties are awaiting next steps on a procedural schedule. The currently applicable Scoping Memo and Ruling indicates that a Proposed Decision is expected in Q4 2018.
- **Additional Information:** [Ruling](#) requesting comments on SCE's proposal (October 5, 2018); [2017 Resource Adequacy Report](#) (August 3, 2018); [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting flexible

capacity requirements for 2019 (both on June 22, 2018); [Scoping Memo and Ruling](#) (January 1, 2018; [modified](#) in part on May 2, 2018); Docket No. [R.17-09-020](#).

## CCA Reentry Fees & Financial Security Requirements

On October 2, 2018, PG&E filed a supplemental Advice Letter (5354-E-A) to resolve AReM and CalCCA's protests. AL 5354-E-A is still pending approval.

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The FSR is used to cover those potential costs. The reentry fee for incremental procurement costs is based on six months of incremental procurement. The CPUC's Decision adopted on June 7, 2018 provided that the administrative per-customer reentry fee is \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and that the minimum FSR is \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party.
- **Details:** PG&E previously submitted three ALs implementing the CPUC's decision on CCA financial security requirements (FSR), including one establishing VCE's FSR:
  - [AL 5354-E-A](#) (Tier 2) proposes revisions to electric Rule 23 Community Choice Aggregator Service to incorporate the reentry fees and FSRs.
  - [AL 5350-E](#) (Tier 2), effective September 14, specifies VCE's and other CCA's FSRs, which are redacted in the Public version. Going forward, PG&E will update the FSR amounts biannually (on May 10 and November 10 each year).
  - [AL 5359-E](#) (Tier 1) provides a detailed description of the specific services that are covered under the CCA customer reentry fee for utility administrative costs and how those costs were calculated. It states that PG&E intends to identify the administrative fee as a separate item in its 2020 General Rate Case Phase II testimony and include a description of the components of the fee, how it is calculated, and a comparison of its fee with other major California utilities.
- **Analysis:** This rulemaking proceeding is closed. PG&E's ALs are related to implementing various requirements established in the final decision issued in this proceeding.
- **Next Steps:** CCAs will be required to submit a compliance Tier 1 AL to the Energy Division within 30 days of approval of the ALs, providing notice of compliance with the FSR and requesting return of any interim financial security posted with the CPUC.
- **Additional Information:** [AL 5354-E-A](#) revising electric Rule 23 (October 2, 2018); [AL 5359-E](#) describing reentry fee (August 17, 2018); [AL 5350-E](#) on financial security requirements (August 6, 2018); [D.18-05-022](#) establishing CCA reentry fees and financial security requirements (June 7, 2018); Docket No. [R.03-10-003](#).

## Renewables Portfolio Standard (RPS) Rulemaking

In October 2018, parties filed (1) reply comments on original (pre-SB 100) RPS procurement plans; (2) comments on a Proposed Decision implementing AB 1923 (regarding interconnection rules under the Bioenergy feed-in tariff program); and (3) comments and reply comments on Staff's proposal on effective load carrying capability (ELCC), time of delivery factors, and project viability.

- **Background:** On July 12, 2018, the CPUC adopted an Order Instituting Rulemaking (OIR) establishing a new proceeding addressing RPS-related issues, R.18-07-003. The prior RPS docket, R.15-02-020 is now closed except for the limited purpose of addressing pending petitions for modification. Going forward, the new rulemaking proceeding will cover topics relevant to the RPS.

**Details:** LSEs originally filed their RPS Procurement Plans on August 20, 2018. Comments were filed on September 21, 2018 and reply comments were filed on October 5, 2018. In R.15-02-020, ALJ Mason requested updates to the RPS Procurement Plans to address procurement of resources in compliance with SB 100, which increased California's RPS target to 60% by 2030 and accelerated interim compliance period targets. These updated plans, including VCE's, were filed on October 8, 2018. No parties filed comments on the October 8 (post-SB 100) RPS procurement plans.

A September Ruling requested comments on the Energy Division Staff Proposal on three components of the Least-Cost Best-Fit (LCBF) methodology: ELCC, Time of Delivery (TOD) factors, and project viability. For reference, the LCBF methodology applies to how IOUs evaluate bids related to RPS procurement. In their LCBF valuations, the IOUs currently include the bid's capacity benefits by valuing the RA benefits expressed in the form of an assigned Net Qualifying Capacity (NQC) of each offer bid; unlike SDG&E and SCE, PG&E uses a form of ELCC to determine NQC values of each renewable bid. Staff proposed that the three IOUs should use a standardized ELCC approach that is specific to RPS procurement within their LCBF methodologies. Comments in response to the Ruling were filed on October 5.

Finally, a pending October Proposed Decision would implement changes to interconnection rules for the BioMAT program pursuant to AB 1923. For reference, the Bioenergy Market Adjusting Tariff (BioMAT) is a procurement program within the RPS that requires the three large IOUs (and not CCAs) to procure up to 250 MW of renewable feed-in-tariff resources from small-scale bioenergy projects.

- **Analysis:** This proceeding will affect VCE's RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E's RPS compliance obligations and impacts on above-market costs for the PCIA calculation. However, a final scope and procedural schedule have not yet been established.
- **Next Steps:** Parties are awaiting the issuance of a final scoping memo.
- **Additional Information:** [Proposed Decision](#) on interconnection rules in the BioMAT program per AB 1923 (October 5, 2018); [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Ruling](#) requesting comments on ELCC (September 12, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R-18-07-003](#).

## Integrated Resource Planning (IRP)

On October 31, 2018, the CPUC held a workshop on aggregated LSE portfolios and production cost modeling for validating the Preferred System Plan, and the proposed reliability base case for the CAISO Transmission Planning Process. Earlier in October, parties filed comments and reply comments in on production cost modeling in response to a Staff proposal.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. VCE submitted its IRP on August 1, 2018. Its next IRP filing is due May 1, 2020.

**Details:** On September 25, 2018, Staff published its proposal for integrating energy efficiency into the IRP process. Staff's Proposal is intended to begin the process of determining how best to incorporate energy efficiency into the IRP optimization process, with a focus on exploring the feasibility of optimizing energy efficiency measures as candidate resources. Attachment A detailed how production cost modeling will be used by the CPUC in the IRP process going forward. Attachment B was a Powerpoint slide deck detailing the production cost modeling and analysis that CPUC Staff has conducted.

An October 5 Ruling granted motions to file the following types of information confidentially: load forecasts; contracted resource adequacy volumes; and specific details of contracted resources such as resource names and IDs, as well as contract IDs. The questions posed in the Ruling relate to confidential treatment of IRPs going forward, as well as CPUC confidentiality precedent

relating to CCAs and other parties more broadly. The October 5 Ruling also finds that evidentiary hearings will not be held in this proceeding and also that LSEs will not be required to update their 2018 IRPs to address the requirements of 2018 SB 100. SB 100 will be addressed in the 2019-2020 IRP cycle.

- **Analysis:** The proceeding is now focused on addressing issues that will be relevant to VCE's 2020 IRP filing. Based on LSE IRP submissions, the CPUC will now be aggregating data to inform development of the recommended Preferred System Plan described in Decision (D.) 18-02-018.
- **Next Steps:** Comments on future confidentiality treatment in LSE's IRPs, and potentially more broadly, are due November 16, with reply comments due November 30. A Ruling on production cost modeling guidelines and the aggregated LSE portfolio dataset is expected in early November according to slides from the October 31 workshop.
- **Additional Information:** [Workshop Materials](#) (October 31, 2018); [Notice of Public Workshop](#) on aggregated LSE portfolios and production cost modeling (October 29, 2018); [Ruling](#) on confidentiality motions (October 5, 2018); [Ruling](#) requesting comments on production cost modeling (September 24, 2018); [Staff Proposal](#) for incorporating energy efficiency into the IRP process (September 18, 2018); [VCE's 2018 IRP](#) (August 1, 2018); [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

## Tree Mortality Nonbypassable Charge (NBC)

Briefs have been filed and parties are awaiting a Proposed Decision. On October 29, 2018, PG&E, SCE and SDG&E filed a Joint Motion requesting the record be reopened for the purpose of taking official notice of SB 901 (2018), which addressed wildfire issues, including requiring LSEs to seek extensions to Tree Mortality Procurement contracts.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a "Tree Mortality Non-Bypassable Charge," and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be allocated to all customers, including unbundled customers. The utilities define the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details:** Parties are now awaiting the issuance of a Proposed Decision.
- **Analysis:** This proceeding could result in additional costs being recovered through the Public Purpose Program Charge on CCA and bundled customers.
- **Next Steps:** A Decision is expected by late Fall 2018.
- **Additional Information:** [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA's Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018); Docket No. [A.16-11-005](#).

## PG&E Rate Design Window (RDW)

On October 26, 2018, parties including several (jointly filing) CCAs filed Testimony on Phase IIB.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I Decision](#) granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020.

The proceeding is now focused on [Phase II](#), which is considering the IOUs' specific rate design proposals for default TOU and other rate options, as well as implementation issues for default TOU. With respect to PG&E, [Phase IIA](#) is focused on PG&E's proposal to restructure the CARE discounts into a single line item percentage discount to the customer's total bill, and [Phase IIB](#) is addressing its rate design proposals and implementation, including a number of issues impacting CCA customers (e.g., PG&E's CCA rate comparison tool and TOU rate design roll out to CCA customers).

[Phase III](#) will consider the IOUs' proposals for fixed charges and/or minimum bills. PG&E proposed raising its minimum bill from \$10/month to \$15/month and implementing a fixed charge beginning at \$3.70/month in the first year and rising to \$7.40/month in the second year.

- **Details:** The CCA's argue that IOU programmatic offerings should be available to both bundled and unbundled customers. They also take issue with PG&E's proposal to roll out default TOU rates to its service territory over the course of a year, while proposing to roll out TOU to each county in a CCA service area over a single month at PG&E's discretion.
- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates.
- **Next Steps:** In Phase IIA, a Proposed Decision is expected in November, with a final Decision by December 13, 2018. In Phase IIB, ORA and intervenor testimony were due October 26 and rebuttal testimony is due December 7. A Phase IIB Decision is expected in July 2019. There are no Phase III procedural deadlines scheduled until March 2019.
- **Additional Information:** [Ruling](#) requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); [PG&E Supplemental Testimony](#) (August 17, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

## Other Regulatory Developments

- **PG&E Phase I General Rate Case (GRC).** In an October 15, 2018 letter to the Commission, PG&E stated that it will file its Phase I GRC between December 10 – 20, 2018.
- **Utility Wildfire Mitigation Plans.** On November 2, 2018 the CPUC [opened](#) an Order Instituting Rulemaking ([R.18-07-007](#)) to implement electric utility wildfire mitigation plans pursuant to [SB 901](#) (2018). For reference, under SB 901, wildfire mitigation plans must include a number of specific provisions, including a description of the utility's preventive strategies and programs to be adopted to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks; protocols for disabling reclosers and deenergizing portions of the electrical distribution system that consider the associated impacts on public safety, as well as protocols related to mitigating the public safety impacts of those protocols, including impacts on critical first responders and on health and communication infrastructure; appropriate and feasible procedures for notifying a customer who may be impacted by the deenergizing of electrical lines; plans for vegetation management; plans for inspections of the electrical corporation's electrical infrastructure; a list that identifies, describes, and prioritizes all wildfire risks, and drivers for those risks, throughout the electrical corporation's service territory; identification of any geographic area in the electrical corporation's service territory that is a higher wildfire threat than is currently identified in a commission fire threat map; and plans to prepare for, and to restore service after, a wildfire.
- **PG&E 2018 Energy Storage Procurement.** On October 31, 2018 the CPUC issued [D.18-10-036](#) on the major IOUs' 2018 storage procurement plans under California's AB 2514 energy storage

procurement mandate. Requests for rehearing are due November 30. The Decision accepts PG&E's plan to conduct a 2018 solicitation for up to 190 MW. PG&E is directed to hold its solicitation by the later of December 1, 2018 or shortly after the date the Decision is approved. However, pending Draft Resolution E-4949 (issued September 20) would allow three third-party owned storage contracts and one utility-owned facility, totaling 567.5 MW, to count towards PG&E's AB 2514 targets; if approved, PG&E must file a Tier 1 advice letter on how the approval impacts its 2018 storage RFO.

- **PG&E Diablo Canyon.** On October 16, 2018, the CPUC issued a [Proposed Decision](#) (PD) implementing [SB 1090](#) (2018) and modifying its January 2018 Decision ([D.18-01-022](#)) addressing planning for the retirement of the Diablo Canyon nuclear power plant and associated funding for employee retention and community impact mitigation programs. Comments on the PD are due November 5, replies are due November 12, and the PD may be adopted, at earliest, at the CPUC's November 29 meeting. The PD authorizes PG&E to collect an additional \$225.8 million in rates over the amounts authorized in D.18-01-022 for PG&E's employee retention and community mitigation measures associated with the plant closure. The change stems from SB 1090, which requires the CPUC to fully fund the employee retention program as proposed by PG&E in its initial application, and the community impact mitigation program (CIMP) included in the initially proposed settlement. D.18-01-006 did not permit the utility to recover CIMP costs totaling \$85 million, and cut the amount of cost recovery for the employee retention program by \$141 million from PG&E's original request. The increase is to be recovered in PG&E's base rates.
- **CAISO Issue Paper on RA.** On October 22, 2018, the CAISO published its [Issue Paper](#) for its new initiative targeting enhancements to the RA program. Stakeholder comments on the Issue Paper are due November 12 and the CAISO anticipates issuing a Phase 1 Straw Proposal on December 20. Further expected deadlines extend through a November 2019 presentation of a final proposal to the CAISO Board. (Many of these dates are likely to change as the initiative moves forward.) Phase 1 will address changes to the CAISO's RA program intended to support a multi-year RA proposal presently being considered by the CPUC, while Phase 2 will address other enhancements necessary to further align CAISO planning and procurement processes with operational needs to maintain system reliability.
- **Customer Choice Initiative.** On October 23, 2018, the CPUC issued its [Draft Gap Analysis/Choice Action Plan](#) (GA/CAP). The CPUC held an [En Banc](#) hearing on October 29, 2018 to review the GA/CAP and receive oral comments. Post-meeting written comments are due by November 13, 2018. The Draft GA/CAP was developed to examine the fundamental questions raised in the August 2018 [California Customer Choice Paper](#) and identify critical issues that require a solution. The Draft GA/CAP focuses on the key issues of consumer protection, duty to serve, and reliability/resource procurement. Within these overarching categories, specific issues are analyzed in order to identify the gap (if any), determine the processes (if any) underway to address the gap and finally, recommend either (1) monitoring, (2) additional analysis, or (3) immediate action.
- **2018 Annual RPS Report.** According to the CPUC's [2018 Annual RPS Report](#), California's large IOUs are on pace to reach 50% renewable energy by 2020, with PG&E (33%), SCE (32%) and SDG&E (44%) each currently exceeding their 2017 RPS target of 27%. CCAs operating in 2017 already had an average RPS percentage of 50%, although they will need to procure additional renewable resources to maintain or increase that percentage. The CCAs actual RPS percentages in 2017 varied from 38% to 64%. Based on the CCAs' Renewable Net Short calculations, the CCAs will have an immediate RPS procurement need of approximately 6,900 GWh beginning in 2020. Finally, renewable contract prices continued to fall in 2017, reaching a historic low price of \$47/MWh for average annual RPS eligible energy contracts for all technology types.

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Agenda Item 8

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Mitch Sears, Interim General Manager, VCEA  
**SUBJECT:** Customer Enrollment Update (Information)  
**DATE:** November 15, 2018

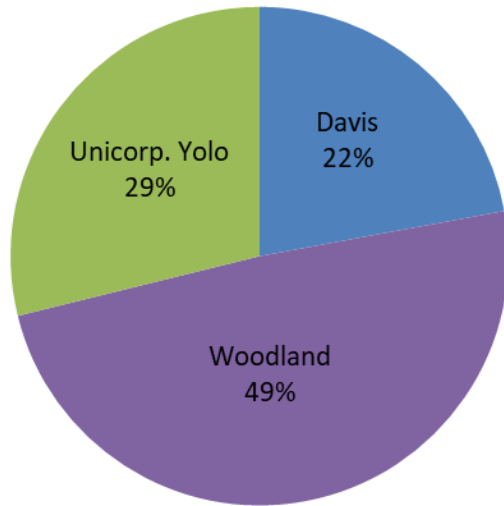
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### RECOMMENDATION

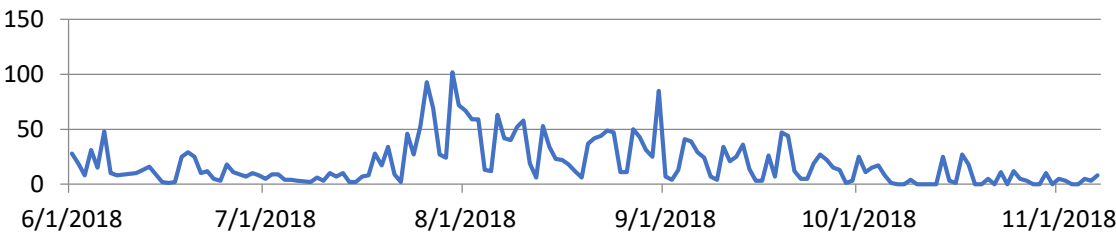
Receive and review the attached Customer Enrollment update as of November 7, 2018 provided by SMUD.

# Enrollment Update

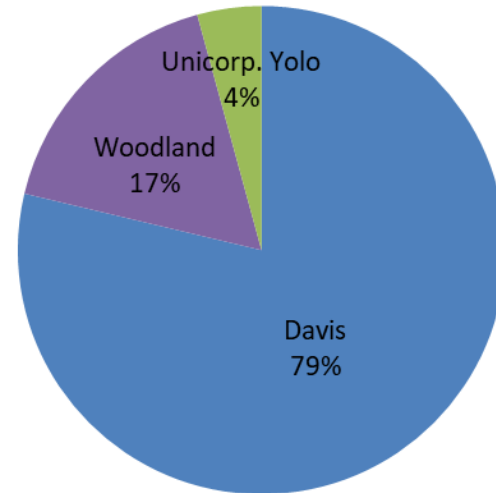
**4,236 Opt Outs**  
6.5% of customers



**Daily Opt Outs**



**94 Opt Ups**



	Eligible	Opt-Out	% Opt Out
Residential	56,500	3,553	6.3%
Non-Residential	8,500	683	8.0%
<b>Total</b>	<b>65,000</b>	<b>4,236</b>	<b>6.5%</b>



Status Date: 11/7/18



## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Agenda Item 9

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TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Transmittal of Community Advisory Committee (CAC) October 29, 2018 meeting summary; CAC's Thoughts on Approach to New PCIA; and First Year Progress Report

DATE: November 15, 2018

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This report transmits the following:

1. CAC's summary report regarding its October 29, 2018 meeting;
2. the CAC's "Thoughts on Approach to New PCIA" on the update provided to the Board of Directors at their November 1, 2018 Special meeting / Power Charge Indifference Adjustment (PCIA) Workshop; and,
3. CAC's First Year Progress Report: The CAC prepared and submit for your Board's receipt and review a progress report summarizing their main activities and issues addressed during the CAC's first year (September 2017 – August 2018). In addition, the report makes suggestions for the Board to consider regarding topics the CAC thinks appropriate to address in the coming year. Attached to the CAC's First Year Progress Report are the following:
  1. VCE Vision Statement
  2. Task Group Summaries
    - a. Energy
    - b. Legislative/Regulatory
    - c. Outreach/Marketing
  3. CAC Recommendations (motions) to the Board

#### **Attachments:**

1. CAC Report
2. CAC's Thoughts on Approach to New PCIA
3. CAC First Year Progress Report

**Valley Clean Energy Alliance**  
**Community Advisory Committee (CAC) Report to the Board**  
**Summary of October 29<sup>th</sup> CAC Meeting**

- CAC Revised Charge
  - Reviewed revised CAC Charge with members.
  - The revisions reflect the transition from pre-launch to post-launch activities.
  - Motion: to recommend to Board to approve updated CAC Charge. Motion passed: 7-0-0.
  
- CAC Progress Report, First Year, Launch Phase
  - Reviewed updated draft of progress report with members.
  - The report summarizes the main activities and issues addressed by the Committee during the first year. Further, the report makes suggestions for the Board to consider regarding priorities the CAC thinks appropriate to address in the coming year.
  - Motion: to approve Progress Report (with addition of positions) and present to Board for review. Motion passed: 7-0-0.
  
- PCIA Update and passage of SB 237
  - G. Lawson reviewed slides on PCIA increase's effect on financials and clarified various issues in response to committee member questions. Members discussed the various scenarios presented and each offered a comment(s) for transmittal to the Interim General Manager and the Board.
  - The attached document, with a summary of CAC thoughts and comments on PCIA impact, was prepared by G. Braun, C. Shewmaker, and M. Baird. G. Braun briefly presented this summary at the 11/1/18 Special Board meeting.
  - C. Shewmaker updated committee on impact of passage of SB 237 expanding Direct Access.
  
- Q3 2018 Procurement Report
  - G. Lawson reviewed procurement update. Increased power costs in 2019 and 2020 impact financials as power costs are approximately 90% of VCE costs.
  
- CAC Administration
  - Staff updated CAC on new member recruitment, job description and application.
  - CAC members were assigned to 3 classes with staggered term endings. Requested term assignments were identified, as follows:
    - i. Class 1 – term expiring June 2019
      1. Davis – Y. Hunter
      2. Woodland – M. Aulman
      3. Yolo County – D. Springer
    - ii. Class 2 – term expiring June 2020
      1. Davis – G. Braun
      2. Woodland – C. Shewmaker
      3. Yolo County – M. Baird
    - iii. Class 3 – term expiring June 2020
      1. Davis – L. Kristov
      2. Woodland – vacant
      3. Yolo County – vacant



## CAC Thoughts on Approach to New PCIA

November 1, 2018 - Special Board Meeting



Compliments, thanks to staff for highly illuminating PCIA update on Monday  
Thanks to Alisa, Christine and Marsha for this summary of CAC member reflections

Summarize CAC discussion on Monday, 10/29

- All seven members were there and participated on 10/29
- At least one top level item per member
- No disagreements but also no opportunity for CAC to review this summary
- Emphasis on community as in CAC
- Also communications and NEM

## CAC Thoughts on PCIA Approach

### **Communicate Intention to Maintain Long Term Vision and Mission of VCEA**

- VCEA is committed to clean energy and sustainable future
  - Avoid lowering renewable/ clean energy content
- VCEA will maintain cost competitiveness with PG&E



2

Commitment to long term vision means VCE is not going away; VCEA board is confident the short and long term vision it approved in 2017 will be achieved.

Also might mean intention to translate vision into action, quickly, pro-actively and consistent with local needs and opportunities.

Also might mean engagement with member communities, acceleration of local clean energy integration.

Per staff report, lowering RE/clean energy content doesn't help much. Thus, continue to look for ways to increase.

In light of likely continuing fiscal uncertainties, cost competitiveness with PG&E may need to be more precisely defined relative to PG&E generation cost and relative to timing of PG&E rate adjustments.

If lower rates aren't possible in 2019, be clear that goal is significant annual average rate savings over the first three to five years of operations.

## CAC Thoughts on PCIA Approach

### Importance of Messaging

- Timing of new marketing consulting agency important
- Clear communication of PCIA increase and resilience of VCEA
- Aim to avoid increase in opt-outs
- Financials improve as organization matures



3

Provide perspective on PCIA but also take the opportunity to emphasize commitment to local climate action, competitiveness, customer and community engagement, etc.

Aim for broadly understandable explanation of exit fees and expected temporary nature of fiscal stringency

VCE financial position will improve. What this means to customers is there is a bright future for rate stability and significant/increasing rate savings going forward.

NEM customers may opt out when VCE finds it convenient to enroll them. They were told in well attended public meetings that enrollment planned for VCE's first year would start instead in January, 2019. NEM customers may reasonably expect a compelling and easily understandable explanation for further delay, especially in light of the recently approved board policy to start enrollment in January. For whatever reason, enrollment apparently will not start in January, and that definitel needs to be explained as well.

## CAC Thoughts on PCIA Approach

### Ask Community to Support VCEA

- Encourage opt-ups
  - Make sure it is revenue positive
- Consider year-end rebate or other similar approach
- Consider load shifting / energy efficiency messaging



4

Consider asking for VCE customer support and patience during the current period when IOUs are trying to slow CCA down by leveraging their overly-cozy relationship with the CPUC. VCE could more aggressively market opt-ups. To help promote opt-ups, individual jurisdictions should consider opting up for their municipal accounts in order to lead by example.

Revenue positive should be interpreted to mean revenue and net income positive.

Regarding opt-up pricing, supply now comes from centralized imports. To transition away from 100% imports, perhaps 2019 100% renewable pricing could account, not just for the cost of importing 100% RE electricity but also for the cost of staff efforts and programs aimed at stimulating and supporting development of local projects from which 100% RE could be purchased going forward. Alternatively, VCE could offer a separate 100% local renewable option in to be in place by mid-2019.

A year end rebate is worth considering, but CAC did not discuss or evaluate. Urgency of adjusting to CPUC decision left no time for that.

Customers supportive of CCA might be willing to adjust behavior to help VCE manage costs. Would require pro-active engagement with customers, esp. NEM customers, but could erase or potentially reverse the current projected NEM enrollment impact on peak day usage

## CAC Thoughts on PCIA Approach

### NEM

- Need to think through NEM decision carefully
- Are there other options for inclusion that lesson the financial impact?
  - How does removing 1 cent premium on net generation affect numbers?
- Consider long term strategic impact of delaying NEM customer enrollment



5

Think through NEM decision. Should be strategic as well as tactical. More specifically, think through whether current NEM policy fits a customer whose energy investments account for the lion's share of local carbon footprint reductions.

Note: NEM customers are generally a lot more conscious of energy costs and investments than others. They are more likely respond to possible future VCE customer-facing programs in ways that amplify program results. If they tune out as a result of having no relationship with VCE, this opportunity will be degraded. Note that as NEM customers decarbonize and electrify, the current estimated potential NEM impact on VCE generation costs may reverse. Leaving them with PG&E means PG&E customers get the benefit. Note also that the lion's share and increasing share of VCE area NEM generation is on commercial (vs. residential) customer sites.

VCE's NEM policy will have strategic impacts. Specifically, enrolling NEM customers will switch a large amount of locally generated zero carbon electricity to VCEA customer relationships from PG&E customer relationships. Further, electricity sector competition in the future will increasingly be about who has effective customer relationships and who does not. Also, don't forget the local solar industry and the need to anticipate how they might advise their customers.

## CAC Thoughts on PCIA Approach

### **Retain Flexibility and Capacity to Ensure both Short and Long Term Vision**



6

Time to lean in programmatically not out.

Small net income wins (NEM enrollment deferral and operating budget trimming) that degrade VCE's capacity to implement local programs, engage with member jurisdictions and contribute to local energy integration may disadvantage VCE strategically. Note that PG&E is among the large US IOUs that are accelerating their plans and program initiatives to generate new revenue streams and offer customers more than just electricity.



**Valley Clean Energy Alliance  
Community Advisory Committee  
Progress Report: First Year, Launch Phase  
September 2017 – August 2018**

Introduction

The Community Advisory Committee (CAC) of the Valley Clean Energy Alliance (VCEA) held its first meeting on August 22, 2017. This report summarizes the main activities and issues addressed during its first year. Further, the report makes suggestions for the Board of Directors to consider regarding topics the CAC thinks appropriate to address in the coming year.

During the first year (September 2017-August 2018), the CAC Members were:

*Davis:* Gerry Braun (Chair), Yvonne Hunter, Lorenzo Kristov  
*Woodland:* Mark Aulman, Tom Flynn, Christine Shewmaker (Vice Chair)  
*Yolo County:* Marsha Baird (Secretary), Amanda Beck (September-December 2017),  
David Springer

Board Charge to the CAC

- Advise the VCEA Board of Directors on VCEA’s general policy and operational objectives, including portfolio mix and objectives, as well as technical, market, program and policy areas;
- Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities;
- Provide a public forum to inform, advise and consult through community discussions on energy related issues and a wide variety of strategies to reduce carbon emissions; and
- Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues.

Year One (Launch Phase) - Main Activities and Issues Addressed

1. Provided input and recommendations to the Board on critical issues facing VCEA during the launch phase, including:
  - a. Power mix targets and rates;
  - b. Greenhouse gas (GHG) emissions, carbon footprint, renewable content of the portfolio;
  - c. Definition of supply categories, e.g. local supply;
  - d. Procurement policies and options;
  - e. Integrated Resource Plan;
  - f. Net Energy Metering (NEM) enrollment and net generation valuation policy (initial and revised);
  - g. Staffing plan;
  - h. Reserve Policy, Customer and Data Policies, Enterprise Risk Policy, and
  - i. Marketing and Communications Plan.
2. Developed a near and long-term Vision Statement for VCE which was adopted by the Board.
3. Created three task groups to consider relevant launch phase topics in detail and make recommendations to the full CAC. These were: Outreach/Marketing, Legislative/Regulatory and Energy. Summary reports from each task group are provided in the Appendix.
4. Supported Staff efforts in the area of public communication and outreach by staffing booths, giving presentations, facilitating public forums, and reviewing website and outbound communications.
5. Provided recommendations to the Board on positions on legislation in the 2018 legislative year.
6. Developed and implemented a process to inform the Board of the Committee’s recommendations through a written summary included in each Board packet.

**Valley Clean Energy Alliance  
Community Advisory Committee  
Progress Report: First Year, Launch Phase  
September 2017 – August 2018**

Year Two (Operational Phase) - Suggested Activities and Topics (not in order of priority)

1. Continue to provide advice to Board and support to Staff on key issues in the areas of Energy (portfolio mix and procurement), Legislative/Regulatory, and Outreach/Marketing.
2. Review and revise CAC Charge and Workplan to address long term vision elements. Consider having a Strategic Planning Retreat for Board, Staff and CAC.
3. Continue to ensure that CAC votes and recommendation are shared with the Board through summaries in the Board meeting packets. Increase the involvement in planning CAC agendas.
4. Improve process for reviewing legislation and providing recommendations to Staff and Board. Determine appropriate level of engagement with CalCCA and work to implement. Evaluate what is the appropriate role of the CAC related to regulatory issues.
5. Support development of goals and plans for outreach, marketing and communications with customers, including where appropriate, collaborating with the marketing and outreach consulting agency. Consider holding one or more workshops during Year Two to gather community input, provide responses to questions and explain VCEA programs to the broader community.
6. Encourage and inform public discourse regarding the need and urgency to address climate concerns.
7. Topics that CAC expects to have capacity to agendaize and address, subject to Staff agreement and Board direction:
  - a. Staffing to address near and long-term vision elements.
  - b. Advice regarding organizational strengths, weaknesses, opportunities and threats.
  - c. Strategies to address Vision Statement goals.
  - d. Review of business plans, planning information and financial pro formas.
  - e. Expansion of current Integrated Resource Plan to address local resource development targets and programs.
  - f. Adjustments in strategic targets related to GHG emissions, carbon footprint and renewable supply portfolio mix consistent with providing “Cost Competitive Clean Energy”.
  - g. Strategies for increased customer loyalty through locally important options and programs PG&E does not offer.
  - h. More integrative and comprehensive NEM policy that recognizes customer generation as a local resource.
  - i. Robust strategies that account for a range of business environment scenarios and supply cost contingencies.
  - j. The importance of VCEA’s climate action role.

Appendix

1. VCE Vision Statement
2. Task Group Summaries
  - a. Energy
  - b. Legislative/Regulatory
  - c. Outreach/Marketing
3. CAC Recommendations (motions) to the Board

## Valley Clean Energy Alliance

### Integrated Vision for Community Choice Energy

Valley Clean Energy Alliance (VCEA) is a joint-powers authority working to implement a state-authorized Community Choice Energy (CCE) program. Participating VCEA governments include the City of Davis, the City of Woodland and County of Yolo. The purpose of the VCEA is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the residential, commercial, agricultural and industrial users in their areas. PG&E would continue to deliver the electricity procured by VCEA and perform billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions would have the choice not to participate in the VCEA program.

#### Near-Term<sup>i</sup> Vision

The near-term vision for VCEA is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price premiums;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCEA energy programs and mitigation of future energy costs and risks.

#### Long -Term Vision

The future vision for VCEA is to continuously improve the electricity choices available to VCEA customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future; and
- Saving money for ratepayers on their energy bills.
- Remaining open to the participation of additional jurisdictions.

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<sup>i</sup> Launch Phase and First Year

## VCE COMMUNITY ADVISORY GROUP ENERGY TASK GROUP YEAR 1 REPORT AND OUTLOOK

**Task Group Members:** Gerald Braun, Tom Flynn, Lorenzo Kristov, David Springer

**Charge:** The charge to the VCEA Community Advisory Committee (CAC) from the VCEA board states that the CAC should “advise the VCEA Board of Directors on VCEA’s general policy and operational objectives, including portfolio mix and objectives, technical, market, program and policy areas.”

### **Highlights of Accomplishments:**

- Recommended portfolio mix and objectives for CAC consideration, including: 1) 42% RPS qualifying default option, 2) an all renewables option, 3) early introduction of an all-local renewables option, and 4) targets to increase the percentage of locally produced power.
- Recommended action steps toward development and integration of local clean energy resources and technologies.
- At the request of staff convened to review/advise regarding: 1) criteria for long term procurement, 2) IRP action steps, and 3) Defenders of Wildlife supply project standards.
- One or more task group members provided technical review of foundational documents including: 1) technical/operations consultant task orders, 2) staffing plan, 4) NEM policy, 5) risk management policy, and 6) power procurement guide.

### **Lessons Learned – Challenges and Opportunities**

#### **Challenges:**

- Financial contingencies and staffing delays tend to focus staff/consultant/CAC engagement on operational concerns vs. planning.
- The task group does not have a chair. The CAC attempts to spread its work across its membership. This means seeking task group chair volunteers who do not have other coordination responsibilities. Coordination challenges and member interest in the work of other task groups also limits member willingness to serve as task group chair.
- Some current task group members lack flexibility to meet during work days, while staff and consultants (understandably) prefer day-time meetings.
- The goal for the CAC to have equal numbers of appointees from each member jurisdiction limits the pool of potential advisors from within the VCE service area and further limits the pool of unconflicted energy experts.

#### **Opportunities**

- VCE’s current organizational focus is narrow (two rate options, no customer-facing programs, and deferral of NEM customer enrollment). Only a narrow portion of the CAC’s broad energy-related charge needs to be addressed.
- Rethink criteria for Energy Task Group membership, e.g. consider recruiting/adding well qualified non-voting members having energy technical and market experience.
- Consider budgeting for action steps toward local clean energy programs and integration.

## **VCE COMMUNITY ADVISORY COMMITTEE LEGISLATIVE/REGULATORY TASK GROUP ACTIVITIES REPORT FOR 2018**

**2017-2018 Task Group Members:** Yvonne Hunter (chair), Tom Flynn (not continuing after August 2018), Lorenzo Kristov, Christine Shewmaker

**Task Group Charge:** The charge to the VCEA Community Advisory Committee (CAC) from the VCEA board states that the CAC should “Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues.” The Leg/Reg Task Group activities were consistent with this charge and the Task Group reported its recommendations to the CAC for consideration.

### **Highlights of Accomplishments in 2017-2018:**

- Developed a procedure for the Task Group, the CAC, staff and the VCE board to use for reviewing legislation introduced in the 2017-2018 Legislative session and proposed regulations so that VCE can adopt positions and engage in the legislative and regulatory process. Key to that process is to consider bills that CalCCA is following and has taken positions on.
- Considered eight bills before the Legislature in 2018 and recommended positions to the VCE board, through the CAC, on positions for VCE. With a few exceptions, the positions recommended reflected the positions adopted by CalCCA. Where the positions differed, the Task Group provided information on why a different position was recommended.
- Over time and with experience, the Task Group developed an effective and collaborative working process among its members that enables each member to weigh in with her or his perspective, learn from each other, prepare reports that reflect the members’ individual and collective ideas and forward well thought-out recommendations to the CAC for consideration.

### **Lessons Learned – Challenges and Opportunities**

#### **Challenges:**

- Identifying bills being tracked by CalCCA and the basis of CalCCA’s positions on those bills.
- Identifying bills and issues that CalCCA is not tracking, but which may be important to VCE.
- Refining the process by which VCE engages in the legislative process in a timely manner.

#### **Opportunities**

- Rethink the process by which the Task Group works with staff to identify bills CalCCA is tracking and for which CalCCA has adopted positions.
- Develop a process for the VCE to follow (and possibly engage in) other key issues not followed by CalCCA.
- Work with staff to refine the process by which VCE sends letters to the author and Legislature on bills so that VCE’s positions are communicated early and throughout the Legislative session.
- Consider ways to make VCEA’s positions on legislation and regulatory actions available to the public, for example through the website.

- Up to now the Task Group has concentrated on legislative matters and not followed regulatory activities closely. Work with staff to consider what are the appropriate role and procedures for the Leg/Reg Task Group's tracking of or engagement in regulatory issues.
- Revisit the Leg/Reg Task Group procedures adopted in 2017 and refine as appropriate given the experience in 2018; propose revisions to be considered for subsequent 2019 Task Group to use.

**VCE COMMUNITY ADVISORY COMMITTEE OUTREACH TASK GROUP (OTG)  
2017-18 ACTIVITIES REPORT**

**Task Group Members:** Mark Aulman (chair), Marsha Baird, Yvonne Hunter

**Charge:** The charge to the VCEA Community Advisory Committee (CAC) from the VCEA board states that the CAC should “Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities.”

**Highlights of Accomplishments:**

- Reviewed and provided editorial feedback on a variety of marketing materials: web content, print collateral, presentation slides, outgoing letters and postcards, flyers, and policy statements.
- Discussed concerns with Staff regarding the quality of work and attention to detail of marketing communications consulting agency engaged by VCE. Suggested editing, re-writes and quality improvements to materials prepared by consulting agency.
- Assisted with public outreach via staffing tables at Farmers’ Markets, making presentations to interested public groups, and moderating community workshops.
- Monitored social media for VCE-related postings and replied as needed.
- Volunteered to assist Jim with marketing communications agency RFP response review Q3 '18.

**Lessons Learned – Challenges and Opportunities**

**Challenges:**

- Needed to compensate for the performance deficiencies of the marketing communications consulting agency engaged by VCE.
- Many marketing materials were printed or published without adequate review and contained errors. The OTG alerted Staff when errors were found, but the work was reactive as opposed to proactive. Over time, the OTG was brought into the review cycle earlier.

**Opportunities**

- Hiring a marketing communications agency that will better meet VCE’s needs.
- The addition of VCE Staff focused on marketing and communications tasks has improved the ability of the OTG to participate and assist in a more proactive manner.

**Valley Clean Energy Alliance (VCEA) Community Advisory Committee (CAC)**  
**Summary of Recommendations (Motions) made to Board**  
**September 2017 – August 2018**

- Motion to approve the creation of 3 task groups: Energy task group, Legislative/Regulatory task group, Outreach task group. Motion passed unanimously.
- Motion to give the feedback to Circlepoint that Option 2 of product logos was headed in the right general direction. Motion passed with 2 abstentions.
- Motion to recommend board approval of the Draft Strategic Marketing and Communications Plan, including Subcommittee comments and responses from Circlepoint. Motion passed unanimously.
- Motion to recommend a Draft Vision Statement (Rev 5) for Board approval. Motion passed unanimously.
- Motion to support staff recommendation on Power Mix targets and rates for 2018, with the change that the renewables percentage be increased to 42%. The CAC recommends that when VCEA is looking at 2019 and beyond, VCEA should:
  - Evaluate increasing renewable percentage in the mix
  - Beginning in year 1, lay foundation for including local renewable resources as a part of the mix.
  - Motion passed, vote 5-2-1.
- Motion to support the staff recommendation on the reserve policy. Motion passed, vote 6-1-1.
- Motion to approve the below recommendation regarding VCEA staffing plan. Motion passed with one abstention.
  - 1) The committee agrees that all the positions in the chart are needed, and that further, there is a need for depth of subject matter knowledge and experience among VCEA employees. There is also a need for more than one person on the chart to be ready to step in when gaps arise, especially in cases involving permanent VCEA staff. Therefore, the position description for the AGM should require subject matter expertise in VCEA core business topics.
  - 2) The general manager and any assistant general managers should be full time and permanent.
  - 3) It will remain important to emphasize the separation of legal and leg/reg from SMUD by ensuring these functions do not report thru a SMUD employee or SMUD contractor.
  - 4) While the initial organization chart is adequate for the short term, i.e. launch phase and first year, it is not yet ideal in terms of preparation for the longer term. it will be important to review and if needed update it, annually at a minimum, to ensure adequate staffing both for near term operations and planning related to longer term goals as outlined in the long-term portion of the vision statement.
  - 5) Therefore, the committee recommends that staff start work on a plan for building local VCEA capacity, e.g. the band-width and technical/managerial expertise to engage with local companies that are actively delivering energy services and developing energy projects.
- Motion to recommend Board approval of draft Leg/Reg policy and procedures. Motion passed unanimously.
- Motion to recommend Board approval of delegation of authority to SMUD to begin execution of Procurement plan. Motion passed unanimously. The Advisory Committee requested periodic updates of how the procurements are going.



- Motion to recommend to the Board the adoption of the Customer and Data Policies with the incorporation of comments from Y. Hunter and C. Shewmaker. Motion passed unanimously.
- Motion on NEM Policy:
  - Recommend adoption modified Option 1, with modifications to make the VCEA offering better for existing NEM customers than PG&E's NEM rates.
  - Recommend that VCEA not use rates to create incentive for solar adoption, but should consider alternative, more flexible ways to incentivize solar, such as rebates, and in the future, incentives for adoption of solar+storage and other programs consistent with VCEA's vision.
  - Recommend coordinating with solar industry, as well as ag, commercial and residential solar customers to gather input for messaging about VCEA NEM rates.
  - Motion passed, vote 5-1.
- Motion to support staff recommendation to adopt Enterprise Risk Policy with wordsmithing from L. Kristov's email. Motion passed unanimously.
- Motion to support staff recommendation regarding UltraGreen product. Motion passed unanimously.
- Motion to support the staff recommendation on program launch related to energy rates, power mix and budgets. Motion passed unanimously.
- Motion to support staff recommendation on suspension of Forward PCC-2 Renewable Procurements. Motion passed with one abstention.
- Motion to request to the VCE Board to postpone the NEM enrollment until 2019 to allow for Staff to develop/finalize a modified policy and billing systems and ask that the Board address the NEM policy at their scheduled August 9, 2018 meeting. Motion passed unanimously.
- Motion to 1) accept Staff's recommendation to approve the IRP adopting Cleaner Base as its preferred portfolio with Local being the alternative portfolio; 2) direct Staff to insert in the appropriate places that VCEA look at local renewable proactively and incorporate local renewables where feasible and cost effective; and 3) approve the IRP Action Plan. Motion passed unanimously.
- Motion to accept Legislative/Regulatory Task Group's recommendation to recommend to the VCEA Board to support SB 100 (de Leon) Renewable Portfolio Standard GHG Emissions, consistent with CalCCA's position including the topics raised in CalCCA's letter dated January 16, 2018 to Honorable Kevin DeLeon that would result in withdrawal of support. Motion passed with 2 abstentions.
- Motion to accept Task Group's recommendation to recommend to the VCEA Board to take "No Position" on AB 813 (Holden) Multi-State Regional Transmission System Organization. Motion passed with one abstention.
- Motion to support Staff's recommendation on Long Term Renewables Procurement Solicitation Criteria/Policy except with respect to energy storage. Change "with a limitation of" to "with a preference for" battery storage systems integrated with a renewable project. Motion passed unanimously.
- Motion to accept Task Group's recommendation to recommend to the VCEA Board to: 1) Watch SB 1088 (Dodd) Safety, reliability and resiliency planning, 2) Oppose AB 893 (Garcia) Renewable Portfolio Standard. Geothermal, 3) Oppose unless amended SB 1347 (Stern) Energy storage systems: procurement, 4) Oppose AB 2208 (Aguilar-Curry) Electrical Utilities. Biomass. Geothermal, 5) Watch AB 2726 (Levine) California Global Warming Solutions Act of 2006, 6) Oppose SB 237 (Hertzberg) Direct Access. Motion passed unanimously.

**VALLEY CLEAN ENERGY ALLIANCE**

**Staff Report - Agenda Item 10**

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**TO:** VCE Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager  
Alisa Lembke, Board Clerk/Administrative Analyst

**SUBJECT:** Community Advisory Committee Updated and Revised Charge

**DATE:** November 15, 2018

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**Recommendation:** Adopt the attached resolution approving the updated and revised VCE Community Outreach Advisory “Charge”.

**Background:** On December 13, 2016, the VCE Board via Resolution (#2016-006) formed a Community Advisory Committee wherein the Board defined its “charge” or purpose and scope. In July 2017 the Board directed the Advisory Committee to review the initial “charge” adopted by the Board in December 2016 and recommend revision for Board consideration. On September 11, 2017, the CAC considered and voted unanimously to adopt the amendments to the original “charge” and on September 20, 2017, the Board adopted the attached CAC recommended Charge. Within the adopted Charge, the CAC was asked to “periodically review the charge and make recommendations for changes to the Board to reflect new issues, opportunities and challenges impacting VCE”.

After VCE completed their launch phase, the CAC reviewed and updated the existing Charge. A final draft updated Charge is being presented to the Board for adoption.

Attached are the following:

- 1) September 20, 2017 adopted Community Advisory Committee Charge;
- 2) September 20, 2017 adopted Community Advisory Committee Charge (redlined) version to show proposed revised verbiage changes; and,
- 3) the final updated and revised Charge.

The current updated charge shifts in focus from pre-launch activities to post-launch activities. Staff supports the CAC recommendations.

Attachments:

1. CAC Charge adopted September 20, 2017
2. Updated CAC Charge (redlined)
3. Draft updated CAC Charge
4. Resolution

Valley Clean Energy Alliance Advisory Committee

**Advisory Committee “Charge”**

**Adopted 9-20-2017**

Consistent with the policy adopted by the Valley Clean Energy (VCEA) Board of Directors, the VCEA Advisory Committee adopts the Charge to:

- Advise the VCEA Board of Directors on VCEA’s general policy and operational objectives, including portfolio mix and objectives, as well as technical, market, program and policy areas;
- Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities;
- Provide a public forum to inform, advise and consult through community discussions on energy related issues and a wide variety of strategies to reduce carbon emissions;
- Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues.

In order to achieve the goals and mission of VCEA, the Advisory Committee will develop, periodically review and update a workplan for the short and longer terms. The Committee will assist in the development of a Vision Statement to recommend to the VCEA Board of Directors. The Advisory Committee will also engage, evaluate, and make recommendations on select items to the VCEA Board, Staff and consultants, and engage with VCEA member jurisdictions and others, as directed by the Board or initiated by the Advisory Committee.

The Advisory Committee will periodically review this charge and make recommendations for changes to the Board of Directors in order to reflect new issues, opportunities and challenges impacting the VCEA.

**Valley Clean Energy Alliance**

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**Community Advisory Committee "Charge"**

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**Advisory Committee "Charge"**

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**Adopted 9-20-2017 Updated on 11-15-2018**

Consistent with the policy adopted by the Valley Clean Energy (VCEA) Board of Directors, the VCEA Community Advisory Committee (CAC) adopts the Charge to:

- Advise the VCEA Board of Directors on VCEA’s general policy and operational objectives, including portfolio mix and objectives, ~~as well as~~ technical, market, program and policy areas, strategic objectives and strategies to reduce carbon emissions, accelerate development of local resources and promote energy resilience; ;
- Assist in the development of public information materials related to customer energy investments and choices offered by VCEA, PG&E and third parties;
- Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities;
- ~~Provide a public forum to inform, advise and consult through community discussions on energy related issues and a wide variety of strategies to reduce carbon emissions;~~
- Collaborate with VCEA staff on with monitoring legislative and regulatory activities related to Community Choice Energy issues.

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In order to achieve the goals and mission of VCEA, the CAC Advisory Committee will develop, periodically review and update a workplan for the short and longer terms. The Committee will monitor organizational performance toward fulfillment of the VCEA Board of Director’s assist in the development of a Vision Statement and may to recommend policy changes to further the VCEA vision. to the VCEA Board of Directors. The CAC Advisory Committee will also engage with VCEA, evaluate, and make recommendations on select items to the VCEA Board, Staff and consultants through its task groups, and evaluate, and make recommendations on select items at the request of engage with VCEA member jurisdictions and others, as directed by the Board or in consultation with the Interim General Manager. initiated by the Advisory Committee.

The Community Advisory Committee will periodically review this charge and make recommendations for changes to the Board of Directors in order to reflect new issues, opportunities and challenges impacting the VCEA.

Originally Adopted 9-20-2017

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**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2018 - \_\_\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE UPDATED  
COMMUNITY ADVISORY COMMITTEE CHARGE**

**WHEREAS**, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency (JPA) established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

**WHEREAS**, in accordance with Section 3.5.1 Commissions, Boards, and Committees of the JPA Agreement, the VCEA Board of Directors on December 13, 2016 via Resolution #2016-006 formed a Community Advisory Committee (CAC) wherein the Board defined its “charge” or purpose and scope.

**WHEREAS**, on July 25, 2017 the Board directed the Community Advisory Committee to review the initial “charge” adopted by the Board in December 2016 and recommend revision for Board consideration.

**WHEREAS**, on September 11, 2017, the CAC considered and voted unanimously to adopt the amendments to the original “charge” and on September 20, 2017, the Board adopted the attached CAC recommended Charge. Within the adopted Charge, the CAC was asked to “periodically review the charge and make recommendations for changes to the Board to reflect new issues, opportunities and challenges impacting VCE”.

**WHEREAS**, after VCEA completed its launch phase, the CAC reviewed and updated the existing Charge.

**NOW, THEREFORE, BE IT RESOLVED**, that the VCEA Board of Directors approve the revised and updated Charge (Exhibit A) of the Community Advisory Committee.

**ADOPTED**, this \_\_\_\_ day of \_\_\_\_\_ 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Lucas Frerichs, VCEA Board Chair

\_\_\_\_\_  
Alisa M. Lembke, VCEA Board Secretary

Exhibit A: Updated Community Advisory Committee Charge

**EXHIBIT A**

**UPDATED COMMUNITY ADVISORY COMMITTEE CHARGE**

**Valley Clean Energy Alliance**  
**Community Advisory Committee**  
**Updated Charge**

Consistent with the policy adopted by the Valley Clean Energy Alliance (VCEA) Board of Directors, the VCEA Community Advisory Committee (CAC) adopts the Charge to:

- Advise the VCEA Board of Directors on VCEA’s general policy and operational objectives, including portfolio mix and objectives, technical, market, program and policy areas, strategic objectives and strategies to reduce carbon emissions, accelerate development of local resources and promote energy resilience.
- Assist in the development of public information materials related to customer energy investments and choices offered by VCEA, PG&E and third parties.
- Collaborate with VCEA staff and consultants on community outreach to and liaison with member communities;
- Collaborate with VCEA staff on monitoring legislative and regulatory activities related to Community Choice Energy issues.

In order to achieve the goals and mission of VCEA, the CAC will develop, periodically review and update a workplan for the short and longer terms. The Committee will monitor organizational performance toward fulfillment of the VCEA Board of Director’s Vision Statement and may recommend policy changes to further the VCEA vision. The CAC will also engage with VCEA, Staff and consultants through its task groups, and evaluate, and make recommendations on select items at the request of the Board or Interim General Manager’s request or in consultation with the Interim General Manager.

The Community Advisory Committee will periodically review this charge and make recommendations for changes to the Board of Directors in order to reflect new issues, opportunities and challenges impacting the VCEA.

Adopted: November \_\_\_\_, 2018

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Agenda Item 11

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**TO:** VCE Community Advisory Committee

**FROM:** Mitch Sears, Interim General Manager  
Alisa Lembke, Board Clerk/Administrative Analyst

**SUBJECT:** Community Advisory Committee New Member Recruitment/Solicitation and Appointment Process; Appointment of Current CAC Members to Terms of Service

**DATE:** November 15, 2018

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**Recommendation:** Adopt the attached resolution approving VCE’s solicitation and appointment process to the Community Advisory Committee and appointment of the current CAC Members to terms of service.

**Background and Update:** On September 13, 2018, the Board approved the terms of service and officer position of members who serve on the Community Advisory Committee. On October 18, 2018, the Board approved a three-year term for Community Advisory Committee members, how to determine the terms of service of current CAC members, and criteria for new member recruitment, solicitation and selection.

Below are updates on the recruitment/solicitation, appointment, and terms of service of current CAC Members:

#### 1. **New Member Recruitment/Solicitation and Appointment:**

On Monday, October 22<sup>nd</sup> the solicitation for volunteers to fill the two vacancies (Woodland and Yolo County) on the CAC was issued using VCE’s list of approximately 330 e-mails and VCE’s website. As of November 8<sup>th</sup>, VCE Staff have not received any applications for the two vacant positions, although Staff have received an interest to serve as a City of Davis representative. The CAC at their October 29, 2018 suggested that the solicitation for volunteers be advertised by the City of Woodland and Yolo County. Staff have made this request to Woodland and the County.

At their October 29<sup>th</sup> meeting, the CAC made a request to Staff to look into the process of appointment of CAC members. Staff inquired with seven (7) CCA’s with Advisory Committees on who appoints their volunteers. CCA’s responded that their CCA Board of Directors appoint volunteers to their Advisory Committee which is consistent with the newly adopted VCE approach.



2. **Terms of Service of Current CAC Members:** The Board is being asked to appoint the current CAC Members to terms of service. The following CAC Members self-selected the terms of service listed below at their October 29<sup>th</sup> meeting:

**CLASS 1 – term expiring June 2019**

Yolo Rep. – David Springer  
Woodland Rep. – Mark Aulman  
Davis Rep.– Yvonne Hunter

**CLASS 2 – term expiring June 2020**

Yolo Rep.– Marsha Baird  
Woodland Rep. – Christine Shewmaker  
Davis Rep.– Gerry Braun

**CLASS 3 – term expiring June 2021**

Yolo Rep.– Vacant  
Woodland Rep. - Vacant  
Davis Rep.– Lorenzo Kristov

**Attachment:** Exhibit A - Resolution

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2018 - \_\_\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE SOLICITATION, SELECTION AND APPOINTMENT TO THE COMMUNITY ADVISORY COMMITTEE AND APPOINT THE CURRENT MEMBERS TO TERMS OF SERVICE**

**WHEREAS**, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency (JPA) established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

**WHEREAS**, in accordance with Section 3.5.1 Commissions, Boards, and Committees of the JPA Agreement, the VCEA Board of Directors on December 13, 2016 via Resolution #2016-006 formed a Community Advisory Committee (CAC);

**WHEREAS**, on September 13, 2018, the Board approved the terms of service and officer position of members who serve on the Community Advisory Committee;

**WHEREAS**, on October 18, 2018, the Board approved a three-year term for Community Advisory Committee members, how to determine the terms of service of current CAC members, and criteria for new member recruitment, solicitation and selection;

**WHEREAS**, attached is a summary of VCEA’s solicitation and appointment process to the Community Advisory Committee; and,

**NOW, THEREFORE, BE IT RESOLVED**, that the VCEA Board of Directors appoint the current Community Advisory Committee Members to the terms of service listed below:

**CLASS 1 – term expiring June 2019**

Yolo Rep. – David Springer  
Woodland Rep. – Mark Aulman  
Davis Rep.– Yvonne Hunter

**CLASS 2 – term expiring June 2020**

Yolo Rep.– Marsha Baird  
Woodland Rep. – Christine Shewmaker  
Davis Rep.– Gerry Braun

**CLASS 3 – term expiring June 2021**

Yolo Rep.– Vacant

Woodland Rep. - Vacant

Davis Rep.– Lorenzo Kristov

**ADOPTED**, this \_\_\_\_ day of \_\_\_\_\_ 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Lucas Frerichs, VCEA Board Chair

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Alisa M. Lembke, VCEA Board Secretary

**Attachment:** Summary solicitation and appointment process to the Community Advisory Committee

## **Summary of Solicitation and Appointment Process to the Community Advisory Committee**

- Officer positions (Chair, Vice Chair and Secretary) would be selected by vote of the Committee once a year.
- Each CAC Member would serve a three-year term, with the option to be reappointed for additional terms.
- For existing CAC Members, created three “graduation classes” of three CAC members – one from each member jurisdiction to keep consistency of knowledge on the Advisory Committee; therefore, Class 1 would be a two-year term, Class 2 would be a three-year term, and Class 3 would be a four-year term all expiring in June to coincide with VCE’s fiscal year end.
- Unless a CAC member requests to be included in Class 1, Staff would draw names to determine in which Class current CAC members would be placed.
- Newly solicited members would be appointed into the vacant City of Woodland and Yolo County positions in Class 3. Thereafter, as terms expire and/or are vacated, new Members would fill the open spots.
- A Community Advisory Committee description, specifying the a) purpose, b) roles and responsibilities, c) membership, d) meetings and e) term would be used for solicitation.
- An Application for Appointment to the Community Advisory Committee would be used by volunteers to request appointment.
- Existing vacancies would be noticed through VCE’s e-mail list and advertised on the VCE website using the Community Advisory Committee description and application for appointment. Additional advertisement via word of mouth would be encouraged.
- Applications received would be reviewed by Staff then forwarded to the Board subcommittee for review and recommendation to the full Board. The VCE Board would appoint volunteers to terms of service on the CAC.
- Applications would be kept on file for a minimum of two (2) years.

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 12

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Jim Parks, Director of Customer Care and Marketing

**SUBJECT:** Communications and Outreach Vendor Selection

**DATE:** November 15, 2018

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### RECOMMENDATIONS

1. Approve Green Ideals as the Communications and Outreach service vendor for VCE.
2. Adopt a resolution authorizing the VCE Interim General Manager to negotiate a services contract with Green Ideals for approval and signature by the Interim General Manager.

### BACKGROUND & DISCUSSION

On July 23, 2018, VCE staff released an RFP seeking proposals to support ongoing marketing and outreach efforts. Eight proposals were received from marketing firms based within a 100-mile radius of VCE offices. A five member evaluation team comprised of the CAC Outreach Committee (Aulman, Baird and Hunter) and VCE staff (Lembke and Parks) reviewed the proposals and identified four semi-finalists to bring in for face-to-face interviews at the VCE offices. From the four candidates, two finalists were selected, references were checked, and a decision was made to recommend Green Ideals as the new marketing and outreach firm for VCE.

### EVALUATION CRITERIA AND PROCESS

The following summarizes the criteria used to evaluate the proposals:

- I. Experience and Qualifications
  1. Experience in the areas identified in the “Detailed Scope of Services”
  2. Meets “Bidder Qualifications” section
  3. Resumes of staff performing the work
  4. CCA/Energy experience
- II. Proposer’s Approach to Working with VCE
- III. Commercial Terms (Price) and Compliance with VCE Contractual Terms

After evaluating the proposals, four semi-finalists were selected and asked to give a presentation with the following content:

- Company overview – tell us about your firm
- Provide examples of marketing campaigns that extend across different media types (web, social media, print, outdoor, broadcast, etc.) and be prepared to discuss local government and/or energy-related work your firm has performed (CCA/electric utility work preferred)
- Provide one or two examples of successful marketing projects and one or two marketing examples where significant problems/challenges were encountered. What made projects successful? How did you overcome the challenges? What were the lessons learned?
- Provide us with a description of your public relations capabilities and how you would deal with an unforeseen public relations problem.
- Tell us who will be working with us from your firm--staffing/staff roles
- Provide ideas for what you can accomplish within the budget, tied to what the RFP asked for
- List the top 5 changes or enhancements you would make to the VCE website
- Provide a few examples of new social media activities you would develop for VCE
- Based on your experience, are there marketing challenges we should anticipate and if so, how would you work to overcome them?
- Why are you the right firm for this job?

The semi-finalists were evaluated on the following:

- 1) Did they do as we requested—bring the right people/provide the information we requested?
- 2) Are their ideas (web/social media) and product examples high quality?
- 3) Do they have the experience to do high quality work?
- 4) Can we work with them?

The evaluation team unanimously identified two highly qualified finalists from the semi-finalist list and references were checked. Both finalist firms have a great deal of experience with CCA's and both can perform the work. After evaluating all the information (proposals, presentation, references), the evaluation team unanimously agreed that Green Ideals should be awarded the marketing and outreach contract.

## **PROJECT SCOPE**

The scope that Green Ideals is expected to work on includes but is not limited to: 1. Program Branding, Design, Identity:

- Working with existing program name and mission statement, develop brand refinements/style guides, and create sub-brand names/logos for different product offerings and programs.
- Maintain and update multi-functional, multi-lingual website (English and Spanish) that includes a rate calculator and ability to opt-out of the program.
- Develop and maintain social media presence for VCE utilizing existing platforms in VCE member communities (e.g. Facebook, Twitter, Nextdoor, etc.)
- Develop/update program collateral including FAQs, program brochures, fact sheets and power point templates.

- If budget allows, develop short informational videos for use on website, social media and community meetings.

## 2. Community Outreach/Stakeholder Engagement:

- At the direction of VCE staff, work with the County, City and other VCE member jurisdictions to support local stakeholder and public outreach which may include but is not limited to: 1:1 meetings with key stakeholder groups, public workshops/webinars, local presentations, event tabling, newsletter articles, and other key outreach/engagement activities.
- Develop and maintain VCE list-serve to facilitate outreach/engagement activities. Refine/expand use of e-newsletters and info blasts to VCE list-serve and other local communication outlets.
- Support efforts to train/partner with local advocates and community-based organizations to build local capacity and augment VCE's efforts to plan and carry out outreach/engagement activities.
- Develop long-term community engagement framework and local capacity development strategy.

## 3. Marketing Campaigns:

- Develop multi-lingual (English/Spanish) and multi-cultural advertising campaign to raise public awareness of VCE and its offerings; this will include both paid and earned media, print and digital, in a variety of mediums which could include newspapers, on-line ads, radio spots, billboards, bus backs/bus shelters, social media, etc.
- Manage and conduct press outreach - schedule editorial board meetings, draft press releases, op-eds and news articles.
- Maintain a social media presence for VCE on Facebook, Twitter, Next Door, etc.

## 4. Communication Outreach Plan:

Consultant may be required to develop a communications and outreach plan appropriate to the demographics of Davis, Woodland and unincorporated Yolo County and include a detailed set of deliverables, timelines and estimated budget. The outreach plan should address post-launch communications and outreach under low/moderate/high opt-out scenarios. The final scope, deliverables and budget presented to the VCE Board for consideration will be based upon discussions with VCE staff and others on the selection team.

## **AUTHORIZATION TO PROCEED AND CONTRACTING**

Staff is seeking authorization to proceed with negotiations and contracting with Green Ideals within the proposed scope of services and budget. If approved, the Interim General Manager will negotiate a two-year contract with Green Ideals for signature by the Interim General Manager based on the following parameters:

- **Scope.** Project scope and budget consistent with the scope identified in the RFP and the proposal submitted by Green Ideals. Any significant changes to the scope, schedule or budget, will be brought back to the Board for consideration.
- **Budget.** A not to exceed amount of \$425,000 for a two-year period. This amount is in VCE's existing budget. Staff will review the work of Green Ideals at 6-month intervals to ensure

projects are on-track and that VCE is satisfied with work performance. This is a time and materials contract with work being assigned and reviewed by VCE staff.

- Term. Two year contract term with the option for a no-cost extension of up to 1 year by mutual agreement at agreed prices with all other terms and conditions remaining the same (consistent with RFP language).



**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2018- \_\_\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING SELECTION OF GREEN IDEALS AS THE COMMUNICATIONS AND OUTREACH VENDOR FOR VCEA PROGRAM AND OPERATIONS AND AUTHORIZING THE VCEA INTERIM GENERAL MANAGER TO NEGOTIATE A SERVICES CONTRACT WITH GREEN IDEALS AND TO APPROVE AND EXECUTE THE AGREEMENT UNDER THE TERMS SET FORTH HEREIN**

**WHEREAS**, the Valley Clean Energy Alliance (“VCEA”) is a joint powers authority established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”) and the City of Davis (“Davis”) and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate and manage energy programs; and

**WHEREAS**, in July 2018 a Request for Proposal (RFP) was released by Valley Clean Energy staff seeking proposals to provide customer outreach and marketing services; and

**WHEREAS**, VCEA staff and members of the VCEA Advisory Committee reviewed and evaluated the RFP responses and completed vendor interviews in October 2018; and

**WHEREAS**, staff and the Advisory Committee’s RFP subcommittee unanimously recommended Green Ideals to provide communications and outreach services to VCEA based on their overall combined strength of written proposal, interview, project team, experience, and cost proposal.

**NOW, THEREFORE**, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. Green Ideals is hereby approved as the Communications and Outreach vendor for VCEA, subject to negotiation and approval of an agreement, with Green Ideals that is consistent with this Resolution.
2. The VCEA Interim General Manager is hereby authorized to negotiate a services agreement with Green Ideals for approval and execution by the Interim General Manager under the following terms:
  - a. Scope. Project scope and budget consistent with the scope identified in the RFP and the proposal submitted by Green Ideals. Any significant changes to the scope, schedule or budget, will be brought back to the Board for consideration.
  - b. Budget. A not to exceed amount of \$425,000 for a two-year period. This amount is in VCE’s existing budget. Staff will review the work of Green Ideals at 6-month

intervals to ensure projects are on-track and that VCE is satisfied with work performance. This is a time and materials contract with work being assigned and reviewed by VCE staff.

- c. Term. Two year contract term with the option for a no-cost extension of up to 1 year by mutual agreement at agreed prices with all other terms and conditions remaining the same (consistent with RFP language).
3. Approve as to form the draft Agreement for Consultant Services attached under the terms set forth in this Resolution.
4. The Interim General Manager is hereby authorized to approve and execute an Agreement with Green Ideals under the terms set forth in this Resolution.

ADOPTED, this \_\_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Lucas Frerichs, VCEA Chair

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Alisa M. Lembke, VCEA Board Secretary

**Attachment:** Draft Agreement for Consultant Services

## AGREEMENT FOR CONSULTANT SERVICES

**THIS AGREEMENT** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2018, by and between the VCEA, a Joint Powers Agency existing under the laws of the State of California, hereinafter referred to as “VCEA,” and Green Ideals, a Sole Proprietorship, hereinafter referred to as “Consultant.”

### RECITALS

**WHEREAS**, Consultant desires to perform and assume responsibility for the provision of certain services required by VCEA on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing marketing and outreach services to public clients and is familiar with the plans of VCEA with respect to the Project, as defined below.

**WHEREAS**, VCEA desires to engage Consultant to render such services in connection with the Valley Clean Energy Alliance (CCE) project (“Project”) as set forth in this Agreement.

**NOW, THEREFORE**, VCEA and Consultant agree as follows:

#### 1. SCOPE OF SERVICES AND TERM.

1.1 Scope of Services. Consultant promises and agrees to furnish to VCEA all labor, services, and incidental and customary work necessary to fully and adequately perform the Outreach and Marketing services necessary for the Project (“Services”). The Services are more particularly described in **Exhibit A**. All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state, and federal laws, rules, and regulations. In the event of a conflict between a provision in this Agreement and a provision in **Exhibit A** or in any other exhibit to this Agreement, the provision in this Agreement shall control.

1.2 Facilities, Equipment, and Other Materials. Except as specifically provided in **Exhibit B**, Consultant shall, at its sole cost and expense, furnish all facilities, tools, equipment, and other

materials necessary for performing the Services pursuant to this Agreement. VCEA shall furnish to Consultant only those facilities, tools, equipment, and other materials specifically listed in **Exhibit B**, according to the terms and conditions set forth in that exhibit.

1.3 Schedule of Services. Consultant shall perform the Services expeditiously and in accordance with the Schedule of Services set forth in **Exhibit C** and any updates to the Schedule of Services approved by VCEA. Time is of the essence in the performance of this Agreement. Consultant's failure to perform any Service required under this Agreement within the time limits set forth in **Exhibit C** shall constitute a material breach of this Agreement.

1.4 Term. The term of this Agreement shall begin on the date VCEA Interim General Manager Mitch Sears and Green Ideals Marketing Director/Owner Susan Bierzychudek approve this Agreement with a term of two years, or when terminated as provided in Article 5.

## **2. PROJECT COORDINATION.**

2.1 VCEA's Representative. VCEA hereby designates Interim General Manager Mitch Sears and/or his designee to act as its representative for the performance of this Agreement. Interim General Manager Mitch Sears and/or his designee shall have the power to act on behalf of VCEA for all purposes under this Agreement. VCEA hereby designates and the Director of Marketing and Customer Care, Jim Parks/or his designee as the "Project Manager," who shall supervise the progress and day-to-day performance of this Agreement.

2.2 Consultant's Representative. Consultant hereby designates Marketing Director/Owner Susan Bierzychudek to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services under this Agreement, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services to be performed under this Agreement. Should the Consultant's Representative need to be

substituted for any reason, the proposed new Consultant's Representative shall be subject to the prior written acceptance and approval of the Project Manager. The Consultant shall not assign any representative to whom VCEA has a reasonable objection.

2.3 Coordination of Services. Consultant agrees to work closely with VCEA staff in the performance of the Services and shall be available to VCEA staff at all reasonable times.

### **3. RESPONSIBILITIES OF CONSULTANT.**

3.1 Independent Contractor. VCEA retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Nor shall any additional personnel performing the Services under this Agreement on behalf of Consultant be employees of VCEA; such personnel shall at all times be under Consultant's exclusive direction and control. Consultant shall be entitled to no other benefits or compensation except as provided in this Agreement.

3.2 Control and Payment of Subordinates. The Services shall be performed by Consultant or personnel under its supervision. Consultant will determine the means, methods, and details of performing the Services subject to the requirements of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.3 Conformance to Applicable Requirements. All services performed by Consultant shall be subject to the Project Manager's review and reasonable approval. Consultant shall furnish VCEA with every reasonable opportunity to determine that Consultant's services are being performed

in accordance with this Agreement. VCEA's review of Consultant's services shall not relieve Consultant of any of its obligations to fulfill this Agreement as prescribed.

3.4 Substitution of Key Personnel. Consultant has represented to VCEA that it will perform and coordinate the Services under this Agreement. Should such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon the VCEA's written approval. In the event that VCEA and Consultant cannot agree as to the substitution of key personnel, VCEA shall be entitled to terminate this Agreement for cause.

3.5 Licenses and Permits. Consultant represents that it, its employees and subconsultants have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services and that such licenses and approvals shall be maintained throughout the term of this Agreement, at Consultant's sole cost and expense.

3.6 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner. Consultant warrants that all employees and subconsultants shall have sufficient skill and experience to perform the Services assigned to them. Consultant shall perform, at its own cost and expense and without reimbursement from the VCEA, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of Consultant or its subconsultants who is determined by VCEA to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the VCEA, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

3.7 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations by

Consultant in connection with the Services. If Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the VCEA, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold the VCEA, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with such laws, rules or regulations.

3.8 Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and, if applicable, agrees to comply with such provisions before commencing the performance of the Services.

3.9 Non-Discrimination. No discrimination shall be made in the employment of persons under this Agreement because of that person's race, color, national origin, ancestry, religion, age, marital status, disability, gender, sexual orientation, or place of birth.

3.10 Insurance.

3.10.1 Time for Compliance. Consultant shall not commence the performance of Services under this Agreement until it has provided evidence satisfactory to VCEA that it has secured all insurance required herein. In addition, Consultant shall not allow any subconsultant to commence work on any subcontract until it has provided evidence satisfactory to VCEA that the subconsultant has secured all insurance required herein. Failure to provide and maintain all required insurance shall be grounds for VCEA to terminate this Agreement for cause.

3.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of this

Agreement by Consultant, its agents, representatives, employees or subconsultants. Consultant shall also require all of its subconsultants to procure and maintain the same insurance for the duration of this Agreement. Such insurance shall meet at least the following minimum levels of coverage:

3.10.2.1 Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (a) *General Liability:* Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (b) *Automobile Liability:* Insurance Services Office Business Auto Coverage form number CA 0001, code 8 and 9 (Hired & Non-Owned); and (c) *Workers' Compensation and Employer's Liability:* Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

3.10.2.2 Minimum Limits of Insurance. Consultant shall maintain limits no less than: (a) *General Liability:* \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used including, but not limited to, form CG 2503, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (b) *Automobile Liability:* \$1,000,000 per accident for bodily injury and property damage; and (c) *Workers' Compensation and Employer's Liability:* Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.10.3 Professional Liability. Consultant shall procure and maintain, and require its subconsultants to procure and maintain, for a period of five (5) years following completion of the Project errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 per claim and shall be endorsed to include contractual liability.



3.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by VCEA to add the following provisions to the insurance policies:

3.10.4.1 General Liability. The general liability policy shall include or be endorsed (amended) to state that: (a) the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the work or operations performed by or on behalf of Consultant, including materials, parts or equipment furnished in connection with such work; and (b) the insurance coverage shall be primary insurance as respects the VCEA, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be excess of Consultant's insurance and shall not be called upon to contribute with it in any way.

3.10.4.2 Automobile Liability. The automobile liability policy shall include or be endorsed (amended) to state that: (a) the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by Consultant or for which Consultant is responsible; and (b) the insurance coverage shall be primary insurance as respects the VCEA, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be excess of Consultant's insurance and shall not be called upon to contribute with it in any way.

3.10.4.3 Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against the VCEA, its directors, officials,

officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by Consultant.

3.10.5 Separation of Insureds; No Special Limitations. All insurance required herein shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the VCEA, its directors, officials, officers, employees, agents, and volunteers.

3.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by the VCEA. Consultant shall guarantee that, at the option of the VCEA, either: (a) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the VCEA, its directors, officials, officers, employees, agents, and volunteers; or (b) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims, and administrative and defense expenses.

3.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:VIII, licensed to do business in California, and satisfactory to the VCEA .

3.10.8 Verification of Coverage. Consultant shall furnish VCEA with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to VCEA. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf and shall be on forms provided by VCEA if requested. All certificates and endorsements must be received and approved by VCEA before work commences. VCEA reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.10.9 Reporting of Claims. Consultant shall report to the VCEA, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

3.11 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out the Services, Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (a) adequate life protection and life saving equipment and procedures; (b) instructions in accident prevention for all employees and subconsultants, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (c) adequate facilities for the proper inspection and maintenance of all safety measures.

3.12 Records. Consultant shall allow a representative of VCEA during normal business hours to examine, audit and make transcripts of copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement for a period of three (3) years from the date of final payment under this Agreement.

#### **4. FEES AND PAYMENT.**

4.1 Compensation. This is a “time and materials” based agreement. Consultant shall receive compensation, including authorized reimbursements, for Services rendered under this Agreement at the rates, in the amounts and at the times set forth in **Exhibit D**. Notwithstanding the provisions of Exhibit D, the total compensation shall not exceed Four Hundred Twenty-five Thousand and no / 100 Dollars (\$425,000.00) without written approval of VCEA. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

4.2 Payment of Compensation. VCEA shall, within 45 days of receiving an invoice for services rendered by CONSULTANT in accordance with this Agreement, review the invoice and pay all approved charges thereon.

4.3 VCEA 's Right to Withhold Payment. VCEA reserves the right to withhold payment from Consultant on account of Services not performed satisfactorily, delays in Consultant's performance of Services past the milestones established in the Schedule of Services (**Exhibit C**), or other defaults hereunder. Consultant shall not stop or delay performance of Services under this Agreement if VCEA properly withholds payment pursuant to this Section 4.3, provided that VCEA continues to make payment of undisputed amounts.

4.4 Payment Disputes. If VCEA disagrees with any portion of a billing, VCEA shall promptly notify Consultant of the disagreement, and VCEA and Consultant shall attempt to resolve the disagreement. VCEA's payment of any amounts shall not constitute a waiver of any disagreement and VCEA shall promptly pay all amounts not in dispute.

4.5 Extra Work. At any time during the term of this Agreement, VCEA may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by VCEA to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from the VCEA Manager.

4.6 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, *et seq.*, and 1770 *et seq.*, as well as California Code of Regulations, Title 8, Section 1600 *et seq.* ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. VCEA shall provide Consultant

with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make available to interested parties upon request, copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services and shall post copies at the Consultant's principal place of business and at the Project site. Consultant shall defend, indemnify and hold the VCEA, its elected officials, officers, employees and agents free and harmless pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with the Prevailing Wage Laws.

## **5. SUSPENSION AND TERMINATION.**

5.1 Suspension. VCEA may suspend this Agreement and Consultant's performance of the Services, wholly or in part, for such period as it deems necessary due to unfavorable conditions or to the failure on the part of Consultant to perform any material provision of this Agreement. Consultant will be paid for satisfactory services performed hereunder through the date of temporary suspension pro rating for any payment in connection with the next milestone based on the work performed towards such milestone as mutually determined by Consultant and VCEA working together in good faith. In the event that Consultant's services hereunder are delayed for a period in excess of six (6) months due to causes beyond Consultant's reasonable control, Consultant may terminate this Agreement and collect payment for any satisfactory services provided through the date of temporary suspension pro rating for any payment in connection with the next milestone as described above.

### 5.2 Termination for Cause.

5.2.1 If Consultant at any time refuses or neglects to prosecute its services in accordance with the Schedule of Services, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without the VCEA's consent, or fails to make prompt payment to persons furnishing labor, equipment, materials or services,

or fails in any material respect to properly and diligently prosecute its services, or otherwise fails to perform fully any and all of the material agreements herein contained, Consultant shall be in default.

5.2.2 If Consultant fails to cure the default within thirty (30) days after written notice thereof, VCEA may, at its sole option, take possession of any documents and data (as more specifically described in Section 6.1) or other materials (in paper and electronic form) prepared for VCEA or used by Consultant exclusively in connection with the Project and (1) provide any such work, labor, materials or services as may be necessary to overcome the default and deduct the cost thereof from any money then due or thereafter to become due to Consultant under this Agreement; or (2) terminate Consultant's right to proceed with this Agreement.

5.2.3 In the event VCEA elects to terminate, VCEA shall have the right to immediate possession of all documents and data and work in progress prepared by Consultant pursuant to this Agreement, whether located at the Project, at Consultant's place of business, or at the offices of a subconsultant, and may employ any other person or persons to finish the Services and provide the materials therefor. In case of such default termination, Consultant shall not be entitled to receive any further payment under this Agreement until the Project is completely finished. At that time, if the expenses reasonably incurred by VCEA in obtaining the Services necessary to complete the Project exceed such unpaid balance, then Consultant shall promptly pay to VCEA the amount by which such expense exceeds the unpaid balance of the not-to-exceed amount reflected in Section 4.1. The expense referred to in the previous sentence shall include expenses incurred by VCEA in causing the Services called for under this Agreement to be provided by others, and for any costs or damages sustained by VCEA by reason of Consultant's default or defective work.

5.2.4 If VCEA fails to make timely payment to the Consultant or otherwise fails to perform fully any and all of the material agreements herein contained, VCEA shall be in

default. If such default is not cured within thirty (30) days after written notice thereof, the Consultant may, at its sole option, terminate this Agreement and VCEA shall pay the Consultant all amounts due for services satisfactorily provided to VCEA as of the date of Consultant's written notice of default.

### 5.3 Termination for Convenience.

5.3.1 In addition to the foregoing right to terminate for default, VCEA reserves the absolute right to terminate this Agreement without cause, upon 72-hours' written notice to Consultant. In the event of termination without cause, Consultant shall be entitled to payment in an amount not to exceed the not-to-exceed amount set forth in Section 4.1 which shall be calculated as follows: (1) payment for Services then satisfactorily completed and accepted by VCEA pro rating for any payment in connection with the next milestone based on the work performed towards such milestone as mutually determined by Consultant and VCEA working together in good faith, plus (2) payment for Additional Work satisfactorily completed and accepted by the VCEA, plus (3) reimbursable expenses actually incurred by Consultant, as approved by the VCEA. The amount of any payment made to Consultant prior to the date of termination of this Agreement shall be deducted from the amounts described in (1), (2), and (3) above. Consultant shall not be entitled to any claim or lien against VCEA or the Project for any additional compensation or damages in the event of such termination and payment. In addition, the VCEA's right to withhold funds under Section 4.3 shall be applicable in the event of a termination for convenience.

5.3.2 If this Agreement is terminated by VCEA for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a termination for convenience under this Section and Consultant shall be entitled to receive only the amounts payable hereunder in the event of a termination for convenience.

5.3.3 Force Majeure. No party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other party hereunder), when and to the extent such failure or delay is caused by or results from acts beyond the affected party's reasonable control, including, without limitation: (a) acts of God; (b) flood, fire, earthquake or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order or law; (e) actions, embargoes or blockades in effect on or after the date of this Agreement; (f) action by any governmental authority; and (g) national or regional emergency (a "Force Majeure Event"). The party suffering a Force Majeure Event shall give notice to the other party, stating the period of time the occurrence is expected to continue and shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized.

## 6. OTHER PROVISIONS.

### 6.1 Documents and Data.

6.1.1 Ownership of Documents. VCEA shall be the owner of the following items produced exclusively pursuant to this Agreement, whether or not completed: all data collected, all documents prepared, of any type whatsoever, and any material necessary for the practical use of the data and/or documents from the time of collection and/or production whether performance under this Agreement has been completed or if this Agreement has been terminated prior to completion. Consultant shall not release any materials under this Section except after prior written approval of VCEA. Consultant assumes no liability for VCEA's use of Documents in any manner not contemplated in the scope of the Project.

6.1.2 Copyright. No materials produced in whole or in part under this Agreement shall be subject to copyright in the United States or in any other country except as



determined at the sole discretion of the VCEA. VCEA shall have the unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part, any reports, data, documents or other materials prepared under this Agreement.

6.1.3 Release of Documents to VCEA. Consultant shall deliver to VCEA all materials prepared by Consultant exclusively in connection with this Agreement, including all drafts, memoranda, analyses, and other documents, in paper and electronic form, within five (5) days of receiving a written request from VCEA.

6.1.4 Confidentiality. All documents, reports, information, data, and exhibits prepared or assembled by Consultant in connection with its performance under this Agreement are confidential until released by VCEA to the public, and Consultant shall not make any of these documents or information available to any individual or organization not employed by Consultant or VCEA without the written consent of VCEA before any such release, unless Consultant is required to do so under applicable law.

6.2 Assignment; Successors. Upon mutual written consent, VCEA and Consultant may assign this agreement and its obligations to a Joint Powers Agency formed for the purpose of forming and operating a CCE program. Otherwise, Consultant shall not assign any of its rights nor transfer any of its obligations under this Agreement without the prior written consent of the VCEA. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. All representations, covenants and warranties set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

### 6.3 Hold Harmless

#### a. General Hold Harmless

Consultant shall indemnify and save harmless VCEA and its officers, agents, employees, and servants from all claims, suits, or actions of every kind, and description resulting

from this Agreement, the performance of any work or services required of Consultant under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

(A) injuries to or death of any person, including Consultant or its employees/officers/agents;

(B) damage to any property of any kind whatsoever and to whomsoever belonging;

(C) any sanctions, penalties, or claims of damages resulting from Consultant's failure to comply, if applicable, with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended; or

(D) any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of VCEA and/or its officers, agents, employees, or servants. However, Consultant's duty to indemnify and save harmless under this Section shall not apply to injuries or damage for which VCEA has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty of Consultant to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code

b. Intellectual Property Indemnification

Consultant hereby certifies that it owns, controls, or licenses and retains all right, title, and interest in and to any intellectual property it uses in relation to this Agreement, including the design, look, feel, features, source code, content, and other technology relating to any part of the services it provides under this Agreement and including all related patents, inventions, trademarks, and copyrights, all applications therefor, and all trade names, service marks, know how, and trade secrets (collectively referred to as "IP Rights") except as otherwise noted by this Agreement. Consultant warrants that the services it provides under this Agreement do not

infringe, violate, trespass, or constitute the unauthorized use or misappropriation of any IP Rights of any third party. Consultant shall defend, indemnify, and hold harmless VCEA from and against all liabilities, costs, damages, losses, and expenses (including reasonable attorney fees) arising out of or related to any claim by a third party that the services provided in the United States. Consultant's duty to defend, indemnify, and hold harmless under this Section applies only provided that: (a) VCEA notifies Consultant promptly in writing of any notice of any such third-party claim; (b) VCEA cooperates with Consultant, at Consultant's expense, in all reasonable respects in connection with the investigation and defense of any such third-party claim; (c) Consultant retains sole control of the defense of any action on any such claim and all negotiations for its settlement or compromise (provided Consultant shall not have the right to settle any criminal action, suit, or proceeding without VCEA's prior written consent, not to be unreasonably withheld, and provided further that any settlement permitted under this Section shall not impose any financial or other obligation on VCEA, impair any right of VCEA, or contain any stipulation, admission, or acknowledgment of wrongdoing on the part of VCEA without VCEA's prior written consent, not to be unreasonably withheld); and (d) should services under this Agreement become, or in Consultant's opinion be likely to become, the subject of such a claim, or in the event such a third party claim or threatened claim causes VCEA's reasonable use of the services under this Agreement to be seriously endangered or disrupted, Consultant shall, at Consultant's option and expense, either: (i) procure for VCEA the right to continue using the services without infringement or (ii) replace or modify the services so that they become non-infringing but remain functionally equivalent.

Notwithstanding anything in this Section to the contrary, Consultant will have no obligation or liability to VCEA under this Section to the extent any otherwise covered claim is based upon: (a) any aspect of the services under this Agreement which have been modified by or for VCEA (other than modification performed by, or at the direction of, Consultant) in such a way as to cause the alleged infringement at issue; and/or (b) any aspects of the services under this Agreement which have been used by VCEA in a manner prohibited by this Agreement.

The duty of Consultant to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 278 of the California Civil Code.

6.3.1 Survival of Obligation. Consultant's obligation to indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by the VCEA, its directors, officials, officers, employees, agents, or volunteers.

6.4 Consultant Not Agent. Except as VCEA may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of VCEA in any capacity for VCEA whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind VCEA to any obligation whatsoever.

6.5 Governing Law; Government Code Claim Compliance. This Agreement shall be governed by the laws of the State of California and any legal actions concerning this Agreement's validity, interpretation and performance shall be governed by the laws of the State of California. Venue shall be in Yolo County. In addition to any and all contract requirements pertaining to notices of and requests for compensation or payment for extra work, disputed work, claims and/or changed conditions, Consultant must comply with the claim procedures set forth in Government Code sections 900 *et seq.* prior to filing any lawsuit against the VCEA. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by the Parties hereunder. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against the VCEA.

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6.6 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

Consultant: Green Ideals  
400 Red Hill Avenue  
San Anselmo, CA 94960  
Attn: Susan Bierzychudek

VCEA: Valley Clean Energy Alliance  
604 2<sup>ND</sup> Street  
Davis, CA 95616  
Attn: Mitch Sears

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

6.7 Incorporation by Reference. All exhibits referred to in this Agreement are attached hereto and are by this reference incorporated herein.

6.8 VCEA 's Right to Employ Other Consultants. VCEA reserves the right to employ other consultants in connection with the Project, provided that such other consultants shall not be performing the work set forth in the Scope of Services of this Agreement.

6.9 Construction; References; Captions. The language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. The captions of the various sections and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

6.10 Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both parties.

6.11 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel or otherwise.

6.12 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the parties.

6.13 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

6.14 Interest of Consultant. Consultant covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement. Consultant certifies that no one who has or will have any financial interest under this Agreement is an officer or employee of the VCEA.

6.15 Interest of Subconsultants. Consultant further covenants that, in the performance of this Agreement, no subconsultant or person having any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement shall be employed. Consultant has provided VCEA with a list of all subconsultants and the key personnel for such subconsultants that are retained or to be retained by Consultant in connection with the performance of the Services, to assist VCEA in affirming compliance with this Section.

6.16 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant,

to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. If required, Consultant further agrees to file, or shall cause its employees or subconsultants to file, a Statement of Economic Interest with the VCEA's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, VCEA shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of the VCEA, during the term of his or her service with the VCEA, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

6.17 Cooperation; Further Acts. The parties shall fully cooperate with one another and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

6.18 Attorneys' Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

6.19 Authority to Enter Agreement. Each party has all requisite power and authority to conduct its business and to execute, deliver, and perform this Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

6.20 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

6.21 Entirety of Agreement. This Agreement contains the entire agreement of VCEA and Consultant with respect to the subject matter hereof, and no other agreement, statement or

promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement, shall be binding or valid.

DRAFT



SIGNATURE PAGE TO CONSULTANT SERVICES AGREEMENT

**IN WITNESS WHEREOF**, VCEA and Consultant have entered into this Agreement as of the date first stated above.

**VCEA**

**CONSULTANT**

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed

Printed

Name: Mitch Sears

Name: Susan Bierzychudek

Its: Interim General Manager

Its: Owner

Approved as to form:

\_\_\_\_\_

VCEA Attorney

## **EXHIBIT A**

### **SCOPE OF SERVICES**

Under the direction of VCE staff and in collaboration with VCE vendors, Green Ideals will develop, enhance, implement and maintain a multi-faceted plan for building program awareness, engaging potential VCE residential, commercial and agricultural customers, supporting the program website and design needs, promoting VCE's 100% renewable program, UltraGreen, and participating in customer notification/enrollments.

Tasks in this service category include but are not limited to the following:

#### **1. Program Branding, Design, Identity:**

- a. Working with existing program name and mission statement, develop brand refinements/style guides, and create sub-brand names/logos for different product offerings and programs.
- b. Maintain and update multi-functional, multi-lingual website (English and Spanish) that includes a rate calculator and ability to opt-out of the program.
- c. Develop and maintain social media presence for VCE utilizing existing platforms in VCE member communities (e.g. Facebook, Nextdoor, etc.)
- d. Develop/update program collateral including FAQs, program brochures, fact sheets and power point templates.
- e. If budget allows, develop short informational videos for use on website, social media and community meetings.

#### **2. Community Outreach/Stakeholder Engagement:**

- a. At the direction of VCE staff, work with the County, City and other VCE member jurisdictions to support local stakeholder and public outreach which may include but is not limited to: 1:1 meetings with key stakeholder groups, public workshops/webinars, local presentations, event tabling, newsletter articles, and other key outreach/engagement activities.

b. Develop and maintain VCE list-serve to facilitate outreach/engagement activities. Refine/expand use of e-newsletters and info blasts to VCE list-serve and other local communication outlets.

c. Support efforts to train/partner with local advocates and community-based organizations to build local capacity and augment VCE's efforts to plan and carry out outreach/engagement activities.

d. Develop long-term community engagement framework and local capacity development strategy.

### 3. Marketing Campaigns:

a. Develop multi-lingual (English/Spanish) and multi-cultural advertising campaign to raise public awareness of VCE and its offerings; this will include both paid and earned media, print and digital, in a variety of mediums which could include newspapers, on-line ads, radio spots, billboards, bus backs/bus shelters, social media, etc.

b. Manage and conduct press outreach - schedule editorial board meetings, draft press releases, op-eds and news articles.

c. Maintain a social media presence for VCE on Facebook, Twitter, Next Door, etc.

### 4. Communication Outreach Plan:

Consultant may be required to develop a communications and outreach plan appropriate to the demographics of Davis, Woodland and unincorporated Yolo County and include a detailed set of deliverables, timelines and estimated budget. The outreach plan should address post-launch communications and outreach under low/moderate/high opt-out scenarios. The final scope, deliverables and budget presented to the VCE Board for consideration will be based upon discussions with VCE staff and others on the selection team.

**EXHIBIT B**

**FACILITIES, EQUIPMENT, AND OTHER MATERIALS PROVIDED BY VCEA**

VCEA shall not be responsible for furnishing facilities, tools, equipment, and other materials necessary for performing the Services pursuant to this Agreement.

## **EXHIBIT C**

### **SCHEDULE OF SERVICES**

All tasks in the Schedule of Services will be performed under the direction of VCEA staff. Many of the projects are ongoing and without firm completion dates. VCEA staff will provide assignments and work with Green Ideals to establish deliverables and deadlines on a time and materials and project-by-project basis. Work performance will be evaluated every 6 months and adjustments will be made if-needed.

**EXHIBIT D**

**BUDGET, PAYMENT, RATES**

Budget: \$425,000 for marketing and outreach services covering a two-year period

Payment: VCEA will pay uncontested invoices within 45 days of receipt

**Billing Rates**

**Green Ideals**

Susan Bierzychudek	\$175/hour	Project Director/Principal
Julie Contreras	\$150/hour	Design Director

**Media Solutions**

Cynthia Metler	\$150/hour	VP
Kelly Wheeler	\$125/hour	Senior Media Buyer
Alisha Harris	\$120/hour	Account Executive
David Alvarado	\$100/hour	Media Buyer/Coordinator

**Digital Marketing Labs**

Kyle Cassano	\$160/hour	President/CEO
Todd Wilkinson	\$140/hour	Project Manager

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 14

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager  
Lisa Limcaco, Director of Operations  
Gary Lawson, Wholesale Energy Services Manager, SMUD

Subject: PCIA Exit Fee Increase - Policy Adjustments to Counter PCIA and Other Impacts to VCE's Financial Position

Date: November 15, 2018

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### RECOMMENDATIONS

1. Adopt a minimum VCE net margin (after bank loan principal payments) target of 5%;
2. Postpone enrollment of Net Energy Metering customers until at least January 2020 with a reassessment of enrollment date in mid-2019;
3. For 2019, adopt electric generation rates identical to PG&E, after factoring the Power Charge Indifference Adjustment (PCIA) imposed by regulatory agencies;
4. Study adoption of a new rate structure featuring an annual dividend rebate structure to be implemented starting in July 2019;

### BACKGROUND AND ANALYSIS

Valley Clean Energy (VCE), like other Community Choice Aggregation (CCA) programs across the state, is facing uncertainty and volatility in several arenas that significantly impact the cost of doing business. Each of the 18 CCA's operating in California is impacted differently depending on the year it began service, the electricity load shape it serves, and its ability to absorb cost volatility. The primary drivers of this volatility are State regulatory action and rising forward power market prices. In October 2018 the California Public Utilities Commission (CPUC) made a ruling which, all other factors being equal, pushed the 2019 Power Charge Indifference Adjustment Fee (PCIA) 30% higher than the 2018 value, which will result in a \$5.0 Million dollar/yr increase in costs for VCE more than if the CPUC had not made the new ruling; the California Energy Commission (CEC) recently revised VCE's load forecast used for determining Resource Adequacy (RA) requirements, which had the impact of increasing VCE's RA requirement by 25% resulting in a \$1.25 Million dollar/yr increase in costs for VCE; and forward market power market prices have increased such that VCE's market power costs are higher by \$0.8 Million than originally forecast for 2019.

Through the Cal-CCA trade association, VCE joined the other 17 CCA programs to participate in the decision-making processes of the CPUC and CEC. These efforts did not yield results

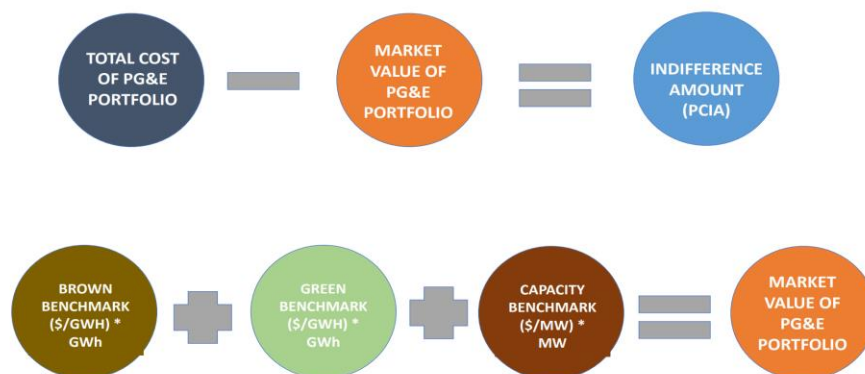
favorable to CCA’s and as a result VCE must consider the cost saving measures outlined in this report. Additional background on the primary drivers creating cost volatility for VCE (and other CCA’s) is provided below.

**Power Charge Indifference Adjustment (PCIA)**

The PCIA is an exit fee charged by the State’s investor-owned utilities (IOUs) to those customers that leave PG&E as their generation provider to become Direct Access customers, or customers of Community Choice Aggregators (CCAs). The intent of the PCIA is to make remaining bundled utility customers economically “indifferent” to customers that have departed from the utility bundled service. The utilities, over time, procured or built and owned resources to serve all of their customers. The PCIA is charged so that departing customers bear their share of resources procured for them when they were bundled IOU customers.

The PCIA is the “exit fee” that is intended to ensure such indifference. The PCIA can be negative (PG&E customers paying VCE customers) or positive (VCE customers paying PG&E customers). Figure 1 below shows the fundamental PCIA formula, in addition to the Market Value component of the PCIA formula.

**Figure 1. Fundamental PCIA Formulas**



**California Public Utility Commission (CPUC) Proceedings and Decisions**

On August 1, 2018, the CPUC Administrative Law Judge Roscow issued the Proposed Decision (PD) modifying the PCIA methodology after studying the issue for a year and took testimony from all sides. The PD was generally acceptable to CCAs.

On August 14, 2018, Commissioner Peterman issued the Alternate Proposed Decision (APD). The major contested difference between the PD and APD dealt with whether Public Utilities Code allows legacy utility owned generation (UOG) under the PCIA and whether to continue the 10-year limit on cost recovery for post-2002 UOG and certain storage costs under the PCIA. The PD established a PCIA collar with an upper cap starting at 2.2 cents/KWh while the APD established a PCIA collar starting in 2020, with the cap limiting upward or downward changes in the PCIA to 25 percent in either direction from the prior year. The APD was generally favorable to PG&E and the other IOU’s.



On October 5, 2018, Commissioner Peterman issued a Revised Alternate Proposed Decision which contained no substantial revisions except to set the annual PCIA cap at \$0.5 cent/kWh starting in 2020.

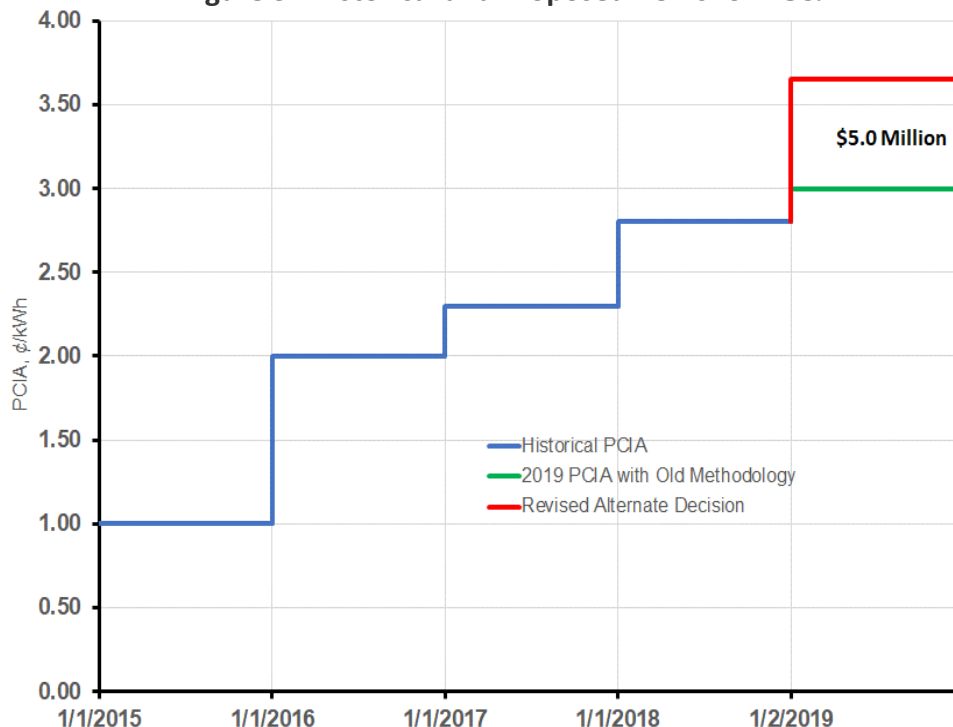
On October 11, 2018, the CPUC voted unanimously to approve the revised APD. The revised APD increases Total Portfolio Cost and reduces the Portfolio Value which, with all other PCIA components remaining constant, will result in an increase of the PCIA. Figure 2 below shows the relative impacts to the PCIA from the CPUC decision.

**Figure 2. PCIA Decision Impact on PCIA**



Under the old methodology of calculating PCIA, the 2019 PCIA would have increased by 9%. However, under the Revised APD, the 2019 PCIA increased over 27% for the system wide average rate but for VCE the increase is over 30% due to VCE’s customer load profile. As shown in Figure 3 below, the Revised APD has a \$5.0 Million per year financial impact on VCE’s revenue beginning in 2019.

**Figure 3. Historical and Proposed PCIA for PG&E**



These changes to the PCIA by the CPUC have created volatility and uncertainty for CCA programs across the State. Allowing for such large and unforecastable swings in the PCIA means that CCA's must be more defensive in their financial posture going forward and is the driver for the policy recommendations contained in this report. These policy modifications will partially counter the negative impacts that an increasing and volatile PCIA has on VCE's finances so that VCE is in a better position to maintain competitive rates for its customers while meeting its baseline financial obligations. VCE's financial obligations are outlined later in this report.

### **Resource Adequacy (RA) and Forward Power Markets Cost Increases**

Resource Adequacy (RA) is the generating capacity all electricity providers like VCE are required to have available to the grid for reliability purposes. Entities can either own generating resources that provide RA or can purchase the RA from generator owners. When VCE was provided its "Final RA Determination" for 2019 on September 27, 2018, the CEC had adjusted VCE's load forecast resulting in VCE's RA procurement requirement being 25% higher than forecast. The CEC indicated this adjustment was due to a "load forecast" error of all load serving entities (including VCE), as compared with the CEC's own system load forecast.

This late notice of such a large adjustment left VCE with 1 month to procure the additional RA in order to show compliance on October 31, 2018 as required by the CPUC. This additional RA requirement resulted in an increase in power procurement costs of \$1.25 Million dollars and left many load serving entities in the same situation, scrambling for what appears to be a limited supply in the RA market. Compounding this is that some RA sellers appear to be holding back some supply from the market causing prices to rise and preventing many CCA's (and Direct Access electricity providers) from meeting their RA procuring requirements. Not meeting compliance exposes VCE (and others) to penalties potentially being assessed by the CPUC.

Additional cost pressure has come from increasing forward market power prices. VCE is exposed to market power prices because it purchases the power supply for its load out of the CAISO market on a daily basis. Forward markets power prices have increased from the start of the year such that VCE's 2019 market power costs are forecast to be \$0.8 Million higher than initially forecast. While this type of price volatility is not uncommon and was incorporated into VCE's financial modeling, when combined with the increases in the PCIA and RA costs it places additional financial strain on VCE. This combination of factors has made it necessary for VCE to consider policy modifications to solidify its financial standing to maintain competitive rates for its customers while meeting its baseline financial obligations and to help insulate it from additional volatility. The policy modifications are described in greater detail later in this report.

### **Operating Costs Savings**

With the issuance of the APD in August 2018, staff reviewed the operating budget and reduced several expenses including, 1) Salaries & Wages, 2) Legislative & Regulatory expenses, 3) Audit fees, 4) Accounting fees and 5) the contingency expense line item to 5% (previously 10%) of operating expenses (excluding power costs). These actions resulted in an approximately 20% reduction of operating costs, totaling approximately \$0.8 million for FY 2019.

## Financial Obligations

VCE has several financial obligations with SMUD and River City Bank. In reviewing the financial proforma for the changes in PCIA, RA costs, and policy modifications, VCE will need to meet these baseline financial obligations:

1. Under the Wholesale Energy Services contract with SMUD - Task Order 3, VCE is required to fund a Reserve Account in the amount of \$1 for each MWh of wholesale energy procured in SMUD's name and delivered to VCE. This required reserve amount is approximately \$750,000 in 2019.
2. Under the River City Bank Credit Agreement, VCE must maintain minimum profitability requirements during the period the Revolving Line of Credit is outstanding (July 2018 through September 2019). The minimum profitability requirement for the period July 1, 2018 – June 30, 2019 (fiscal year) is \$6.1 M.
3. Under the River City Bank Credit Agreement, if the Revolving Line of Credit is converted to the Term Loan, VCE shall maintain a minimum Debt Service Coverage Ratio (DSCR) not less than 1.25 measured annually as of VCE's fiscal year end beginning with June 30, 2020.

## RECOMMENDED POLICY MODIFICATIONS

To remain cost competitive in 2019 while strengthening VCE's financial position to help address its baseline financial obligations, staff is recommending the following package of policy modifications. As discussed in the October 18<sup>th</sup> and November 1<sup>st</sup> Board presentations, the recommendations are discrete but work together to address PCIA volatility and resulting budget shortfalls anticipated for 2019 and 2020.

1. Adopt a minimum VCE net margin (after bank loan principal payments) target of 5%  
The VCE Board adopted a general financial reserve policy in late 2017 to establish a minimum 30-day operating expenses reserve. This reserve policy was designed based on historical PCIA, PG&E rates, and power market projections that showed VCE maintaining a 30-day operating expense reserve consistently.

Net Margins above the industry average or the overall market indicate financial efficiency and stability. However, margins below the industry average might indicate financial exposure to an economic downturn or financial distress if a trend develops. Net margins vary greatly across different industries and sectors. For example, average net margins in the retail clothing industry run lower than the average net margins in the telecommunications sector. Large, national-chain retailers can function with lower margins due to the massive volume of their sales. Conversely, small, independent businesses need higher margins to cover costs and still make a profit. Based on Staff research, the Electric Utility industry average net margin for 2017 ranged from 8%-10%. Similarly, VCE is one of the smaller CCAs with a smaller customer base than other CCAs. Thus, VCE will require higher margins to cover its costs and still build reserves to offer local programs and customer incentives.

With the current uncertainty in future PCIA and PG&E rates, it is prudent business practice to build up additional reserves that target a level of 90 days cash and maintain a minimum net margin (after any bank debt principal payments). Therefore, staff is recommending building our reserves to a 90-day cash level within the next 4 years and maintaining a minimum net margin (after any bank debt principal payments) of 5% before funding local program funds or offering rate discounts/dividends to our customers.

2. Postpone Net Energy Metering (NEM) Customer Enrollment

In September 2018, the VCE Board adopted a revised NEM policy that deferred the NEM customer enrollment to January 2019. However, in the first year they are rolled in, NEM customers do not generate as much revenue as the power costs they add. This is due to the effect of annual true-up for NEM customers. As they become new VCE customers, revenue from generation sales to them is not recognized until their annual true-up, which will begin in fiscal year-end (FYE) June 2020. Additionally, NEM customers in aggregate, cost more to serve than the revenues they bring in. This is in part due to the fact that NEM customers place nearly the same capacity load on the system as customers in similar rate classes, but have far lower energy sales, due to their self-generation. The financial impact to the FYE 2019 and 2020 financials of deferring NEM enrollment out to 2021 is an increase in net income of \$0.8 million and \$1.8 million, respectively.

Prior to the projected PCIA rate increase, increased Resource Adequacy (RA) procurement costs, and increasing short term power market prices, VCE had the ability to absorb the financial impact of the NEM customers rolling in 2019.

With the current NEM roll-in planned for January 1, 2019, VCE has opportunity to further delay that roll-in. VCE would continue its outreach and communication to NEM customers to keep them informed while emphasizing that they are still benefitting from their solar systems and are still contributing to grid de-carbonization.

NEM customers represent a large and important segment of VCE's customer base that brings to ground VCE's goals to provide clean energy that focuses on local sources. Despite that, based on the current need to consider the positive financial impact of deferring the NEM customer enrollment on VCE's financial position in 2019 and 2020, staff is recommending that VCE postpone NEM customer enrollment at least until January 2020 with a reassessment of the future enrollment date in mid-2019.

3. 2019 Electric Generation Rates

To remain cost competitive and assist with meeting its baseline financial obligations in 2019, staff is recommending that VCE match PG&E's electric generation rates, less the PCIA fee. This would modify the 2018 VCE rate discount of 2.5% that was set in 2017 before the recent action by the CPUC to raise the PCIA fee, the 25% increase in Resource Adequacy procurement imposed on VCE by the State, and rising power market prices.

The advantages of setting identical rates to that of PG&E are as follows:

- The projected PCIA calculated by PG&E for FYE 2019 will reduce VCE's annual revenue by approximately \$5.0 million. By matching PG&E's electric generation rates, it will provide a net savings to VCE of approximately \$0.8 million in FYE 2019.
- Eliminating the rate discount is one of only two policy levers the Board has to make a significant improvement to VCE financials necessary to insure VCE can weather additional negative impacts from future movement in power market prices.

The drawbacks of modifying the VCE rate for 2019 to match PG&E's electric generation rates include:

- Eliminating any rate discount so soon after launch could cause customer confusion about the status of VCE.
- The lack of a discount rate could lead to increase opt-outs for certain customer classes.

4. Study adoption of a new rate structure starting in July 2019 (VCE's 2020 Fiscal Year)

As an alternative to providing customers with a pre-determined, up front rate discount relative to PG&E service, but to still provide the opportunity for customers to obtain generation rate savings and to allow VCE to meet its financial obligations, staff recommends studying a move from a monthly fixed rate discount structure to a yearly "dividend" rate structure where bill credits are awarded annually if VCE meets certain financial thresholds. In essence, if VCE does well its customers will benefit by receiving bill credits. This is a rate structure currently employed by Monterey Bay Community Power (MBCP). While VCE customers would no longer receive a fixed monthly discount, they would receive an annual bill credit if VCE meets certain financial thresholds. The primary advantages for VCE include:

- Financial stabilization. Allows more precise management of financial standing based on financial thresholds defined by VCE by rewarding customers with bill credits on the basis of VCE financial performance.
- Communication with customers. Financial thresholds that trigger annual divided bill credits are transparent and can be easily communicated to VCE customers. In addition, monthly customer bill questions are likely to decrease since there will not be a monthly percentage discount to calculate.
- Simplified rate administration. As noted in the previous section on electric generation rates, setting identical rates to that of PG&E can save VCE time and money otherwise required to develop rate schedules.
- Mission driven. The "dividend" approach allows VCE to shift the focus from rate comparisons and rate design to the range of goals that define the reasons VCE was established in the first place. Namely, cost competitive cleaner resources,

local control, custom tailored programs responsive to community needs, and improving the local economy by investing in clean power resources and returning some of the annual savings back to the customers.

- Build customer satisfaction and loyalty. CCA programs are community owned, managed and directed by a local Board representing its customers. It is therefore reasonable to provide a return/dividend to VCE customers at the end of each year as a bill credit. This dividend could be announced annually at the beginning of the operating year, once staff has established a budget that will consider operational and program expenditures and reserve requirements. By allocating the dividend or credit at the end of the fiscal year, VCE would be able to pay out on a “performance basis,” and build customer satisfaction and loyalty as well.

The primary drawbacks of this rate structure for VCE include:

- Changing rate design one year after launch could cause customer confusion that will need to be addressed in VCE outreach.
- Some customer classes may prefer monthly discounts. However, MBCP has observed that this type of rate design has not been a significant driver for opt-outs.
- Based on the projected PCIA rate for 2019, VCE will not have the ability to provide a dividend to its customers in the immediate future which could lead to increased opt-outs in certain customer classes.

## SUMMARY

Based on the increased PCIA rate, increased RA procurement costs, short-term power market prices, operating cost savings, and recommended policy modifications, VCE net income projected for FYE 2019 and 2020 are \$3.8 million and \$2.6 million, respectively. Table 1 below summarizes the financial impacts of PCIA and the policy modifications to the original budget approved by the VCE Board in March 2018.

**Table 1. Financial Impacts of PCIA and Policy Modifications**

Policy Modification Action	Fiscal Impact (\$1,000's)	
	FY 2018/19	FY 2019/20
Net income before policy modifications	\$2,259	\$(911)
Postpone NEM enrollment	\$779	\$1,767
Match PG&E generation rate	\$783	\$1,744
Net income after policy modifications	\$3,821	\$2,600

## CONCLUSION

The recent PCIA proceedings and resulting trend of an increased PCIA have placed a spotlight and highlighted that CCA's are facing significant volatility and uncertainty in the regulatory and power market arenas. For VCE, based on the best available information, Staff believes this requires the policy shifts recommended in this report to address these financial uncertainties.

The policy modification recommendations are not made lightly. Staff recognizes that they are less than ideal as VCE establishes itself in the communities it serves. However, the structural changes to the rate design and the simplicity of matching the PG&E rates do offer advantages to VCE and its customers that will continue beyond the current financial challenges, and the positive impact to VCE's finances are necessary for VCE to withstand the tremendous uncertainty around PCIA variability and recent RA procurement increases.