



**Meeting of the Valley Clean Energy Alliance  
Board of Directors  
Thursday, October 8, 2020 at 4:00 p.m.  
Via Teleconference**

**Pursuant to the Provisions of the Governor’s Executive Orders N-25-20 and N-29-20, which suspends certain provisions of the Brown Act and the Orders of the Public Health Officers with jurisdiction over Yolo County, to Shelter in Place and to provide for physical distancing, all members of the Board of Directors and all staff will attend this meeting telephonically. Any interested member of the public who wishes to listen in should join this meeting via teleconferencing as set forth below.**

Please note that the numerical order of items is for convenience of reference. Items may be taken out of order on the request of any Board member with the concurrence of the Board. Staff recommendations are advisory to the Board. The Board may take any action it deems appropriate on any item on the agenda even if it varies from the staff recommendation.

**Members of the public who wish to listen to the Board of Director’s meeting may do so with the teleconferencing call-in number and meeting ID code. Teleconference information below to join meeting:**

**Join meeting via Zoom:**

- a. From a PC, Mac, iPad, iPhone, or Android device with high-speed internet.  
(If your device does not have audio, please also join by phone.)**

<https://us02web.zoom.us/j/88352464756>  
**Meeting ID: 883 5246 4756**

- b. By phone**

One tap mobile:  
+16699009128,,88352464756# US  
+12532158782,,88352464756# US

Dial:  
+1-669-900-9128 US  
+1-253-215-8782 US  
**Meeting ID: 883 5246 4756**

**Public comments may be submitted electronically or during the meeting. Instructions on how to submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.**

**Board Members:** Don Saylor (Chair/Yolo County), Dan Carson (Vice Chair/City of Davis), Tom Stallard (City of Woodland), Wade Cowan (City of Winters), Gary Sandy (Yolo County), Lucas Frerichs (City of Davis), Angel Barajas (City of Woodland), and Jesse Loren (City of Winters)

**4:00 p.m. Call to Order**

1. **Welcome**
2. **Approval of Agenda**
3. **Public Comment:** This item is reserved for persons wishing to address the Board on any VCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to two minutes per speaker, electronically submitted comments should be limited to approximately 300 words. Comments that are longer than 300 words will only be read for two minutes. All electronically submitted comments, whether read in their entirety or not, will be posted to the VCE website within 24 hours of the conclusion of the meeting. See below under **PUBLIC PARTICIPATION** on how to provide your public comment.

**CONSENT AGENDA**

4. **Approve September 10, 2020 Board Meeting Minutes.**
5. **Receive 2020 Long Range Calendar.**
6. **Receive Financial Update – August 31, 2020 (unaudited) financial statement.**
7. **Receive Legislative Update.**
8. **Receive September 30, 2020 Regulatory Update provided by Keyes & Fox.**
9. **Receive September 30, 2020 Customer Enrollment Update.**
10. **Receive Community Advisory Committee September 24, 2020 Meeting Summary.**
11. **Approve Amendment #20 to Task Order 2 of the Sacramento Municipal Utility District Professional Services Agreement for the implementation of the 2019 California Energy Commission Power Content Label. (Action)**

**REGULAR AGENDA**

12. **Receive and approve audited financial statements for the period of July 1, 2019 to June 30, 2020 presented by James Marta & Company.**
13. **Approve Valley Clean Energy three-year Strategic Plan.**
14. **Approve Valley Clean Energy statement on environmental justice issues.**
15. **Receive long term energy procurement update.**
16. **Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.
17. **Adjournment:** The next VCE Board meeting is scheduled for Thursday, November 12, 2020 at 4:00 p.m. to held via teleconference.

**PUBLIC PARTICIPATION INSTRUCTIONS FOR VALLEY CLEAN ENERGY BOARD OF DIRECTORS  
MEETING ON THURSDAY, OCTOBER 8, 2020 AT 4:00 P.M.:**

**PUBLIC PARTICIPATION.** Public participation for this meeting will be done electronically via e-mail and during the meeting as described below.

**Public participation via e-mail:** If you have anything that you wish to be distributed to the Board and included in the official record, please e-mail it to VCE staff at [Meetings@ValleyCleanEnergy.org](mailto:Meetings@ValleyCleanEnergy.org). If information is received by 3:00 p.m. on the day of the Board meeting it will be e-mailed to the Board members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting.

**Verbal public participation during the meeting:** If participating during the meeting, there are two (2) ways for the public to provide verbal comments:

- 1) If you are attending by computer, activate the “participants” icon at the bottom of your screen, then raise your hand (hand clap icon) under “reactions”.
- 2) If you are attending by phone only, you will need to press \*9 to raise your hand.

**VCE staff will acknowledge that you have a public comment to make during the item and will call upon you to make your verbal comment.**

**Public Comments:** If you wish to make a public comment at this meeting, please e-mail your public comment to [Meetings@ValleyCleanEnergy.org](mailto:Meetings@ValleyCleanEnergy.org) or [notifying the host as described above](#). Written public comments that do not exceed 300 words will be read by the VCE Board Clerk, or other assigned VCE staff, to the Committee and the public during the meeting subject to the usual time limit for public comments [two (2) minutes]. General written public comments will be read during Item 3, Public Comment. Written public comment on individual agenda items should include the item number in the “Subject” line for the e-mail and the Clerk will read the comment during the item. Items read cannot exceed 300 words or approximately two (2) minutes in length. All written comments received will be posted to the VCE website. E-mail comments received after the item is called will be distributed to the Board and posted on the VCE website so long as they are received by the end of the meeting.

Public records that relate to any item on the open session agenda for a regular or special Board meeting are available for public review on the VCE website. Records that are distributed to the Board by VCE staff less than 72 hours prior to the meeting will be posted to the VCE website at the same time they are distributed to all members, or a majority of the members of the Board. Questions regarding VCE public records related to the meeting should be directed to Board Clerk Alisa Lembke at (530) 446-2750 or [Alisa.Lembke@ValleyCleanEnergy.org](mailto:Alisa.Lembke@ValleyCleanEnergy.org). The Valley Clean Energy website is located at: <https://valleycleanenergy.org/board-meetings/>.

**Accommodations for Persons with disabilities.** Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Alisa Lembke, VCE Board Clerk/Administrative Analyst, as soon as possible and preferably at least two (2) working days before the meeting at (530) 446-2754 or [Alisa.Lembke@ValleyCleanEnergy.org](mailto:Alisa.Lembke@ValleyCleanEnergy.org) .

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 4

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Alisa Lembke, Board Clerk / Administrative Analyst  
**SUBJECT:** Approval of Minutes from September 10, 2020 Special Board Meeting  
**DATE:** October 8, 2020

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### RECOMMENDATION

Receive, review and approve the attached Minutes from the September 10, 2020 Special Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE  
BOARD OF DIRECTORS REGULAR MEETING  
THURSDAY, SEPTEMBER 10, 2020**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular meeting scheduled for Thursday, September 10, 2020 at 4:00 p.m., to be held via Zoom teleconference. Chairperson Don Saylor established that there was a quorum present and began the meeting at 4:00 p.m.

Board Members Present: Don Saylor, Dan Carson, Tom Stallard, Gary Sandy, Angel Barajas (departed at 5:19 p.m.), Wade Cowan (departed at 5:30 p.m.), Lucas Frerichs

Members Absent: Jesse Loren

Approval of Agenda Chair Saylor informed those present that Item 15 – Strategic Plan will be heard before Item 14 – draft statement on current environmental and social justice issues.

Motion made by Director Sandy to approve the September 10, 2020 agenda as amended, seconded by Director Frerichs. Motion passed unanimously, with Director Loren absent.

Public Comment Chairperson Saylor opened the floor for public comment. Verbal public comments were provided:

Scott Steward Ragsdale, made a request to VCE to consider the Climate Crises and Mobilization resolution which will be in front of the Yolo County Board of Supervisors at their September 29<sup>th</sup> meeting. Yolo County is a member agency of VCE and he is requesting that VCE share this resolution with VCE's partner member agencies/jurisdictions for their consideration.

Yvonne Hunter, Chair of VCE's Community Advisory Committee (CAC), informed those present that the CAC at their August meeting heard a presentation from Juliette Beck about this resolution. The CAC asked that the resolution and information be shared with the CAC through VCE Staff, for their review and information.

There was no written public comment.

Approval of Consent Agenda / Resolution 2020-025 and Resolution 2020-026 Chair Saylor asked if there were any items to be pulled from the Consent Agenda. No items to be pulled; however, Director Dan Carson had a question on Item 7 – Legislative Update. Director Carson asked about SB350 (the Golden State Energy Act), which provides for a successor utility to PG&E should PG&E fail to emerge from bankruptcy or fail to maintain appropriate safety standards



that would give cause to the California Public Utilities Commission (CPUC) to revoke PG&E’s license. Director Carson stated that an earlier version of this bill had language that provided an expedited path for CCAs or similar to take over in the circumstance of PG&E’s failure. Now, he does not see it in the language. Mark Fenstermaker of Pacific Policy Group, VCE’s lobbyist consultant, was present at the meeting, and informed those present that a prior similar bill (SB917 - Wiener) had this language but not SB350.

Motion made by Director Stallard to approve the consent agenda, seconded by Director Carson. Motion passed unanimously with Director Loren absent. There were no written or verbal public comments. The following items were approved, ratified, and/or received:

4. August 13, 2020 special Board meeting Minutes;
5. 2020 Long Range Calendar;
6. Financial Updated – July 31, 2020 (unaudited) financial statement;
7. Legislative Update;
8. September 4, 2020 Regulatory update provided by Keyes & Fox
9. September 1, 2020 Customer Enrollment Update;
10. Community Advisory Committee August 27, 2020 meeting summary;
11. SMUD Amendment #19 to task Order 4 – Operational Staff extension of Director of Finance and Internal Operations through December 31, 2020 as Resolution 2020-025; and
12. amended and restated credit agreement with River City Bank as Resolution 2002-026.

Item 13: Resource Adequacy Agreements 1) VESI 10 LLC and 2) Leapfrog Power, Inc. / Resolution 2020-027 and Resolution 2020-028

VCE Staff Gordon Samuel reviewed the resource adequacy agreements (RAAs) presented to the Board for consideration. Mr. Samuel noted that within the VESI 10 LLC (ORMAT/Terra Buena) agreement on page 41, Article 17.6, the donation portion needs to be corrected to read “*Seller* will contribute...” instead of “*Buyer* will contribute...”.

Mark Stout, representing ORMAT, reviewed the VESI 10 / Terra Buena Project.

Andrew Hoffman, representing Leapfrog, reviewed the background of bringing in flexible demand technologies into the CAISO market and others like CCAs.

Mr. Samuel reviewed Staff’s recommendation to adopt both RAAs as two separate resolutions.

Chair Saylor invited questions from the Board. A discussion on Resource Adequacy, rolling blackouts and what is the possibility that the CPUC may ask CCAs to incur more resources later; and the possibility of taking on energy sooner from these projects than projected.

There were no written or verbal public comments.



Motion made by Director Carson to:

1. adopt a resolution approving a resource adequacy agreement as amended correcting Article 17.6 on page 41 to change “Buyer shall contribute...” to “Seller shall contribute...” regarding donation, between Valley Clean Energy and VESI 10 LLC for battery storage and authorizing the Interim General Manager and/or his designee to execute and implement the agreement; and,
2. adopt a resolution approving a resource adequacy agreement between Valley Clean Energy and Leapfrog Power, Inc. for demand reduction and authorizing the Interim General Manager and/or his designee to execute and implement the agreement.

Motion seconded by Director Wade Cowan. Motion passed to adopt 1) VESI 10 LLC agreement as Resolution 2020-027 and 2) Leapfrog Power, Inc. agreement as Resolution 2020-028 by the following vote:

AYES: Saylor, Carson, Stallard, Sandy, Frerichs, Cowan, Barajas

NOES: None

ABSENT: Loren

ABSTAIN: None

Item 14: Receive progress update and provide feedback on VCE Strategic Plan (Informational)

Interim General Manager Mitch Sears introduced this item and informed those present that input from the Community Advisory Committee has been incorporated into the draft strategic plan. Staff are seeking input on the draft from the Board. Shawn Marshall of LEAN Energy, VCE’s strategic plan consultant, reviewed key findings, topic rankings of Board and CAC; and the feedback received from Board and CAC and incorporated into the draft.

Board Members provided additional valuable feedback, noting that few goals listed are highly encouraged and the goals need to be attainable, concise, practicable, and embraceable by the Board. In addition, general consensus by the Board to interact more at the agency/jurisdiction level to inform, involve and assist VCE’s partner agencies in VCE’s strategic plan.

Scott Ragsdale provided a verbal comment that a couple of goals caught his attention: interaction with the community, 2030 carbon neutral, decarbonization resiliency roadmap, and the inclusion of diversity in VCE’s future.

Christine Shewmaker provided a verbal comment that we are currently in a climate crisis and supports the carbon neutrality by 2030 and decarbonization goals.

There were no written public comments.

Chair Saylor thanked everyone for their input.



Item 15: Receive update and provide comments on VCE's draft statement on current environmental and social justice issues. (Informational)

VCE Staff Rebecca Boyles provided an update on the Environmental and Social Justice (ESJ) work group, draft statement, and VCE's involvement with the CalCCA Equity Committee. She reminded those present that VCE's Strategic Plan sets the "why" and the ESJ statement sets the "how". The next steps are to incorporate additional feedback, provided a draft to the CAC seeking their recommendation to the Board, then a final draft statement to be presented to the Board at the October 2020 meeting.

There were no written or verbal public comments.

Board Member and Staff Announcements

Mr. Sears informed those present of the following:

- 1) VCE Staff are working on the City of Winters enrollment; looking at identifying marketing ways to get the word out; and Staff will provide updates to the Board periodically.
- 2) Winters City Council approved the EV charging (SACOG) Memorandum of Understanding (MOU) with VCE to incorporated in with the City of Davis-VCE MOU – a progress report will be provided soon.
- 3) CCA's were recognized by the Governor's office on their assistance in energy conservation / Flex Alert. He thanked everyone for their assistance in getting the Flex Alert conservation message out to the public.
- 4) Four (4) potential counterparties have been identified in response to the local request for offers (RFO) solicitation and VCE Staff are moving forward with discussions on these projects.
- 5) The Customer Enrollment update provided on the Consent provides additional information on what is going on at the local level.
- 6) The Joint Rate Mailer was sent out via regular mail and e-mail to those customers that had e-mails on record.

No announcements from the Board.

The next scheduled Board meeting is Thursday, October 8, 2020 at 4 p.m. via teleconference.

Adjournment

Chairperson Saylor announced that the Board does not have a Closed Session scheduled. With no further business to conduct, the Board meeting was adjourned at 5:39 p.m.

Alisa M. Lembke  
VCEA Board Secretary



**VALLEY CLEAN ENERGY ALLIANCE  
Board of Directors Meeting**

**Staff Report - Item 5**

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Alisa Lembke, Board Clerk/Administrative Analyst  
**SUBJECT:** Community Advisory Committee 2020 Long-Range Calendar  
**DATE:** October 8, 2020

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**Recommendation**

Please find attached the Board and Community Advisory Committee long-range calendar for 2020.

**VALLEY CLEAN ENERGY**  
**2020 Meeting Dates and Proposed Topics – Board and Community Advisory Committee**

MEETING DATE		TOPICS	ACTION
January 9, 2020	Board WOODLAND	•	•
January 23, 2020	Advisory Committee WOODLAND	•	•
February 13, 2020	Board DAVIS	• Power Purchase Agreement	• Action
February 27, 2020	Advisory Committee DAVIS	• Task Groups – Present Tasks/Projects • Update on Regulatory Assistance Project	• Informational • Informational
March 12, 2020	Board WOODLAND	• Preliminary FY20/21 Operating Budget (Regular) • GHG-free attributes • Local/Regional Renewable RFO solicitation	• Review • Action • Informational
Monday, March 23, 2020 CANCELLED	Board WOODLAND	• Strategic Plan • To be rescheduled for a future date	• Discussion/Action
March 26, 2020 IRP workshop CANCELLED	Advisory Committee WOODLAND	• Integrated Resource Plan (IRP) workshop (to be rescheduled - due date is now September 1, 2020)	• Information
April 9, 2020 Via Teleconference	Board DAVIS	• Local / Regional Renewable Request for Offers (RFO) solicitation • River City Bank Revolving Line of Credit • Power Purchase Agreement	• Action • Action • Action
April 23, 2020 Via Teleconference	Advisory Committee DAVIS	• Review Task Groups' projects/tasks "charge" for 2020	• Action

May 14, 2020 Via Teleconference	<b>Board</b> WINTERS	<ul style="list-style-type: none"> <li>• Power Purchase Agreement - YCFCWCD</li> <li>• Greenhouse Gas (GHG)-free attributes</li> <li>• Update on FY20/21 Operating Budget</li> </ul>	<ul style="list-style-type: none"> <li>• Approval</li> <li>• Action</li> <li>• Informational</li> </ul>
May 28, 2020 Via Teleconference IRP Workshop	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Integrated Resource Plan (IRP) Public Workshop, CAC to provide recommendation</li> </ul>	<ul style="list-style-type: none"> <li>• Information / Discussion</li> </ul>
June 11, 2020 Via Teleconference	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Final Approval of FY20/21 Operating Budget</li> <li>• Extension of Waiver of Opt-Out Fees for one more year</li> <li>• Re/Appointment of Members to Community Advisory Committee and Appoint City of Winters seats to CAC</li> <li>• SMUD Amendment to Contract re: VCE Collections Policy</li> <li>• Update on Integrated Resource Plan Public Workshop</li> </ul>	<ul style="list-style-type: none"> <li>• Approval</li> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Informational</li> </ul>
June 25, 2020 Via Teleconference	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Update on the Integrated Resource Plan (IRP) Process</li> <li>• Update on Request for Offers</li> </ul>	<ul style="list-style-type: none"> <li>• Information</li> <li>• Information</li> </ul>
July 9, 2020 Via Teleconference	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Update on draft Integrated Resource Plan (IRP due 9/1/20)</li> <li>• Renewable Portfolio Standard (RPS) Procurement Plan</li> <li>• River City Bank Line of Credit</li> </ul>	<ul style="list-style-type: none"> <li>• Informational</li> <li>• Action/Informational</li> <li>• Action</li> </ul>
July 23, 2020 Via Teleconference	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Draft Integrated Resource Plan (due 9/1/20) and CAC recommendation to Board</li> <li>• Defining local renewable resources</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Discussion</li> </ul>
August 13, 2020 Via Teleconference	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Adoption of Integrated Resource Plan (due 9/1/2020)</li> <li>• Receive SMUD CPI Increase Amendment</li> <li>• Strategic Plan update</li> <li>• VCE's response to Environmental and Social Justice issues</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Informational</li> <li>• Informational</li> </ul>
August 27, 2020 Via Teleconference	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Strategic Plan update</li> <li>• Draft Statement Environmental and Social Justice Issues</li> </ul>	<ul style="list-style-type: none"> <li>• Informational</li> <li>• Discussion</li> </ul>
September 10, 2020 Via Teleconference	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Delegation of Contracting Authority</li> <li>• River City Bank Revolving Line of Credit</li> <li>• Strategic Plan update</li> <li>• Draft Statement Environmental and Social Justice Issues</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Discussion</li> <li>• Discussion</li> </ul>

September 24, 2020 Via Teleconference	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Committee Evaluation of Calendar Year End (Draft Report)</li> <li>• Strategic Plan draft – seek recommendation to Board from CAC</li> <li>• Draft Statement Environmental and Social Justice Issues – seek recommendation to the Board from CAC</li> <li>• Long term procurement update</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion</li> <li>• Discussion/Action</li> <li>• Discussion/Action</li> <li>• Informational</li> </ul>
October 8, 2020 Via Teleconference	<b>Board</b> WINTERS	<ul style="list-style-type: none"> <li>• Approval of FY19/20 Audited Financial Statements (James Marta &amp; Co.)</li> <li>• Adoption of 3 year Strategic Plan</li> <li>• Adoption of Statement on Environmental Justice Issues</li> <li>• Long term energy procurement update</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Informational</li> </ul>
October 22, 2020 Via Teleconference 4 P.M. START TIME	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Committee Evaluation of Calendar Year End (Draft Report)</li> <li>• Quarterly Power Procurement / Renewable Portfolio Standard Update</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion</li> <li>• Informational</li> </ul>
November 12, 2020 Via Teleconference	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Enterprise Risk Management Report</li> <li>• Certification of Power Content Label</li> </ul>	<ul style="list-style-type: none"> <li>• Informational</li> <li>• Action</li> </ul>
<del>November 26, 2020</del> Thanksgiving Holiday – Rescheduled to 3 <sup>rd</sup> Thursday, November 19, 2020 Via Teleconference	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Committee Evaluation of Calendar Year End (Draft Report)</li> <li>• Revised Procurement Guide – Finalize Recommendation to Board</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion</li> <li>• Action: Recommendation to Board</li> </ul>
December 10, 2020 Via Teleconference	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Election of Officers for 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Nominations</li> </ul>
<del>December 24, 2020</del> Rescheduled to 3 <sup>rd</sup> Thursday, December 17, 2020 Via Teleconference	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Election of Officers for 2020</li> <li>• Finalization of Committee Calendar Year End Report</li> </ul>	<ul style="list-style-type: none"> <li>• Nominations</li> <li>• Approve Report</li> </ul>
January 14, 2021 Via Conference	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Receive CAC Calendar Year End Report</li> <li>• Approve Revised Procurement Guide</li> </ul>	<ul style="list-style-type: none"> <li>• Receive Report</li> <li>• Action</li> </ul>
January 28, 2021 Via Teleconference	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Review and Discuss Task Groups</li> <li>• Quarterly Power Procurement / Renewable Portfolio Standard Update</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss/Action</li> <li>• Informational</li> </ul>

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 6

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

**FROM:** Mitch Sears, Interim General Manager  
George Vaughn, Finance and Operations Director

**SUBJECT:** Financial Update – August 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2020

**DATE:** October 8, 2020

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#### **RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of August 1, 2020 to August 31, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2020.

#### **BACKGROUND & DISCUSSION:**

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, staff is reporting the Actual vs. Budget variances year to date ending August 31, 2020.

#### Financial Statements for the period August 1, 2020 – August 31, 2020

In the Statement of Net Position, VCEA as of August 31, 2020 has a total of \$13,700,229 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,425,866 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2020 \$158,361 and \$64,657 respectively for a grand total of \$223,018. VCEA began paying SMUD for the monthly operating expenditures (starting with January 2018 expenditures) and repayment of the deferred amount of

\$1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in June 2019 and repayment of the deferred amount of \$556,188 over a 12-month period.

The term loan with River City Bank includes a current portion of \$395,322 and a long-term portion of \$1,284,797 as of August 31, 2020, for a total of \$1,680,119. At August 31, 2020, VCE's net position is \$16,360,289.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,965,536 of revenue (net of allowance for doubtful accounts) of which \$6,513,123 was billed in August and \$516,037 represent estimated unbilled revenue. The cost of the electricity for the August revenue totaled \$7,076,740. For August, VCEA's gross margin is approximately -2% and the operating loss totaled (\$525,838). The year-to-date change in net position was (\$227,397).

In the Statement of Cash Flows, VCEA cash flows from operations was (\$728,861) due to August cash receipts of revenues being lower than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending August 31, 2020

Below are the financial statement line items with variances >\$50,000 and 5%:

Electric Revenue - \$909,681 and 7% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven't been as severe as anticipated.

Purchased Power - \$1,050,902 and 9% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven't been as severe as anticipated.

#### **Attachments:**

- 1) Financial Statements (Unaudited) August 1, 2020 to August 31, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending August 31, 2020



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020**

**PREPARED ON OCTOBER 2, 2020**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
August 31, 2020  
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)  
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)  
(UNAUDITED)

**ASSETS**

Current assets:

Cash and cash equivalents	\$	13,700,229
Accounts receivable, net of allowance		7,427,374
Accrued revenue		3,069,118
Prepaid expenses		11,886
Inventory - Renewable Energy Credits		1,698,800
Other current assets and deposits		2,540
<b>Total current assets</b>		<u>25,909,947</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,425,866
<b>Total restricted assets</b>		<u>2,525,866</u>

Noncurrent assets:

Other noncurrent assets and deposits		100,000
<b>Total noncurrent assets</b>		<u>100,000</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>28,535,813</u></b>

**LIABILITIES**

Current liabilities:

Accounts payable	\$	718,887
Accrued payroll		17,165
Interest payable		4,406
Due to member agencies		158,361
Accrued cost of electricity		8,710,818
Other accrued liabilities		406,985
Security deposits - energy supplies		421,140
User taxes and energy surcharges		57,643
Current Portion of LT Debt		395,322
<b>Total current liabilities</b>		<u>10,890,727</u>

Noncurrent liabilities

Term Loan- RCB		1,284,797
Loans from member agencies		
<b>Total noncurrent liabilities</b>		<u>1,284,797</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>12,175,524</u></b>

**NET POSITION**

Restricted		
Local Programs Reserve		136,898
Restricted		2,525,866
Unrestricted		13,697,525
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>16,360,289</u></b>



**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF AUGUST 1, 2020 TO AUGUST 31, 2020**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	FOR THE PERIOD ENDING AUGUST 31, 2020	YEAR TO DATE
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 6,965,536	\$ 13,977,811
Public purpose program revenue		
Other revenue		
<b>TOTAL OPERATING REVENUES</b>	<u>6,965,536</u>	<u>13,977,811</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	7,076,740	13,374,592
Contract services	283,088	568,682
Staff compensation	89,282	186,814
General, administration, and other	42,264	77,327
<b>TOTAL OPERATING EXPENSES</b>	<u>7,491,374</u>	<u>14,207,415</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	(525,838)	
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	6,102	13,176
Interest and related expenses	(5,380)	(10,969)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>722</u>	<u>2,207</u>
<b>CHANGE IN NET POSITION</b>	(525,116)	(227,397)
Net position at beginning of period	16,885,403	16,587,684
Net position at end of period	<u>\$ 16,360,287</u>	<u>\$ 16,360,287</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<b>FOR THE PERIOD ENDING AUGUST 31, 2020</b>	<b>YEAR TO DATE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 6,109,375	\$ 12,412,097
Receipts for security deposits with energy suppliers	(94,500)	(94,500)
Payments to purchase electricity	(6,296,192)	(10,954,001)
Payments for contract services, general, and administration	(356,795)	(708,347)
Payments for staff compensation	(90,749)	(181,453)
<b>Net cash provided (used) by operating activities</b>	<b>(728,861)</b>	<b>473,796</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans from member agencies		
Draw of line of credit		
Transfer to restricted cash		
Principal payments of Debt	(32,943)	(65,887)
Interest and related expenses	(5,481)	(10,998)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(38,424)</b>	<b>(76,885)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	6,102	13,176
<b>Net cash provided (used) by investing activities</b>	<b>6,102</b>	<b>13,176</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(761,183)</b>	<b>410,087</b>
Cash and cash equivalents at beginning of period	16,987,276	15,816,006
<b>Cash and cash equivalents at end of period</b>	<b>\$ 16,226,093</b>	<b>\$ 16,226,093</b>
Cash and cash equivalents included in:		
Cash and cash equivalents	13,700,229	13,700,229
Restricted assets	2,525,866	2,525,866
<b>Cash and cash equivalents at end of period</b>	<b>\$ 16,226,095</b>	<b>\$ 16,226,095</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING AUGUST 31, 2020</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (525,838)	\$ (229,604)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(311,928.00)	(1,467,163.00)
(Increase) decrease in accrued revenue	(517,655)	(95,923.00)
(Increase) decrease in prepaid expenses	10,011	(11,261.00)
(Increase) decrease in inventory - renewable energy credits	(1,698,800)	(1,698,800.00)
Increase (decrease) in accounts payable	2,990	76,487.00
Increase (decrease) in accrued payroll	(1,467)	5,361.00
Increase (decrease) in due to member agencies	19,895	41,895.00
Increase (decrease) in accrued cost of electricity	2,479,348	4,119,391.00
Increase (decrease) in other accrued liabilities	(64,339)	(169,459.00)
Increase (decrease) security deposits with energy suppliers	(94,500)	(94,500)
Increase (decrease) in user taxes and energy surcharges	(26,578)	(2,628.00)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (728,861)</u>	<u>\$ 473,796</u>

**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 6-30-2021**  
**FOR THE YEAR TO DATE ENDING 08-31-20**

Description	8/31/2021	8/31/2021	YTD
	YTD	YTD	Variance
	FY2021 Actuals	FY2021 Budget	
Electric Revenue	\$ 13,977,811	\$ 13,068,130	\$ 909,681
Interest Revenues	13,175	14,233	(1,058)
Purchased Power	13,374,592	12,323,690	1,050,902
Labor & Benefits	186,813	204,258	(17,445)
Salaries & Wages/Benefits	126,099	119,908	6,191
Contract Labor	46,666	68,285	(21,619)
Human Resources & Payroll	14,048	16,064	(2,016)
Office Supplies & Other Expenses	27,677	24,471	3,206
Technology Costs	8,439	3,583	4,856
Office Supplies	50	384	(334)
Travel	-	1,016	(1,016)
CalCCA Dues	19,188	19,189	(1)
Memberships	-	300	(300)
Contractual Services	570,907	573,901	(2,994)
LEAN Energy	2,225	4,000	(1,775)
Don Dame	525	1,667	(1,142)
SMUD - Credit Support	125,333	130,613	(5,280)
SMUD - Wholesale Energy Services	95,944	96,093	(149)
SMUD - Call Center	120,843	119,931	912
SMUD - Operating Services	96,055	90,000	6,055
Legal Bankruptcy	-	4,100	(4,100)
Legal General Counsel	5,697	24,600	(18,903)
Regulatory Counsel	46,896	31,652	15,244
Joint CCA Regulatory counsel	1,771	5,125	(3,354)
Legislative	10,000	10,250	(250)
Accounting Services	4,095	4,100	(5)
Audit Fees	23,385	13,838	9,548
PG&E Acquisition Consulting	945	-	945
Marketing Collateral	37,193	37,933	(740)
Rents & Leases	5,791	2,896	2,895
Hunt Boyer Mansion	5,791	2,896	2,895
Other A&G	41,515	55,267	(13,752)
PG&E Data Fees	40,145	48,780	(8,635)
Community Engagement Activities & Sponsorships	536	1,025	(489)
Insurance	834	1,257	(423)
New Member Expenses	-	4,000	(4,000)
Banking Fees	-	205	(205)
Program Costs	-	-	-
Miscellaneous Operating Expenses	119	1,048	(929)
Contingency	-	43,092	(43,092)
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 14,207,414</b>	<b>\$ 13,228,622</b>	<b>\$ 978,792</b>
Interest Expense - Munis	-	-	-
Interest on RCB loan	10,431	10,461	(30)
Interest Expense - SMUD	538	538	-
<b>NET INCOME</b>	<b>\$ (227,397)</b>	<b>\$ (157,259)</b>	<b>\$ (70,138)</b>

# 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

Subject: Legislative Update – Pacific Policy Group

Date: October 8, 2020

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Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Legislative - Regulatory Task Group on several legislative bills. Below is a summary:

The 2020 legislative session concluded Monday, August 31 and Governor Newsom completed the bill signing period on September 30, 2020, closing out all actions of the two-year 2019-2020 legislative session.

December 7, 2020 will mark the convening of the 202-22 legislative session at which time new legislators will be sworn in, most changes to committee chair and membership will be announced, and bills will begin to be introduced. The Legislature will be in session for a few days before recessing for the winter holidays, and then will reconvene on January 4.

While activity on legislation has now ended, much is still happening as it relates to the Legislature. Most notably is the November 3 election as eight Senate seats may change, and six Assembly seats may be vacated. Six Senators (Beall (D – San Jose) , Galgiani (D – Stockton) Hill (D – San Mateo), Jackson (D – Santa Barbara), Monning (D – Monterey), and Morrell (R – Rancho Cucamonga)), are terming out and two Senators are running for local seats (Hueso (D-San Diego) and Mitchell (D – Los Angeles)). On the Assembly side, no members are terming out, but two are running for state Senate (Eggman (D – Stockton) and Limon (D – Santa Barbara)), two are running for Congress (Oberholte (R – Big Bear Lake) and Smith (D – Santa Clarita)), and two are running for local seats (Chu (D – San Jose) and Gloria (D – San Diego)). The Assembly also has one vacant seat to still be filled. Should Senators and Assemblymembers who are foregoing remaining term years and running for other elected positions win on November 3, then their seats will become vacant until special elections are held to fill those seats. There is a potential for there to be six vacant Assembly seats at the beginning of 2021.

The Governor signed the two bills that VCE continued tracking during the bill signing period, SB 1117 (Monning) and AB 841 (Ting). A summary of those bills can be found below.

### **1. SB 1117 (Monning). Master-Meter Customers: Electrical or Gas Service.**

Summary: Current law contains various provisions relative to the responsibilities of a gas or electrical corporation and master-meter customer when gas or electrical service is provided by a master-meter customer to users who are tenants of a mobilehome park, apartment building, or similar residential complex, including a requirement that the master-meter customer charge each user at the same rate that would be applicable if the user were receiving gas or electricity directly from the gas corporation or electric corporation. This bill would replace “electrical corporation” with “load-serving entity,” defined as including electrical corporations, community choice aggregators, and electric service providers, in many of these provisions relative to the responsibilities of an electrical corporation and master-meter customer when electrical service is provided by a master-meter customer to users who are tenants of a mobilehome park, apartment building, or similar residential complex.

This bill addresses an issue raised by several CCAs in which electrical corporations and other third-party billers are charging submeter accounts in mobile home parks at the electric corporation rate for electricity, even if the park is served by a CCA with a different rate.

#### Additional Information:

- This bill was signed by the Governor.
- VCE supports this bill
- Bill Language: [SB 1117](#)

### **2. AB 841 (Ting) Energy Programs: Economic Stimulus.**

Summary: This bill is a gut and amend bill that seeks to legislate economic stimulus opportunities by authorizing the three IOUs to move forward with EV charging infrastructure development and school retrofit projects that are installed by the IOUs’ labor unions. The measure sought to require the PUC to approve pending transportation electrification infrastructure applications from the IOUs as well as require the PUC to direct the IOUs to reallocate unused portions of their energy efficiency budgets for school retrofit projects that would include HVAC and air filtration upgrades as well as replace noncompliant plumbing fixtures. The bill is primarily supported by several labor unions and Natural Resources Defense Council.

The bill was heard in the Senate Energy, Utilities and Communications Committee, and the committee imposed several amendments on the bill in order for it to pass. The recommended amendments included removal of the provisions of the bill that direct the CPUC to approve the IOUs’ EV applications. The language of these recommended amendments has not been finalized nor made available. VCE, through PPG, is closely monitoring AB 841 as it relates to the EV portion of the bill as the provisions are concerning and may require an oppose position if the committee amendments are unsatisfactory.

#### Additional Information:

- This bill was signed by the Governor.
- VCE had no position on this bill.
- Bill language: [AB 841](#)

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 8

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To: Valley Clean Energy Alliance Board of Directors  
From: Mitch Sears, Interim General Manager  
Subject: Regulatory Monitoring Report – Keyes & Fox  
Date: October 8, 2020

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Please find attached Keyes & Fox's September 2020 Regulatory Memorandum dated September 30, 2020, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

**Attachment:** Keyes & Fox Regulatory Memorandum dated September 30, 2020

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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To: Valley Clean Energy Alliance (“VCE”) Board of Directors

From: Sheridan Pauker, Partner, Keyes & Fox, LLP  
Tim Lindl, Partner, Keyes & Fox LLP  
Ben Inskeep, Principal Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: September 30, 2020

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### Summary

Keyes & Fox LLP and EQ Research, LLC, are pleased to provide VCE’s Board of Directors with this monthly informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC). A Glossary of Acronyms used is provided at the end of this memo.

In summary, this month’s report includes regulatory updates on the following priority issues:

- **PG&E 2021 ERRA Forecast:** The Assigned Commissioner issued a Scoping Memo and Ruling. Joint CCAs (including VCE) filed testimony on PG&E’s 2021 ERRA Forecast application. In the related PG&E’s ERRA Trigger Application proceeding, a prehearing conference was held.
- **PG&E 2021 PUBA Trigger:** In PG&E’s August 2020 monthly balancing account report, PG&E demonstrated that it hit the PCIA Undercollection Balancing Account (PUBA) trigger. The PUBA tracks the differential between capped and uncapped PCIA rates. Once the total revenue differential in the PUBA reaches a trigger threshold, PG&E must file an expedited application to recover part of the amount in the PUBA. Such recovery will take place via a temporary increase to PCIA or PCIA-related rates for VCE’s customers. On September 28, 2020, PG&E filed an expedited trigger application addressing the undercollection of its PUBA and proposing to increase in the system average rate for CCA/DA customers in 2021 by \$0.0055/kWh, and by \$0.0068/kWh for residential customers specifically, or 4.0% over present rates.
- **PG&E’s 2019 ERRA Compliance:** PG&E submitted a status update on settlement discussions. A status conference was held September 22, 2020, and the evidentiary hearing planned for September 25, 2020, was canceled. The parties agreed to stipulate the entry of exhibits into the record in lieu of holding evidentiary hearings. The Joint CCAs and PG&E’s testimony to date has agreed upon approximately \$140 million in adjustments to reduce the Portfolio Allocation Balancing Account (PABA) balances. The PABA underlies the PCIA rates, and the adjustments will be reflected in reduced PCIA rates in 2021 and (possibly) 2022. Approximately \$60 million in adjustments remain at issue in the case.
- **PCIA Rulemaking:** CalCCA filed a response to the Joint IOUs’ Petition for Modification of D.18-10-019 to make changes to the PCIA calculation regarding line losses. The Joint IOUs filed a reply. CalCCA and the Direct Access Customer Coalition (DACC) filed a response to a Joint IOU advice letter implementing D.20-03-019 on departing load forecast and presentation of the PCIA.



- **Investigation into PG&E's Organization, Culture and Governance:** The ALJ issued a Ruling providing an update on the case status and deciding to only monitor PG&E progress on safety culture for the time being.
- **Direct Access Rulemaking:** The ALJ issued a Ruling seeking comments on a Staff report and recommendation to the Legislature regarding a potential additional expansion of direct access for nonresidential customers.
- **RA Rulemaking (2019-2020):** The CPUC issued D.20-09-003 denying as moot three petitions for modification regarding three previous RA decisions, including a CalCCA PFM that requested extending the RA waiver process from local RA only to system RA and flexible RA as well.
- **RA Rulemaking (2021-2022):** Parties filed comments and reply comments on Track 3.A proposals, utility proposed neutrality rules, and Track 3.A working group reports. The ALJ issued a Ruling modifying the Track 3.B schedule. Finally, CPUC, CAISO and CEC scheduled an October 6, 2020, joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources.
- **2020 IRP Rulemaking:** The Assigned Commissioner issued a Scoping Memo and Ruling establishing the issues and schedule for the proceeding going forward, which includes an anticipated May 2021 CPUC decision on a Diablo Canyon analysis that could direct LSEs like VCE to procure additional resources to ensure reliability.
- **2016 IRP Rulemaking:** Parties filed comments and replies, respectively, on the Proposed Decision granting CalCCA's Petition for Modification of D.19-11-016 and closing this proceeding, which the CPUC approved as D.20-09-026 at its September 24, 2020, meeting.
- **RPS Rulemaking:** The ALJ issued a Ruling requesting comments on the Energy Division *Staff Proposal for Alignment and Integration of RPS Procurement Planning and Integrated Resource Planning*. Parties filed comments and replies on the ReMAT Proposed Decision, which was held for consideration until the CPUC's October 8, 2020, meeting. Finally, parties submitted comments and replies on the Proposed Decision on new (i.e., not yet serving load) CCAs' RPS Procurement Plans, which the CPUC approved as D.20-09-022 at the CPUC's September 24, 2020, meeting.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The CPUC approved D.20-09-023, adopting the Wildfire Non-Bypassable Charge (NBC) of \$0.00580/kWh for October 1, 2020, through December 31, 2020, at its September 24, 2020 meeting.
- **PG&E's Phase 1 GRC:** No updates this month; parties are awaiting the issuance of a Proposed Decision.
- **PG&E's Phase 2 GRC:** Parties filed comments and replies on the Proposed Decision approving ratepayer funding for the Essential Usage Study capped at approximately \$845,000. The CPUC approved D.20-09-021 at its September 24, 2020, meeting.
- **PG&E Regionalization Plan:** No updates this month; parties are awaiting the issuance of a Scoping Memo and Ruling.
- **Investigation of PG&E Bankruptcy Plan:** The ALJ issued a Proposed Decision that would close this proceeding.
- **Investigation into PG&E Violations Related to Wildfires:** No updates this month. On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)

## PG&E 2021 ERRA Forecast

On September 10, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling. Also on September 10, 2020, in the related PG&E's ERRA Trigger Application proceeding, a prehearing conference was held. On September 24, 2020, Joint CCAs (including VCE) submitted testimony on PG&E's 2021 ERRA Forecast application.

- Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. PG&E's 2021 ERRA Forecast application proposed capped PCIA rates of \$0.03115/kWh (system-average 2021 vintage) and \$0.03670/kWh (system-average for 2017 PCIA vintage, which is the system-wide average applicable to most VCE customers). The PCIA rate for most VCE residential customers (*i.e.*, 2017 vintage) would be \$0.03846/kWh, although PG&E will update this figure in November. PG&E's application proposes a total 2021 revenue requirement of \$2.774 billion, comprised of the following components: (1) CAM, \$283 million; (2) PCIA, \$2.803 billion; (3) Ongoing Competitive Transition Charge, \$20 million; (4) Tree Mortality Non-Bypassable Charge, \$73 million; (5) ERRA, \$1.841 billion; (6) PUBA, \$277 million; and *less* (7) Utility-owned generation costs of \$2.522 billion.

PG&E has filed an expedited PUBA (*i.e.*, an interest-bearing balancing account that is used in the event that the 0.5-cent PCIA cap is reached that tracks obligations that accrue for departing load customers) trigger application (see below), which has the potential to significantly increase the PCIA. PG&E is requesting that any year-end PUBA balance not disposed of via such an expedited application process be included in the PCIA revenue requirement for recovery as part of its November Update via a separate rate adder. However, that rate adder would still be subject to the \$0.005/kWh cap, meaning it would not be amortized via 2021 rates but would count towards a possible PUBA trigger application in early 2022.

PG&E's ERRA Trigger is different than the PUBA trigger mentioned in the previous paragraph (and discussed in more detail below) and will affect bundled customers' rates but not VCE's customers' rates. PG&E's ERRA Trigger application states that its ERRA was more than 5% overcollected as of April 30, 2020, and PG&E forecasts that its incremental ERRA overcollection will be 15.7%, or \$793 million, overcollected by December 31, 2020. The Joint CCAs filed a response to PG&E's trigger. Both parties agree a rate change to refund the overcollection is not warranted since the ERRA balance associated with overcollection can be resolved in the utility's 2021 ERRA Forecast Application. A scoping ruling with an abbreviated schedule is anticipated any day.

- Details:** The Scoping Memo and Ruling identified the issues that are within scope in this proceeding and established a procedural schedule.

Joint CCA testimony argues that PG&E's PCIA increase request is unreasonable and would result in a single-year PCIA rate increase of between 16% and 21% for vintages 2009 through 2018. Joint CCA recommendations would result in a PCIA revenue requirement of \$2,537.6 million compared to PG&E's proposal of \$2,802.6 million, a 9.5% reduction. The following rates would apply under the Joint CCA' proposed recommendations, including the 2017 rate for VCE's customers:

Vintage	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2020 Capped	\$0.0243	\$0.0273	\$0.0297	\$0.0296	\$0.0316	\$0.0321	\$0.0319	\$0.0318	\$0.0317	\$0.0317	\$0.0338	\$0.0406	
2020 Uncapped	\$0.0326	\$0.0394	\$0.0414	\$0.0431	\$0.0437	\$0.0438	\$0.0439	\$0.0434	\$0.0427	\$0.0420	\$0.0406	\$0.0406	
2021 Capped	\$0.0293	\$0.0323	\$0.0347	\$0.0346	\$0.0366	\$0.0371	\$0.0369	\$0.0368	\$0.0367	\$0.0367	\$0.0388	\$0.0456	
2021 Uncapped	\$0.0321	\$0.0383	\$0.0400	\$0.0417	\$0.0421	\$0.0423	\$0.0425	\$0.0424	\$0.0433	\$0.0436	\$0.0434	\$0.0270	\$0.0270
2019 ERRR Refund													-\$0.0082
Proposed Rates	\$0.0293	\$0.0323	\$0.0347	\$0.0346	\$0.0366	\$0.0371	\$0.0369	\$0.0368	\$0.0367	\$0.0367	\$0.0306	\$0.0270	\$0.0270
Capped?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	
Proposed % Rate Change	21%	18%	17%	17%	16%	16%	16%	16%	16%	16%	-9%	-34%	

- Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. PG&E is proposing another increase to its PCIA to \$0.0367/kWh for the 2017 vintage. In comparison, the last ERRR Forecast proceeding established a capped rate of \$0.0317/kWh for the 2017 vintage, an increases from the previous rate of \$0.0267/kWh.
- Next Steps:** PG&E will host a remote workshop to discuss COVID-19 load forecast data and preview its impact on the 2021 forecast on October 1, 2020. A Joint Case Management Statement and deadline to confirm a request for evidentiary hearings is due October 2, 2020. Rebuttal testimony is due October 8, 2020, and evidentiary hearings, if needed, will be held October 21, 2020. PG&E's supplemental testimony concerning 2021 load forecast is due October 26, 2020. Opening and reply briefs, respectively, are due October 30, 2020, and November 9, 2020. PG&E's November Update, due November 9, 2020, will include updates to the PCIA benchmarks for forecasting and true-up purposes; comments on the update are due November 20, 2020. PG&E will file its 2020 Annual Electric True-Up advice letter on November 16, 2020.
- Additional Information:** [Scoping Memo and Ruling](#) (September 12, 2020); [PG&E August Update](#) (August 14, 2020); [PG&E ERRR Trigger Application](#) (July 31, 2020); [PG&E Supplemental Testimony](#) correcting errors in Application (July 17, 2020); [Application](#) (July 1, 2020); Docket Nos. [A.20-07-002](#) (2021 ERRR Forecast); [A.20-07-022](#) (ERRR Trigger).

## PG&E 2021 PUBA Trigger

On September 28, 2020, PG&E filed an expedited trigger application addressing the undercollection of its PCIA Undercollection Balancing Account (PUBA) and proposing to increase in the system average rate for CCA/DA customers in 2021 by \$0.0055/kWh, and by \$0.0068/kWh for residential customers specifically, or 4.0% over present rates.

- Background:** The PUBA tracks the differential between capped and uncapped PCIA rates. Once the total revenue differential in the PUBA reaches a trigger threshold, PG&E must file an expedited application to recover part of the amount in the PUBA. Such recovery will take place via a temporary increase to PCIA or PCIA-related rates for VCE's customers.
- Details:** PG&E's PUBA balance as of the end of August 2020 is undercollected by \$113.0 million, which exceeds the 7% trigger, and PG&E expects the PUBA balance to exceed the 10% threshold by the end of October 2020. PG&E proposes to increase rates for its Departing Load customers, including VCE customers, by developing a vintage-specific rate adder designed to collect the forecasted 2020 year-end PUBA balance of \$252.8 million over 12 months, beginning January 1, 2021. This rate adder would be applied in addition to the authorized PCIA rates. PG&E would decrease bundled customer rates by reducing the bundled generation revenue requirement by the same amount. PG&E's proposal would increase the system average rate for CCA/DA customers by \$0.0055/kWh, and by \$0.0068/kWh for residential customers specifically, or 4.0% over present rates.

- **Analysis:** If approved, VCE customers would pay a surcharge in 2021 to recover the forecasted PUBA shortfall in addition to the PCIA rate. PG&E notes that it declined to propose to amortize the undercollection over a one-month period, as authorized under D.18-10-109, because it would result in a 222% increase in the PCIA, increasing the system average rate for CCA/DA customers by 48.9%.
- **Next Steps:** A procedural schedule has not been established yet, but the expedited application is subject to PG&E approval within 60 days of filing. PG&E proposes a schedule that includes an October 13, 2020 protest deadline, followed by a reply on October 19, 2020, a prehearing conference on October 22, 2020, a proposed decision on October 28, 2020, and a final decision approximately 30 days thereafter.
- **Additional Information:** [Application](#) (September 28, 2020); Docket No. [A.20-09-014](#).

## PG&E's 2019 ERRA Compliance

On September 14, 2020, PG&E submitted a status update on settlement discussions. A status conference was held September 22, 2020, and the evidentiary hearing planned for September 25, 2020, was canceled. The parties agreed to stipulate the entry of exhibits into the record in lieu of holding evidentiary hearings.

- **Background:** ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about \$4.0 million for Diablo Canyon seismic study costs.

PG&E's supplemental testimony (1) described PG&E's PSPS Program and when it was used in 2019; (2) provided an accounting of the 2019 PSPS events, including a description of how balancing accounts forecast in PG&E's annual ERRA Forecast proceeding and reviewed in the 2019 ERRA Compliance Review proceeding may have been impacted and; (3) described the difference between load forecasting for ratemaking purposes and load forecasting for PSPS events.

The Joint CCAs' testimony identifies \$175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest. The Joint CCAs argue this amount should be credited back to customers. PG&E's rebuttal testimony states it will make all but \$33.6 million of those adjustments as part of its August 2020 accounting close, with the remaining amount still in contention in the proceeding.

- **Details:** PG&E's status update identified that the Joint CCAs requested evidentiary hearings for further record development on two issues: (1) whether Resource Adequacy sales in 2019 complied with PG&E's Bundled Procurement Plan and (2) whether the entries recorded in the ERRA and the PABA with regard to 2019 retail sales volumes and revenues are reasonable, appropriate, accurate, and in compliance with Commission decisions. However, parties subsequently agreed to enter exhibits into the record in lieu of holding evidentiary hearings. PG&E and the Joint CCAs have two other disputed issues that the parties agreed to be resolved through briefs: (1) whether the appropriate entries have been made to the PABA related to retained RPS and (2) whether four power purchase agreements amended in 2019 should be re-vintaged. PG&E and the Joint CCAs identified the following issues as likely to be resolved via settlement: (1) mis-vintaging of a subset of CCA customers; (2) data transparency; (3) whether

PG&E has made proper adjustments reflecting issues resolved either prior to or through PG&E's rebuttal testimony.

The Joint CCAs and PG&E's testimony to date has agreed upon approximately \$140 million in adjustments to reduce the PABA balances. The PABA underlies the PCIA rates, and the adjustments will be reflected in reduced PCIA rates in 2021 and (possibly) 2022. Approximately \$60 million in adjustments remain at issue in the case.

- **Analysis:** This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Efforts from the Joint CCAs to date will reduce the level of the PCIA for VCE's customers in 2021 and/or 2022.
- **Next Steps:** Opening and reply briefs, respectively, are due October 19, 2020, and November 9, 2020. The schedule for Phase II of this proceeding has not been issued yet.
- **Additional Information:** [Amended Scoping Memo and Ruling](#) (August 14, 2020); [Scoping Memo and Ruling](#) (June 19, 2020); PG&E's [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

## PCIA Rulemaking

On September 8, 2020, CalCCA filed a response to the Joint IOUs' Petition for Modification of D.18-10-019 to make changes to the PCIA calculation regarding line losses. The Joint IOUs filed a reply on September 18, 2020. On September 21, 2020, CalCCA and the Direct Access Customer Coalition (DACC) filed a response to a Joint IOU advice letter implementing D.20-03-019 on departing load forecast and presentation of the PCIA.

**Background:** D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity. In the Joint IOUs' PFM of D.18-10-019 in this proceeding, filed concurrently with a PFM of D.17-08-026 in R.02-01-011, the Joint Utilities requested changes to the calculations for applying line losses in the PCIA calculations. First, the Joint IOUs argued that the current formula incorrectly applies line loss adjustments to the RA component of the PCIA calculation. Second, the Joint IOUs argued that the PCIA Template is inconsistent in its application of line losses with respect to the calculation of energy market value. The net impact of these two issues, according to the Joint Utilities, is an overstated forecast of portfolio market value with all customers initially underpaying the PCIA.

Phase 2 relied primarily on a working group process to further develop a number of PCIA-related proposals. Three workgroups examined three issues: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

D.20-08-004, in response to the recommendations of Working Group 2, (1) adopted the consensus framework of PCIA prepayment agreements; (2) adopted the consensus guiding principles, except for one principle regarding partial payments; (3) adopted evaluation criteria for prepayment agreements; (4) did not adopt any proposed prepayment concepts; and (5) clarified that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two.

The CPUC has not yet issued a Proposed Decision regarding Working Group 3.

**Details:** CalCCA's response to the Joint IOUs' PFM states that it does not oppose the request to modify the treatment of line losses in calculating the PCIA, but requests that the CPUC clarify that the shift away from forecasted retail sales volumes to generation volumes, as the IOUs propose, will not replace the use of load forecasts in other components of the PCIA methodology.

The Joint IOUs' response to CalCCA clarified that the PFM does not seek the broad revisions that CalCCA opposes.

CalCCA's response to the Joint IOUs' ALs implementing D.20-03-019 on departing load forecast and presentation of the PCIA urged the CPUC to quickly adopt the proposed changes, while noting concern that PG&E and SCE foreshadowed a possible delay in implementing the changes due to planned changes to their billing system. CalCCA urged Energy Division to hold workshops as authorized in D.20-03-019 to develop a set of further bill and tariff changes during 2021 once the CPUC has approved the ALs.

- **Analysis:** The Decision on prepayment is expected to make successful prepayments very difficult because it gave utilities significant control over the process and required the prepayment to include a risk premium. The Joint IOUs' PFM of D.18-10-019, if adopted, would increase the PCIA for VCE's customers.
- **Next Steps:** A proposed decision regarding Working Group 3 is expected in Q3 2020. IOUs must file a Tier 2 advice letter by October 6, 2020 (*i.e.*, 60 days after D.20-08-004 was issued) to establish protocols to administer prepayment requests and negotiations.
- **Additional Information:** [CalCCA/DACC Response](#) to Joint IOU AL on D.20-03-019 (September 21, 2020); [Joint IOUs PFM of D.18-10-019](#) (August 7, 2020); [D.20-08-004](#) on Working Group 2 PCIA Prepayment (August 6, 2020); [D.20-06-032](#) denying PFM of D.18-07-009 (July 3, 2020); [D.20-03-019](#) on departing load forecast and presentation of the PCIA (April 6, 2020); [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [D.19-10-001](#) (October 17, 2019); [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

## Investigation into PG&E's Organization, Culture and Governance (Safety OII)

On September 4, 2020, the ALJ issued a Ruling providing an update on the case status and deciding to only monitor PG&E progress on safety culture for the time being.

- **Background:** On December 21, 2018, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E's organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

A July 2020 ALJ Ruling described the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observed that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. Joint CCAs argued that this proceeding should address whether PG&E should be a "wires-only company" and whether PG&E's holding company structure should be revoked, and SVCE advocated for addressing whether a distribution system operator model should replace PG&E. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

- **Details:** The September 4 Ruling filed in the PG&E Safety Culture proceeding (I.15-08-019) and PG&E Bankruptcy proceeding (I.19-09-016) determines that I.15-08-019 will remain open as a vehicle to monitor the progress of PG&E in improving its safety culture, and to address any relevant issues that arise, with the consultant NorthStar continuing in its monitoring role of PG&E. The Ruling declined to close the proceeding (e.g., as requested by PG&E) but also declined to move forward with CCAs' consideration of whether PG&E's holding company structure should be revoked and whether PG&E should be a "wires-only company," as well as developing a plan for service if PG&E's CPCN is revoked in the future.
- **Analysis:** While the docket remains open to monitor PG&E progress on its safety culture, this proceeding is dormant for the time being. Depending on the issues addressed in the future, this proceeding could have a range of possible impacts on CCAs within PG&E's territory and their customers, given the broad issues under investigation pertaining to PG&E's corporate structure and governance. Numerous issues proposed in the PG&E Bankruptcy OII, including municipalization and sale of PG&E assets, were deferred and stated to be more properly within the scope of this proceeding. However, under the September 4 Ruling, the focus is now on monitoring PG&E's progress on safety culture.
- **Next Steps:** The proceeding remains open, but the judge declined to issue a Scoping Memo and Ruling, choosing instead to monitor PG&E safety culture progress for now.
- **Additional Information:** [Ruling](#) updating case status (September 4, 2020); [Ruling](#) on case status (July 15, 2020); [Ruling](#) on proposals to improve PG&E safety culture (June 18, 2019); [D.19-06-008](#) directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); [Scoping Memo](#) (December 21, 2018); Docket No. [I.15-08-019](#).

## Direct Access Rulemaking

On September 28, 2020, the ALJ issued a Ruling seeking comments on a Staff report and recommendation to the Legislature regarding a potential additional expansion of direct access (DA) for nonresidential customers (Staff Report).

- **Background:** Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details:** The Staff Report recommends that the Legislature:
  - Not make a determination as to whether to further expand DA until at least 2024.
  - Condition any further DA expansion on the performance of Energy Service Providers (ESPs) with respect to IRP, RPS and RA requirements through 2024.
  - Make any further DA expansion in increments of 10% of nonresidential load per year, conditioned on ESP compliance with IRP, RPS and RA.
  - "[C]onsider the CPUC's authority in allowing CCAs to recover the costs of investments that are stranded because of unforeseen load departure to address these potential impacts."
  - "Amend P.U. Code Section 949.25 to provide the CPUC with the authority to revoke ESP licenses **and CCA registration** for repeated non-compliance with [RA], RPS or IRP requirements."
- **Analysis:** This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on

nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals and will result in cost-shifting to both bundled and CCA customers. The Staff report recognizes this concern and recommends that if DA is further expanded, the Legislature consider permitting CCAs to recover stranded costs from departing DA customers. The Staff report also recommends the Legislature amend the statute to allow the CPUC to revoke both ESP licenses and CCA registration for repeated non-compliance of RA, RPS, or IRP requirements.

- **Next Steps:** Comments on the Staff Report are due October 16, with replies due October 26. A proposed decision attaching the final staff report would follow.
- **Additional Information:** [Ruling](#) and [Staff Report](#) (September 28, 2020); [Amended Scoping Memo and Ruling](#) adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. [R.19-03-009](#); see also [SB 237](#).

## RA Rulemaking (2019-2020)

On September 16, 2020, the CPUC issued D.20-09-003 denying as moot three petitions for modification regarding three previous RA decisions, including a CalCCA PFM that requested extending the RA waiver process from local RA only to system RA and flexible RA as well.

- **Background:** This proceeding had three tracks, which have now concluded. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program. D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

In [Track 2](#), the CPUC previously adopted multi-year Local RA requirements and initially declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019).

The second [Track 2](#) Decision, D.20-06-002, adopted implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA. Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. D.20-06-002 also established a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences.

In [Track 3](#), D.19-06-026 adopted CAISO's recommended 2020-2022 Local Capacity Requirements and CAISO's 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be



required to provide it by March 1. It also adopted a “Binding Load Forecast” process such that an LSE’s initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE’s implementation to new customers.

On October 30, 2019, CalCCA filed a PFM of D.19-06-026, seeking the creation of an RA waiver process in 2020 for system and flexible RA obligations.

On July 17, 2020, Western Power Trading Forum (WPTF) filed an Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. It requested rehearing and reconsideration of the rejected settlement agreement between WPTF, CalCCA, and other parties, arguing that D.20-06-002 will discourage the procurement of local resources by individual LSEs, discriminates against natural gas resources while increasing the need for CAISO backstop procurement, may undermine reliability by making it more difficult to integrate renewables with the larger western grid, and creates a “sale for resale” procurement construct that could place it under FERC’s jurisdiction as a wholesale, rather than a retail, transaction.

On August 5, 2020, WPTF filed an Application for Rehearing of D.20-06-028 with respect to the self-scheduling requirements for non-resource specific RA imports.

- **Details:** CalCCA’s PFM had recommended a system and flexible waiver process, with specific requirements for an LSE to demonstrate. D.20-09-003 found CalCCA’s proposal for system and flexible RA waivers was addressed in D.20-06-031, where the CPUC declined to adopt the proposal. Accordingly, it found CalCCA’s petition was moot and denied the petition. D.20-09-003 also made similar determinations for issues raised by PG&E and renewable energy and storage parties in their respective PFMs of two other previous decisions in this proceeding.
- **Analysis:** D.20-06-002 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year will impact VCE’s local RA procurement and compliance, including affecting VCE’s three-year local RA requirements as part of the transition to the central procurement framework. Eventually, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but it also eliminates VCE’s autonomy with regard to local RA procurement and places it in the hands of PG&E.

The Track 1 Decision on RA imports will primarily impact LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- **Next Steps:** The only issues remaining to be addressed in this proceeding are WPTF’s Applications for Rehearing. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.
- **Additional Information:** [D.20-09-003](#) denying PFMs filed by PG&E, CalCCA, and Joint Parties (September 16, 2020); WPTF’s [Application for Rehearing](#) of D.20-06-028 (August 5, 2020); WPTF’s [Application for Rehearing](#) of D.20-06-002 (July 17, 2020); [D.20-06-028](#) on Track 1 RA Imports (approved June 25, 2020); [D.20-06-002](#) establishing a central procurement mechanisms for local RA (June 17, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [PFM](#) of D.20-01-004 (February 11, 2020); [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

## RA Rulemaking (2021-2022)

On September 11, 2020, and September 18, 2020, respectively, parties filed comments and reply comments on Track 3.A proposals, utility proposed neutrality rules, and Track 3.A working group reports. On September 23, 2020, the ALJ issued a Ruling modifying the Track 3.B schedule. Finally, CPUC,

CAISO and CEC scheduled an October 6, 2020, joint public workshop to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks. The first two tracks have concluded, and the proceeding focused on Track 3 issues. Track 3 is divided into Track 3.A and Track 3.B, which are proceeding in parallel. Track 3.A issues include the following topics: (1) evaluation of CAISO's updated LCR reliability criteria; (2) evaluation of an LCR reduction compensation mechanism; (3) consideration of the CPE's Competitive Neutrality Rules; (4) NQC for BTM hybrid resources; and (4) other time-sensitive issues.

Track 3.B focuses on an examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years. Other refinements to the RA program identified during Track 1 or Track 2 will also be considered, including refinements to the MCC buckets adopted in D.20-06-031.

A future Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

Energy Division's initial Track 3.B proposal identified three options for addressing its various concerns about the RA construct that would involve significantly modifying or replacing the existing peak capacity RA construct:

1. **Option 1:** Making several fundamental modifications to the existing capacity construct including revising the MCC buckets to make them binding in order to address issues associated with use-limited resources and revising the RA product to include a least-cost dispatch requirement or a bid cap;
  2. **Option 2:** Enhancing or replacing the current RA capacity / CAISO must-offer obligation construct with a forward energy based system hourly load shape framework that requires load serving entities to demonstrate procurement of sufficient energy from specified physical resources that are contractually obligated to flow (or, in the case of DR, curtail) to meet their energy needs on a forward basis; or
  3. **Option 3:** Replacing the current RA capacity / CAISO must-offer obligation construct with a fixed price forward energy requirement similar to Option 2, but including a financial hedging component that allows for risk arbitrage and price discovery on the part of generators, which can result in lower forward prices for customers.
- **Details:** In Track 3.A, CPUC, CAISO and CEC rescheduled a joint public workshop, originally scheduled for September 3, 2020, for October 6, 2020, to consider the potential to provide RA credit to hybrid storage/solar behind-the-meter resources.

In Track 3.B, the Ruling established a revised schedule that reflects modifications to allow additional time to address the scoped issues with workshops and revised proposals. It also adds two opportunities for revisions to Track 3.B proposals. The modified schedule also adds an opportunity to comment on the process, in conjunction with the submission of the second revised proposals, in order to allow parties to comment on whether additional process is warranted.

- **Analysis:** Regulatory developments under consideration in this proceeding could have a significant impact on VCE's capacity procurement obligations and RA compliance filing requirements. A broad array of changes to the RA construct are under consideration, including the consideration of hourly capacity requirements in light of the increasing deployment of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources such as wind and solar; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; and Marginal ELCC counting conventions for solar, wind and hybrid resources. The resolution of these issues could impact the extent to which VCE is permitted to rely on use-limited resources such as solar and wind to meet its RA obligations, the amount of RA that is credited to

these types of resources, and what penalties (and waivers) would apply should there be a deficiency in meeting an RA requirement.

- **Next Steps:** In Track 3.A, a workshop to discuss bi-annual Load Impact Protocols qualifying capacity updates per D.20-06-031 is scheduled for October 7, 2020. A Proposed Decision on Track 3.A issues is anticipated in Q4 2020.

In Track 3.B, a workshop on Energy Division and party proposals is anticipated for November 2020, revised Track 3.B proposals due December 18, 2020; comments on revised Track 3.B proposals are due January 15, 2020; a workshop on revised Track 3.B proposals is anticipated for February 2020; second revised Track 3.B proposals and comments on additional process are due March 9, 2020, a Proposed Decision is expected May 2021, and a final Decision on Track 3.B and Track 4 is expected June 2021.

The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.

- **Additional Information:** [Ruling](#) (September 23, 2020); [Ruling](#) providing Energy Division's Track 3.B proposal (August 7, 2020); [Amended Scoping Memo](#) on Track 3 (July 7, 2020); [D.20-06-031](#) on local and flexible RA requirements and RA program refinements (June 30, 2020); [Ruling](#) suspending Track 3 schedule (June 23, 2020); [2021 Final Flexible Capacity Needs Assessment](#) (May 15, 2020); [2021 Final Local Capacity Technical Study](#) (May 1, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

## 2020 IRP Rulemaking

On September 24, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling establishing the issues and schedule for the proceeding going forward, which includes an anticipated May 2021 CPUC decision on Diablo Canyon analysis that could direct LSEs like VCE to procure additional resources to ensure reliability.

- **Background:** In the CPUC's IRP process, the Reference System Portfolio (RSP) is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) after LSEs submit individual IRPs to be used in statewide planning and future procurement. On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE's progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016.

A June 5 ALJ Ruling on backstop procurement and cost allocation proposed "trigger points" and associated milestones to arrive at a determination of whether backstop procurement will be conducted for the procurement required by D.19-11-016. An LSE would need to meet each of these milestones in order to avoid backstop procurement taking place on its behalf. Compliance would be determined on a resource-specific basis, allowing for instances of partial compliance (e.g., some projects meet the targets but others do not). The CPUC has not yet adopted this proposal.

The ALJ's June 15 Ruling proposed a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. The proposed schedule provided for activities on four parallel work streams related to the development of the Reference System Portfolio, the Preferred System Portfolio, the Procurement Track, and the Transmission Planning Process. There would be opportunities for new procurement requirements at least twice during every three-year cycle, beginning with a Q1 2021 Ruling proposing resource procurement, followed by the issuance of a PD/Decision in Q2 2021 ordering additional procurement. Q1 2021 would also include the issuance of a PD finalizing a procurement framework. If the need determination is triggered in Q2 2021 via a Ruling, the CPUC would issue a PD ordering resource procurement, either stand-alone or combined with PSP PD, in Q3 2021.

On August 7, 2020, the CPUC issued Resolution E-5080, which implements an IRP Citation Program for non-compliance with IRP requirements.

- **Details:** The September 24 Scoping Memo and Ruling clarifies that the issues planned to be resolved into this proceeding are organized into the following tracks: (1); (2); (3) adoption of a PSP; (4) recommendations to CAISO’s Transmission Planning Process; and (5) development of the next RSP, as follows:
  1. General IRP oversight issues: The Assigned Commissioner indicates that a Proposed Decision is forthcoming on the issues identified in the June 15 Ruling regarding the possibility of moving from a two-year to a three-year IRP cycle. Other issues to be determined in this track include IRP filing requirements and interagency work implementing SB 100.
  2. Procurement track: First, the proceeding will resolve capacity procurement issues with respect to D.19-11-016, as discussed in the June 5 Ruling. The CPUC will then focus on examining LSE plans to replace Diablo Canyon capacity and conduct an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity. Other issues to be addressed in this track include (1) evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal, and other resources with long development lead times; (2) local reliability needs; and (3) analysis of the need for specific natural gas plants in local areas. Additional procurement requirements may also be considered.
  3. Preferred System Portfolio Development: The CPUC will aggregate LSE portfolios, analyze the aggregate portfolio, and adopt a PSP.
  4. Transmission Planning Process (TPP): The PSP analysis will likely lead to a portfolio to be transmitted by the CPUC to the CAISO for use in its TPP analysis, although this will not be in time for the upcoming TPP process for 2021-2022. In addition, a methodology will be developed to map battery storage resources in the IRP resource portfolios transmitted to the CAISO.
  5. Reference System Portfolio Development: To the extent that a new round of RSP analysis is conducted for the next IRP cycle, this proceeding will be the venue for developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle.
- **Analysis:** This proceeding impacts VCE’s compliance requirements, including its IRP filing, as well as issues that could impact VCE’s autonomy over its procurement decisions and cost recovery of related procurement directives. The September 24 Scoping Memo and Order indicates that the CPUC could issue a decision on Diablo Canyon replacement capacity in May 2021; this decision could direct VCE and other LSEs to procure additional capacity if it finds LSE IRPs contained insufficient resources to ensure reliability with the retirement of Diablo Canyon. In addition, the June 15, 2020 Ruling proposes changes to the IRP cycle that could change the frequency of IRP filings to once every three years and provide the CPUC two opportunities per three-year cycle to order additional procurement. Under the newly created IRP Citation Program, if the CPUC identifies any deficiencies in VCE’s IRP filings, it will have 10 days to cure the identified deficiencies, after which time it would be subject to a financial penalty.
- **Next Steps:** Refer to the September 24 Scoping Memo and Ruling for the full timelines for the above IRP tracks. Through January 2021, the schedule is as follows:
  1. General IRP oversight issues: A Proposed Decision on moving from two-year to three-year IRP cycle is anticipated to be issued soon.
  2. Procurement track: Fall 2020: Commission staff conducts analysis of LSE commitments to address Diablo Canyon replacement power, as included in individual IRPs. October 2020: Proposed decision addressing backstop procurement and cost allocation (emanating from D.19-11-016). November 2020: Commission decision on backstop

procurement and cost allocation. January 2021: Ruling circulating Diablo Canyon replacement power analysis, gap analysis, and proposing procurement strategy for any additional needed power, along with proposed broader framework for IRP procurement.

3. Preferred System Portfolio Development: Fall 2020: (1) Modeling Advisory Group meeting examining GHG emissions benchmarking and modeling differences; and (2) Ruling on resubmittals of information for deficient LSE IRPs, if needed.
  4. TPP: October 2020: Ruling seeking comments on proposed portfolio(s) and busbar mapping methodologies for 2021-2022 TPP. November 2020: Party comments and reply comments on proposed portfolio(s) for 2021-2022 TPP. January 2021: Proposed Decision recommending portfolio(s) for 2021-22 TPP.
  5. Reference System Portfolio Development: N/A.
- **Additional Information**: [Scoping Memo and Ruling](#) (September 24, 2020); [Resolution E-5080](#) (August 7, 2020); [Ruling](#) on IRP cycle and schedule (June 15, 2020); [Ruling](#) on backstop procurement and cost allocation mechanisms (June 5, 2020); [Order Instituting Rulemaking](#) (May 14, 2020); Docket No. [R.20-05-003](#).

## 2016 IRP Rulemaking

Parties filed comments and replies, respectively, on the Proposed Decision on September 14, 2020, and September 21, 2020. At its September 24, 2020 meeting, the CPUC approved D.20-09-026, granting CalCCA's Petition for Modification of D.19-11-016 and closing this proceeding.

- **Background**: In the CPUC's IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement.  
  
D.19-11-016 directed VCE to procure 6.3 MW, 9.4 MW, and 12.6 MW of additional resources, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.
- **Details**: D.20-09-026 grants CalCCA's Petition for Modification of D.19-11-016, which required LSEs to procure additional system RA to come online in 2021-2023. First, it grants CalCCA's request and determine that the methodology included in D.20-06-031 will be used to determine Qualifying Capacity for hybrid resources used to comply with the requirements of D.19-11-016 (unless or until the methodology is modified again). Second, D.20-09-026 effectively punts on deciding the issue of cost recovery to the new IRP proceeding, R.20-05-003. CalCCA's PFM had argued that the Commission should modify the cost recovery mechanism adopted in D.19-11-016 by requiring an IOU that provides system resource adequacy backstop procurement to an LSE to bill that entity directly for all costs associated with the procurement. However, the Decision grants CalCCA's request to modify D.19-11-016 by eliminating the language that would have limited the mechanism to a customer-billed non-bypassable charge. Finally, Decision closes this docket.
- **Analysis**: D.20-09-026 adopts the permanent hybrid counting methodology from R.19-11-019, which CalCCA suggested is likely to be "less conservative and more accurate," instead of an interim methodology recently adopted, which Energy Division has interpreted as applying for compliance with D.19-11-016. It also opens the door to the possibility that CCAs could recover backstop costs through their generation rates rather than having the IOU directly recover such costs through a non-bypassable charge on CCA customers in cases where the LSE has opted out of self-providing the capacity required by D.19-11-016, although this issue will be determined in the new IRP rulemaking (R.20-05-003).

- **Next Steps:** The proceeding is now closed. All other IRP issues will be addressed through R.20-05-003.
- **Additional Information:** [D.20-09-026](#) (approved at CPUC’s September 24, 2020 meeting); [D.20-07-009](#) denying CESA PFM of D.19-11-016 (July 21, 2020); [D.20-06-025](#) dismissing GenOn Holdings Application for Rehearing (June 22, 2020); [Ruling](#) correcting LSE load forecasts (May 20, 2020); PG&E’s [Advice 5826-E](#) (May 18, 2020); [D.20-03-028](#) on RSP and 2020 IRP filing requirements (April 6, 2020); [List of Baseline Resources](#) (December 2, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) initiating procurement track (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

## RPS Rulemaking

On September 18, 2020, the ALJ issued a Ruling requesting comments on the Energy Division *Staff Proposal for Alignment and Integration of RPS Procurement Planning and Integrated Resource Planning*. Parties find comments and replies, respectively, on the ReMAT Proposed Decision on September 10, 2020, and September 15, 2020; the PD was held for consideration until the CPUC’s October 8, 2020, meeting. Finally, parties submitted comments and replies on the Proposed Decision on new (i.e., not yet serving load) CCAs’ RPS Procurement Plans on September 8, 2020, and September 14, 2020, respectively; D.20-09-022 was subsequently approved at the CPUC’s September 24, 2020, meeting.

- **Background:** This proceeding addresses ongoing RPS issues. VCE submitted its 2020 RPS Procurement Plan on July 6, 2020 and its 2019 RPS Compliance Report on August 3, 2020. On August 12, 2020, VCE filed a Motion requesting to update its 2020 RPS Procurement Plan to make several minor clerical corrections to its Plan and noting to the CPUC that VCE anticipated terminating its PPA with Rugged Solar in August 2020.

On February 27, 2020, the ALJ issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Among other proposals, the Energy Division has proposed to make CCAs’ RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

The Renewable Market Adjusting Tariff (ReMAT) program PD would adopt a June 2020 Staff Proposal for revising the ReMAT program and direct the filing of Tier 2 advice letters by SCE and PG&E within 21 days of the issuance of a decision to implement the revisions. The ReMAT program is a feed-in tariff program for renewable facilities of 3 MW or less. The PD would adopt a pricing methodology for base ReMAT pricing based on recent, non-state mandated long-term RPS contracts (2013-2019), categorized by product category and averaged on a capacity-weighted basis. The calculation produced the following prices in the Staff Proposal: (1) As Available Non-Peaking: \$57.54/MWh; (2) As-Available Peaking: \$50.23/MWh; (3) Baseload: \$79.72/MWh. The ReMAT standard contract is also to be updated to reflect the most recent utility time-of-day periods and factors. The resulting effective prices after these adjustments must be specified in the utility Advice Letters filed for program updates. Base pricing would be updated once annually under a CPUC Resolution process starting in May 2021, retaining a 7-year rolling time horizon.

- **Details:** Staff’s Proposed Framework for integrating RPS Procurement Plan requirements into the IRP proceeding uses a two-phased approach that makes a relatively minor change to RPS reporting in the current IRP cycle, while fully integrating all elements of RPS Procurement Plans into the next IRP cycle, proposed to commence in the 2023 calendar year (instead of 2022, under the current two-year cycle, although the issue of a two-year versus three-year cycle is not discussed):
  1. **Phase I: 2021-2022:** Staff proposes to maintain the status quo in Phase I, where LSEs would continue to prepare and submit annual RPS Procurement Plans, subject to subsequent rulings issued by the Assigned Commissioner and Assigned ALJ. The single

deviation from the current RPS Plans procedure, as proposed by staff, is to transition the Cost Quantification reporting requirement away from the RPS Plans and establish an annual data response for Cost Quantification reporting due February 15 of each calendar year, continuing through Phase II and beyond.

2. Phase II: 2023 and Beyond:

- *IRP Filing Years (“On-Years,” e.g., 2023, 2026, etc. if the CPUC adopts a three-year IRP cycle, as has been separately proposed): Full Integration of RPS Requirements.* In Phase II, the CPUC intends to fully combine RPS Procurement Plans filings with the IRP process. With the exception of the proposed February 15 Cost Quantification filing, retail sellers would only be required to file IRPs in the IRP filing years, and the modified IRP would satisfy that year’s RPS Procurement Plan requirements. The IRP Narrative Template will be modified to include the necessary RPS reporting items in two of the current IRP chapters and will also add a chapter specifically devoted to capturing any RPS-required information that does not align into an existing IRP section. If an LSE modifies its planned RPS procurement outside of an IRP year, it would be required to file a Motion to Update.
- *IRP “Off-Years” (e.g., 2024, 2025; 2027, 2028, etc.): Statutorily Mandated RPS Reporting.* LSEs would be required to file Tier 3 advice letters that contain the statutorily-required RPS information. The information required will not vary from year to year. All RPS Plan requirements in IRP off-years would be due July 15 of each calendar year. If an LSE’s procurement (or sales) needs change or if further procurement authorizations are required in IRP off-years, LSEs would be required to file a Motion to Amend their IRP as part of the RPS off-year filing.

D.20-09-022 on new CCA 2019 RPS Procurement Plans approved the Plans, but ordered that these new CCAs file more robust RPS Plans in the future. It does not directly impact VCE, or address any filings made by VCE (such as VCE’s 2020 RPS Procurement Plan). However, D.20-09-022 includes language echoing previous Decisions that criticized CCAs for providing “scant information” and questioned whether all CCAs will be able to fulfill their long-term RPS requirements.

- **Analysis:** The Staff proposal on integrating RPS/IRP issues would largely maintain the existing compliance framework through 2022, limiting any benefits that could arise from better coordinating these compliance filings until 2023 and thereafter. Beginning in 2023, the Staff proposal would reduce RPS Procurement Plan filing requirements by integrating them with the IRP filing in IRP filing years, and significantly slimming them down to the statutory requirements in IRP off-years, made via an Advice Letter filing that would be subject to full Commission approval.

D.20-08-043, which reopened the Bioenergy Market Adjusting Tarrif (BioMAT) program, will impact VCE customer rates, as the program and associated cost recovery is through a non-bypassable charge would be extended through 2025. It does not allow VCE to directly enter into BioMAT contracts.

The reopening of the ReMAT program, if approved by the CPUC, could impact VCE by reopening a program that could compete with VCE with respect to the procurement of small-scale renewable energy facilities.

The pending Staff Proposal on RPS confidentiality rules included provisions that, if adopted, would result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

Other issues to be addressed in this proceeding could further impact future RPS compliance obligations.

**Next Steps:** The CPUC is anticipated to consider the PD on the ReMAT program at its October 8, 2020, meeting.

Comments on the ALJ Ruling aligning RPS Procurement Plan and IRP filings are due October 9, 2020, and replies are due October 20, 2020.

A PD/Decision on the 2020 RPS Procurement Plans is anticipated in Q4 2020, after which retail sellers may file “Final” 2020 RPS Procurement Plans, also expected in Q4 2020.

- **Additional Information:** [D.20-09-022](#) on new CCA 2019 RPS Procurement Plans (approved at CPUC’s September 24, 2020 meeting); [Ruling](#) on [Staff proposal](#) aligning RPS/IRP filings (September 18, 2020); [D.20-08-043](#) resuming and modifying the BioMAT program (September 1, 2020); [Proposed Decision](#) resuming and modifying ReMAT (August 21, 2020); [VCE Motion to Update](#) its 2020 RPS Procurement Plan (August 12, 2020); [Ruling](#) extending procedural schedule on RPS Procurement Plan review (July 10, 2020); Assigned Commissioner [Ruling \(ACR\)](#) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); [D.20-02-040](#) correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); [Ruling](#) on RPS confidentiality and transparency issues (February 27, 2020); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

## Wildfire Fund Non-Bypassable Charge (AB 1054)

The CPUC approved D.20-09-023, adopting the Wildfire Non-Bypassable Charge (NBC) of \$0.00580/kWh for October 1, 2020, through December 31, 2020, at its September 24, 2020 meeting.

- **Background:** This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.

D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs will total \$902.4 million, allocated at \$404.6 million for PG&E, \$408.2 million for SCE, and \$89.6 million for SDG&E. There was a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund. The Wildfire Fund NBC will be collected on a \$/kWh basis, with the revenue requirement allocated based on each class’s share of energy sales. Residential CARE and medical baseline customers are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.

- **Details:** Under D.20-09-023, PG&E will collect the Wildfire NBC of \$0.00580/kWh from eligible customers beginning October 1, 2020. DWR estimates that the 2021 Wildfire Fund NBC will be comparable to the 2020 charge, but it will notify the CPUC of the 2021 charge amount by November 1, 2020.
- **Analysis:** This proceeding establishes a new non-bypassable charge of \$0.00580/kWh from eligible VCE customers beginning October 1, 2020, to fund the Wildfire Fund under AB 1054. The DWR Bond Charge ended at the end of September 2020.



- **Next Steps:** The Wildfire Fund NBC is set to go into effect on October 1, 2020. DWR will propose the 2021 Wildfire NBC amount, which expected to be similar to the 2020 Wildfire NBC, to the CPUC by November 1, 2020.
- **Additional Information:** [D.20-09-023](#) adopting 2020 Wildfire NBC (approved by the CPU on September 24, 2020); [D.20-07-014](#) approving servicing orders (July 24, 2020); [Ruling](#) on Wildfire NBC implementation (July 3, 2020); [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

## PG&E's Phase 1 GRC

No updates this month; parties are awaiting the issuance of a Proposed Decision.

- **Background:** PG&E's three-year GRC covers the 2020-2022 period. For 2020, it has requested an additional \$1.058 billion (from \$8.518 billion to \$9.576 billion), or a 12.4% increase over its 2019 authorized revenue requirement, comprised of increases related to its gas distribution (\$2.097 billion total, or a \$134 million increase), electric distribution (\$5.113 billion total, or a \$749 million increase), and generation (\$2.366 billion total, or a \$175 million increase) services. If approved, it would increase a typical monthly residential electric (500 kWh) and natural gas (34 therms) customer bill by \$10.57, or 6.4%, comprised of an electric bill increase of \$8.73 and a gas bill increase of \$1.84. For 2021 and 2022, PG&E requested total increases of \$454 million and \$486 million, respectively. PGE's GRC does not include a request for cost recovery related to 2017 and 2018 wildfire liabilities.

The Settlement Agreement, filed December 30, 2019, would result in an increase in PG&E's 2020 revenue requirement of \$575 million (*i.e.*, \$483 million lower than PG&E's original request), with additional increases of \$318 million, or 3.5% in 2021, and \$367 million, or 3.9%, in 2022. The Settlement Agreement would result in PG&E withdrawing its proposal for a non-bypassable charge related to its hydroelectric facilities. It would require PG&E to develop new and enhanced reporting to provide increased visibility into the work it performed. It also provides for PG&E's ability to purchase insurance coverage up to \$1.4 billion to protect against wildfire risk and other liabilities, reflected in PG&E's forecast as a cost of \$307 million. The consolidated 2020 electric and gas bill impact would be 3.4%.

Joint CCAs' responded to an August PG&E's Motion to update the Settlement Agreement pointing out that, while PG&E's Motion does not impact the revenue requirements in the Settlement or specific CCA arguments in this proceeding, it is yet another example of PG&E transparency and accuracy issues that have been a repeated issue throughout this proceeding. Joint CCAs urged the CPUC to order PG&E in future general rate cases to (1) exercise greater care to improve the accuracy of its filings, (2) more carefully track the utilization of its various common Customer Care services between bundled and unbundled customers and use those numbers to propose proper functionalization methods, and (3) present its allocations of all shared costs more transparently.

- **Details:** N/A.
- **Analysis:** PG&E's GRC proposals included shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:
  1. Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.

2. Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
  3. Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
  4. Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.
- **Next Steps:** The ALJs will issue a proposed decision.
  - **Additional Information:** [PG&E Motion](#) to update the Settlement Agreement (August 13, 2020); [Ruling](#) adopting confidential modeling procedures (August 13, 2020); [E-mail Ruling](#) granting in part PG&E's Motion for Official Notice and Joint CCAs Motion to file sur-reply (June 5, 2020); Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

## PG&E's Phase 2 GRC

Parties filed comments and replies, respectively, on the Proposed Decision that would approve ratepayer funding for the Essential Usage Study (EUS) capped at approximately \$845,000, on September 7, 2020, and September 14, 2020. The CPUC approved D.20-09-021 at its September 24, 2020, meeting.

- **Background:** PG&E's 2020 Phase 2 General Rate Case (GRC) addresses marginal cost, revenue allocation and rate design issues covering the next three years. PG&E's pending Phase 1 GRC (filed in December 2018 via a separate proceeding) will set the revenue requirement that will carry through to the rates ultimately adopted in this proceeding.

In this proceeding, PG&E seeks modifications to its rates for distribution, generation, and its public purpose program (PPP) non-bypassable charge. PG&E proposes to implement a plan to move all customer classes to their full cost of service over a six-year period (the first three years of which are covered by this GRC Phase 2) via incremental annual steps. PG&E proposes to use marginal costs for purposes of revenue allocation and to adjust distribution one-sixth of the way to full cost of service each year over a six-year transition period.

Of note, PG&E is proposing changes to the DA/CCA event-based fees that were not updated in the 2017 Phase 2 GRC proceeding. In addition, PG&E proposes to remove the PCIA revenue from bundled generation revenue and allocate that cost separately to bundled customers, collecting the PCIA from bundled customers on a non-time differentiated, per-kWh basis (i.e., the same way it is collected from DA/CCA customers). PG&E will continue to display the PCIA with other generation charges on customer bills, but will unbundle the PCIA as part of unbundled charges in each rate schedule.

PG&E's final EUS plan describes how the IOUs' study will identify the essential usage of electricity for the IOUs' residential customers. The EUS will determine what constitutes essential usage for residential customers (e.g., cooking, lighting, space conditioning) in the different IOU service territories and climate zones. The apparent use case is that essential service be reflected in the Tier I baseline quantities.

- **Details:** D.20-09-021 authorizes each large IOU to file a Tier 1 advice letter that will establish an EUS cost recovery balancing account for tracking each IOUs' respective share of the actual costs associated with the EUS, with a cost allocation of: PG&E, 45%; SCE, 43%; and SDG&E, 12%. The IOUs estimate that the final EUS report will be completed in January 2022.

- **Analysis:** This proceeding will not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 decision in the PCIA rulemaking. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** Cal Advocates' testimony is due October 23, 2020. Two public participation hearings are scheduled for November 6, 2020. Intervenor testimony is due November 20, 2020. Rebuttal testimony is due February 15, 2021. An evidentiary hearing is tentatively scheduled for March 1-12, 2021. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [D.20-09-021](#) on EUS budget (approved at CPUC's September 24, 2020 meeting); [Ruling](#) scheduling public participation hearings (August 20, 2020); [Ruling](#) extending procedural schedule (July 13, 2020); [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [Application, Exhibit \(PG&E-1\): Overview and Policy, Exhibit \(PG&E-2\): Cost of Service, Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs, and Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

## PG&E Regionalization Plan

No updates this month; parties are awaiting the issuance of a Scoping Memo and Ruling.

- **Background:** PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. PG&E proposes to divide its service area into five new regions: North Coast, Sierra, Bay Area, Central Coast, and Central Valley. The regional boundaries will align with county boundaries. Yolo County would be part of PG&E Region 1 (North Coast), grouped together with the following counties: Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, and Trinity. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region.

The new regions would include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel. PG&E will propose in a separate proceeding the enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

- **Details:** In August, parties filed protests and responses to PG&E's application. Of note, South San Joaquin Irrigation District filed a Protest arguing that PG&E's regionalization effort should not create a moratorium or interfere with municipalization efforts. In addition, five CCAs filed responses or protests to PG&E's application, with MCE and EBCE filing protests and City of San Jose, City and County of San Francisco, and Pioneer Community Energy filing responses. CCA responses/protests sought more information on the implications of regionalization on CCA customers, CCA operations, and CCA-PG&E coordination; PG&E's overarching purpose, goals, and metrics to judge success of regionalization; the delineation between centralized and

decentralized functions in PG&E's application; and budgets and cost recovery related to regionalization, among other issues. CCAs also identified various concerns specific to their CCAs (e.g., EBCE's and MCE's service areas would both be split across two PG&E regions; SJCE expressed concern with its service area being assigned to the Central Coast region; Pioneer expressed concern that it would be the only CCA in its region, which would be the only region not to be "anchored" by an urban area). PG&E's reply defended the sufficiency of its application, stated that it will supply more details on the impacts of its regionalization plan through discovery and workshops, agreed with SJCE's proposal on extending the procedural schedule, and noted that its proposal is a starting point and will be modified to reflect feedback.

- **Analysis:** As noted in the responses and protests of CCAs, the implications of PG&E's regionalization plan on CCA operations, customers, and costs is largely unclear based on the information presented in PG&E's application. PG&E's regionalization plan could impact PG&E's responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers beginning in 2021. As part of Region 1, VCE would be grouped with several coastal and northern counties.
- **Next Steps:** A scoping memo and ruling is expected to be issued next to establish the scope and schedule of this proceeding. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information:** [Ruling](#) setting prehearing conference (August 5, 2020); [Application](#) (June 30, 2020); [A.20-06-011](#).

## Investigation of PG&E Bankruptcy Plan

On September 17, 2020, the ALJ issued a Proposed Decision that would close this proceeding.

- **Background:** This case addressed regulatory review and approval of PG&E's bankruptcy plan, in particular whether the plan meets the AB 1054 Wildfire Fund requirements, which imposes a June 30, 2020 deadline. Under AB 1054, in order for PG&E to be eligible to participate in the Wildfire Fund, its plan must be "neutral, on average, to ratepayers." This proceeding considered the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines of penalties for PG&E's pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E's corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest.

D.20-05-053 approved the financial elements of PG&E's reorganization plan, including:

1. \$13.5 billion Fire Victim Trust. The reorganization plan also specifies that the Fire Victim Trust would be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp.
2. \$11 billion settlement with insurance claim holders and companies.
3. Reinstatement of \$9.575 billion in existing, prepetition PG&E-funded debt claims.
4. Refinancing of \$11.85 billion in existing, prepetition PG&E debt with newly issued debt.
5. Payment in full of general unsecured claims and certain other liabilities, with interest at the legal rate.
6. A \$7.5 billion post-emergence 30-year securitization transaction.

D.20-05-053 also approved, with modifications, numerous proposals put forth by CPUC President Batjer for providing more oversight of PG&E along with management and operational changes at PG&E. The Decision did not address the Joint CCAs' recommendation that the CPUC develop a

plan to phase out PG&E's retail electric generation service to customers or CCA requests that the CPUC require PG&E to undertake asset sales, instead determining that the PG&E Safety Culture proceeding (I.15-08-019) is the more appropriate forum for these issues. The Decision also rejected the Joint CCAs' request to revoke PG&E's existing holding company structure. Among other determinations, the Decision:

7. Requires that PG&E implement regional restructuring, resulting in local PG&E operating regions led by an officer of the utility that reports directly to the CEO. PG&E is required to file an application for regionalization by June 30, 2020.
  8. Requires PG&E to have a separate Chief Risk Officer (CRO) and Chief Safety Officer (CSO). It establishes an Independent Safety Monitor that would functionally act in the same capacity as the federal court monitor after the termination of the federal monitor. The details on implementing the Independent Safety Monitor would be determined in the future.
  9. Clarifies and expands the authority of the Safety and Nuclear Oversight (SNO) Committees of PG&E's boards of directors (e.g., the SNO Committees would have oversight over PG&E's Wildfire Mitigation Plan and PSPS program, among others).
  10. Provides for the establishment of additional requirements applicable to the boards of directors of PG&E and PG&E Corp., but allows their membership to remain largely the same.
  11. Finds that PG&E may not seek cost recovery for 2017/2018 wildfire claims except via the proposed securitization.
  12. Declines to adopt a safety-based earnings adjustment mechanism, but it will continue to be considered in the future, either in the PG&E Safety Culture proceeding (I.15-08-019) or another proceeding.
  13. Requires PG&E to reimburse the CPUC for, and bar cost recovery on, various costs the CPUC incurred for outside expertise in relation to the Chapter 11 bankruptcy cases.
  14. Adopt an Enhanced Oversight and Enforcement process for PG&E, revised and detailed in Appendix A, designed to provide a clear roadmap for how the CPUC will closely monitor PG&E's performance. The proposal specifies various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its certificate of public convenience and necessity.
- **Details:** Issues that were brought up but not resolved in this proceeding can be addressed in the PG&E Safety Culture proceeding (I.15-08-019), although that proceeding is now only monitoring PG&E's progress in this area.
  - **Analysis:** D.20-05-053 provided the CPUC's approval for allowing PG&E to emerge from bankruptcy under PG&E's reorganization plan, with some additional changes required to its operations, management, and oversight, although key aspects of requirements related to regionalization and the independent monitor remain to be determined in the future. The Decision excluded consideration of municipalization issues and did not address VCE's bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring, along with other proposals for more significant reforms of PG&E's structure and operations.
  - **Next Steps:** Comments are due October 7, 2020, replies are due October 12, 2020, and the PD may be heard, at the earliest, at the CPUC's October 22, 2020, meeting.
  - **Additional Information:** [Ruling](#) (July 15, 2020); [D.20-05-053](#) (June 1, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

## Investigation into PG&E Violations Related to Wildfires

No updates this month. On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.

- **Background:** The scope of the proceeding included violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E's vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E's electrical facilities ignited all but one of the fires addressed in this investigation. This investigation ordered PG&E to take immediate corrective actions to come into compliance with CPUC requirements.

The terms of the Settlement Agreement between PG&E, SED, the CPUC's Office of the Safety Advocate, and CUE would have resulted in \$1.675 billion in PG&E penalties. Specifically, PG&E would not have been permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would have been required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

The Presiding Officer's Decision provided for penalties on PG&E totaling \$2.137 billion. The total included an increase of \$198 million in the disallowances for wildfire-related expenditures that was provided in the Settlement Agreement. It also increased PG&E's System Enhancement Initiatives and corrective actions by \$64 million and added a \$200 million fine payable to the General Fund. In total, these changes increased PG&E's penalties by \$462 million relative to the Settlement Agreement. The Presiding Officer's Decision also required any tax savings associated with the shareholder payments under the settlement agreement, as modified by this decision, to be returned to the benefit of ratepayers.

D.20-05-019 approved with modifications the Settlement Agreement, as provided in Commissioner Rechtschaffen's "Decision Different." It approved penalties totaling \$2.137 billion, however the \$200 million fine payable to the General Fund is permanently suspended, resulting in an effective penalty total of \$1.937 billion. In addition, the decision required any tax savings associated with the shareholder obligations for *operating expenses* under the Settlement Agreement (but not tax savings associated with capital expenditures, in order to avoid any potential legal conflict with IRS normalization rules) to be returned to the benefit of ratepayers in PG&E's next GRC. Finally, the decision rejected PG&E's attempt to classify the \$200 million fine as a Fire Victim Claim or Fire Claim.

- **Details:** The Wild Tree Foundation and Thomas Del Monte each filed Applications for Rehearing (attached) of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires. The Applications for Rehearing both challenge the permanent suspension of the \$200 million fine imposed on PG&E, as well as other aspects of the settlement that was approved with modifications.
- **Analysis:** D.20-05-019 resulted in the largest penalty in CPUC history. It required additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. The decision did not hinder PG&E's reorganization plan from moving forward, whereas PG&E had argued that provisions in the original Presiding Officer's Decision could have imperiled the plan.
- **Next Steps:** The applications for rehearing are the only remaining items in this proceeding.
- **Additional Information:** [Thomas Del Monte Application for Rehearing](#) (June 8, 2020); [Wild Tree Foundation Application for Rehearing](#) (June 8, 2020); [D.20-05-019](#) (May 8, 2020); [Decision Different](#) of Commissioner Rechtschaffen (April 20, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Presiding Officer's Decision](#) approving the settlement agreement with modifications (February 27, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Amended Scoping Memo and Ruling](#) (October 28, 2019); GO

95 [Rule 31.1](#); GO 95 [Rule 35](#); GO 95 [Rule 38](#); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [I.19-06-015](#).

## Wildfire Cost Recovery Methodology Rulemaking

No updates this month. An August 7, 2019, PG&E Application for Rehearing remains pending regarding the CPUC's recent Decision establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay (D.19-06-027).

- **Background:** SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility's rates and charges are "just and reasonable." In addition, and notwithstanding this basic rule, the CPUC must "consider the electrical corporation's financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service."

D.19-06-027 found that the Stress Test cannot be applied to a utility that has filed for Chapter 11 bankruptcy protection (i.e., PG&E) because under those circumstances the CPUC cannot determine essential components of the utility's financial status. In that instance, a reorganization plan will inevitably address all pre-petition debts, include 2017 wildfire costs, as part of the bankruptcy process. The framework proposed for adoption in the PD is based on an April 2019 Staff Proposal, with some modifications. The framework requires a utility to pay the greatest amount of costs while maintaining an investment grade rating. It also requires utilities to propose ratepayer protection measures in Stress Test applications and establishes two options for doing so.

PG&E's application for rehearing challenges the CPUC's prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E's rationale is that SB 901 requires the CPUC to determine that the stress test methodology to be applied to all IOUs. Several parties filed responses to PG&E's application for rehearing disagreeing with PG&E.

- **Details:** N/A.
- **Analysis:** This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.
- **Next Steps:** The only matter remaining to be resolved in this proceeding is PG&E's application for rehearing. This proceeding is otherwise closed.
- **Additional Information:** [PG&E Application for Rehearing](#) (August 7, 2019); [D.19-06-027](#) (July 8, 2019); [Assigned Commissioner's Ruling](#) releasing Staff Proposal (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); Docket No. [R.19-01-006](#). See also [SB 901](#), enacted September 21, 2018.

## Glossary of Acronyms

<b>AB</b>	Assembly Bill
<b>AET</b>	Annual Electric True-up
<b>ALJ</b>	Administrative Law Judge
<b>BioMAT</b>	Bioenergy Market Adjusting Tariff
<b>BTM</b>	Behind the Meter

<b>CAISO</b>	California Independent System Operator
<b>CAM</b>	Cost Allocation Mechanism
<b>CARB</b>	California Air Resources Board
<b>CEC</b>	California Energy Commission
<b>CPE</b>	Central Procurement Entity
<b>CPUC</b>	California Public Utilities Commission
<b>CPCN</b>	Certificate of Public Convenience and Necessity
<b>CTC</b>	Competition Transition Charge
<b>DA</b>	Direct Access
<b>DWR</b>	California Department of Water Resources
<b>ELCC</b>	Effective Load Carrying Capacity
<b>ERRA</b>	Energy Resource and Recovery Account
<b>EUS</b>	Essential Usage Study
<b>GRC</b>	General Rate Case
<b>IEPR</b>	Integrated Energy Policy Report
<b>IFOM</b>	In Front of the Meter
<b>IRP</b>	Integrated Resource Plan
<b>IOU</b>	Investor-Owned Utility
<b>ITC</b>	Investment Tax Credit
<b>LSE</b>	Load-Serving Entity
<b>MCC</b>	Maximum Cumulative Capacity
<b>OII</b>	Order Instituting Investigation
<b>OIR</b>	Order Instituting Rulemaking
<b>PABA</b>	Portfolio Allocation Balancing Account
<b>PD</b>	Proposed Decision
<b>PG&amp;E</b>	Pacific Gas & Electric
<b>PFM</b>	Petition for Modification
<b>PCIA</b>	Power Charge Indifference Adjustment
<b>PSPS</b>	Public Safety Power Shutoff
<b>PUBA</b>	PCIA Undercollection Balancing Account
<b>QC</b>	Qualifying Capacity
<b>RA</b>	Resource Adequacy
<b>RDW</b>	Rate Design Window
<b>ReMAT</b>	Renewable Market Adjusting Tariff
<b>RPS</b>	Renewables Portfolio Standard
<b>SCE</b>	Southern California Edison
<b>SED</b>	Safety and Enforcement Division (CPUC)



<b>SDG&amp;E</b>	San Diego Gas & Electric
<b>TCJA</b>	Tax Cuts and Jobs Act of 2017
<b>TOU</b>	Time of Use
<b>TURN</b>	The Utility Reform Network
<b>UOG</b>	Utility-Owned Generation
<b>WMP</b>	Wildfire Mitigation Plan
<b>WSD</b>	Wildfire Safety Division (CPUC)

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 9

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Mitch Sears, Interim General Manager, VCEA  
**SUBJECT:** Customer Enrollment Update (Information)  
**DATE:** October 8, 2020

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### RECOMMENDATION

Receive and review the attached Customer Enrollment update as of September 30, 2020.

# Item 9 - Enrollment Update

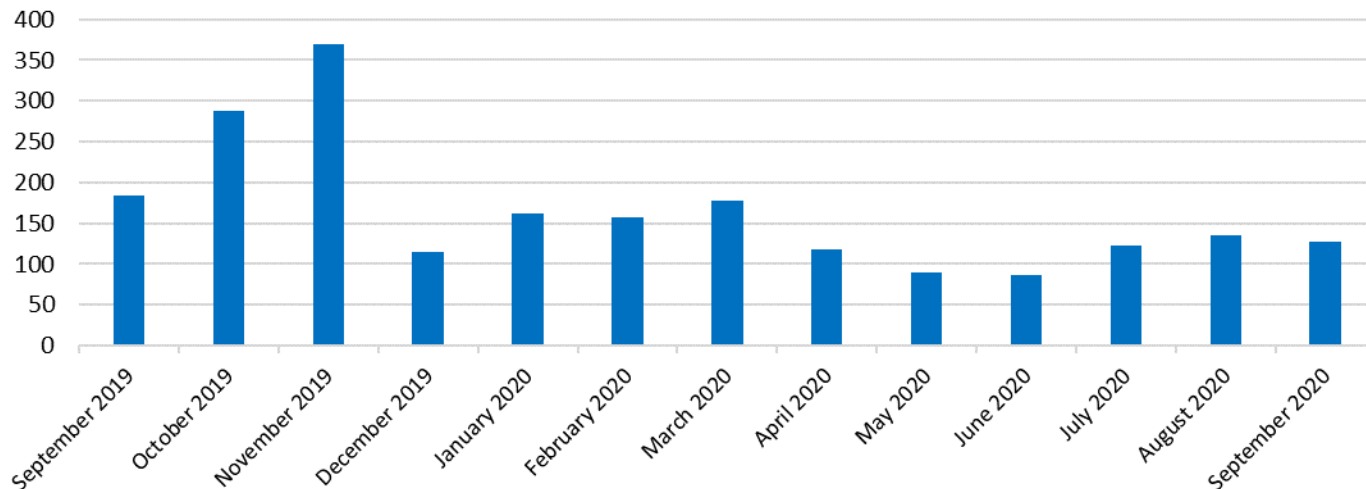
	Davis	Woodland	Yolo Co	Total	Residential	Commercial	Industrial	Ag	NEM	Non-NEM
<b>VCEA customers</b>	26,889	20,218	10,474	57,581	49,884	5,839	6	1,852	7,539	50,042
<b>Eligible customers</b>	28,739	23,322	12,152	64,213	55,535	6,507	7	2,164	8,224	55,989
<b>Participation Rate</b>	94%	87%	86%	90%	90%	90%	86%	86%	92%	89%

- There are currently 1,541 NEM customers not included in this table. They will enroll throughout the remainder of 2020.

## % of Load Opted Out

Residential	Commercial	Industrial	Ag	Total
10%	10%	14%	14%	11%

## Monthly Opt Outs

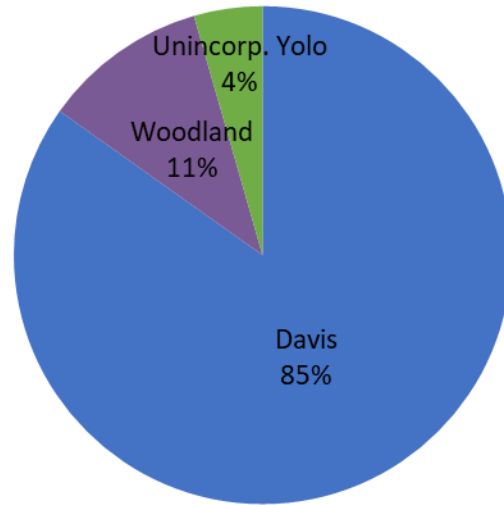


Status Date: 9/30/20

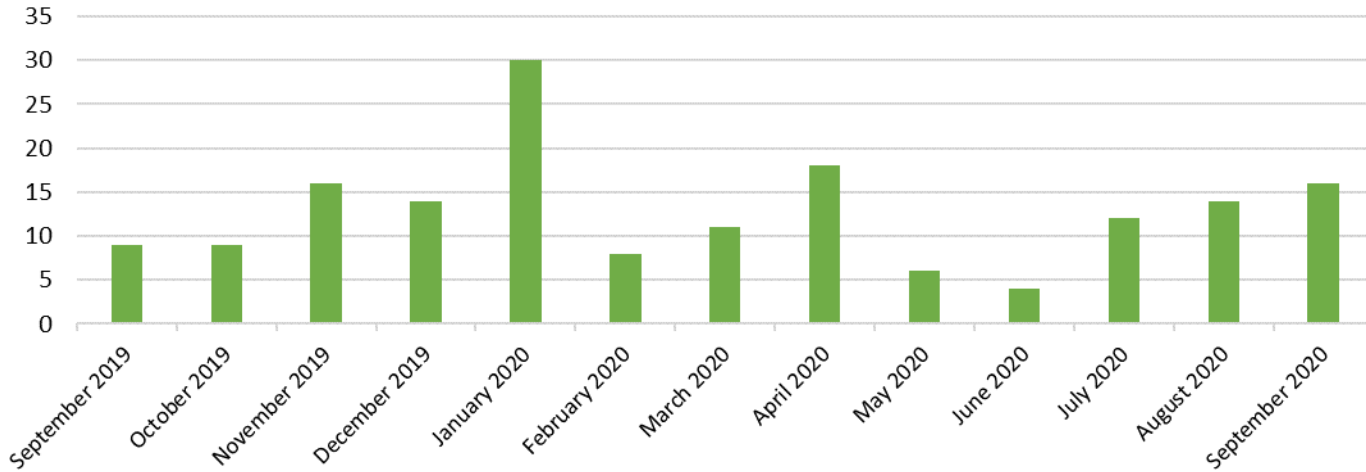


# Item 9 - Enrollment Update

382 Opt Ups



Monthly Opt Ups



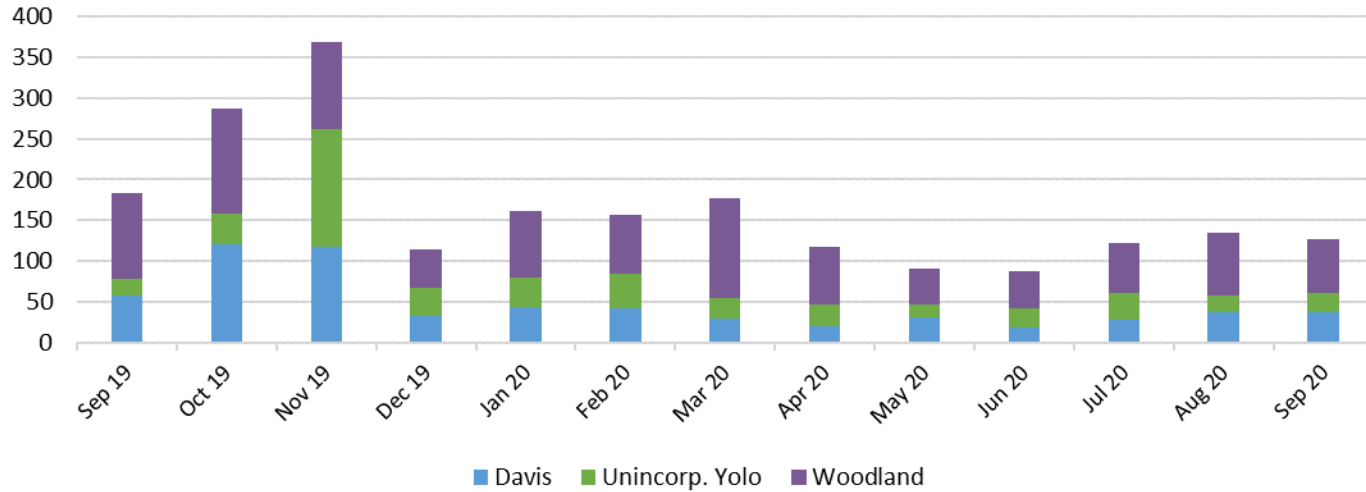
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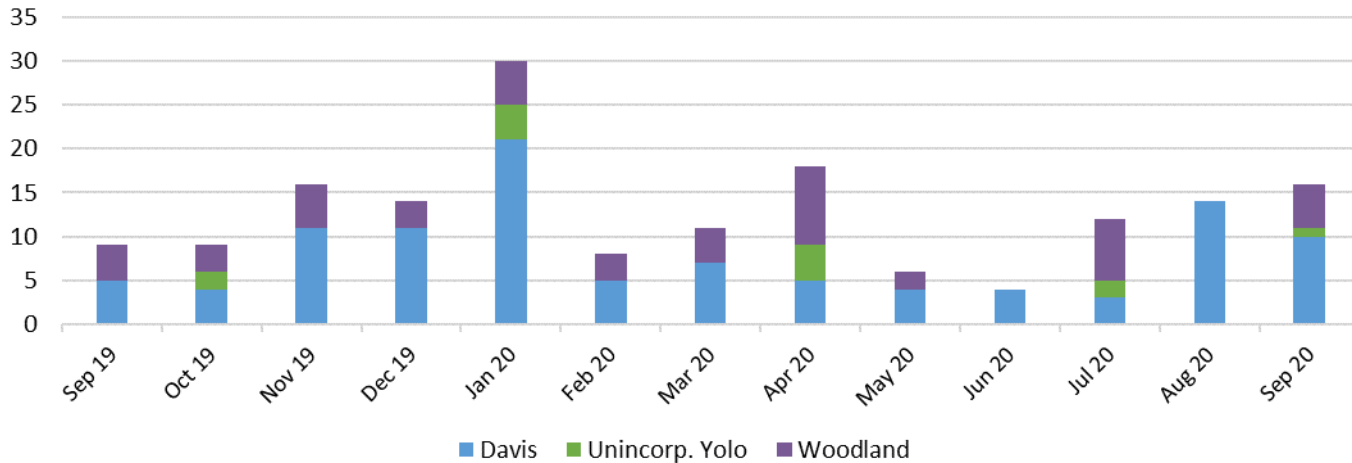
**VALLEY**  
CLEAN ENERGY

# Item 9 - Enrollment Update

## Monthly Opt Outs



## Monthly Opt Ups



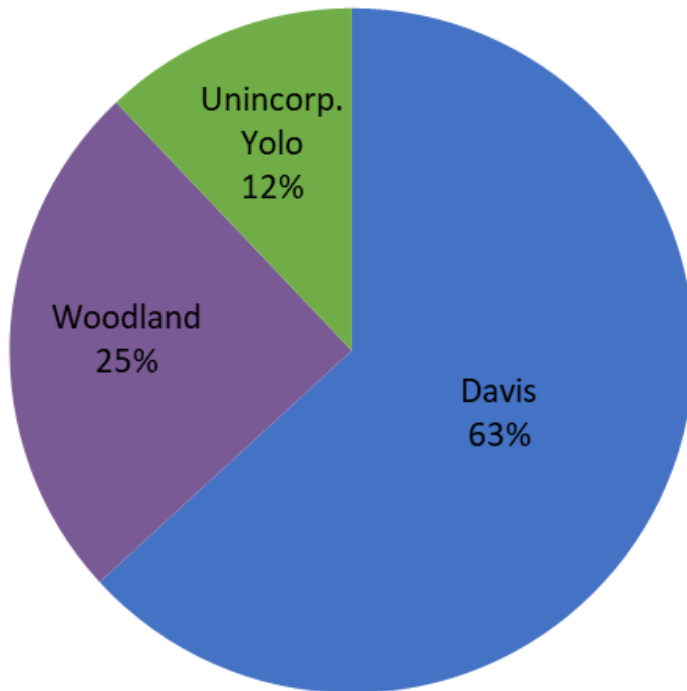
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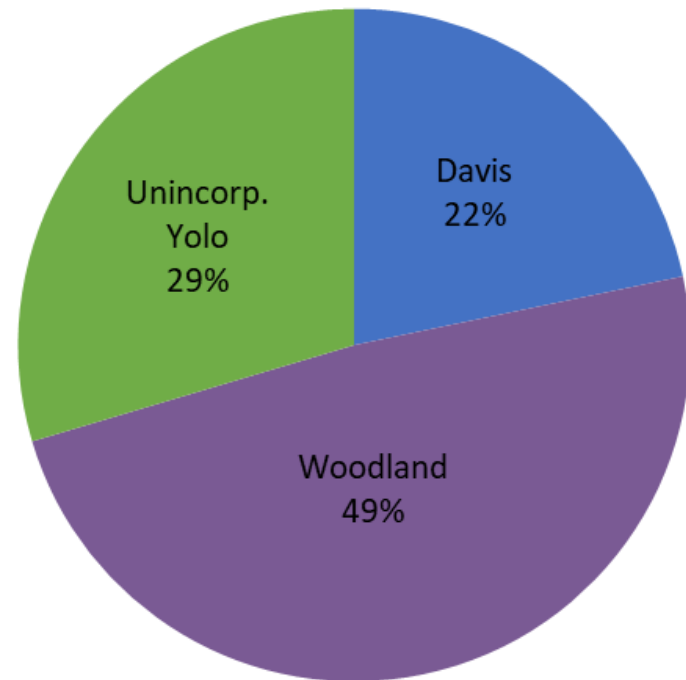
**VALLEY**  
CLEAN ENERGY

# Item 9 - Enrollment Update

**364 Opt Ups**



**8910 Opt Outs**



## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 10

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TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Community Advisory Committee September 24, 2020 Meeting Summary

DATE: October 8, 2020

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This report summarizes the Community Advisory Committee’s meeting held via zoom on Thursday, September 24, 2020 at 5 p.m.

A. **VCE Strategic Plan:** VCE staff Mitch Sears and George Vaughn, along with Shawn Marshall of LEAN Energy, VCE’s consultant to the Strategic Plan effort walked the CAC through the current draft 3-year Strategic Plan.

At the meeting, the CAC spent over an hour discussing the draft Strategic Plan. Committee members offered observations, made suggestions for changes and engaged in thoughtful exchange about different items. In addition, individual CAC members shared their own observations, suggestions and amendments with staff through emails and conversations. Given the complexity of the task and the multitude of suggested changes, it was not feasible for the CAC to take action at the meeting on an agreed upon, newly amended version of the Strategic Plan. Thus, the CAC adopted this “sense of the CAC” statement regarding the Strategic Plan to forward to the VCE board. This motion passed with a vote of 9-0-0.

The CAC believes the Strategic Plan definitely is moving in the right direction. The current draft reflects the input and comments from the VCE board members and CAC members that were raised at previous meetings. Given the timeframe set by the board for adopting the Strategic Plan, it is not feasible to have the CAC review the next iteration of the Plan at its October meeting. Thus, the CAC encourages VCE staff, as it revises the current draft, to consider all of the items raised by CAC members, either at this meeting or separately, and to incorporate as many of them into the next draft of the Strategic Plan as possible. The CAC appreciates the opportunity to be engaged in the Strategic Plan process and stands ready to work with the Board and staff to implement it once a Plan is adopted.

B. **CleanStart – Informational Presentation:** Gary Simon from CleanStart provided an overview of what they do, which is partner with emerging local businesses in the greater Sacramento region, including Yolo County, on green sector projects. They currently work with about 20 local companies. Mr. Simon expressed a willingness to collaborate and assist VCE on projects that may benefit Yolo County and VCE customers.

C. **VCE’s statement on current environmental and social justice issues:** VCE Staff Rebecca Boyles provided an overview of the revised draft statement on environmental and social justice. CAC Members suggested adding the term “emerging communities” and including a footnote with the federal EPA definition of environmental justice to the statement. With these two additions, the CAC adopted a motion to support the draft statement. The motion passed 9-0-0.

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 11

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager  
Rebecca Boyles, Director of Customer Care and Marketing

Subject: Amendment 20 Task Order 2 of the SMUD Professional Services Agreement

Date: October 8, 2020

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### RECOMMENDATION

Adopt a resolution authorizing the Interim General Manager to sign Amendment 20 to Task Order 2 of the Sacramento Municipal Utilities District (SMUD) Professional Service Agreement for the implementation of the 2019 California Energy Commission Power Content Label email scope at a cost of \$3,500.

### BACKGROUND

On October 12, 2017 the VCE Board approved a Professional Services Agreement with the Sacramento Municipal Utility District (SMUD) and Task Orders 1 and 2 to provide program launch and operational services. Soon thereafter, a series of additional Task Orders were implemented to the Agreement, including Task Order 3 to provide Wholesale Energy Services; Task Order 4 to provide Operational Staff Services to VCE; and Task Orders 5 (Long Term Renewable Procurement Services) and 6 (Expansion of VCE Service to Winters, CA).

VCE is required to send the 2019 Power Content Label (PCL) to all customers by December 31, 2020. In an effort to reduce paper consumption, VCE intends to email the PCL to its customers where email addresses are available using SMUD's Customer Relationship Management (CRM) database. And, it is VCE's intent to use the CRM email functionality for future email campaigns.

Amendment 20 to SMUD agreement Task Order 2 (Data Management and Customer Call Center Services) authorizes the configuration of SMUD's Customer Relationship Management (CRM) system to enable the functionality to send the 2019 PCL via email to VCE's customers at a cost of \$3,500.

**Financial Impact:** In 2019, VCE expended approximately \$13,800 on printing and mailing the 2018 PCL to our approximate 45,000 customers. Since November 2019, VCE has added customers with the addition of Net Energy Metering customers. The cost for SMUD to implement the PCL email scope is \$3,500, though some of the financial impact to VCE will be mitigated by reduced printing costs. This cost has been budgeted in the FY2020/2021 operating budget.



**CONCLUSION**

Staff is recommending the VCE Board adopt the attached resolution authorizing the Interim General Manager to sign Amendment 20 to Task Order 2 (Data Management and Customer Call Center Services).

**Attachments:**

1. Amendment 20 to Task Order 2 (Data Management and Customer Call Center Services)
2. Resolution Authorizing Interim General Manager to sign Amendment 20 to Task Order 2 to the VCE-SMUD Professional Services Agreement

## **AMENDMENT 20 TO EXHIBIT A: Scope of Services**

### **A.4 Task Order 2 – Data Management and Customer Call Center Services**

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 20 to Exhibit A, Task Order No. 2 (Amendment 20), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 20 conflict with any general provisions in the Agreement or Task Order 2, the provisions of this Amendment 20, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Amendment 20 is the date of last signature below.

#### **1. Section 1, SCOPE OF WORK, is amended to add Section 1.11 below:**

#### **“1.11 POWER CONTENT LABEL EMAIL FUNCTIONALITY**

##### **1.11.1 Scope of Work**

VCE is required to send the 2019 Power Content Label (PCL) to all enrolled customers by December 31, 2020. In an effort to reduce paper consumption, VCE intends to email the PCL to customers where email addresses are available in CRM. The CRM email functionality enabled through this technology enhancement will also support future email campaigns.

To implement the power content label email scope, SMUD will:

- Enable functionality to send emails to customers from an @valleycleanenergy.org email address.
- Work with VCE to create an email template including embedded graphics and text.
- Test PCL email with VCE staff prior to distribution to customers.
- Develop a list of customers with email addresses stored in CRM.
- Send emails to customers in increments of 5,000 per day on a schedule to be agreed upon with VCE and coordinated with the standard PCL mailer timeline.

##### **1.11.2 Deliverables and Due Dates**

The schedule for the power content label email is estimated to be four (4) weeks, and includes the following milestones and due dates:

	<b>Milestone</b>	<b>Responsible Party</b>	<b>Due Date</b>
1	Task Order Amendment executed	VCE	October 28, 2020
2	Configuration and testing complete	SMUD	November 18, 2020
3	Customer list developed, ready to begin email distribution at VCE request	SMUD	November 25, 2020

SMUD is prepared to maintain schedule flexibility, as the email graphics are dependent on the California Energy Commission making the PCL template available to Load Serving Entities.

### **1.11.3 Schedule**

It is estimated that the Scope of Services in this task will be completed in four (4) weeks from the Amendment execution due date of this Amendment 20, and SMUD will implement the technical solution by the end of November 2020.”

**Section 4, COMPENSATION FOR SERVICES is amended to add Section 4.7, *Power Content Label Email Functionality*, as follows:**

“The fixed fee for the Implementation of the 2019 power content label email is \$3,500.”

**Section 5, PAYMENT TERMS, is amended to add the following:**

“SMUD will invoice the fixed fee for the Implementation of the 2019 power content label email upon completion, and payment will be due net thirty (30) days from date of the invoice.”

[Signature Page follows]

**SIGNATURES**

The Parties have executed this Amendment 20, and it is effective as of the date of last signature below.

**Valley Clean Energy Alliance**

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

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

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

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

**Approved as to Form:** N/A \_\_\_\_\_

**Sacramento Municipal Utility District**

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

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

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

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

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

**VALLEY CLEAN ENERGY ALLIANCE**

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

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING AMENDMENT 20  
TO TASK ORDER 2 TO THE SACRAMENTO MUNICIPAL UTILITIES DISTRICT  
PROFESSIONAL SERVICES AGREEMENT AND AUTHORIZING INTERIM GENERAL  
MANAGER TO SIGN**

**WHEREAS**, the Valley Clean Energy Alliance (“VCE”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs;

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

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

**WHEREAS**, On October 12, 2017 the VCE Board approved the Master Professional Services Agreement and Task Order 1 (technical and analytical services) and Task Order 2 (Data Management and Call Center Services) to provide program launch and operational services consistent with the SMUD proposal and VCE Board direction;

**WHEREAS**, in October 2018, Amendment 4 to Task Order 2 updating VCE’s base program from “LightGreen” to “Standard Green” was approved;

**WHEREAS**, in April 2019, Amendment 10 to Task Order 2 adding detail to SMUD’s invoicing methodologies in the Compensation for Services section updating was approved;

**WHEREAS**, in June 2019, Amendments 11 and 12 to Task Order 2 implementing the Annual Dividend program and second Net Energy Metering (NEM) True-Up Policy was approved;

**WHEREAS**, in August 2019, Amendment 13 to Task Order 2 updating data management and customer call center service rate was approved;

**WHEREAS**, on May 14, 2020, Amendment 16 to Task Order 2 authorizing the configuration of VCE’s billing system to enable vintage year specific rates was approved;

**WHEREAS**, in July 2020, the Board received a signed copy by VCE’s Interim General Manager of Amendment 18 to Task Orders 2, 3 and 4 increasing the billable hourly rates by 2.0% effective July 1, 2020;

**WHEREAS**, on an annual basis, VCE is required to send a Power Content Label (PCL) to all customers;

**WHEREAS**, in an effort to reduce paper consumption, VCE intends to email the PCL to customers where email addresses are available using SMUD’s Customer Relationship Management (CRM) platform; and,

**WHEREAS**, VCE would also like to use CRM email functionality for future email campaigns.

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

1. Approve Amendment 20 to Task Order 2 (Data Management and Call Center Services) authorizing SMUD to implement the 2019 California Energy Commission Power Content Label email scope at a cost of \$3,500; and,
2. Authorize Interim General Manager to sign Amendment 20.

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

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Don Saylor, VCE Chair

\_\_\_\_\_  
Alisa M. Lembke, VCEA Board Secretary

Attachment: EXHIBIT A - Amendment 20 to Master Professional Services Agreement Task Order 2

**EXHIBIT A**

**AMENDMENT 20 TO TASK ORDER 2 (DATA MANAGEMENT AND CALL CENTER SERVICES)**

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 12

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

**FROM:** George Vaughn, Finance and Operations Director, VCEA  
Mitch Sears, Interim General Manager, VCEA

**SUBJECT:** Receive and approve audited June 30, 2020 financial statements presented by James Marta & Company

**DATE:** October 8, 2020

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### RECOMMENDATIONS:

1. Accept and approve the Audited Financial Statements for the period of July 1, 2019 to June 30, 2020;
2. Accept the Communication with Governance Letter; and
3. Accept the Internal Control Letter

### BACKGROUND & DISCUSSION:

The attached financial statements were audited by VCE's Independent Auditor, James Marta & Company. The Financial Statements include the following reports:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basis Financial Statements

As part of the accounting Professional standards, the auditors are required to communicate to the VCE Board of Directors various matters relating to the audit as noted in the following:

- Governance letter
- Internal Control Letter

This report and attachments constitute the auditor's communication to the Board.

### AUDITOR'S FINDINGS

During the course of the audit, the auditor's found no material concerns over the financial statements or internal controls. Specifically:



- VCE received an unqualified (“clean”) audit opinion, meaning the financial statements present VCE’s financial position fairly and appropriately
- VCE’s internal controls over financial reporting were considered by the auditor, with no material deficiencies in internal controls over financial reporting
- No significant issues were identified in working with our management team or performing the audit

**Attachments:**

- 1) Audited Financial Statements for the period of July 1, 2019 to June 30, 2020
- 2) Communication with Governance Letter
- 3) Internal Control Letter



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

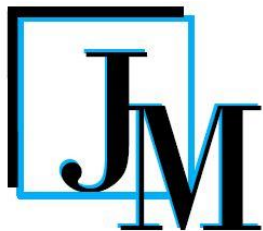
**VALLEY CLEAN ENERGY ALLIANCE**

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**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Consulting, and Tax*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Valley Clean Energy Alliance  
Davis, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Valley Clean Energy Alliance (VCE), as of and for the period ended June 30, 2020, and the related notes to the financial statements, which collectively comprise VCE's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valley Clean Energy Alliance as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

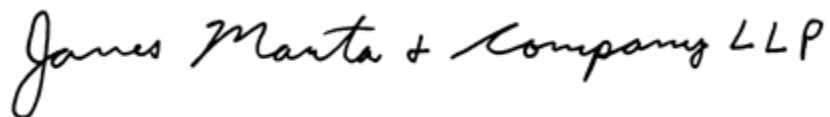
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020 on our consideration of the VCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VCE's internal control over financial reporting and compliance.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
September 15, 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**VALLEY CLEAN ENERGY ALLIANCE**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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The Management's Discussion and Analysis provides an overview of Valley Clean Energy Alliance's (VCE) financial activities for the periods ended June 30, 2020 and June 30, 2019. The information presented here should be considered in conjunction with the audited financial statements.

## **BACKGROUND**

The formation of VCE was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses, and creating competition in power generation.

VCE was created as a California Joint Powers Authority (JPA) in January 2017 pursuant to the Joint Exercise of Powers Act and is a public agency separate from its members. Governed by a board of directors consisting of eight elected officials representing each of the following local governments: the County of Yolo and the cities of Davis, Woodland and Winters. VCE provides electric service to retail customers as a Community Choice Aggregation Program under the California Public Utilities Code Section 366.2.

VCE's mission is to deliver cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions. VCE provides electric service to retail customers and has the rights and powers to set rates and charges for electricity and services it furnishes, incur indebtedness, and other obligations. VCE acquires electricity from commercial suppliers and delivers it through existing physical infrastructure and equipment managed by the California Independent System Operator (CAISO) and Pacific Gas and Electric Company (PG&E).

In June 2018, VCE began providing service to approximately 56,000 customer accounts as part of its initial enrollment phase. In January 2020, VCE started phasing in approximately 7,000 Net Energy Metering (NEM) customers through 2020. In January 2021, VCE will begin phasing in approximately 2,900 customers from its new Winters jurisdiction.

## **Financial Reporting**

VCE presents its financial statements in accordance with Generally Accepted Accounting Principles for proprietary funds, as prescribed by the Governmental Accounting Standards Board.

## **Contents of this Report**

This report is divided into the following sections:

- Management's Discussion and Analysis, which provides an overview of operations.
- The Basic Financial Statements, which offer information on VCE's financial results.
- The Statement of Net Position includes all of VCE's assets, liabilities, and net position using the accrual basis of accounting. The Statement of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.
- The Statement of Revenues, Expenses, and Changes in Net Position report all of VCE's revenue and expenses for the period shown.
- The Statement of Cash Flows report the cash provided and used by operating activities, as well as other sources and payments, such as debt financing.

**VALLEY CLEAN ENERGY ALLIANCE**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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- Notes to the Basic Financial Statements, which provide additional details and information pertaining to the financial statements

**FINANCIAL AND OPERATIONAL HIGHLIGHTS**

The following table is a summary of VCE’s assets, liabilities, and net position as of June 30:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 22,407,057	\$ 16,372,294
Noncurrent assets	<u>2,445,520</u>	<u>1,855,745</u>
Total assets	<u>\$ 24,852,577</u>	<u>\$ 18,228,039</u>
Current liabilities	\$ 6,914,208	\$ 9,505,607
Noncurrent liabilities	<u>1,350,684</u>	<u>1,500,000</u>
Total liabilities	<u>\$ 8,264,892</u>	<u>\$ 11,005,607</u>
Net position		
Restricted	\$ 2,482,418	\$ 86,463
Unrestricted (deficit)	<u>14,105,267</u>	<u>7,135,969</u>
Total net position	<u>\$ 16,587,685</u>	<u>\$ 7,222,432</u>

**Assets**

Current assets ended 2020 at approximately \$22.4 million, an increase of approximately \$6.0 million as compared to 2019. A significant contributor to the overall increase in current assets was an increase in cash of approximately \$6.6 million. Net accounts receivable increased \$1.0 million, offset by reductions in accrued revenue of approximately \$1.3 million and REC inventory of approximately \$0.2 million in 2020. Since service to customers began, VCE has operated at a surplus which has resulted in the growth of current assets. Accrued revenue differs from accounts receivable in that it is the result of electricity use by VCE customers before invoicing to those customers has occurred.

Overall, noncurrent assets increased approximately \$0.6 million in 2020 due fully to an increase of approximately \$0.6 million in restricted cash for power purchase reserves.

**Liabilities**

Current liabilities comprised primarily of accrued cost of electricity, accounts payable, other accrued liabilities, security deposits, and current portion of long-term debt. Current liabilities decreased by \$2.6 million to \$6.9 million in 2020. The most significant contributor to the overall decrease in current liabilities was a decrease in the revolving line of credit due to converting the outstanding balance to a term loan, which reduced current debt by \$2.0 million for the line of credit, offset by an increase of \$0.4 million representing the current portion of that term loan. Other significant decreases occurred in other accrued liabilities, accrued cost of electricity and due to member agencies, offset by an increase in security deposits for energy supplies. The overall decrease in current liabilities was due to the line of credit conversion coupled with efforts to pay down debt to member agencies and SMUD.



**VALLEY CLEAN ENERGY ALLIANCE**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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Non-current liabilities decreased \$0.1 million in 2020. This was comprised of two offsetting items. There was a reduction of \$1.5 million due to paying off all member agency pre-launch loans, offset by \$1.4 million of long-term debt added due to the conversion of the revolving line of credit to a term loan.

The following table is a summary of VCE's results of operations:

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 55,248,868	\$ 51,035,167
Interest income	<u>102,954</u>	<u>37,943</u>
Total income	<u>\$ 55,245,423</u>	<u>\$ 51,073,110</u>
Operating expenses	\$ 45,887,956	\$ 42,224,269
Interest and related expenses	<u>98,613</u>	<u>202,557</u>
Total expenses	<u>45,986,572</u>	<u>42,426,826</u>
Change in net position	<u>\$ 9,365,253</u>	<u>\$ 8,646,284</u>

### **Operating Revenues**

In fiscal year 2020, VCE's operating revenues grew by \$4.2 million over its initial full year of operations in fiscal year 2019, reaching \$55.2 million. This increase was primarily as a result of the NEM customers phasing in starting in January 2020, as well as slight increases to generation rates. All of VCE's operating revenue is from the sale of electricity to its customer base, which mostly consists of residential, commercial, industrial and agricultural customers.

### **Operating Expenses**

In fiscal year 2020, VCE's operating expenses grew by \$3.7 million over its initial full year of operations in fiscal year 2019. This increase was primarily due to a \$3.0 million increase in cost of electricity, driven by increased load. VCE procures energy from a variety of sources and focuses on purchasing at competitive costs and maintaining a balanced renewable power portfolio. The remaining operating expenses consist of contract services, staff compensation and other general administrative expenses.

### **ECONOMIC OUTLOOK**

As a CCA embarking on only its third year of operations, VCE will be focusing on limiting customer opt outs by keeping rates competitive, increasing brand recognition and providing a superior customer experience. VCE has recently started to procure power through long-term power purchase agreements to assist in stabilizing renewable power costs in the future and help VCE accomplish its mission of providing renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers. Countervailing factors due to several regulatory and market factors, including rising Power Charge Indifference Adjustment (PCIA) costs, rising market costs to procure resource adequacy supplies, and impacts associated with COVID, are anticipated to present VCE with significant budgetary pressures over the next two fiscal years.

**VALLEY CLEAN ENERGY ALLIANCE**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide VCE's board members, stakeholders, customers and creditors with a general overview of the VCE's finances and to demonstrate VCE's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to Director of Finance and Internal Operations, 604 2<sup>nd</sup> Street, Davis, CA 95616.

**VALLEY CLEAN ENERGY ALLIANCE**

**STATEMENT OF NET POSITION**

**JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets		
Cash in banks	\$ 13,470,486	\$ 6,914,296
Accounts receivable, net of allowance	5,960,211	4,952,577
Accrued revenue	2,973,195	4,295,713
Prepaid expenses	625	-
Inventory - Renewable Energy Credits	-	207,168
Other current assets and deposits	2,540	2,540
Total Current Assets	22,407,057	16,372,294
Restricted assets:		
Debt service reserve fund	1,100,000	1,100,000
Power purchase reserve fund	1,245,520	655,745
Total Restricted assets	2,345,520	1,755,745
Noncurrent Assets		
Other noncurrent assets and deposits	100,000	100,000
Total Noncurrent Assets	100,000	100,000
<b>TOTAL ASSETS</b>	<b>\$ 24,852,577</b>	<b>\$ 18,228,039</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 642,400	\$ 670,305
Accrued cost of electricity	4,651,697	5,058,656
Accrued payroll	11,804	3,789
Interest payable	4,435	112,312
Due to member agencies	116,466	410,309
Other accrued liabilities	1,092,084	1,273,626
Line of credit	395,322	1,976,610
Total Current Liabilities	6,914,208	9,505,607
Noncurrent Liabilities		
Line of credit	1,350,684	-
Loans from member agencies	-	1,500,000
Total Noncurrent Liabilities	1,350,684	1,500,000
<b>TOTAL LIABILITIES</b>	<b>\$ 8,264,892</b>	<b>\$ 11,005,607</b>
<b>NET POSITION</b>		
Net position		
Restricted - local program reserves	\$ 136,898	\$ 86,463
Restricted	2,345,520	-
Unrestricted	14,105,267	7,135,969
<b>TOTAL NET POSITION</b>	<b>\$ 16,587,685</b>	<b>\$ 7,222,432</b>

The accompanying notes are an integral part of these financial statements.

**VALLEY CLEAN ENERGY ALLIANCE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 55,248,868	\$ 51,035,167
<b>TOTAL OPERATING REVENUES</b>	<b>55,248,868</b>	<b>51,035,167</b>
<b>OPERATING EXPENSES</b>		
Cost of electricity	41,538,258	38,539,605
Contractors	2,854,222	2,309,962
Staff compensation	1,059,829	981,805
General and administrative	435,647	392,897
<b>TOTAL OPERATING EXPENSES</b>	<b>45,887,956</b>	<b>42,224,269</b>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>9,360,912</b>	<b>8,810,898</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	102,954	37,943
Interest and related expenses	(98,613)	(202,557)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>4,341</b>	<b>(164,614)</b>
<b>CHANGE IN NET POSITION</b>	<b>9,365,253</b>	<b>8,646,284</b>
Net position at beginning of period	7,222,432	(1,423,852)
Net position at end of period	<b>\$ 16,587,685</b>	<b>\$ 7,222,432</b>

The accompanying notes are an integral part of these financial statements.

**VALLEY CLEAN ENERGY ALLIANCE**

**STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 55,566,575	\$ 44,728,189
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(41,798,319)	(35,773,468)
Payments for contract services, general, and administration	(3,736,336)	-
Payments for staff compensation	(1,051,815)	(2,238,396)
Other cash payments	-	(872,425)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>8,980,105</u>	<u>6,343,900</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans from member agencies	246,006	-
Draw of line of credit	-	4,376,610
Principal payments of debt	(1,976,610)	(4,000,000)
Interest and related expense	(206,490)	(151,801)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(1,937,094)</u>	<u>224,809</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	102,954	37,944
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>102,954</u>	<u>37,944</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	8,670,041	2,063,388
Cash and cash equivalents at ending of period	<u>\$ 15,816,006</u>	<u>\$ 8,670,041</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 9,360,912	\$ 8,810,898
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(1,007,634)	(4,946,956)
(Increase) decrease in net accrued revenue	1,322,518	(1,471,173)
(Increase) decrease in prepaid expense	(625)	-
(Increase) decrease in inventory - renewable energy credits	207,168	229,419
(Increase) decrease in other assets and deposits	-	500,000
Increase (decrease) in accounts payable	(27,905)	532,830
Increase (decrease) in accrued payroll	8,014	2,165
Increase (decrease) in due to member agencies	(293,843)	(124,330)
Increase (decrease) in accrued cost of electricity	(467,230)	2,384,717
Increase (decrease) in other accrued liabilities	(124,094)	426,330
Increase (decrease) in user taxes and energy surcharges	2,824	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 8,980,105</u>	<u>\$ 6,343,900</u>

The accompanying notes are an integral part of these financial statements.

**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Valley Clean Energy Alliance (VCE) is a California joint powers authority created on January 1, 2017 and its voting members consist of the following local governments: the County of Yolo and the cities of Davis, Woodland and Winters (collectively, the “Member Agencies”). VCE is governed by an eight-member Board of Directors whose membership is composed of two elected officials representing each of the Member Agencies.

VCE’s mission is to address climate change by reducing energy related greenhouse gas emissions through renewable energy supply and energy efficiency at stable and competitive rates for customers while providing local economic and workforce benefits. VCE provides electric service to retail customers as a Community Choice Aggregation Program under the California Public Utilities Code Section 366.2.

VCE began the delivery of electricity in June, 2018. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by the California Independent System Operator and Pacific Gas and Electric Company.

**BASIS OF ACCOUNTING**

VCE’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

VCE’s operations are accounted for as a governmental enterprise fund, and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – net investment in capital assets, restricted, and unrestricted.

**CASH AND CASH EQUIVALENTS**

For purpose of the Statement of Cash Flows, VCE defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. Cash and cash equivalents include restricted cash which were the amounts restricted for debt collateral and power purchase reserve.

**DEPOSITS**

Deposits are classified as current and noncurrent assets depending on the length of the time the deposits will be held. Deposits include those for regulatory and other operating purposes.

**OPERATING AND NON-OPERATING REVENUE**

Operating revenues consists of revenue from the sale of electricity to customers. Interest income is considered non-operating revenue.

**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**REVENUE RECOGNITION**

VCE recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will not be collected. Accordingly, an allowance has been recorded.

**ELECTRICAL POWER PURCHASED**

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity costs include the cost of energy and ancillary services arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from VCE's participation in the California Independent System Operator's centralized market. The cost of electricity and ancillary services are recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position. As of June 30, 2020, \$4,913,638 was accrued as payable to SMUD, comprised of \$4,591,427 in accrued electricity costs and \$322,211 in accrued contractual services. As of June 30, 2019, \$6,143,314 was accrued as payable to SMUD, comprised of \$5,058,656 in accrued electricity costs and \$1,084,658 in accrued contractual services

**RENEWABLE ENERGY CREDITS**

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, VCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). VCE obtains Certificates with the intent to retire them, and does not sell or build surpluses of Certificates. An expense is recognized at the point that the cost of the RPS eligible energy is billed by the supplier. VCE is in compliance with external mandates and self-imposed benchmarks. As of June 30, 2020 and 2019, \$- and \$207,168, respectively, of these certificates were included in inventory as they had yet to be utilized at year end.

**STAFFING COSTS**

VCE pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. VCE is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. VCE provides compensated time off, and the related liability is recorded in these financial statements

**INCOME TAXES**

VCE is a joint powers authority under the provision of the California Government Code, and is not subject to federal or state income or franchise taxes.

**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**RECLASSIFICATION**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

**2. CASH AND CASH EQUIVALENTS**

VCE maintains its cash in interest and non-interest-bearing deposit accounts at River City Bank (RCB) of Sacramento, California. VCE's deposits with RCB are subject to California Government Code Section 16521 which requires that RCB collateralize public funds in excess of the FDIC limit of \$250,000 by 110%. VCE monitors its risk exposure to RCB on an ongoing basis. VCE's has not adopted its own Investment Policy and follows the investment policy of the County of Yolo.

**3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE**

Accounts receivable were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Accounts receivable from customers	\$ 7,005,619	\$ 5,426,377
Allowance for uncollectible accounts	<u>( 1,045,408)</u>	<u>( 473,800)</u>
Accounts receivable, net	<u>\$ 5,960,211</u>	<u>\$ 4,952,577</u>

The majority of account collections occur within the first few months following customer invoicing. VCE estimates that a portion of the billed accounts will not be collected. VCE records reserves for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statement of Revenues, Expenses and Changes in Net Position. Charges to reserve for uncollectible accounts for the years ended June 30, 2020 and 2019 were \$571,608 and \$473,800, respectively. Due to the ongoing pandemic, VCE has elected not to pursue collections, at this time, for old outstanding balances to alleviate the pressure on their customers.

Accrued revenue presented in the Statements of Net Position represents revenue from customer electricity usage that has not been billed at the end of the period. Accrued revenue recognized for the periods ended June 30, 2020 and 2019 was \$2,973,195 and \$4,295,713, respectively.



**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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**4. DEBT**

**LOANS PAYABLE**

As part of the formation of VCE, the agency borrowed \$500,000 from Yolo County, City of Davis and City of Woodland. During the fiscal year ended June 30, 2020, the member loans were paid early and in full. As of June 30, 2020 and 2019, the outstanding loans totaled \$- and \$1,500,000. The cooperative agreement provides for interest to be accrued monthly on the outstanding balance at the average yield of the member agency. The accrued interest on the Member Agencies loans as of June 30, 2020 and 2019 totaled \$- and \$98,595.

**LINE OF CREDIT**

In May 2018, VCE entered into a non-revolving, \$11,000,000 Credit Agreement (Agreement) with RCB for the purpose of providing working capital to fund power purchases during seasonal differences in cash flow and reserves as needed to support power purchases. RCB requires collateral for the line of credit of \$1.1 million which is reported as restricted cash. Interest accrues on the outstanding balance and is payable each month and computed at One-Month LIBOR plus 1.75% per annum, subject to a floor of 1.75% per annum. The Agreement expired on May 15, 2019 with an option to extend the line for another six months. VCE extended the line of credit and the Agreement to November 15, 2019, with continuing extensions granted until August 31, 2020. At the expiration of the Agreement, any outstanding balance can be converted to an amortizing term loan which matures up to five years from conversion date. The Agreement contains various covenants that include requirements to maintain certain financial ratios, stipulated funding of debt service reserves, and various other requirements including the subordination of the member agency loans. As of June 30, 2020 and 2019, \$0 and \$1,976,610 of the line of credit had been drawn, leaving \$7,000,000 and \$9,023,390 still available, respectively.

At the October 10, 2019 Board meeting the Board authorized VCE to convert the \$1,976,610 Agreement balance to an amortizing 5-year term loan. VCE converted the Agreement to the loan and has paid the loan down to \$1,746,006 as of June 30, 2020.

During September, 2020, VCE has agreed in principle to one-year renewals to September 1, 2021, for both the Agreement and the term loan. The Agreement limit will be reduced from \$11,000,000 to a line of credit which allows up to \$5,000,000 for cash advances and up to \$7,000,000 for letters of credit, with the total of both to not exceed \$7,000,000. The 5-year term loan has been shortened to a maturity date of September 1, 2021, with the outstanding balance due at that time unless another renewal is agreed upon.

**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**4. DEBT (CONTINUED)**

If VCE defaults on the line of credit, RCB may, by notice of the borrower, take any of the following actions:

- (a) terminate any obligation to extend any further credit hereunder (including but not limited to Advances) on the date (which may be the date thereof) stated in such notice;
- (b) declare all Advances and all indebtedness under the Notes then outstanding (including all outstanding principal and all accrued but unpaid interest), and all other Obligations of Borrower to Lender, to be immediately due and payable without further demand, presentment, protest or notice of any kind; and
- (c) exercise and enforce any and all rights and remedies contained in any other Loan Document or otherwise available to Lender at law or in equity.

Debt principal activity and balances for all notes and loans were as follows:

	<u>Beginning</u>	<u>Addition</u>	<u>Payments</u>	<u>Ending</u>
Period Ended June 30, 2019				
River City Bank - Line of Credit	\$ 1,600,000	\$ 4,376,610	\$ (4,000,000)	\$ 1,976,610
Member Agencies	1,500,000	-	-	1,500,000
Total	<u>\$ 3,100,000</u>	<u>\$ 4,376,610</u>	<u>\$ (4,000,000)</u>	<u>\$ 3,476,610</u>
Amounts due within one year				<u>(1,976,610)</u>
Amounts due after one year				<u>\$ 1,500,000</u>
Year Ended June 30, 2020				
River City Bank - Line of Credit	\$ 1,976,610	\$ -	\$ (1,976,610)	\$ -
River City Bank - Loan	-	1,746,006	-	1,746,006
Member Agencies	1,500,000	-	(1,500,000)	-
Total	<u>\$ 3,476,610</u>	<u>\$ 1,746,006</u>	<u>\$ (3,476,610)</u>	<u>\$ 1,746,006</u>
Amounts due within one year				<u>(395,322)</u>
Amounts due after one year				<u>\$ 1,350,684</u>

**5. DEFINED CONTRIBUTION RETIREMENT PLAN**

VCE provides retirement benefits to eligible employees through a 401(a) discretionary defined contribution plan and 457(b) deferred compensation plan (Plans). The Plans are administered by International City Management Association Retirement Corporation (ICMA-RC). At June 30, 2020, VCE had 1 plan participant. VCE contributes 7% of covered payroll and up to an additional 3% of covered payroll as a match to employee tax deferred contributions (into the 457(b) deferred compensation plan) into the 401(a) discretionary defined contribution plan.

For the year ended June 30, 2020 and 2019, VCE contributed \$7,687 and \$4,969, respectively. The Plans' provisions and contribution requirements as they apply to VCE are established and may be amended by the Board of Directors.

**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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**6. OPERATING LEASE**

In 2018, VCE entered into a nine-month lease for its office space with the City of Davis expiring January 2019. VCE renewed the lease for an additional 12-months expiring January 2021. Rental expense under this lease was \$17,381 and \$17,081 for the period ending June 30, 2020 and 2019, respectively. The total for future minimum lease payments is \$8,700 for fiscal year ended June 30, 2020.

**7. RELATED PARTY TRANSACTIONS**

VCE entered into a cooperative agreement with each respective member agency to provide management, legal, accounting and administrative services. The services billed from the Member Agencies to VCE outstanding for the periods ending June 30, 2020 and 2019 totaled \$116,466 and \$410,309, respectively. In March 2019, VCE began repaying the member agencies for the current year expenditures and repay the outstanding balance at June 30, 2018 over 12 months. The cooperative agreements provide for interest to be accrued on any outstanding balances at an average yield. The balance was paid off during the year ended June 30, 2020. The accrued interest on the member agencies outstanding balance at June 30, 2019 totaled \$6,831.

**8. RISK MANAGEMENT**

VCE is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters, for which VCE manages its risk by participating in the public entity risk pool described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. The joint powers authority is governed by a board consisting of representatives from member municipalities. The board controls the operations of the joint powers authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint powers authority are not VCE's responsibility.

VCE is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability and workers' compensation. Once VCE's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA) provide coverage for amounts in excess of YCPARMIA's limits. YCPARMIA provides workers' compensation insurance coverage up to statutory limits, above VCE's self-insurance limit of \$1,000 per occurrence, and general and auto liability coverage of \$40,000,000, above VCE's self-insurance limit of \$1,000 per occurrence. For the period ended June 30, 2020 and 2019, VCE contributed \$5,008 and \$5,324 for coverage, respectively. Audited financial statements are available from YCPARMIA their website [www.ycparmia.org](http://www.ycparmia.org).

**VALLEY CLEAN ENERGY ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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**9. COMMITMENTS AND CONTINGENCIES**

On October 25, 2017, VCE entered into an agreement with SMUD to provide on-going professional services, including, but not limited to: wholesale energy services, customer and data services, billing administration and reporting. As of June 30, 2020, VCE had outstanding non-cancelable commitments to SMUD for professional services to be performed estimated to be \$6.7 million.

**10. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2020 through September 15, 2020, the date the financial statements were issued. Management is not aware of any subsequent events other than the issuance of refunding bonds described below that would require recognition or disclosure in the accompanying financial statements.



## **James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Board of Directors  
Valley Clean Energy Alliance  
Davis, California

We have audited the financial statements of Valley Clean Energy Alliance as of and for the year ended June 30, 2020, and have issued our report thereon dated September 15, 2020. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 29, 2018 our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Valley Clean Energy Alliance solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal controls and other matters noted during our audit in a separate letter to you dated September 15, 2020.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Valley Clean Energy Alliance is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. However, there are upcoming Governmental Accounting Standards that we have listed in Attachment A.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimate affecting the financial statements is the estimate of accounts receivable.

Management's estimate of the allowance for doubtful accounts is based on actual revenues earned for the year which may not be collectible. Management reported increased doubtful accounts for the year due to economic conditions as a result of the COVID-19 pandemic, but will continue to monitor as conditions improve. We evaluated the key factors and assumptions used to develop the estimate of doubtful accounts and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the accrued revenue is based on actual revenues earned but not yet billed for June 2020. We evaluated the key factors and assumptions used to develop the estimate of accrued revenue and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Valley Clean Energy Alliance's financial statements relate to revenue recognition.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. We did not identify any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached journal entry listing presents adjustments and reclassifications that we identified as a result of our audit procedures, were brought to the attention of, and corrected by, management (Attachment B).

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Valley Clean Energy Alliance’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated September 15, 2020.

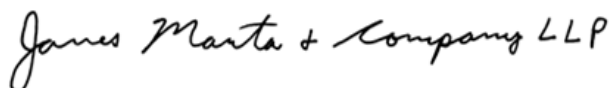
**Management’s Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Valley Clean Energy Alliance, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Valley Clean Energy Alliance’s auditors.

This report is intended solely for the information and use of the Board of Directors, and management of Valley Clean Energy Alliance and is not intended to be and should not be used by anyone other than these specified parties.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
September 15, 2020

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Plan in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Plan. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

**GASB Statement No. 83, Certain Asset Retirement Obligations**

*Effective for the fiscal year ending June 30, 2021*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

**GASB Statement No. 84, Fiduciary Activities**

*Effective for the fiscal year ending June 30, 2021*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government’s fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.



**GASB Statement No. 87, Leases**

*Effective for the fiscal year ending June 30, 2023*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**

*Effective for the fiscal year ending June 30, 2021*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately

**GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period**

*Effective for the fiscal year ending June 30, 2022*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

**GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61**

*Effective for the fiscal year ending June 30, 2021*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

**GASB Statement No. 91, Conduit Debt Obligations**

*Effective for the fiscal year ending June 30, 2023*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

We do not expect GASB 91 to have any significant impact to the Plan at this time.

**GASB Statement No. 92, Omnibus 2020**

*Effective dates vary*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports – *Effective for the fiscal year ending December 31, 2021*
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan – *Effective for the fiscal year ending December 31, 2021*
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits – *Effective for the fiscal year ending December 31, 2021*
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements – *Effective for the fiscal year ending December 31, 2021*
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition – *Effective for the government acquisitions occurring in reporting periods beginning after June 15, 2020*
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers – *Effective for the fiscal year ending December, 2021*
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature – *Effective for the fiscal year ending December 31, 2021*
- Terminology used to refer to derivative instruments. – *Effective for the fiscal year ending December 31, 2021*

Certain provisions of GASB 92 may have a financial statement impact to the Plan. The Plan is currently assessing the financial statement impact of GASB 92.

**GASB Statement No. 93, Replacement of Interbank Offered Rates**

*Effective for the fiscal year ending June 30, 2023*

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

**GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

*Effective for the fiscal year ending June 30, 2024*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

**GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance**

*Effective immediately*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of the preceding statements have been updated to reflect the impact of the issuance of GASB 95.

Certain provisions of GASB 92, which is affected by the issuance of GASB 95, may have a financial statement impact to the Plan. The Plan is currently assessing the financial statement impact of both statements.

**GASB Statement No. 96, Subscription-Based Information Technology Arrangements**

*Effective for the fiscal year ending June 30, 2024*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 1**

To Record PY Journal Entry not recorded by client

26310-0000	RETAINED EARNINGS - UNRESERVED	106,400	
30125-0000	NEM CREDITS - C&I	20,480	
30120-0000	COMMERCIAL & INDUSTRIAL SALES		126,880
<b>Total</b>		<b>126,880</b>	<b>126,880</b>

**Adjusting Journal Entries JE # 2**

PBC - To record missing deposit and revenue from 6/1/2020 RCB deposit

13120-0000	CASH - LOCKBOX	136,242	
30110-0000	RESIDENTIAL SALES		49,320
30120-0000	COMMERCIAL & INDUSTRIAL SALES		86,521
30130-0000	STREET LIGHTING SALES		401
<b>Total</b>		<b>136,242</b>	<b>136,242</b>

**Adjusting Journal Entries JE # 3**

PBC - To record interest income for ICS Money Market bank rec

13150-0000	CASH - ICS MM	5,494	
31110-0000	INTEREST REVENUES		5,494
<b>Total</b>		<b>5,494</b>	<b>5,494</b>

**Adjusting Journal Entries JE # 4**

PBC - To record DTE payment against accrued electricity rather than expense

23040-0000	ACCRUED COST OF ELECTRICITY	290,407	
41510-0000	POWER PURCHASES		290,407
<b>Total</b>		<b>290,407</b>	<b>290,407</b>

**Adjusting Journal Entries JE # 5**

PBC - To reclass overpayment to City of Davis as a receivable

13710-0000	BILLED REVENUES	37,756	
21210-0000	DTOG - CITY OF DAVIS		37,756
<b>Total</b>		<b>37,756</b>	<b>37,756</b>



# VALLEY CLEAN ENERGY

## Board of Directors

Angel Barajas  
*Woodland City Council*

Dan Carson  
VCE Vice Chair  
*Davis City Council*

Wade Cowan  
*Winters City Council*

Lucas Frerichs  
*Davis City Council*

Jesse Loren  
*Winters City Council*

Gary Sandy  
*Yolo County Board of Supervisors*

Don Saylor  
VCE Chair  
*Yolo County Board of Supervisors*

Tom Stallard  
*Woodland City Council*

## MANAGEMENT REPRESENTATION LETTER

September 15, 2020

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, CA 95825

This representation letter is provided in connection with your audit of the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Net Position and the statement of cash flows of Valley Clean Energy Alliance as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Valley Clean Energy Alliance in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 15, 2020:

### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 29, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.

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- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment 1.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

#### Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.





## VALLEY CLEAN ENERGY

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Valley Clean Energy Alliance has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Valley Clean Energy Alliance is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

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**VALLEY  
CLEAN ENERGY**

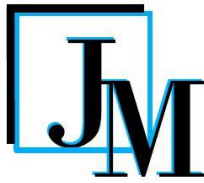
- Valley Clean Energy Alliance has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

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Mitch Sears, Interim General Manager

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George Vaughn, Director of Finance and Internal Operations



**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

*Independent Auditor's Report*

Valley Clean Energy Alliance  
Davis, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Clean Energy Alliance as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements, and have issued our report thereon dated September 15, 2020.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Valley Clean Energy Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Clean Energy Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Clean Energy Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

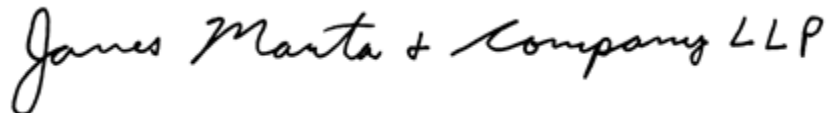
***James Marta & Company LLP***  
***Certified Public Accountants***

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Valley Clean Energy Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
September 15, 2020

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 13

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**TO:** VCE Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
George Vaughn, Director of Finance & Internal Operations

**SUBJECT:** Adoption of Three-Year Strategic Plan: 2021-2023

**DATE:** October 8, 2020

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### RECOMMENDATION

1. Adopt a three-year VCE Strategic Plan covering the period from January 2021 to December 2023.

### PURPOSE

The purpose of this staff report and its attachments are to: 1) brief the Board on amendments and additions to the VCE Strategic Plan since the Board last met in September, and 2) recommend adoption of the Strategic Plan for implementation starting in 2021.

### BACKGROUND

In February 2020, the Board directed staff to move ahead with development of a multi-year strategic plan to establish goals and guide VCE's activities over the next three years commencing in 2021. Notwithstanding a subsequent COVID delay and modified planning approach, staff moved ahead with the guidance of the Board and the CAC. Over the past seven months, along with support from LEAN Energy US, staff have gathered information and feedback and drafted a Plan which has gone through numerous iterations and stages of review. This has included planning process updates and public input opportunities at seven regular meetings of the Board and CAC since March.

### DISCUSSION AND ANALYSIS

The attached Plan is the result of a great deal of participation, collaboration and input from the Board, CAC, and VCE staff members resulting in what staff believes is a stronger, more focused and ultimately more effective document. Following Board direction during its last meeting on September 10, staff completed another round of edits for the CAC's review at their meeting on September 24. The CAC spent over an hour discussing and providing comment and their consensus statement is included below. Further revisions have been completed in the past week to be responsive to both Board and CAC feedback. Key revisions include the following:

- 1) VCE Vision section was updated with VCE's adopted vision statement;
- 2) Reduced number of topical categories from seven to six, combining organization and workplace and information technology;

- 3) Reduced number of goals from twenty to six, while integrating most/all elements from previous goals into revised goals or objectives;
- 4) Added objectives to support each goal;
- 5) Added section on Timing, Measurement and Plan Updates; and

#### Additional Consideration – Municipalization

As the Board is aware, during the most recent PG&E bankruptcy VCE analyzed and ultimately submitted an offer to acquire PG&E's local distribution assets. The offer was rejected by PG&E and not directly considered by the Court or CPUC during the bankruptcy proceedings. This effort by VCE (and other local public entities) to analyze the financial outcomes and organizational requirements associated with setting up a fully integrated local public power entity laid a foundation for continuing work on this issue. Due to the unique opportunity for municipalization within the context of the PG&E bankruptcy, staff viewed this effort as directly linked with that process. Strong interest in continuing this effort post-bankruptcy was expressed by one Board member during the Strategic Plan development process but it was not a specific priority expressed by others.

Based on the overall priorities expressed by Board members and the likely scope of the effort, the continuing study of municipalization was not specifically included in the draft Strategic Plan. However, given the foundational work completed by VCE and the continuing work of other public agencies to pursue municipalization (e.g. SF, South San Joaquin Irrigation District), staff suggests that the Board address this issue during its discussion of the draft plan at its meeting next week. If there is Board support for this effort, simple language can be added to the Strategic Plan directing this work over the next several years.

#### CAC Action

The following consensus statement was supported by the CAC at their September 24 meeting (10-0):

At its September 24 meeting, the CAC spent over an hour discussing the draft Strategic Plan. Committee members offered observations, made suggestions for changes and engaged in thoughtful exchange about different items. In addition, individual CAC members shared their own observations, suggestions and amendments with staff through emails and conversations. Given the complexity of the task and the multitude of suggested changes, it is not feasible for the CAC to take action tonight on an agreed upon, newly amended version of the Strategic Plan.

Thus, the CAC adopts this "sense of the CAC" statement regarding the Strategic Plan to forward to the VCE board.

The CAC believes the Strategic Plan definitely is moving in the right direction. The current draft reflects the input and comments from the VCE board members and CAC members that were raised at previous meetings. Given the timeframe set by the board for adopting the Strategic Plan, it is not feasible to have the CAC review the next iteration of the Plan at its October meeting. Thus, the CAC encourages VCE staff, as it revises the current draft, to consider all of the items raised by CAC members, either at

this meeting or separately, and to incorporate as many of them into the next draft of the Strategic Plan as possible. The CAC appreciates the opportunity to be engaged in the Strategic Plan process and stands ready to work with the Board and staff to implement it once a Plan is adopted.

As noted above, staff have found the CAC feedback process to be very helpful and have attempted to capture nearly all major CAC input provided.

#### **NEXT STEPS**

Based on Board action, staff will complete any further modifications and have the Plan designed for public presentation and dissemination. Staff will also complete an implementation timeline by December 2020 and identify key performance metrics for each goal against which regular reporting will commence starting in 2021.

#### **ATTACHMENT**

1. Draft VCE Three-Year Strategic Plan: 2021-2023



**Valley Clean Energy**  
**Strategic Plan**  
**DRAFT AS OF 10-01-2020**  
**January 2021 - December 2023**

### **VCE MISSION**

Deliver cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions.

### **VCE VISION**

Valley Clean Energy Alliance (VCEA) is a joint-powers authority working to implement a state-authorized Community Choice Energy (CCE) program. Participating VCEA governments include the City of Davis, the City of Woodland and County of Yolo. The purpose of the VCEA is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the residential, commercial, agricultural and industrial users in their areas. PG&E would continue to deliver the electricity procured by VCEA and perform billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions would have the choice not to participate in the VCEA program.

### **Near-Term Vision**

The near-term vision for VCEA is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price premiums;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCEA energy programs and mitigation of future energy costs and risks.

### **Long -Term Vision**

The future vision for VCEA is to continuously improve the electricity choices available to VCEA customers, while expanding local energy-related economic opportunities, by:



- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future;
- Saving money for ratepayers on their energy bills; and
- Remaining open to the participation of additional jurisdictions.

## **STRATEGIC PLAN**

This Strategic Plan focuses VCE on achieving better energy outcomes for its customers and communities by guiding the organization’s actions over the next three years. The Plan maps a route to VCE’s goals and allows for course correction as new information and learning occurs. The energy sector in California is in a transformational period and VCE allows local energy priorities and needs to be heard and ultimately acted upon. This plan helps VCE build a strong foundation from which to identify and guide strategic action over the next three years, being mindful of the longer-term aspirations of the Agency. It is anticipated that this Plan will be ready for implementation in 2021 and reviewed annually to ensure that the Agency remains on track and course corrects if necessary.

## **METHODOLOGY AND ORGANIZATION**

VCE’s strategic plan is based on the experience of the Agency’s first two years in operation as well as current energy market conditions, a strengths/weaknesses/opportunities/threats (SWOT) analysis which was completed in 2019, and detailed feedback from the Board of Directors, Community Advisory Committee (CAC) members and VCE staff. The Plan covers six topical categories which are most relevant to VCE’s operations. Within each category, the Plan specifies a set of aspirational goals and follows with strategies to achieve or make progress toward those goals over the next three years.

## **VCE’s STRATEGIC GOALS**

### **A) FINANCIAL STRENGTH**

A successful CCA program requires disciplined fiscal strategies and financially sound policies. VCE is committed to managing its financial resources responsibly and setting a standard of transparency and accountability, ensuring efficiency and strong stewardship of the agency’s financial resources. At VCE, our commitment to fiscal and operational excellence will ensure that all processes and operations are clearly defined and efficiently designed to align people, systems, and policies to maximize productivity and improve efficiency. Adhering to these policies and actively examining and assessing risk will help earn a high credit rating and a healthy position from which to deliver customer and community value.

**Goal 1: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.**

- 1.1. Objective: Maintain consistently healthy cash reserves to fund VCE’s mission, vision, and goals.
- 1.2. Objective: Achieve an investment grade credit rating by end of 2024.
- 1.3. Objective: Commit to fiscal efficiencies to build a program foundation from which to deliver customer and community value.
- 1.4. Objective: Manage customer rates to optimize VCE’s financial health while maintaining rate competitiveness with PG&E.

**B) PROCUREMENT AND POWER SUPPLY**

Navigating the world of wholesale power markets and state-mandated power mix and reliability requirements while fulfilling our commitment to sourcing low/no-carbon electricity requires a constant search for the right resources to meet sustainability and value proposition goals. The threat of losing load to Direct Access presents new challenges and opportunities to enhance product offerings to meet VCE’s decarbonization goals and our customers’ own environmental goals while considering financial and risk impacts. VCE is committed to providing carbon free electricity through a balanced approach that considers cost, risk, long-term value and best fit in meeting community goals while exceeding California’s RPS mandates.

**Goal 2: Manage power supply resources to consistently exceed California’s Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% carbon neutral by 2030.**

- 2.1 Objective: Continue to identify and pursue cost effective local renewable energy resources.
- 2.2 Objective: Acquire sufficient bundled energy and renewable resources to achieve VCE’s greenhouse gas reduction targets.
- 2.3 Objective: Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.
- 2.4 Objective: Identify and pursue cost effective, local distributed energy (e.g., behind the meter rooftop solar+storage) resources to help meet reliability needs.
- 2.5 Objective: Study and present options for achieving a 100% carbon neutral resource portfolio as well as 100% carbon free resource portfolio (carbon free hour by hour) by 2030.<sup>1</sup>
- 2.6 Objective: Optimize the hedging strategy to mitigate risk in accordance with the energy risk guidelines and procurement plan.

**C) CUSTOMERS AND COMMUNITY**

VCE is a customer and community focused organization. We will use all available channels and platforms to cultivate relationships with and bring customer value to all segments of the communities we serve – including those that have been historically underserved/under resourced. These channels include leveraging existing outlets established by our member agencies, partnering with commercial customers to enhance their community presence, and re-engaging with those who have opted out. Partnerships with commercial and agricultural customers are particularly important to building VCE’s brand in a region rooted in food production and innovation. Communicating our competitive rates and product and service benefits in clear and accessible ways will strengthen customer loyalty and enhance our financial standing, enabling us to better serve our communities.

**Goal 3: Prioritize VCE’s community benefits and increase customer satisfaction and retention.**

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<sup>1</sup> Carbon neutral electricity is net zero carbon electricity that may include the use of carbon credits and/or higher production of carbon free electricity that averages out to provide a carbon free portfolio over a period of time whereas carbon free hour-by-hour means all electricity consumed by VCE customers will be from carbon free and/or renewable resources.

- 3.1 Objective: Develop engagement strategies to increase awareness of, and participation in, local control of VCE's energy supply and programs with a particular focus on engaging disadvantaged and historically marginalized communities.
- 3.2 Objective: Develop programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.
- 3.3 Objective: Design and implement a strategy to more effectively engage local business and agricultural customers.
- 3.4 Objective: Build awareness and trust of the VCE brand through direct engagement with customers, communities and organizations in VCE's service territory.
- 3.5 Objective: Develop customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.
- 3.6 Objective: Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.

#### **D) DECARBONIZATION & GRID INNOVATION**

One of the key factors driving the formation of VCE was to address climate change and improve local resiliency. We will play a vital role in this decades-long endeavor, with the ongoing support of our community and our Board. In addition to providing carbon-free electricity, we are reinvesting in our region and expanding our toolset for furthering emissions reductions and energy resiliency by launching decarbonization and grid innovation programs. These programs represent the next stage in VCE's maturity and are the mechanism by which VCE will further engage our communities to achieve our mission. We will leverage partnerships, prioritize innovation and use data science to manage and influence carbon-free energy use. We will embody the entrepreneurial and innovative spirit of the community in which we live and work, the spirit of Yolo County, to bend the carbon curve downwards and improve the lives of our community members.

#### **Goal 4. Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.**

- 4.1 Objective: Working with a variety of local, regional and state partners, develop a grid innovation roadmap for VCE's service territory that supports community energy resilience and reliability.
- 4.2 Objective: Develop a VCE decarbonization roadmap to guide near and long-term program decisions and offerings.
- 4.3 Objective: Increase participation in VCE's UltraGreen 100% renewable product.
- 4.4. Objective: Identify external funding sources to support decarbonization and grid-related programs and initiatives.

#### **E) STATEWIDE ISSUES: REGULATORY & LEGISLATIVE AFFAIRS**

The regulatory and legislative processes wield critical influence over VCE's ability to serve our customers and fulfill our core goals and mission. Working with CalCCA and other operating CCAs, VCE will actively engage with the regulatory and legislative communities in order to advance a positive narrative on the value of CCA, manage operational risk, protect the interests of our customers, enhance our ability to mitigate greenhouse gas emissions, and help build a regulatory framework that supports innovation and customer choice in an equitable and cost-effective manner while preserving reliability and universal access.

#### **Goal 5. Strongly advocate for public policies that support VCE's Vision/Mission.**

- 5.1 Objective: Work with CalCCA and other partners to proactively engage State regulators, legislators, and other State authorities in developing policy that furthers VCE's mission and facilitates our contributions to decarbonization, grid reliability, energy resiliency, affordability, local programs and social equity.

- 5.2 Objective: Develop relationships with community stakeholder organizations that foster support for VCE's mission and vision.
- 5.3 Objective: Optimize regulatory compliance activities.

## **F) ORGANIZATION, WORKPLACE & TECHNOLOGY**

Human capital is a successful organization's greatest asset, and at VCE we've built a highly talented and dedicated team that will ensure the success and prosperity of our organization. Contracting with Sacramento Municipal Utility District (SMUD) to deliver high quality services and personnel support during launch and early operations has allowed VCE to realize these objectives from the outset. Over the period of this strategic plan, VCE will explore transition from a contract dependent organization to one that balances the values and efficiencies of development and retention of high-quality in-house staff supported by high-quality outside services. Building, valuing, and nurturing this team's talent will require a start-up culture that supports creativity, open communication, and the free flow of ideas to spur innovation. We will provide an infrastructure within VCE that supports and cultivates our employees through professional and personal development, recognizes and rewards their contributions to achieving our mission, and offers opportunities that position our people, as well as VCE, for success. In attracting and maintaining skilled employees, VCE will continue to provide a rewarding workplace experience.

VCE will develop a decision support system that will enable it to nimbly assess and react to expansion opportunities as they arise. In addition, VCE will assess opportunities for shared services with other CCAs to optimize function and efficiency of service.

We also take customer information, privacy, and security seriously. Our systems and processes follow best practices and industry standards. Performance metrics are in place to ensure resiliency and high system availability on standard and mobile platforms. Periodic upgrades to IT resources will ensure continued adherence to these high standards. This strategic plan provides the approach that VCE is taking to address the challenges of delivering IT services in a dynamic environment with new regulations and continuous advancements in science and technology.

### **Goal 6: Analyze and implement optimal long-term organizational, management, and information technology structure at VCE.**

- 6.1 Objective: Evaluate and pursue opportunities for shared services with other CCAs for certain functions.
- 6.2 Objective: Develop an evaluation framework to guide future expansion opportunities beyond the existing service territory.
- 6.3 Objective: Identify optimal management, staffing and contracting structure of VCE in the near and long term; factors include balance of internal staff vs. consultant support services, transition of leadership positions to permanent internal employees.
- 6.4 Objective: Promote diversity, equity and inclusion in leadership, hiring, promotion, and contracting policies.
- 6.5 Objective: Support health, wellness and a productive workplace.
- 6.6 Objective: Create an innovation-focused culture that rewards proactive participation, problem solving, new ideas, and creative use of partnerships.
- 6.7 Objective: Deploy a modernized IT infrastructure that enables knowledge management, analytics and collaboration through robust use of data and information resources.

## **TIMING, MEASUREMENT AND UPDATES**

VCE's Strategic Plan is a living document that will be revisited and updated regularly. At a minimum, staff will review and update the Plan on an annual basis, including goals, objectives and metrics. In addition, staff will

establish an implementation timeline and appropriate reporting format to use in reporting performance against the Plan's goals and objectives to VCE leadership and Board. The reports, commencing in 2021, will show metrics, status and mitigations where appropriate. Consolidated summary reporting on the status of all high-priority enterprise goals and objectives will be reported out as follows:

- **Quarterly Report to VCE Management**

Staff will report quarterly to the Interim General Manager on the status of goals, objectives and metrics for which they are responsible.

- **Annual Report to Board**

Staff will report annually to the Board on the status of goals, objectives and metrics, and will recommend any mitigations or amendments as may be necessary for Board approval.

DRAFT

**VALLEY CLEAN ENERGY ALLIANCE  
BOARD OF DIRECTORS**

**Staff Report - Item 14**

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

**FROM:** Mitch Sears, Interim General Manager  
Rebecca Boyles, Director of Customer Care and Marketing

**SUBJECT:** Review and Adopt the Draft Statement on Environmental Justice

**DATE:** October 10, 2020

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**RECOMMENDATIONS**

1. Review the incorporated changes in the Draft Statement on Environmental Justice; and
2. Adopt the Draft Statement.

**BACKGROUND**

In June 2020, the VCE Board of Directors appointed a Board Working Group to work with staff to develop a Draft Statement on Environmental Justice issues. The Draft Statement has been reviewed by the Community Advisory Committee (CAC) and the Board twice, and the CAC has recommended that the Board adopt the Statement after it has been modified to include feedback from the September 24<sup>th</sup>, 2020 CAC meeting. The attached Draft Statement includes these modifications, and staff requests that the Board formally adopt the Statement on Environmental Justice.

The feedback provided by the CAC at the September 24<sup>th</sup>, 2020 meeting included 1) adding the official EPA definition of Environmental Justice to the Statement and 2) modifying the phrase “historically marginalized communities” to “emerging and historically marginalized communities.”

The official EPA definition on Environmental Justice (EJ) is: *“the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies<sup>1</sup>.”*

The definition has been added to the Statement to provide clarity on VCE’s definition of Environmental Justice, to demonstrate that our definition of EJ includes climate and racial justice, and to standardize the language with which we refer to EJ issues. Staff also recommends that we refer to the Working Group as the “Environmental Justice Working Group” instead of the “Environmental and Social Justice Working Group” going forward to maintain consistency in language.

The CAC and VCE staff recommend that the Board review these changes and officially adopt the Draft Statement on Environmental Justice.

**Attachment**

1. Draft Statement on Environmental Justice issues

**Attachment 1 – Draft of Valley Clean Energy’s Statement on Environmental Justice**

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<sup>1</sup> <https://www.epa.gov/environmentaljustice/learn-about-environmental-justice>

Valley Clean Energy (VCE) is a mission-driven community-based not-for-profit public electricity supplier serving nearly 90% of the electricity customers in unincorporated Yolo County and the cities of Woodland, Davis, and Winters. We supply cost-competitive clean electricity to everyone who chooses our service, regardless of race, gender, economic status, sexual orientation, gender identification, nationality, religion or political views. We were established to achieve better outcomes for the customers and communities we serve and are therefore stronger and more effective when the full range of customer voices we serve are reflected in our decisions.

Valley Clean Energy recognizes that Environmental Justice (EJ) issues are deeply ingrained in our society. This includes the energy sector, where VCE can have a role in directly addressing energy-related inequities many people in under-resourced or disadvantaged communities face. This time of broad awakening across our country challenges us to respectfully acknowledge our role in truly effecting better outcomes for all of the communities and customers we serve.

We acknowledge that historically not all customers have had equitable access to the decisions that shape and affect their communities. We will do our part to ensure that the decisions we make about energy supply and community reinvestment help to further Environmental Justice.

VCE has adopted the official definition of Environmental Justice from the Environmental Protection Agency (EPA), which is: *“the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies<sup>2</sup>.”*

Valley Clean Energy is committed to supplying more electricity that is produced by renewable, non-polluting sources such as solar, wind and hydroelectric. We are also committed to identifying and improving our systems that could perpetuate institutional barriers. To this end, VCE has made these commitments to further encourage diversity, equity and inclusion:

- We will listen, learn and act.
- We will explicitly integrate and address the concerns and priorities of emerging and historically marginalized communities in the design and implementation of VCE’s services and programs – to ensure that *all* of our customers are well served.
- We will work alongside our sister agencies in the Environmental Justice and Equity Committee of the Community Choice Energy trade association (CalCCA) to develop programs and policies that reduce environmental harm in all California communities – especially those with a history of environmental injustice.
- We will invite a more diverse set of voices to the table to effectively advance environmental justice in low-income and disadvantaged communities (DACs). We will reach out to DACs through targeted outreach campaigns to more thoroughly involve them in VCE workshops, program design and meetings of the Board of Directors and the Community Advisory Committee (CAC).
- We will more deeply integrate diversity, equity, and inclusion in our internal hiring, promotion, leadership (Board and CAC) and contracting policies.

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<sup>2</sup> <https://www.epa.gov/environmentaljustice/learn-about-environmental-justice>

Confronting the current challenges of environmental justice requires authentic and sustained listening. To that end, we would like to extend the invitation to more deeply engage all members of our community – especially those whose voices have not yet have been fully represented. Please share your feedback, concerns and ideas at our [Board](#) and Community Advisory Committee meetings. All meetings are open to the public. And please consider contributing your expertise to VCE as a member of the Community Advisory Committee. Applications are available [here](#) -- and meeting schedules are available [here](#).