

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 7

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

**FROM:** Mitch Sears, Interim General Manager  
Shawn Marshall, LEAN Energy US  
Chad Rinde, Accounting Manager, Yolo County Department of Financial Services

**SUBJECT:** VCEA Implementation Update

**DATE:** July 25, 2017

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### RECOMMENDATION

Receive program administration updates and provide feedback and direction as needed.

**BACKGROUND & DISCUSSION** The following program implementation related topics are addressed in this report:

- A. SMUD Contract update
- B. Banking and Credit Services RFP update
- C. Master Schedule update

#### **A. SMUD Contract update**

At the Board's direction on August 31, 2017, staff initiated contract discussions with SMUD last week to provide program launch and operation services. Recognizing that the contract will cover multiple service categories (e.g. Implementation Plan development, Data Management, Call Center Services, Wholesale Energy Services, etc.), staff is structuring the draft contract as a Master Agreement with sub agreements that address specific service categories. Key focus areas in the draft contract that will define and govern the overall relationship between VCEA and SMUD include scope of services, costs and compensation, contract term including a 3 year "off ramp" for VCEA, transition provisions at the end of the contract, and ownership of data/records/intellectual property. As noted, sub agreements will layer under the Master Agreement and define work within specific service categories.

As authorized by the Board, staff signed a letter of intent with SMUD in early September allowing SMUD to continue its work prior to contract approval. Based on Board direction, staff will be seeking feedback from the Advisory Committee's RFP Subcommittee on key contract provisions and scope of work. Staff anticipates returning to the Board for direction on a final draft contract at the October 12<sup>th</sup> Board meeting.

## **B. Banking and Credit Services**

At the Board's direction, staff released an RFP for banking and credit services that closed on April 27, 2017. Three responsive proposals were received and are currently under review by an evaluation review panel. The evaluation panel consists of County and City Staffs and Finance Representatives as well as a Consultant Representative. Initial evaluations have been completed, however interviews of firms have not yet been scheduled. The rationale was to slow down the process a bit due to uncertainties associated with the potential contract with SMUD for energy and other administrative services – including financial provisions that might affect the scope of banking services required by VCEA. This is being ironed out as VCEA starts the contract discussions with SMUD. As noted, it is still expected that VCEA will need operational banking services but may not need the same level of financing or working capital as before due to SMUD already being active in energy markets.

It is expected that the highest scoring banks will be contacted and invited for interviews as VCEA receives clarity during the month of September on what banking services will still be required as negotiations with SMUD move forward.

As a reminder, the following key components were included in the RFP issued earlier in 2017 (subject to change as SMUD services are fully defined):

- 1) Requesting a line of credit (LOC) for up to approximately \$7,000,000 which uses the estimated amount in the CCE technical study and incorporates anticipated costs associated with Woodland participating and contingency funds; this LOC will cover additional pre-revenue costs, credit for power contracts, and working capital for early operations;
- 2) Stated preference to do business with a bank that has headquarter and/or branch operations within Yolo County;
- 3) Credit terms are requested with and without guaranty requirements; it is likely that a guaranty will be required for at least the pre-revenue portion of credit drawn down;
- 4) Lender is asked to provide capitalization limits and must be a member of the Federal Reserve System or Federal Deposit Insurance Corporation; and,
- 5) Credit and banking services may be awarded to a single or multiple financial institutions depending on operational and credit capacity and terms offered.

## **C. Master Schedule Update**

Staff is in the process of refining the program master schedule based on Board direction to contract with SMUD. Staff and consultants are working with the SMUD team on an integrated planning schedule to cover the remaining months of implementation into program launch next June. Staff will present a brief slide presentation at the September 20<sup>th</sup> Board meeting with the updated schedule. Key dates through year-end include but are not limited to:

<b>Month</b>	<b>Date</b>	<b>Activity</b>
SEPTEMBER	18 20 27	Updated load data received from PGE Board of Directors Meeting (Discuss Implementation Plan)  CAC meeting (Discuss Implementation Plan; Discuss outreach materials and plan)
OCTOBER	12 16	Board of Directors Meeting (Discuss/Adopt Implementation Plan; Adopt SMUD contract; Adopt logo; Discuss/Adopt draft Outreach Plan)  Submit Implementation Plan to CPUC
NOVEMBER	6 9	CAC Meeting Board of Directors Meeting (Discuss/Adopt Wholesale Energy Risk and Trading Policies)
DECEMBER	4 14	CAC Meeting Board of Directors Meeting