VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Gary Lawson, Sacramento Municipal Utility District (SMUD)
Shawn Marshall, LEAN Energy US

SUBJECT: Discussion and Adoption of VCEA Implementation Plan and Statement of Intent

DATE: October 12, 2017

RECOMMENDATION

1. Adopt a resolution approving VCEA's Implementation Plan and Statement of Intent and authorize its submission to California Public Utilities Commission for certification.

ANALYSIS AND DISCUSSION

Before launching a Community Choice Aggregation (CCA) program, VCEA must meet certain legal requirements set forth in the California Public Utilities Code Section 366.2(c)(3) which requires that the governing body of each CCA adopt an Implementation Plan and Statement of Intent (Plan) at a duly noticed public meeting. With this requirement in mind, staff and consultants have prepared a statutorily responsive Plan for the Board's consideration.

Per Code, the Plan must include the following information:

- An organizational structure of the program, its operations, and its funding;
- Rate-setting and other costs to participants;
- Provisions for disclosure and due process in setting rates and allocating costs among participants;
- Methods for entering and terminating agreements with other entities;
- Rights and responsibilities of program participants;
- Provisions for termination of the program; and
- Description of third parties that will be supplying electricity under the program.

The CPUC has 90 days to complete its review and certify the Plan.

It should be noted that the purpose of a CCA Implemenatation Plan is to establish an intial framework for the operation of a CCA program. Like other CCA programs that have previously launched service, VCEA will have the ability to amend its policies from those articulated in the Implementation Plan as conditions warrant provided they do not violate required prinicpals mandated by law. For example, VCEA retains the ability to modify the rate design of the existing utility allowing for the consideration of alternative rate structures to address the needs of a class of customers (e.g. agricultural sector).

The VCEA Board of Directors received informational presentations regarding development of the Plan during their meetings on July 25 and September 20, 2017. The Draft VCEA Plan was developed based on templates used by several other California CCA programs and is consistent with previously submitted plans while also including information that is unique to VCEA and its planned program operations and elements. In addition, Community Advisory Committee members provided feedback at their September 27, 2017 meeting on the draft Plan, especially in the areas of renewable energy and carbon free attributes in VCEA's initial power mix, and general rate setting.

KEY POLICIES INCLUDED IN THE PLAN

By adoptiong the draft Implementation Plan as recommended, the VCEA Board is establishing the program's initial program design. The Board retains the ability to modify the policies included in the Plan. Thought not a comprehensive list, the key policies include:

- **Initial resource mix.** Procure an initial resource mix sufficient to meet a minimum 75% percent carbon free power and 35% qualifying renewables for VCEA's retail load. This will serve as VCEA's default power mix. Note: these levels exceed current California RPS standards and PG&E's current carbon-free and renewable power levels.
- **Opt-up option.** Offer a 100% renewable option at a price premium covering the addional costs associated with serving these customers.
- **Opt-out fee, post enrollment**. Establish a $5 fee for residential and $25 fee for commercial customers opting out after the initial enrollment period, and consider waiving that fee for the first 12 months of program operation.
- **Tarriff structure and rate design.** Initially match PG&E's rate/tariff structure to ensure easy customer comparison between VCEA and PG&E generation rates and sufficient to recover all costs related to operation of the program. Note: the Plan includes language that allows VCEA to introduce specialized tariffs to better serve the needs of specific customers (e.g. agriculture and other commercial accounts). The Board is scheduled to approve final rate design in late 2017.
- **Competitive rates.** For VCEA's standard default tariff, the goal would be for VCEA Program rates to be at parity with or lower than the generation rates offered by PG&E. The financial modeling presented in the Implemenation Plan is based upon the assumption that VCEA would set its generation rates at a level 1% below PG&E's, net of the PCIA charge. The 100% renewable option would be offered at a price premium to cover the addional costs associated with serving these customers.
- **Net Energy Metering (NEM).** Offer a NEM rate and pay customers for excess power produced from net energy metered generation systems in accordance with the rate design and policies adopted by VCEA Board.
- **Program staffing.** Establish an initial staffing level of up to 6 VCEA employees, supplemented by SMUD staff and other consultants as may be needed to launch and carry out initial program operations. Note: These staffing levels are factored into the financial modeling.

In addition, the following Plan elements are excerpted from the final draft and highlighted to provide an overview of key sections of the Plan:

1. **Section 6 – Load Forecast and Resouce Plan** (pages 17-25)

This Chapter describes the planned mix of electric resources and demand reduction programs that over time will meet the energy consumption of VCEA's Customers by planning a highly clean, renewable, diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. Initially, these key polices include:

- VCEA will seek to increase use of clean energy resources with a combination of renewable and non-Renewable Portfolio Standard (RPS) carbon-free energy to reduce reliance on fossil-fueled electric generation.
- VCEA will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.

Longer term, VCEA policies, which will be implemented through its integrated resource planning process, will include:

- VCEA will help Customers reduce energy costs through investment in, and administration of, enhanced customer energy efficiency, distributed generation, and other demand reducing programs.
- VCEA will benefit the area's economy through investment in local renewable and distributed energy projects and enhanced energy efficiency programs.

The resource plan includes initially procuring renewable energy and non-RPS carbon free energy sufficient to meet a minimum 75% percent carbon free power supply for VCEA enrolled Customers. The clean resource part of the portiolio initially will include qualifying renewables at a level of 35% of supply for retail load.

2. **Section 8 – Ratesetting and Program Terms and Condtions** (pages 30-34)

This Chapter describes the initial policies proposed for VCEA in setting rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by the Board. The Board would retain authority to modify program policies from time to time at its discretion.

3. **Section 9 – Customer Rights and Responsibilities** (pages 35-39)

This chapter discusses Customer rights, including the right to opt-out of VCEA's Program and the right to privacy of Customer usage information, as well as obligations Customers undertake upon agreement to enroll in the CCE Program. All customers that do not opt out within thirty (30) days of the fourth and final enrollment notice will have agreed to become full status Program participants and must adhere to the obligations contained in the Plan, as may be modified and expanded by the VCEA Board from time to time.By adopting this Implementation Plan, VCEA's Board will have approved the Customer rights and responsibilities policies contained in Sections 9.1 – 9.5 to be effective at Program initiation. The Board retains authority to modify Program policies from time to time at its discretion.

4. **Section 10 - Procurement Process** (pages 40-42)

This Chapter describes VCEA's initial procurement policies and key third party service agreements by which VCEA will obtain operational services for VCEA's Program. By adopting this Implementation Plan, VCEA's Board of Directors will have approved the general procurement policies contained in Sections 10.1-10.2 to be effective at Program initiation. The Board retains authority to modify Program policies from time to time at its discretion.

5. **Section 11 - Contingency Plan for Program Termination** (pages 43-44)

This Chapter describes the process to be followed in the instance of VCEA Program termination. By adopting the original Implementation Plan, VCEA's Board of Directors will have approved the general termination process contained in Sections 11.1.1 - 11.1.2 to be effective upon Program initiation. In the unexpected and unlikely event that VCEA would terminate VCEA's Program and return Program Customers to PG&E bundled distribution service, the Plan includes a proposed process designed to minimize Customer and PG&E related impacts. The proposed termination plan follows the requirements set forth in PG&E's tariff Rule 23 governing service to CCAs. The Board retains authority to modify these policies from time to time at its discretion.

CONCLUSION

The attached Implementation Plan and Statement of Intent is responsive to statutory requirements and accurately reflects VCEA's plans and program elements. Consistent with other certified Implementation Plans, it also maintains adequate flexibility regarding the manner in which VCEA implements and administers its general operations. This flexibility accommodates inevitable shifts in wholesale energy markets, an evolving legislative and regulatory landscape and other fluctuating factors that may impact VCEA operations over time.

FISCAL IMPACT

The cost to develop and submit the Implementation Plan is estimated at $20,000 and is included in VCEA's implementation budget.

Attachments:

1. Resolution
2. Draft VCEA Implementation Plan and Statement of Intent

Valley Clean Energy Alliance

RESOLUTION ______

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING THE VCEA IMPLEMENTATION PLAN AND STATEMENT OF INTENT AS REQUIRED BY PUBLIC UTILITIES CODE SECTION 366.2(c)(3)

Whereas, the Valley Clean Energy Alliance ("VCEA") is a joint powers authority established on December 13, 2016 for the purpose of studying, promoting, developing, conducting, operating and managing energy and energy-related climate change programs including but not limited to implementing a community choice aggregation program under Public Utilities Code Section 366.2; and

Whereas, the members of VCEA include the Cities of Davis and Woodland and the County of Yolo; and

Whereas, Public Utilities Code Section 366.2 requires that before commencing a community choice aggregation program, VCEA first must prepare and adopt an Implementation Plan to be filed with the California Public Utilities Commission; and

Whereas, the draft VCEA Community Choice Aggregation Implementation Plan and Statement of Intent was presented to the Board of Directors at a duly noticed public hearing on October 12, 2017 for its consideration and adoption.

Now Therefore, after conducting a duly noticed public hearing as required by Public Utilities Code Section 366.2(c)(3), the Board of Directors hereby adopts the VCEA Community Choice Aggregation Implementation Plan and Statement of Intent.

ADOPTED AND APPROVED this 12th day of October, 2017 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Don Saylor, VCEA Board Chair

____
VCEA Board Secretary

Exhibit A – VCEA Community Choice Aggregation Implementation Plan and Statement of Intent

VALLEY CLEAN ENERGY ALLIANCE

COMMUNITY CHOICE AGGREGATION
IMPLEMENTATION PLAN
AND
STATEMENT OF INTENT

Board Approval Draft 10/6/17

Table of Contents

1 Introduction

Valley Clean Energy Alliance (VCEA) is a public agency located within the geographic boundaries of Yolo County, formed for the purposes of implementing a community choice aggregation ("CCA")/Community Choice Energy (CCE) program. Member Agencies of VCEA currently include the Cities of Davis and Woodland located within the County of Yolo (County) as well as the unincorporated areas of the County (together, the "Members"), all of which have elected to allow VCEA to provide electric generation service within their respective jurisdictions.

This Implementation Plan describes VCEA's plans to implement a CCE program for retail electric customers within the jurisdictional boundaries of its Members that currently take bundled electric service from Pacific Gas and Electric Company (PG&E). VCEA's Program will give electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over the CAISO controlled transmission grid and PG&E's distribution system. The planned start date for the Program is June 1, 2018 (subject to final review and approval of VCEA's Governing Board). All current bundled PG&E customers within VCEA's service area that do not take Direct Access service will receive information describing VCEA's Program and will have multiple opportunities to express their desire to remain bundled PG&E customers, in which case they will not be enrolled. Thus, participation in VCEA's Program is completely voluntary; however, customers, as provided by law, will be automatically enrolled according to the anticipated phase-in schedule later described in Chapter 5 unless they affirmatively elect to opt-out. PG&E customers that are Direct Access customers will have the opportunity to opt-in to VCEA, although such accounts will not be automatically enrolled.

Implementation of CCE will enable electric customers within VCEA's service area to become VCEA customers ("Customers") and take advantage of opportunities granted by Assembly Bill 117 (AB 117), the Community Choice Aggregation Law. VCEA's primary objectives in implementing this Program are to deliver to VCEA Customers cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions.

To ensure successful operation of the Program, VCEA will receive assistance from a large, vertically integrated municipal utility already providing utility services to its own customers ("Services Provider"). Following a thorough service provider solicitation process, VCEA selected Sacramento Municipal Utility District ("SMUD") as the Services Provider to provide comprehensive contract services for VCEA's Program, including Wholesale Energy Services, customer call center, billing and other back office services, and certain staffing services. Following VCEA Board direction for energy procurement, the Services Provider will establish competitive power procurement processes on behalf of VCEA, and will serve as VCEA's scheduling coordinator. The VCEA Board is expected to approve the Services Provider contract at its October 12, 2017 Board Meeting.

VCEA's Implementation Plan reflects a collaborative effort among VCEA, its Members, VCEA Citizens Advisory Committee and members of the public to bring the benefits of competition and choice to residents and businesses within the Member communities. By exercising its legal right to form a CCA Program, VCEA will enable its Customers to access market-based energy products and services including increased clean energy supplies and resultant reductions in GHG emissions. Absent action by VCEA and its individual Members, most customers would have no ability to choose an electric supplier and would remain captive customers of the incumbent utility (PG&E).

The California Public Utilities Code provides the relevant legal authority for VCEA to become a Community Choice Aggregator and imparts the California Public Utilities Commission ("CPUC" or "Commission") with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through VCEA's Program. The CPUC also has responsibility for registering VCEA as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public Utilities Code requires that an Implementation Plan be adopted by any Community Choice Aggregator at a duly noticed public hearing and that it be filed with the Commission in order for the Commission to determine the cost recovery mechanism to be paid by customers of the Program to prevent shifting of costs to the remaining bundled customers of PG&E.

Each VCEA Member has adopted an ordinance to implement a CCA program through its participation in VCEA, and each of the Members has adopted a resolution permitting VCEA to provide service within each jurisdiction[1]. With each of these milestones having been accomplished, VCEA now submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, VCEA will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

After collaborative work by representatives of the Members, independent consultants, VCEA Advisory Committee, local experts and stakeholders, VCEA released a draft Implementation Plan onon October 6 2017, which described the planned organization, governance and operation of the CCE Program.

On October 12, 2017, VCEA, at a duly noticed public hearing, considered and adopted this Implementation Plan, through VCEA Resolution No.___ (a copy of which is included as part of Appendix A). The Commission has established the methodology that will be used to determine

[1] Copies of individual ordinances adopted by VCEA's Members are included within Appendix B.

the cost recovery mechanism, and PG&E has approved tariffs for imposition of the cost recovery mechanism.

1.1 Statement of Intent

As required by PU Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation. VCEA hereby certifies that it has/will adopt all of the required principals mandated by laws, including:

- Universal access;
- Reliability;
- Equitable treatment of all customer classes; and
- Any requirements established by state law or by the CPUC concerning aggregated service.

These are individually discussed below.

1.2 Organization of this Implementation Plan

The content of this Implementation Plan complies with the statutory requirements of AB 117. The remainder of this Implementation Plan is organized as indicated in the Table of Contents.

The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table:

Table 1. AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
Statement of Intent	Chapter 1: Introduction
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan and Funding Chapter 7: Financial Plan
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Ratesetting
Ratesetting and other costs to participants	Chapter 8: Ratesetting Chapter 9: Customer Rights and Responsibilities
Participant rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Methods for entering and terminating agreements with other entities	Chapter 10: Procurement Process
Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities	Chapter 10: Procurement Process
Termination of the program	Chapter 11: Contingency Plan for Program Termination

2 Process and Consequence of Aggregation

This chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

Beginning in 2015, the City of Davis ("City") began investigating formation of a CCA Program, pursuant to California state law, with the following objectives: 1) to provide cost competitive electric services; 2) to reduce greenhouse gas emissions related to the use of electric power within the County; 3) to develop long-term rate stability and energy reliability for residents through local control; and 4) to stimulate and sustain the local economy by developing local jobs in renewable energy. In 2015, Yolo County joined the efforts of the City, and jointly commissioned a technical feasibility study for a CCA Program serving the City and the unincorporated County, which was completed in March, 2016. At that time, both the City and the County decided to proceed with formation of a joint powers authority, and in December 2016, the formation of Valley Clean Energy Alliance was completed. The City of Woodland enacted an enabling ordinance in June, 2017, and became VCEA's third Member.

VCEA's formation represents a culmination of planning efforts by the citizenry of the VCEA Members. VCEA plans to expand the energy choices available to eligible Customers through creation of innovative new programs including: voluntary purchases of renewable energy; net energy metering to promote customer-owned renewable generation; energy efficiency programs; demand response to promote reductions in peak demand; local renewable energy development through a feed-in-tariff and/or targeted local renewable solicitations.

2.1 Process of Aggregation

Within sixty (60) days before customers are enrolled in the Program, prospective customers will receive two written notices in the mail from VCEA that will provide information needed to understand the Program's terms and conditions of service and explain how customers may opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled, and service will begin at their next regularly scheduled meter read date following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. In accordance with applicable regulations, initial enrollment/opt-out notices will be provided to customers in April 2018, and again in May 2018 in anticipation of a June 1, 2018 launch date.

Customers enrolled in VCEA will continue to have their electric meters read and to be billed for electric service by the incumbent distribution utility (PG&E). The electric bill for Program customers will show separate charges for generation and power supply procured by VCEA as well as other charges related to electricity delivery and other utility charges assessed by PG&E.

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of VCEA without penalty and return to bundled service with PG&E as mandated by law.

VCEA customers will be advised of their opt-out opportunities via the distribution of two additional enrollment notices provided within the first sixty days of service. Additionally, VCEA is considering adoption of a policy that would extend the waiver of termination fees during the first 12-months of service following the June, 2018 VCEA launch.

Customers that opt-out between the initial cutover date and the close of the post enrollment opt-out period will be responsible for their charges for VCEA's electric service for the time they were served by VCEA, but will not otherwise be subject to any penalty for leaving the Program. Customers that have not opted-out within thirty days of the fourth and final enrollment notice will be deemed to have elected to become participants in VCEA's Program and to have agreed to VCEA's Program terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

2.2 Consequences of Aggregation

2.2.1 Rate Impacts

VCEA Customers will pay the generation charges set by VCEA and no longer pay the costs of PG&E generation. Customers enrolled in the Program will be subject to Program terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

VCEA's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by PG&E. VCEA will establish rates sufficient to recover all costs related to operation of the Program.

VCEA's rate policies and procedures are detailed in Chapter 7. The VCEAVCEA's Board will establish and approve initial Program rates following Board approval of VCEA's inaugural program budget, reflecting final costs associated with VCEA's energy supply. Information regarding initial VCEA Program rates will be disclosed along with other terms and conditions of service in both pre- and post-enrollment notices sent to potential customers.

Once VCEA gives definitive notice to PG&E that it will commence CCE service, VCEA Customers will generally not be responsible for costs associated with PG&E' future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by PG&E to CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in PG&E's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both PG&E bundled customers as well as CCA and Direct Access customers. Such charges may be revised or changed from time to time subject to CPUC proceeding and rulings.

2.2.2 Renewable Energy Impacts

A second consequence of the Program will be an increase in the proportion of energy generated and supplied by renewable and zero carbon resources. The Program resource plan includes initially procuring renewable energy and non-RPS carbon free energy sufficient to meet a minimum 75% percent carbon free power supply for VCEA enrolled Customers, subject to economic and operational constraints. VCEA Customers may also voluntarily participate in a 100 percent renewable supply option. To the extent that Customers choose VCEA's 100 percent renewable energy option, the renewable content of VCEA's aggregate supply portfolio will increase accordingly. Renewable resource procurement targets will be set by the VCEA Board once energy requirements have been finalized prior to VECA launch.

Initially, requisite renewable energy supply will be sourced through one or more power purchase agreements. Over time, however, VCEA may consider independent development of new renewable generation resources, subject to considerations such as development costs, regulatory requirements and other concerns. VCEA will emphasize procurement from locally situated renewable energy projects to the greatest extent practicable. VCEAwill only consider utilization of PCC-3 RECs to the extent required to manage volumetric risk.

2.2.3 Energy Efficiency Impacts

A third consequence of the Program will be an anticipated increase in energy efficiency program investments and activities. The existing energy efficiency programs administered by PG&E are not expected to change as a result of VCEA Program implementation. CCE customers will continue to pay public benefits surcharges to PG&E, which will fund energy efficiency programs for all customers, regardless of generation supplier. The energy efficiency investments ultimately planned for VCEA, as described in Chapter 6, will be in addition to the level of investment that would continue in the absence of VCEA. After launch, VCEA will be evaluating the potential for increased energy savings and further emissions reductions from expanded energy efficiency programs. VCEA eventually intends to apply for administration of requisite program funding from the CPUC to independently administer energy efficiency programs within its jurisdiction.

3 Organizational Structure

This section provides an overview of the organizational structure of VCEA and its proposed implementation of the CCE program. Specifically, the key agreements, governance, management, and organizational functions of VCEA are outlined and discussed below.

3.1 Organizational Overview

VCEA has a governing board that establishes VCEA Program policies and objectives; management and staff that is responsible for operating the VCEA Program in accordance with such policies, and contractors that will provide energy and other specialized services necessary for VCEA Program operations.

3.2 Governance

VCEA is governed by its Board of Directors ("Board"), which includes two appointed designees from each Member jurisdiction. VCEA is a joint powers agency formed in December 2016 under California law. The Members of VCEA currently include the Cities of Davis and Woodland as well as the unincorporated areas of the County, all of which have elected to allow VCEA to provide electric generation service within their respective jurisdictions. VCEA is the CCE entity that will register with the CPUC, and it is responsible for implementing and managing the Program pursuant to VCEA's Joint Powers Agreement ("JPA Agreement"). The VCEA Board is comprised of representatives appointed by each of the Members in accordance with the JPA Agreement. VCEA will be operated under the direction of a Executive Officer appointed by the Board, with legal and regulatory support provided by a Board appointed General Counsel.

The Board's primary duties will be to establish Program policies, approve rates and provide policy direction to the Executive Officer, who will have general responsibility for program operations, consistent with the policies established by the Board. The Board has established a Chairman position and other officer positions from among its Members and may establish an Executive Committee and other committees and sub-committees as needed to address issues that require greater expertise in particular areas. VCEA has already established a 9-member Community Advisory Committee to advise and make recommendations. The Board may also form various additional standing and/or ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect VCEA and its customers, including rate-related and power contracting issues, and may provide analytical support and recommendations to the Board.

3.3 Management

The Executive Officer may be an employee of VCEA, an individual under contract with VCEA, a public agency, a private entity, or any other person or organization so designated by the Board. The Board will be responsible for evaluating and managing the Executive Officer's performance. The Executive Officer will have management responsibilities over the functional areas of resource planning, electric supply, local energy programs, finance and rates, customer services and regulatory affairs. In performing his or her obligations to VCEA, the Executive Officer may utilize a combination of internal staff and/or contractors. Initially, VCEA will be staffed minimally with its own employees, supplemented with staff of the Service Provider. This includes all specialized functions needed for Program operations, including the electric supply and customer account management functions described below.

Major functions of VCEA that will be managed by the Executive Officer are summarized below.

3.4 Resource Planning

VCEA must plan for meeting the electricity needs of its Customers utilizing resources consistent with its policy goals and objectives as well as applicable legislative and/or regulatory mandates. The Executive Officer will oversee development of long term resource plans under the policy guidance provided by the Board and in compliance with California law and other requirements of California regulatory bodies.

Long-term resource planning includes load forecasting and supply planning on a ten- to twenty-year time horizon. VCEA will develop integrated resource plans that meet program supply objectives and balance cost, risk and environmental considerations. Such integrated resource plans will also conform to applicable requirements imposed by the State of California. Integrated resource planning efforts of VCEA will consider increasing demand side energy efficiency, distributed generation and demand response programs, long-term renewable energy supply with an emphasis on economic local renewable development, and other supply options available to achieve clean energy goals. Resource plans will be updated and adopted by the Board as required by law and/or regulation.

3.5 Electric Supply Operations

Electric supply operations encompass activities necessary for wholesale procurement of electricity to serve end use customers. These highly specialized activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *Risk Management* – application of standard industry techniques to reduce exposure to energy and credit markets volatility and insulate Customer rates from sudden and significant changes in wholesale market prices.
- *Load Forecasting* – develop accurate load forecasts, both long-term for resource planning and short-term for electricity purchases and sales needed to maintain a balance between hourly resources and loads.

- *Scheduling Coordination* – scheduling and settling electric supply transactions with the CAISO.
- *Wholesale Energy Settlements* – managing settlement quality metering data and coordinating wholesale energy settlements and payment for loads and resources.

As part of the Wholesale Energy Services provided by contract, the Services Provider will use its experience and credit support for procurement of energy supply. The Services Provider will be executing most of the energy supply agreements in its name, utilizing its credit for such procurements. The Services Provider will perform all electric supply operations for VCEA. This includes procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading. Included in the Wholesale Energy Services will be reporting on commodity risk exposure to VCEA.

Any long-term energy arrangements and generation project(s) development will be managed by VCEA.

3.6 Local Energy Programs

A key focus of VCEA in its integrated resource planning efforts will be the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs and other energy programs responsive to community interests. The Executive Officer will be responsible for further development of these programs, as these are likely to be implemented on a phased basis during the first several years of CCE operations.

VCEA will investigate administering energy efficiency, demand response and distributed generation programs that can be used as cost-effective alternatives to procurement of supply-side resources while simultaneously supporting the local economy. VCEA will also evaluate the consolidation of existing demand side programs into its CCE organization and thus leveraging the structure to expand energy efficiency offerings to customers throughout its service territory, and may apply to the CPUC for third party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by VCEA Customers.

3.7 Finance and Rates

The Executive Officer will be responsible for managing the financial affairs of VCEA, including the development of annual budgets, revenue requirements and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary; and other financial business needs.

The Board has the ultimate responsibility for approving electric generation rates for VCEA Customers. The Executive Officer, in cooperation with staff and appropriate advisors, contractors, consultants and committees of the Board will be responsible for developing proposed rates and options for the Board to consider before finalization. Approved and adopted rates must, at a minimum, meet the annual budgetary revenue requirement developed by the Executive Officer, including recovery of all expenses and any reserves or coverage requirements set forth in bond covenants and/or other agreements. The Board will have the flexibility to consider rate adjustments within certain ranges, provided that the overall revenue requirement is achieved. VCEA will administer a standardized set of electric rates and may offer optional rates to encourage policy goals such as economic development or low income subsidy programs.

VCEA may also offer customized pricing options such as dynamic pricing or contract-based pricing for energy intensive customers to help these customers gain greater control over energy costs. This would provide such customers – mostly larger energy users within the commercial sector – with a greater range of power options than currently available.

VCEA's finance function will be responsible for arranging financing necessary for any capital projects, preparing financial reports, and ensuring sufficient cash flow for successful operation of VCEA's Program. The finance function will play an important role in risk management by monitoring commodity risk exposure reported by the Wholesale Energy Services provider. In the event that changes in a particular energy supplier's financial condition and/or credit rating are identified, VCEA will work with the Services Provider to take appropriate remedial action(s), as may be provided for in the respective electric supply agreement. The financefinance function establishes general credit policies that the VCEA Program must follow.

3.8 Communications and Customer Services

The customer services function includes general Program marketing and communications as well as direct Customer interface ranging from management of key account relationships to call center and billing operations. VCEA will conduct Program marketing to raise consumer awareness of VCEA's Program and to establish VCEA's "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into VCEA's Program. Communications will also be directed at key policy-makers at the state and local levels, community business and opinion leaders, and the general media.

In addition to general Program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance VCEA's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. VCEA will utilize the Services Provider's existing customer call center to field customer inquiries and handle routine interactions with customers.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from the Program, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through PG&E's (the distribution utility) billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data with the distribution utility and VCEA, tracking of customer payments and accounts receivable, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits in accordance with VCEA credit policies.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. VCEA's Services Provider has demonstrated the necessary experience and administers appropriate computer systems (customer information system), to perform the customer account and billing services functions.

3.9 Legal and Regulatory Representation

VCEA will require ongoing regulatory representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California's Renewables Portfolio Standard ("RPS"), and overall representation on issues that may impact VCEA, its Members and customers. VCEA will maintain an active role at the CPUC, the California Energy Commission, the California Independent System Operator, the California legislature and, as necessary, the Federal Energy Regulatory Commission, and will rely on staff and/or contracted legal services to coordinate and make required regulatory filings.

VCEA will retain outside legal services for its General Counsel function and, as necessary, special counsel to administer VCEA, review contracts, and provide regulatory legal support related to activities of VCEA's Program.

4 Startup Plan and Funding

This Chapter presents VCEA's plans for the start-up period, including the necessary expenses and capital outlays, which will commence once the CPUC certifies its receipt of this Implementation Plan. As described in the previous Chapter, VCEA may utilize a mix of staff and contractors in its CCE Program implementation.

4.1 Startup Activities

Initial program startup activities include the following:

- Determining staffing levels to be provided by VCEA directly or to be supplied by Services Provider to manage implementation
- Identifying qualified energy suppliers and negotiating supplier contracts
- Scheduling coordinator activities
- Establishing data management processes
- Defining and execution of prescribed communications plan
- Customer research/information gathering
- Media campaign
- Key customer/stakeholder outreach
- Informational materials and customer notices
- Customer call center
- Posting of CCE bond and complete requisite registration requirements
- Paying utility service initiation, notification and switching fees
- Performing customer notification, opt-out and transfers
- Conducting load forecasting
- Establishing rates
- Legal and regulatory support
- Financial management and reporting

4.2 Staffing and Contract Services

VCEA staff and/or contractors will be added incrementally to match workloads as necessary for activities needed during the pre-operations period. During the start-up period, the minimal VCEA staffing required will include an Executive Officer, an executive assistant/board clerk, marketing manager and other personnel/consultants needed to support program operations including regulatory and government affairs, procurement, finance, legal, account services, and communications activities. Other staff will be provided by the Services Provider.

For budgetary purposes, it is assumed that three to four to six full-time VCEA staff as well as supporting contract professional services would be engaged during the initial start-up period. Following this period, additional staff and/or contractors will likely be retained to support the roll-out of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

4.3 Capital RequirementsRequirements

The start-up of the CCE Program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) working capital. Each of these functions and associated capital requirements are discussed below. The finance plan in Chapter 7 provides a more detailed discussion of capital requirements and Program finances.

Staffing and contractor costs during start-up and pre-startup activities are estimated to be approximately $1.5 million, including direct costs related to public relations support, technical support, and customer communications. Actual costs may vary depending upon how VCEA manages its start-up activities and the degree to which additional contractor support may be needed above that estimated.

Requisite deposits and reserves of VCEA's Program are estimated at $935,000 and include the following items:

1) Operating reserves to meet power supplier requirements - $800,000 for the first year of operation;
2) CCE bond (posted with the CPUC) -$100,000; and
3) PG&E service fee deposit - $35,000;
4) A major vendor will be serving as VCEA's scheduling coordinator, and in turn, such vendor's existing CAISO deposit are estimated as sufficient to cover VCEA's load within the balancing authority.

Operating revenues from sales of electricity will be remitted to VCEA beginning approximately sixty days after initial Customer enrollments. This lag is due to the distribution utility's standard 30 day meter reading cycle coupled with a 30 day payment/collections cycle. VCEA will need working capital to support electricity procurement and costs related to Program management, which will be included in the financing program associated with start-up funding. As discussed in Chapter 7, the initial working capital requirement is estimated at $4.5 million.

Therefore, the total staffing and contractor costs, applicable deposits and working capital costs are expected to be approximately $7.1 million. These are costs that ultimately will be collected through VCEA Program rates; however, some of these costs will be incurred prior to VCEA selling its first kWh of electricity and will require financing.

4.4 Financing Plan

Program start-up funding will come from a combination of sources. The three existing Members have provided loans totaling $1.5 million, and are providing loaned staff and contract services to be repaid after program launch. The Services Provider has also agreed to deferral of payment until after program launch. Remaining capital needs to support energy procurement and any additional credit needs will be provided via a bank credit facility that can be drawn upon as needed.

VCEA will make repayments (including interest) to the Members and the Services Provider over a three-to-five year term starting after Program cash flows are positive. The repayment of start-up costs will be included in retail generation rates charged VCEA Customers.

5 Program Phase-In

VCEA will enroll all Customers within its initial jurisdiction in one phase. VCEA will offer its default service to all eligible PG&E bundled electric customers. VCEA will not enroll non-bundled electric customers in its jurisdiction, although those customers may elect to take service with VCEA.

Given the relatively small size of VCEA as compared to other PG&E jurisdictional CCAs, VCEA will be able to fully capture the available economies of scale in its initial launch by enrolling its entire Customer base across a single month. The state of the CCA industry and service providers has matured since 2010, reducing the risks at the point of initial enrollment.

As noted in Chapter 1, VCEA will begin cutting over Customers on June 1, 2018. Eligible Customers will begin VCEA service upon their meter-read date following the June 1, 2018 Program commencement. After full enrollment, service will have been offered to approximately 64,500 accounts, totaling 780 GWh of annual energy sales.

6 Load Forecast and Resource Plan

This Chapter describes the planned mix of electric resources and demand reduction programs that will over time will meet the energy consumption of VCEA's Customers by planning a highly clean, renewable, diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. Initially, these key polices include:

- VCEA will seek to increase use of clean energy resources with a combination of renewable and non-RPS carbon-free energy to reduce reliance on fossil-fueled electric generation.
- VCEA will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.

Longer term, VCEA policies, which will be implemented through its integrated resource planning process, will include:

- VCEA will help Customers reduce energy costs through investment in, and administration of, enhanced customer energy efficiency, distributed generation, and other demand reducing programs.
- VCEA will benefit the area's economy through investment in local renewable and distributed energy projects and enhanced energy efficiency programs.

The resource plan includes initially procuring renewable energy and non-RPS carbon free energy sufficient to meet a minimum 75% percent carbon free power supply for VCEA enrolled Customers. The clean resource part of the portiolio initially will include qualifying renewables at a level of 35% of supply for retail load. As VCEA's Program moves forward, incremental renewable supply additions will be made based on resource availability as well as economic/environmental goals of VCEA's Program to achieve increased renewable energy content over time. VCEA's commitment to renewable generation adoption may involve both direct investment in new renewable generating resources, partnerships with experienced public power developers/operators and purchases of renewable energy from third party suppliers.

VCEA will seek to supply the Program with local renewable resources to the greatest extent technically and economically practicable. Specific objectives will be identified during ongoing resource planning activities and Board policy decisions.

VCEA will also establish ambitious targets for improving Customer side energy efficiency. The plan for accomplishing this includes:

- Initially procuring energy needed to offer two generation rate tariffs: 1) 100 percent renewable (voluntary product) and 2) minimum 75 percent carbon free (default product). with a 35% qualifying renewable energy content

- Continuing to increase renewable energy supplies over time, subject to resource availability and economic viability.
- Administering Customer programs to reduce per customer net electricity purchases
- Encouraging distributed renewable generation in the local area through the offering of: a net energy metering tariff; a standardized power purchase agreement and/or feed-in tariff; and, other creative, customer-focused programs targeting increased access to local renewable energy sources.

VCEA will be responsible for complying with regulatory rules applicable to California load serving entities. VCEA will arrange for the scheduling of sufficient electric supplies to meet the hour-by-hour demands of its Customers. VCEA will adhere to capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages and/or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve VCEA's Customers, even in the unlikely instance that VCEA's Program ceased operations and Customers returned to PG&E. In addition, VCEA will be responsible for ensuring that its resource mix contains sufficient renewable energy resources to comply with the California RPS (33 percent renewable energy by 2020, increasing to 50 percent by 2030). VCEA's resource plan will meet or exceed all applicable regulatory requirements related to resource adequacy and RPS.

6.1 Resource Plan Overview

To meet the aforementioned objectives and satisfy applicable regulatory requirements pertaining to VCEA's status as a California load serving entity, VCEA's resource plan will include a diverse mix of power purchases, renewable energy, new energy efficiency programs, demand response, and distributed generation, to be developed as part of VCEA's Integrated Resource Planning process.. A diversified resource plan reduces risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The ultimate goal of VCEA's resource plan is to minimize Customer energy consumption and maximize use of renewable resources, particularly local resources, subject to economic and operational constraints. The planned power supply is initially to be comprised of power purchases from third party electric suppliers and, in the longer-term, may also include renewable generation assets owned and/or controlled by VCEA.

Once VCEA'sthe VCEA Program demonstrates successful operations, VCEA may begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. VCEA will assess direct ownership of renewables or procurement of renewables through power purchase agreements achieves these objectives. Market conditions, availability of tax incentives for renewable energy development, and VCEA credit rating will be contributing factors to the own versus purchase decision for renewables.

VCEA's resource plan will integrate supply-side resources with programs that will help Customers reduce energy costs through improved energy efficiency and other demand-side measures. As part of its integrated resource plan, VCEA will actively pursue, promote and ultimately administer a variety of customer energy efficiency programs that cost-effectively displace supply-side resources.

6.2 Supply Requirements

The starting point for VCEA's resource plan is a projection of participating Customers and associated electric consumption patterns. Projected electric consumption is usually evaluated on an hourly basis, and then matched with resources best suited to serving the aggregate of such hourly demands or the program's "load profile." The electric sales forecast and load profile will be affected by VCEA's plan to introduce the VCEA CCE Program to customers and the degree to which customers choose to remain with PG&E during the customer enrollment and opt-out periods. VCEA's roll-out plan and assumptions regarding customer participation rates are discussed below.

6.3 Customer Participation Rates

Customers will be automatically enrolled in VCEA's Program unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of Program service. VCEA an overall Customer participation rate of approximately 90% percent of PG&E bundled service customers on a load basis, conservatively based on reported opt-out rates for the MCE Clean Energy, Sonoma Clean Power, Peninsula Clean Energy, Silicon Valley Clean Energy, and CleanPowerSF CCA programs, along with consideration of the large number of commercial customers and large agricultural load existing in Member jurisdictions. It is assumed that customers already taking Direct Access service from a competitive electricity provider will elect to remain with their current supplier. Assumed participation rates will be refined as VCEA's public outreach and market research efforts continue to develop.

6.4 Customer Forecast

Customers not opting to remain with PG&E will be switched over to VCEA Program service on their regularly scheduled meter read dates over an approximately thirty day period. Approximately 2,150 service accounts per day will be switched over during the service start month. The number of accounts estimated to be served by VCEA in each Customer class is shown in the table below.

Table 2. VCEA Expected Enrolled Retail Service Accounts

Customer Accounts	
Residential	42,773
Low Income Residential	13,311
Agriculture	1,984
Small Commercial	5,090
Medium Commercial	476
Large Commercial	221
Industrial	7
Street Lighting	659
Total	64,521

VCEA assumes that Customer growth will generally offset Customer attrition (opt-outs) over time, resulting in a relatively stable Customer base (1% annual growth) over the noted planning horizon. While the successful operating track record of existing California CCA programs continues to grow, there is nonetheless a relatively short history with regard to CCA operations, which makes it more difficult to anticipate actual levels of customer participation within VCEA's Program. The VCEA believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within Yolo County and the potential for continuing Customer opt-outs following mandatory customer notification periods. The preliminary forecast of service accounts (Customers) served by VCEA for each of the next ten years is shown in the Table 4 below:

Table 3. VCEA Customer Count Forecast, 2018 - 2027

Customer Class	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Residential	42,773	43,320	43,875	44,437	45,005	45,581	46,165	46,756	47,354	47,960
Low-income residential	13,311	13,481	13,654	13,829	14,006	14,185	14,367	14,550	14,737	14,925
Agriculture	1,984	1,986	1,988	1,990	1,992	1,994	1,996	1,998	2,000	2,002
Small Commercial	5,090	5,095	5,100	5,105	5,110	5,116	5,121	5,126	5,131	5,136
Medium Commercial	476	476	477	477	478	478	479	479	480	480
Large Commercial	221	221	221	222	222	222	222	223	223	223
Industrial	7	7	7	7	7	7	7	7	7	7
Street Lighting	659	660	660	661	662	662	663	664	664	665
Total	**64,521**	**65,247**	**65,983**	**66,728**	**67,482**	**68,246**	**69,019**	**69,802**	**70,596**	**71,399**

Table 4. VCEA Customer Class Load Forecast (kWh), 2018 - 2027

Customer Class	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Residential	145,389	245,428	246,419	247,392	249,371	251,366	253,377	255,404	257,447	259,507
Low-income residential	46,443	78,400	78,717	79,027	79,660	80,297	80,939	81,587	82,240	82,897
Agriculture	66,503	112,303	112,597	113,178	114,083	114,996	115,916	116,843	117,778	118,720
Small Commercial	53,205	89,815	90,226	90,556	91,280	92,010	92,746	93,488	94,236	94,990
Medium Commercial	60,029	101,332	101,773	102,156	102,973	103,797	104,627	105,464	106,308	107,158
Large Commercial	54,045	91,227	91,623	91,954	92,690	93,431	94,179	94,932	95,692	96,457
Industrial	33,844	57,129	57,377	57,584	58,045	58,509	58,977	59,449	59,925	60,404
Street Lighting	2,885	4,868	4,893	4,912	4,952	4,991	5,031	5,071	5,112	5,153
Total Retail Load (MWh)	**462,344**	**780,503**	**783,625**	**786,759**	**793,053**	**799,398**	**805,793**	**812,239**	**818,737**	**825,287**
Distribution Losses (MWh)	27,741	46,830	47,017	47,206	47,583	47,964	48,348	48,734	49,124	49,517
Total Wholesale Load (MWh)	**490,085**	**827,333**	**830,642**	**833,965**	**840,636**	**847,361**	**854,140**	**860,973**	**867,861**	**874,804**

6.5 Capacity Requirements

The CPUC's resource adequacy standards applicable to VCEA's Program require a demonstration one year in advance that VCEA has secured physical capacity for 90 percent of its projected peak loads for each of the five months May through September, plus a minimum 15 percent reserve margin. On a month-ahead basis, VCEA must demonstrate capability to meet 100 percent of the peak load plus a minimum 15 percent reserve margin.

A portion of VCEA's capacity requirements must be procured locally, as defined by the CAISO. VCEA will be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total PG&E service area local capacity requirements adopted by the CPUC based on VCEA's forecasted peak load. VCEA must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

VCEA is also required to demonstrate that a specified portion of its capacity meets certain operational flexibility requirements under the CPUC's and CAISO's flexible resource adequacy framework.

The estimated Program forward resource adequacy requirements for the first full year of operation after the phase-in month, are shown in the following table[2]:

[2] The figures shown above are estimates. VCEA's resource adequacy requirements will be subject to modification due to application of certain coincidence adjustments and resource allocations relating to utility demand response and energy efficiency programs, as well as generation capacity allocated through the Cost Allocation Mechanism. These adjustments are addressed through the CPUC's resource adequacy compliance process.

Table 5. Monthly Capacity Requirements (Including Reserves), 2018 - 2019

Month	2018	2019
January		120
February		111
March		117
April		153
May		149
June		256
July	282	
August	265	
September	249	
October	170	
November	123	
December	123	

Local capacity requirements are a function of the PG&E area resource adequacy requirements and VCEA's projected peak demand. VCEA will need to work with the CPUC's Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate VCEA's monthly local capacity requirement.

Due to the timing of Customer enrollment, VCEA will not receive a 2018 local capacity requirement from the CPUC. The CPUC assigns local capacity requirements during the year prior to the compliance period; thereafter, the CPUC provides local capacity requirement true-ups for the second half of each compliance year. Therefore, because of VCEA's intent to launch until June 01, 2018, VCEA will not have an official local capacity requirement until the compliance month of July 2018.

VCEA will coordinate with PG&E, CAISO and appropriate state agencies to manage the transition of responsibility for resource adequacy from PG&E to VCEA during Program phase-in. For system resource adequacy requirements, VCEA will make month-ahead showings for each month that VCEA plans to serve load, and any load migration issues will be addressed through the CPUC's approved procedures. VCEA will work with the California Energy Commission and CPUC prior to commencing service to Customers to ensure it meets its local, flexible and system resource adequacy obligations through procurement of additional resource adequacy to be attained by its Services Provider.

6.6 Renewable Portfolio Standards Requirements and Clean Energy Portfolio Content

6.6.1 Minimum RPS Requirements

As a CCE, VCEA will be required by law and applicable CPUC regulations to procure a certain minimum percentage of its retail electricity sales from qualified renewable energy resources.

For purposes of determining VCEA's renewable energy requirements, the same standards for RPS compliance that are applicable to incumbant distribution utilities are assumed to apply to VCEA.

On October 7, 2015, Governor Brown signed Senate Bill 350 ("SB 350"; De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which established California's RPS procurement target of 50 percent by 2030. For RPS planning, VCEA will adhere to the CPUC's direction in D.16-12-040. VCEA will monitor the progress of the current proposed bill, SB 100, which would accelerate the 50% requirement from 2030 to 2026, and would establish a 60% target in 2030.

6.6.2 VCEA's Renewables Portfolio Standards Requirement

VCEA's annual RPS procurement requirements, as specified under California's RPS program, are shown in the table below.

Table 6. Annual RPS Mandated Requirements, 2018 - 2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retail Sales (MWh)	462,344	780,503	783,625	786,759	789,906	793,066	796,239	799,424	802,622	805,832
Annual Procurement Target (MWh)	**134,080**	**241,956**	**258,596**	**273,792**	**288,316**	**303,744**	**318,496**	**333,360**	**347,535**	**362,624**
RPS % of Current Year Retail Sales	29%	31%	33%	35%	37%	38%	40%	42%	43%	45%

6.6.3 VCEA's Targeted Initial Renewable and Carbon Free Supply Portfolio

Initially, VCEA's resource portfolio will target a 75% carbon free portfolio content, comprised of renewable supplies exceeding the minimum RPS requirements during the first 5 years of Program operation, supplemented with non-RPS carbon free resources to equal a 75% carbon free supply content. Over time, and through VCEA's Integrated Resource Planning process, VCEA anticipates adopting a resource strategy that will increase reliance on renewables in the supply portfolio in quantities greater than indicated in the initial supply plan. Power purchased in compliance with CA Renewable Portfolio Standards will come mainly from PCC1 and, to a lessesr degree, PCC2 resources. VCEA will only consider utilization of PCC-3 RECs to the extent required to manage volumetric risk.

Table 7 below shows the combined renewable and non-RPS carbon free content of VCEA's initial resource supply plan.

Table 7. Annual RPS Mandated Requirements and Voluntary Procurement, 2018 - 2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retail Sales (MWh)	462,344	780,503	783,625	786,759	789,906	793,066	796,239	799,424	802,622	805,832
Annual RPS Target (Minimum MWh)	134,080	241,956	258,596	273,792	288,316	303,744	318,496	333,360	347,535	362,624
Program Target (% of Retail Sales)	35%	35%	35%	35%	37%	38%	40%	42%	43%	45%
Program Renewable Target (MWh)	161,820	273,176	274,269	275,366	288,316	303,744	318,496	333,360	347,535	362,624
Surplus In Excess of RPS (MWh)	27,740	31,220	15,673	1,574	0	0	0	0	0	0
Non-RPS Clean (% of Retail Sales)	40%	40%	40%	40%	39%	37%	35%	33%	32%	30%
Non-RPS Clean (MWH)	184,938	312,201	313,450	314,704	308,063	293,434	278,684	263,810	256,839	241,750
Total Clean (% of Retail Sales)	75%	75%	75%	75%	76%	75%	75%	75%	75%	75%

6.7 Purchased Power

Power purchased from power marketers, public agencies, generators, and/or utilities will be a significant source of supply during the first several years of VCEA Program operation. VCEA will initially have its Services Provider contract to obtain all of its electricity from one or more third-party whoelsale power vendors under one or more power supply agreements, to procure the specified resource mix, including VCEA's desired quantities of renewable and non-RPS carbon free energy to provide a stable and cost-effective resource portfolio for the Program.

6.8 Renewable Resource Supply

VCEA's Services Provider will initially secure necessary renewable power supply from third-party wholesale power supplier(s). VCEA may supplement the renewable energy provided under the initial power supply contract(s) with direct purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned by VCEA. At this point in time, it is not possible to predict what projects might be proposed in response to future renewable energy solicitations administered by VCEA, or from unsolicited proposals or discussions with other agencies. Renewable projects located within the Western Interconnection may be considered (with a preference for local projects) as long as the power is deliverable to the CAISO control area, as required, to meet the CPUC's RPS rules and any additional guidelines ultimately adopted by VCEA's Board of Directors. The costs of transmission access and risks of transmission congestion would need to be considered in the bid evaluation process if a proposed delivery point is outside of VCEA's load zone, as defined by the CAISO.

6.9 Distributed Energy Resources

VCEA has a strong preference to support the development and deployment of distributed energy resources within its service territory.

Consistent with the California's Energy Action Plan, clean distributed generation is a significant component of the Integrated Resource Plan. VCEA will work with state agencies and PG&E to promote deployment of photovoltaic (PV) systems within VCEA's jurisdiction, with the goal of maximizing use of available incentives funded through current utility distribution rates and public benefits surcharges. VCEA will also implement a net energy metering program and will consider developing a feed-in-tariff or other procurement mechanism to promote local investment in distributed generation.

VCEA will explore unique opportunities for energy efficiency within its service territory, potentially partnering with local institutions like the University of California, Davis. As VCEA develops its long term portfolio, energy efficiency has the potential to offset future investments in new generation. Along with other sectors within its service terretory, VCEA will seek opportunities to assist its agriculture Customers with energy savings opportinites.

VCEA will also explore opportunities to help spur investment in clean transportation options for customers in its service terretory.

All of these options will be considered in the ongoing development of VCEA's resource plan through the Integrated Resource Planning process.

7 Financial Plan

This Chapter examines the monthly cash flows projected during start-up and Customer phase-in period of VCEA's Program and further identifies anticipated financing requirements includingprogram start-up costs and capital outlays which will commence once the CPUC has received and certified the Implementation Plan submitted by VCEA. This section also describes the requirements for working capital and long-term financing for potential investments in renewable generation, consistent with the resource plan contained in Chapter 6.

7.1 Cost of CCA Program Operations

The first category of cash flow analysis is the cost of CCE Program operations. To estimate the overall costs associated with CCE Program operations, the following components were evaluated:

- Electricity Procurement;
- Ancillary Service Requirements;
- Provision for Line Loss;
- Exit Fees;
- Call Center and Data Management Costs;
- Wholesale Energy Services Costs
- Staffing and Professional Services;
- Administrative Overhead;
- Billing Costs;
- CCA Bond and Security Deposits;
- Pre-Startup Cost Reimbursement; and
- Debt Service.

7.2 Revenues from CCE Program Operations

The cash flow analysis also provides estimates for revenues generated from CCE operations, primarily from electricity sales to customers. In determining revenue levels, the analysis assumes the Customer phase-in schedule described herein, and further assumes VCEA implements a standard, default electricity tariff similar to the generation rates of the existing distribution utility for each Customer class and an optional 100% renewable energy tariff at a premium reflective of incremental renewable power costs. VCEA Program rates are assumed to escalate from 1-2% annually, similar to PG&E rate projections net of changes to the PCIA. More detail on VCEA Program rates can be found in Chapter 8. Revenues are adjusted for an assumed opt-out rate of 10% and provisions for uncollectible accounts.

7.3 Cash Flow Analysis Results

The results of the cash flow analysis provide an estimate of the level of capital required for VCEA to move through the CCE start-up and phase-in periods. This estimated level of capital was determined by examining the monthly cumulative net cash flows (revenues minus costs ofCCE operations) based on assumptions for payment of costs and/or other cash requirements (e.g., deposits) by VCEA, along with lag estimates for when customer payments will be received. This identifies, on a monthly basis, what level of net cash flow is available.

The cash flow analysis identifies funding requirements acknowledging the likely lag between payments received and payments made during the phase-in period. The estimated working capital need is approximately $4.5 million. Working capital requirements peak soon after Program launch.

7.4 CCE Program Implementation Pro Forma

In addition to developing a cash flow analysis which estimates the level of working capital required to move VCEA through full CCE phase-in, a summary pro forma analysis that evaluates the financial performance of the Program during the phase-in period is shown below. The difference between the cash flow analysis and the pro forma analysis is that the pro forma analysis does not include a lag associated with payment streams. In essence, costs and revenues are reflected in the month in which Program service occurs. All other items, such as costs associated with Program operations and rates charged to customers remain the same. Cash provided by financing activities is not shown in the pro forma analysis, although payments for debt service are included.

The results of the pro forma analysis are shown in the following table. Under these assumptions, the CCE Program is projected to accrue a reserve account balance of approximately $66.3 million by the end of 2027. The following Summary of CCA Program Start-up and Initial Operation details projected VCEA Program operations for the period beginning January 2018 through December 2027[3].

[3] Costs projected for operatingOperatingOperating and financingFinancingFinancing include staffing, consultants, and materials needed for energy procurement, customer service, data management, marketing, accounting, finance, legal and regulatory activities.

Table 8. Summary of CCA Program Start-up and Initial Operation (2018-2027)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Accounts	-	64,521	65,239	65,966	66,702	67,448	68,203	68,968	69,743	70,528	71,323
Load (MWh)	-	462,344	780,503	783,625	786,759	793,053	799,398	805,793	812,239	818,737	825,287
(Thousands of Dollars)											
Revenue	$ -	$ 33,039	$ 53,384	$ 53,755	$ 54,008	$ 54,984	$ 55,979	$ 56,991	$ 58,021	$ 59,070	$ 60,138
Power Costs	$ -	$ 25,251	$ 39,322	$ 41,081	$ 42,798	$ 43,572	$ 44,360	$ 45,162	$ 45,978	$ 46,809	$ 47,656
Operating Costs	$ 1,031	$ 4,375	$ 4,568	$ 4,682	$ 4,787	$ 4,898	$ 5,012	$ 5,128	$ 5,247	$ 5,369	$ 5,494
Operating Income	$ [1,031]	$ 3,414	$ 9,494	$ 7,991	$ 6,422	$ 6,514	$ 6,607	$ 6,701	$ 6,796	$ 6,892	$ 6,988
Interest Income [Expense]	$ [11]	$ [64]	$ [4]	$ 110	$ 210	$ 280	$ 336	$ 394	$ 454	$ 514	$ 577
Net Income	**$ [1,042]**	**$ 3,350**	**$ 9,490**	**$ 8,102**	**$ 6,632**	**$ 6,794**	**$ 6,944**	**$ 7,095**	**$ 7,250**	**$ 7,406**	**$ 7,565**
Reserves	$ -	$ 1,231	$ 9,806	$ 17,509	$ 25,886	$ 32,247	$ 38,755	$ 45,412	$ 52,219	$ 59,179	$ 66,295

The surpluses achieved during the phase-in period serve to help build VCEA's net cash position and credit profile and to provide operating reserves for VCEA in the event that operating costs (such as power purchase costs) may deviate from collected revenues for short periods of time.

7.5 VCEA Financings

It is anticipated that a single financing will be necessary to support VCEA Program implementation and initial working capital. Subsequent capital requirements are intended to be self-funded from VCEA's accrued financial reserves.

7.6 VCEA Program Start-up and Working Capital

As previously discussed, the anticipated start-up, working capital requirements, and dollar reserves for VCEA's Program total $7.1 million. This amount is dependent upon the amount of load initially served by VCEA, actual energy procurement prices, payment terms established with third-party suppliers, and Program retail rates. This figure will be further refined during the start-up period as these variables become known. Once VCEA's Program is up and running, these costs will be recovered from Program Customers through established retail electric generation rates.

It is assumed that this financing will be derived via a short term working capital loan and/or letter of credit, which would allow VCEA to draw cash as necessary. This financing/credit arrangement will need to be secured prior to launch.

7.7 Renewable Resource Project Financing

VCEA may consider project financings for renewable resources, likely local wind, solar, biomass and/or geothermal as well as energy efficiency projects. These financings would only occur after a sustained period of successful VCEA Program operation and after appropriate project opportunities are identified and subjected to economic and environmental reviews. VCEA's ability to directly finance projects will likely require a track record of five to ten years of successful Program operations demonstrating strong underlying credit to support specific project financing. Any direct project financing undertaken by VCEA is not be expected to occur sooner than 2022.

In the event that such financing occurs, funds would include any short-term financing for the given renewable resource project development costs, and would likely extend over a 20- to 30-year term. The security for such bonds would be the revenue from sales to the retail Customers of VCEA.

7.8 VCEA Program Financing Summary

The following table summarizes the potential financings in support of VCEA Program:

Table 9. VCEA Program Financing Summary

Proposed Financing	Estimated Amount	Estimated Term	Estimated Issuance
1. Start-Up (Members)	$1.5 million	3 years	Issued
2. Start-Up (Deferred Payments)	$3.0 million	3 years	In Progress
3. Start-Up (Bank)	$5.0 million	3 years	Q2 2018
4. Phase 1 Working Capital	$TBD	5 years	Q2 2018, if needed
5. Potential Renewable Resource Project Financings	$TBD	20-30 years	TBD

8 Ratesetting and Program Terms and Conditions

This Chapter describes the initial policies proposed for VCEA in setting rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by the Board. The Board would retain authority to modify program policies from time to time at its discretion.

8.1 Rate Policies

VCEA will establish rates sufficient to recover all costs of VCEA's Program, including any reserves that may be required as a condition of financing and/or other discretionary reserve funds that may be directed by the Board. As a general policy, generation rates will be uniform for all similarly situated Customers throughout the service area and enrolled in VCEA's Program.

The primary objectives of VCEA's ratesetting plan are to achieve the following:

- 100 percent renewable energy supply step-up option (voluntary service offering);
- Rate competitive tariff option (default service offering) with minimum 35% of qualifying renewables and a a balance of non-RPS clean energy for a total 75% carbon free content, comprised of renewable and non-RPS carbon free energy;
- Rate stability;
- Equity among Customers within each applicable tariff;
- Customer ease of understanding;
- Revenue sufficiency;
- Thoughtfully crafted rate design;
- Competitive net energy metering rates; and
- Transparency and due process in ratesetting.

Each of these objectives is described below.

8.2 100% Renewable Option

For voluntary participants in VCEA' 100 percent renewable energy tariff, the goal would be to offer the lowest possible Customer rates with an incremental monthly cost premium reflective of the actual cost of additional renewable energy supply required to serve such Customers with a 100% carbon free product.

8.3 Rate Competitiveness

The primary goal is to offer competitive rates for electric services that VCEA would provide to participating Customers. For participants in VCEA's standard default tariff, the goal would be for VCEA Program rates to be at parity with the generation rates offered by PG&E (or possible less than PG&E, subject to actual energy supply cost and decisions by VCEA's Board).

Competitive rates will be essential to attracting and retaining key Customers. In order for VCEA to be successful, the combination of price and value must be perceived as superior when compared to the bundled utility service alternative. The value provided by VCEA's Program will include a higher proportion of carbon free energy relative to the incumbent utility, enhanced energy efficiency and Customer programs, community focused energy investments, local control, and general benefits that stem from VCEA's mission to serve Customer versuscustomers shareholder needs.

As previously discussed, VCEA'sthe VCEA Program will significantly increase carbon free energy to its Customers, relative to the incumbent utility, by offering two distinct rate tariffs. The default tariff for Program customers will be the standard tariff, which will increase carbon free energy use while maintaining generation rates comparable to PG&E's. The initial renewable energy content provided under the standard tariff will be at least 35% through 2021, further supplemented by non-RPS carbon free energy for a total 75% carbon free energy supply.. VCEA will endeavor to inprove the percentage of renewable content on a going forward basis, subject to operational and economic constraints, which will be determined through VCEA's Integrated Resource Planning process. VCEA will also offer its customers a voluntary 100% renewable energy tariff, which will offer participating Customers a 100 percent renewable energy product at rates reflecting VCEA's cost for procuring such energy supplies.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy (CARE) program, will be automatically enrolled in the standard tariff and will continue to receive related discounts on monthly electricity bills through PG&E.

8.4 Rate Stability

VCEA will enhance rate stability by hedging power supply costs over multiple time horizons and by specifically including renewable energy products that exhibit durable and predictable costs. Rate stability considerations may at times preclude VCEA Program rates from directly tracking similar rates offered by the distribution utility, PG&E, and also may result in differences from the general rate-related targets initially established for VCEA's Program. VCEA will attempt to maintain general rate parity with PG&E to ensure that VCEA Program rates are not significanly different from the distribution utility alternative.

8.5 Equity among Customer Classes

Initial rates of VCEA's Program will be established based on cost-of-service considerations including rates customers would otherwise pay to PG&E. Rate differences among Customer classes will reflect the rates charged by the local distribution utility as well as any differences in the costs of providing generation service to each class. Rate benefits may also vary among Customers within the major Customer class categories, depending upon specific rate designs which may be adopted by the Board.

8.6 Customer Ease of Understanding

The goal of Customer ease of understanding involves rate designs that are relatively straightforward so that Customers can readily understand how their electricity bills are calculated. This not only reduces Customer confusion and potential dissatisfaction but will likely also result in fewer billing inquiries to VCEA Program's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles;i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation.

8.7 Revenue Sufficiency

VCEA Program rates must collect sufficient revenue from participating Customers to fully fund VCEA's annual budget, including the need to establish sufficient operating reserve funds. Rates will be set to collect the Board adopted budget based on a forecast of electric sales for the given budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all of costs of VCEA's Program, subject to disclosure and due process policies described later in this chapter.

8.8 Rate Design

Initially VCEA will likely match the rate structures from the distribution utility's standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in VCEA's Program. However, VCEA may consider alternative reate structures to the distribution utility's standard rates to provide other rate options for Customers.

Initial VCEA Program rates are projected to average 7.15 cents per KWh on an annualized basis, which is below PG&E's reported average generation rate. VCEA Customers' electric bills may increase somewhat due to PG&E's collection of its excess power supply costs through the surcharge known as the Power Charge Indifference Adjustment ("PCIA"). PG&E will add the PCIA to VCEA Customers' monthly electric bills along with other distribution utility service charges. The PCIA is identified in each of PG&E's rate schedules and is expected to decline over time.

8.9 Net Energy Metering

Customers with on-site generation eligible for net metering from PG&E will be offered a net energy metering rate from VCEA. Net energy metering allows customers with certain qualified solar or wind distributed generation to be billed on the basis of respective net energy consumption. The PG&E net metering tariff (NEM) requires the CCE to offer a net energy metering tariff in order for affected customers to continue to be eligible for service on Schedule E-NEM. The objective is that VCEA's net energy metering tariff will apply to the generation component of the bill, and the PG&E net energy metering tariff will apply to the distribution utility's portion of the bill. VCEA will pay Customers for excess power produced from net energy metered generation systems in accordance with the rate design and policies adopted by VCEA Board.

VCEA may also implement tariff and financing programs to provide incentives to residents and businesses to enlarge the size of photovoltaic and other renewable energy systems in order to increase the amount of locally-produced renewable power. Current distribution utility tariffs create a disincentive for residents and businesses considering new PV or renewable systems to optimally size those systems based on site capability and instead tend to cap generation output at or below on-site load. VCEA, by implementing tariffs and programs to provide added incentive to maximize the output of such systems, VCEA can help increase the amount of local PV and renewable generation with minimal impact on the environment or existing infrastructure.

8.10 Disclosure and Due Process in Setting Rates and Allocating Costs among Participants

Initial program rates will be adopted by the VCEA Board following the establishment of the first year's operating budget and prior to initiating the customer notification process. Subsequently, the Executive Officer, with support of appropriate staff, advisors and committees, will prepare an annual budget and corresponding customer rates and submit any rate vision recommendations to the VCEA Board for review and action. The rates will be approved at a public meeting(s) of the Board following distribution of an adequately noticed agenda, during which affected Customers will be able to provide comment on any proposed rate changes.

Subsequently, any proposed rate adjustments will be approved by the VCEA Board of Directors and ample time will be given to affected customers to provide comment on the proposed rate changes. After proposing a rate adjustment, VCEA will furnish affected customers with a notice of its intent to adjust rates -- either by mailing such notices to affected customers, by including a notice as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill. The notice will provide a summary of the proposed rate adjustment and will include a link to the VCEA website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of VCEA to which any customer inquiries may be submitted.

9 Customer Rights and Responsibilities

This chapter discusses Customer rights, including the right to opt-out of VCEA's Program and the right to privacy of Customer usage information, as well as obligations Customers undertake upon agreement to enroll in the CCE Program. All customers that do not opt out within thirty (30) days of the fourth and final enrollment notice will have agreed to become full status Program participants and must adhere to the obligations set forth below, as may be modified and expanded by the VCEA Board from time to time.

By adopting this Implementation Plan, VCEA's Board will have approved the Customer rights and responsibilities policies contained herein to be effective at Program initiation. The Board retains authority to modify Program policies from time to time at its discretion.

9.1 Customer Notices

At the initiation of the customer enrollment process, a total of four notices will be provided to customers describing the VCEA Program, informing customers of their opt-out rights to remain with the existing distribution utility bundled generation service, and containing a simple mechanism for exercising opt-out rights. The first notice will be mailed to customers approximately sixty (60) days prior to the date of automatic enrollment. A second notice will be sent approximately thirty (30) days later. VCEA will likely use its own mailing services for requisite enrollment notices rather than including such notices in PG&E's monthly bills. This approach is intended to increase the likelihood that customers will read the enrollment notices, which may otherwise be ignored if included as a billing insert. Customers may opt-out by notifying VCEA using VCEA's Program designated telephone-based or internet-based opt-out processing services. Should customers choose to initiate an opt-out request by contacting PG&E, they would be transferred to VCEA Program's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt-out, and the customer would be automatically enrolled in VCEA's Program.

Following automatic enrollment, a third enrollment notice will be mailed to customers within thirty (30) days , and a fourth and final enrollment notice will be mailed within thirty (30) days after the third enrollment notice. Opt-out requests made on or before the sixtieth (60^{th}) day following start of VCEA Program service will result in such customer's transfer to distribution utility bundled service with no penalty. Such customers will be obligated to pay charges for VCEA's electric service for the time they were served by VCEA, but will not otherwise be subject to any penalty for leaving the Program.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in VCEA'sthe V Program and will have (60) sixty days from the start of service to opt-out if they so desire. Such Customers will be provided with two enrollment notices within this sixty-day post enrollment period. Such Customers will also receive a notice detailing VCEA's privacy policy regarding customer usage information. VCEA's Board of Directors will have the authority to implement re-entry fees for Customers that initially opt-out of the Program, but later decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over VCEA Program's Customer base.

9.2 Termination Fees

As Required by law, Customers that are automatically enrolled in VCEA Program can elect to transfer back to the incumbent utility without penalty within the first two months of service. In the event a customer returns to the incumbent utility during this two-month period, they would only be subject to charges for VCEA's electric service taken prior to leaving the VCEA Proram. VCEA may consider extending the penalty-free period for a period of one-year after initial VCEA Program launch. Customers would be allowed a penalty-free Program opt-out but would be subject to PG&E's rules regarding return to distribution utility bundled service. After this one-year penalty-free opt-out period, Customers will be allowed to terminate Program participation subject to payment of a termination fee as determined and approved by the VCEA Board. The termination fee will apply to all Customers of the VCEA Program that elect to return to bundled utility service or elect to take "direct access" service from an energy services provider following the aforementioned one-year window. Customers that relocate within VCEA's service territory would have their CCE service continued at the new address. If a Customer relocates to an address within VCEA's service territory and simultaneously elects to cancel Program service, the VCEA termination fee will apply if the relocation and CCE cancelation occurs after the one-year free opt-out period. Program Customers that move out of VCEA's service territory would not be subject to a termination fee.

PG&E will collect the termination fee from returning customers as part of the final bill to the Customer from the CCE Program.

The termination fee may vary by Customer class as set forth in the table below, subject to adjustment by VCEA's Board.

9.2.1 VCEA Program: Schedule of Fees for Service Termination

Table 10 below shows the initial level of fees for termination of Program service.

Table 10. Initial VCEA Program Schedule of Fees for Service Termination

Customer Class	Fee
Residential	$5
Non-Residential	$25

The termination fee will be clearly disclosed in the four enrollment notices sent to customers during the sixty-day period before automatic enrollment and following commencement of Program service. The fee could be changed prospectively by VCEA's Board of Directors, subject to applicable customer noticing requirements; provided, however, that in no event will any termination fee in excess of the amounts set forth above be imposed on any Customer withdrawing from Program service, except for terminating Customers participating in a voluntary tariff. As previously noted, Customers that opt-out during the statutorily mandated notification period will not pay the termination fee that may be assessed by VCEA, and VCEA may consider extending the penalty-free period for a period of one-year after initial VCEA Program launch.

Customers electing to terminate service after the initial notification period (that provided them with least four opt-out opportunity notices) would be transferred to PG&E on the next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Such Customers would also be liable for any re-entry fees imposed by PG&E and would be thereafter required to remain on bundled distribution utility service for a minimum period of one year, as described in the distribution utility CCA tariffs.

9.3 Customer Confidentiality

VCEA will establish policies covering confidentiality of customer data that are fully compliant with the CPUC's required privacy protection rules for CCA customer energy usage information, as detailed within CPUC Decision 12-08-045. VCEA will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account numbers, and electricity consumption, except where reasonably necessary to conduct business of VCEA or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable VCEA to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. VCEA will not disclose Customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at VCEA's discretion.

9.4 Responsibility for Payment

Customers will be obligated to pay VCEA Program charges for service provided through the VCEA Program including any applicable termination fees. Pursuant to current CPUC regulations, VCEA will not be able to direct any Customer's electricity service be shut off for failure to pay VCEA bills. However, PG&E has the right to shut off electricity to customers for failure to pay electricity bills, and PG&E Electric Rule 23 mandates that partial payments are to be allocated pro rata between PG&E and the CCA. In most circumstances, customers would be returned to bundled distribution utility service for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. PG&E would attempt to collect any outstanding balances from customers in accordance with Rule 23 and the related CCA Service Agreement. VCEA's proposed process is for two late payment notices to be provided to the Customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would be transferred back to the distribution utility effective on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with the PG&E CCA Tariffs, Rule 23, service cannot be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC, and that customer has paid the disputed amount into an escrow account.

9.5 Customer Deposits

Under certain circumstances, VCEA Customers may be required to post a deposit equal to estimated charges for two (2) months of CCE service prior to obtaining service from VCEA's Program. A deposit would be required for an applicant who previously had been a customer of PG&E or VCEA and whose electric service has been discontinued by PG&E or VCEA during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such Customers may be required to reestablish credit by depositing the prescribed amount. Additionally a Customer who fails to pay bills before they become past due as defined in PG&E Electric Rule 11, Discontinuance and Restoration of Service, and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment[4]. Failure to post such deposit as required would cause the account service transfer request to be rejected, and the account would remain with PG&E.

[4] A customer whose service is discontinued by VCEA is returned to PG&E bundled service.

10 Procurement Process

This Chapter describes VCEA's initial procurement policies and key third party service agreements by which VCEA will obtain operational services for VCEA's Program. By adopting this Implementation Plan, VCEA's Board of Directors will have approved the general procurement policies contained herein to be effective at Program initiation. The Board retains authority to modify Program policies from time to time at its discretion.

10.1 Procurement Methods

VCEA will enter into agreements for a variety of services needed to support Program development, operation and management. It is anticipated that VCEA will generally utilize competitive procurement methods to attain services but may also utilize direct procurement or sole source procurement, depending on the nature of the services needed. Direct procurement is the purchase of goods or services with competitive solicitation when multiple sources of supply are available. Sole source srocurement is generally to be performed only in the case of emergency or when a competitive process would provide no added benefit.

VCEA will utilize a competitive solicitation process to enter into agreements with entities providing electrical services for the Program. Agreements with entities that provide professional legal or consulting services, and agreements pertaining to unique or time sensitive opportunities, may be entered into on a direct procurement or sole source basis at the discretion of VCEA's Executive Officer, subject to granted Board authorities, and/or Board of Directors.

The Executive Officer will be required to periodically report to the Board a summary of any actions taken with respect to delegated procurement authority.

Authority for terminating agreements will generally mirror the authority for entering into such agreements.

10.2 Key Contracts

10.2.1 Electric Supply Contract

The VCEA Board is expected to approve the Services Provider contract at its October 12, 2017 Board Meeting under which the Services Provider, will among other things, provide Wholesale Energy Services. The Services Provider will contract with energy suppliers in its own name on behalf of VCEA for electricity supply contracts with one or more qualified providers.

The Services Provider will also be responsible for Scheduling Coordinator responsibilities including scheduling loads of all customers in the VCEA Program, providing necessary electric energy, capacity/resource adequacy requirements, renewable energy and ancillary services. The Services Provider will be responsible for day-to-day energy supply operations of VCEA's Program and for managing the predominant energy supply risks for the term of the contract.

Finally, the Services Provider will be responsible for ensuring VCEA's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC, CEC or FERC.

10.2.2 Data Management Contract

As part of this comprehensive services package, The Services Provider will also perform all requisite data management functions.[5]

The Services Provider will be responsible for the following services:

- Data exchange with PG&E;
- Technical testing;
- Customer information system;
- Customer call center;
- Billing administration/retail settlements; and
- Settlement quality meter data reporting
- Reporting and audits of utility billing.

Utilizing a third party for account services eliminates a significant expense associated with implementing a customer information system. Such systems can impose significant information technology costs and take significant time to deploy. A longer term contract is appropriate for this service because of the time and expense that would be required to establish and migrate data to a new system.

10.2.3 Electric Supply Procurement Process

VCEA's Services Provider is tasked with procuring the energy supply portfolio and will use a competitive solicitation process for the various required power products, including shaped energy, renewable energy, carbon free energy, and resource adequacy capacity. Through the process, the Services Provider will identify a highly qualified pool of suppliers for further negotiations, which will be completed prior to initiation of CCE service. The Services Provider will then execute selected supply agreements in its name, in accordance with applicable Wholesale Energy Risk and Trading Policies, which VCEA's Board will adopt prior to execution of such energy supply agreements. VCEA may enter into long=term power purchase agreements directly (for instance for renewable power supply), contracting in its own name.

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[5] The contractor providing data management may also be the same entity as a counterparty supplying electricity for the program.

11 Contingency Plan for Program Termination

This Chapter describes the process to be followed in the instance of VCEA Program termination. By adopting the original Implementation Plan, VCEA's Board of Directors will have approved the general termination process contained herein to be effective upon Program initiation. In the unexpected and unlikely event that VCEA would terminate VCEA's Program and return Program Customers to PG&E bundled distribution service, the below proposed process is designed to minimize Customer and PG&E related impacts. The proposed termination plan follows the requirements set forth in PG&E's tariff Rule 23 governing service to CCAs. The Board retains authority to modify these policies from time to time at its discretion.

11.1.1 Termination by VCEA

VCEA will offer services for the long term with no planned Program termination date. In the unanticipated event that the majority of the Member's governing bodiesdecide to terminate the Program, each governing body would be required to adopt a termination ordinance or resolution and provide adequate notice to VCEA consistent with the terms set forth in the JPA Agreement. Following such notice, the VCEA Board would vote on Program termination subject to voting provisions as described in the JPA Agreement. In the event that the Board affirmatively votes to proceed with JPA termination, the Board would disband under the provisions identified in the JPA Agreement.

After any applicable conditions and/or restrictions on such termination have been satisfied, notice would be provided to Customers six months in advance that they will be transferred back to PG&E bundled distribution service. A second notice would be provided during the final sixty-days in advance of the transfer date. The notice would describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one year advance notice would be provided to PG&E and the CPUC before transferring customers back to PG&E bundled distribution service, and VCEA would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the Customer notice period is complete, Customers would be transferred *en masse* on the date of their regularly scheduled meter read.

VCEA will post a bond and/or maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves would be maintained against the fees imposed for processing Customer transfers (CCASRs). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover reentry fees imposed on Customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of reentry fees are the responsibility of the energy services provider or the CCA, except in the case of a customer returned for default or because its contract has expired. VCEA will post financial security in the appropriate amount as part of its registration materials and will maintain such financial security in the required amount, as necessary.

11.1.2 Termination by Members

The JPA Agreement defines the terms and conditions under which Members may terminate their participation in the program.

12 Appendices (to be inserted for submittal to CPUC)

Appendix A: VCEA Resolution Adopting Implementation Plan

Appendix B: Valley Clean Energy Alliance Authority Joint Powers Agreement

Appendix C: Member CCA Adoption Ordinances