

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Temporary extension of River City Bank revolving line of credit

DATE: April 9, 2020

RECOMMENDATION

Board ratification of a three month extension of the existing revolving line of credit with River City Bank with a reduced line from \$11 million to \$7 million.

BACKGROUND AND ANALYSIS

At its December 14, 2017 meeting, the Board adopted a resolution to select River City Bank as the credit and banking services vendor for VCE and authorized the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCE credit facilities. On March 7, 2018, the Interim General Manager executed a term sheet for up to \$11 million dollars in total credit facilities for VCE with River City Bank. On May 10, 2018 the Board authorized the Interim General Manager to sign an \$11 million dollar revolving line of credit (RLOC) with an 18 month term. VCE has not drawn on the line since August 2018 when adequate customer revenue began accruing to pay for power costs and does not anticipate the need to draw on the line in 2020.

In late summer 2019 VCE staff engaged with River City Bank on renewing the RLOC which was due to expire in November 2019. VCE and River City Bank agreed to a series of short-term extensions in late 2019 and early 2020 to allow the CPUC decision on the power charge indifference amount (PCIA), and its implications to be better understood. VCE is currently operating under such an extension until April 15, 2020. The Interim General Manager has approved these short-term extensions as the terms of the RLOC have not changed.

Based on recent discussions, River City Bank has agreed to an additional 3 month extension of the RLOC through July 15th with a reduction in the line from \$11 million to \$7 million. Staff has agreed to this short-term extension, in consultation with legal counsel, to allow time for additional clarity on the COVID crisis and implementation of the 2020 PCIA before beginning discussions of a longer-term extension. Staff took this action as it does not further increase the potential for VCE debt nor does it limit VCE's ability to meet its financial obligations during this period. Staff anticipates returning to the Board for consideration of the longer-term extension of the RLOC in early summer.