



**Regular Meeting of the Valley Clean Energy Alliance  
Board of Directors  
Thursday, March 10, 2022 at 5 p.m.  
Via Video/Teleconference**

**Pursuant to Assembly Bill 361 (AB 361), legislative bodies may meet remotely without listing the location of each remote attendee, posting agendas at each remote location, or allowing the public to access each location, with the adoption of certain findings. The Board of Directors found that the local health official recommended measures to promote social distancing and authorized the continuation of remote meetings for the foreseeable future. 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 video/teleconferencing call-in number and meeting ID code. Video/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/83413754900>

**Meeting ID: 834 1375 4900**

- b. By phone**

One tap mobile:

+1-669-900-9128,, 83413754900# US

+1-253-215-8782,, 83413754900# US

Dial:

+1-669-900-9128 US

+1-253-215-8782 US

**Meeting ID: 834 1375 4900**

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

## 5:00 p.m. Call to Order

1. **Welcome**
2. **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 or are listed on the Consent portion of the 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**

3. **Renew authorization of remote public meetings as authorized by Assembly Bill 361.**
4. **Approve February 10, 2022 Board meeting Minutes.**
5. **Receive 2022 Long Range Calendar.**
6. **Receive Financial Updates – January 31, 2022 (unaudited) financial statements.**
7. **Receive Legislative update.**
8. **Receive March 2, 2022 Regulatory update provided by Keyes & Fox.**
9. **Receive March 2, 2022 Customer Enrollment update.**
10. **Receive Community Advisory Committee February 24, 2022 meeting summary and 2022 Task Group Charges.**
11. **Receive Bi-annual Enterprise Risk Management Report.**
12. **Approve agreement with Polaris Inc. to provide implementation support services for the Ag FIT (Flexible Irrigation Technology) dynamic pricing pilot program.**
13. **Approval of legislative positions: 1) support of Assembly Bill 1814 (Grayson): Transportation Electrification Funds: Community Choice Aggregators; 2) support of Assembly Bill 1944 (Lee): Local government: open and public meetings; and, 3) opposition of Senate Bill 1287 (Bradford): Electric service providers and Community Choice Aggregators: financial security requirements.**
14. **Approve Valley Clean Energy Collections Policy.**
15. **Approve Employment Agreement for Executive Officer between Valley Clean Energy and Mitch Sears.**

### **REGULAR AGENDA**

16. **Approve amendment and restated credit agreement with River City Bank.**
17. **Approve Time of Use (TOU) Bill Protection customer program.**
18. **Approve Customer Heat Pump Pilot Program.**
19. **Update on AgFIT (Agricultural Flexible Irrigation Technology) program.**
20. **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.
21. **Adjournment:** The next regular meeting is scheduled for April 14, 2022 at 5 p.m. via video/teleconference.

### **PUBLIC PARTICIPATION INSTRUCTIONS FOR VALLEY CLEAN ENERGY BOARD OF DIRECTORS SPECIAL MEETING ON THURSDAY, MARCH 10, 2022 AT 5:00 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. When called upon, please press \*6 to unmute your microphone.

**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 3**

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**TO:** Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Alisa Lembke, Board Clerk/Administrative Analyst

**SUBJECT:** Renew Authorization to continue Remote Public Meetings as authorized by Assembly Bill 361

**DATE:** March 10, 2022

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**Recommendation**

VCE Board renew authorization for remote (video/teleconference) meetings, including any standing or future committee(s) meetings and Community Advisory Committee meetings, by finding:

1. Pursuant to Assembly Bill 361 (AB 361), that, (a) the COVID-19 pandemic state of emergency is ongoing, and (b) local officials continue to recommend measures to promote social distancing.

**Background/Summary of AB 361**

Pursuant to Government Code Section 54953(b)(3) legislative bodies may meet by “teleconference” only if the agenda lists each location a member remotely accesses a meeting from, the agenda is posted at all remote locations, and the public may access any of the remote locations. Additionally, a quorum of the legislative body must be within the legislative body’s jurisdiction.

Due to the COVID-19 pandemic, the Governor issued Executive Order N-29-20, suspending certain sections of the Brown Act. Pursuant to the Executive Order, legislative bodies no longer needed to list the location of each remote attendee, post agendas at each remote locations, or allow the public to access each location. Further, a quorum of the legislative body does not need to be within the legislative body’s jurisdiction. After several extensions, Executive Order N-29-20 expired on September 30, 2021.

On September 16, 2021, the Governor signed AB 361, which kept some of the provisions of Executive Order N-29-20. Pursuant to Government Code Section 54953(e), legislative bodies may meet remotely and do not need to list the location of each remote attendee, post agendas at each remote locations, or allow the public to access each location.

However, legislative bodies must first find: (1) the legislative body is meeting during a state of emergency and determine by majority vote that meeting in person would present an imminent risk to the health or safety of attendees; or (2) state or local health officials impose or recommend social distancing measures.

On July 29, 2021, the County Health Officer issued the attached Amended Order for Wearing of Face Coverings in Workplaces and Public Settings. Page 3, Section 7 of the Amended Order states that all persons should wear well-fitted face coverings and practice physical distancing. Further, on September 22, 2021, the Health Officer issued the attached memorandum, recommending that all Brown Act bodies continue to meet remotely.

Government Code Section 54953(e)(1). The legislative body must make the required findings every 30 days, until the end of the state of emergency or recommended or required social distancing. Government Code Section 54953(e)(3). On January 1, 2024, Government Code Section 54953(e) is repealed.

Due to the rise in COVID-19 cases caused by the Delta Variant, on July 29, 2021, the Yolo County Health Officer issued an Amended Order for the Wearing of Face Coverings in Workplaces and Public Settings a recommendation that all Brown Act bodies meet remotely. The Amended Order requires the use of face coverings indoors and states that all persons should continue to protect themselves and others by physical distancing (see Page 3, Section 7). Further, on October 20, 2021 the Health Officer issued a memorandum to the Yolo County Board of Supervisors, reaffirmed their September 22, 2021 memorandum to continue to recommend meetings be held remotely whenever possible.

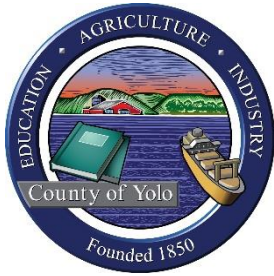
On February 8, 2022, the Board of Supervisors renewed authorization to continue remote public meetings, pursuant to Assembly Bill 361 and consistent with the attached memorandum from the Yolo County Health Officer dated February 2, 2022, wherein it states the Public Health Officer will continue to evaluate their recommendation and will communicate when there is no longer such a recommendation with respect to meetings for public bodies.

On February 10, 2022, the Board made findings pursuant to AB 361 in order to continue with remote meetings. The highly contagious Omicron Variant continues to spread quickly in Yolo County and the nation, requiring the implementation of additional safety measures and precautions with respect to in-person meetings and social distancing. Therefore, it is recommended that the Board renew authorization for remote (video/teleconference) meetings, including any standing or future committee(s) meetings and Community Advisory Committee meetings.

Staff will continue to monitor the situation as part of our emergency operations efforts and will return to the Board every thirty (30) days or as needed with additional recommendations related to the conduct of public meetings.

**Attachments:**

1. Yolo County Health Officer memorandum dated 2/2/22 to Board of Supervisors



# COUNTY OF YOLO

Health and Human Services Agency

*Karen Larsen, LMFT*  
Director

**Aimee Sisson, MD, MPH**  
Health Officer

MAILING ADDRESS  
137 N. Cottonwood Street • Woodland, CA 95695  
www.yolocounty.org

Date: February 2, 2022

To: All Yolo County Boards and Commissions

From: Dr. Aimee Sisson, Health Officer

Subject: Remote Public Meetings

On September 22, October 20, and November 20, 2021 and January 4, 2022, I issued memoranda recommending remote meetings. The case rate in Yolo County has remained high since the January 4 memorandum and, while it peaked at 241 cases per 100,000 residents per day on January 8, it continues to represent high community transmission. In the context of high community transmission, I recommend meetings be held remotely whenever possible. I am re-issuing the earlier memorandum with updated COVID-19 case rate data.

In light of the ongoing public health emergency related to COVID-19 and the high level of community transmission of the virus that causes COVID-19, the Yolo County Public Health Officer recommends that public bodies continue to meet remotely to the extent possible. Board and Commissions can utilize the provisions of newly enacted AB 361 to maintain remote meetings under the Ralph M. Brown Act and similar laws.

Among other reasons, the grounds for the remote meeting recommendation include:

- The continued threat of COVID-19 to the community. As of February 2, 2022, the case rate is 129 cases per 10,000 residents per day. This case rate is considered “High” under the Centers for Disease Control and Prevention’s (CDC) framework for assessing community COVID-19 transmission; and
- The unique characteristics of public governmental meetings, including the increased mixing associated with bringing together people from across the community, the need to enable those who are immunocompromised or unvaccinated to be able to safely continue to fully participate in public governmental meetings, and the challenges of ensuring compliance with safety requirements and recommendations at such meetings.

Meetings that cannot feasibly be held virtually should be held outdoors when possible, or indoors only in small groups with face coverings, maximal physical distance between participants, use of a portable HEPA filter (unless comparable filtration is provided through facility HVAC systems), and shortened meeting times.

#### **Davis**

600 A Street  
Davis, CA 95616  
Mental Health (530) 757-5530

#### **West Sacramento**

500 Jefferson Boulevard  
West Sacramento, CA 95605  
Service Center (916) 375-6200  
Mental Health (916) 375-6350  
Public Health (916) 375-6380

#### **Winters**

111 East Grant Avenue  
Winters, CA 95694  
Service Center (530) 406-4444

#### **Woodland**

25 & 137 N. Cottonwood Street  
Woodland, CA 95695  
Service Center (530) 661-2750  
Mental Health (530) 666-8630  
Public Health (530) 666-8645

This recommendation is based upon current conditions and available protective measures. The Public Health Officer will continue to evaluate this recommendation on an ongoing basis and will communicate when there is no longer such a recommendation with respect to meetings for public bodies.

**VALLEY CLEAN ENERGY ALLIANCE**

**Staff Report – Item 4**

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**TO:** Board of Directors  
**FROM:** Alisa Lembke, Board Clerk / Administrative Analyst  
**SUBJECT:** Approval of Minutes from February 10, 2022 meeting  
**DATE:** March 10, 2022

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**RECOMMENDATION**

Receive, review and approve the attached February 10, 2022 meeting Minutes.





**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE  
BOARD OF DIRECTORS REGULAR MEETING  
THURSDAY, FEBRUARY 10, 2022**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular meeting scheduled for Thursday, February 10, 2022 at 5:00 p.m., to be held via Zoom webinar. Board Chair Jesse Loren established that there was a quorum present and began the meeting at 5:02 p.m.

Board Members Present: Jesse Loren, Tom Stallard, Dan Carson, Wade Cowan, Mayra Vega, Lucas Frerichs, Gary Sandy (arrived at 5:16 p.m.), Don Saylor (arrived at 5:23 p.m.)

Members Absent: None

Welcome Chair Loren welcomed everyone. She announced that the Closed Session of the Board has been cancelled.

Public Comment – Board Clerk informed those present that there were no written public  
General and comments.  
Consent

**Verbal Public Comment:** Christine Shewmaker thanked Board Member Lucas Frerichs for bringing up the subject of member jurisdictions opting up their accounts to UltraGreen, 100% renewable, at the last Board meeting. She and others have been advocating for this for a while and she does not want the idea to get lost. In 2019, Staff were asked by the Community Advisory Committee to calculate the cost to opt up for the 3 jurisdictions and that information was presented to the Board in March 2019. This is important both for the impact that it has on greenhouse gas emissions and the message it sends to the community at large, both on the importance of reducing emissions and on jurisdictions' commitment to VCEA. She suggested looking at this from the point of view of how much greenhouse gas emissions can be avoided.

Director Dan Carson mentioned that he has asked Davis city Staff to look at this as the city is going through the process of updating their Climate Action Adaptation plan. Vice Chair Tom Stallard asked to see the costs to the individual jurisdictions again.

**Verbal Public Comment:** Charles Ehrlich has been following the Sites Reservoir Project out of interest and for water policy. He noticed that the scope has changed by eliminating pump storage energy generation component due to budgetary concerns and wanted to move the project forward. He thinks it is an opportunity for pump storage to address demand response needs of the northern California region. He doubts that CC Energy would have the budget to



address this on their own, possibly a collaboration of others would work to pursue pump storage at future sites.

Approval of  
Consent Agenda

Motion made by Director Lucas Frerichs to approve the consent agenda, seconded by Vice Chair Stallard. Motion passed with Directors Don Saylor and Gary Sandy absent. The following items were:

3. Authorized to continue remote public meetings as authorized by Assembly Bill 361;
4. Approved January 27, 2022 Board special meeting Minutes;
5. Received 2022 Long Range Calendar;
6. Received December 31, 2021 (unaudited) financial statement;
7. Received February 4, 2022 Regulatory update provided by Keyes & Fox;
8. Received February 2, 2022 Customer Enrollment update;
9. Received Community Advisory Committee January 20, 2022 meeting summary;
10. Received SACOG Grant – Electrify Yolo Project update;
11. Received Time of Use (TOU) Rate Transition update; and,
12. Received update on customer program development.

There were no verbal or written public comments on the consent calendar.

Item 13: Receive  
Carbon Neutral by  
2030 Draft Report.  
(Information)

Interim General Manager Mitch Sears introduced this item. VCE Staff Gordon Samuels reviewed a few summary slides. Maggie Riley of Energeia, USA, VCE's consultant who prepared the carbon neutral study, reviewed project deliverables, Energeia's scope and approach, Integrated Resource planning, average net loads including PPAs, levelized cost of future clean resources, Energeia's portfolio optimization model, optimized resource solutions by portfolio including peak and minimum days, Annual portfolio costs, key risk analysis, annual costs by portfolio, key risk factor impacts, and key recommendations.

(Director Gary Sandy arrived at 5:16 p.m.)

(Director Don Saylor arrived at 5:23 p.m.)

There was a discussion on electric generation, hour by hour approach, load and capacity. There were no written public comments.

**Verbal Public Comment:** Christine Shewmaker commented as a citizen, Community Advisory Committee and Carbon Neutral Task Group member that Energeia, the Carbon Neutral Task Group and Staff delivered on the carbon neutral study, including fulfilling a strategic plan goal, and obtaining valuable information. There are few others that have a Carbon Neutral Plan, but VCE having one is a great accomplishment.



Motion made by Director Dan Carson to approve Staff's recommendation:

1. Receive and provide feedback on the Carbon Neutral by 2030 Final Report.
2. Direct Staff to re-assess VCE's policy of 80% renewable by 2030 and consider increasing this goal.
3. Direct Staff to return with recommendation(s) related to the Carbon Neutral Report in Q3 2022.

This motion was seconded by Director Lucas Frerichs. Motion passed unanimously by the following vote:

AYES: Loren, Stallard, Carson, Cowan, Vega, Frerichs, Sandy, Saylor

NOES: None

ABSENT: None

ABSTAIN: None

Item 14: Approve participation in and authorize VCE participating in the CC Power long duration storage project: Tumbleweed.

Mr. Samuels summarized the Tumbleweed Project, long duration storage joint procurement goals, mid-term Reliability Procurement Order (MTR) adopted by California Public Utilities Commission (CPUC), procurement order timing, project overview, those CCAs that are participating, project allocations and authority, contract structure, and conclusion.

There was a discussion on the similarities and differences between rates and cost of resources, approach to meeting VCE's renewable goals, procurement requirements, the Integrated Resource Plan (IRP) process, and the goal of procuring local resources. There were no verbal or written public comments.

Motion made by Director Frerichs to approve Staff's recommendation:

- 1) Authorize the Interim General Manager to execute on behalf of Valley Clean Energy as a member of CC Power the following agreements and any necessary ancillary documents for the Tumbleweed long duration storage project with a delivery term of 15 years starting at the commercial operation date on or about June 1, 2026:
  - a. Project Participation Share Agreement between Valley Clean Energy, California Community Power and other participating CCAs
  - b. Buyer Liability Pass Through Agreement between Valley Clean Energy, California Community Power and Tumbleweed Energy Storage, LLC.

This motion was seconded by Director Mayra Vega. Motion passed unanimously by the following vote:

AYES: Loren, Stallard, Carson, Cowan, Vega, Frerichs, Sandy, Saylor

NOES: None

ABSENT: None

ABSTAIN: None



Item 15: Approve  
2022 Customer  
Rates

Mr. Sears introduced this item and informed those present that the California Public Utilities Commission (CPUC) made a decision on Energy Resource and Recovery Account (ERRA) forecast proceeding, which includes Power Charge Indifference Adjustment (PCIA) and Pacific Gas & Electric rates. Mr. Sears provided an overview of the background, 2022 Customer Rate and Budget scenarios, updated Customer Rate and Budget scenarios, analysis of rate effect on average customer classes (total electricity bill), financial reserves target, customer outreach and communications, and Staff's recommendation.

Several items were discussed and commented on, such as: remaining in parity with PG&E's rates; the volatility of inputs that impact customer rates; the need to stabilize VCE's position and enhance VCE's potential of a bond rating; revenues and rate review; factors that go into forecasting; achievability of VCE reaching financial goals to fund programs; characteristics and quantity of CARE and FERA customers; and costs associated with these customers. There were no verbal or written public comments.

Director Don Saylor made a motion to adopt Staff's recommendation, this motion was seconded by Chair Loren.

Vice Chair Stallard made a substitute motion to adopt the second option [Scenario 2 (Base Case): approve VCE 2022 Customer Rates with no modifications; all revenues directed to reserves], this substitute motion was seconded by Director Gary Sandy.

The Board continued their discussion on rate options. Chair Loren asked for a vote on the substitute motion supporting the second option, and #2 and #3 of Staff's recommendation. Director Carson called for a "no vote" on this substitute motion.

Board Clerk took the vote on the substitute motion. Motion failed to pass with the following vote:

AYES: Stallard, Sandy, Cowan, Vega

NOES: Loren, Carson, Frerichs, Saylor

ABSENT: None

ABSTAIN: None

Due to the substitute motion failing, Chair Loren asked to take a vote on the first motion made by Director Saylor to approve Staff's recommendation. Director Saylor expressed his rationale for his motion. The Board continued to discuss the motion. Director Carson made an amendment to the motion to postpone a mid-year rate review to the Fall.



After further discussion, Director Saylor amended his motion to approve Staff's recommendation and move the rate review to the Fall 2022 as follows:

1. Approve VCE 2022 Customer Rates:
  - a. Customer rates for 2022 to match PG&E 2022 generation rates for all customer classes.
  - b. A rate credit of 2.5% for CARE and FERA customers in 2022
2. Conduct a mid-year rates review in Fall 2022 to assess rates forecast and determine the feasibility of:
  - a. allocating additional funds for 2022 clean energy content procurement,
  - b. allocating additional funds to program implementation,
  - c. providing additional rate credits for all customer classes during peak summer months in 2022.
3. Direct Staff to continue to develop and evaluate the feasibility of a revised rate structure with three customer options: (1) Standard Green (default) and (2) UltraGreen (100% renewable) with cost-based rates and adding a (3) least-cost customer rate option.

This motion was seconded by Jesse Loren. Motion passed unanimously by the following vote:

AYES: Loren, Stallard, Carson, Cowan, Vega, Frerichs, Sandy, Saylor  
NOES: None  
ABSENT: None  
ABSTAIN: None

Item 16: Approve 2022 Operating Budget (Resolution 2022-005)

VCE Staff Edward Burnham reviewed with those present the 2022 Operating Budget, current fiscal year numbers, key factors influencing the VCE 2022 Budget, 2022 Budget scenarios, and Staff's recommendation.

The Board discussed items: budget, drought and energy costs and how this effects ag customers, forecasting, reserves, the needs of our customers, and the AgFIT (Agricultural Flexible Irrigation Technology) pilot program. There were no verbal or written public comments.

Motion made by Director Saylor to approve 2022 Operating Budget Scenario 1 with \$89.8M of operating revenues and \$72.3M of operating expenses for a net income of \$17.5M, seconded by Director Vega. Motion passed unanimously as Resolution 2022-005 by the following vote:

AYES: Loren, Stallard, Carson, Cowan, Vega, Frerichs, Sandy, Saylor  
NOES: None  
ABSENT: None  
ABSTAIN: None



Item 17: Approve Line of Credit Agreement with the County of Yolo (Resolution 2022-006)

Mr. Sears introduced this item and provided the background on the short term credit agreement with County of Yolo. Mr. Burnham briefly summarized the credit agreement. There were no verbal or written public comments.

Motion made by Director Frerichs to authorize the Interim General Manager to conduct any final negotiations and sign all necessary documents on behalf of VCE for the short-term line of credit agreement with Yolo County in an amount not to exceed \$5,000,000, seconded by Director Dan Carson. Motion passed unanimously as Resolution 2022-006 by the following vote:

AYES: Loren, Stallard, Carson, Cowan, Vega, Frerichs, Sandy, Saylor

NOES: None

ABSENT: None

ABSTAIN: None

Item 18: VCE Three-Year Strategic Plan Annual update. (Informational)

Mr. Sears informed those present that he will not present slides on the Strategic Plan update. However, he reminded those present that the slides covered goals, objectives and activities, procurement, fiscal responsibility, operational innovation, leg/reg activities, and carbon neutral planning.

There were no verbal or written public comments. The Board Clerk was asked to resend the slides to the Board members since most of the slides distributed and posted have information that is cut off.

Item 19: Board Member and Staff Announcements

Mr. Sears informed those present that he presented information to UC Davis Graduate School of Management on Net Energy Metering (NEM) 3.0 He had a great discussion with the graduate students and received good feedback. As a result, VCE received an application from an application requesting to intern with VCE. He also informed those present that he will be speaking at the Yolo County Climate Action Committee meeting scheduled for tomorrow. He and Mark Fenstermaker of Pacific Policy Group, VCE's lobbyist consultant, met with Assemblymember Cecilia Aguiar-Curry's office to talk about VCE's AgFIT program. There is interest from other Assemblymembers' offices to speak with them about the pilot program. Director Saylor invite all to attend the Yolo County Climate Committee meeting tomorrow at 10 a.m.

Chair Loren reminded those present that there will be no closed session. She announced that the Board's next regular meeting is scheduled for Thursday, March 10, 2022 at 5 p.m.

Adjournment

Chair Loren adjourned the regular Board meeting at 7:21 p.m.

Alisa M. Lembke  
VCEA Board Secretary

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report - Item 5

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**TO:** Board of Directors

**FROM:** Alisa Lembke, Board Clerk/Administrative Analyst

**SUBJECT:** Board and Community Advisory Committee 2022 Long-Range Calendar

**DATE:** March 10, 2022

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#### **Recommendation**

Receive and file the 2022 Board and Community Advisory Committee long-range calendar listing proposed meeting topics.

**VALLEY CLEAN ENERGY**  
**2022 Meeting Dates and Proposed Topics**  
**Board and Community Advisory Committee (CAC)**  
**(CAC: Topics and Discussion Dates may change as needed)**

MEETING DATE		TOPICS	ACTION
<del>January 13, 2022</del> Special Meeting scheduled for January 27, 2022	Board WOODLAND	<ul style="list-style-type: none"> <li>• Election of Officers for 2022 (Annual)</li> <li>• Near-term Procurement Directives and Delegations for 2022 Power Procurement Activities</li> <li>• Calendar Year Budget and 2022 VCE customer rates</li> <li>• GHG Free Attributes</li> <li>• 2022 Legislative Platform</li> <li>• Receive CAC 2021 Calendar Year End Report (Annual)</li> <li>• 2021 Year End Review: Customer Care and Marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Information</li> <li>• Information</li> </ul>
<del>January 27, 2022</del> January 20, 2022	Advisory Committee WOODLAND	<ul style="list-style-type: none"> <li>• 2022 Task Groups Tasks/Charge (Annual)</li> <li>• Update on 2022 Power Charge Indifference Adjustment (PCIA) and Rates</li> <li>• Carbon Neutral by 2030 Study</li> <li>• CC Power long duration storage</li> <li>• Draft Collections Policy</li> <li>• Update on customer programs development (draft Heat Pump Pilot Program)</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Discussion/Action</li> <li>• Discussion/Action</li> <li>• Information</li> <li>• Information/Discussion</li> <li>• Information</li> </ul>
February 10, 2022	Board DAVIS	<ul style="list-style-type: none"> <li>• CC Power long duration storage</li> <li>• Update on customer programs development</li> <li>• Update on 2022 PCIA and Rates</li> <li>• Update on Time of Use (TOU)</li> <li>• Update on SACOG Grant – Electrify Yolo</li> <li>• Strategic Plan Update (Annual)</li> <li>• Carbon Neutral Report</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Information</li> <li>• Information</li> <li>• Information</li> <li>• Information</li> <li>• Information</li> <li>• Information/Discussion</li> </ul>
February 24, 2022	Advisory Committee DAVIS	<ul style="list-style-type: none"> <li>• Power Procurement / Renewable Portfolio Standard Update</li> <li>• Time of Use (TOU) and Bill Protection</li> <li>• Final Draft Collections Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Information</li> <li>• Discussion/Action</li> <li>• Action</li> </ul>



		<ul style="list-style-type: none"> <li>Customer program concept (Heat Pump Pilot Program)</li> <li>2022 Task Group – energy resiliency</li> </ul>	<ul style="list-style-type: none"> <li>Discussion/Action</li> <li>Discussion/Action</li> </ul>
March 10, 2022	Board WOODLAND	<ul style="list-style-type: none"> <li>Receive Enterprise Risk Management Report (Bi-Annual)</li> <li>Collections Policy</li> <li>Presentment of customer program concept (Heat Pump Pilot Program)</li> <li>Time of Use (TOU) Bill Protection</li> <li>Ag FIT (Flexible Irrigation Technology) pilot program</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> <li>Discussion/Action</li> <li>Action</li> <li>Discussion/Action</li> <li>Discussion/Action</li> </ul>
March 24, 2022	Advisory Committee WOODLAND	<ul style="list-style-type: none"> <li>Customer program concept (draft EV Rebates Program)</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> </ul>
April 14, 2022	Board DAVIS	<ul style="list-style-type: none"> <li>7/1/21 thru 12/31/21 Audited Financial Statements (James Marta &amp; Co.)</li> <li>Update on Customer Dividend and Programs Allocation</li> </ul>	<ul style="list-style-type: none"> <li>Action</li> <li>Information</li> </ul>
April 28, 2022	Advisory Committee DAVIS	<ul style="list-style-type: none"> <li>Program Concepts Development (EV Rebates Program)</li> <li>Update on Customer Dividend and Programs Allocation</li> </ul>	<ul style="list-style-type: none"> <li>Discussion/Action</li> <li>Information</li> </ul>
May 12, 2022	Board WOODLAND	<ul style="list-style-type: none"> <li>Update on SACOG Grant – Electrify Yolo (placeholder)</li> <li>Presentment of customer program concept (EV Rebates Program)</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> <li>Action</li> </ul>
May 26, 2022	Advisory Committee WOODLAND	<ul style="list-style-type: none"> <li>Update 3-Year Programs Plan</li> </ul>	<ul style="list-style-type: none"> <li>Information/Discussion</li> </ul>
June 9, 2022	Board DAVIS	<ul style="list-style-type: none"> <li>Re/Appointment of Members to Community Advisory Committee (Annual)</li> <li>Extension of Waiver of Opt-Out Fees for one year (Annual)</li> <li>Update 3-Year Programs Plan</li> </ul>	<ul style="list-style-type: none"> <li>Action</li> <li>Action</li> <li>Information</li> </ul>
June 23, 2022	Advisory Committee DAVIS		

July 14, 2022	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>Net Energy Metering (NEM) 3.0 Update (placeholder)</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> </ul>
July 28, 2022	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Power Procurement / Renewable Portfolio Standard update</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> </ul>
August 11, 2022	<b>Board</b> DAVIS		
August 25, 2022	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>2022 Operating Budget / Renewable Portfolio Standard update</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
September 8, 2022	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>Update on SACOG Grant – Electrify Yolo</li> <li>2022 Operating Budget / Renewable Portfolio Standard update</li> <li>Certification of Standard and UltraGreen Products (Annual)</li> <li>Enterprise Risk Management Report (Bi-Annual)</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> <li>Information</li> <li>Action</li> <li>Information</li> </ul>
September 22, 2022	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Legislative End of Session Update</li> <li>2023 Draft Operating Budget</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> <li>Information</li> </ul>
October 13, 2022	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>Update on 2023 draft Operating Budget</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> </ul>
October 27, 2022	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>Update on Power Content Label Customer Mailer</li> <li>Review Draft CAC Evaluation of Calendar Year End (Annual)</li> </ul>	<ul style="list-style-type: none"> <li>Information</li> <li>Information/Discussion</li> </ul>
November 10, 2022	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>Certification of Power Content Label (Annual)</li> <li>Preliminary 2023 Operating Budget (Annual)</li> </ul>	<ul style="list-style-type: none"> <li>Action</li> <li>Information</li> </ul>
November 17, 2022 (rescheduled November 24 <sup>th</sup> meeting due to the Thanksgiving holiday)	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Finalize CAC Evaluation of Calendar Year End (Annual)</li> <li>Review Procurement Directives and Delegations (Annual)</li> <li>GHG Free attributes</li> <li>Power Procurement / Renewable Portfolio Standard Update</li> <li>Review CAC Charge (Annual)</li> <li>ERRA Filings Update (PCIA and bundled rates) (Annual)</li> </ul>	<ul style="list-style-type: none"> <li>Discussion/Action</li> <li>Information</li> <li>Information</li> <li>Information</li> <li>Discussion</li> <li>Information</li> </ul>

December 8, 2022	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Approve 2023 Operating Budget (Annual)</li> <li>• Receive Enterprise Risk Management Report (Annual)</li> <li>• Approve Procurement Directives and Delegations (Annual)</li> <li>• GHG Free attributes</li> <li>• Update on SACOG Grant – Electrify Yolo</li> <li>• Receive CAC 2022 Calendar Year End Report (Annual)</li> <li>• Election of Officers for 2023 (Annual)</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Information</li> <li>• Action</li> <li>• Action</li> <li>• Information</li> <li>• Information</li> <li>• Nominations</li> </ul>
December 15, 2022 (rescheduled December 22 <sup>nd</sup> meeting due to the Christmas holiday)	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• 2023 CAC Task Group(s) formation (Annual)</li> <li>• Review draft 2023 Legislative Platform</li> <li>• Strategic Plan update (Annual)</li> <li>• Election of Officers for 2023 (Annual)</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion/Action</li> <li>• Discussion/Action</li> <li>• Information</li> <li>• Nominations</li> </ul>
January 12, 2023	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Oaths of Office for Board Members (Annual if new Members)</li> <li>• Strategic Plan Update (Annual)</li> <li>• 2023 Legislative Platform</li> <li>• Approve Updated CAC Charge (tentative) (Annual)</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Action</li> </ul>
January 26, 2023	<b>Advisory Committee</b> WOODLAND		

Note: CalCCA Annual Meeting typically scheduled in November

<b>CAC PROPOSED FUTURE TOPICS</b> Topics and Discussion dates may change as needed	<b>ESTIMATED MEETING DATE</b>
Forecasting (1) load and (2) PCIA and PG&E Rates (Information/Discussion)	Spring 2022
Net Energy Metering (NEM) 3.0 (Information/Discussion/Action)	TBD
Carbon Neutral by 2030 (types of energy, where procured, BTM, FOM, policy) (Discussion/Action)	2022 Quarter 3
Integrated Resource Plan (IRP) (Discussion/Action)	TBD
CAC Charge revision (as needed)	
Legislative Items (as needed)	
Strategic Plan additional updates (as needed)	
Time of Use (TOU) (as needed)	
SACOG Update (as needed)	

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 6**

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**TO:** Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Edward Burnham, Finance and Operations Director

**SUBJECT:** Financial Update – January 1, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2022

**DATE:** March 10, 2022

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**RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of January 1, 2022 to January 31, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2022.

**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 January 31, 2022.

**Financial Statements for the period January 1, 2022 – January 31, 2022**

In the Statement of Net Position, VCEA, as of January 31, 2021, has a total of \$2,526,535 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,998,276 restricted assets related to supplier deposits, and \$2,462,118 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of January 31, 2021, \$138,909. VCE member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$1,153,026. On January 31, 2022, VCE's net position is \$8,413,614.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$3,602,643 of revenue (net of allowance for doubtful accounts), of which \$3,417,595 was billed in January and \$1,698,209 represent estimated unbilled revenue. The cost of the electricity for the January revenue totaled \$4,538,541. For January, VCEA's gross margin was approximate -26% and net loss totaled (\$1,335,483). The year-to-date change in net position was (\$1,335,483).

In the Statement of Cash Flows, VCEA cash flows from operations were (\$1,462,514) due to January cash receipts of revenues being less than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending January 31, 2022

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

- Electric Revenue - \$247,043 and 7% – favorable variance is due to load being more favorable than planned and the weather has been warmer than forecast.
- Purchased Power – (\$942,359) and -17% – favorable variance is due to load being more favorable than planned and the weather has been warmer than forecast.

**Attachments:**

- 1) Financial Statements (Unaudited) January 1, 2022 to January 31, 2022 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending January 31, 2022



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2022**

**PREPARED ON MARCH 2, 2022**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**JANUARY 31, 2022**  
**(UNAUDITED)**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 2,526,535
Accounts receivable, net of allowance	6,854,199
Accrued revenue	1,698,209
Prepaid expenses	579,311
Other current assets and deposits	1,998,276
<b>Total current assets</b>	<u>13,656,530</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	2,462,118
<b>Total restricted assets</b>	<u>3,562,118</u>
Noncurrent assets:	
Other noncurrent assets and deposits	-
<b>Total noncurrent assets</b>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,218,648</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 501,149
Accrued payroll	56,235
Interest payable	2,684
Due to member agencies	138,909
Accrued cost of electricity	4,858,263
Other accrued liabilities	(19,338)
Security deposits - energy supplies	1,980,000
User taxes and energy surcharges	134,106
Limited Term Loan	1,153,026
<b>Total current liabilities</b>	<u>8,805,034</u>
Noncurrent liabilities	
Term Loan- RCB	-
<b>Total noncurrent liabilities</b>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 8,805,034</u></u>

**NET POSITION**

Restricted	
Local Programs Reserve	224,500
Restricted	3,562,118
Unrestricted	4,626,996
<b>TOTAL NET POSITION</b>	<u><u>\$ 8,413,614</u></u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF JANUARY 1, 2022 TO JANUARY 31, 2022**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	FOR THE PERIOD ENDING JANUARY 31, 2022	YEAR TO DATE
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 3,602,643	\$ 3,602,643
<b>TOTAL OPERATING REVENUES</b>	<u>3,602,643</u>	<u>3,602,643</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	4,538,541	4,538,541
Contract services	227,979	227,979
Staff compensation	95,680	95,680
General, administration, and other	73,836	73,836
<b>TOTAL OPERATING EXPENSES</b>	<u>4,936,036</u>	<u>4,936,036</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	(1,333,393)	(1,333,393)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue		
Interest income	1,678	1,678
Interest and related expenses	(3,768)	(3,768)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(2,090)</u>	<u>(2,090)</u>
<b>CHANGE IN NET POSITION</b>	(1,335,483)	(1,335,483)
Net position at beginning of period	9,749,097	9,749,097
Net position at end of period	<u>\$ 8,413,614</u>	<u>\$ 8,413,614</u>



**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2022**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING JANUARY 31, 2022</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 3,963,587	\$ 3,963,587
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(5,012,447)	(5,012,447)
Payments for contract services, general, and administration	(308,108)	(308,108)
Payments for staff compensation	(103,354)	(103,354)
Other cash payments	-	-
<b>Net cash provided (used) by operating activities</b>	<u>(1,460,322)</u>	<u>(1,460,322)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Principal payments of Debt	-	-
Interest and related expenses	(3,870)	(3,870)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(3,870)</u>	<u>(3,870)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,678	1,678
<b>Net cash provided (used) by investing activities</b>	<u>1,678</u>	<u>1,678</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,462,514)	(1,462,514)
Cash and cash equivalents at beginning of period	7,551,167	7,551,167
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,088,653</u>	<u>\$ 6,088,653</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	2,526,535	2,526,535
Restricted assets	3,562,118	3,562,118
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,088,653</u>	<u>\$ 6,088,653</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2022**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	FOR THE PERIOD ENDING JANUARY 31, 2022	YEAR TO DATE
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (1,333,393)	\$ (1,333,393)
(Increase) decrease in net accounts receivable	275,616.59	275,616.59
(Increase) decrease in accrued revenue	69,984	69,984
(Increase) decrease in prepaid expenses	305,919	305,919
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	-	-
Increase (decrease) in accounts payable	(28,088)	(28,088)
Increase (decrease) in accrued payroll	(7,674)	(7,674)
Increase (decrease) in due to member agencies	20,964	20,964
Increase (decrease) in accrued cost of electricity	(473,906)	(473,906)
Increase (decrease) in other accrued liabilities	(305,088)	(305,088)
Increase (decrease) security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	15,343	15,343
<b>Net cash provided (used) by operating activities</b>	<b>\$ (1,460,322)</b>	<b>\$ (1,460,322)</b>

**VALLEY CLEAN ENERGY**  
**2022 YTD ACTUAL VS. BUDGET**  
**FOR THE YEAR TO DATE ENDING 01/31/22**

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 3,602,643	\$ 3,355,600	\$ 247,043	7%
Interest Revenues	\$ 1,678	\$ 1,500	\$ 178	12%
<b>Purchased Power</b>	<b>\$ 4,538,541</b>	<b>\$ 5,480,900</b>	<b>\$ (942,359)</b>	<b>-17%</b>
Purchased Power Base	\$ 4,538,541	\$ 4,838,600	\$ (300,059)	-6%
Purchased Power Contingency 2%	\$ -	\$ 642,300	\$ (642,300)	-100%
<b>Labor &amp; Benefits</b>	<b>\$ 95,679</b>	<b>\$ 109,900</b>	<b>\$ (14,221)</b>	<b>-13%</b>
Salaries & Wages/Benefits	\$ 77,674	\$ 90,800	\$ (13,126)	-14%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 4,900	\$ (4,900)	-100%
Human Resources & Payroll	\$ 18,005	\$ 14,200	\$ 3,805	27%
<b>Office Supplies &amp; Other Expenses</b>	<b>\$ 40,597</b>	<b>\$ 16,400</b>	<b>\$ 24,197</b>	<b>148%</b>
Technology Costs	\$ 4,568	\$ 2,900	\$ 1,668	58%
Office Supplies	\$ 24	\$ 200	\$ (176)	-88%
Travel	\$ -	\$ 500	\$ (500)	-100%
CalCCA Dues	\$ 9,115	\$ 10,600	\$ (1,485)	-14%
CC Power	\$ 26,891	\$ 2,000	\$ 24,891	1245%
Memberships	\$ -	\$ 200	\$ (200)	-100%
<b>Contractual Services</b>	<b>\$ 210,924</b>	<b>\$ 209,600</b>	<b>\$ 1,324</b>	<b>1%</b>
Other Contract Services	\$ -	\$ 2,100	\$ (2,100)	-100%
Don Dame	\$ 380	\$ 800	\$ (420)	-53%
SMUD - Credit Support	\$ 50,937	\$ 43,500	\$ 7,437	17%
SMUD - Wholesale Energy Services	\$ 48,987	\$ 48,800	\$ 187	0%
SMUD - Call Center	\$ 65,656	\$ 65,800	\$ (144)	0%
SMUD - Operating Services	\$ 1,108	\$ 5,000	\$ (3,892)	-78%
Commercial Legal Support	\$ -	\$ -	\$ -	100%
Legal General Counsel	\$ 13,983	\$ 12,900	\$ 1,083	8%
Regulatory Counsel	\$ 21,596	\$ 16,600	\$ 4,996	30%
Joint CCA Regulatory counsel	\$ 192	\$ 2,700	\$ (2,508)	-93%
Legislative - (Lobbyist)	\$ 5,000	\$ 5,000	\$ -	0%
Accounting Services	\$ 1,084	\$ 2,200	\$ (1,116)	-51%
Financial Consultant	\$ -	\$ 2,100	\$ (2,100)	-100%
Audit Fees	\$ 2,000	\$ 2,100	\$ (100)	-5%
<b>Marketing</b>	<b>\$ 17,053</b>	<b>\$ 20,500</b>	<b>\$ (3,447)</b>	<b>-17%</b>
Marketing Collateral	\$ 17,053	\$ 20,000	\$ (2,947)	-15%
Community Engagement Activities & Sponsorships	\$ -	\$ 500	\$ (500)	-100%
<b>Programs</b>	<b>\$ 1,058</b>	<b>\$ 14,500</b>	<b>\$ (13,442)</b>	<b>-93%</b>
Program Costs	\$ 1,058	\$ 14,500	\$ (13,442)	-93%
<b>Rents &amp; Leases</b>	<b>\$ 3,200</b>	<b>\$ 1,800</b>	<b>\$ 1,400</b>	<b>78%</b>
Hunt Boyer Mansion	\$ 3,200	\$ 1,800	\$ 1,400	78%
<b>Other A&amp;G</b>	<b>\$ 28,932</b>	<b>\$ 28,000</b>	<b>\$ 932</b>	<b>3%</b>
Development - New Members	\$ -	\$ 2,100	\$ (2,100)	-100%
Strategic Plan Implementation	\$ 5,892	\$ 2,100	\$ 3,792	181%
PG&E Data Fees	\$ 21,730	\$ 23,000	\$ (1,270)	-6%
Insurance	\$ 1,310	\$ 700	\$ 610	87%
Banking Fees	\$ -	\$ 100	\$ (100)	-100%
Miscellaneous Operating Expenses	\$ 51	\$ 600	\$ 600	100%
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,936,036</b>	<b>\$ 5,902,200</b>	<b>\$ (925,015)</b>	<b>-16%</b>
Interest on RCB loan	\$ 3,768	\$ 3,400	\$ 368	11%
Interest Expense - Bridge Loan	\$ -	\$ -	\$ -	100%
<b>NET INCOME</b>	<b>\$ (1,335,483)</b>	<b>\$ (2,548,500)</b>	<b>\$ 1,171,868</b>	<b>-46%</b>

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 7**

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To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: March 10, 2022

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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 continues to meet and discuss legislative matters. Below is a summary:

The eyes of the world have been fixed on the events unfolding in Ukraine and California’s elected officials are exploring opportunities to rebuke Russia’s recent actions. Governor Newsom and a bi-partisan delegation of legislators are advancing legislation to divest state public funds, such as pension funds under CalPERS and CalSTRS, from Russia and Russian-state entities.

Returning to more tried and true happenings of the Legislature, the deadline for legislators to introduce bills passed on February 18, 2022 and staff, working with VCE’s lobbyist Mark Fenstermaker of Pacific Policy Group and the Community Advisory Committee’s Legislative and Regulatory Task Group, are working through their process to review, analyze, and discuss potential positions to recommend to the Board as appropriate. Several high-impact bills have already been identified and are described in further detail in the staff report with recommendations.

In addition to policy bills, the Legislature is discussing and vetting the Governor’s proposed 2022-23 budget which came in at \$286.4 billion, a 9% increase from last year. This includes a \$21 billion discretionary surplus, plus billions more for schools, pension payments and reserve accounts. The governor’s budget includes significant funding to help the state meet its climate and clean energy goals. Proposed is \$9.1 billion in transportation funding, including \$1.5 billion for public schools, estimated to be enough to convert about one-third of the school bus fleet to electric, \$4.2 billion for high-speed rail and \$3.25 billion for other transit projects. \$500 million would be spent in ways that encourage active transportation i.e., walking and biking. There is \$1.2 billion for 40,000 passenger electric vehicles and 100,000 new charging stations in California by the end of 2023 and \$1 billion for other zero-emission vehicle initiatives. The governor has proposed \$2 billion to advance technology, reduce carbon emissions and shore up the grid. This includes \$380 million for long-duration storage.

Lastly, Interim General Manager Mr. Sears and Mr. Fenstermaker have met with staff of Asm. Aguiar-Curry as well as the Chief Consultant of Assembly Utilities & Energy Committee to provide briefings of the VCE AgFIT pilot program. Mr. Sears and Mr. Fenstermaker intend to provide similar briefings in the coming weeks to Senator Dodd's office as well as to the Senate Energy, Utilities, & Communications Committee.

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 8

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To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: March 10, 2022

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Please find attached Keyes & Fox's February 2022 Regulatory Memorandum dated March 2, 2022, 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 March 2, 2022.

# 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: March 2, 2022

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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:

- **Ensuring Summer 2021 Reliability:** VCE, Polaris and TeMix filed a Petition for Modification of D.21-12-015 to authorize a VCE administrative budget for VCE's Agricultural Pumping Dynamic Rate Pilot, along with a motion to shorten time for comments. The Public Advocates Office (PAO) filed a response, to which VCE replied. In addition, PG&E filed AL 6495-E on VCE's Pilot, and VCE, Polaris and TeMix filed a Protest of PG&E AL 6495-E.
- **IRP Rulemaking:** The CPUC issued D.22-02-004, adopting a 2021 Preferred System Plan and certifying VCE's 2020 IRP, finding numerous sections were "exemplary." VCE's next IRP is due November 1, 2022. CPUC, CEC and CAISO held a workshop to discuss approaches for examining the environmental and land use implications of potential resource portfolios to meet SB 100. The CEC also hosted a workshop providing an overview of the strategic plan called for in AB 525, which directed it to evaluate and quantify the maximum feasible capacity of offshore wind to achieve reliability, ratepayer, employment, and decarbonization benefits and establish megawatt offshore wind planning goals for 2030 and 2045.
- **PG&E 2022 ERRA Forecast:** On February 11, 2022, the CPUC issued D.22-02-002, resolving all issues and closing the proceeding. The final system average PCIA rate for the 2017 vintage is \$0.01897/kWh.
- **RPS Rulemaking:** On February 1, 2022, the Commission issued D.22-01-025, finding that Gexa Energy California LLC failed to comply with the requirement to include certain nonmodifiable standard terms and conditions in its RPS procurement contract and imposed a penalty of \$352,500. On February 17, 2022, VCE and other retail sellers filed their final 2021 RPS Procurement Plans in compliance with D.22-01-004.
- **PG&E's Phase 2 GRC:** The ALJ issued a Proposed Decision on the issue of the property tax adder. For reference, in January, PG&E and CLECA filed a Motion requesting the CPUC to

establish a separate expedited schedule to allow a final decision resolving the single carryover issue of material fact about the MGCC Property Tax Adder by March 17, 2022.

- **PG&E's Phase 1 GRC:** PG&E and Caltrain submitted a joint report on the status of the third-party audit of costs that PG&E will incur to upgrade the East Grand and FMC substations in connection with Caltrain's project to electrify its commuter rail system between San Jose and San Francisco. The ALJ issued a Ruling scheduling public participation hearings on three days in March 2022, with the first hearing held on March 1, 2022. TURN, PG&E, and PAO filed a Motion requesting modifications to the Track 1 schedule. PG&E filed an update to its forecast for wildfire mitigation activities, concurrent with its service of its 2022 Wildfire Mitigation Plan. PG&E hosted a workshop to provide an overview of the updates provided in its February 25, 2022, supplemental testimony.
- **RA Rulemaking (2023-2024):** The ALJ issued a Proposed Decision that would make modifications to the RA central procurement entity (CPE) structure, including changes to encourage LSEs to self-show resources. Parties filed comments and reply comments on Phase 2 proposals. The ALJ issued a Ruling providing Energy Division's loss of load expectation study and the CEC's Qualifying Capacity of Supply-Side Demand Response Working Group Report. The workshop report was filed on the PG&E "slice-of-day" proposal that seeks to ensure load will be met in all hours of the day.
- **PG&E's 2019 ERRR Compliance:** The Joint IOU rebuttal testimony was filed February 15, 2022, and a Joint Case Management Statement was submitted February 25, 2022.
- **Provider of Last Resort Rulemaking:** The ALJ issued a Ruling confirming that the second workshop in Phase 1 will take place on March 7, 2022, distributing an agenda for the workshop, and setting forth questions on which parties may comment during the workshop, as well as in written comments after the workshop.
- **RA Rulemaking (2019-2020):** The CPUC issued D.22-02-008, denying Western Power Trading Forum's Application for Rehearing of D.20-06-002, which adopted implementation details for the central procurement of multi-year local RA procurement. One application for rehearing remains the only outstanding item to be addressed in this proceeding, which is now closed.
- **Utility Safety Culture Assessments:** The CPUC's Safety Policy Division notified stakeholders of plans to hold an informational workshop on March 11, 2022.
- **PCIA Rulemaking:** No updates this month. On January 27, 2022, the CPUC approved D.22-01-023 targeting improvements to the process of establishing the PCIA in ERRR proceedings.
- **2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking:** No updates this month. The CPUC issued D.21-12-006 adopting a Wildfire Fund NBC of \$0.00652/kWh for January 1, 2022, through December 31, 2022.
- **PG&E's 2020 ERRR Compliance:** No updates this month. On October 15, 2021, parties filed a Settlement Agreement resolving disputed issues in this proceeding.
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month.
- **PG&E Regionalization Plan:** No updates this month. On September 10, 2021, Parties, including VCE, filed comments on the August 31, 2021, motion for approval of settlement agreements, followed by reply comments on September 17, 2021.
- **Direct Access Rulemaking:** No updates this month. In August, CalCCA filed a response to a July application for rehearing filed by a coalition of parties supporting expansion of Direct Access, who challenged a June CPUC decision that recommended against any re-opening of Direct Access. This proceeding is otherwise closed.
- **RA Rulemaking (2021-2022):** No updates this month. On October 11, 2021, parties filed responses to OhmConnect's Petition for Modification of D.20-06-031, to which OhmConnect responded on October 25, 2021. The October 11, 2021, Order Instituting Rulemaking in the RA



Rulemaking (2023-2024) closed this proceeding, except to resolve OhmConnect's Petition for Modification.

## Ensuring Summer 2021 Reliability

On January 31, 2022, VCE, Polaris and TeMix filed a Petition for Modification of D.21-12-015 to authorize a VCE administrative budget for VCE's Agricultural Pumping Dynamic Rate Pilot (Pilot), along with a motion to shorten time for comments. The Public Advocates Office (PAO) filed a response to the motion on February 9, 2022, to which VCE replied on February 17, 2022. On February 4, 2022, PG&E filed AL 6495-E on the Pilot and on February 24, 2022, VCE, Polaris and TeMix (Pilot Partners) filed a Protest of PG&E AL 6495-E.

- **Background:** CAISO experienced rolling blackouts (Stage 3 Emergency) on August 14, 2020, and August 15, 2020, when a heatwave struck the Western U.S. and there was insufficient available supply to meet high demand. The OIR was issued to ensure reliable electric service in the event that an extreme heat storm occurs in the summer of 2021.

D.21-03-056 instituted modifications to the planning reserve margin (PRM), effectively increasing the PRM beginning summer 2021 from 15% to 17.5%. For 2021, this results in a minimum target of incremental procurement of 450 MW for PG&E, 450 MW for SCE, and 100 MW for SDG&E. The net costs associated with this incremental procurement would be shared by all customers (including CCA customers) in each IOU's service territory. It also authorized the IOUs to implement a Flex Alert paid media campaign program to encourage ratepayers to voluntarily reduce demand during moments of a stressed grid, adopts modifications and expansions to the Critical Peak Pricing (CPP) program, and established an emergency load reduction program.

D.21-12-015 approved VCE's dynamic rate Pilot for three years (2022-2024) and directed that it start no later than May 1, 2022. VCE's Pilot will test whether agricultural irrigation pumping customers, which consume on average 18% of VCE's total annual load, can shift load to more optimal times of the day, thereby saving money, reducing burden to the grid and reducing GHG impacts. Customers participating in VCE's Pilot will receive a "shadow bill." PG&E will continue to bill participating customers based on existing tariffs, but the shadow bill will show the customer savings under the Pilot dynamic rate, and VCE will pay customers for the difference between the shadow bill and the existing tariff. The Pilot scale will be limited to 5 MW of peak load. PG&E will provide funds to or reimburse VCE for crediting any savings realized by the customers with respect to the delivery component of the VCE dynamic rate Pilot in the customers' shadow bills. D.21-12-015 authorized new funding of \$3.25 million for the pumping automation technology, pricing platform and vendor fees and PG&E's administration of the three-year Pilot.

D.21-12-015 also creates an additional procurement mandate of 2,000 MW-3,000 MW for 2023, allocated exclusively to the three large IOUs (900 MW-1,350 MW each for PG&E and SCE, and 200 MW-300 MW for SDG&E). It requires all incremental resources procured as a result of this proceeding to be available during the net peak. It adopted numerous additional demand-side and supply-side changes aimed at ensuring sufficient resource availability to meet the summer net peak load.

- **Details:** The Pilot Partners filed a Petition for Modification (PFM) of D.21-12-015 to increase the budget for this Pilot to ensure that the total budget covers VCE's administrative costs. The Pilot Partners also filed a Motion to Shorten Time for comments on the PFM as well as on the Commission's proposed decision resolving the PFM. PAO's Response recommended that the Motion be denied, arguing that the more time was needed to comment on increases to ratepayer costs. The Pilot Partners' reply stated that its requested relief sought in the PFM is not new, as it has consistently expressed the need to cover VCE's administrative expenses. PAO also issued a discovery request to the Pilot Partners relating to such administrative costs and VCE's plans for allocation of the Pilot budget, to which the Pilot Partners replied on February 24, 2022.

The Pilot Partners also filed a Protest of PG&E's AL 6495-E. The Pilot Partners objected to the pricing methodology proposed by PG&E, saying it is inconsistent with the UNIDE framework

because it does not employ smooth scarcity pricing/continuous functions to determine the delivery component and therefore is inconsistent with the explicit direction of D.21-12-015 to test dynamic rates. Furthermore, the Pilot Partners argued that the differentials between peak and off-peak AL 6495-E are too small to effectively test the impacts of dynamic pricing. The Pilot Partners objected to PG&E's attempt to establish various participation rules for the Pilot, including determining eligibility for various types of net energy metering (NEM) customers and other participation requirements.

- **Analysis:** PG&E was resistant to the authorization of VCE's Pilot in its comments to the Commission, and its actions since the Pilot was approved have had the impact of delaying Pilot implementation and VCE's ability to pay its vendors. In its advice letter, PG&E has asserted control over various elements of the Pilot that were not authorized by the Commission or are inconsistent with the Commission's Decision. PG&E has also asserted the need for a VCE-PG&E contract which inappropriately treats VCE as PG&E's service provider. VCE is seeking approval of its advice letter and PFM to facilitate implementation of the Pilot.
- **Next Steps:** The Commission's Energy Division is expected to resolve VCE's Advice Letter 11-E this month. PG&E's reply to the Pilot Partners' Protest is due March 1, 2022. Responses and protests to the PFM are due March 2, 2022. If permission is granted for filing, the Pilot Partners' reply to any such responses or protests will be due March 14, 2022. The Commission's proposed decision on the PFM will be issued thereafter, which will be subject to party comments and a Commission vote. VCE must start its Pilot by May 1, 2022.
- **Additional Information:** VCE, Polaris, and TeMix [Protest](#) of PG&E [AL 6495-E](#) (February 24, 2022); VCE, Polaris, and TeMix [Reply](#) to PAO Response (February 18, 2022); VCE [Reply](#) to PG&E Protest of VCE AL 11-E (January 31, 2022); VCE, TeMix and Polaris [Petition for Modification](#) (January 31, 2022); [Motion](#) to Shorten Time (January 31, 2022); PG&E [Protest](#) of VCE AL 11-E (January 25, 2021); [D.21-12-069](#) correcting errors in D.21-12-014 (December 27, 2021); [D.21-12-015](#) (December 6, 2021); [D.21-09-045](#) denying rehearing of D.21-03-056 (September 23, 2021); [D.21-06-027](#) (approved June 24, 2021); [Order](#) denying applications for rehearing (May 20, 2021); [D.21-03-056](#) (March 25, 2021); [D.21-02-028](#) directing IOUs to seek additional capacity for summer 2021 (February 17, 2021); [Scoping Memo and Ruling](#) (December 21, 2020); [Order Instituting Rulemaking](#) (November 20, 2020); Docket No. [R.20-11-003](#).

## IRP Rulemaking

On February 15, 2022, the CPUC issued D.22-02-004, adopting a 2021 Preferred System Plan and certifying VCE's 2020 IRP, finding numerous sections were "exemplary." VCE's next IRP is due November 1, 2022. On February 22, 2022, the CPUC, CEC and CAISO held a workshop to discuss approaches for examining the environmental and land use implications of potential resource portfolios to meet SB 100. The CEC also hosted a workshop on March 3, 2022, providing an overview of the strategic plan called for in AB 525, which directed it to evaluate and quantify the maximum feasible capacity of offshore wind to achieve reliability, ratepayer, employment, and decarbonization benefits and establish megawatt offshore wind planning goals for 2030 and 2045.

- **Background:** 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.

The September 24, 2020 Scoping Memo and Ruling clarified that the issues planned to be resolved in this proceeding are organized into the following tracks: General IRP oversight issues, procurement track, Preferred System Portfolio development, the Transmission Planning Process, and Reference System Portfolio Development.

**D.20-12-044** established a backstop procurement process that would apply to LSEs that did not opt-out of self-procuring their capacity obligations under D.19-11-016. It requires LSEs to file bi-annual (due February 1 and August 1) updates on their procurement progress relative to the

contractual and procurement milestones defined in the decision. After review of the compliance filings, CPUC Staff will bring a Resolution before the Commission specifying the amount of backstop procurement required for a particular IOU on behalf of each LSE for each procurement tranche (2021, 2022, and 2023).

**D.21-06-035** established a new procurement mandate of 11,500 MW of additional zero-emitting or RPS-eligible net qualifying capacity to be procured by 2026 by LSEs through long-term (10 or more years) contracts. It ordered that the resources from Diablo Canyon be replaced with at least 2,500 MW of zero-emitting resources. In addition, it specifies that 2,000 MW of the procurement mandate required for 2026 must be “long-lead-time” (LLT) resources, with half coming from long-duration storage and the other half from zero-emitting resources with an 80% or greater capacity factor, with the Decision pointing to geothermal and biomass as the resources best-suited to meet this category. VCE is permitted to use resources that were not online or in-development and contracted and approved by its Board as of June 30, 2020 to count towards its procurement requirements (i.e., contracts approved by the VCE Board and executed after June 30, 2020, can count towards VCE’s procurement mandates). LSEs will **not** be given the option to opt out up front from providing their proportional share of the capacity required by D.21-06-035. The February 1, 2023 compliance filing will be the first check on the status of LLT resource procurement. **VCE’s obligations** are 8 MW by 2023, 23 MW by 2024, 6 MW by 2025, 4 MW of long-duration storage and 4 MW of zero-emitting resources by 2026. In addition, 10 MW out of its 2023-2025 procurement requirements must be met through zero-emitting generating capacity that is available 5-10pm daily.

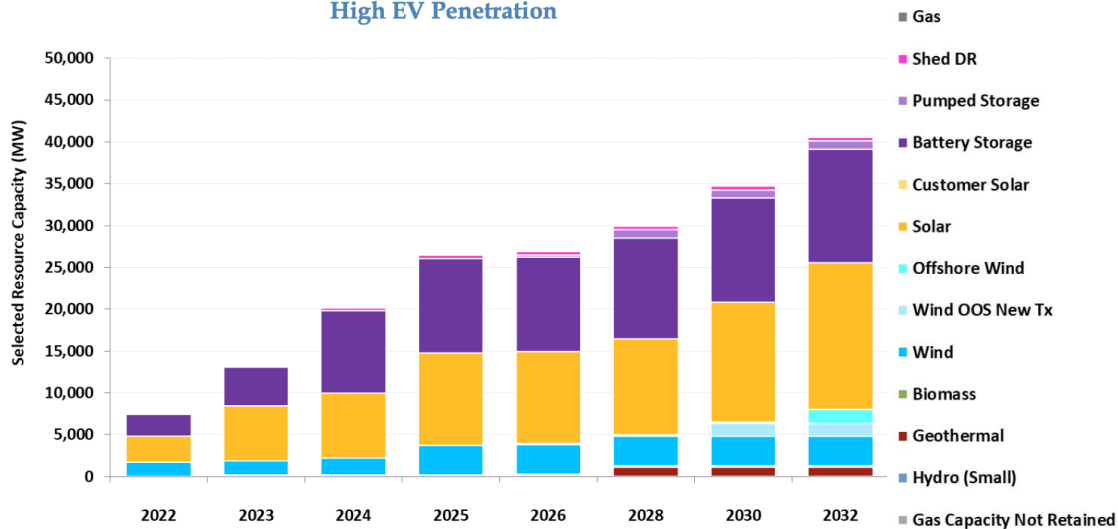
A pending December 2021 CCA motion for clarification pertains to cost recovery of resources under D.19-11-016, which imposed a 3,300 MW procurement of system RA. Cost recovery and other issues, including RA credits, were to be addressed by a modified Cost Allocation Mechanism (mCAM) that was to be developed by the Commission later in time, but a decision on the mCAM has not yet been issued. Accordingly, the CCAs requested that the CPUC issue an order providing further clarification and interim guidance regarding recently departing load customers.

- **Details:** D.22-02-004 adopts a 2021 PSP, which is a statewide resource portfolio that meets a statewide 38 MMT GHG target for the electric sector in 2030. It is derived from an aggregation of individual LSE IRPs with adjustments to extend the timeframe beyond 2030 to 2032 for transmission planning purposes and to add the resources required in D.21-06-035 for mid-term reliability (MTR) purposes. The decision recommends that CAISO use the 38 MMT PSP portfolio as both the reliability base case and the policy-driven base case for study in its 2022-2023 Transmission Planning Process, which is a more aggressive GHG reduction portfolio than the 46 MMT portfolio used in 2020 IRPs. It also directs staff to work with the CEC and CAISO to develop a policy-driven sensitivity case designed to test the transmission buildout necessary for a 30 MMT core portfolio with high electrification.

The D.22-02-004 certifies VCE’s 2020 IRP (in contrast to 24 other LSEs that have to file supplemental information). It calls VCE’s IRP “exemplary” with respect to the following sections: preferred conforming portfolios, focus on DACs, cost and rate analysis, hydro generation risk management, and long-duration storage development. It also maintains the existing two-year IRP planning cycle (vs. the proposed 3-year cycle) and establishes a November 1, 2022 deadline for the next round of LSE IRPs.

D.22-02-004 results in the following new resource build by 2032, by technology: Gas: 0 MW; Biomass: 134 MW; Geothermal: 1,160 MW; Wind: 3,531 MW; Wind (New Transmission): 1,500 MW; Offshore Wind: 1,708 MW; Utility-Scale Solar: 17,506 MW; Battery Storage: 13,571 MW; Long-duration Storage: 1,000 MW; Load Shed DR: 441 MW. The following figure illustrates future resource additions under the PSP.

Figure 5. 38 MMT Core with 2020 IEPR Demand and High EV Penetration



- Analysis:** D.22-02-004 certified VCE’s 2020 IRP. It also adopts a PSP that accelerates the build-out of clean energy resources by adopting a more aggressive GHG reduction target for the electricity sector over the coming decade (i.e., the 38 MMT instead of the 46 MMT used in the 2020 IRP). The PSP is comprised entirely of renewable energy, energy storage, and demand response resources, with no new gas. It also extended the due date of VCE’s next IRP to November 1, 2022.
- Next Steps:** VCE’s next IRP is November 1, 2022. The CPUC will issue a Ruling by June 15, 2022, providing additional direction and detail on the requirements for LSE 2022 IRPs.
- Additional Information:** [D.22-02-004](#) adopting 2021 Preferred System Plan (December 22, 2021); CCA [Motion](#) for Clarification (December 13, 2021); [D.21-06-035](#) establishing a 11,500 MW by 2026 procurement mandate (June 24, 2021); [D.21-02-028](#) recommending portfolios for CAISO’s 2021-2022 TPP (February 17, 2021); [D.20-12-044](#) establishing a backstop procurement process (December 22, 2020); [Scoping Memo and Ruling](#) (September 24, 2020); [Resolution E-5080](#) (August 7, 2020); [Order Instituting Rulemaking](#) (May 14, 2020); Docket No. [R.20-05-003](#).

## PG&E 2022 ERRA Forecast

On February 11, 2022, the CPUC issued D.22-02-002, resolving all issues and closing the proceeding.

- 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.

On June 1, 2021, PG&E filed its 2022 ERRA Forecast application, requesting a 2022 ERRA forecast revenue requirement for ratesetting purposes of \$4.736 billion. After accounting for \$2.479 billion of Utility Owned Generation (UOG)-Related Costs and amounts related to capped 2020 departing load PCIA rates addressed in D.20-12-038, PG&E is requesting a revenue requirement request in this application of \$2.263 billion.

PG&E’s Fourth Supplemental Testimony included both an “October Update” and a “December Update.” A group of CCA parties recommended in comments that the CPUC adopt the proposed forecasted revenue requirements and associated rates from the December Update and requested the rates be implemented by February 1, 2022. The CCA parties said that adopting the December update would reduce likely volatility between 2022 and 2023 rates and that adoption of an

October Update would clearly violate State law and Commission precedent. The CCAs noted that PG&E's forecasted costs to serve load in 2022 are 66.5% higher than in 2021.

CalCCA and the Joint CCAs support a 12-month amortization of the revenue requirements presented in the December Update, rather than the 18-month or 24-month scenarios presented by PG&E in its Fifth Supplemental Testimony in late December. PG&E and DACC also support the 12-month amortization, and Public Advocates Office does not oppose it. In contrast, the California Large Energy Consumers Association, Agricultural Energy Consumers Association, and California Farm Bureau Federation advocate for a 24-month amortization period.

- Details:** D.22-02-002 approves a 2022 forecast of electric sales and energy procurement revenue requirements of \$2.4 billion, effective in rates on March 1, 2022. It finds the December Update, updated again with the actual year end ERRA-main account balance provides the most accurate forecast for 2022 revenue requirements, and approves the 12-month amortization that was supported by CCAs. Under the December Update adopted in D.22-02-002, **the 2022 total PCIA rate for 2017-vintaged customers (i.e., most VCE customers) will fall 59% relative to 2021 to \$0.01969/kWh for residential customers and to \$0.01897/kWh on a system-average basis.** It also agrees with the Joint CCAs and DACC that all customers who were financially responsible for the ERRA-PCIA Financing Subaccount (ERRA-PFS) balance should be entitled to the appropriate credit and direct PG&E to transfer the \$95 million ERRA-PFS credit for 2022 to the 2020 vintage subaccount. It approves a request by CCAs and directs PG&E to include the confidential workpapers supporting the PCIA rates from the prior year's ERRA Forecast proceeding as part of the Master Data Request it will provide in each subsequent ERRA Forecast proceeding. D.22-02-002 denies without prejudice the CCA's request to direct PG&E to provide data demonstrating its future role as a CPE in future ERRA forecast proceedings.
- Analysis:** D.22-02-002 results in a 59% reduction to VCE's PCIA rates in 2022 compared to 2021. While the PCIA rate will fall substantially in 2022 for VCE customers, the non-RPS benchmarks that contributed to the reduction in the PCIA in 2022 could result in the opposite effect in 2023. That is, the same high benchmarks that helped reduce the 2022 year's forecast case may be too high compared to next year's actuals, which would create large PABA undercollection balances for 2023 rates. The change in the PCIA rate from the December Update will help mitigate such a swing in rates in 2023. D.22-02-002 also improves transparency by approving the CCAs' request for PG&E to provide confidential workpapers supporting the PCIA rates from the prior year's ERRA Forecast proceeding as part of the Master Data Request it will provide in each subsequent ERRA Forecast proceeding.
- Next Steps:** The proceeding is now closed.
- Additional Information:** [D.22-02-002](#) (January 24, 2022); [Ruling](#) modifying procedural schedule (January 14, 2022); [Ruling](#) directing PG&E to provide amortization scenarios (December 17, 2021); [Scoping Memo and Ruling](#) (August 11, 2021); [Notice](#) of Prehearing Conference (July 15, 2021); [Application](#) (June 1, 2021); Docket No. [A.21-06-001](#).

## RPS Rulemaking

On February 1, 2022, the Commission issued D.22-01-025, finding that Gexa failed to comply with the requirement to include certain nonmodifiable standard terms and conditions in its RPS procurement contract. On February 17, 2022, VCE and other retail sellers filed their final 2021 RPS Procurement Plans in compliance with D.22-01-004.

- Background:** This proceeding addresses ongoing RPS issues. VCE submitted its Final 2020 RPS Procurement Plan on February 19, 2021 and its 2020 RPS Compliance Report on August 2, 2021.

D.22-01-004 directed VCE to include in its Final 2021 RPS Procurement Plan due February 17, 2022, a discussion "explain[ing] how mid-term reliability procurement obligations impact RPS compliance requirements and how they are included in the quantitative assessment" and update

its Project Development Status section to provide additional narrative description of project status. In addition to receiving praise for its sections on portfolio diversity and reliability, VCE is identified as falling under the category of having its current contracts forecasted to meet its 65% long-term contract requirement in contrast to numerous other CCAs and ESPs. D.22-01-004 declined a request by CCAs to allow party comments early in the process on the timing and structure of RPS Procurement Plan filings, finding that the CPUC "do[es] not expect any substantial new filing requirements" and that the requirements have been well established by now. D.22-01-004 also approved a request by several CCAs and directed Energy Division to set a process whereby they inform a retail seller that its Final RPS Plan met the expectations of the Commission.

A pending Joint Motion by IOUs dated December 8, 2021 requests that the CPUC (1) expand the scope of this proceeding to address whether RECs retain their original PCC classification upon allocation under the Voluntary Allocation process; (2) issue guidance on the issue of the PCC classification of allocated RECs before LSEs are required to decide whether to accept allocations on May 1, 2022; and (3) clarify that pro forma Allocation Contracts will be reviewed in early 2022 via Tier 2 advice letter and that only Allocation Contracts materially deviating from the pro forma would be subject to further review through a Tier 1 Advice Letter.

- Details:** In D.22-01-025, the CPUC found that Gexa, an ESP that is currently not serving any load, met its procurement quantity requirement for the Compliance Period 2014-2016 and retired sufficient RECs. The decision found, however, that by excluding certain non-modifiable standard terms and conditions in a RPS procurement contract with NextEra Energy Marketing, LLC, Gexa was out of compliance with the requirements in D.08-04-009, D.10-03-021, D.11-01-025, and D.13-11-024. The non-modifiable standard terms and conditions relate to transfer of RECs, tracking of RECs in WREGIS and compliance with applicable law. Gexa retroactively added the non-modifiable and certain modifiable standard terms and conditions to its contract after the Compliance Period had closed. Despite this, the CPUC imposed a fine of \$352,500 for the period that the REC Agreement underlying Gexa's Compliance Report was out of compliance with the applicable RPS program rules. .
- Analysis:** VCE has now met its 2021 RPS Procurement Plan requirements. D.22-01-025 provides another example of how the CPUC has strictly interpreted RPS compliance requirements and issued sizeable penalties in cases of non-compliance. The Commission refused to permit retroactive RPS procurement contract amendment to comply with the requirement to include the nonmodifiable terms and conditions. In addition, the Commission's finding that Gexa complied with the long-term contract requirement warned was limited to the decision, and provided "in the future, we shall not accept any long-term contract that fails to demonstrate the required term of at least ten years."
- Next Steps:** VCE's draft 2022 RPS Procurement Plan will be due in late spring or summer 2022 (exact date to be determined), and its RPS Compliance Report will be due August 1, 2022. R.18-07-003 is expected to close in September 2022, with a new proceeding to be opened to address RPS issues going forward.
- Additional Information:** [VCE's Final 2021 RPS Procurement Plan](#) (February 17, 2022); [D.22-01-025](#) fining Gexa for RPS non-compliance (February 1, 2022); [D.22-01-004](#) on draft 2021 RPS Procurement Plans (January 18, 2022); [D.21-12-032](#) modifying the ReMAT tariff (December 16, 2021); [D.21-11-029](#) amending RPS confidentiality rules (November 19, 2021); [Petition for Modification](#) of D.20-10-005 on ReMAT pricing (October 8, 2021); [Ruling](#) aligning IOU RPS Procurement Plan requirements with PCIA decision (May 26, 2021); [Ruling](#) establishing issues and schedule for 2021 RPS Procurement Plans (March 30, 2021); [D.21-01-005](#) directing retail sellers to file final 2020 RPS Procurement Plans (January 20, 2021); [Ruling](#) on [Staff proposal](#) aligning RPS/IRP filings (September 18, 2020); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

## PG&E's Phase 2 GRC

On February 11, 2022, the ALJ issued a Proposed Decision on the issue of the property tax adder. For reference, in January, PG&E and CLECA filed a Motion requesting the CPUC to establish a separate expedited schedule to allow a final decision resolving the single carryover issue of material fact about the MGCC Property Tax Adder by March 17, 2022.

- 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. D.21-11-016 largely adopted PG&E's proposed marginal costs and methodologies for deriving them but adopted marginal connection equipment costs proposed by the Agricultural Energy Consumers Association and marginal transmission capacity costs proposed by the Solar Energy Industries Association. It also adopted, without modification, several uncontested settlements on rate design issues (residential rate design settlement; settlement on streetlight rate design issues; Economic Development Rate (EDR) settlement; agricultural rate design; C&I rate design) and revenue allocation.

With respect to CCA issues, the adopted EDR settlement noted that PG&E and the Joint CCAs agreed to create a collaborative process "to identify and vet EDR applicants that will make it easier for CCAs to provide a generation rate reduction to CCA customers who qualify for PG&E's EDR." D.21-11-016 also approved the agricultural rate design settlement that proposed that the unbundling of the PCIA from the generation component of bundled rates be designed as a flat PCIA rate, not differentiated by season or TOU period, consistent with the PCIA rate design for DA and CCA customers. The PCIA rate for bundled customers will use the most recent vintage of the PCIA rate. Finally, D.21-11-016 approved the revenue allocation settlement, including its proposal that before allocating generation revenue, instead of including the PCIA revenue in the overall generation revenue requirement, PCIA revenue will be removed from each customer class's revenue at present rates based on the most recent vintage PCIA rates. Then, PG&E will use the adopted allocation for generation to allocate the PCIA revenue requirement to customer classes.

On January 18, 2022, parties filed a Settlement Agreement includes the following terms of the Stage 1 RTP Pilot:

- Eligibility:** PG&E's bundled customers who are eligible for the B-20, B-6 and E-ELEC rates may participate on an opt-in basis. CCAs will need to affirmatively decide to participate in the Stage 1 Pilots for their customers to be eligible. PG&E agrees to work with its twelve CCAs to seek agreement from one or two of them to participate in the Stage 1 Pilots, if possible.
- Duration:** Stage 1 Pilots shall have a duration of 24 months, subject to potential extension.
- Enrollment:** PG&E will make its best efforts to program and make available for enrollment the three Stage 1 RTP rates by October 1, 2023.
- Pricing:** The RTP element of the Stage 1 Pilot RTP rates will replace the generation component of the customer's otherwise applicable rate schedule. The remaining transmission, distribution, Public Purpose Program and other charges and taxes remain the same as the otherwise applicable underlying rate. The generation component to be used in the Stage 1 Pilots' RTP rates will include: (1) a Marginal Energy Charge, (2) a Marginal Generation Capacity Cost, and (3) a Revenue Neutral Adder (designed to make the forecasted annual generation revenue collected under the three Stage 1 Pilot RTP rates revenue neutral to the base schedule). Residential customers would have 1 year bill protection. There would be a limited amount of participation incentives as well.

All development, implementation and operating costs for the Stage 1 Pilots, as well as for the separate Customer Research Study for residential, agricultural, and small commercial customers, will be recovered in distribution rates from all customers.

- **Details:** In January, PG&E/CLECA filed a Motion requesting to establish a separate expedited schedule to allow a final decision adopting their Joint Stipulation, or otherwise resolving the single carryover issue of material fact about the MGCC Property Tax Adder, by March 17, 2022. The February 11, 2022, Proposed Decision adopts the PG&E/CLECA Joint Stipulation on the appropriate calculation for the property tax adder to be included in the marginal generation capacity cost for new customer rates effective June 1, 2022.
- **Analysis:** This phase of the proceeding could impact real-time pricing rate design issues for PG&E customers. If the settlement agreement is adopted, VCE could elect to allow its customers to participate in the Stage 1 RTP Pilot. The Settlement Agreement provides that cost recovery of development, implementation and operating costs for the Stage 1 Pilots, as well as for the separate Customer Research Study, would be recovered in distribution rates that both bundled PG&E and VCE customers pay.
- **Next Steps:** The proceeding remains open to address RTP issues. Comments and replies on the Proposed Decision are due March 3, 2022, and March 8, 2022, respectively, with a CPUC vote on the Proposed Decision occurring as early as March 17, 2022. PG&E's MGCC Study is due March 15, 2022, and it will file its non-NEM export compensation proposal for BEV on March 24, 2022, followed by a meet-and-confer on March 29, 2022.
- **Additional Information:** [Proposed Decision](#) on property tax adder (February 11, 2022); [Ruling](#) on timing to respond to PG&E/CLECA Motion (January 25, 2022); [Motion](#) by PG&E/CLECA to establish a separate expedited schedule (January 21, 2022); PG&E [Motion](#) on MGCC Study (January 18, 2022); PG&E [Motion](#) (January 18, 2022); [Motion](#) to Adopt Settlement Agreement (January 18, 2022); [D.21-11-016](#) on revenue allocation and rate design (November 19, 2021); [Amended Scoping Memo and Ruling](#) (August 25, 2021); [Ruling](#) bifurcating RTP issues into separate track (February 2, 2021); [D.20-09-021](#) on EUS budget (September 28, 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 Phase 1 GRC

On February 1, 2022, PG&E and Caltrain submitted a joint report on the status of the third-party audit of costs that PG&E will incur to upgrade the East Grand and FMC substations in connection with Caltrain's project to electrify its commuter rail system between San Jose and San Francisco. On February 2, 2022, the ALJ issued a Ruling scheduling public participation hearings on three days in March 2022. On February 16, 2022, TURN, PG&E, and PAO filed a Motion requesting modifications to the Track 1 schedule. On February 25, 2022, PG&E filed an update to its forecast for wildfire mitigation activities, concurrent with its service of its 2022 Wildfire Mitigation Plan. The first public participation hearing was held March 1, 2022. PG&E hosted a workshop on March 2, 2022 to provide an overview of the updates provided in PG&E's February 25, 2022, supplemental testimony.

- **Background:** Phase 1 GRC applications cover the revenue requirement, including the functionalization of costs into categories such as electric distribution or generation, which impact which customers (bundled, unbundled, or both) pay for the costs through rates. Phase 2 GRC applications cover cost allocation (i.e., assigning costs to customer classes, such as Residential) and rate design issues. PG&E proposes to have a second and third track of this Phase 1 GRC to request reasonableness review of certain memorandum and balancing account costs to be recorded in 2021 and 2022. PG&E will file its next Phase 2 GRC application by September 30, 2021.

On August 25, 2021, the CPUC Executive Director granted PG&E's request to delay filing its next Phase 2 GRC application until September 30, 2024.



In their protest of PG&E's application, the Joint CCA parties identified the following list of preliminary issues they plan to examine or address in this proceeding:

- **Compliance with the Commission's Cost Allocation Directives in D.20-12-005** (PG&E's most recently decided Phase 1 GRC decision), including PG&E's cost functionalization methodology, wildfire costs, and allocation of Customer Care costs.
- **Reinvestments in and Recovery of Legacy Owned Generation Costs**, including solar contract renewals or the decommissioning of legacy owned assets, which impact Joint CCAs' customers through the PCIA and related vintaging of costs.
- **Other Issues that May Require Further Investigation and Analysis**, including how costs related to PSPS Events should be tracked and allocated; whether and how any funds that PG&E receives as credits (such as Department of Energy settlement funds) should be allocated to departing load customers; and how PG&E's regionalization proposal impacts its relationship and dealings with CCAs and their customers.

The October 1, 2021, Scoping Memo and Ruling divided the proceeding into two tracks. Track 1 will address the majority of matters, including PG&E's requested revenue requirement together with safety and environmental and social justice issues. Track 2 will address the narrower matters of the reasonableness of the 2019-2021 actual costs recorded in the named memorandum accounts and balancing accounts and, to the extent relevant, also address safety and environmental and social justice.

PG&E's pending November 5, 2021, Motion requests extending the turn-around time for filing rebuttal testimony from 30 days to 45 days; delaying the start of evidentiary hearings by three weeks to accommodate the proposed rebuttal testimony timeline; and requested an earlier resolution that Q4 2022 as indicated in the Scoping Memo and Ruling of PG&E's July 16, 2021 Motion for a January 1, 2023 effective date for its 2023 revenue requirement.

- **Details:** PG&E and Caltrain submitted a joint report on the status of the third-party audit of costs that PG&E will incur to upgrade the East Grand and FMC substations in connection with Caltrain's project to electrify its commuter rail system between San Jose and San Francisco. PG&E and Caltrain also requested to move consideration of PG&E's proposal for cost recovery of Caltrain Project costs from Track 1 to Track 2 of PG&E's 2023 GRC and proposed a schedule for the submission of testimony reporting on the Audit.

The Motion filed by TURN, PG&E, and PAO requests an extension of time for intervenor testimony responding to PG&E's February 25, 2022, update to its forecast for wildfire mitigation activities, as well as moving evidentiary hearings from May to June 2022, among other changes to the procedural schedule. On February 22, 2022, Joint CCAs notified the ALJ they intended to file a response to the Motion strongly opposing the Motion's request that the CPUC impose a new deadline for discovery directed at PG&E's Opening Testimony and disagreed with the Motion's characterization that the Joint CCAs consented to this limitation on discovery.

On February 25, 2022, PG&E filed an update to its forecast for wildfire mitigation activities related to its announced plans to underground 10,000 miles of transmission lines.

- **Analysis:** This proceeding will set the revenue requirement, and thereby ultimately impact PG&E's rates, for 2023-2026. It will establish how the revenue requirement components will be functionalized, which impact whether the ultimately approved costs will be borne by PG&E bundled customers, unbundled customers like VCE customers, or both. It will also address numerous other issues raised in PG&E's application that could impact rates, policies, and programs implemented by PG&E.
- **Next Steps:** The next steps in Track 1 are public participation hearings on March 10, 2022, and March 22, 2022. a PG&E status report in February 2022 regarding changes to its cost forecast for wildfire programs, a PG&E affordability metrics report at least one month before intervenor testimony, PG&E testimony on its 2021 recorded expenditures by March 22, 2022, and intervenor testimony on April 29, 2022. Proposed and final decisions are anticipated in Q2 2023.

In Track 2, public participation hearings are scheduled for November 2022, and intervenor testimony is due November 14, 2022. A proposed decision is anticipated in Q2 2023, and a final decision is anticipated in Q3 2023.

- **Additional Information:** PG&E [Affordability Metrics Report](#) (February 23, 2022); ALJ [Ruling](#) on Public Participation Hearings (February 2, 2022); PG&E/Caltrain Report (February 1, 2022); [Ruling](#) denying PG&E Motion to submit supplemental testimony (November 12, 2021); [Motion](#) of PG&E to modify procedural schedule (November 5, 2021); [Scoping Memo and Ruling](#) (October 1, 2021); [PG&E Application](#) (June 30, 2021); Docket No. [A.21-06-021](#).

## RA Rulemaking (2023-2024)

On February 10, 2022, the ALJ issued a Proposed Decision (PD) that would make modifications to the RA central procurement entity (CPE) structure, including revisions to the requirements for self-shown local resources, revisions to the CPE’s solicitation selection criteria, and revisions to the CPE procurement timeline. On February 14, 2022, and February 24, 2022, respectively, parties filed comments and reply comments on Phase 2 proposals. On February 18, 2022, the ALJ issued a Ruling providing Energy Division’s loss of load expectation (LOLE) study and the California Energy Commission’s (CEC) Qualifying Capacity of Supply-Side Demand Response Working Group Report. On February 28, 2022, a workshop report was filed on the PG&E “slice-of-day” proposal that has been discussed and further refined through a series of workshops in recent months.

- **Background:** In Track 3B.2 of the 2021-2022 RA Rulemaking (R.19-11-009), D.21-07-014 rejected CalCCA/SCE's proposal for restructuring the RA program, and instead found that PG&E's "slice-of-day" proposal best addresses the identified principles and the concerns with the current RA framework and if is further developed, is best positioned to be implemented in 2023 for the 2024 compliance year. Therefore, it directed parties to collaborate to develop a final restructuring proposal based on PG&E's slice-of-day proposal through a series of workshops.

The December 2, 2021 Scoping Memo and Ruling divided the proceeding into an Implementation Track and Reform Track. The Reform Track encompasses consideration of a final proposed framework and the slice-of-day workshop report.

The Implementation Track is sub-divided into Phases 1, 2, and 3:

- Phase 1 of the Implementation Track will consider critical modifications to the CPE structure. Phase 1 is expected to conclude by March 2022.
  - Phase 2 consists of the Commission’s consideration of flexible capacity requirements for the following year, local capacity requirements for the next three years, and the highest priority refinements to the RA program, which include: modifications to the Planning Reserve Margin Qualifying Capacity Counting Conventions, which among other proposals will consider the Energy Division's biennial update to the Effective Load Carrying Capability values for wind and solar resources, including the development of regional values for wind resources. Phase 2 proposals were submitted in January 2022 and this phase is expected to conclude in June 2022. Neither CalCCA nor any CCAs individually filed a Phase 2 proposal.
  - Phase 3 will consider the 2024 program year requirements for flexible RA, and the 2024-2026 local RA requirements. Other modifications and refinements to the RA program, as identified in proposals by parties or by Energy Division may also be considered. Phase 3 is expected to conclude by June 2023
- **Details:** The PD would make modifications to the RA central procurement entity (CPE) structure, including revisions to the requirements for self-shown local resources, revisions to the CPE’s solicitation selection criteria, and revisions to the CPE procurement timeline. The PD would mitigate several potential disincentives to LSEs self-showing local RA resources for no compensation. The PD also states that given the shortfalls in the PG&E CPE’s procurement process and the low participation rates in the CPE solicitation process, the Commission wants to

better understand why LSEs are electing not to bid or self-show resources to the CPE. Accordingly, if the PD is approved, LSEs that decline to self-show or bid will be required to submit a justification with their year-ahead RA filing explaining their rationale for informational purposes for the Commission. The PD would allow CPEs to procure outside of the annual solicitation process if there are deficiencies following the CPEs' annual solicitation and only to cover those deficiencies. The PD allows IOUs to bid their resources into the CPE's solicitation at competitive market prices, removing the levelized fixed cost requirement formerly adopted. CPE procurement costs will be forecasted and implemented in rates through the annual ERA forecast proceeding.

CalCCA's comments on Phase 2 proposals supported the CPUC conducting an loss of load expectation (LOLE) study to inform the planning reserve margin (PRM). CalCCA recommended including updated forced outage estimates as inputs into the LOLE. It also supported using LOLE analysis to update the PRM as opposed to ad hoc increases to the PRM that are not based on robust analysis and not officially incorporated into the RA program. Finally, CalCCA argued the PRM should be reviewed after a reasonable period of time or upon significant changes to the inputs.

The workshop report describes the workshop process and summarizes the proposals. PG&E's initial proposal and a new proposal by SCE were refined and converged into a proposal for monthly slices of 24 separate hours. Gridwell proposed monthly slices based on gross peak and net peak hours only. With respect to resource counting, the ELCC approach was generally associated with the Gridwell framework and the exceedance approach was associated with the PG&E/SCE framework for solar and wind resources.

- **Analysis:** The Proposed Decision would make a number of changes to the CPE, including changes to encourage LSEs to self-show resources and modifying the timeline of CPE activities. The results of the LOLE study could impact the thinking and formation of the slice-of-day reliability framework being developed in the RA Reform Track of this proceeding that seeks to ensure load will be met in all hours of the day, not just during gross peak demand hours and would move RA from a monthly compliance obligation to a seasonal obligation.
- **Next Steps:** The procedural schedule for the ongoing tracks and working groups are as follows:

Phase 1

- Comments on PD: March 2, 2022
- Reply comments on PD: March 7, 2022
- Final Decision: no sooner than March 17, 2022

Phase 2

- Workshop on the LOLE study: March 3, 2022
- Comments on the LOLE study, workshop, and CEC Working Group Report: March 14, 2022
- Reply comments: March 22, 2022
- CAISO draft 2023 LCR Report: April 15, 2022
- Comments on draft 2023 LCR Report: April 22, 2022
- CAISO final 2023 LCR and FCR Report: April 29, 2022
- Comments on final 2023 LCR and FCR Report: May 6, 2022
- Reply comments on final 2023 LCR and FCR Report: May 13, 2022
- Proposed Decision: May 2022
- Final Decision: June 2022

Reform Track

- Comments on Workshop Report: TBD

BTM Counting Convention Working Group meeting dates (9am-1pm): February 22, 2022 meeting was postponed (new date TBD).

- **Additional Information:** [Workshop Report](#) (February 28, 2022); [Ruling](#) modifying Phase 2 schedule and providing LOLE study and CEC Working Group Report (February 18, 2022); [Proposed Decision](#) on CPE revisions (February 10, 2022); [Ruling](#) modifying procedural schedule (December 10, 2022); [Scoping Memo and Ruling](#) (December 2, 2021); [Order Instituting Rulemaking](#) (October 11, 2021); Docket No. [R.21-10-002](#).

## PG&E's 2019 ERRa Compliance

Joint IOU rebuttal testimony was filed February 15, 2022, and a Joint Case Management Statement was submitted February 25, 2022.

- **Background:** Phase 1 has been resolved. The September 7, 2021, Ruling consolidated the Phase 2 ERRa compliance proceedings of PG&E, SCE, and SDG&E. The issues scoped for Phase 2 are:
  - What is the appropriate methodology for calculating a utility's unrealized volumetric sales and unrealized revenues resulting from PSpS events in any given record year? Based on this methodology, what are the utilities' (PG&E, SCE, and SDG&E) unrealized volumetric sales and unrealized revenues resulting from 2019 PSpS events?
  - Whether it is appropriate for the utilities to return the revenue requirement equal to the unrealized volumetric sales and unrealized revenue resulting from the PSpS events in 2019.

At the October 26, 2021, workshop hosted by Energy Division, the IOUs (PG&E, SCE, and SDG&E) made a joint presentation of their proposal for a methodology to calculate the revenue requirement of the estimated unrealized volumetric sales and unrealized revenue resulting from PSpS events. The Joint IOUs' testimony provided additional information on the common methodology for calculating the potential unrealized sales that may result from a PSpS event to be used in a potential rate disallowance, which relies on the energy-related portion of the CPUC-jurisdictional distribution charge for this purpose. CCA representatives pushed back at the October 26, 2021, workshop that the IOUs had not considered unrealized revenues from utility-owned generation that had not been bid into the CAISO market. The ALJ requested the CCAs make a motion to clarify whether that issue is in scope in the proceeding.

Accordingly, the Joint CCAs filed a motion on November 4, 2021, requesting the CPUC clarify the scope of issues in this proceeding. The November 12, 2021, Ruling clarified the CPUC's intent to consider a range of PSpS methodologies, which may be proposed by both the IOUs and other parties. It provided that parties may conduct additional discovery to support their proposal of a reasonable alternative PSpS methodology. The CPUC will consider a PSpS methodology that includes unrealized generation-related volumetric sales and revenues, along with the joint IOU proposal and potentially other PSpS methodologies

- **Details:** The Joint IOUs' testimony responded to recommendations made by the CCA Parties and TURN in their respective testimonies and urged the CPUC to adopt the methodology the IOUs presented in their Opening Testimony to calculate any potential disallowance/penalty associated with future PSpS events. According to the Joint IOUs' proposal, only energy-related distribution rates would be used to determine the unrealized revenue from end-use customers de-energized during PSpS events, ignoring several additional retail rates and other sources of revenue that are reduced by PSpS events.

Previously, the CCA Parties's testimony identified all retail rate components that should be considered to provide a full accounting of the unrealized retail revenue during PSpS events. The testimony also described how, absent a ratemaking remedy, the IOUs will fully recover their authorized revenue requirement from all customers, including those receiving no electricity service during PSpS events, through pre-established balancing account mechanisms. The CCA Parties also explained the potential impact of PSpS events on wholesale generation revenue and

the need to account any such reductions if generation resources are forced offline due to PSPS events.

The CCA Parties recommended the following:

1. The calculation of unrealized retail revenue during PSPS events should include additional CPUC-jurisdictional rate components tied to balancing accounts that record IOU costs incurred despite lost sales to end use customers.
2. Each IOU should make a full accounting of the balancing accounts implicated by the total unrealized retail revenue.
3. Unrealized wholesale generation revenue should be quantified if utility-owned generation resources, or contracts with take-or-pay provisions, are forced out of service due to a PSPS event.
4. Each IOU should record adjusting entries to affected balancing accounts, equal to the unrealized retail and wholesale generation revenue as applicable, to comply with the Commission’s directive to “forgo collection in rates from customers of all authorized revenue requirement equal to estimated unrealized volumetric sales and unrealized revenue resulting from PSPS events.”

TURN also filed testimony recommending that all revenue requirements from retail sales be disallowed.

- **Analysis:** Phase 2 of the proceeding is assessing whether PG&E should be required to return its revenue requirement associated with unrealized sales associated with its 2019 PSPS events, and the methodology and inputs for calculating such disallowance. VCE’s customers could benefit from such a CPUC-determined disallowance, e.g., via a bill credit or reduced PG&E charges.
- **Next Steps:** TBD.
- **Additional Information:** [Order](#) Denying Rehearing of D.21-07-018 and PG&E’s application for rehearing of D.21-07-013 (December 3, 2021); [Ruling](#) consolidating ERRRA compliance proceedings (September 7, 2021); [PG&E Application for Rehearing](#) of D.21-07-013 (August 16, 2021); [D.21-07-013](#) resolving Phase 1 (July 16, 2021); [Joint Motion to Adopt Settlement Agreement](#) (October 22, 2020); [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](#).

## Provider of Last Resort Rulemaking

On February 24, 2022, the ALJ issued a Ruling confirming that the second workshop in Phase 1 will take place on March 7, 2022, distributing an agenda for the workshop, and setting forth questions on which parties may comment during the workshop, as well as in written comments after the workshop.

- **Background:** A POLR is the utility or other entity that has the obligation to serve all customers (e.g., PG&E is currently the POLR in VCE’s territory). In 2019 the Legislature passed SB 520, which defined POLR for the first time in statute, confirmed that each IOU is the POLR in its service territory, and directed the Commission to establish a framework to allow other entities to apply and become the POLR for a specific area (a “Designated POLR”). This rulemaking will implement SB 520.

The Scoping Memo and Ruling issued September 16, 2021, provides that Phase 1 of this OIR will address POLR service requirements, cost recovery, and options to maintain GHG emission reductions in the event of an unplanned customer migration to the POLR. Phase 2 will build on the Phase 1 decision to set the requirements and application process for other non-IOU entities (i.e., a CCA, Energy Service Provider, or third-party) to be designated as the POLR in place of an

existing POLR. Phase 3 will address specific outstanding issues not resolved in Phase 1 and 2 of this proceeding.

On December 17, 2021, parties filed comments in response to the November 23, 2021, ALJ Ruling posing questions addressing: (1) clarity and content of the Workshop 1 notes filed by CalCCA on November 5, 2021, and (2) questions on Workshop 1 and what changes if any are recommended to adequately meet POLR requirements. CalCCA comments included the following recommendations:

- POLR service should be limited to 60 days to allow returned customers to transition from the returning LSE to the customer’s chosen LSE, consistent with the existing “safe harbor” provision for DA switching.
  - Given the limited term and scope of service and the need to avoid unnecessary costs, the POLR should not engage in advance procurement or hedging.
  - RPS and IRP responsibility for returned customers should shift directly from the returning LSE to the customer’s new LSE, with a waiver of these obligations for the POLR consistent with the existing waiver for RA obligations adopted in D.20-06-031.
  - The CPUC should compare Reentry Fees and actual costs for Western Community Energy’s customer return to determine whether the current formulation provides sufficient precision to ensure a reasonable outcome.
  - A POLR right of first refusal of procurement contracts held by the returning LSE raises legal and commercial issues and should not be considered.
  - To minimize the risk of LSE default by newly launched CCA, Implementation Plan requirements should be modified to incorporate a milestone procedure to be administered by the CCA’s governing board, quarterly updates to Energy Division on the status of milestone achievement, transparency through the use of a publicly available information portal available, and feasibility studies provided to the local governing board built on transparent and standardized referents.
  - Financial service requirements (FSR) should vary with the financial health of an LSE, limiting FSRs for LSEs maintaining investment-grade credit ratings and LSEs voluntarily providing limited metrics to the CPUC for review; all other LSEs should bear responsibility for the currently formulated FSR.
- **Details:** The February 24, 2022 Ruling confirmed that the second workshop in Phase 1 will take place on March 7, 2022. It also distributed an agenda for the workshop, and set forth questions on which parties may comment during the workshop, as well as in written comments after the workshop.
  - **Analysis:** This proceeding could impact VCE in several ways. First, in establishing rules for existing POLRs, it will address POLR service requirements, cost allocation, and cost recovery issues should a CCA or other LSE discontinue supplying customers resulting in the need for the POLR to step in to serve those customers. Second, in setting the requirements and application process for another entity to be designated as the POLR, it could create a pathway for a CCA or other retail provider to elect to become a POLR for its service area. The preliminary questions (Appendix B to the OIR) suggest these issues will include examining topics such as CCA financial security requirements, portfolio risk and hedging, CCA deregistration, CCA mergers, and CCA insolvency.
  - **Next Steps:** A second workshop in Phase 1 has been scheduled for March 7, 2022. Comments on the workshop and responses to questions presented are due March 28, 2022.
  - **Additional Information:** [Ruling](#) rescheduling second workshop date (February 24, 2022); [Ruling](#) setting second workshop and comment period (December 31, 2021); [Ruling](#) requesting comments (November 23, 2021); Golden State Power Cooperative [Motion](#) to remove cooperatives as respondents (October 28, 2021); [Scoping Memo and Ruling](#) (September 16,

2021); [Ruling](#) scheduling prehearing conference (April 30, 2021); [Order Instituting Rulemaking](#) (March 25, 2021); Docket No. [R.21-03-011](#).

## RA Rulemaking (2019-2020)

On February 11, 2022, the CPUC issued D.22-02-008, denying Western Power Trading Forum's (WPTF) Application for Rehearing of D.20-06-002, which adopted implementation details for the central procurement of multi-year local RA procurement.

- **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. D.20-06-028 adopted revisions to the Resource Adequacy import rules based on Energy Division's proposal, with modifications.

In Track 2, the CPUC 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 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.

**Details:** D.22-02-008 denied WPTF's July 17, 2020, Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. WPTF had 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. D.22-02-008 found that good cause for rehearing had not been demonstrated.

The only remaining item to be addressed in this proceeding is one outstanding application for rehearing of D.20-06-028 filed by WPTF on August 5, 2020. D.20-06-028 relates to the self-scheduling requirements for non-resource specific RA imports.

- **Analysis:** D.22-02-008 upheld the CPUC’s decision, D.20-06-002, which established a CPE. Moving to a CPE beginning for the 2023 RA compliance year impacted 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.
- **Next Steps:** The only item remaining to be addressed in this proceeding is WPTF’s remaining outstanding Application for Rehearing. Remaining RA issues will be addressed in the successor RA rulemakings.
- **Additional Information:** [D.22-02-008](#) denying WPTF’s Application for Rehearing (February 11, 2022); [D.20-09-003](#) denying PFM’s 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); [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](#).

## Utility Safety Culture Assessments

On February 17, 2022, the CPUC’s Safety Policy Division notified stakeholders of plans to hold an informational workshop on March 11, 2022.

- **Background:** IOU safety culture assessments are required as part of AB 1054 and SB 901. AB 1054 directed the CPUC’s Wildfire Safety Division, now the Office of Energy Infrastructure Safety, to conduct annual safety culture assessments of each electrical corporation, the first of which will be published in fall 2021. The AB 1054 assessments are specific to wildfire safety efforts and include a workforce survey, organizational self-assessment, supporting documentation, and interviews. SB 901 directs the CPUC to establish a safety culture assessment for each electrical corporation, conducted by an independent third-party evaluator. SB 901 requires that the CPUC set a schedule for each assessment, including updates to the assessment, at least every five years, and prohibit the electrical corporations from seeking reimbursement for the costs of the safety culture assessments from ratepayers.

This proceeding will implement the statutory requirements of SB 901 relating to the Commission’s assessment of safety culture for regulated utilities. It will examine what methodologies should be employed in the safety culture assessments to ensure results are comparable across IOUs and can measure changes in IOU safety culture over time. It will also consider adopting the process and framework to oversee safety culture assessments of gas utilities and gas storage operators, in addition to electrical corporations as required by SB 901. It will consider requiring that IOUs implement specific safety management practices to improve safety culture through adoption of a Safety Management System standard, consider adopting a maturity model to use in safety culture assessments, and determine accountability metrics.



- **Details:** The March 11, 2022, workshop will include brief presentations followed by a question and answer session from a panel of regulatory and academic safety culture experts. An agenda with more information on the workshop is forthcoming.
- **Analysis:** This rulemaking will assess the safety culture of PG&E and other IOUs in California. While its direct focus is on IOUs like PG&E, it could impact VCE and its customers to the extent it influences PG&E's safety culture and contributes to the safety of VCE customers, as well as the rates VCE customers pay to PG&E to mitigate or address safety issues (e.g., wildfires caused by PG&E transmission equipment; explosions from PG&E natural gas infrastructure, etc.).
- **Next Steps:** A workshop is scheduled for March 11, 2022.
- **Additional Information:** [Order Instituting Rulemaking](#) (October 7, 2021); Docket No. [R.21-10-001](#).

## PCIA Rulemaking

No updates this month. On January 27, 2022, the CPUC approved D.22-01-023 targeting improvements to the process of establishing the PCIA in ERRA proceedings.

- **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. 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 Phase 2 Decision, D.21-05-030, addressed the recommendations of PCIA Working Group 3 and removed the cap and trigger for PCIA rate increases, authorized new Voluntary Allocation, Market Offer, and Request for Information processes for RPS contracts subject to the PCIA, and approved a process for increasing transparency of IOU RA resources. However, it did not provide unbundled customers proportional access to system and flexible RA products through the RA voluntary allocation and market offer process proposed by PCIA Working Group 3. Likewise, it declined to provide unbundled customers any access to GHG-Free energy on a permanent basis.

The CCA Parties' Application for Rehearing of D.21-05-030 challenges the Decision's rejection of the RA voluntary allocation and market offer and GHG-free energy allocation. It argues that D.21-05-030 violates Public Utilities Code Section 366.2(g), which guarantees CCA customers the full benefit of the resources for which they bear cost responsibility through the PCIA charge. While CCA customers pay for the RA and GHG-Free products in the PCIA portfolio, the Phase 2 Decision, provides only bundled customers preferential access to RA products and no access to GHG-Free energy on a long-term basis. The CCA Parties argue that since D.21-05-030 effectively requires unbundled customers to pay equally for benefits only bundled customers receive, the Phase 2 Decision also violates the Section 365.2 prohibition against cost-shifting among unbundled and bundled customers.

A Staff Proposal on which the August Ruling requested comments would move the Market Price Benchmark calculation date up by one month – from November 1 to October 1 – to allow for a “normal” proceeding schedule and enable flexibility in addressing last-minute issues. Staff's

analysis found that the effects of changes in the forecast RPS and RA adders on PCIA rates are relatively small and concluded that the largest driver of changes to PCIA rates would be the energy index.

- **Details:** D.22-01-023 modified the PCIA market price benchmark release date to October 1 and the deadline for ERRA forecast applications to May 15 to enable the Commission to timely issue decisions on ERRA forecast applications. It adopted party proposals to establish a policy for disposition of the year-end balance in the ERRA account and to modify the calculation of the ERRA trigger point and threshold. It also adopted party proposals to support efficient party access to ERRA forecast proceeding data.

It kept the proceeding open to consider additional Phase 2 issues, including:

- Whether greenhouse gas-free resources are under-valued in the PCIA, and if so, whether to adopt an adder or allocation mechanism.
- Whether to adopt a new method to include long-term fixed-price transactions in calculating the Renewables Portfolio Standard adder.
- Whether to modify the calculation of the PCIA energy index market price benchmark.
- Whether to provide CCAs with access to confidential, market sensitive ERRA monthly reports information for the non-proceeding purpose of creating PCIA rate forecasts.
- **Analysis:** D.22-01-023 made improvements to the annual ERRA process and CCA access to pertinent IOU data.
- **Next Steps:** D.21-05-030 identified the following next steps:
  - **February 2022:** After approval of the joint methodology advice letter, IOUs will inform LSEs of their potential Voluntary Allocation shares.
  - **May 2022:** IOUs and LSEs complete the process of determining interest in Allocation elections.
  - **June 2022:** Each IOU confirms Voluntary Allocations and propose Market Offers in their 2022 RPS Procurement Plans. LSEs request approval for Voluntary Allocations in their 2022 RPS Procurement Plans.
- **Additional Information:** [D.22-01-023](#) on Phase 2 (approved January 27, 2021); [Ruling](#) requesting comments on PCIA forecasting data access (November 5, 2021); [Ruling](#) requesting comments (September 17, 2021); CalCCA [Application for Rehearing](#) of D.21-05-030 (June 23, 2021); [D.21-05-030](#) on PCIA Cap and Portfolio Optimization (May 24, 2021); [D.21-03-051](#) granting petition to modify D.17-08-026 (March 26, 2021); [Amended Scoping Memo and Ruling](#) (December 16, 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); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [D.19-10-001](#) (October 17, 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](#).

## 2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking

No updates this month. On December 6, 2021, the CPUC issued D.21-12-006 adopting a Wildfire Fund NBC of \$0.00652/kWh for January 1, 2022, through December 31, 2022.

- **Background:** This rulemaking continues to implement AB 1054, which extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The CPUC issued D.20-12-024 in December 2020 that continues the Wildfire Non-Bypassable Charge (NBC) amount of

\$0.00580/kWh for January 1, 2021, through December 31, 2021. The NBC amount of 2022 and 2023 will be established in this proceeding.

- **Details:** The 2022 Wildfire Fund Non-Bypassable Charge is \$0.00652/kWh, up from \$0.0058/kWh in 2021. The reason for this increase is that the Department of Water Resources demonstrated a collection shortfall of \$13.0 million for 2021 and \$85.0 million for 2020 (due largely to a lag in initiating and remitting IOU collections for the Wildfire Fund NBC to DWR at the outset of the Wildfire Fund NBC's existence). Therefore, because of this total \$98.0 million under-collection in 2020 and 2021, the 2022 Wildfire Fund NBC is obliged to collect both this 2020-2021 shortfall and the 2022's necessary revenue requirement of \$902.4 million.
- **Analysis:** VCE customers will pay the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amounts established in this proceeding. The charge for 2022 is increasing due to an under-collection of the revenue requirement in 2021 that has been added to the revenue requirement for 2022.
- **Next Steps:** The Department of Water Resources will issue a notice in September 2022 identifying the amount they calculate will need to be the 2023 Wildfire Fund Non-Bypassable Charge.
- **Additional Information:** [D.21-12-006](#) on Wildfire NBC for 2022 (December 6, 2021); [Ruling](#) requesting comments on 2022 Wildfire Fund NBC (September 8, 2021); [Scoping Memo and Ruling](#) (June 8, 2021); [Order Instituting Rulemaking](#) (March 10, 2021); Docket No. [R.21-03-001](#).

## PG&E 2020 ERRA Compliance

No updates this month. On October 15, 2021, parties filed a Settlement Agreement resolving disputed issues in this proceeding.

- **Background:** The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the preceding year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.

PG&E is requesting that the CPUC find it complied with its Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, resource adequacy sales, and least-cost dispatch of electric generation resources for the 2020 calendar year. It also seeks a CPUC finding that it managed its utility-owned generation (UOG) facilities reasonably, although it recommends that CPUC review of outages at Diablo Canyon Power Plant related to the Unit 2 main generator be delayed to the 2021 ERRA Compliance review. Of significance to the PCIA, PG&E is requesting the CPUC find that entries in its Portfolio Allocation Balancing Account (PABA), which trues up the above-market forecast of generation resources recovered through the PCIA with actual recorded costs and revenues, are accurate.

PG&E's procurement costs recorded across the portfolio were \$158.8 million higher than forecasted, allegedly due to higher-than-forecast RPS-eligible contracts, as offset by higher than forecast retained RPS and retained RA, as well as lower than forecast fuel costs for UOG facilities. Activity recorded in the PABA includes the following categories: Revenues from Customers, RPS Activity, RA Activity, Adopted UOG Revenue Requirements, CAISO Related Charges and Revenues, Fuel Costs, Contract Costs, GHG Costs, and Miscellaneous Costs. PG&E has redacted as confidential its 2020 actual and forecast costs for these categories, so it is unclear from the public filing what the magnitude is regarding the difference between actual and forecast costs for each category.

The Scoping Memo and Ruling specifies the proceeding will be divided into two phases. Phase 1 will address whether PG&E (1) prudently administered and managed Utility-Owned Generation facilities and QF and non-QF contracts, (2) achieved least-cost dispatch of energy resources, (3) had reasonable, accurate, and appropriate ERRA and PABA entries, and (4) administered RA

procurement and sales consistent with its Bundled Procurement Plan, among other issues. Phase 2 issues may be amended based on the outcome of Phase 2 of PG&E's 2019 ERRA compliance proceeding. The tentative list of issues include whether sales forecasting methods for adjusting revenue requirement under current decoupling policy should be adjusted to account for power not sold or purchased during a Public Safety Power Shutoff (PSPS) event in 2020, whether it is appropriate for PG&E to return the revenue requirement equal to the estimated unrealized volumetric sales and unrealized revenue resulting from the PSPS events in 2020, and the appropriate methodology for calculating PG&E's unrealized volumetric sales and unrealized revenues resulting from 2020 PSPS events.

In testimony, Joint CCAs recommended a number of accounting adjustments that would reduce PUBA balances by more than \$14.3 million. They also recommend the CPUC acknowledge that PG&E's internal audit of its PABA concluded that the processes and controls governing PABA accounting are "Not Adequate," and that PG&E remedy the identified deficiencies. Furthermore, they recommend that the CPUC clarify that future procurement expenses incurred by PG&E acting as the Central Procurement Entity will be reviewable in ERRA Compliance proceedings, and that PG&E should demonstrate the effect of such procurement, if any, on the PABA and ERRA balancing accounts.

PG&E agreed in rebuttal testimony that the accounting for PCIA costs attributed to customers taking service on the GTSR tariff should be adjusted to correctly credit PABA for the 2019 and 2020 record periods, reducing the PABA balance by approximately \$5 million. PG&E also agreed to present testimony in its 2021 ERRA Compliance proceeding addressing actions taken in response to the Internal Audit findings that PABA accounting process and controls were inadequate.

- **Details:** In the Settlement Agreement, PG&E agreed with the Joint CCAs' position to a disallowance of \$247,500 associated with CAISO penalties for load meter data errors, late submission of Resource Adequacy and Supply Plans and missed deadlines for grid modeling data or telemetry communication for PG&E's utility owned generation and that any future sanctions for missed deadlines for grid modeling data or telemetry communication for PG&E's utility-owned generation will not be recovered from customers. Joint CCAs agreed that CAISO sanctions associated with Power Purchase Agreements (contracted generation) were caused by the counterparty and passed through to the counterparty and should not be disallowed.

PG&E agreed that entries to the PABA for costs associated with the Green Tariff Shared Renewables program should be reduced by \$5 million for 2019 and 2020, as Joint CCAs had argued.

PG&E also agreed that certain issues should be in the scope of future ERRA proceedings, resolving the Joint CCA concern regarding its ability to review PG&E's accounting with respect to transactions with the CPE in future ERRA Compliance proceedings.

Finally, PG&E agreed to transfer from PABA to ERRA 2014 and 2017 Diablo Canyon Seismic Studies Balancing Account recorded costs, whereas the 2018 costs were retained in the PABA, which resolved the Joint CCAs concerns about that cost recovery.

- **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 2020. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Both issues could impact the level of the PCIA in 2022 and 2023.
- **Next Steps:** A PD is anticipated for Q1 2022.
- **Additional Information:** [Joint Motion for Adoption of Settlement Agreement](#) (October 15, 2021); [Scoping Memo and Ruling](#) (June 21, 2021); [Application](#) (March 1, 2021); Docket No. [A.21-03-008](#).

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

No updates this month.

- **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. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

A September 4, 2020 Ruling determined 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 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.

In April 2021, the CPUC issued Resolution M-4852, placing PG&E into the first of six steps of the Enhanced Oversight and Enforcement process. This six-step process could ultimately result in a revocation of PG&E's certificate of public convenience and necessity if it fails to take sufficient corrective actions. Resolution M-4852 found that PG&E made insufficient progress toward approved safety or risk-driven investments and is not sufficiently prioritizing its Enhanced Vegetation Management (EVM) based on risk. It found that PG&E is not doing the majority of EVM work – or even a significant portion of work – on the highest risk lines.

On August 18, 2021, CPUC President Batjer sent a letter to PG&E stating that she has directed CPUC staff to investigate whether to advance PG&E further within the Enhanced Oversight and Enforcement process. President Batjer's letter to PG&E identified "a pattern of self-reported missed inspections and other self-reported safety incidents," concluding that "this pattern of deficiencies warrants the fact-finding review." PG&E self-reported missed inspections of hydroelectric substations, distribution poles, and transmission lines. PG&E also reported missing internal targets for enhanced vegetation management and failing to identify dry rot in distribution poles treated with Cellon coating. Many of these issues occurred in High Fire Threat District areas.

On October 25, 2021, President Batjer sent a letter to PG&E asserting that PG&E's "execution and communication of its wildfire mitigation device setting known as Fast Trip has been extremely concerning and requires immediate action to better support customers in the event of an outage." It finds that since PG&E initiated the Fast Trip setting practice on 11,500 miles of lines in High Fire Threat Districts in late July, it has caused over 500 unplanned power outages impacting over 560,000 customers. It goes on to say that these Fast Trip-caused outages occur with no notice and can last hours or days. The letter goes on to outline near-term and ongoing transparency and accountability actions, as well as cost tracking

- **Details:** No updates.
- **Analysis:** The August 18, 2021, and October 25, 2021, CPUC letters to PG&E indicate the CPUC has significant concerns with PG&E's outages related to both PSPS events and its

implementation of Fast Trip. Unlike a PSPS event, by definition, Fast Trip settings do not allow for advance notice to customers of an outage.

- **Next Steps:** The proceeding remains open, but there is no procedural schedule at this time.
- **Additional Information:** [Letter](#) from President Batjer to PG&E on Fast Trip issues (October 25, 2021); [Letter](#) from President Batjer to PG&E (August 18, 2021); [Resolution M-4852](#) (April 15, 2021); [Letter](#) from President Batjer to PG&E (November 24, 2020); [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. [1.15-08-019](#).

## PG&E Regionalization Plan

No updates this month. On September 10, 2021, Parties, including VCE, filed comments on the August 31, 2021, motion for approval of settlement agreements, followed by reply comments on September 17, 2021.

- **Background:** In D.20-05-051 approving PG&E’s reorganization following bankruptcy, PG&E was directed to file a regionalization proposal (Docket No.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. 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.

In August 2020, 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.

In February 2021, PG&E submitted its updated regionalization proposal (“Updated Proposal”). In response to feedback, PG&E modified its five regions (renamed North Coast, North Valley & Sierra, Bay Area, South Bay & Central Coast, and Central Valley), including moving Yolo County from Region 1 to Region 2 (North Valley & Sierra), where it would be grouped with the following counties: Colusa, El Dorado, Glenn, Lassen, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Solano, Sutter, Tehama, and Yuba. PG&E also provided more information on the new leadership positions that it is creating and its “Lean Operating System” implementation.

Currently, PG&E is in Phase 1 of 3 of its regionalization plan, which is focused on refining regional boundaries, establishing roles and governance for regional leadership, and recruiting and hiring for those positions. In Phase 2 (second half of 2021 through 2022), PG&E will establish and implement the regional boundaries and provide the resources and staffing to support it. In Phase 3 (2023 and after), PG&E will continue to reassess, refine and collaborate with other functional groups to improve efficiencies, safety, reliability and customer service.

On August 31, 2021, PG&E, the California Farm Bureau Federation, the California Large Energy Consumers Association, the Center for Accessible Technology, the Coalition of California Utility Employees, the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”), the Small Business Utility Advocates, and William B. Abrams filed a motion for approval of their settlement agreement (“Multi-Party Settlement Agreement”). A separate

settlement agreement is between the South San Joaquin Irrigation District and PG&E. The Multi-Party Settlement Agreement includes a framework within which PG&E will facilitate a stakeholder engagement process for parties to the Multi-Party Settlement Agreement to provide updates and a non-binding forum for input for stakeholders. The proposed settlement would restrict participation in the Regionalization Stakeholder Group to parties or others who agree to the scope, procedures and protocols of the Regionalization Stakeholder group as outlined in the settlement. PG&E will host two public workshops in 2022 and for each year until the completion of Phase III or its regionalization implementation to provide updates to the public about its regionalization implementation progress.

In the separate PG&E/SSJID Settlement Agreement, PG&E clarified and confirmed that its implementation of regionalization as managed by its Regionalization Program Management Office will not include any work to oppose SSJID's municipalization efforts. However, SSJID also acknowledged that PG&E may continue to respond to SSJID's municipalization efforts in other forums and proceedings separate from the regionalization proceeding and/or implementation of the Updated Regionalization Proposal.

- **Details:** VCE filed comments on the settlement jointly with Pioneer Community Energy that were critical of PG&E's Updated Proposal and the settlement. VCE and Pioneer recommended that the CPUC reject the settlement and require changes to PG&E's Updated Proposal, including alignment with the boundaries of regional councils of governments ("COGs") and requirements to coordinate with COGs, the development of metrics to measure PG&E's progress on key safety and customer relations issues, greater coordination between PG&E and CCAs, and improvements to the Regionalization Stakeholder Group to expand its access and efficacy.
- **Analysis:** The implications of PG&E's regionalization plan on CCA operations, customers, and costs are largely unclear based on the information presented in PG&E's application and updated 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. It could also impact municipalization efforts, although the pending SSJID settlement agreement stated that PG&E's regionalization efforts will not be in opposition to SSJID's municipalization. As part of Region 2, VCE would be grouped with several northern counties in central and eastern California.
- **Next Steps:** A Proposed Decision will be issued next. In light of CPUC President Batjer's departure, it appears that issuance of a Proposed Decision has been delayed.
- **Additional Information:** [Joint Motion](#) for approval of Settlement Agreements (August 31, 2021); Ruling granting schedule modification (August 20, 2021); [Ruling](#) denying evidentiary hearing (July 28, 2021); PG&E [Joint Case Management Statement](#) (July 20, 2021); [Amended Scoping Memo and Ruling](#) (June 29, 2021); [PG&E Updated Regionalization Proposal](#) (February 26, 2021); [Ruling](#) modifying procedural schedule (December 23, 2020); [Scoping Memo and Ruling](#) (October 2, 2020); [Application](#) (June 30, 2020); [A.20-06-011](#).

## Direct Access Rulemaking

No updates this month. On August 13, 2021, CalCCA filed a response to a July application for rehearing filed by a coalition of parties supporting expansion of Direct Access, who challenged a June CPUC decision that recommended against any re-opening of Direct Access. This proceeding is otherwise closed.

- **Background:** In Phase 1 of this proceeding, the CPUC allocated the additional 4,000 GWh of Direct Access load to non-residential customers required by SB 237 (2018, Hertzberg) among the three IOU territories with implementation to begin January 1, 2021.

In Phase 2, the CPUC issued D.21-06-033 recommending against any further Direct Access expansion at this time based primarily on a concern that doing so "would present an unacceptable risk to the state's long-term reliability goals." It observed that after considering

recent reliability events (i.e., the summer 2020 heat storm and resulting rolling blackouts in California and February 2021 outage event and skyrocketing electricity prices in Texas) and IRP forecasts for additional generation, expanded direct access would result in further system fragmentation that raises serious electric system reliability concerns. Further portions of the Decision:

- Observed that Direct Access providers do not have a track record of relying on long-term contracts to meet their energy needs, which could impede the development of new, needed resources.
- Noted that allowing expansion could undermine the long-term contracts that LSEs such as CCAs have already entered (i.e., due to load migration) and make it difficult for them to enter new contracts.
- Stated that currently, the CPUC is not able to ensure that Direct Access expansion would not increase GHG emissions and other pollutants when compared to retaining the current cap, as Direct Access providers have historically relied primarily on unspecified power and lead to a net decline in clean energy procurement.
- **Details:** In their July Application for Rehearing, parties including the Alliance for Retail Energy Markets and the Direct Access Customer Coalition argued that:
  - The CPUC broke the law and abused its discretion when it disregarded the express duties imposed on it by SB 237.
  - D.21-06-033 ignored the substantial evidence in the record as it pertains to: (1) concerns about electric service provider (ESP) procurement performance and (2) the alleged threat to reliability posed by load migration due to an expansion of Direct Access is inaccurate and discriminatory.
  - D.21-06-033 discriminates against non-residential customers and the ESPs that wish to serve them, thereby violating the dormant Commerce Clause of the US Constitution.
  - D.21-06-033 relied on "misrepresentations of facts and speculations."

CalCCA's August response argued that:

- The CPUC's interpretation of the statute was consistent with its plain language and legislative history.
- The Decision is supported by the findings required by statute and is also adequately supported by findings based on the entire administrative record.
- The dormant Commerce Clause argument fails because the Decision applies equally to both in-state and out-of-state ESPs, and therefore does not unfairly discriminate against out-of-state interests.
- The argument that the Decision discriminates against both ESPs and their customers and therefore violates their Equal Protection rights fails the "rational basis" test in that the Decision is based on the findings regarding electric grid reliability and environmental concerns.
- **Analysis:** This proceeding determined the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California. D.21-06-033 recommending against expansion of Direct Access at this time could reduce the risk of load migration from CCAs (or IOUs) to ESPs.
- **Next Steps:** The only remaining item to be addressed in this proceeding is the Application for Rehearing filed by direct access advocates.
- **Additional Information:** [CalCCA Response](#) to Application for Rehearing (August 13, 2021); Application for Rehearing of [D.21-06-033](#) (July 29, 2021); [D.21-06-033](#) recommending against direct access expansion (approved June 24, 2021); [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 (2021-2022)

No updates this month. On October 11, 2021, parties filed responses to OhmConnect's Petition for Modification of D.20-06-031, to which OhmConnect responded on October 25, 2021. The October 11, 2021, Order Instituting Rulemaking in the successor RA rulemaking, R.21-10-002, closed this proceeding, except to resolve OhmConnect's Petition for Modification.

- **Background:** This proceeding is divided into 4 tracks, with the focus in 2021 being on Tracks 3 and 4, described in more detail below. Going forward, a workshop process will be used to generate an RA restructuring proposal in Q1 2022, with the goal of implementing more substantial program changes in 2023 for the 2024 RA compliance year.

**Track 3A (completed):** D.20-12-006, issued December 2020, addressed the issues of the financial credit mechanism and competitive neutrality rules for the CPEs. It approved CalCCA's proposed "Option 2," with modifications, which allows the CPE to evaluate the shown resource alongside bid resources to assess the effectiveness of the portfolio. The financial credit mechanism will apply only to new preferred or energy storage resources (i.e., non-fossil-based resources) with a contract executed on or after June 17, 2020. It also adopted PG&E's competitive neutrality proposal for PG&E's service territory. Finally, D.20-12-006 found that the Local Capacity Requirements Working Group should continue to discuss recommendations and develop solutions for consideration in CAISO's 2022 LCR process.

**Track 3B.1 and Track 4 (completed):** D.21-06-029, issued June 2021, adopted local capacity requirements for 2022-2024, flexible capacity requirements for 2022, and refinements to the RA program. It adopted a series of changes to the Maximum Cumulative Capacity (MCC) buckets, which function as limits on the amount of RA that may be procured from resources with different characteristics. It required resources in all MCC buckets to have availability on Saturday for the 2022 RA compliance year. This had the effect of modifying the DR and Categories 1 and 2 buckets to add Saturday. DR contracts with an execution date prior to the effective date of D.21-06-029 will be grandfathered and not subject to the new Saturday availability requirement. It also revised the Category 1 availability criteria (4 consecutive hours of availability from 4-9 p.m. from May-September) to increase the monthly minimum availability from 40 hours to 100 hours (and 96 hours for February) and to require year-round availability. D.21-06-029 requested that the CEC launch a stakeholder working group process as part of the 2021 IEPR and make recommendations on several topics intended to support a comprehensive and consistent DR measurement and verification strategy, to be considered for implementation during the 2023 RA compliance year. Finally, D.21-06-029 added a new RA deficiencies penalty structure to the current penalty structure, layering on a penalty multiplier for repeat RA deficiencies based on a point system beginning in the 2022 RA compliance year.

**Track 3B.2 (Ongoing, now in R.21-10-002):** D.21-07-014 rejected CalCCA/SCE's proposal for restructuring the RA program, and instead found that PG&E's "slice-of-day" proposal best addresses the identified principles and the concerns with the current RA framework and if is further developed, is best positioned to be implemented in 2023 for the 2024 compliance year. Therefore, it directed parties to collaborate to develop a final restructuring proposal based on PG&E's slice-of-day proposal through a series of workshops. The PG&E Slice of Day Framework will establish RA requirements based on a "slice-of-day" framework, which seeks to ensure load will be met in all hours of the day, not just during gross peak demand hours. The proposal also attempted to ensure there is sufficient energy on the system to charge energy storage resources. The proposed framework would establish RA requirements for multiple slices-of-day across seasons and would establish a counting methodology to reflect an individual resource's ability to produce energy during each respective slice (e.g., six four-hour periods of the day).

- **Details:** OhmConnect’s Petition for Modification of D.20-06-031 requested that the CPUC raise the demand response Maximum Cumulative Capacity limit of 8.3% to 11.3%. OhmConnect says that the change is needed to create the room for growth envisioned in D.20-06-031 and meet the requirements of the Governor’s Emergency Proclamation ordering state energy agencies to expedite and expand DR programs to reduce the likelihood of future rotating power outages.

A group of CCAs (RCEA, San Diego Community Power, and San José Clean Energy) and EBCE filed responses in support of OhmConnect’s Petition for Modification. The group of CCAs said a higher cap would enable more flexibility for them in meeting their RA requirements, and help California meet system reliability needs. EBCE’s reasons for supporting the petition were provided in a confidential attachment to its response.

- **Analysis:** If OhmConnect’s Petition for Modification is granted, it would allow LSEs like VCE to procure a higher percentage of demand response resources to meet its RA obligations than it is currently allowed under the RA compliance rules.
- **Next Steps:** A proposed decision addressing OhmConnect, Inc.’s petition for modification and closing this proceeding is expected to be issued next.
- **Additional Information:** OhmConnect’s [Petition for Modification](#) (September 9, 2021); [D.21-07-014](#) on restructuring the RA program with PG&E Slice of Day proposal (July 16, 2021); [D.21-06-029](#) adopting local capacity obligations for 2022-2024, flexible capacity obligations for 2022, and refinements to the RA program (approved June 24, 2021); [2019 Resource Adequacy Report](#) (March 19, 2021); [Scoping Memo and Ruling](#) for Track 3B and Track 4 (December 11, 2020); [D.20-12-006](#) on Track 3.A issues (December 4, 2020); [D.20-06-031](#) on local and flexible RA requirements and RA program refinements (June 30, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

## 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>POLR</b>	Provider of Last Resort
<b>PSPS</b>	Public Safety Power Shutoff
<b>PUBA</b>	PCIA Undercollection Balancing Account
<b>PURPA</b>	Public Utility Regulatory Policies Act of 1978 (federal)
<b>QC</b>	Qualifying Capacity
<b>QF</b>	Qualifying Facility under PURPA
<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:** Board of Directors  
**FROM:** Rebecca Boyles, Director of Customer Care & Marketing  
**SUBJECT:** Customer Enrollment Update (Information)  
**DATE:** March 10, 2022

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**RECOMMENDATION**

Receive and review the attached Customer Enrollment update as of March 2, 2022.

# Item 9 - Enrollment Update

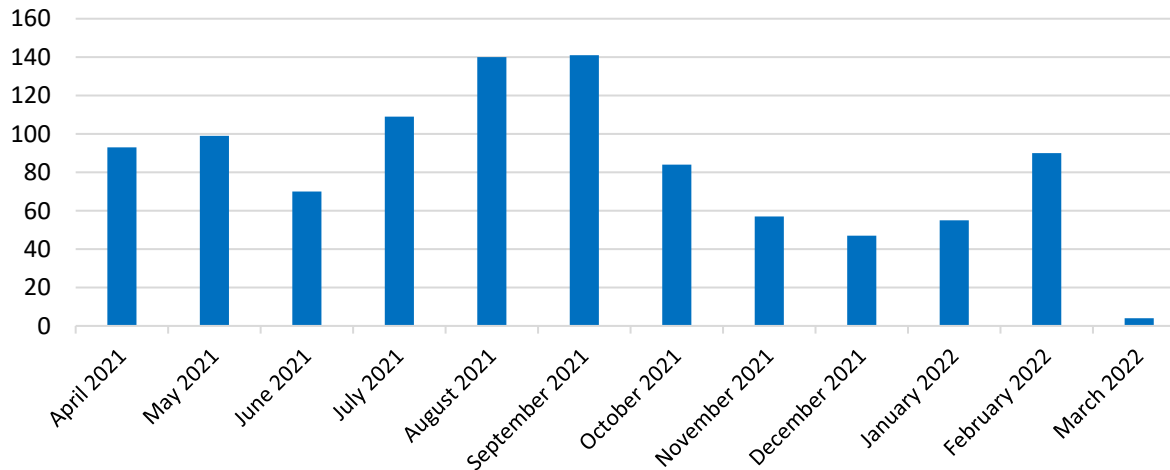
	Davis	Woodland	Winters	Yolo Co	Total	Residential	Commercial	Industrial	Ag	NEM	Non-NEM
VCEA customers	28,060	20,521	2,540	10,755	61,876	53,886	6,040	7	1,856	10,933	50,943
Eligible customers	29,388	23,586	2,869	12,320	68,163	59,223	6,694	7	2,135	12,112	56,051
Participation Rate	95%	87%	89%	87%	91%	91%	90%	100%	87%	90%	91%

All Winters customers are now enrolled and are included in this table.

## % of Load Opted Out

Residential	Commercial	Industrial	Ag	Total
10%	10%	0%	13%	10%

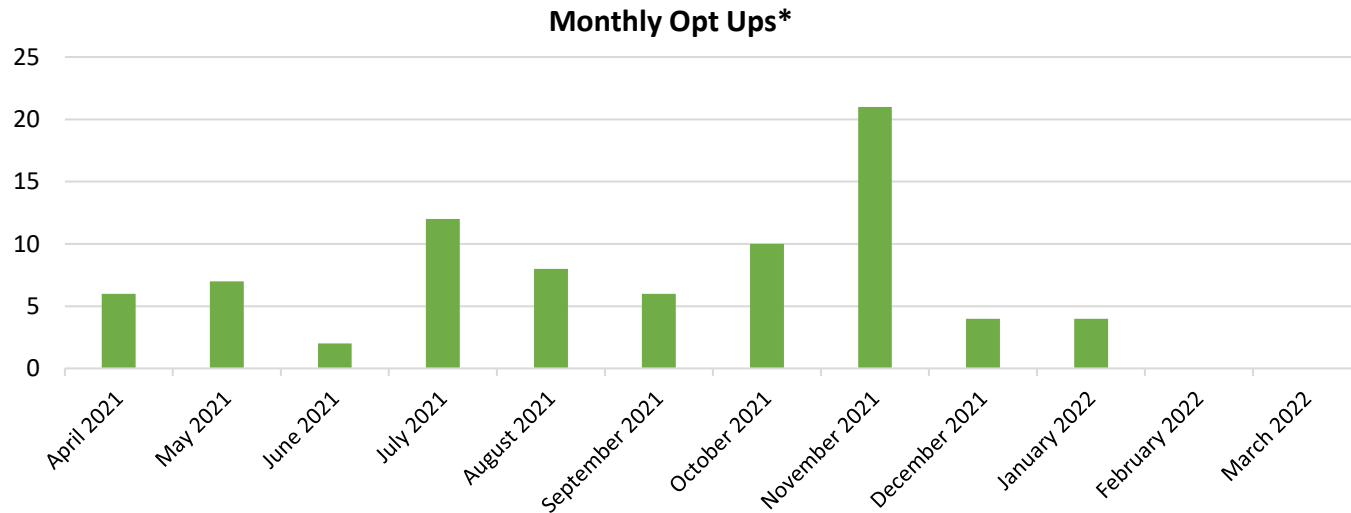
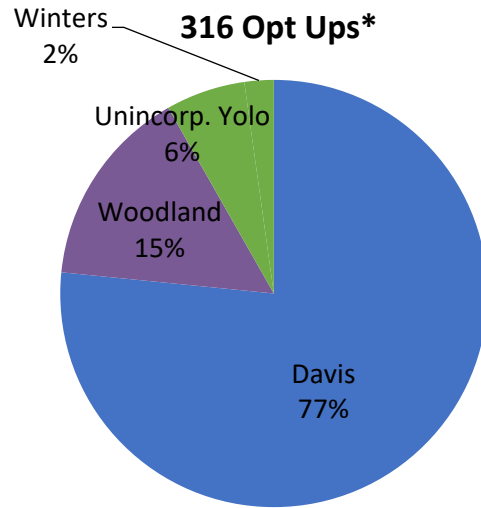
## Monthly Opt Outs



Status Date: 03/02/22

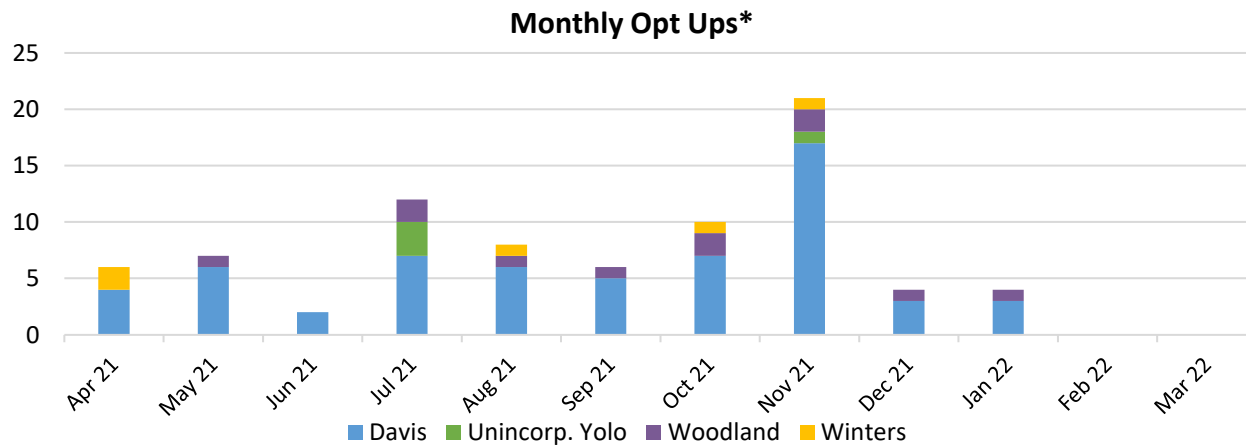
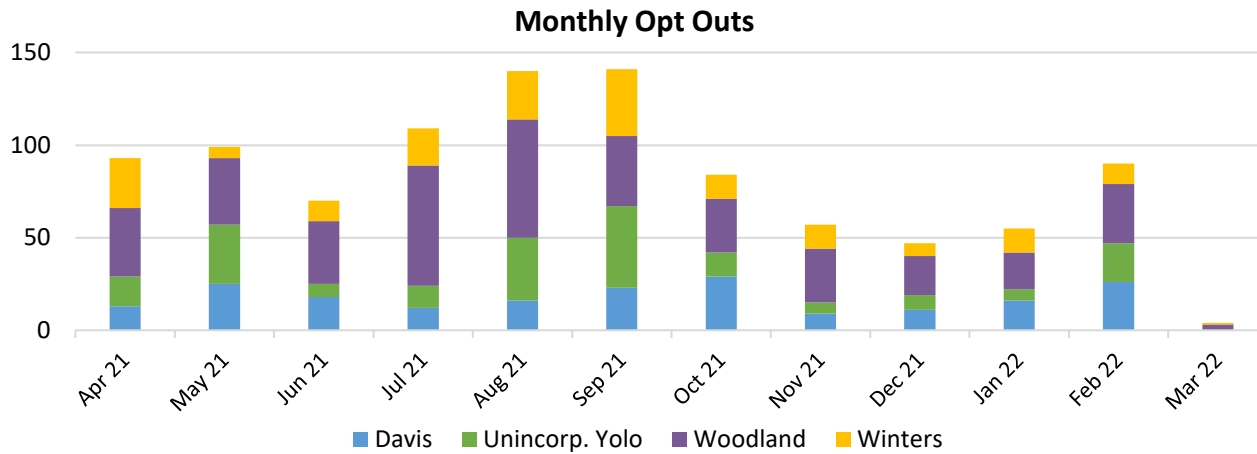


# Item 9 - Enrollment Update



\* The numbers in the pie chart represent opt ups for customers who are currently enrolled. The numbers in the bar graph represent opt up actions taken regardless of current enrollment status.

# Item 9 - Enrollment Update

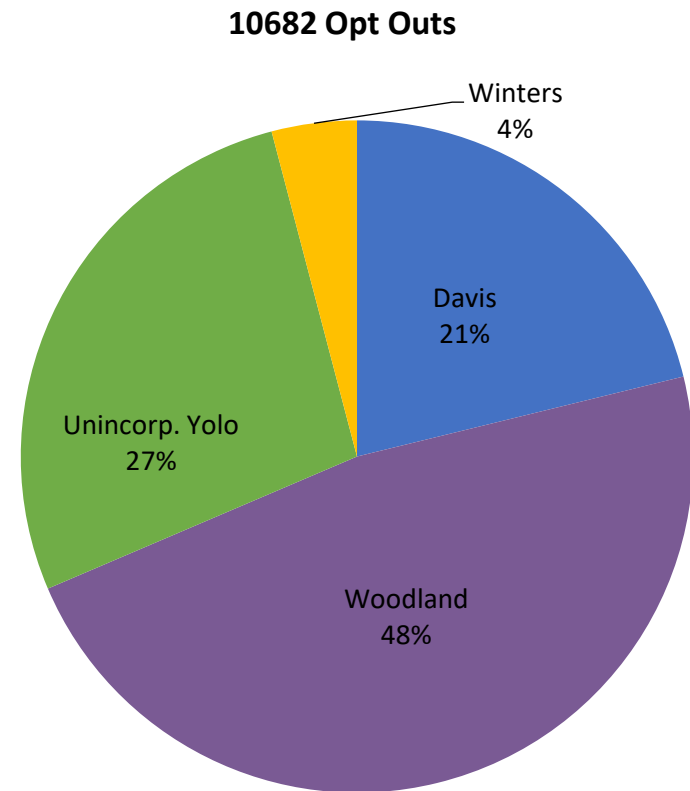
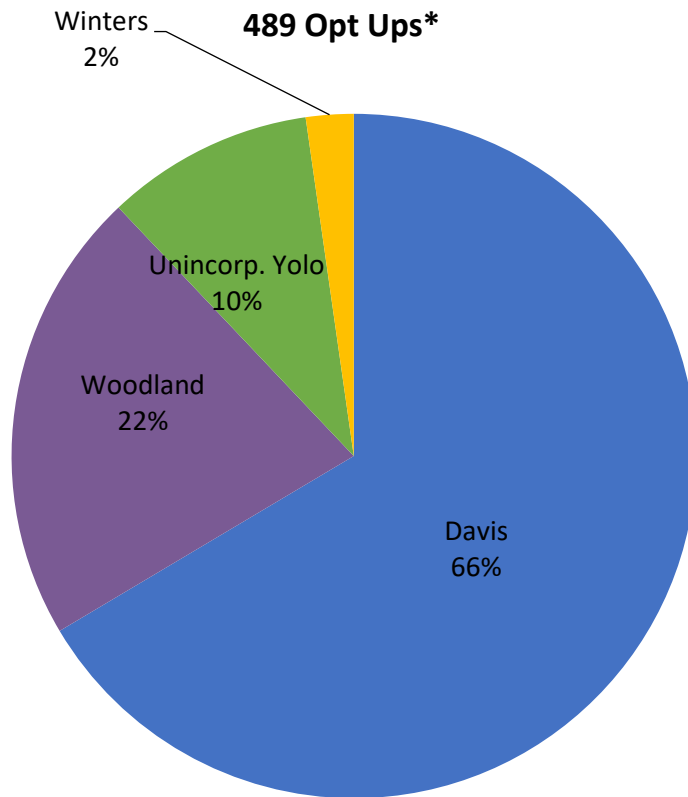


\* These numbers represent all opt up actions ever taken regardless of current customer enrollment status.

Status Date: 03/02/22



# Item 9 - Enrollment Update



\* These numbers represent all opt up actions ever taken regardless of current customer enrollment status.



## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 10

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk / Administrative Analyst

SUBJECT: Community Advisory Committee February 24, 2022 Meeting Summary and Formation of 2022 Task Groups

DATE: March 10, 2022

This report summarizes the Community Advisory Committee’s meeting held via Zoom webinar on Thursday, February 24, 2022.

- A. **Considered revised draft Collections Policy.** Staff presented a revised draft Collections Policy and received input, specifically on process and due diligence by VCE to connect with the customer prior to sending the customer to collections. The CAC recommended that the Board approve the Collections Policy with the addition of a flow chart of customer contact and verbiage reflecting multiple contacts with the customer will be made prior to sending them to collections (8-0-0).
  
- B. **Considered Time-of-Use (TOU) Bill Protection Program.** Staff summarized 4 approach options of a bill protection program for customers transitioning from flat, tiered rates to time of use (TOU) rates. The CAC discussed cost differences between options 3 and 4, what other CCA’s are offering in bill protection, how a credit amount was determined in option 3, length of participation by customer in the program, messaging to the customer, and which option would result in a more positive customer service experience. The CAC recommended that the Board approve Bill Protection Option #3, in which customers can call and request bill protection if they choose to remain on the Time-of-Use rate for a full 12 months. In addition, the CAC recommend that the Board include staff outreach efforts, such as using VCE’s website, newsletter, and social media to inform customers that the bill protection program is available (7-0-1). The abstention was from a CAC member who felt the customer should be enrolled automatically and not have to call and request.
  
- C. **Considered Customer program concept (Heat Pump Pilot Program).** Staff summarized the proposed customer Heat Pump Pilot Program concept. The CAC discussed how the heat pumps work, the goals of the program, engagement of contractors, and resources for customers. The CAC recommended that the Board approve Phase 1 of the Valley Clean Energy’s Heat Pump Pilot Program and change the primary focus of the program to encourage replacements of failing, failed, or outdated heating / air conditioner systems with Dual Fuel Heat Pumps or all Electric Heat Pumps (8-0-0).

- D. **Formation of Energy Resilience Task Group and charge for 2022.** The CAC reviewed, discussed and formed an Energy Resilience Task Group with the concept and preliminary charge agreed upon. Energy Resilience task group members were asked to develop with Staff a work plan/tasks for the CAC's review and discussion for their March meeting (8-0-0). At the CAC's January 20<sup>th</sup> meeting, three (3) Task Groups formed for 2022: Leg/Reg, Outreach, and Programs (7-0-0) and Task Group Charges were approved (7-0-0). This summary report transmits the Charges for the four (4) task groups formed for 2022.
- E. **Received power procurement / Renewable Portfolio Standard (RPS) update.** Staff provided an update on power procurement status, 2021 target and current power estimates, reviewed 2022 target, provided an update on the Aquamarine project, output from Indian Valley hydro, and reviewed the renewable portfolio standard (RPS) outlook.
- F. **Elections of Chair and Vice Chair.** David Springer was elected as Chair and Marsha Baird was elected as Vice Chair, both to serve for the remainder of 2022.

Attachments: CAC 2022 Task Group Charges

**VALLEY CLEAN ENERGY  
COMMUNITY ADVISORY COMMITTEE**

**2022 LEG/REG TASK GROUP CHARGE**

**Members:** Yvonne Hunter (Chair)  
Lorenzo Kristov  
Jennifer Rindahl  
Christine Shewmaker

**Staff Lead:** Mitch Sears

**2022 Charge:**

Work with VCE's lobbyist and VCE staff to:

- Provide feedback, technical information and strategic advice to VCE staff on key legislative and regulatory issues facing VCE and the CCA community in general, including legislation and regulatory issues related to VCE's Strategic Plan and Environmental Justice Statement.
- Provide periodic reports to the CAC about legislation and regulatory issues.
- Solicit recommendations from the CAC on VCE positions on key legislation and regulatory proceedings.
- Advise VCE staff on CalCCA's regulatory work when appropriate.
- Work with staff to consider options to enhance the Task Group's and CAC's understanding of regulatory proceedings.
- Contribute to VCE's engagement with legislators and other stakeholders.
- Work with staff to periodically review and update VCE's Legislative Platform for consideration by the CAC and VCE Board.

**VALLEY CLEAN ENERGY  
COMMUNITY ADVISORY COMMITTEE**

**2022 OUTREACH TASK GROUP CHARGE**

**Members:** Mark Aulman (Chair)  
Marsha Baird  
Yvonne Hunter

**Staff Lead:** Rebecca Boyles

**2022 Charge:**

Collaborate with VCEA staff and consultants on community outreach to, and liaison with, member communities

Assist in the development of public information strategies, planning, and materials related to VCEA policies and programs. As requested by staff, review draft materials and provide comments as appropriate

**Specific Tasks**

1. Consult with staff and Green Ideals on short-term and long-term outreach strategies and communications projects
2. Help define audience segments within VCE's service area and consult on appropriate messages and communications approaches
3. Provide a sounding board to assist in message development and copy testing
4. Review development procedures for marketing communications and public relations projects
5. Conduct review of marketing materials at the draft (pre-release) stage
6. Provide concise summaries of activities at the monthly CAC meetings
7. Assist with projects designed to implement the VCE Outreach and Marketing Plan with emphasis on environmental justice and the VCE Strategic Plan
8. As requested by the Director of Customer Care and Marketing, provide outreach and messaging support for the efforts of other CAC task groups, e.g., Programs TG and Rates TG.

**VALLEY CLEAN ENERGY  
COMMUNITY ADVISORY COMMITTEE**

**2022 PROGRAMS TASK GROUP CHARGE**

**Members:** Marsha Baird (Chair)  
David Springer

**Staff Lead:** Rebecca Boyles

**2022 Charge:** The CAC Programs Task Group will assist VCE Staff with development and planning of Customer Programs that are prioritized for implementation by the criteria outlined in the 3-year Programs Plan adopted by the Board in June 2021. Specifically, the Task Group will:

- (1) advise on program details and review program design/implementation forms for programs prioritized for implementation in 2022,
- (2) assist VCE Staff with updates to programs already in place,
- (3) collaborate with Staff on annual update to the 3-year Programs Plan,
- (4) assist Staff with finding and applying for external funding for upcoming programs,
- (5) have preliminary discussions with Staff on programs in line for implementation in 2023, and
- (6) provide summaries and updates at monthly CAC meetings on Task Group activities.

**VALLEY CLEAN ENERGY  
COMMUNITY ADVISORY COMMITTEE**

**2022 ENERGY RESILIENCE TASK GROUP CHARGE**

**Members:** Lorenzo Kristov  
Gerry Braun

**Staff Lead:** Gordon Samuel

**Concept:** Form a TG to consider practical ways that VCE can work with its member jurisdictions and other local collaborators to address imminent challenges related to climate disruption. The TG would focus initially on how VCE could contribute to building local energy resilience, i.e., the capability to maintain electric service for essential community needs and functions during planned and unplanned power system outages.

**2022 Charge:** Work with VCE staff and other potential collaborators to develop specific ideas and initiatives for providing energy resilience benefits for Yolo County people and communities while maintaining VCE’s financial health and core responsibilities.

**Scope/Tasks:** TO BE DETERMINED. Task Group members will work with Staff to develop work plan/tasks which will be reviewed and discussed by the CAC at their next meeting.

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**Strategic Plan:** 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.

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 11**

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**TO:** Board of Directors

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

**SUBJECT:** Bi-annual Enterprise Risk Management Report

**DATE:** March 10, 2022

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**RECOMMENDATION**

Accept the Bi-annual Enterprise Risk Management Report – March 2022.

**BACKGROUND & DISCUSSION**

In 2018, the Board approved VCE's Enterprise Risk Management (ERM) Policy. The policy is centered on energy best practices and is adapted from the SMUD risk management policy. In summary, the VCE ERM policy contains the following sections:

- **Introduction:** This section introduces the value of ERM as a structured approach to managing risk and uncertainty. It lays out the objectives of VCEA's ERM function, providing the framework for evaluating and managing risk in the organization's decision-making process.
- **ERM Roles and Responsibilities:** The ERM roles are consistent with the Board-approved Wholesale Power Procurement & Risk Management Policy. The Enterprise Risk Oversight Committee (EROC) has primary responsibility for the implementation of ERM. The policy lays out the scope of the EROC's risk management authority.
- **Business Practices:** This section identifies the steps of risk management and the basic process associated with each step. The intent is to provide a high-level framework. Specific tools and techniques for implementing enterprise risk management will be recommended by the portfolio manager following approval of the policy.
- **Management Reporting and Metrics:** The policy defines an enterprise risk report that will be provided bi-annually to the Board.

Staff has used the consistent framework described in the ERM policy to identify various risks and related mitigations, and to ensure effective mitigation and communication across all levels of the organization. The attached ERM bi-annual report describes the activities that took place since the last

bi-annual update in September 2021 and the actions VCE is and will be taking to manage the top risks that have been identified.

Prior to this report, staff most recently presented the bi-annual update in September 2021 to the Board, describing progress on the ERM plan since inception. Bi-annual updates are provided in March and September of each year.

**ATTACHMENT**

1. Bi-annual Enterprise Risk Management Report – March 2022



Valley Clean Energy

# Enterprise Risk Management Report

March 2022

## PURPOSE:

The purpose of the biannual ERM Report is to update VCE's Board and the public regarding the activities that took place since the last update on September 2021.

# Executive Summary

## Introduction and Background

In 2018, the Valley Clean Energy (VCE) Board adopted an Enterprise Risk Management (ERM) framework to provide the Board with insight into risks that could impact the ability to execute VCE's mission, build credibility and sustain confidence in VCE's governance and stakeholders, enhance the understanding of significant risks to VCE, and develop the capacity for continuous monitoring, periodic reporting of risks, and responding to changing risk circumstances. This report is the first of VCE's biannual risk reports for FY 2022; the prior ERM biannual Report was issued on September 2021.

ERM is a strategic approach to risk management that supports the achievement of organizational objectives through the management of integrated impacts of risks as an interrelated risk portfolio. ERM is a coordinated effort by management to treat all risks effectively, thereby reducing the overall cost of risk to the organization. The General Manager has charged functional leaders to oversee the treatment of known major risk categories and provide a risk overview to the Enterprise Risk Oversight Committee (EROOC).

## ERM Philosophy

VCE's ERM philosophy includes the following principles:

1. Identify, assess, prudently manage, monitor, and report on a variety of business-critical risks;
2. Provide enterprise risk context and linkage to existing core business processes to improve the allocation of limited resources;

## ERM Approach

Staff has applied a multi-perspective approach to evaluate and estimate the trade-off between risk and cost of mitigation across VCE business functions. This approach addresses the following issues:

- Roles and responsibilities
- Definitions and language
- Risk heat map and risk exposure inventory
- Risk exposure monitoring, updating, and reporting
- Integration of ERM with key business processes
- Integration of risk awareness within corporate culture

- This framework supports the Board in exercising its overall responsibility to:
- Regulate opportunities and risks for VCE;
- Develop a better understanding of appropriate opportunities and risks for VCE;
- Promote active management of risk exposure down to acceptable levels; and
- Assist VCE in its achievement of business plan objectives and operational performance.

## Summary of Activities through March of 2022

From an implementation perspective, progress continues on multiple fronts. Significant effort has been invested in creating an enterprise risk register. Risks to VCE have been identified, categorized, and rated. Existing risk controls and risk treatment measures implemented/proposed have also been identified. The risk register provides VCE's management with a consolidated view of risks being faced by VCE, the potential impact of those risks, mitigation actions, and assessment of short-term risk trends (i.e., higher/lower/steady).

Staff is using a consistent framework to identify various risks and related mitigations, and to ensure effective communication across all levels of the organization. In doing so, staff has completed the following developmental tasks:

1. Established Interim General Manager as Chief Risk Officer and Director of Finance & Internal Operations as risk process owner, focusing on day-to-day monitoring and coordination.
2. Developed ERM framework and tools
3. Conducted a risk survey
4. Developed VCE's top risk portfolio
5. Surveyed staff and management for ongoing risk input
6. Held monthly EROC meetings

## Key Steps Taken Since the Last Biannual Update

Some actionable steps that VCE has taken since the last Board update in September 2021 include:

1. Have actively engaged from a regulatory and legislative standpoint, supporting regulatory statewide proceedings and settlements, meeting with key CPUC staff, and continuing progress on the annual VCE legislative platform, including SB 612 and AB 843.
2. Reduced the 2020 and 2021 RPS targets to maintain VCE's current rate policy and partially mitigate use of reserve funds during the transition to long-term power purchase agreements savings of ~\$3.75M.

3. Adopted a cost recovery-based customer rate policy and adopted 2022 Rates and Budget that returns to net positive income and building back reserves for stabilization and support of establishing a credit rating.
4. Secured a short-term \$5M line of credit with the County of Yolo and extension of line of credit with River City Bank for 2022 cash flow requirements.
5. Approval and development of AgFIT pilot program that provides growers with incentives for irrigation automation and uses scheduling software, to better manage energy costs.

## Key Risks

Key risks are those risks that, given VCE's current position, could negatively impact VCE's business model, future performance or prospects, solvency, liquidity, reputation, or prevent it from delivering on its local control commitment. These key risks are updated on an ongoing basis and look forward over a 5-year horizon to identify the:

- Nature and extent of risks facing VCE
- Likelihood and velocity of the risks and potential impacts
- VCE's ability to reduce or control such risks

## Key Priorities for Risk Management in 2022:

1. Maintain the operational risk management process
2. Provide regular updates to the Board
3. Continue to take specific actions to mitigate risks as outlined in this document
4. Begin to develop contingency plans for unexpected and emergent events

















## Risk Portfolio











Top 5 Risks for VCE:

1. Power Charge Indifference Adjustment ("PCIA") increases
2. Commodity procurement
3. Regulatory & Policy risk
4. Capital availability/cash flow
5. Economic Uncertainty

The following tables outline current risks (Table 1) and summarize VCE's top risk response plan (Table 2).

Table 1: Risk Description/Level

Risk	Description	Current Residual Risk	Target Residual Risk
PCIA	The PCIA rate for 2022 are decreased. Continued uncertainty around PCIA and the impacts to bundled rates remains for future years.		
Commodity Procurement	Risk of extreme fluctuations associated with commodity prices, including energy prices, resource adequacy, and other components of the energy portfolio, remain.		
Regulatory & Policy risk	Risk of additional regulatory requirements increasing complexity and cost of operations		
Capital availability/cashflow	Risk that VCE is unable to secure affordable financing as VCE uses reserves for rate stabilization as VCE transitions to the long-term PPAs. Risk has been slightly reduced through the adoption of the new cost recovery rate policy and debt covenants for cost recovery.		
Economic Uncertainty	Risk that the ongoing Covid-19 pandemic increases chances of impacting customers, the economy, and associated revenue forecasts.		
Rate structure	Risk of rate design for cost of service (non-time of use (TOU), PCIA, demand charges, varying generation rates) has been reduced. VCE will continue to develop rate option(s) support risk reductions.		
Cyber security & data privacy	Risk of a data breach as a result of a cyber breach or physical attack		
Financial Markets Volatility	Swings in global energy markets, financial markets, and currencies due to current geopolitical events (e.g. Russian invasion of Ukraine) may create significant challenges that VCE will have to address.		

Risk	Description	Current Residual Risk	Target Residual Risk
Changing customer expectations	Risk that customer's changing expectations as a result of innovation may result in reduced customer revenue and loyalty		
Opt-out rate	Risk of higher than expected opt-out level has increased with rising rates in both electricity and gas that could adversely affect opt-out rates. VCE will continue monitor opt-out activity and perform outreach as necessary.		
Business model	Ability to quickly identify and respond to business risks that have the potential to impact the ability to achieve VCE goals.		
Media & community	Risk of unfavorable public communications or events; spillover customer dissatisfaction related to PG&E's PSPS		
Unknown risks	Business and utilities attempt to identify and adapt to known risks but some potential events outside of VCE's control could have a debilitating impact on utilities in general and VCE in particular.		








	High Risk
	High/Moderate Risk
	Low/Moderate Risk
	Low Risk



Table 2: Summary of VCE top risk response plan

Risk Event	Response	Trend <sup>1</sup>	Plan	Trigger/Control	Owner
PCIA	Monitor risk & actively engage and respond		1) Continue direct involvement with CalCCA task groups to seek favorable rulings and settlements in the PCIA, ERRA, and other filings, such as SB 612.  2) Work towards the potential long-term goal of attaining an option for a PCIA buy-out and sunset date.  3) Work towards stabilization and reduction of the PCIA from a regulatory and legislative standpoint	Risk of PCIA rate increases in the 2023 ERRA proceeding.  CPUCs annual approval of PG&E's PCIA rate within the Energy Resource Recovery Account (ERRA) forecast	Director of Finance
Commodity Procurement	Reduce & manage risk		1) Continue to pursue long-term power purchase agreements to reduce the average cost of power in future years  2) Pursue regulatory and legislative avenues in	Execution of PPA contracts  Regulatory rulings that affect commodity procurement cost and RA cost	Director of Power Procurement

<sup>1</sup> Current trend of risk for VCE- increasing  , no change  or decreasing 

Risk Event	Response	Trend <sup>1</sup>	Plan	Trigger/Control	Owner
			<p>addressing the extreme swings in pricing and requirements of Resource Adequacy (RA) costs.</p> <p>3) Take an active role in regulatory proceedings at the CPUC, including appeals, on various regulations that impact the cost of electricity along with support from the CalCCA Regulatory Committee</p> <p>4) Follow the guidelines and recommendations of VCE's Wholesale Energy Risk Manual</p>		
Regulatory & policy risk	Monitor risk & actively engage and respond		<p>1) Take an active role in legislative sessions (contract with lobbyist and engage Board members for support/opposition on bills) along with support from CalCCA legislative committee</p> <p>2) Follow and continue to update the annual VCE Legislative Platform</p> <p>3) Take an active role in regulatory proceedings at the CPUC, including appeals, on</p>	<p>Weekly CalCCA Regulatory and Legislative Committee meetings</p> <p>Regulatory rulings</p> <p>Legislative actions</p>	General Manager



Risk Event	Response	Trend <sup>1</sup>	Plan	Trigger/Control	Owner
			various regulations that impact VCE and CC's that increase cost or bureaucracy without any significant safety or cost benefits to VCE and its customers along with support from CalCCA Regulatory Committee		
<b>Capital Availability/ Cash Flow</b>	Monitor risk & actively engage and respond		<ol style="list-style-type: none"> <li>1) Continue towards onserving cash, reduce debt, and lowering cash requirements.</li> <li>2) Evaluate reserve policy changes.</li> <li>3) Work towards the 2024 goal of securing an investment-grade credit rating.</li> </ol>	<p>Line of credit agreements &amp; renewals</p> <p>Develop &amp; Implement VCE Collections Policy</p>	Director of Finance
<b>Rate Structure</b>	Reduce & manage risk		<ol style="list-style-type: none"> <li>1) Monitor and update Board based on analyst forecasts for ERRRA proceeding.</li> <li>2) Identify and mitigate risks outside of VCE control to limit impacts and frequency of rate changes.</li> <li>3) Review and update rate policy for cost -recovery based model</li> </ol>	<p>Economic outlook and Rate forecasts</p> <p>Monitor Regulatory proceedings that impact PCIA, RA, and ERRRA.</p> <p>Monitor cash short-term and long-term impacts to reserve funds, credit lines, commercial negotiations, and PPA covenants.</p>	Director of Finance

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 12

**TO:** Board of Directors

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

**SUBJECT:** Approve Contract with Polaris Inc. for partial implementation of the Ag FIT (Flexible Irrigation Technology) dynamic pricing pilot

**DATE:** March 10, 2022

#### RECOMMENDATIONS

1. Adopt resolution approving services contract with Polaris Inc. for implementation support of the AgFIT (Flexible Irrigation Technology) dynamic pricing pilot in an amount not to exceed \$1.25M.
2. Authorize the Interim General Manager and/or his designee to execute and take all actions necessary to implement the services contract substantially in the form attached hereto on behalf of VCE, and in consultation with legal counsel, to approve minor changes to the services contract so long as the term and amount are not changed.

#### BACKGROUND AND ANALYSIS

More than 85% of VCE's service territory is designated for agricultural use. Due to this high concentration, the agricultural sector represents approximately 18% of VCE's total annual load and 16% of its peak demand.

In support of VCE's significant agricultural sector, the Board adopted a 3-year programs plan on June 10, 2021 that included an agricultural demand side program which evolved into the AgFIT dynamic rate pilot program.

At its December 2, 2021, the CPUC issued decision 21-12-015 authorizing VCE's proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs. The Pilot includes automation of agricultural pumping loads to respond to dynamic prices set by VCE and implementation of an experimental rate that incorporates energy and delivery costs in hourly prices. Customers who successfully respond to the prices and shift load out of expensive hours—typically the ramp hours—are projected to enjoy bill savings of over 10% while contributing to grid reliability when it is most needed. A significant amount of the State's agricultural irrigation pumping load is shiftable, presenting an important opportunity for California's grid and environment.

### Pilot Program Consultant Support

The AgFIT pilot is a unique undertaking that requires a combination of technical knowledge, electricity rate structuring that is matched with practical expertise in the agricultural sector that is exceedingly uncommon. Polaris was awarded a grant by the California Energy Commission that is the precursor study for the AgFIT pilot and provides them with the prerequisite skills and knowledge to support the VCE AgFIT pilot. Additionally, Polaris (and TeMix) sought out VCE based on our proposal submitted to the CPUC in late 2020 to implement a dynamic pricing structure to achieve load shift in the agricultural sector and formed an aligned effort to build the case for the pilot. Due to their unique expertise and experience in this specialized work in the agricultural sector, staff is recommending that the Board approve the services contract with Polaris for pilot implementation support. Notes: (1) Polaris' support services will be compensated through the CPUC funded pilot program and (2) staff will be returning at the April meeting with a recommendation for approval of a services contract with TeMix who will be designing the dynamic rate for VCE agricultural customers that will be conveyed as price signals via Polaris' agricultural irrigation pricing/scheduling software.

### **FISCAL IMPACT**

VCE will be providing short-term budget support until the CPUC budget process is completed (anticipated in Q2). Following CPUC action, VCE will be reimbursed for short-term budget support expenditures incurred under this and other pilot support services contracts (e.g. TeMix). On January 27, 2022 the VCE Board approved a temporary budget of up to \$200,000 of the program reserve fund that will be covered by future reimbursable revenues to have a net neutral impact on the budget.

The AgFIT program budget is included in the staff recommended 2022 budget (agenda item 18 on the February 10, 2022 Board agenda).

### **CONCLUSION**

Staff recommends the Board approve the consultant services contract with Polaris for support of the AgFIT dynamic pricing pilot.

### **ATTACHMENTS**

1. Polaris AgFIT services contract
2. Resolution

## AGREEMENT FOR CONSULTANT SERVICES

This Agreement is made and entered into as of [REDACTED], 2022 by and between Valley Clean Energy Alliance, a Joint Powers Authority organized and operating under the laws of the State of California with its principal place of business at 604 Second Street, Davis, California, 95616 (“VCE”), and Polaris Energy Services, Inc., a California corporation with its principal place of business at 411 Woodbridge Street, San Luis Obispo, California 93401 (hereinafter referred to as “Consultant”). VCE and Consultant are sometimes individually referred to as “Party” and collectively as “Parties” in this Agreement.

### RECITALS

WHEREAS, Consultant desires to perform and assume responsibility for the provision of certain services required by VCE on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing energy advisory services to public clients and is familiar with the plans of VCE with respect to the Project, as defined below.

WHEREAS, VCE desires to engage Consultant to render such services in connection with the Agricultural Pumping Dynamic Rate Pilot project (“Project”) as set forth in this Agreement.

NOW, THEREFORE, VCE and Consultant agree as follows:

#### 1. SCOPE OF SERVICES AND TERM.

1.1 Scope of Services. Consultant promises and agrees to furnish to VCE all labor, services, and incidental and customary work necessary to fully and adequately perform the services necessary for the Project as more particularly described on Exhibit A (“Services”). All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state, and federal laws, rules, and regulations. In the event of a conflict between a provision in this Agreement and a provision in Exhibit A or in any other exhibit to this Agreement, the provision in this Agreement shall control.

1.2 Facilities, Equipment, and Other Materials. Except as specifically provided in Exhibit B, Consultant shall, at its sole cost and expense, furnish all facilities, tools, equipment, and other materials necessary for performing the Services pursuant to this Agreement. VCE shall furnish to Consultant only those facilities, tools, equipment, and other materials specifically listed in Exhibit B, according to the terms and conditions set forth in that exhibit.

1.3 Schedule of Services. Consultant shall perform the Services expeditiously and in accordance with the Schedule of Services set forth in Exhibit C and any updates to the Schedule of Services approved by VCE. Time is of the essence in the performance of this Agreement. Subject to a Force Majeure Event or delays caused by VCE, Consultant's failure to perform any Service required under this Agreement within the time limits set forth in Exhibit C shall constitute a material breach of this Agreement.

1.4 Term. The term of this Agreement shall begin on the date VCE Board of Directors approves this Agreement with a term period of March 10, 2022 through March 1<sup>st</sup>, 2025 or when terminated as provided in Article 5.

## 2. PROJECT COORDINATION.

2.1 VCE 's Representative. VCE hereby designates Mitch Sears and/or its designee to act as its representative for the performance of this Agreement. Mitch Sears and/or its designee shall have the power to act on behalf of VCE for all purposes under this Agreement. VCE hereby designates Rebecca Boyles and/or its designee as the "Project Manager," who shall supervise the progress and day-to-day performance of this Agreement.

2.2 Consultant's Representative. Consultant hereby designates David Meyers to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services under this Agreement, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services to be performed under this Agreement.

Should the Consultant's Representative need to be substituted for any reason, the proposed new Consultant's Representative shall be subject to the prior written acceptance and approval of the Project Manager. The Consultant shall not assign any representative to whom VCE has a reasonable objection.

2.3 Coordination of Services. Consultant agrees to work closely with VCE staff in the performance of the Services and shall be available to VCE staff at all reasonable times.

### 3. RESPONSIBILITIES OF CONSULTANT.

3.1 Independent Contractor. VCE retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Nor shall any additional personnel performing the Services under this Agreement on behalf of Consultant be employees of the VCE; such personnel shall at all times be under Consultant's exclusive direction and control. Consultant shall be entitled to no other benefits or compensation except as provided in this Agreement.

3.2 Control and Payment of Subordinates. The Services shall be performed by Consultant or personnel under its supervision. Consultant will determine the means, methods, and details of performing the Services subject to the requirements of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.3 Conformance to Applicable Requirements. All services performed by Consultant shall be subject to the Project Manager's review and reasonable approval. Consultant shall furnish VCE with every reasonable opportunity to determine that Consultant's services are being performed

in accordance with this Agreement. VCE's review of Consultant's services shall not relieve Consultant of any of its obligations to fulfill this Agreement as prescribed.

3.4 Substitution of Key Personnel. Consultant has represented to VCE that it will perform and coordinate the Services under this Agreement. Should such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon the VCE's written approval. In the event that VCE and Consultant cannot agree as to the substitution of key personnel, VCE shall be entitled to terminate this Agreement for cause.

3.5 Licenses and Permits. Consultant represents that it, its employees and subconsultants have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services and that such licenses and approvals shall be maintained throughout the term of this Agreement, at Consultant's sole cost and expense.

3.6 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner. Consultant warrants that all employees and subconsultants shall have sufficient skill and experience to perform the Services assigned to them. Consultant shall perform, at its own cost and expense and without reimbursement from the VCE, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of Consultant or its subconsultants who is determined by VCE to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the VCE, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

3.7 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements, the Americans with Disabilities Act, the Stored Communications Act, 18 U.S.C. Section 2701, et seq., California Civil Code Sections 1798.80 through 1798.84, and the California Consumer Privacy Act, Civil Code Section 1798.100, et seq., and shall give all notices required by law. Consultant shall be liable for

all violations of such laws and regulations by Consultant in connection with the Services. If Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the VCE, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify, and hold the VCE, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with such laws, rules or regulations.

**3.8 Labor Certification.** By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and, if applicable, agrees to comply with such provisions before commencing the performance of the Services.

**3.9 Non-Discrimination.** No discrimination shall be made in the employment of persons under this Agreement because of that person's race, color, national origin, ancestry, religion, age, marital status, disability, gender, sexual orientation, or place of birth.

**3.10 Insurance.**

**3.10.1 Time for Compliance.** Consultant shall not commence the performance of Services under this Agreement until it has provided evidence satisfactory to VCE that it has secured all insurance required herein. In addition, Consultant shall not allow any subconsultant to commence work on any subcontract until it has provided evidence satisfactory to VCE that the subconsultant has secured all insurance required herein. Failure to provide and maintain all required insurance shall be grounds for VCE to terminate this Agreement for cause.

**3.10.2 Minimum Requirements.** Consultant shall, at its expense, procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of this



Agreement by Consultant, its agents, representatives, employees or subconsultants. Consultant shall also require all of its subconsultants to procure and maintain the same insurance for the duration of this Agreement. Such insurance shall meet at least the following minimum levels of coverage:

3.10.2.1 Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (a) General Liability: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (b) Automobile Liability: Insurance Services Office Business Auto Coverage form number CA 0001, code 8 and 9 (Hired & Non-Owned); and (c) Workers' Compensation and Employer's Liability: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

3.10.2.2 Minimum Limits of Insurance. Consultant shall maintain limits no less than: (a) General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used including, but not limited to, form CG 2503, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (b) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage; and (c) Workers' Compensation and Employer's Liability: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.10.3 Professional Liability. Consultant shall procure and maintain, and require its subconsultants to procure and maintain, for a period of five (5) years following completion of the Project errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 per claim, and shall be endorsed to include contractual liability.

3.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by VCE to add the following provisions to the insurance policies:

3.10.4.1 General Liability. The general liability policy shall include or be endorsed (amended) to state that: (a) the VCE, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the work or operations performed by or on behalf of Consultant, including materials, parts or equipment furnished in connection with such work; and (b) the insurance coverage shall be primary insurance as respects the VCE, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the VCE, its directors, officials, officers, employees, agents, and volunteers shall be excess of Consultant's insurance and shall not be called upon to contribute with it in any way.

3.10.4.2 Automobile Liability. The automobile liability policy shall include or be endorsed (amended) to state that: (a) the VCE, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by Consultant or for which Consultant is responsible; and (b) the insurance coverage shall be primary insurance as respects the VCE, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the VCE, its directors, officials, officers, employees, agents, and volunteers shall be excess of Consultant's insurance and shall not be called upon to contribute with it in any way.

3.10.4.3 Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against the VCE, its directors, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by Consultant.

3.10.5 Separation of Insureds; No Special Limitations. All insurance required herein shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the VCE, its directors, officials, officers, employees, agents, and volunteers.

3.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by VCE. Consultant shall guarantee that, at the option of VCE, either: (a) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects VCE, its directors, officials, officers, employees, agents, and volunteers; or (b) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims, and administrative and defense expenses.

3.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:VIII, licensed to do business in California, and satisfactory to the VCE .

3.10.8 Verification of Coverage. Consultant shall furnish VCE with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to VCE. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by VCE if requested. All certificates and endorsements must be received and approved by VCE before work commences. VCE reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.10.9 Reporting of Claims. Consultant shall report to the VCE, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

3.11 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out the Services, Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the

work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (a) adequate life protection and life-saving equipment and procedures; (b) instructions in accident prevention for all employees and subconsultants, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (c) adequate facilities for the proper inspection and maintenance of all safety measures.

3.12 Records. Consultant shall allow a representative of VCE during normal business hours to examine, audit and make transcripts of copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement for a period of three (3) years from the date of final payment under this Agreement.

#### 4. FEES AND PAYMENT.

4.1 Compensation. This is a “time and materials” based agreement. Consultant shall receive compensation, including authorized reimbursements, for Services rendered under this Agreement at the rates, in the amounts and at the times set forth in Exhibit D. Notwithstanding the provisions of Exhibit D, the total compensation shall not exceed \$1,250,000\_ without written approval of VCE. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

4.2 Payment of Compensation. VCE shall, within 45 days of receiving an invoice for services rendered by CONSULTANT in accordance with this Agreement, review the invoice and pay all approved charges thereon.

4.3 VCE 's Right to Withhold Payment. VCE reserves the right to withhold payment from Consultant on account of Services not performed satisfactorily, delays in Consultant's performance of Services past the milestones established in the Schedule of Services (Exhibit C), or other defaults hereunder. Consultant shall not stop or delay performance of Services under

this Agreement if VCE properly withholds payment pursuant to this Section 4.3, provided that VCE continues to make payment of undisputed amounts.

4.4 Payment Disputes. If VCE disagrees with any portion of a billing, VCE shall promptly notify Consultant of the disagreement, and VCE and Consultant shall attempt to resolve the disagreement. VCE's payment of any amounts shall not constitute a waiver of any disagreement and VCE shall promptly pay all amounts not in dispute.

4.5 Extra Work. At any time during the term of this Agreement, VCE may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by VCE to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from the VCE Manager.

4.6 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770 et seq., as well as California Code of Regulations, Title 8, Section 1600 et seq. ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. VCE shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make available to interested parties upon request, copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services and shall post copies at the Consultant's principal place of business and at the Project site. Consultant shall defend, indemnify and hold the VCE, its elected officials, officers, employees and agents free and harmless pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with the Prevailing Wage Laws.

## 5. SUSPENSION AND TERMINATION.

5.1 Suspension. VCE may suspend this Agreement and Consultant's performance of the Services, wholly or in part, for such period as it deems necessary due to the failure on the part of Consultant to perform any material provision of this Agreement. Consultant will be paid for satisfactory services performed hereunder through the date of temporary suspension pro rating for any payment in connection with the next milestone based on the work performed towards such milestone as mutually determined by Consultant and VCE working together in good faith. In the event that Consultant's services hereunder are delayed for a period in excess of three (3) months due to causes beyond Consultant's reasonable control, Consultant may terminate this Agreement and collect payment for any satisfactory services provided through the date of temporary suspension pro rating for any payment in connection with the next milestone as described above.

### 5.2 Termination for Cause.

5.2.1 If Consultant at any time refuses or neglects to prosecute its services in accordance with the Schedule of Services, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without the VCE's consent, or fails to make prompt payment to persons furnishing labor, equipment, materials or services, or fails in any material respect to properly and diligently prosecute its services, or otherwise fails to perform fully any and all of the material agreements herein contained, Consultant shall be in default.

5.2.2 If Consultant fails to cure the default within thirty (30) days after written notice thereof, VCE may, at its sole option, take possession of any documents and data (as more specifically described in Section 6.1) or other materials (in paper and electronic form) prepared for VCE or used by Consultant exclusively in connection with the Project and (1) provide any such work, labor, materials or services as may be necessary to overcome the default and deduct the cost thereof from any money then due or thereafter to become due to

Consultant under this Agreement; or (2) terminate Consultant's right to proceed with this Agreement. Notwithstanding the above, VCE may immediately terminate this Agreement without limitation and without liability if VCE reasonably determines that Consultant fails or has failed to meet its obligations under Exhibit E.

5.2.3 In the event VCE elects to terminate pursuant to this section, VCE shall have the right to immediate possession of all documents and data and work in progress prepared by Consultant pursuant to this Agreement, whether located at the Project, at Consultant's place of business, or at the offices of a subconsultant, and may employ any other person or persons to finish the Services and provide the materials therefor. In case of such default termination, Consultant shall not be entitled to receive any further payment under this Agreement until the Project is completely finished. At that time, if the expenses reasonably incurred by VCE in obtaining the Services necessary to complete the Project exceed such unpaid balance, then Consultant shall promptly pay to VCE the amount by which such expense exceeds the unpaid balance of the not-to-exceed amount reflected in Section 4.1. The expense referred to in the previous sentence shall include expenses incurred by VCE in causing the Services called for under this Agreement to be provided by others, and for any costs or damages sustained by VCE by reason of Consultant's default or defective work.

5.2.4 If VCE fails to make timely payment to the Consultant or otherwise fails to perform fully any and all of the material agreements herein contained, VCE shall be in default. If such default is not cured within thirty (30) days after written notice thereof, the Consultant may, at its sole option, terminate this Agreement and VCE shall pay the Consultant all amounts due for services satisfactorily provided to VCE as of the date of Consultant's written notice of default.

### 5.3 Termination for Convenience.

5.3.1 In addition to the foregoing right to terminate for default, both VCE and Consultant reserve the absolute right to terminate this Agreement without cause, upon 72-hours' written notice to the other Party. In the event of termination without cause, Consultant shall be entitled to payment in an amount not to exceed the not-to-exceed amount set forth

in Section 4.1 which shall be calculated as follows: (1) payment for Services then satisfactorily completed and accepted by VCE pro rating for any payment in connection with the next milestone based on the work performed towards such milestone as mutually determined by Consultant and VCE working together in good faith, plus (2) payment for Additional Work satisfactorily completed and accepted by the VCE, plus (3) reimbursable expenses actually incurred by Consultant, as approved by the VCE. The amount of any payment made to Consultant prior to the date of termination of this Agreement shall be deducted from the amounts described in (1), (2), and (3) above. Consultant shall not be entitled to any claim or lien against VCE or the Project for any additional compensation or damages in the event of such termination and payment. In addition, the VCE's right to withhold funds under Section 4.3 shall be applicable in the event of a termination for convenience.

5.3.2 If this Agreement is terminated by either Party for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a termination for convenience under this Section and Consultant shall be entitled to receive only the amounts payable hereunder in the event of a termination for convenience.

5.3.3 Force Majeure. No party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other party hereunder), when and to the extent such failure or delay is caused by or results from acts beyond the affected party's reasonable control, including, without limitation: (a) acts of God; (b) flood, fire, earthquake or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order or law; (e) actions, embargoes or blockades in effect on or after the date of this Agreement; (f) action by any governmental authority; and (g) national or regional emergency (a "Force Majeure Event"). The party suffering a Force Majeure Event shall give notice to the other party, stating the period of time the occurrence is expected to continue



and shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized.

**6. OTHER PROVISIONS.**

**6.1 Documents and Data.**

6.1.1 Ownership of Documents. VCE shall be the owner of the following items produced exclusively pursuant to this Agreement, whether or not completed: all data collected, and all documents prepared, of any type whatsoever, whether performance under this Agreement has been completed or if this Agreement has been terminated prior to completion. Consultant shall not release any materials under this Section except after prior written approval of VCE. Consultant assumes no liability for VCE's use of Documents in any manner not contemplated in the scope of the Project. Under no circumstances shall VCE acquire any rights to use Consultant's proprietary software products following the termination of this Agreement.

6.1.2 Copyright. No materials produced in whole or in part under this Agreement shall be subject to copyright in the United States or in any other country except as determined at the sole discretion of the VCE. VCE shall have the unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part, any reports, data, documents, or other materials prepared under this Agreement.

6.1.3 Release of Documents to VCE. Consultant shall deliver to VCE all materials prepared by Consultant exclusively in connection with this Agreement, including all drafts, memoranda, analyses, and other documents, in paper and electronic form, within five (5) days of receiving a written request from VCE.

6.1.4 Data Privacy and Information Security. Consultant shall at all times while this Agreement is in effect comply with the data privacy and information security requirements set forth in Exhibit E.

6.1.5 Confidentiality. All documents, reports, information, data, and exhibits prepared or assembled by Consultant in connection with its performance under this Agreement are confidential until released by VCE to the public, and Consultant shall not make any of these documents or information available to any individual or organization not employed by Consultant or VCE without the written consent of VCE before any such release, unless Consultant is required to do so under applicable law.

6.2 Assignment; Successors. Upon mutual written consent, VCE and Consultant may assign this Agreement and its obligations to a Joint Powers Agency formed for the purpose of forming and operating a CCE program. Otherwise, Consultant shall not assign any of its rights nor transfer any of its obligations under this Agreement without the prior written consent of the VCE. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. All representations, covenants and warranties set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

### 6.3 Hold Harmless

#### a. General Hold Harmless

Consultant shall indemnify and save harmless VCE and its officers, agents, employees, and servants from all claims, suits, or actions of every kind, and description resulting from this Agreement, the performance of any work or services required of Consultant under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

(A) injuries to or death of any person, including Consultant or its employees/officers/agents;

(B) damage to any property of any kind whatsoever and to whomsoever belonging;

(C) any sanctions, penalties, or claims of damages resulting from Consultant's failure to comply, if applicable, with the requirements set forth in the Health Insurance Portability and

Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended; or

(D) any other loss or cost; except to the extent caused by VCE's negligence or intentional misconduct.

The duty of Consultant to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code

**b. Intellectual Property Indemnification**

Consultant hereby certifies that it owns, controls, or licenses and retains all right, title, and interest in and to any intellectual property it uses in relation to this Agreement, including the design, look, feel, features, source code, content, and other technology relating to any part of the services it provides under this Agreement and including all related patents, inventions, trademarks, and copyrights, all applications therefor, and all trade names, service marks, know how, and trade secrets (collectively referred to as "IP Rights") except as otherwise noted by this Agreement. Consultant warrants that the services it provides under this Agreement do not infringe, violate, trespass, or constitute the unauthorized use or misappropriation of any IP Rights of any third party. Consultant shall defend, indemnify, and hold harmless VCE from and against all liabilities, costs, damages, losses, and expenses (including reasonable attorney fees) arising out of or related to any claim by a third party that the services provided in the United States. Consultant's duty to defend, indemnify, and hold harmless under this Section applies only provided that: (a) VCE notifies Consultant promptly in writing of any notice of any such third-party claim; (b) VCE cooperates with Consultant, at Consultant's expense, in all reasonable respects in connection with the investigation and defense of any such third-party claim; (c) Consultant retains sole control of the defense of any action on any such claim and all negotiations for its settlement or compromise (provided Consultant shall not have the right to settle any criminal action, suit, or proceeding without VCE's prior written consent, not to be unreasonably withheld, and provided further that any settlement permitted under this Section shall not impose any financial or other obligation on VCE, impair any right of VCE, or contain any stipulation, admission, or acknowledgment of wrongdoing on the part of VCE without VCE's prior written

consent, not to be unreasonably withheld); and (d) should services under this Agreement become, or in Consultant's opinion be likely to become, the subject of such a claim, or in the event such a third party claim or threatened claim causes VCE's reasonable use of the services under this Agreement to be seriously endangered or disrupted, Consultant shall, at Consultant's option and expense, either: (i) procure for VCE the right to continue using the services without infringement or (ii) replace or modify the services so that they become non-infringing but remain functionally equivalent.

Notwithstanding anything in this Section to the contrary, Consultant will have no obligation or liability to VCE under this Section to the extent any otherwise covered claim is based upon: (a) any aspect of the services under this Agreement which have been modified by or for VCE (other than modification performed by, or at the direction of, Consultant) in such a way as to cause the alleged infringement at issue; and/or (b) any aspects of the services under this Agreement which have been used by VCE in a manner prohibited by this Agreement.

The duty of Consultant to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 278 of the California Civil Code.

6.3.1 Survival of Obligation. Consultant's obligation to indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by the VCE, its directors, officials, officers, employees, agents, or volunteers.

6.4 Consultant Not Agent. Except as VCE may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of VCE in any capacity for VCE whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind VCE to any obligation whatsoever.

6.5 Governing Law; Government Code Claim Compliance. This Agreement shall be governed by the laws of the State of California and any legal actions concerning this Agreement's validity, interpretation and performance shall be governed by the laws of the State of California. Venue shall be in Yolo County. In addition to any and all contract requirements pertaining to notices of and requests for compensation or payment for extra work, disputed work, claims and/or changed

conditions, Consultant must comply with the claim procedures set forth in Government Code sections 900 et seq. prior to filing any lawsuit against the VCE. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by the Parties hereunder. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against the VCE.

6.6 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

Consultant: Polaris Energy Services, Inc.  
411 Woodbridge Street  
San Luis Obispo, California 93401  
Attn: David Meyers

VCE: Valley Clean Energy Alliance  
604 2<sup>ND</sup> Street  
Davis, CA 95616  
Attn: Mitch Sears

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

6.7 Incorporation by Reference. All exhibits referred to in this Agreement are attached hereto and are by this reference incorporated herein.

6.8 VCE 's Right to Employ Other Consultants. VCE reserves the right to employ other consultants in connection with the Project, provided that such other consultants shall not be performing the work set forth in the Scope of Services of this Agreement.

6.9 Construction; References; Captions. The language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any party. Any term referencing time, days or period for performance shall be deemed calendar days and not workdays. The captions of the various sections and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

6.10 Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both parties.

6.11 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel or otherwise.

6.12 No Third-Party Beneficiaries. There are no intended third-party beneficiaries of any right or obligation assumed by the parties.

6.13 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

6.14 Interest of Consultant. Consultant covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial, or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement. Consultant certifies that no one who has or will have any financial interest under this Agreement is an officer or employee of the VCE.

6.15 Interest of Subconsultants. Consultant further covenants that, in the performance of this Agreement, no subconsultant or person having any interest, direct or indirect, financial, or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement shall be employed. Consultant has provided VCE with a list of all subconsultants and the key personnel for such subconsultants that are retained or to be retained

by Consultant in connection with the performance of the Services, to assist VCE in affirming compliance with this Section.

6.16 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid, nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift, or other consideration contingent upon or resulting from the award or making of this Agreement. If required, Consultant further agrees to file, or shall cause its employees or subconsultants to file, a Statement of Economic Interest with the VCE 's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, VCE shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of the VCE, during the term of his or her service with the VCE, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

6.17 Cooperation; Further Acts. The parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate, or convenient to attain the purposes of this Agreement.

6.18 Attorneys' Fees. If either party commences an action against the other party, either legal, administrative, or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

6.19 Authority to Enter Agreement. Each party has all requisite power and authority to conduct its business and to execute, deliver, and perform this Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

6.20 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

6.21 Entirety of Agreement. This Agreement contains the entire agreement of VCE and Consultant with respect to the subject matter hereof, and no other agreement, statement or promise made by any party, or to any employee, officer, or agent of any party, which is not contained in this Agreement, shall be binding or valid.

[Signatures on following page]



SIGNATURE PAGE TO CONSULTANT SERVICES AGREEMENT

IN WITNESS WHEREOF, VCE and Consultant have entered into this Agreement as of the date first stated above.

VCE

David Meyers (Consultant Name)

By: \_\_\_\_\_  
Mitch Sears  
VCE Interim General Manager

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

Printed Name: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Inder Khalsa  
VCE Legal Counsel

## EXHIBIT A

### SCOPE OF SERVICES

#### Program Design

- A. Define the program parameters for taking service on the transactive tariff including:
  - a. When prices will be published (tenders).
  - b. What forecast will be available prior to tenders being offered.
  - c. When and how customers will be notified of cost changes.
  - d. How differences between scheduled (transacted) and actual (consumed) energy will be calculated and presented.
- B. Draft and refine (with VCE) the customer participation agreement.
  - a. Program eligibility (e.g., current tariff).
  - b. Customer commitment requirements (e.g., one year on the tariff or entire program).
  - c. Incentive allocation and payment terms.
  - d. Engagement expectations (e.g., participating in season debrief, using system).

#### Customer Recruitment

- A. With VCE, develop marketing collateral and a marketing plan for the program.
- B. Execute the marketing plan with VCE (e.g., webinars, web posts, etc.).
- C. Engage VCE customers to present the program opportunity to them by, in order of priority:
  - a. Existing relationships.
  - b. VCE introductions.
  - c. PG&E account rep referrals.
  - d. Technology partner referrals.
  - e. Inbound marketing (web, bill insert, etc.).
  - f. Outbound sales (LinkedIn/Email/Phone).
- D. Analyze operational flexibility and savings potential using customer-authorized interval data using PG&E's Share My Data system.
- E. Present technology/automation options and incentives and develop a plan and budget.
- F. Demonstrate myPOLARIS app.
- G. Secure customer participation agreement.

## Customer Enablement

- A. Deploy automation systems (if using Polaris' Pump Automation Controller (PAC)).
- B. Configure and enable customer pump sites and users in the Polaris platform (whether or not they use Polaris' PAC).
- C. Establish connection between a TeMix subscription tariff and the customer account and pump site in the Polaris platform.
- D. Test end-to-end system.
- E. Train customers on use of the system.
- F. In the event that no modifications are made to D.21-12-015 and there is only sufficient budget to cover one year of services by Polaris, customers will still be provided a full 3-year license to use the Polaris platform.

## Program Execution

- A. Monitor the publication of prices, schedule creation, system notifications and customer response to ensure proper operation of the system.
- B. Compare schedules in the Polaris system to actual usage from field controllers (where applicable) and Share My Data, report on exceptions and contact customers regarding discrepancies.
- C. (Optional) Issue critical 'events' to encourage customer response during times of grid stress, in addition to price-driven decisions (add 'shed' to 'shift').
- D. Provide customer service and support as needed.
- E. Provide support to VCE as needed.
- F. Conduct periodic reviews with customers.
- G. Conduct periodic reviews with VCE and TeMix.

## Program Analysis and Reporting

- A. Deliver summary reports on a regular basis and at the end of the season.
  - a. Customer accounts, pumps, and peak load by status.
  - b. Schedules created (transactions) vs. executed.
  - c. Scheduling changes from initial creation.
  - d. Scheduled vs. executed pump operation.
  - e. Load shift achieved (peak usage as % of total vs. historical).
  - f. Customer cost savings/increase.
- B. Summarize qualitative and quantitative analyses in end-of-season and end-of-pilot reports.

- C. Participate in meetings and presentations with PG&E, CPUC, CEC and other bodies as appropriate.

#### Non-Recurring Engineering

- A. Extend and customize Polaris' platform to conform to VCE Pilot design (differences from EPIC pilot)
  - a. Display TeMix prices instead of incentives.
  - b. Capture schedule changes and execute multiple transactions per operating hour.
  - c. Monitor tenders received after schedule creation (transaction) and show cost changes
  - d. Alert customers per preferences on price and/or cost changes
- B. Develop utility view of customers, summary reports, real-time view

#### Pricing Approach

- A. Automation
  - a. Customers may participate in the program using Polaris' automation, home-grown or third-party automation, or no automation.
  - b. New automation may be paid for in whole or in part out of the automation budget for the program up to \$200/kW peak load measured across all participating service accounts for an individual customer.
  - c. Where its automation system is selected, Polaris will be paid for the turnkey system (including installation subcontractors, third party equipment, etc.), and a 3-year software subscription out of the automation budget.
  - d. Where the customer chooses a third-party automation system or a home-grown automation system, the customer will be reimbursed for the system out of the automation budget and the budget will also include a 3-year subscription to Polaris' 'software only' system that includes the features needed to participate in the program as well as enablement, configuration, training and support throughout the program.
  - e. There may be an option to integrate third party systems using Polaris' API, most likely in the second year of the program, which would incur an additional integration fee and API subscription.
- B. Recruitment

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- a. Based on its expected revenue from (A) Automation, Polaris will not receive compensation for its Account Managers' efforts to recruit customers to the program.
  - b. Outreach efforts of the dedicated Program Manager will be part of her overall scope and compensation to Polaris within (C) Program Management.
- C. Program Management
  - a. All program management services (program design, marketing, customer analysis, program analysis and reporting) will be compensated at a fixed annual rate for the three-year term of the pilot.
  - b. This fee includes the dedicated Program Manager and efforts of other non-sales personnel on the program.
- D. Systems and Technology
  - a. Non-recurring engineering to customize Polaris' platform and apps (web and mobile) for the VCE program will be charged on a one-time basis.
  - b. An annual subscription fee for unlimited (users and customers) use of the platform will be charged annually.

EXHIBIT B

FACILITIES, EQUIPMENT, AND OTHER MATERIALS PROVIDED BY VCE

NOT APPLICABLE

EXHIBIT C

SCHEDULE OF SERVICES

NOT APPLICABLE

EXHIBIT D

BUDGET AND COMPENSATION

VCE shall compensate Consultant for professional services in accordance with the terms and conditions of this Agreement based on the rates and compensation schedule set forth below. Compensation shall be calculated based on the hourly rates set forth below up to the not to exceed budget amount set forth below.

The compensation to be paid to Consultant under this Agreement for all services described in Exhibit "A" shall not exceed the totals set forth in the tables below for each Task. Notwithstanding anything to the contrary herein, Consultant agrees that VCE shall not be obligated to compensate Consultant for any costs incurred or work performed on any Stage 2 tasks unless and until VCE has provided written authorization to proceed. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to VCE unless previously approved in writing by VCE.

Incentive Payments	Estimated Budget	<u>Stage</u>
1. Spring 2021 Incentive Payments	\$ 200,000	1
2. Subsequent Incentive Payments	\$ 800,000	2
Subtotal	\$1,000,000	

Other Tasks	Estimated Budget	<u>Stage</u>
1. Program Management a. Program Manager (incl. overhead) b. Support and Management	\$172,500	2
2. Non-Recurring Engineering a. Software Engineer (incl. overhead) b. Support and Management	\$182,160	2
3. Utility Software License a. Annual License	\$25,000	2
4. Subtotal	\$379,660	
5. <b>Total Not-to-Exceed Amount</b>	\$1,250,000	



Consultant understands that VCE has submitted to the CPUC a revised allocation of the budget approved for the Project by D.21-12-015. In the event that modifications are made to D.21-12-015, the parties agree to negotiate in good faith as to any amendments that may be necessary to this Exhibit and/or the Agreement. If no modifications are made to D.21-12-015, the parties agree that the budget set forth in this Exhibit D is intended to cover one year of services by Polaris and the parties will negotiate in good faith as to whether extensions of the Project are feasible.

### Invoices

**Invoicing for Incentive Payments:** To request payment for the Load Management Measures implemented by Participants in the Project (“Incentive Payments”), Polaris shall submit an Enablement Plan for each Participant for review and approval prior to finalization. The Enablement Plan shall identify, at minimum, the proposed Load Management Measures, estimated load shift, and estimated project costs. Upon installation of the Load Management Measures Polaris shall submit an invoice to VCE, including receipts or other reasonable documentation of the actual project costs. VCE shall pay all undisputed amounts within thirty (30) calendar days after receipt up to the maximum compensation set forth herein. Upon receipt of payment from VCE, Polaris will reimburse each Project Participant for the Load Management Measures to the extent provided for in the Customer Participation Agreement.

**General Invoicing:** To request payment for all other tasks, Consultant shall submit monthly invoices to VCE describing the services performed and the applicable charges (including a summary of the work performed during that period, personnel who performed the services, hours worked, task(s) for which work was performed).

### Reimbursable Expenses

Administrative, overhead, secretarial time or overtime, word processing, photocopying, in house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. Travel expenses must be authorized in advance in writing by VCE. In no event shall reimbursable expenses collectively exceed the total sum of \_\_\_\_\_ (\$\_\_\_\_\_).

### Additional Services

Consultant shall provide additional services outside of the services identified in Exhibit A only by advance written authorization from VCE Representative prior to commencement of any additional services. Consultant shall submit, at the VCE Representative’s request, a detailed written proposal including a description of the scope of additional services, schedule, and proposed maximum compensation. Any changes mutually agreed upon by the Parties, and any increase or decrease in compensation, shall be incorporated by written amendments to this Agreement.

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## EXHIBIT E

### DATA PRIVACY AND INFORMATION SECURITY

- 1.1 Undertaking by Consultant. Without limiting Consultant's obligation of confidentiality as further described in this Agreement, Consultant shall be responsible for establishing, maintaining, and providing a written description to VCE of, a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that comply with or are substantial similar to the security controls identified in the current version of NIST SP800-53, and that is designed to: (a) ensure the security and confidentiality of the VCE Customer Data; (b) protect against any anticipated threats or hazards to the security or integrity of the VCE Customer Data; (c) protect against unauthorized disclosure, access to, or use of the VCE Customer Data; (d) ensure the proper disposal of VCE Customer Data; and, (e) ensure that all employees, agents, and subcontractors of Consultant, if any, comply with all of the foregoing. In no case shall the safeguards of Consultant's data privacy and information security program used to protect VCE Customer Data be less stringent than the safeguards used by Consultant for its own data. If the Services include handling credit card information, then the Consultant shall comply at all times with all applicable Payment Card Industry Data Security Standards (PCI-DSS). For purposes of this Agreement, "VCE Customer Data" means any personally identifiable information collected, used, processed, stored, or generated as the result of the Services, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, usage information obtained through the use of Advanced Metering Infrastructure or an individual's name in combination with any other of the elements listed herein. "VCE Customer Data" does not include information from which identifying information has been removed such that an individual, family, household or residence, or non-residential customer cannot reasonably be identified, or publicly available information that is lawfully made available to the general public from federal, state, or local government records.
  
- 1.2 Third-Party Data Security Review. Consultant shall undergo an independent third-party security review as required by PG&E, and shall provide a VCE with copy of any findings from such review.

- 1.3 CPUC Compliance. Consultant shall comply with all applicable consumer protections concerning subsequent disclosure and use set forth in Attachment B to CPUC Decision No. 12-08-045.
- 1.4 Loss or Unauthorized Access to Data. In the event of any act, error or omission, negligence, misconduct, or breach that permits any unauthorized access to, or that compromises or is suspected to compromise the security, confidentiality, or integrity of VCE Customer Data or the physical, technical, administrative, or organizational safeguards put in place by Consultant that relate to the protection of the security, confidentiality, or integrity of VCE Customer Data, Consultant shall, as applicable: (a) notify VCE as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with VCE in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by VCE; (c) in the case of personal information as defined in California Civil Code Section 1798.2(h), (1) notify the affected individuals who comprise the PII as soon as practicable but no later than is required to comply with applicable law including, but not limited to, the provisions of California Civil Code Section 1798.82, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; and (2) provide third-party credit and identity monitoring services to each of the affected individuals who comprise the personal information for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twelve (12) months following the date of notification to such individuals; (d) perform or take any other actions required to comply with applicable law as a result of the occurrence; (e) without limiting VCE's obligations of indemnification as further described in this Agreement, indemnify, defend, and hold harmless VCE for any and all Claims (as defined herein), including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or recoverable from VCE in connection with the occurrence; (f) be responsible for recreating lost VCE Customer Data in the manner and on the schedule set by VCE without charge to VCE; (g) provide to VCE a detailed plan within ten (10) calendar days of the occurrence describing the measures Consultant will undertake to prevent a future occurrence and (h) upon conclusion of the occurrence, or at VCE's request, provide to VCE a comprehensive summary of the occurrence, including reason for occurrence, details of occurrence, how occurrence was addressed and any other information required by VCE, which shall be executed by Consultant and may be relied upon by VCE as a true and accurate account of the occurrence. Notification to affected individuals, as described above, shall comply with applicable law, be written in plain language, and contain, at a minimum: name and contact information of Consultant's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Consultant has taken to protect the affected individual; what steps

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the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Consultant. This Section shall survive the termination of this Agreement.

- 1.5 Injunction, Specific Performance or Such Other Relief. Consultant acknowledges that disclosure or misappropriation of any VCE Customer Data could cause irreparable harm to VCE and/or VCE Customers, the amount of which may be difficult to assess. Accordingly, Consultant hereby confirms that the VCE shall be entitled to apply to a court of competent jurisdiction or the CPUC for an injunction, specific performance, or such other relief (without posting bond) as may be appropriate in the event of improper disclosure or misuse of VCE Customer Data by Consultant or its employees or representatives. Such right shall, however, be construed to be in addition to any other remedies available to the VCE, in law or equity.

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2022- \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE APPROVING ENTERING INTO AN AGREEMENT FOR SERVICES FOR THE AGRICULTURAL FLEXIBLE IRRIGATION TARIFF PILOT (AgFIT) WITH POLARIS ENERGY SERVICES (POLARIS) AND AUTHORIZING INTERIM GENERAL MANAGER IN CONSULTATION WITH LEGAL COUNSEL TO EXECUTE AND SIGN THE AGREEMENT**

**WHEREAS**, at its December 2, 2021, meeting the California Public Utilities Commission issued decision 21-12-015 authorizing Valley Clean Energy’s proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs, with a budget of \$2.5M to be overseen by VCE; and

**WHEREAS**, in support of VCE’s significant agricultural sector, the Board adopted a 3-year Programs Plan on June 10, 2021, that included an agricultural demand-side program which evolved into the AgFIT dynamic rate pilot program; and,

**WHEREAS**, staff recommends that VCE enter into an agreement with Polaris, an entity that has prior experience with similar pilots in the agricultural sector in order to most efficiently execute the pilot.

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

1. Authorize the Interim General Manager, in consultation with legal counsel, to execute a consulting services agreement with Polaris to provide services necessary to implement the pilot, for an amount not to exceed \$1.25M and to expire March 1, 20235.

**PASSED, APPROVED AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance held on the \_\_\_\_\_ day of \_\_\_\_\_, 2022, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Jesse Loren, VCE Chair

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

Attachment A: Polaris Energy Services Agreement

**ATTACHMENT A  
POLARIS ENERGY SERVICES CONTRACT (AGFIT)**

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report - Item 13

**TO:** Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Mark Fenstermaker, Pacific Policy Group

**SUBJECT:** Recommendation to the Board on legislative positions: AB 1814, AB 1944, SB 1287

**DATE:** March 10, 2022

#### **Recommendation:**

Support AB 1814 (Grayson)  
Support AB 1944 (Lee)  
Oppose SB 1287 (Bradford)

#### **Background and Analysis**

The deadline for legislators to introduce bills for the 2022 legislative session passed on February 18, 2022 and staff, working with VCE's lobbyist Mark Fenstermaker of Pacific Policy Group and the Community Advisory Committee's Legislative and Regulatory Task Group, are working through their process to review, analyze, and discuss potential positions to recommend to the Board as appropriate. At the most recent meeting between Staff, the Legislative and Regulatory Task Group, and Mr. Fenstermaker, the group discussed AB 1814 (Grayson), AB 1944 (Lee) as a bill to support and SB 1287 (Bradford) as a bill to oppose.

Staff is recommending the Board adopt a support position on AB 1814 and AB 1944 and an oppose position on SB 1287 based on the following analyses:

#### **AB 1814 (Grayson) Transportation Electrification Funds: Community Choice Aggregators**

**Summary:** AB 1814 would authorize Community Choice Aggregators (CCAs) to submit applications to the California Public Utilities Commission (CPUC) to receive funding to administer transportation electrification programs in their service areas.

Specifically, this bill would explicitly authorize CCAs to file applications for programs and investments to accelerate widespread transportation electrification. In order to submit these applications, CCAs would be regulated to meet all of the same requirements that IOUs are currently required to meet.

This is CalCCA's sponsored bill for the 2022 legislative session. The bill is consistent with the VCE Legislative Platform, specifically Provision 10 regarding Local Economic Development and Environmental Objectives.

#### Additional Information:

- This bill is sponsored by CalCCA
- Next Hearing; The bill has been referred to Asm. Utilities & Energy Committee and is awaiting a hearing date.
- Bill language: [AB 1814](#)

#### **AB 1944 (Lee) Open and Public Meetings**

Summary: This bill would permanently allow local agencies to allow board members to join public meetings via teleconference without disclosing the location from which they are joining the meeting. Should a local agency allow board members to join via teleconference, then the public meeting must be streamed to the public and the public must have an option to remotely provide comments during the meeting

Specifically, the bill will:

- 1) Authorize local agencies to permanently permit members of the legislative body to participate in a local agency's public meetings via teleconference from a private location without having to identify the address of the private location or make the private location publicly accessible during the meeting.
- 2) If a local agency elects to permit members of the legislative body to participate via teleconference, then the local agency must provide a video stream of the meeting to the public as well as an option for members of the public to remotely address the legislative body during the public meetings.

Throughout the COVID-19 pandemic, VCE (as well as many other local agencies) has successfully conducted its board meetings virtually. This bill builds off of AB 361 (R. Rivas, 2021) which allows local agencies to virtually conduct public meetings without disclosing board members' locations, but the policy is limited to when an active state of emergency is in effect. AB 1944 will continue this practice forward.

#### Additional Information

- Next hearing: The bill has been referred to Asm. Local Government Committee and is awaiting a hearing date.
- Bill language: [AB 1944](#)

#### **SB 1287 (Bradford) CCA and ESP Financial Security Requirements**

Summary: This bill would require the posted bond amount, or demonstrated insurance amount, at the time of registration by an electric service provider or a community choice aggregator to be no less than \$500,000. The bill would also require the commission to update the financial security requirements for electric service providers and community choice aggregators to instead include costs for no less than 12 months of incremental procurement incurred by the provider of last resort, upon the customers' involuntary return.



Specifically, the bill will:

- 1) Amend current law that requires a CCA or ESP to post a bond or demonstrate insurance sufficient to cover the reentry fees of customers who are involuntarily returned to an investor-owned utility to instead require a minimum bond or insurance in the amount of \$500,000.
- 2) In calculating the insurance or bonding requirement, the PUC shall include costs for no less than 12 months of incremental procurement incurred by the provider of last resort.

SB 1287 will significantly increase the amount of insurance that VCE will need to hold to cover the unlikely event that VCE discontinues service and its customers are involuntarily returned to PG&E. The \$500,000 minimum figure and the requirement that the insurance amount include incremental procurement made by the IOU does not factor in already contracted energy for VCE's customers. In addition, calculating the incremental procurement will be incredibly complex and challenging and will contribute to additional unnecessary cost to VCE and its customers, similar to PCIA. Lastly, this requirement will create another obstacle for communities who wish to launch a CCA and will all but eliminate any new CCAs from forming.

Opposing this bill is consistent with the VCE Legislative Platform, specifically Provision 1 regarding legislation affecting governance and statutory authority.

#### Additional Information

- Next hearing: The bill is awaiting referral to a policy committee.
- Bill language: [SB 1287](#)

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 14

**TO:** Board of Directors

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

**SUBJECT:** Approve and Adopt Collections Policy

**DATE:** March 10, 2022

#### RECOMMENDATIONS

Approve the attached resolution adopting a collections policy for VCE.

#### OVERVIEW

The Collection Policy is intended to govern the collection of accounts receivable that are no longer being collected by Pacific Gas and Electric (PG&E) and are due to VCE. While VCE is a customer focused entity, best management and business practices require VCE to collect well past-due balances for energy provided to minimize impacts on the overall customer base. Collecting well past-due outstanding receivables can reduce past-due balances and reduce VCE's bad debt expense, thus reducing upward pressure on rates for all other customers.

#### BACKGROUND

VCE's charges appear on PG&E's bills and are collected by PG&E. During the ordinary course of business, PG&E returns outstanding receivable amounts due to VCE when PG&E is no longer required to collect. Examples of circumstances in which PG&E returns outstanding receivables to VCE include:

- accounts that are closed (move outs)
- a customer has been disconnected due to non-payment
- a customer is bankrupt
- active accounts with receivables more than ~180 days past due

In March 2020, PG&E suspended disconnections as part of the state mandate and increased the threshold for returning receivables to VCE for active accounts. Receivables associated with active accounts have not been returned to VCE by PG&E, though this practice and the disconnection process will resume in the near future. California Public Utilities Commission (CPUC) extended the moratorium on disconnections to the end of September to align with the eviction moratorium and allow the utility debt forgiveness funding to work through the system before any disconnection process resumes. The CPUC also ordered those customers whose debt has not been forgiven to be placed on a two-year repayment plan.

### CAC Feedback

As part of the process of developing a draft collections policy, Staff presented the draft collections policy at the January 2022 and February 2022 CAC meetings. The CAC provided the feedback listed below which have been incorporated into the current draft policy:

- An increase in the period to return a customer to the IOU from 90 days to 120 days to allow for more time for customer engagement
- A clearer statement of VCE's customer service and engagement values in the purpose of the policy
- Strengthening the language around the importance of multiple attempts to notify customers before returning them to the IOU or collections efforts.

### **ANALYSIS**

Since 2020 VCE account balances greater than 120 days have increased by \$1.46M to \$2.9M (Table 1, far right column). The primary drivers behind this increase are the CPUC policy decisions described above and the suspension of collections by PG&E during the Pandemic.

**TABLE 1 Year Over Year – Aging Amounts by Days**

Year	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days
2020	2,863,604	437,576	224,517	174,858	1,429,223
2021	3,095,400	1,071,500	656,100	786,700	2,892,900
Change	231,796	633,924	431,583	611,842	1,463,677

Based on guidance from SMUD and energy sector best business practices, VCE reserves approximately 1% of monthly revenues for the allowance of uncollectable accounts. VCE has accumulated a balance of \$1.9M since 2017 in the allowances of uncollectable account that will be used to write off account balances determined to be uncollectable.

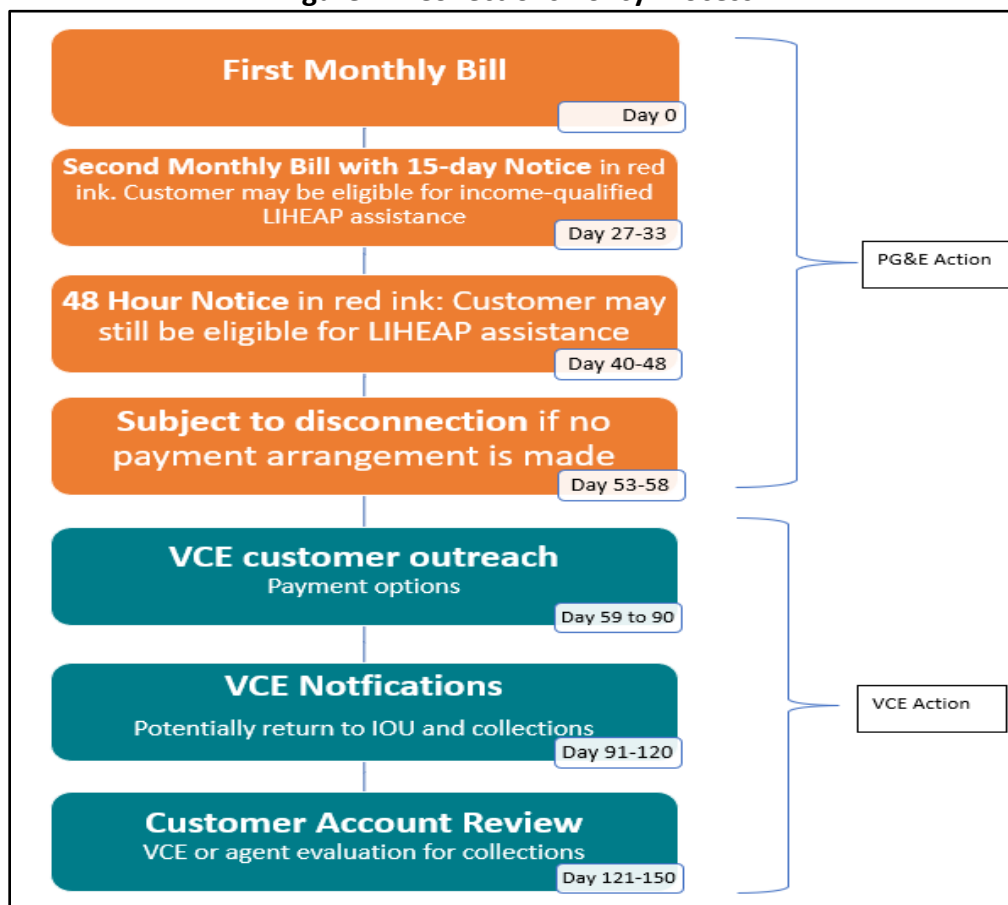
The State of California has allocated \$1B of CARES funding to relieve utility bills incurred during the COVID-19 Pandemic through the California Arrearage Payment Program (CAPP). VCE has received approval for approximately \$800K. The CAPP funding and the allowance for uncollectable accounts provide a combined \$2.7M to offset the outstanding receivables.

When comparing the \$2.7M offset noted above to the \$2.9M balance for accounts older than 120 days that would be subject to collections under the proposed policy, VCE has a remaining balance of approximately \$200K. This remaining balance is the focus of the collections policy and may be resolved by customer payment plans (Arrearage Management Plan), increased collections by PG&E, and possible contributions from member agencies from COVID-related funding applications. If collections do not fully resolve the \$200K "remaining balance", VCE may have to take an impairment to adjust the reserve account proportionally for any unresolved amounts.

### Draft Collections Policy

To help manage receivable balances more effectively in the future, Staff has developed the draft collections policy. The draft collections policy is designed as a multi-step process that provides customers several notifications and opportunities to connect with VCE (and PG&E) to resolve the payment issue, including setting up a payment plan. The overall process is shown in Figure 1 below. Note: Most CCAs in PG&E's service territory have collections policies.

**Figure 1 – Collections Policy Process**



Key elements of the draft policy include:

- Customer outreach for resolution through payment plans or other programs
- Customer Notifications for late payments, return to IOU, and collections
- Collections Criteria to evaluate the cost and benefit
- Evaluation of customer's unforeseeable events, exigent circumstances, or other hardship
- No interest or penalties
- Partnership with collections professionals for best practices

Staff will monitor the impacts of the policy implementation and perform a formal review of the policy effectiveness one year after implementation for any possible improvements and recommended changes.

If the draft policy is adopted by the Board, Staff would establish and define internal collections processes in consultation with selected collection agent(s). Key issues that will be determined through the development of these operational processes include:

- Collections practices based on the total outstanding balance
- The minimum threshold below which it is not cost-effective to attempt to collect
- Conditions in which customer non-payment will be reported to a credit rating agency
- Criteria to identify customers experiencing hardship and are unable to pay in which VCE would not pursue collections for these accounts

Under the draft policy, VCE would contract with a collection agent or agents with experience collecting electric utility bills. VCE would evaluate potential collections agencies based on customer approach and financial effectiveness. Collections agencies with a customer-centric strategy (e.g., demonstrated compassion and helpful approach toward customers in arrears) would be given preference. At present, customers whose receivables have been returned to VCE do not have charges appearing on a current PG&E bill, are not informed that they have outstanding balances with VCE, and are not offered a method to pay VCE charges. The collection agent would provide the following services:

- Inform customers of past due amounts owed to VCE consistent with the Fair Collections Practices Act and any other laws or regulations governing collections.
- Provide methods of payment and collect past due funds from customers
- Provide reporting of amounts collected and uncollectable balances to VCE and SMUD to accurately report accounts receivable balances
- Provide customer call center services and provide customers with final VCE charges

If approved by the Board, collection activity could begin in the second quarter of 2022 with the sending of pre-collections notices to customers whose accounts receivable have been returned by PG&E. Customer outreach strategy will be similar to sister CCAs:

- VCE's customer service representatives (CSRs) would receive training on VCE's collections policy and be given direction to handle collections questions with extreme sensitivity.
- VCE's Late Payment Notification would be appropriately branded and give clear direction to customers on how they can resolve their late payments.
- The Late Payment Notification and CSR training will reference the financial resources available to customers, including programs such as payment plans available through PG&E, the Arrearage Payment Plan, and the California Arrearage Payment Plan.

#### Community Advisory Committee Recommendation

The CAC recommended approval of the draft collections policy with the addition of a collections process flow chart and inclusion of multiple attempts to contact customers as the first steps in the collections process.

**CONCLUSION**

If adopted, the proposed Collections Policy is expected to have a positive fiscal impact and reduce additional impairment by reducing accounts receivable and bad debt expense and increasing cash receipts.

**Attachments**

1. Collections Policy Draft (with flow chart)
2. Resolution adopting collections policy

# VALLEY CLEAN ENERGY

## DRAFT COLLECTIONS POLICY

### I. PURPOSE

- a. This policy establishes Valley Clean Energy (VCE) rules governing late payment and pre-collection notifications to customers, and the process by which a third-party collection agent will collect past due VCE charges on VCE's behalf. VCE or its agent will make all reasonable efforts to contact a customer and to handle collections with a high degree of sensitivity before sending the account to collections.

### II. COLLECTIONS

- a. All customers must pay all outstanding VCE charges for the period in which the customer received service from VCE.
  - i. Customers should be returned to Investor Owned Utility (IOU) services for account balances greater than 120 days and no payment plan arrangements with Pacific Gas and Electric (PG&E).
    1. Customers that fail to remain current with payment plans will be returned to IOU services.
- b. Late Payment and Return to IOU Notifications
  - i. Customers will be sent multiple late payment notices to a customer's last known mailing address or if customer consented to receive electronic notices or electronic bills, at customer's last known e-mail address if the account has a VCE balance that is 90 days or more past due and the customer is not on a payment arrangement with PG&E.
  - ii. Late payment notices will indicate that an outstanding balance is overdue and that failure to pay VCE charges to PG&E or to enter a payment arrangement with PG&E may result in being referred to a collection agent designated by VCE.
- c. Collections Criteria
  - i. Except as provided in Section b.ii, any customer account with an outstanding VCE charge that is not subject to collection by PG&E may be referred for collections to a collection agency designated by VCE.
  - ii. Customers enrolled in the California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), or Medical Baseline programs at the time PG&E returns a receivable to VCE are not subject to the collections criteria in Section c.i. if the balance is \$500 or less.
- d. Pre-Collection Notification
  - i. VCE or its assigned agent will use reasonable business methods, using contact information available through customer information on file with PG&E, to send a multiple pre-collection notices informing any customer account that meets the collections criteria specified in Section II.c. that the customer charges owed to VCE are outstanding and that the customer's account is collectible through a collection agent designated by VCE .
- e. Collection Agent
  - i. VCE may engage one or more collection agents to collect past due funds from VCE customers on VCE's behalf (Collection Agent).

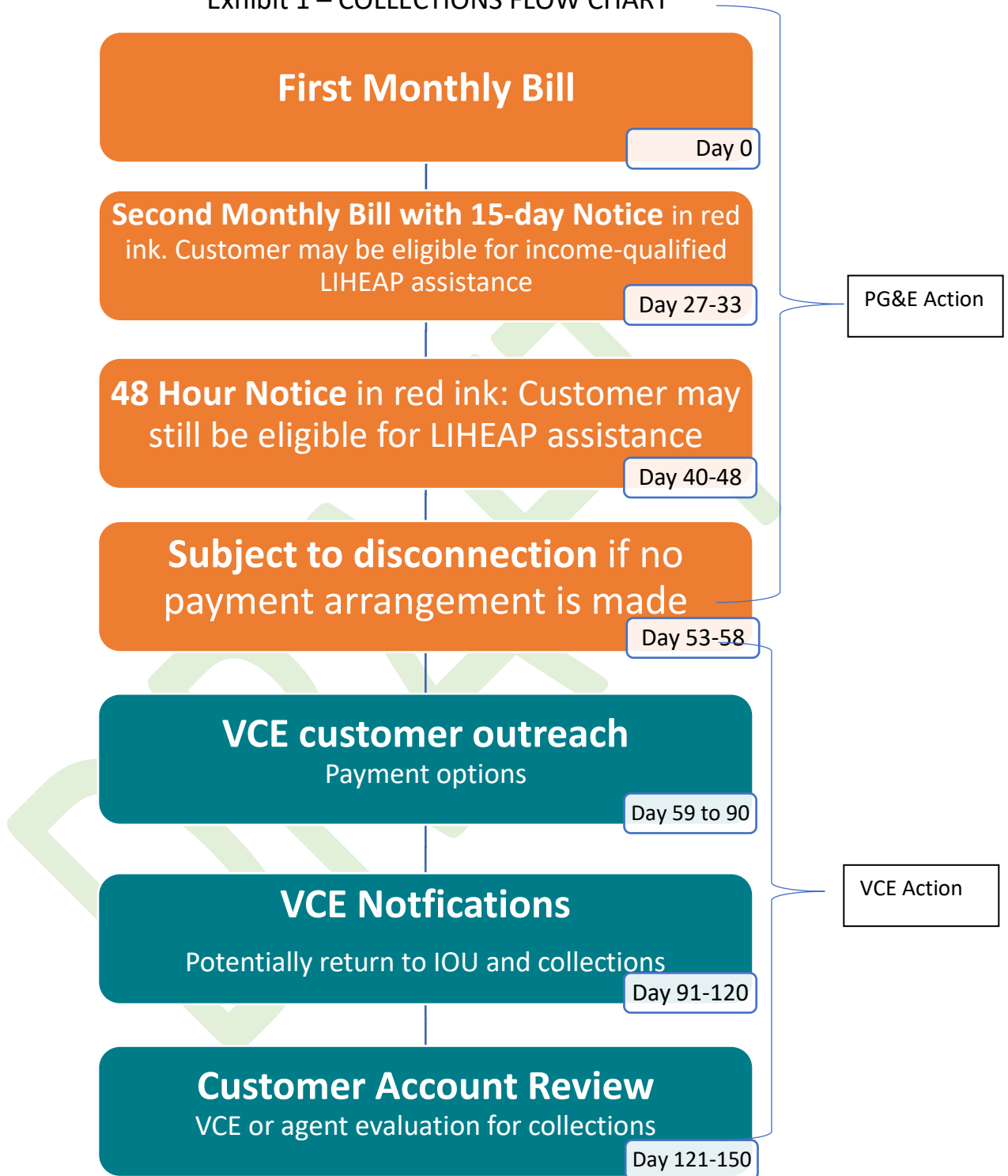
## VALLEY CLEAN ENERGY DRAFT COLLECTIONS POLICY

- ii. Once VCE sends a customer account to the Collection Agent, the customer must work directly with the Collection Agent to resolve outstanding charges owed.
  - iii. The Collection Agent retained by VCE shall comply with all laws and regulations relating to consumer protection, credit reporting or monitoring, debt collections, customer confidentiality, or other similar laws or regulations.
  - iv. The Collection Agent is prohibited from selling information provided by VCE to the Collection Agent.
  - v. On no less than an annual basis, VCE shall review the practices and results of the Collection Agent and shall take immediate action to address any performance concerns.
  - vi. VCE may authorize the Collection Agent to reach settlements with customers that result in the recovery of past due funds. Negotiated settlements with a customer in the amount of \$2,500 or more must be approved by the Interim General Manager or the Interim General Manager's designee. Negotiated settlements with a customer in excess of \$50,000 original balance must be approved by the Board of Directors.
  - vii. No VCE interest, penalties, or fees will be assessed on any customer account.
  - viii. If customer has not paid within 180 days following the initiation of the collections process, the Collection Agent may file credit reporting information on the customer with all applicable credit monitoring agencies.
  - ix. Collections Agent is authorized to pursue legal action on behalf of VCE consistent with the Fair Collections Practices Act and any other laws or regulations governing collections.
- f. Executive Director Discretion.  
The Interim General Manager or the Interim General Manager's designee may, in their discretion, cancel, recall an account from the Collection Agent, or otherwise deviate from the collection process specified in this policy for reasons including but not limited to cases of unforeseeable events, exigent circumstances, or customer hardship for amounts less than \$2,500.



**VALLEY CLEAN ENERGY  
DRAFT COLLECTIONS POLICY**

Exhibit 1 – COLLECTIONS FLOW CHART



**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2022- \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING A COLLECTIONS POLICY**

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

**WHEREAS**, to achieve its strategic goals, VCEA must adopt a Collection Policy to govern the collection of accounts receivable to reduce past-due balances and reduce VCE’s bad debt expense, thus reducing upward pressure on rates for all other customers; and,

**WHEREAS**, VCE or its agent will make all reasonable efforts to contact a customer and to handle collections with a high degree of sensitivity before sending the account to collections; and,

**NOW, THEREFORE**, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a collections policy (Exhibit A).

**PASSED, APPROVED AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_ day of \_\_\_\_\_ 2022, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
Jesse Loren, VCE Chair

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

Attachment: Exhibit A – Collections Policy

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 15

To: Board of Directors

From: Inder Khalsa, General Counsel

Subject: Employment Agreement for Executive Officer between Valley Clean Energy Alliance and Mitch Sears

Date: March 10, 2022

#### RECOMMENDATIONS

Approve resolution appointing Mitch Sears as Executive Officer of Valley Clean Energy Alliance, and approving Employment Agreement with Mitch Sears.

#### BACKGROUND AND ANALYSIS

Mitch Sears has served as Interim General Manager of VCE since 2018. Mitch is a full-time employee of the City of Davis, where he has worked for over 26 years, and provided his services to VCE under a cooperative agreement with the City. When Mitch shared his plans to retire from the City of Davis, negotiations to transition him to employment with VCE as Executive Officer commenced.

The proposed resolution appoints Mitch Sears as Executive Officer of VCE, and approves an Employment Agreement for Executive Officer. The Agreement provides the following significant terms:

- **Salary:** \$240,000 annual compensation
- **Benefits:** The Executive Officer (“EO”) shall be entitled to participate in any group insurance plan or retirement program established by the Board for VCE employees to the extent he is eligible. In addition, the EO shall receive 120 hours Paid Time Off upon employment and shall accrue 200 hours annually.
- **Expenses:** Reimbursement of out-of-pocket expenses in connection with VCE business and Board-approved continuing education, attendance at conferences, etc.
- **Severance:** If VCE terminates the Executive Officer without cause, the EO would be entitled to three months salary as a severance payment.

Negotiations were conducted by a Board Subcommittee composed of Chair Jesse Loren and Director Don Saylor. The Board Subcommittee reviewed salaries and benefits for other CCA program CEOs and executive officers and determined that the proposed salary and benefits are generally at or below market average compensation of other CCA CEOs or executive officers.

**CONCLUSION**

Assuming the Board approves the resolution appointing Mitch Sears as Executive Officer, Mitch Sears would become Executive Officer effective immediately with Board action.

**Attachments**

1. Resolution Appointing Mitch Sears as Executive Officer and approving Employment Agreement for Executive Officer
2. Employment Agreement for Executive Officer

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2022-\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE  
APPOINTING MITCH SEARS AS EXECUTIVE OFFICER AND APPROVING EMPLOYMENT  
AGREEMENT WITH MITCH SEARS**

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

**WHEREAS**, the City of Winters, located in Yolo County, was added as a member of VCE and a party to the VCE in December of 2019; and,

**WHEREAS**, Mitch Sears has served VCE as Interim General Manager of VCE while serving as a full time City of Davis employee since 2018; and,

**WHEREAS**, Mitch plans to retire from employment with the City of Davis and the Board of Directors desires to hire Mitch Sears as Executive Officer of VCE; and,

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

**Section 1.** Mitch Sears is hereby appointed Executive Officer of VCE.

**Section 2.** The Board of Directors hereby approves the Employment Agreement for Executive Officer, attached hereto and incorporated herein, with any minor clerical changes requested by the Board or Mr. Sears and approved by General Counsel.

**Section 3.** This Resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_ day of \_\_\_\_\_ 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Jesse Loren, VCE Chair

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Alisa M. Lembke, VCE Board Secretary

Attachment:

1. Employment Agreement for Executive Officer

**EMPLOYMENT AGREEMENT FOR EXECUTIVE OFFICER**

THIS EMPLOYMENT AGREEMENT (“Agreement”) is entered into by and between the Valley Clean Energy Alliance, a Joint Powers Agency also known as “Valley Clean Energy” (“VCE”) and Mitch Sears, an individual (“EMPLOYEE”) as of the Effective Date provided below. VCE and EMPLOYEE are sometimes collectively referred to herein as the “Parties.”

**RECITALS**

This Employment Agreement is entered into on the basis of the following facts, understandings and intentions of the Parties:

A. The Yolo County Board of Supervisors and the City Councils of the City Davis, the City of Woodland, and the City of Winters (respectively, “Participant City”; or collectively, “Participant Cities”), adopted ordinances authorizing the implementation of a Community Choice Aggregation Program (“CCA Program”) to be operated by VCE, pursuant to California Public Utilities Code Section 366.2(c)(12).

B. The Participant Cities and County have entered into a Joint Powers Agreement (the “JPA Agreement”) pursuant to the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (the “Act”) to operate and administer the CCA Program.

C. The JPA Agreement provides that the VCE shall have the power to employ agents and employees, including an Executive Officer, and the Board shall appoint the Executive Officer for the VCE, who shall be responsible for the day-to-day operation and management of the VCE and the CCA Program, and provides for the powers and authority of the Executive Officer.

D. EMPLOYEE possesses the skill, experience, ability, background, and knowledge to perform the duties and services provided by this Agreement as the CEO of VCE.

E. VCE desires to appoint and employ EMPLOYEE as its Executive Officer on the terms provided by this Agreement.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing Recitals and mutual promises and conditions in this Agreement, it is agreed as follows:

1. Incorporation of Recitals. The foregoing Recitals, and each of them, are incorporated herein as though set forth in full.
2. Duties and Authority. VCE shall employ EMPLOYEE as the Executive Officer of VCE, with the full power and authority to perform all of the duties of the Executive Officer, as provided in the JPA Agreement and as determined by the Board of Directors (“Board”).

3. Restrictions on Outside Business Activities and Conflicts. During his employment, EMPLOYEE shall devote his full energies, interest, abilities, and productive time to the performance of the Agreement and shall not, without VCE's prior written consent, tender to others services of any kind for compensation, or engage in any other business activity. In addition, EMPLOYEE shall not engage in any activity, for compensation or otherwise, that would interfere or conflict with the performance of his duties under this Agreement, including activities that may reasonably be expected to conflict with the Executive Officer's duties. Without limitation to the foregoing, a conflict includes, but is not limited to, a conflict of interest under the California Political Reform Act, Government Code § 1090 or other state or federal laws.

4. Term. The term of this Agreement shall commence upon the final execution of the Agreement ("Effective Date"), and shall expire three years after Employee commences employment with VCE, unless earlier terminated as provided in this Agreement. Upon expiration of the term, the Agreement will extend on a month-to-month basis on the terms provided herein until a new employment agreement is entered between the Parties.

5. Salary. Effective on the commencement of employment, VCE shall pay EMPLOYEE an annual salary of \$240,000, prorated and paid on VCE's normal paydays, subject to legally permissible or required deductions. EMPLOYEE's salary is compensation for all hours worked and for all services under this Agreement. EMPLOYEE shall be exempt from overtime pay provisions of California law (if any) and federal law. EMPLOYEE's salary may be adjusted annually to reflect cost of living increases and merit increases tied to EMPLOYEE'S annual performance evaluation.

6. Evaluation of Performance. The Board shall evaluate the performance of EMPLOYEE at each annual anniversary. Evaluations may be conducted more often at the Board's discretion. EMPLOYEE will request and schedule the minimum required evaluations as appropriate under the VCE's agenda procedures or as otherwise directed by the Board.

7. Benefits. During the Term of this Agreement, EMPLOYEE shall be entitled to participate in any group insurance plan (including medical, dental, vision, life, and disability), retirement program or similar plan or program of VCE established by the Board during the term of this Agreement to the extent EMPLOYEE is eligible under its provisions. In the event VCE establishes a separate benefit program for executive and management employees, EMPLOYEE shall be entitled to participate only in such benefit program. VCE may establish additional benefit programs and may modify, reduce, or eliminate any benefit plan or program in its discretion, in accordance with applicable law.

In addition, EMPLOYEE shall be entitled to the following benefits:

- a. Paid Time Off ("PTO"). PTO may be used as vacation, sick, or any personal business. EMPLOYEE shall be provided 120 hours (three weeks) of PTO upon his employment as the Executive Officer. EMPLOYEE will accrue PTO at the rate of 200 hours (five weeks) annually, prorated and credited each pay period. EMPLOYEE may also take unpaid leave with the approval of the



VCE Chair. EMPLOYEE may accrue PTO to a limit of two times the annual accrual. Once EMPLOYEE reaches the maximum accrual limit he will not accrue any additional vacation time until his accrued balance falls below the maximum limit. Except as otherwise provided in this Agreement, PTO shall be subject to any VCE PTO policy applicable to employees generally. Upon termination of employment, EMPLOYEE will be paid for unused PTO that has been earned through the last day of work.

d. Holiday Leave. EMPLOYEE shall be entitled to the following paid holidays: New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving, Friday after Thanksgiving, and Christmas Day, as well as any holiday that may be provided to all VCE employees during the term of the Agreement. In the event a holiday falls on a weekend or another question arises in the administration of a holiday, the holiday will be administered in a manner similar to the benefit applied to other employees of VCE.

e. Other Benefits. VCE will provide EMPLOYEE with the opportunity to participate in VCE's 401(a) and 457 plans, group life insurance coverage, state disability insurance, unemployment compensation, workers' compensation, social security, Section 125 Cafeteria Plan and other benefits, as provided for the VCE Employee Handbook.

9. Expenses. During the employment term, and subject to the availability of funds, VCE shall reimburse EMPLOYEE for budgeted and reasonable out-of-pocket expenses incurred in connection with VCE's business, including reasonable expenses for travel, food, and lodging while away from home, subject to such policies as VCE may from time-to-time reasonably establish for its employees. Additionally, EMPLOYEE shall be entitled to Board-approved or budgeted and reasonable reimbursement for continuing education expenses, and for attendance at conventions, and conferences.

10. Termination of Agreement.

a. Termination by VCE. EMPLOYEE is employed at the pleasure of the Board, and is thus an at-will employee. The Board may terminate this Agreement and the employment relationship at any time with or without cause, and with or without prior notice.

b. Termination on Resignation. EMPLOYEE may terminate the Agreement by giving VCE at least sixty days (or more if possible) prior written notice. VCE may accelerate the effective date of resignation to any date after the receipt of written notice or, upon request, may reduce the notice period, at its discretion.

c. Termination on Death. If EMPLOYEE dies during the term of this Agreement, this Agreement shall be terminated on the date of EMPLOYEE's death. All warrants or checks for accrued salary, accrued vacation or other items

shall be released to the person designated in writing by EMPLOYEE pursuant to Government Code Section 53245 or, if no designation is made, to EMPLOYEE's estate.

11. Severance. VCE shall pay EMPLOYEE for all services through the effective date of termination. EMPLOYEE shall have no right to any additional compensation or payment, except as provided below and except for any accrued and vested benefits.

a. If VCE terminates this Agreement (thereby terminating EMPLOYEE's Employment) without cause during the initial three-year term of this Agreement, VCE shall pay EMPLOYEE a lump sum severance benefit equal to three months of his then applicable base salary.

b. If VCE terminates this Agreement (thereby terminating EMPLOYEE's Employment) with cause, EMPLOYEE shall not be entitled to any severance. As used in this Agreement, "with cause" shall mean termination due to:

(1) A conviction, plea bargain, judgment or adverse determination by any court, the State Attorney General, a grand jury, or the California Fair Political Practices Commission involving any felony, intentional tort, crime of moral turpitude or violation of any statute or law constituting misconduct in office, misuse of public funds or conflict of interest;

(2) Conviction of a felony;

(3) Conviction of a misdemeanor arising out of EMPLOYEE's duties under this Agreement and involving a willful or intentional violation of law;

(4) Willful abandonment of duties;

(5) A pattern of repeated, willful, and intentional failure to carry out materially significant and legally constituted policy decisions of the Board made by the Board as a body or persistent and willful violation of properly established rules and procedures;

(6) A material breach of this Agreement or the VCE Employee Handbook; and

(6) Any other action or inaction by EMPLOYEE that materially and substantially harms VCE's interests, materially and substantially impedes or disrupts the performance of VCE, or that is detrimental to employee safety or public safety.

c. If EMPLOYEE terminates this Agreement (thereby terminating EMPLOYEE's Employment), EMPLOYEE shall not be entitled to any severance.

d. Any other term of this Agreement notwithstanding, the maximum severance that EMPLOYEE may receive under this Agreement shall not exceed the limitations provided in Government Code Sections 53260 - 53264, or other applicable law. Further, in the event EMPLOYEE is convicted of a crime involving an abuse of office or position, EMPLOYEE shall reimburse the VCE for any paid leave or cash settlement (including severance), as provided by Government Code Sections 53243 - 53243.4.

## 12. Miscellaneous Provisions.

a. Integration. Subject to all applicable Government code sections, the Agreement contains the entire agreement between the Parties and supersedes all prior oral and written agreements, understandings, commitments and practices between the Parties before the date of this Agreement. No amendments to this Agreement may be made except in writing signed by the Parties.

b. Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of the Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances it shall nevertheless remain in full force and effect in all other circumstances.

c. Notices. Any notices required or permitted under this Agreement must be in writing and shall be deemed effective on the earlier of personal delivery (including personal delivery by facsimile or similar means intended to provide actual delivery on the same day) or the third day following mailing by first class mail to the recipient. Notice to VCE shall be addressed to the Secretary of the Board of Directors at the VCE's then principal place of business. Notice to EMPLOYEE shall be addressed to his home address, as then shown in VCE's files.

d. Agreement is Binding. This Agreement shall be binding upon and inure to the benefit of VCE, its successor and assigns, and shall be binding upon EMPLOYEE, his administrators, executors, legatees, heirs, and assigns.

e. Waiver. The failure of either PARTY to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by the other PARTY shall not be deemed a waiver of that term, covenant or condition, nor a waiver or relinquishment of any right or power.

f. Employee Handbook. EMPLOYEE acknowledges that he has read VCE Employee Handbook. The terms of the Employee Handbook, as may be amended by VCE from time to time, shall apply to EMPLOYEE. In the event of a conflict between this Agreement and the Employee Handbook, the terms of this Agreement shall apply.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

\_\_\_\_\_  
Dan Carson, Chair  
Valley Clean Energy Alliance

\_\_\_\_\_  
Mitch Sears

DATE: \_\_\_\_\_, 2022

DATE: \_\_\_\_\_, 2022

APPROVED AS TO FORM:

\_\_\_\_\_  
Inder Khalsa, Interim General Counsel

ATTEST:

\_\_\_\_\_  
Alisa Lembke, VCE Board Clerk

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 16

To: Board of Directors

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

Subject: Line of Credit Agreement with the River City Bank

Date: March 10, 2022

#### RECOMMENDATIONS

1. Adopt a resolution approving terms for an Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed \$11,000,000 and term loan for approximately \$1.1M.
2. Authorize the Interim General Manager to conduct any final negotiations and implement the approval, sign all necessary documents, and ratify past actions related to the two-year Amended and Restated Credit Agreement with River City Bank.

#### BACKGROUND AND ANALYSIS

At its December 14, 2017 meeting, the Board adopted a resolution to select River City Bank (RCB), as the credit and banking services vendor for VCE and authorized the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with RCB for VCE credit facilities. On March 7, 2018, the Interim General Manager executed a term sheet for up to \$11,000,000 in total credit facilities for VCE with RCB.

At the May 10, 2018 Board meeting, the Board approved the Credit Agreement with RCB and authorized the Board Chair to approve and execute the Credit Agreement. The availability of the RLOC was set to expire 1 year from the execution of the agreement (May 15, 2019) and received a series of extensions.

At its September 10, 2020 meeting, the Board adopted Resolution 2020-026 that approved the Amended and Restated Credit Agreement (RLOC Agreement) and draft Modification of Term Note from RCB. The Resolution authorized the Interim General Manager to conduct any final negotiations and sign all necessary related documents resulting in the execution of RLOC Agreement.

On July 8, 2021, the Board approved a short-term extension of the Amended and Restated Credit Agreement (RLOC Agreement) and Term Note from RCB. The short-term extension ran through December 31, 2021. Due to the cancellation of the VCE December Board meeting, the Interim General Manager executed amendments

to extend the RLOC agreement through February 28, 2022, to allow for time to adopt VCE's 2022 customer rates and 2022 budget incorporating the final PG&E 2022 PCIA and rates. These extensions were ratified by the Board on January 27, 2022 (agenda Item 16).

As discussed at previous Board meetings, a combination of pandemic impacts, rising PCIA, and volatile short-term power market prices have required VCE to implement cost mitigation measures and draw on reserves over the past 18 months to stabilize customer rates. As outlined on February 10, 2022, Board item 15 (2022 rate setting) and Item 16 (2022 budget adoption), favorable movement in projected PCIA rates and PG&E generation rates for 2022 have improved VCE's financial outlook for 2022. However, due to a CPUC delay in approving PG&E's 2022 rates and PCIA until March 1, supplemental financial assistance is needed to address short-term cash requirements.

VCE staff have been in discussions with its financial, member, and business operations partners over the past several months to address these short-term cash requirements. Specifically, staff has worked with these partners to achieve the goal of an average of 30-days cash over the first half of 2022. As noted in the 2022 budget adoption on February 10, 2022, financial projections using the most up-to-date information on 2022 PCIA and PG&E rates shows VCE in a healthy financial position by the end of 2022 (forecasted net position of \$17M by the end of 2022).

#### Current Revolving Line of Credit with RCB

The current RLOC Agreement has a limit of \$5,000,000 available for cash advances and/or letters of credit and an additional \$2,000,000 credit facility available for Letters of Credit, for a total RLOC of \$7,000,000. Since August 2018, VCE has not drawn cash on the RLOC and currently has a \$147,000 letter of credit outstanding for the PG&E Financial Security Requirement required by CPUC regulations for all CCAs. As a condition of receiving the current RLOC renewal described above, the Term Loan Note was modified to mature on September 1, 2021 (Attachment 2 - Modification of Term Note) - this was earlier than the original 5-year term. Note: A final payment of approximately \$1.1 million was due on March 1, 2022 to pay off the Term Loan but was subsequently extended by RCB to mid-April to allow for the time needed to consider the current amended and restated financial agreement.

#### Proposed Revolving Line of Credit with RCB

Since late Fall 2021 Staff has been in discussions with RCB regarding the proposed \$11M line of credit with RCB. With access to a \$2.5M VCE/SMUD restricted power purchase reserve account and the \$5M line of credit recently finalized with the County of Yolo, VCE will meet its short-term and long-term cash reserve goals for 2022. Note: high revenue months in the second half of 2022 allow VCE to pay off the County line of credit and build back reserves of ~\$17M. The principal terms of the proposed line with RCB are listed below and included in the attached term sheet (Attachment 2).

The proposed amended and restated agreement includes the following modifications to the current financial agreement:

- Cash Facility - \$2M increase in cash from \$5M to \$7M
- Letter of Credit Facility - \$4M increase from \$7M to \$11M
- Renewal Period – 2-year agreement increased from short-term and annual extension

The increases are consistent with the original agreement before they were amended during the COVID-19 pandemic.

#### River City Bank Terms – Revolving Line of Credit

The following key terms are summarized from the attached term sheet from RCB. Except as noted below, the key terms are carried over from the existing financial agreements with RCB.

- Type of Financing: Commercial Revolving Line of Credit
- Maximum Amount: 11,000,000, with a \$7,000,000 limit for cash advances
- Maturity: March 1, 2024
- Interest Rate: Variable rate, Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (unchanged)
- Fees:
  - 0.50% of the total RLOC commitment, payable upon loan closing
  - 5,000, payable upon loan closing, provided that Borrower approves the use of Bank's standard form documents
  - 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC

#### River City Bank Terms – Term Loan

- Type of Financing: Term Loan
- Amount: \$ 1,120,079.13 (*outstanding principal as of 2/3/2022*)
- Maturity: Two (2) years 3/1/2024
- Interest Rate: Fixed 3.57%

#### Collateral/Pledged Assets

- Perfected security interest in 1st lien position via a UCC filing and security agreement in each of the following:
  - Debt Service Reserve Account (“DSRA”) maintained at \$1,100,000.
  - A security agreement that covers (i) the right of set-off to all of Borrower’s deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues not otherwise encumbered by outside liens. Accounts encumbered by outside liens include the SMUD lockbox/revenue account #x3324 and the SMUD reserve account #x5192.
  - A UCC-1 perfected blanket lien filing covering all Accounts, Revenues, Resource Adequacy Contracts, and the Debt Service Reserve Account.
- No junior liens will be permitted on any Collateral

#### **CONCLUSION**

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

Staff recommends that the Board adopt the attached resolution approving the Amended and Restated Credit Agreement with RCB and authorizing the Interim General Manager to conduct

any final negotiations and sign all necessary documents on behalf of VCE to execute agreements for the revolving line of credit not to exceed \$11,000,000 and term loan (existing) with the River City Bank. The resolution also approves the use of Nixon Peabody as special counsel and ratifies past actions of staff related to the Credit Agreement. The proposed terms are described in the attached term sheet.

**Attachments**

1. River City Bank Term Sheet
2. Resolution authorizing the Interim General Manager to execute Credit Agreement with the River City Bank





February 3, 2022

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

**Re: (i) Renewal & Increase in the Amount of the Existing Revolving Line of Credit for Working Capital and Liquidity Needs, and  
(ii) Extension of the Repayment Schedule and Maturity Date of the Existing Term Loan Facility**

Dear Valley Clean Energy Alliance team:

River City Bank (“Bank”) is pleased to provide this term sheet for the (i) Revolving Line of Credit renewal and increase, and (ii) Term Loan maturity date extension, as outlined below.

**Borrower:** Valley Clean Energy Alliance (“VCE”)

**Loan Type:** (1) Commercial Revolving Line of Credit (“RLOC”)  
(2) Term Loan

**Purpose:** To provide working capital to meet liquidity needs, and credit enhancements in the form of Standby Letters of Credit (“SBLC”).

**Loan Amount:** RLOC: \$11,000,000, with a \$7,000,000 sublimit for cash advances.  
Term Loan: \$1,120,079.13 (*outstanding principal as of 2/3/2022*)

**Instruments:** Cash advances up to a limit of \$7,000,000.  
SBLCs may be issued up to the \$11,000,000 RLOC Loan Amount.

**Collateral:** Perfected security interest in 1<sup>st</sup> lien position via a UCC filing and security agreement in each of the following:

- Debt Service Reserve Account (“DSRA”) maintained at \$1,100,000.
- A security agreement that covers (i) the right of set off to all of Borrower’s deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues not otherwise encumbered by outside liens. Accounts encumbered by outside liens include the SMUD lockbox/revenue account #x3324 and the SMUD reserve account #x5192.
- A UCC-1 perfected blanket lien filing covering all Accounts, Revenues, Resource Adequacy Contracts, and the Debt Service Reserve Account.

No junior liens will be permitted on any Collateral.

- Term:** RLOC: Two (2) years from current 3/1/2022 expiration (*est. 3/1/2024*)
- Term Loan: Two (2) years from current 3/1/2022 maturity (*est. 3/1/2024*)
- Letters of Credit: Letters of Credit issued under the RLOC will have a maximum term of one year from the date of issuance, with annual auto renewal options available. If the RLOC is terminated prior to the expiration date or upon RLOC expiration, Borrower will provide cash collateral equal to 110% of the face amount for any and all outstanding SBLCs.
- Interest Rate:** RLOC and outstanding SBLCs: Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (*unchanged*).
- As of close of business on 2/3/2022, the 1-month U.S. Treasury Bill Yield was 0.03%, indicating an all-in 2.03% rate.
- Term Loan: Fixed at 3.57% for the loan term (*unchanged*).
- Bank calculates interest on an actual/360 day basis.
- Repayment:** RLOC: Interest-only payments due monthly, with all outstanding principal and interest due on RLOC expiration.
- Letters of Credit: In the event of a Letter of Credit draw by a beneficiary, Bank will disperse funds from the RLOC, and Borrower must repay the Bank in full within 3 days.
- Term Loan: 24 equal monthly principal and interest payments, fully amortized over the Term Loan term. Any remaining principal and interest will be due on maturity.
- Prepayment Premium:** No prepayment premium for the RLOC, SBLCs, or Term Loan.
- Loan Fee:** 0.50% of the total RLOC commitment, payable upon loan closing.
- Documentation Fee:** \$5,000, payable upon loan closing, provided that Borrower approves the use of Bank's standard form documents.
- Bank reserves the right to increase the Documentation Fee or engage outside legal counsel, at Borrower's sole cost and expense, if Borrower requires extensive negotiation of Bank's standard loan documents, or if Bank reasonably determines that the use of custom loan documents and/or outside legal counsel is appropriate in view of the nature and complexity of the legal and documentation issues involved.
- Non-Utilization Fee:** 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC.

**Letter of Credit Fees:** Borrower shall pay to Lender fees upon the issuance, amendment, or any other activity with respect to any Letter of Credit (including the transfer or cancellation of any Letter of Credit), including an issuance fee based on the face amount thereof over the applicable expiration period, a documentation fee, and any reasonable and customary out-of-pocket costs and expenses incurred by Lender in connection with such activity. Borrower acknowledges and agrees that the fees will be determined by Lender at the time of issuance or other activity with respect to each Letter of Credit based on the then-current fee schedule of Lender and its correspondent banks, which are subject to change from time to time.

**Costs & Expenses:** Borrower to pay all out-of-pocket costs and expenses, such as third-party search and order fees and any applicable legal fees (collectively, the "Costs & Expenses").

**Needs List:** In addition to the conditions set forth in this letter, additional conditions precedent to closing will be those which are usual and customary for transactions of this nature, including but not limited to Bank's receipt, review and satisfaction with all documents, reports, leases, financial statements, guarantor information, and other information reasonably requested by Bank. Subsequent to Bank's receipt of this signed term sheet, Bank will prepare a needs list summarizing such items.

### **Additional Requirements**

- **Financial Covenants.** Financial covenants and corresponding covenant limits will be mutually agreed upon by Borrower and Lender during underwriting, upon Lender's receipt of Borrower's finalized income, balance sheet, and cash flow projections for the coming fiscal years.

Existing financial covenants include a minimum Change in Net Position, minimum Adjusted Tangible Unrestricted Net Position, and maximum total Liabilities / Tangible Unrestricted Net Position.

- **Rate Covenant (NEW).** Borrower shall collect rates and charges from rate payers for energy distribution sufficient to cover all power supply costs, operating expenses, and debt service each fiscal year.
- **Legal Opinion (EXISTING – Section 9.1(c)(iv)).** Borrower's counsel shall provide a legal opinion on the enforceability of the credit agreement and formation of Borrower in form and substance acceptable to Bank.
- **Debt Service Reserve Account (EXISTING – Section 7.1 and 10.3).** Borrower shall ensure that the DSRA remains pledged and assigned to Lender as collateral, with a balance of not less than \$1,100,000 at all times.
- **Deposit Account (EXISTING – Section 10.4).** Borrower must maintain all of its deposit accounts exclusively with Bank, with automatic monthly loan payments deducted from the account. Failure to adhere to this requirement will result in a 2.00% increase to the Interest Rate so long as this covenant is not satisfied.

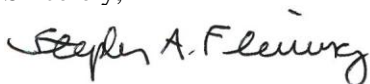
- **Yolo County Debt Subordination.** The \$5,000,000 line of credit provided by Yolo County to Valley Clean Energy must be subordinated (in form and substance satisfactory to Lender) to Lender's RLOC and Term Loan at all times.
- **No Additional Indebtedness** (*EXISTING – Section 10.19*). Besides the Credit, the aforementioned Yolo County indebtedness, and obligations arising in the ordinary course of business which are not delinquent, Borrower shall not incur additional indebtedness in excess of \$500,000.00 without the prior written consent of Bank.
- **30 Day Out of Debt** (*NEW*). Borrower to maintain a zero balance on the RLOC for a period of at least thirty (30) consecutive days during each 12 month period of the Term.
- **Insurance Coverage** (*EXISTING*). Borrower will be required to maintain the following insurance, naming River City Bank as additional insured:
  - Business property insurance for all inventory and equipment, in the minimum amount of the replacement value
  - General liability insurance, in the minimum amount of \$1,000,000
- **Ongoing Reporting.** During the Term, Borrower will be required to provide:
  - Borrower CPA Audited financial statements, inclusive of a balance sheet, year-to-date income statement, aged list of accounts receivables and accounts payable, annually.
  - Borrower company-prepared financial statements, inclusive of a balance sheet, year-to-date income statement, aged list of accounts receivables and accounts payable, monthly.
  - (*NEW*) - Borrower pro forma financial model for the coming fiscal year, inclusive of a balance sheet and income statement, and cash flow, due annually upon Lender's request.

Bank reserves the right to terminate this proposal at any time and this proposal may not be transferred or assigned without prior written consent of Bank.

Please be advised that this letter does not constitute a binding commitment or impose any obligation on Bank, but only reflects proposed terms of a transaction which may become acceptable to the parties. Notwithstanding any other language of agreement that may appear elsewhere in this nonbinding letter of intent, it is expressly understood and agreed that this letter does not and shall not constitute a binding agreement between the parties in any manner, except with respect to: Costs & Expenses. The undertakings and obligations of Bank with respect to the loan will be subject to, among other things: (i) credit analysis and approval in accordance with Bank's underwriting standards; (ii) the preparation, execution and delivery of mutually acceptable loan documentation containing such terms and conditions as are customary for similar credit facilities; (iii) the accuracy of all representations made and information furnished by Borrower to Bank, and (iv) the absence of any information or other matter being disclosed after the date hereof that is inconsistent in a material and adverse manner with any information or other material disclosed to Bank.

Thank you for considering River City Bank for your financing needs. If you would like us to move forward on the basis proposed, please sign below, and submit this signed term sheet to Bank.

Sincerely,



Stephen Fleming  
President & CEO



Rosa Cucicea  
SVP & Clean Energy Division Manager

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**ACKNOWLEDGED AND ACCEPTED BY**

Borrower hereby acknowledges and agrees to the presented loan structure, including to any proposed joint borrowing and/or guaranteeing structure.

Valley Clean Energy Alliance

x \_\_\_\_\_  
By: Mitch Sears  
Its: Interim General Manager

\_\_\_\_\_  
Date



**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2022-\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE  
AUTHORIZING THE EXTENSION AND EXPANSION OF ITS REVOLVING LINE OF CREDIT AND A  
NEW TERM LOAN WITH RIVER CITY BANK**

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

**WHEREAS**, the City of Winters, located in Yolo County, was added as a member of VCE and a party to the VCE in December of 2019;

**WHEREAS**, pursuant to a Resolution adopted on May 10, 2018, the Board of Directors of VCE (the “Board”) approved the execution of a credit agreement and related documents thereto (collectively and as previously amended and extended, the “Credit Facility”) with River City Bank (“RCB”), pursuant to which RCB agreed to provide credit working capital to meet VCE’s liquidity needs and RCB also agreed to provide certain credit enhancements;

**WHEREAS**, the Credit Facility currently has a limit of \$5,000,000 available for cash advances and/or letters of credit and an additional \$2,000,000 credit facility available for Letters of Credit, for a total maximum amount of \$7,000,000;

**WHEREAS**, RCB is willing to further amend the Credit Facility to lend up to \$11,000,000, with a \$7,000,000 limit for cash advances, pursuant to an amendment (the “Amendment”) and related documents thereto to be prepared by RCB and to extend a term loan to VCE in an amount up to approximately \$1,200,000 (the “Term Loan”), the terms of each of which are set forth in the proposed terms provided by RCB on file with the Board (collectively, the “Amendment Terms”);

**WHEREAS**, the good faith estimates required to be obtained and disclosed with respect to the Amendment Terms in accordance with Government Code Section 5852.1 are set forth in the report accompanying this Resolution; and

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

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** The Board of Directors (the “Board”) of the Valley Clean Energy Alliance (“VCE”) hereby approves the Interim General Manager and his designees as authorized representatives of VCE (each an “Authorized Representative” and collectively, the “Authorized Representatives”) in connection with the negotiation and execution of the Amendment to increase the amount of the commitment available under the Credit Facility as amended by the Amendment (the “Amended Revolving Credit Facility”), including such related amendments deemed necessary or advisable by the Authorized Representative executing the Amendment, and to execute documentation related to the proposed Term Loan (the “Term Loan Documents”), and any ancillary documents relating thereto.

**Section 3.** The Board hereby approves each Authorized Representative, acting singly, to execute and deliver the Amendment, the Term Loan Documents and any related ancillary documents necessary to implement the Amendment Terms and in such form and substance as may be approved by such Authorized Representative, in consultation with Special Counsel (as defined below) and General Counsel to VCE, as in the best interests of VCE, the execution thereof to be conclusive evidence of such approval.

**Section 4.** The Board hereby approves each Authorized Representative, acting singly, to borrow and authorize advances or the issuance of letters of credit from time to time under the Amended Revolving Credit Facility in such amounts as in their judgment should be borrowed and to provide security for the obligations of VCE under the Amended Revolving Credit Facility and the Term Loan Documents, including, without limitation, a pledge of the net revenues of VCE, and to execute and deliver any requests or other documents and agreements as such Authorized Representative may, in his or her discretion, deem reasonably necessary or proper in order to carry into effect the provisions of the Amended Revolving Credit Facility and the Term Loan Documents.

**Section 5.** The Board hereby affirms and ratifies the appointment of Nixon Peabody LLP to act as “Special Counsel” to VCE in connection with the negotiation and execution of the Amended Revolving Credit Facility, the Term Loan Documents and the ancillary documents.

**Section 6.** The Authorized Representatives, the Board Secretary, and the Board Chair and all other appropriate officials of the VCE are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution.

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**Section 7.** The Board hereby approves and ratifies all acts, transactions or agreements undertaken, prior to the adoption of these resolutions by any of the officers of VCE, or their designees, in its name and for its account in connection with the foregoing matters, are hereby ratified, confirmed and adopted by VCE.

**Section 8.** This Resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED AND ADOPTED,** at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_ day of \_\_\_\_\_ 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Jesse Loren, VCE Chair

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Alisa M. Lembke, VCE Board Secretary

Attachment:

1. RCB Term Sheet



## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 17

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To: Board of Directors

From: Mitch Sears, Interim General Manager  
Rebecca Boyles, Director of Customer Care and Marketing  
Sierra Huffman, Program and Community Engagement Analyst

Subject: Bill Protection in the Time-of-Use (TOU) Transition

Date: March 10, 2022

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#### **RECOMMENDATION**

Approve and adopt Bill Protection Option 3, in which customers can call and request bill protection if they choose to remain on the Time of Use rate for a full 12 months.

#### **BACKGROUND and ANALYSIS**

Since April of 2021, VCE's residential customers have been transitioning from flat, tiered rates to time-of-use (TOU) rates. TOU rates are designed to better reflect the wholesale energy market and grid conditions, and encourage customers to use electricity midday/overnight, when renewable/low-carbon energy is more abundant. VCE's residential TOU transition began with NEM customers in March 2021, and the remainder of eligible customers (about 12,500 accounts) will be transitioned in April 2022.

Since nearly 20% of VCE's residential customers will be moved to ETOU-C, VCE staff has analyzed the fiscal and customer impacts of providing bill protection for newly transitioning TOU customers. PG&E is required to provide automatic bill protection for customers that stay on the TOU rate for 12 months. CCAs are not required to participate in the TOU transition, nor provide bill protection, but most CCAs are participating and providing some type of bill protection.

Most residential customers will be minimally affected by the change to TOU- about 51% would pay slightly more, with most bill impacts in the \$1-2/month range. Although the estimated customer impacts are limited, to enable a successful transition and ease any potential customer impacts, staff is recommending that VCE provide a measured bill protection program. Note: Low-income CARE/FERA customers in hot climate zones (including Yolo County) will not be automatically transitioned.

### Bill Protection Options

Costs vary depending on the approach to bill protection. Working with SMUD, staff has estimated the cost for 4 different options:

Bill Protection Option	Estimated Cost	Notes
1. Standardized \$25 credit	Total: \$300,000-\$312,500	One-time \$25 bill credit for all residential TOU customers that stay on the rate for 12 months
2. Upon request by customer – Bill Calculation	<ul style="list-style-type: none"> <li>• \$15,000 for billing engine tool</li> <li>• \$85 per account calculation</li> <li>• \$12,000-\$15,000 for bill protection credit</li> <li>• Total: \$78,000-81,000<sup>1</sup></li> </ul>	Manual calculation in which customers call in and are eligible for a “backwards looking” bill protection credit after 12 months on the rate.
3. Upon request by customer – Standardized \$25 credit	<ul style="list-style-type: none"> <li>• \$15,000 - \$40,000<sup>2</sup></li> </ul>	One-time \$25 bill credit for residential TOU customers that opt for bill protection and stay on the rate for 12 months.
4. Automatic for all eligible customers	<ul style="list-style-type: none"> <li>• \$22,500+ for billing engine tool</li> <li>• \$120,000-\$150,000 for bill protection credit</li> <li>• Total: \$142,500-\$172,500<sup>3</sup></li> </ul>	Tool estimate of \$22,500 could increase.

Staff recommends that VCE provide bill protection option 3, a standardized credit upon customer request. Recognizing that this approach trades a certain amount of precision in calculating bill impacts for simplicity, staff believes it provides an appropriate balance resulting in a measured approach to potential customer impacts while avoiding inefficient and burdensome program administration costs. This is the least-cost option that is also easiest to implement, and the call-in approach is similar to East Bay Community Energy’s approach in its residential TOU bill protection program. As part of TOU outreach efforts, VCE will include customer bill protection information on the website and social media if this item is approved. This item was evaluated by the Community Advisory Committee (CAC) on February 24<sup>th</sup>, 2022, and the CAC also recommended adopting bill protection option 3.

### **Financial Impact**

Estimate varies depending on option, from \$0-\$312,500. Should the Board recommend option 3, the estimated fiscal impact is a one-time \$15k to \$40k in CY 2023. TOU bill protection would end after the 12-month transition period – no associated costs going forward.

### **CONCLUSION**

Staff is seeking approval on a bill protection approach from the Board of Directors.

<sup>1</sup> Assuming that of 6,000 eligible customers, 10% request bill protection. The average credit would be \$20-25. The high end of the range in total cost is unlikely as only 2-3% of customers are likely to call and request bill protection.

<sup>2</sup> Assuming 10-20% of eligible customers call to request bill protection

<sup>3</sup> Assuming \$20-\$25 credit for 6,000 eligible customers

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 18

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To: Community Advisory Committee

From: Rebecca Boyles, Director of Customer Care and Marketing  
Sierra Huffman, Program and Community Engagement Analyst

Subject: Heat Pump Pilot Program

Date: March 10, 2022

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#### **RECOMMENDATION**

Approve Phase 1 of Valley Clean Energy’s Heat Pump Pilot Program.

#### **BACKGROUND**

Mid-2021, VCE began developing a Heat Pump Pilot Program within the context of a growing trend in home electrification programs available throughout the state. The shift in focus from traditional HVAC systems to heat pumps, alongside the availability of generous rebates for customers, motivated VCE to explore the most appropriate role its programs could fulfill. VCE is designing a program that complements existing rebates and incentives. Initial research and engagement identified a key unfulfilled need is providing Marketing, Education and Outreach (ME+O) to contractors, customers, and other key stakeholders such as realtors and HVAC manufacturers.

#### CAC Recommendation

Staff presented Phase 1 of the Heat Pump Pilot Program to the Community Advisory Committee (CAC) on February 24, 2022 and received constructive feedback. The CAC recommends that the Board approve Phase 1 of the pilot program if the program emphasizes fully electric heat pumps and dual fuel heat pumps equally.

#### **ANALYSIS**

Staff believes that focusing on ME+O for the initial phase of this pilot is the best way to provide value while learning more about the intricacies of the heat pump landscape. After the conclusion of the initial ME+O phase, staff (with the assistance of the CAC Programs Task Group, or PTG) will determine whether VCE can add value by designing and launching a complementary heat pump rebate pilot phase.

VCE’s heat pump pilot will cover a wide range of heat pump technologies, including heat pumps for space conditioning and water heating. A focus will be on encouraging the replacement of old, outdated, and inefficient heating, ventilation, and cooling (HVAC) systems with heat

pumps, including the ability of these systems to respond to price signaling that VCE may send in the future. The program will also market the rebates that are available for home and duct insulation, as these are important factors to consider when making any HVAC improvements.

#### Existing State Rebate Programs

Staff found that although large rebates are available to customers for the installation of heat pumps, few contractors based in Yolo County are currently certified to provide them. VCE staff connected with the two current firms that were selected by the State to implement publicly funded energy efficiency rebate programs: (1) Franklin Energy, the implementers of the Comfortable Home Rebates (CHR) and (2) Energy Solutions, the managers of TECH Clean California (TECH), to facilitate working together to engage local contractors. This pilot may provide support to Yolo County-based contractors in becoming certified to provide rebates through both CHR and TECH. Staff may provide contractors with program application assistance, as well as provide program clarity by developing web materials, and hosting webinars/in-person meetings.

Staff is planning to engage customers by hosting webinars/in-person workshops and connecting with customers through collateral such as web materials, social media, and printed information. Webinars/in-person workshops (similar to CoolDavis' "Make a Plan for a Clean Energy Home" workshop in which VCE participated in Fall 2021) give customers the opportunity to connect with contractors and ask them questions, as well as cover topics on owning and operating a heat pump. Marketing collateral would explain the benefits of heat pumps such as lowering gas bills, reducing greenhouse gas emissions, and improved indoor air quality. Subjects such as duct installation, building envelope, and heat pump best practices could be addressed to minimize increases in a customer's electricity bills associated with installation of heat pumps and boost customer satisfaction.

#### **FINANCIAL IMPACT**

Staff projects that this pilot program phase (Phase 1) could be efficiently run with a budget of \$5,000. The funds would primarily go toward collateral development and printing, and potentially for consultant support to help with paperwork and application assistance.

#### **CONCLUSION**

Staff and the CAC recommend that the Board approve of Phase 1 of this pilot and return to the CAC and Board after the conclusion of Phase 1 with the program design for Phase 2. Phase 1 of the pilot will run until initial \$5,000 funding is exhausted, or March 2023.

#### **Attachment**

1. VCE's Heat Pump Pilot Program Design/Implementation Form



## **Program Preliminary Design/Implementation Form**

### **Program Concept: Heat Pump Pilot**

**Date:** 03/10/22

### **Staff Resources and Support:**

Assigned Program Managers: Rebecca Boyles, Sierra Huffman  
Programs Task Group Members: Marsha Baird, David Springer  
Consultant name (if applicable):

### **Scope:**

Provide education and awareness of the available rebates through Comfortable Homes and TECH Clean California, while responding to community needs and identifying target strategies for potential rebates administered by VCE.

This is phase 1 of a multi-phase program, designed to lay the informational foundation for future building electrification efforts. Phase 1 will focus on marketing, outreach, and education (ME+O) for both contractors and customers. Secondary outreach will engage stakeholders such as city officials, local realtors, HVAC manufactures, county officials, mission-aligned organizations, and potential project partners.

Customer-facing ME+O will focus on getting customers up-to-date information on available rebates for replacing failing, failed, inefficient, or outdated heating, ventilation, and air conditioning (HVAC) systems with heat pumps (HP). This approach targets essential and immediate home improvements that can lead to more comprehensive electrification. A secondary focus will be on heat pumps for water heating. Supplementary rebates will be included in ME+O efforts, especially those that support customer comfort and mitigate potential bill increases due to electrification of heating, as these are potential barriers for customers.

Contractor-facing ME+O is geared toward increasing local contractor participation in both Comfortable Homes and TECH rebate programs. The program will provide clarity on program eligibility, application processes, and required materials, as well as potentially assisting contractors with applications.

In March 2023, program success will be evaluated using the proposed goals and metrics. Program success, as well as feedback from CAC, the Board, community members, and contractors will be used to begin the design of phase 2.

### **Timing:**

(Approximate; pending approval) Phase 1 would begin in March 2022. This first phase will continue until the budget is exhausted or the end of phase 1 in March 2023.

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**Program Design Criteria Evaluation:**

	Criteria 1	Criteria 2	Criteria 3
Criteria Type	<u>Availability of Funds</u>	<u>Staff Time</u>	<u>Strategic Plan Alignment</u>
Reasoning for Program Score	Scored high. Currently available rebates include \$750 - \$850 from PG&E's Comfortable Home Program available which can be stacked with \$2,250 - \$3,950 from TECH Clean California.	Scored high. Program can be initiated by referring applicants to Franklin Energy, who manages the Comfortable Home program for PG&E and Energy Solutions who manages the TECH Clean California rebates program.	Scored medium to high on strategic plan alignment:  <u>Reduces GHG Emissions</u> Dependent upon the chosen heat pump technology, there can be near or total elimination of emissions from furnaces in homes that have central heating systems. Title 24 compliance software modeling results showed that dual fuel heat pumps can provide the same amount of emissions reduction as full heat pump replacements when used properly.  <u>Customer Satisfaction</u> No adverse impact on comfort but may result in slightly higher heating bills for non-NEM customers. NEM customers with excess generation will have lower heating bills.  <u>Addresses Environmental Justice</u> Small negative impact on low-income customers due to higher utility costs (amount to be determined). Effects will be mitigated through education on heat pump best practices, as well as home and duct insulation.  <u>Regulatory &amp; Legislative Goals Alignment</u> Highly aligned with state GHG reduction and electrification goals.  <u>Strategic Partnerships</u> Several local contractors are participating in the rebate programs and more have expressed interest. Collaboration with Franklin Energy and Energy Solutions provides mutual benefits, as well as a marketing and outreach partnership with Cool Davis.

**Program Metrics and Goals:**

**Metrics:** Number of educational webinars held and the number of attendees. Number of VCE heat pump webpage visits and link click-throughs.



**Goals:** A total of 5 webinars in Phase 1, including contractor educational webinars/in-person meetings, customer educational webinars, and “ask a contractor” webinars with both customers and contractors. Additional events may be held with program partner Cool Davis or other interested stakeholders.

**Proposed Programs Budget:**

Resource	Source	Proposed Budget	\$ Remaining in Program Funds
Rebates	Programs Budget	NA	
Consultants (if required)	Programs Budget	\$5,000	
	<b>Total</b>	<b>\$5,000</b>	

**Budget Details:**

A total not-to-exceed budget of \$5,000 for phase 1, including webinar/meeting expenses, and (potentially) consultant support to assist with helping contractors with participation in rebate programs.

**Organizational Goals Addressed:**

Alignment with VCE’s Strategic Plan? Yes

- **Goal 1:** Maintain and grow a strong financial foundation and manage costs to achieve organizational health.
  - 1.1 **Objective:** *Maintain consistently healthy cash reserves to fund VCE’s mission, vision, and goals:*
    - Replacing furnace gas use with heat pump electric use will increase revenues, particularly from NEM customers.
  
- **Goal 3.** Prioritize VCE’s community benefits and increase customer satisfaction and retention.
  - 3.2 **Objective:** *Develop programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.*
    - The primary objective of a HP program is to reduce emissions resulting from combustion of natural gas for residential heating



- 3.5 **Objective:** *Develop customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.*
  - The proposed program prioritizes decarbonization. The impact on customer savings will be determined through the pilot program, as well as supported through education and outreach

### **Marketing, Education and Outreach (ME+O) Strategy:**

HVAC replacement and improvement opportunities, as well as their associated rebates will be marketed on VCE's social media accounts and website, as well as cross-promotion with aligned organizations. Additionally, there is the capability to initiate mail and/or email campaigns. Education will be achieved through website material expansion and webinars. Contractor webinars will be jointly hosted by project partners, Franklin Energy and Energy Solutions. Contractors will be engaged for assistance with the "ask a contractor" customer webinars. There is an opportunity to work with Cool Davis in ME+O on cohosting webinars and collecting customer stories to demystify heat pumps and home electrification.

### **Board, CAC, PTG Input:**

The Programs Task Group (PTG) was influential in the design and direction of the proposed Heat Pump Pilot. A heat pump rebate program was originally suggested by the PTG, with a focus on promoting the most affordable option, a dual fuel heat pump. As more money became available with the release of TECH's rebate program, it became apparent the greatest need was not in providing rebates, but in marketing, outreach, and education.

The CAC was introduced to the Heat Pump Pilot on January 20<sup>th</sup>, as well as the Board of Supervisors on January 27<sup>th</sup>. The pilot went to the CAC for review and approval on February 24<sup>th</sup>. The CAC recommended that the Board approve Phase 1 of the pilot program if the program emphasizes fully electric heat pumps and dual fuel heat pumps equally. The CAC's feedback has been incorporated into the pilot program and VCE will look to educate and promote heat pump systems as a whole.

### **Next Steps:**

1. Schedule joint contractor webinars with Franklin Energy and Energy Solutions
2. Begin engaging local contractors and stakeholders
3. Add educational materials, as well as outreach and marketing materials to VCE's website
4. Schedule customer webinars
5. Begin engaging customers through social media and mailer campaigns
6. Full program implementation





## PG&E COMFORTABLE HOME & TECH REBATES

### Heat Pump Space Conditioning

HVAC (Heating, Ventilation, and Air Conditioning) systems do more than just heat or cool a space. When properly installed and working, HVAC systems draw air through filters to remove dust, dirt, and allergens; heat or cool the air; remove excess humidity from the air; and direct that conditioned air into your home. The comfort of your home depends on your HVAC.

PG&E Fuels required: electric **and** gas

# Per Household: 2

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15 SEER AC/9.0 HSPF Heating

Comfortable Home: \$750

TECH Program: \$2,250

**Total Rebate: \$3,000**

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16 SEER AC/9.0 HSPF Heating

Comfortable Home: \$850

TECH Program: \$3,050

**Total rebate: \$3,900**

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18 SEER AC/9.7 HSPF Heating

Comfortable Home: \$850

TECH Program: \$3,950

**Total rebate: \$4,800**

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## Heat Pump Water Heating

Heat Pump Water Heaters are FOUR TIMES more efficient than the best gas burning units and COST LESS TO RUN. These units use the exact same technology as your refrigerator and are just as reliable. If you have solar now, or will later, a Heat Pump Water Heater is the only logical choice.

PG&E Fuels required: see below

# Per Household: 2

Standard: 3.24 EF / 3.09 UEF or better

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PG&E Gas switching to PG&E Electric Heat Pump Water Heater

Comfortable Home: \$750

TECH Program: \$3,100

**Total rebate: \$3,850**

PG&E Electric to PG&E Electric Heat Pump Water Heater

Comfortable Home: \$750

TECH Program: \$1,000

**Total rebate: \$1,750**