

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 17**

To: Board of Directors

From: Mitch Sears, Interim General Manager
Edward Burnham, Director of Finance & Internal Operations

Subject: Line of Credit Agreement with the County of Yolo

Date: February 10, 2022

RECOMMENDATION

Authorize the Interim General Manager to conduct any final negotiations and sign all necessary documents on behalf of VCE for the short-term line of credit agreement with Yolo County in an amount not to exceed \$5,000,000.

BACKGROUND AND ANALYSIS

As discussed at previous Board meetings, a combination of pandemic impacts, rising PCIA, and volatile short-term power market prices have required VCE to implement cost mitigation measures and draw on reserves over the past 18 months to stabilize customer rates. As outlined in Board items 15 (2022 rate setting) and 16 (2022 budget adoption), favorable movement in projected PCIA rates and PG&E generation rates for 2022 have improved VCE's financial outlook for 2022. However, due to a CPUC delay in approving PG&E's 2022 rates and PCIA until March 1st, supplemental financial assistance is needed to address short-term cash requirements.

VCE staff have been in discussions with its financial, member, and business operations partners over the past several months to address these short-term cash requirements. Specifically, staff has worked with these partners to achieve the goal of an average of 30-days cash over the first half of 2022. As noted in Board item 16 (2022 budget adoption), financial projections using the most up to date information on 2022 PCIA and PG&E rates shows VCE in a healthy financial position by the end of 2022 (net position of \$17M, inclusive of payback of this line of credit with Yolo County by the end of 2022).

The proposed short-term \$5M line of credit with Yolo County is structured to be fully paid off by the end of 2022 while paying the County 1.5% above its current rate of return on its investment pool (total of 1.99%). This amount, in combination with access to a \$2.5M VCE/SMUD restricted power purchase reserve account allows VCE to meet its short-term cash on hand reserve goal for the first half of 2022. Note: high revenue months in the second half of 2022 allow VCE to pay off the County line of credit and build back reserves. The principal terms

of the line are listed below and included in the attached revolving credit agreement (Attachment 2).

Yolo County Line of Credit Terms

- Type of Financing: Line of Credit (maximum of 1 draw per month)
- Maximum Amount: \$5,000,000
- Maturity: December 31, 2022
- Collateral/Pledged Assets: VCE electric utility customer rates
- Security: Rate covenant
- Interest Rate: Variable rate, simple interest, based on Yolo County Treasury Pool Quarterly Earnings Rate plus 1.50% (1.99% as of 12/31/2021)
- Late Penalty: 5% and 10% annualized until paid in full
- Principal Payment Structure: Due in full on December 31, 2022
- Interest Payment Structure: Due in full on December 31, 2022

Current Financial Instrument

VCE has a revolving line of credit (RLOC) Agreement with River City Bank with a limit of \$5M available for cash advances and/or letters of credit and an additional \$2M credit facility available for Letters of Credit, for a total RLOC of \$7M. The line of credit is scheduled to be extended through 2022 and has not been drawn on since August of 2018. This line of credit provides additional security for VCE and allows for longer-term financial flexibility.

CONCLUSION

Staff believes that the short-term cash requirement and the reduced but continued uncertainty related to the PCIA fee, resource adequacy costs, and PG&E bundled rates for 2023 justify adding the line of credit with the County of Yolo. This agreement allows VCE to build reserves by December 31, 2022, of approximately 80 to 90 days cash. Additionally, credit support from both the County and River City Bank will allow VCE to optimize borrowing costs and provide additional assurance of rate stabilization.

Staff is recommending that the Board adopt a resolution that authorizes the Interim General Manager to conduct any final negotiations and sign all necessary documents on behalf of VCE to execute a line of credit not to exceed \$5,000,000 with the County of Yolo. The proposed terms are described in the attached term sheet and package that the County of Yolo Debt Committee has recommended to the Board of Supervisors for approval (scheduled for late February).

Attachments

1. Yolo Debt Committee - Item #7 - VCE Loan Request
2. Revolving Credit Agreement
3. Resolution authorizing the Interim General Manager to execute Credit Agreement with the County of Yolo

Yolo County Debt Committee

Item #7 – Consider options for providing a short-term loan to the Valley Clean Energy Alliance

January 20, 2022

Requesting Department/Agency:	Valley Clean Energy Alliance
Time Duration:	Less than one year
Loan Amount Requested:	Up to \$10 million
Loan Amount Recommended:	\$5 million
Reason before Debt Committee:	1) The transaction involves an agreement with another governmental agency. 2) The Interim Chief Financial Officer determined that the issue merits review by the Debt Committee.

Purpose/Project

The Valley Clean Energy Alliance (VCE), like other Community Choice Aggregations throughout the state, has been negatively impacted over the last several years due to volatility in the energy sector resulting from COVID-19, sharp increases in power market costs, and increases in Power Charge Indifference Adjustment (PCIA) charges from PG&E.

California's investor-owned utilities (IOU), such as PG&E, use the PCIA to recover above-market costs associated with long-term power contracts that were entered into many years ago. The PCIA is charged to Community Choice Aggregations (CCA) such as VCE in order to spread the cost of these contracts to customers who were formerly served by the IOUs. In 2021-22, the PCIA charged by PG&E increased by approximately 46% over the prior year. In addition, the extreme heat events that occurred in August and September 2020 increased average forward power market prices by approximately 57% due to speculation on the potential repeat events occurring in the future.

These factors resulted in significant impacts to VCE's fiscal position over the last several years. To mitigate this impact, VCE has taken a number of actions, including drawing down reserves, scaling back near-term acquisition of renewable energy credits and power purchase agreements, and implementing an accelerated 5% increase on generation rates beginning in November 2021.

Fortunately, recent filings by PG&E to the California Public Utilities Commission (CPUC) reflect an anticipated 59% reduction in the PCIA and a 33% increase in customer rates for calendar year 2022¹. Since VCE's customer rates are currently tied to PG&E rates, the anticipated customer rate increase will allow VCE to generate additional revenue, while the decrease in PCIA will reduce VCE costs. The estimated result of these rate changes substantially improves VCE's fiscal outlook for

¹ The CPUC has requested that PG&E propose options to amortize or spread this rate increase over 18 or 24 months. Based on PG&E's filings on December 28th, 2021, these options would result in either a 29% rate increase over 18 months, or a 27% rate increase over 24 months.

calendar 2022. However, despite this improvement, VCE is still projecting short-term fiscal strain beginning in March 2022.

To bridge this short-term cash flow need, VCE has requested a loan in the amount of \$10 million from Yolo County. The loan would be used to fund operations and maintain cash reserves at the policy minimum of 30 days of operating expenditures. County staff met with VCE staff on several occasions to discuss the loan request, review financial projections, and explore alternatives. In addition to the loan request from the County, VCE has worked with SMUD to gain access to a \$2.5 million cash reserve that is held by SMUD to be used for short-term support of power purchases and operations. VCE has also been in discussions with River City Bank on extension of their credit line for 2022. River City Bank recently extended a \$7 million line of credit to the end of February 2022 and will finalize the 2022 credit line extension once PG&E rate adjustments are approved by the CPUC, currently scheduled for February 10th. VCE does not intend to use credit lines in the long-term as it moves towards establishing an investment grade credit rating.

Staff Recommendation

In light of VCE's projected cash flow needs, the availability of other financing options, and the County's lending capacity, staff recommend that the Debt Committee consider a \$5 million loan or line of credit to VCE in accordance with the proposed loan terms outlined in Attachment A. Such a loan should be adequate to cover VCE's short-term financing needs without imposing adverse impacts to the County. If approved, it is anticipated that this loan will be made out of the Demeter fund, which currently has an available balance of approximately \$5.35 million.

Alternative Options

Other options that the Debt Committee may consider are as follows:

- **Provide a loan or line of credit of up to \$10 million.** This option reflects VCE's original loan request and would likely satisfy VCE's cash flow needs without requiring financing from other sources. However, in order to fund a loan of this magnitude the County would need to utilize General Fund cash balances, which may impact the fund balances that are available for appropriation in the 2022-23 budget.
- **Do not provide a loan or line of credit to VCE.** Under this option, VCE would need to rely on alternate financing sources, such as from SMUD and River City Bank, to fund its short-term cash flow needs. If adequate financing cannot be obtained, VCE may be forced to consider short-term rate increases on its customers.

Attachment A – Proposed VCEA Loan Terms

Attachment B – VCE Funding Request Summary



County of Yolo

www.yolocounty.org

TOM HAYNES
Interim Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

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- Financial Leadership
- Budget & Financial Planning
- Treasury & Finance
- Tax & Revenue Collection
- Financial Systems Oversight
- Accounting & Financial Reporting
- Internal Audit
- Procurement

January 14, 2022

Mitch Sears
Valley Clean Energy Alliance
604 2nd Street
Davis, CA 95616

RE: VCEA Loan Request Term Sheet

This term sheet is being submitted to you in response to your request for a loan from the County of Yolo to address short-term financing needs in order to maintain the policy minimum of 30 days operating cash. While the request from VCE was for a \$10 million loan, the terms proposed herein reflect the County's capacity to extend financing and the recognition that VCE has other potential financing options.

This Term Sheet summarizes the terms at which the County would expect to extend financing to VCEA in order to assist you in your determination whether to pursue financing from the County or to support you in comparing to external sources. As noted below, formal approval through a loan agreement by the Board of Supervisors will be required to secure these terms.

Type of Financing:	Line of Credit (maximum of 1 draw per month)
Borrower:	Valley Clean Energy Alliance
Lender:	County of Yolo
Maximum Amount:	\$5,000,000
Maturity:	December 31, 2022
Collateral/Pledged Assets:	VCE electric utility customer rates
Security:	Rate covenant
Interest Rate:	Variable rate, simple interest, based on Yolo County Treasury Pool Quarterly Earnings Rate plus 1.50% (2.31% as of 09/30/2021)
Principal Payment Structure:	Due in full on December 31, 2022
Interest Payment Structure:	Due in full on December 31, 2022

- Prepayment Options:** VCE shall have the right to prepay any amounts drawn from the Line of Credit in whole or in part without prepayment penalty.
- Fees:** No fees for origination.
- Documentation:** The financing will require execution of a mutually agreeable financing agreement to be prepared by the Department of Financial Services with support from County Counsel. The form of documents would be those normal and customary for the County of Yolo.
- Loan Approval:** This Term sheet and related Financing Agreement will require formal approval by the Yolo County Board of Supervisors in a public meeting. **No guarantee or representation is provided whether the financing will receive Board approval.**

Please don't hesitate to contact me at (530) 666-8162 or tom.haynes@yolocounty.org should you have questions regarding this document. We look forward to your respond and upon receipt of your favorable response, will endeavor under good faith to complete a financing agreement reflecting the terms herein.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Haynes", followed by a horizontal line.

Tom Haynes
Interim Chief Financial Officer

CC: Chad Rinde
Edward Burnham

**VCE – Interagency Loan Request
VCE Loan Request Summary – 01/06/22**

Background Update

The CPUC and PG&E have updated actuals for their balancing accounts related to the PCIA and customer rates, resulting in a 59% decrease in PCIA and a 33% increase in customer rates for 2022. Both adjustments are related to power market price changes in 2021. The PCIA has been adjusted from -75% to -59% for 2022 based on the incorporation of power market price actuals for October and November. For 2022 customer energy rates, the CPUC has requested PG&E propose amortization options between 18 and 24 months on the 33% generation rate increase.

Based on PG&E's filings on December 28, 2021, the amortizations are 29% for 18 months and 27% for 24 months. VCE understands that to maintain general parity with the other IOUs, increases approved by the CPUC for 2022 will most likely be at 24 months for 27% increase. The CPUC is scheduled to act on its annual rate-setting proceeding, including PG&E's amortization proposals, on January 21, 2022. Under this schedule, 2022 PCIA and rates would go into effect on March 1, 2022.

These actions by the CPUC help provide near and mid-term stability to VCE by spreading the rate increase over 2022 and 2023. PG&E's smoothing of rate increases by PG&E reduces rate volatility and provides VCE with additional certainty that PG&E rates will not rebound dramatically in 2023. This, in combination with VCE's transition into its long-term fixed-price renewable energy contracts in 2022/2023, provides a more stable financial outlook in the future. However, the immediate short-term cash positions remain unfavorable through the first half of 2022, making it necessary for VCE to request bridge funding for short-term power purchases and operations. In summary, while VCE will be in a solid financial position at the close of 2022, the PCIA and rates implementation delay to March 1st makes the first half of 2022 challenging from a cash flow perspective.

VCE Request to Yolo County

Valley Clean Energy requests a loan of up to \$10M of funds from Yolo County related to anticipated revenues over the calendar year 2022. This request is to maintain VCE's reserve policy of a minimum of 30 days operating cash. These funds would be limited to fund cash reserves and operating expenses. Operational expenses, including billed and owed obligations for (i) PG&E power-related fees, if any; (ii) SMUD power purchases and related charges, including SMUD obligations to CAISO; (iii) monthly VCEA administrative overhead (based on annual budgeted amounts related to CCA activities); (iv) payment of service fees to SMUD; and (v) amounts owed to direct VCEA counterparties for energy purchases. VCE would enter into a financial agreement with the County of Yolo based on repayment of any loan funds used by the end of 2022.

If agreed, this short-term loan eliminates the need for substantial short-term rate increases by VCE to fund cash reserves our customers have over-paid in PCIA to PG&E in 2021. This short-term bridge funding will support VCE's transition to its fixed long-term PPAs (~80% of VCE's load by 2024) and move toward an investment-grade rating by 2024. Table 1 below shows the sensitivity of net generation rate increases beginning in March 2022. In addition, we have provided cash flow scenarios of 12-month outlooks in the table 2 below.

TABLE 1

Net Rate Increase	CY 2022 Budget Rate Scenarios			
	5%	27%	29%	33%
Revenue (net uncollectible)	70,821	86,794	88,246	91,151
Power Costs	66,990	66,990	66,990	66,990
Gross Margin	3,831	19,804	21,256	24,161
Operating & Admin Costs	5,055	5,055	5,055	5,055
Net Income	(1,224)	14,750	16,202	19,106
Gross Margin	5.41%	22.82%	24.09%	26.51%
Net Margin	-1.73%	16.99%	18.36%	20.96%
Ending Cash	975	15,011	16,290	18,880
Loan Requirement (30 Days Cash)	8,640	6,970	6,910	6,780
Maximum Forecasted Cash	3,380	15,011	16,290	18,880
Minimum Forecasted Cash	(3,240)	(1,570)	(1,510)	(1,380)
Average forecasted Cash	(430)	4,830	5,310	6,290

Additional Considerations:

- VCE is expected to receive ~\$820K in outstanding receivables in February. Cash flows are based on the most recent revenues (120 days) and not the total AR balance.
- VCE has received updated power costs forecasts based on final hedges. The current base expected costs are \$65M, which is ~ 2M favorable.
- VCE is currently forecasted to be ~\$2.4M better than budgeted for FY2021 (6 Months), ending in October.

12 Month Amortizations												
2022												
Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Amortization Schedule		(5,000)	500	500	500	500	500	500	500	500	500	500
Projected Loan Balance	-	(5,000)	(4,500)	(4,000)	(3,500)	(3,000)	(2,500)	(2,000)	(1,500)	(1,000)	(500)	-
Projected Cash Balance	3,400	6,220	3,540	2,430	2,010	2,460	4,850	7,710	10,570	12,950	14,370	15,020
Projected Days Cash	19	35	20	14	11	14	27	43	59	72	80	83
2022												
Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Amortization Schedule		(7,500)	750	750	750	750	750	750	750	750	750	750
Projected Loan Balance	-	(7,500)	(6,750)	(6,000)	(5,250)	(4,500)	(3,750)	(3,000)	(2,250)	(1,500)	(750)	-
Projected Cash Balance	3,400	8,720	5,790	4,430	3,760	3,960	6,100	8,710	11,320	13,450	14,630	15,020
Projected Days Cash	19	48	32	25	21	22	34	48	63	75	81	83
2022												
Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Amortization Schedule		(10,000)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Projected Loan Balance	-	(10,000)	(9,000)	(8,000)	(7,000)	(6,000)	(5,000)	(4,000)	(3,000)	(2,000)	(1,000)	-
Projected Cash Balance	3,400	11,220	8,040	6,430	5,510	5,460	7,350	9,720	12,070	13,960	14,880	15,030
Projected Days Cash	19	62	45	36	31	30	41	54	67	78	83	84

TABLE 2 – Update with 27%

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT (this "Agreement") is made and entered into as of _____, 2022, by and between COUNTY OF YOLO (the "County"), a political subdivision of the State of California, and the VALLEY CLEAN ENERGY ALLIANCE ("VCEA"), a joint exercise of powers authority established pursuant to the Joint Exercise of Powers Act of the State of California (California Government Code Section 6500 et seq.).

RECITALS

A. VCEA's Financial Reserve Policy, adopted December 14, 2017, targets an operating reserve account minimum balance of 30 days operating expenses.

B. In order to maintain this policy minimum reserve, VCEA has requested the County provide a \$5,000,000 revolving line of credit to finance VCEA's operating cost shortfalls.

B. County is willing to provide such financing upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, County and VCEA agree as follows:

1. Agreement to Make Loans. Subject to the terms and conditions set forth below, the County agrees to lend to VCEA the sum of \$5,000,000 (the "\$5M Loan") for VCEA's 2022 operating cost requirements as needed to be evidenced by a promissory note in the form attached hereto as Exhibit A..

2. Security for Loan. To secure the performance of VCEA hereunder and the payment of all amounts due or to become due to the County, VCEA hereby grants, pledges, transfers and assign to the County, its right, title and interest in VCEA's net revenues consisting of electric utility customer charges.

3. Use of Loan Proceeds. The \$5M Loan shall be used for VCEA's annual operating cost shortfalls. VCEA agrees to use the proceeds of the loans for the foregoing purposes and for no other purposes.

4. Interest on Outstanding Amount of Loan. Simple interest shall accrue on outstanding amounts of the Loan at a variable interest rate equal to Yolo County Treasury Pool Quarterly Earning Rate plus 1.50% (1.99% as of December 31, 2021).

5. Conditions to Loans. County shall make the Loan proceeds available provided that County receives the organizational copies of documents of VCEA and a copy of resolutions of VCEA authorizing the transactions and net revenues pledge described herein.

6. Revolving Credit; Loan Disbursements. County shall have no obligation to make advances of loan proceeds after the earlier of: (i) December 31, 2022; or (ii) the occurrence of an Event of Default (as defined in Section 10 below). Sums borrowed under the

loans that are repaid by VCEA may be re-borrowed (i.e., each loan is a revolving credit agreement) subject to a maximum draw of one per month, but disbursements of each draw are subject to VCEA's giving to County a written request for disbursement at least five business days' prior to the requested disbursement date in substantially the form attached hereto as Exhibit B and any additional documentation reasonably and promptly requested by County in writing.

7. Covenants, Warranties and Representations. VCEA makes the following covenants, representations and warranties as of the date of this Agreement:

(a) VCEA shall pay to County all principal and interest outstanding on the \$5M Loan on or before the later of: (i) on or before December 31, 2022, or (ii) the date that is 30 days after County delivers a bill to VCEA describing the amount of the interest to be paid and the calculation thereof.

(b) VCEA has the right and power to enter into and has duly authorized the transactions and documents described herein.

(c) This Agreement, and any other documents evidencing, securing or otherwise relating to the loan that are executed by VCEA, constitute legal, valid and binding obligations of VCEA which are enforceable in accordance with their terms.

(d) Except as disclosed to County in writing: (A) VCEA has never defaulted under: (i) any promissory notes of the same general nature as the Note, or (ii) any of its bonds, leases or other obligations and (B) VCEA has never asserted a right to avoid liability under a lease by non-appropriation (excluding conditions precedent requiring appropriation) as a condition to the effectiveness of an obligation.

(f) To the fullest extent permitted by law, VCEA shall fix, prescribe, revise, and collect electric utility rates, fees and charges sufficient to repay the outstanding amounts under the \$5M Loan and any accrued interest by December 31, 2022.

8. Prepayment. VCEA may prepay its draws under the Line of Credit without penalty at any time, in whole or in part upon three (3) business days' written notice to the County. Prepayments shall be applied first to interest and then to principal. VCEA shall be entitled to reborrow any principal amounts under the Line of Credit that are paid, subject to the borrowing availability terms set forth in this Agreement.

9. County Reports/Statement. County shall keep an accounting of the indebtedness of VCEA resulting from draws under the Line of Credit. County shall, within five (5) business days after receipt of a written request from VCEA, provide written statements to VCEA of the outstanding balances under the \$5M Loan and a description of any defaults or Events of Default by VCEA of which County then has knowledge or notice.

10. Default; Events of Default. An "Event of Default" by VCEA shall be deemed to have occurred hereunder and under the Notes if: (i) VCEA fails to pay any monetary obligation of VCEA to County when due; or (ii) VCEA fails to perform any non-monetary obligation of VCEA to County when performance is due, and VCEA fails to cure such default

within 15 calendar days after written notice from County of such default (provided that if the default is such that more than 15 calendar days is required for its cure, no Event of Default shall have occurred unless VCEA fails to commence the cure within such 15 day period or thereafter fails to reasonably prosecute the cure to completion). If such an Event of Default by VCEA occurs, all sums disbursed or advanced by the County shall, at the option of County, immediately become due and payable, and County shall not be obligated to make future disbursements of loan proceeds to VCEA.

11. Late Charge; Default Interest Rate. In addition to the default provisions of Section 10, if VCEA fails to pay any payment due within 15 calendar days after the date it is due, a late charge of the greater of \$100 or 5% of the late payment amount will be charged to the Loan unless the late charge is waived by the County due to good cause. If VCEA still has not paid any payment due 30 calendar days after the date it is due, interest on the outstanding balance, including late charges, shall accrue interest at an annualized rate of 10 % per annum, which shall be calculated from the due date until such amounts are paid off in full.

12. Independent Contractor. Nothing contained in this Agreement is intended to, or shall be construed in any manner, as creating or establishing a partnership, joint venture or relationship of employer/employee or principal/agent between the parties.

13. Notices. All notices and demands shall be given in writing by certified mail, postage prepaid, and return receipt requested, by personal delivery or by overnight delivery service. Notices shall be considered given upon the earlier of (a) personal delivery; (b) two (2) business days following deposit in the United States mail, postage prepaid, certified or registered, return receipt requested; or (c) one (1) business day following deposit with an overnight courier. Notices shall be addressed as provided below for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice:

VCEA: Valley Clean Energy Alliance
604 2nd Street
Davis, CA 95616
Attn: Mitch Sears

County: County of Yolo
Department of Financial Services
625 Court Street, Room 102
Attn: Chief Financial Officer

14. Nonliability of VCEA Officials and Employees. No member, official or employee of either party shall be personally liable to the other party or its successors in interest in the event of any default or breach or for any amount which may become due.

15. No Third Party Beneficiaries. This Agreement is made for the sole benefit of County and VCEA and their respective permitted successors and assigns, and no other person or persons shall have any right of action hereon, nor should any laborer, materialman, subcontractor, or other third party rely upon the loans as a source of payment for work done or

labor and/or materials supplied in respect to the improvements contemplated hereunder or otherwise, notwithstanding any representation to the contrary made by VCEA, contractor or any other person.

16. Miscellaneous / General Provisions. Time is of the essence of this Agreement and of each and every provision hereof. The waiver by either party of any breach or default herein shall not be deemed, nor shall it constitute, a waiver of any subsequent breach or breaches. Any failure or delay by either party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies or deprive it of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies. This Agreement, together with all exhibits hereto, constitutes the entire agreement between the parties hereto, and there shall be no other agreement regarding the subject matter hereof unless signed in writing by County and VCEA.

17. No Assignment. VCEA shall not assign any of its rights under this Agreement.

18. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

IN WITNESS WHEREOF, the parties hereto have entered into this Revolving Loan Agreement as of the day and year first above written.

COUNTY OF YOLO

VALLEY CLEAN ENERGY ALLIANCE

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT A

REVOLVING CREDIT PROMISSORY NOTE

\$5,000,000.00

Date:

FOR VALUE RECEIVED, **VALLEY CLEAN ENERGY ALLIANCE**, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et seq. (“*Borrower*”), promises to pay to the order of **COUNTY OF YOLO** (“*Lender*”) the principal sum of FIVE MILLION and /100 DOLLARS (\$5,000,000.00), pursuant to the terms of that certain Revolving Credit Agreement (the “*Credit Agreement*”) dated as of ___, 2022, between Borrower and Lender, together with interest thereon as provided herein and therein. All payments under this Revolving Credit Promissory Note (this “*Note*”) shall be made to Lender at its address specified in the Credit Agreement, or at such other place as the holder of this Note may from time to time designate in writing, in accordance with the terms of this Note and the Credit Agreement. Capitalized terms used but not defined in this Note shall have the definitions provided in the Credit Agreement.

Interest and Payment Terms. Simple interest shall accrue on outstanding amounts of this Note at a variable interest rate equal to Yolo County Treasury Pool Quarterly Earning Rate plus 1.50% (1.99% as of December 31, 2021). VCEA shall pay to County all outstanding principal and interest on this Note on or before the later of: (i) on or before December 31, 2022, or (ii) the date that is 30 days after County delivers a bill to VCEA describing the amount of the interest to be paid and the calculation thereof.

Default and Acceleration. Upon the occurrence of any Event of Default described in Section 10 of the Credit Agreement, Lender may exercise any or all of the rights and remedies set forth therein, including the exercise of Lender’s option to accelerate this Note and declare all advances and all indebtedness under this Note then outstanding to be immediately due and payable, with notice to Borrower.

Miscellaneous. This Note and the holder hereof arc entitled to all of the rights benefits provided for in the Credit Agreement. All of the terms, covenants and conditions contained in the Credit Agreement are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein. In the event of a conflict or inconsistency between the terms of this Note and the Credit Agreement, the terms and provisions of the Credit Agreement shall control.

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

This Note will be construed in accordance with, and governed by, the internal laws of the State of California.

Borrower promises to pay all costs and expenses (including reasonable attorneys' fees and expert witnesses' fees) suffered or incurred by Lender or subsequent holder of this Note in the collection of this Note or the enforcement Lender's rights and remedies under the Credit Agreement.

Borrower hereby waives presentment for payment and demand. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) the obligations evidenced by this Note or release any party or guarantor or collateral, or impair, fail to realize upon or perfect Lender's security interest in the collateral, if any; and take any other action deemed necessary by Lender without the consent of or notice to anyone.

Prior to signing this Note, Borrower read and understood all the provisions of this Note and the Credit Agreement, including the variable interest rate provisions in the Credit Agreement. Borrower agrees to the terms of this Note and the Credit Agreement. Borrower acknowledges receipt of complete copies of this Note and the Credit Agreement.

VALLEY CLEAN ENERGY ALLIANCE

By: _____

Name: _____

Its: _____

EXHIBIT B

FORM OF DISBURSEMENT REQUEST

VCEA/COUNTY LOAN DISBURSEMENT REQUEST

County of Yolo
County of Yolo
Department of Financial Services
625 Court Street, Room 102
Attn: Chief Financial Officer

Re: Request for Disbursement of Loan Proceeds

Ladies and Gentleman;

The Valley Clean Energy Alliance (“VCEA”) requests that you disburse to the VCEA by wire transfer to:

Payee: Valley Clean Energy Alliance
Bank:
Routing#:
Account#:

the sum of \$_____, being a portion of the loan evidenced by that certain \$_____ Promissory Note executed by the VCEA.

The VCEA hereby certifies that is has incurred operating costs in excess of the cash available to pay them, and that such loan funds will be sued to pay such operating cost shortfall.

Very Truly Yours,

VALLEY CLEAN ENERGY ALLIANCE

By: _____

Print Name: _____

Title:

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2022-XXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE
AUTHORIZING THE EXECUTION OF CREDIT AGREEMENT WITH THE COUNTY OF YOLO**

WHEREAS, The Valley Clean Energy Alliance (“VCE”) was formed as a community choice aggregation agency (“CCA”) on November 16, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and,

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

1. Approves and authorizes the Interim General Manager and/or his designee to conduct any final negotiations and sign all necessary related documents on behalf of VCE for the short-term line of credit agreement with the County of Yolo as described in the term sheet recommended for approved by the County of Yolo Debt Committee to the Yolo County Board of Supervisors on January 20, 2022.
2. The Interim General Manager and/or his designee is authorized to execute and take all actions necessary to implement the line of credit substantially in the form attached hereto on behalf of VCE, and in consultation with legal counsel is authorized to approve minor changes to the line of credit agreement so long as the terms and amount are not changed.

PASSED, APPROVED AND ADOPTED, at a special meeting of the Valley Clean Energy Alliance, held on the ____ day of _____ 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jesse Loren, VCE Chair

Alisa M. Lembke, VCE Board Secretary

Attachments:

1. Yolo Debt Committee - Item #7 - VCE Loan Request
2. Revolving Credit Agreement