

# 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

Subject: Approval of Amendments to Task Orders of the SMUD Professional Services Agreement

Date: February 13, 2020

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### RECOMMENDATION

Adopt a resolution:

- 1) Approving Amendment 15 to Task Order 4 (operational staff services) and authorizing the Interim General Manager to sign the Amendment on behalf of VCE; and,
- 2) Ratifying the Interim General Manager's approval and execution of Amendment 14 to Task Order 3 (wholesale energy services).

### BACKGROUND AND ANALYSIS

On October 12, 2017 the VCE Board approved a Professional Services Agreement with the Sacramento Municipal Utility District (SMUD) and Task Orders 1 and 2 to provide program launch and operational services. Soon thereafter, a series of additional Task Orders were added to the Agreement, including Task Order 3 to provide Wholesale Energy Services and Task Order 4 to provide Operational Staff Services to VCE.

As VCE progresses through Fiscal Year (FY) 2019/2020, VCE's budgeted approach to the Power Director role has evolved. The Proxy Power Director provided by SMUD announced his pending retirement and VCE acknowledged the importance of bringing that function in house. The impact to costs will need to be adjusted in the operational budget to reflect the change from SMUD providing this service to VCE hiring a Power Director.

#### Task Order 3 (Wholesale Energy Services):

Amendment 14 to SMUD agreement Task Order 3 (wholesale energy services) extends SMUD's credit support services to the end of 2023. The scope of credit support and \$0.80 per MWh fee are unchanged. The original contract period was five years from VCE's June 2018 launch, resulting in a May 31, 2023 end date. The urgency of extending credit services at this time is due to a new three year ahead resource adequacy (RA) compliance obligation implemented by the CPUC in late 2019. VCE is obligated to procure a subset of its estimated RA volume three years in advance, meaning that by October 2020, VCE must demonstrate it has procured the 2023 RA compliance obligation. Due to current RA market conditions, time is of the essence to get the SMUD credit services extension in place so that SMUD was authorized to begin 2023 RA procurement on VCE's behalf. The estimated cost to extend the credit support services by 6 months to the end of 2023 is less than \$30,000. Therefore, due to the time sensitive nature

of the RA procurement, the Interim General Manager, after consulting with VCE legal counsel, signed in accordance with his contract delegation authority from the Board. The requested action is a Board ratification of his signature to extend the credit support services by 6 months.

Task Order 4 (Operational Staff Services):

Amendment 15 to SMUD agreement Task Order 4 (operational services staff) modifies the scope of SMUD's Proxy Power Director obligation. Effective December 20, 2019, SMUD is no longer providing VCE's Proxy Power Director. The original scope is replaced with a transitional support scope during VCE's transition to an in-house Power Director. As VCE now has a Power Director in-house, SMUD subject matter experts will continue to provide transitional support to the new Power Director as needed for a period of time, at the hourly rates defined in Task Order 4.

**FINANCIAL IMPACT**

The elimination of the Proxy Power Director role reduces VCE's expenditure with SMUD by the \$16,150 monthly fixed fee. This cost reduction is offset by the staffing cost to hire the Power Director as a VCE employee, as well as a temporary SMUD cost for as-needed transitional support.

The credit services support extension, at a cost of \$0.80 per MWh derated by the percent of contracts that VCE procures in their name, is estimated to increase VCE's credit support costs less than \$30,000, payable in the month of energy deliveries in 2023. To the degree that SMUD procures additional 2023 energy products on VCE's behalf, the credit support cost will increase.

The anticipated power cost changes will be budgeted in the FY2020/2021 draft operating budget, which will be presented to the Board for final approval at the June 11, 2020 meeting. The credit support cost change will be factored into the FY2023/24 budget.

**CONCLUSION**

Staff is recommending the VCE Board adopt the attached resolution 1) approving Amendment 15 to Task Order 4 (operational staff services) and authorizing the Interim General Manager to sign the Amendment on behalf of VCE and 2) ratifying the Interim General Manager's approval and execution of Amendment 14 to Task Order 3 (wholesale energy services).

**Attachments:**

1. Resolution approving Amendment 15 to Task Order 4 (operational staff services) and authorizing the Interim General Manager to sign the Amendment on behalf of VCE and ratifying the Interim General Manager's approval and execution of Amendment 14 to Task Order 3 (wholesale energy services).
2. Amendment 14 to Task Order 3 (Wholesale Energy Services)
3. Amendment 15 to Task Order 4 (Operational Staff)

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2020-\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE  
RATIFYING THE INTERIM GENERAL MANAGER’S APPROVAL AND EXECUTION OF  
AMENDMENT 14 TO TASK ORDER 3 AND APPROVING AMENDMENT 15 TO TASK  
ORDER 4 AND AUTHORIZING THE INTERIM GENERAL MANAGER TO SIGN THE  
AMENDMENT ON BEHALF OF VALLEY CLEAN ENERGY TO THE SACRAMENTO  
MUNICIPAL UTILITIES DISTRICT PROFESSIONAL SERVICES AGREEMENT**

**WHEREAS**, the Valley Clean Energy Alliance (“VCE”) is a joint powers agency 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”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and,

**WHEREAS**, on August 31, 2017, the VCEA Board considered a proposal by the Sacramento Municipal Utilities District (“SMUD”) to provide program launch and operational services and subsequently directed VCEA staff to negotiate a services agreement between VCEA and SMUD for consideration and action by the VCEA Board; and,

**WHEREAS**, on September 21, 2017, the SMUD Board of Directors authorized its CEO to enter into a contract with VCE to provide Community Choice Aggregate support services; and,

**WHEREAS**, on November 16, 2017 the VCE Board approved Task Order 3 to provide Wholesale Energy Services consistent with the SMUD proposal and VCE Board direction; and,

**WHEREAS**, in May 2018 Amendment 2 to Task Order 3 was approved to include the record-keeping to support Green-e certification and set compensation for said services; and,

**WHEREAS**, in April 2019 Amendment 9 to Task Order 3 was approved updating the Integrated Resource Plan and set compensation for said services; and,

**WHEREAS**, on December 12, 2017, the VCE Board approved Task Order 4 to provide Operational Staff Services to VCE for program launch and operations; and,

**WHEREAS**, Task Order 4 was set to expire February 28, 2019 and Interim General Manager Mitch Sears signed Amendment 7 to Task Order 4 extending the term to June 30, 2019; and,

**WHEREAS**, in October 2018 Amendments 3 and 5 to Task Order 4 were approved adding scope of services related to power purchase agreements and designating an On-call Proxy Power

Director, and set compensation for said services;

**WHEREAS**, in December 2018 Amendment 6 to Task Order 4 was approved extending dedicated operational staff through February 28, 2019; and,

**WHEREAS**, in February 2019 Amendment 7 to Task Order 4 was approved extending dedicated operational staff through June 30, 2019; and,

**WHEREAS**, in April 2019 Amendment 8 to Task Order 4 was approved 1) extending dedicated operational staff and the Power Director through June 30, 2020, 2) replacing sub-section 4.2.1 term and termination notification, and 3) increasing the fixed fee for operational staff effective July 1, 2019; and,

**WHEREAS**, in August 2019, Amendment 13 to Task Orders 3 and 4 was approved updating compensation for services and extending the term through June 30, 2020; and,

**WHEREAS**, due to current Resource Adequacy (“RA”) market conditions, time was of the essence to get the SMUD credit services extension in place so that SMUD was authorized to begin 2023 RA procurement on VCE’s behalf, Interim General Manager signed Amendment 14 to Task Order 3 amends Section 3, Term and Termination, to 1) extend the term from May 31, 2023, to December 31, 2023 only as related to the services provided in accordance with Section 1.13, Credit Support Services and 2) all other services will terminate on May 31, 2023, unless mutually agreed to in writing by the Parties; and,

**WHEREAS**, Amendment 15 to Task Order 4 cancels the On-call Proxy Power Director effective December 20, 2019, adds scope of services to transition the Power Proxy Director to a VCEA employee, and updates compensation for services to an hourly rate for professional services.

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

1. ratify the Interim General Manager’s approval and execution of Amendment 14 to Task Order 3 (wholesale energy services).
2. approve Amendment 15 to Task Order 4 (operational staff services) and authorize the Interim General Manager to sign the Amendment on behalf of VCE.

**PASSED, APPROVED, AND ADOPTED,** at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_ day of \_\_\_\_\_ 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Don Saylor, VCE Chair

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Alisa M. Lembke, VCEA Board Secretary

EXHIBIT A - Amendment 14 to Master Professional Services Agreement Task Order 3  
Amendment 15 to Master Professional Services Agreement Task Order 4

**EXHIBIT A**

**Amendment 14 to Master Professional Services Agreement Task Order 3**

**Amendment 15 to Master Professional Services Agreement Task Order 4**

**AMENDMENT 14 TO EXHIBIT A: Scope of Services****A.4 Task Order 3 – Wholesale Energy Services**

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 14 to Exhibit A, Task Order No. 3 (Amendment 14), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 14 conflict with any general provisions in the Agreement or Task Orders 4, the provisions of this Amendment 14, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

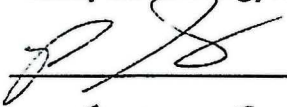
1. Task Order 3, Section 3, *Term and Termination*, is amended to add the following:
  - a. The Term of Task Order 3 is extended from May 31, 2023, to December 31, 2023 only as related to the services provided in accordance with Section 1.13, Credit Support Services.
  - b. All other services will terminate on May 31, 2023, unless mutually agreed to in writing by the Parties.

(Signature page follows)

**SIGNATURES**

The Parties have executed this Amendment 14, and it is effective as of the date of last signature below.

**Valley Clean Energy Alliance**

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

Name: MITCH SEARS

Title: INTERIM GENERAL MANAGER

Date: 2/4/20

Approved as to Form:  \_\_\_\_\_

**Sacramento Municipal Utility District**

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

Name: Arlen Orchard

Title: Chief Executive Officer and General Manager

Date: 2/5/20

Approved as to Form:  \_\_\_\_\_



## **AMENDMENT 15 TO EXHIBIT A: Scope of Services**

### **A.4 Task Order 4 – Operational Staff Services**

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 15 to Exhibit A, Task Order No. 4 (Amendment 15), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 15 conflict with any general provisions in the Agreement or Task Order No. 4, the provisions of this Amendment 15, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

1. In accordance with the terms of Task Order No. 4, this Amendment 15 is to memorialize the cancelation of the On-Call Proxy Power Director as documented in Amendment 5 to Exhibit A, Scope of Services. This termination is effective as of December 20, 2019.
2. Pursuant to Section 1.2 Professional Services of Task Order No. 4, the Parties agree to the following additional scope of services:

SMUD will provide as-needed support to VCEA, as requested by VCEA, to transition the duties of the Power Proxy Director to a VCEA employee. Support, may include but not be limited to, the following:

- Energy Procurement – Work with the General Manager to support research and due diligence for potential power supply opportunities, negotiation of power purchase agreements, development and execution of VCEA’s renewable, local and zero-carbon procurement efforts, issue identification, and contract dispute resolution.
- Program Development – Work with the VCEA staff team on complementary energy program development and implementation that may include some or all of the following: net energy metering, feed in tariff, energy efficiency and demand management, battery storage, electric vehicle and other transportation incentives, distributed energy resource development, and other programs that advance VCEA’s mission, provide community and consumer benefits, and support carbon reduction goals.
- Finance - Assist in analysis relating to energy supply and local energy development, and support budget analysis for rate design and rate setting.
- Regulatory - Work with the VCEA General Manager and Regulatory Counsel to

provide quantitative analysis focused on VCEA's energy supply portfolio, VCEA's load forecast, and broader California energy market conditions, with a particular focus on all quantitative inputs into the Power Charge Indifference Adjustment, in addition to coordinating required regulatory reporting, and represents VCE as needed before regulatory and legislative bodies, and key industry groups.

This work will be provided at the current hourly rates for Professional Services and will be billed monthly in arrears, due Net 30.

**SIGNATURES**

The Parties have executed this Amendment 15, and it is effective as of the date of last signature below.

**Valley Clean Energy Alliance**

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

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Approved as to Form:** \_\_\_\_\_

**Sacramento Municipal Utility District**

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

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Approved as**

**to Form:** \_\_\_\_\_