VALLEY CLEAN ENERGY

Meeting of the Valley Clean Energy Alliance Board of Directors
Thursday, March 14, 2019 at 5:30 p.m.
City of Woodland Council Chambers
300 1st Street, 2nd Floor, Woodland, CA 95695

Meetings are accessible to people 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, VCEA Board Clerk/Administrative Analyst, at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@valleycleanenergy.org.

If you have anything that you wish to be distributed to the Board and included in the official record, please hand it to a member of VCEA staff who will distribute the information to the Board members and other staff.

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.

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

5:30 p.m. Call to Order

1. **Welcome and Roll Call**

2. **Approval of Agenda**

3. **Public Comment:** This item is reserved for persons wishing to address the Board on any VCEA-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to two minutes per speaker, but an extension can be provided at the discretion of the Chair.

CLOSED SESSION

4. **Conference with Legal Counsel – Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9)**
   Name of Case: In re PG&E Corporation, Debtor; Chapter 11; US Bankruptcy Court, Northern District of California San Francisco Division, Case No. 19-30088(DM) and Case No. 19-300889(DM)

CONSENT AGENDA

5. **Approval of Draft January 23, 2019 Special Meeting Minutes**

6. **Receive 2019 Long Range Calendar**

7. **Receive Financial Updates – December 31, 2018 and January 31, 2019 (unaudited) financial statements.**

8. **Receive March 7, 2019 Regulatory Update provided by Keyes & Fox.**

9. **Receive March 6, 2019 Customer Enrollment Update and Monthly Call Center Report as of February 24, 2019.**

10. **Receive Community Advisory Committee's January 24, 2019 and February 28, 2019 Meeting Summaries.**

11. **Adopt Resolution authorizing the Board to disclose information to member agencies of the Joint Powers Agency pursuant to Government Code Section 54956.96.**

12. **Receive update and approve continuation of Peak Day Pricing Pilot Program.**

13. **Receive UltraGreen (100% Renewable) Costs and Benefits Information to Local Governments. (Informational)**

REGULAR AGENDA

14. **Provide update to Valley Clean Energy Board regarding the California Public Utilities Commission's Decision on Energy Resource Recovery Account, including Power Charge Indifference Adjustment. (Informational)**

15. **Review and provide feedback on the preliminary draft Fiscal Year 2019/2020 Operating Budget.**

16. **Review and provide feedback on the draft approach of the new Rate Structure / Dividend Guidelines.**

17. **Receive information about the Residential Time of Use Rate Classes. (Informational)**

18. **Review and approve the updated *Valley Clean Energy Strategic Marketing & Communications Plan*. (Action)**

19. **Board Member and Staff Announcements:** Action items and reports from member 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.

    The next VCEA Board meeting has been scheduled for Thursday, April 11, 2019 at 5:30 p.m. at the City of Davis Community Chambers, 23 Russell Boulevard, Davis, CA 95616.

20. **Adjournment:**
    Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA's offices located at 604 Second Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. The documents are also available on the Valley Clean Energy website located at: https://valleycleanenergy.org/about-us/meetings.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

TO: Valley Clean Energy Alliance Board of Directors

FROM: Alisa Lembke, VCEA Board Clerk/Administrative Analyst

SUBJECT: Approval of Minutes from January 23, 2019 Board Meeting

DATE: March 14, 2019

RECOMMENDATION

Receive, review and approve the attached draft Minutes from the January 23, 2019 Board meeting.

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE BOARD OF DIRECTORS SPECIAL MEETING WEDNESDAY, JANUARY 23, 2019

The Board of Directors of the Valley Clean Energy Alliance duly noticed their meeting scheduled for Wednesday, January 23, 2019 at 5:30 p.m. at the Yolo County Board of Supervisors Chambers located at 625 Court Street, Room 206, Woodland, California 95695. Chairperson Tom Stallard established that there was a quorum present and began the meeting at 5:35 p.m.

Board Members Present:	Tom Stallard, Gary Sandy, Lucas Frerichs, Angel Barajas, Don Saylor, Dan Carson
Members Absent:	

Approval of Agenda	Director Frerichs made a motion to approve the January 23, 2019 Board meeting Agenda, seconded by Director Barajas. Motion passed unanimously.
Public Comment	Chairperson Stallard opened the floor for public comment. Yvonne Hunter, representing Cool Davis and working with the City of Davis, invited all to the Home Heating and Cooling Workshop this Sunday, January 27th from 1 p.m. – 4 p.m. at the Davis Senior Center. She provided an invitation to everyone present. There being no other public comments, the floor was closed.
CLOSED SESSION: Conference with Legal Counsel – Anticipated Litigation	The Board adjourned their meeting to go into closed session at 5:39 p.m. The Board returned to their regular Agenda at 6:13 p.m. Chairperson Stallard reported that the Board voted to participate in the Pacific Gas & Electric bankruptcy litigation and to explore all options. Chairperson Stallard then moved on to the Consent Agenda.
Approval of Consent Agenda	Director Saylor made a motion to approve the Consent Agenda, seconded by Director Sandy. Motion passed unanimously.
Approval of Minutes from December 13, 2018 Board Meeting	Director Saylor made a motion to approve the December 13, 2018 meeting minutes, seconded by Director Sandy. Motion passed unanimously.
Receive 2019 Long Range Calendar	Director Saylor made a motion to receive the 2019 Long Range calendar, seconded by Director Sandy. Motion passed unanimously.

Receive Financial Update – November 30, 20/18 (unaudited) financial statements	Director Saylor made a motion to receive the financial update – November 30, 2018 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 2018, seconded by Director Sandy. Motion passed unanimously.
Receive Regulatory Update	Director Saylor made a motion to receive the regulatory monitoring report dated January 16, 2019 prepared by Keyes & Fox, seconded by Director Sandy. Motion passed unanimously.
Receive Customer Enrollment Update and Monthly Call Center Report	Director Saylor made a motion to receive the Customer Enrollment update as of January 14, 2019 and Monthly Call Center Report as of January 9, 2019, seconded by Director Sandy. Motion passed unanimously.
Contract Extensions of Energy Services Consultants: LEAN Energy and Donald Dame	Director Saylor made a motion to approve contract extensions of Energy Service Consultants LEAN Energy and Donald Dame to expire on June 30, 2019, seconded by Director Sandy. Motion passed unanimously.
Contract Amendment to Contract with Keyes & Fox, Regulatory Counsel / Resolution 2019-001	Director Saylor made a motion to approve a resolution titled “A Resolution of the Valley Clean Energy Alliance approving Amendment One (1) to the Keyes & Fox LLP contract and authorizing the VCEA Interim General Manager to execute the Agreement under the terms set forth herein”, seconded by Director Sandy. Motion passed unanimously by the following vote: AYES: Stallard, Sandy, Saylor, Barajas, Frerichs, Carson NOES: None ABSENT: None ABSTAIN: None
Retain Pacific Policy Group for	Director Saylor made a motion to approve the proposal to retain Pacific Policy Group for lobbying services for Valley Clean Energy for a $5,000

Lobbying Services	per month retainer for a one-year term for an amount not to exceed $60,000, seconded by Director Sandy. Motion passed unanimously.
Updates to Valley Clean Energy Employee Handbook Update	Director Saylor made a motion to approve updates to the Valley Clean Energy Employee Handbook, seconded by Director Sandy. Motion passed unanimously.
Procurement Authority / Resolution 2019-002	Interim General Manager Mitch Sears provided background of this item. He reminded the Board that they adopted a Procurement Guide in January 2018 – this will be a yearly item. VCE Staff Gary Lawson provided a brief background, purpose and requested action regarding the Procurement Guide update. Mr. Lawson reviewed with those present the recommendations to the Board to approve 1) the revised Procurement Guide; 2) specific directives and delegations to SMUD for procuring all of VCE's power portfolio for calendar 2020, and portions of the power portfolio for 2021 and 2022; 3) calendar 2019 Power Budget of $41,.49 million with an additional 5% contingency; and 4) continuing the portfolio mix of 42% renewable and 33% clean large hydro into 2019. Director Carson made a motion to approve the recommendations as stated in the Resolution, seconded by Director Frerichs. Chairperson Stallard opened the floor for discussion and questions. Several questions were asked and discussed, such as delegation authority, renewable content and Senate Bill 100, and short- and long-term renewables. To recap, Director Carson made a motion to approve a resolution titled "A Resolution of the Valley Clean Energy Alliance adopting a revised Procurement Guide and delegating procurement authority to VCEA Staff and SMUD for energy procurement for calendar years 2020, 2021 and 2022", seconded by Director Frerichs. Motion passed unanimously by the following vote: AYES: Stallard, Sandy, Saylor, Barajas, Frerichs, Carson NOES: None ABSENT: None ABSTAIN: None
Customer Outreach and	Mr. Sears introduced this item. VCE Staff Jim Parks, Director of Customer Care and Marketing, provided a brief history and update on VCE

Marketing Update (Informational)	customer outreach and marketing efforts. A question and discussion period occurred.
Introduction of Pacific Policy Group	Chairperson Stallard announced that before going on to Item 16 – Update on California Public Utilities Commission's Decision…, he introduced two principals from Pacific Policy Group (lobbying services) of which the Board approved entering into a contract with them, were present. Mr. Mark Fenstermaker and Mr. Jacob Moss introduced themselves to the Board and those present.
Update regarding CPUC Decision on ERRA, including PCIA (Informational)	Mr. Sears provided an update on the California Public Utilities Commission (CPUC), Energy Resource Recovery Account (ERRA) and Power Charge Indifference Adjustment (PCIA). He reviewed the background on these issues and reminded those present that Commission Guzman-Aceves came out with an Alternate Proposed Decision on ERRA which includes brown power, so the CPUC has two proposals to address. Chairperson Stallard opened the floor for comments and questions. Chairperson Stallard commented that he is concerned about the rates. Mr. Sears responded that outreach to our customers will be very important and is of high importance. No further comments or questions from the Board or the public.
Update on Potential PG&E Bankruptcy (Informational)	Mr. Sears provided an update on the potential PG&E bankruptcy filing, gave a brief background, and reviewed VCE and Community Choice Aggregates (CCAs) related topics. Chairperson Stallard asked if the Board had any questions. No questions only a few comments were made regarding a campaign to have customers "opt up" and trying to bring in NEM customers sooner than later as they have demonstrated interest in VCE's efforts.
Board Member and Staff Announcements	Mr. Sears informed those present that CalCCA have added two directors to their legislative/regulatory staff: Sean MacNeil and Nick Pappas. Mr. Sears announced that VCE will be hosting a booth at the Capay Valley Almond Festival, scheduled for Sunday, February 24th and are looking for volunteers. Mr. Sears shared with those present that Governor Newsom appointed Genevieve Shiroma to the California Public Utilities Commission. Ms. Shiroma served on the SMUD Board of Directors and has a good background with CCA's.

Mr. Sears reminded those present that the central valley is lacking CCA's. He has been invited to speak with the City of Fresno Council Members about CCA's at their February 14th meeting.

Chairperson Stallard shared with those present that he attended, along with VCE Staff, a mobile vehicle charger demonstration at VCE's offices. The charger is 8 Kilowatts and can charge two (2) vehicles at a time.

Chairperson Stallard informed those present that there is a new CPUC representative for our area, Navid Patar.

Chairperson Stallard asked if there were any public comments.

Kate Kelly of Defenders of Wildlife encourages the Board to support staff in looking at the central valley to expand CCA's. Key areas are in the San Joaquin area and CCAs help protect agricultural, wildlife and forward renewable issues and efforts. Director Frerichs stated that the VCE Board would benefit a discussion on "siting" principles.

Christine Shewmaker, resident of City of Woodland and Community Advisory Committee Member, encourages customers to opt up and asked that each Agency within their respective areas encourage residents and their own jurisdictional agencies to do the same.

Announcement and Adjournment	The next meeting is scheduled for Thursday, February 14, 2019 at 5:30 p.m. at the City of Davis Community Chambers located at 23 Russell Blvd., Davis.
	Chairperson Stallard adjourned the meeting at 7:13 p.m.

Alisa M. Lembke
VCE Board Secretary

VALLEY CLEAN ENERGY ALLIANCE
Board of Directors Meeting

Staff Report – Item 6

TO: VCEA Board

FROM: Mitch Sears, Interim General Manager

SUBJECT: Long Range Calendar 2019

DATE: March 14, 2019

Recommendation

Please find attached the Board and Community Advisory Committee long-range calendar for 2019.

VALLEY CLEAN ENERGY

2019 Meeting Dates and Topics – Board and Community Advisory Committee

MEETING DATE		TOPICS	ACTION
~~January 10, 2019~~ January 23, 2019	**Board** WOODLAND	Special Meeting scheduled for ***Wednesday*, January 23rd**, at 5:30 p.m. at **Yolo County Board of Supervisors Chambers**, Woodland • Procurement Authority / Procure Energy for 2020 • Schedule of New Rate Structure / Rebate Program	• Action • Informational
January 24, 2019	**Advisory Committee** WOODLAND	Thursday, January 24th at City of Woodland Council Chambers, Woodland • Preliminary Discussion on New Rate Structure / Rebate Program (Dividend)	• Discussion / Formation of Task Group / timeline
February 14, 2019	**Board** DAVIS	• ERRA/PCIA/PG&E	• Discussion
February 28, 2019	**Advisory Committee** DAVIS	• New Rate Structure / Dividend Program – Draft Recommendation • Net Energy Metering (NEM) Enrollment – Reassessment • Updated Outreach Plan / Videoconference with Green Ideals (marketing and outreach) • Task Groups – Present Tasks/Projects • Update on Regulatory Assistance Project	• Action: Draft Recommendation • Informational • Action: Approve plan / Introduction to Green Ideals • Informational • Informational
March 14, 2019	**Board** WOODLAND	• Preliminary FY19/20 Operating Budget (Regular) • New Rate Structure / Dividend Program – Review Preliminary Recommendation and Staff Report	• Review • Review and provide feedback
March 28, 2019	**Advisory Committee** WOODLAND	• New Rate Structure / Dividend Program – Finalize Recommendation • Net Energy Metering (NEM) Enrollment – Reassessment • Time of Use Rate Classes • Long Term Load Forecast – Biannual 2019 Integrated Energy Planning Report	• Action: Finalize Recommendation to Board • Discussion • Discussion • Information

		• Long Term Renewable Solicitation Short List • Ideas of Possible Local Programs Presentation (David Springer)	• Information • Information/Discussion
April 11, 2019	**Board** DAVIS	• New Rate Structure / Dividend Program • Long Term Load Forecast – Biannual 2019 Integrated Energy Planning Report • Long Term Renewable Solicitation Short List	• Approve • Information • Information
April 25, 2019	**Advisory Committee** DAVIS	• Net Energy Metering (NEM) Enrollment – Reassessment – Draft Report • Time of Use Rate Classes	• Action: Finalize • Discussion
May 9, 2019	**Board** WOODLAND	• Final Approval of FY19/20 Operating Budget (Consent)	• Approve
May 23, 2019	**Advisory Committee** WOODLAND	• Net Energy Metering (NEM) Enrollment – Reassessment Finalize Report to Board • Time of Use Rate Classes	• Action: Recommendation to Board
June 13, 2019	**Board** DAVIS	• Net Energy Metering (NEM) Enrollment Reassessment Report	• Action
June 27, 2019	**Advisory Committee** DAVIS	• Time of Use Rate Classes • Local Resource Development	• Discussion • Discussion
July 11, 2019	**Board** WOODLAND	•	•
July 25, 2019	**Advisory Committee** WOODLAND	• Time of Use for Residential Customers (Draft Report) • Local Resource Development	• Discussion • Discussion
August 8, 2019	**Board** DAVIS	•	•
August 22, 2019	**Advisory Committee** DAVIS	• Time of Use Rate Classes – Finalization • Local Resource Development • Revised Procurement Guide – Review	• Action: Recommendation to Board • Discussion • Discussion
September 12, 2019	**Board** WOODLAND	• Time of Use Rate Classes Report	• Action
September 26, 2019	**Advisory Committee** WOODLAND	• Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Review Draft Recommendation	• Discussion • Discussion

October 10, 2019	**Board** DAVIS	• Approval of FY18/19 Audited Financial Statements (James Marta & Co.) • Update on Integrated Resource Plan	• Action • Information
October 24, 2019	**Advisory Committee** DAVIS	• Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide- Review Draft Recommendation • Update on Integrated Resource Plan	• Discussion • Discussion • Information
November 14, 2019	**Board** WOODLAND	•	•
~~November 28, 2019~~ **Thanksgiving Holiday – need to reschedule**	**Advisory Committee** WOODLAND	• Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Finalize Recommendation to Board	• Discussion • Action: Recommendation to Board
December 12, 2019	**Board** DAVIS	• Election of Officers for 2020	• Nominations
December 26, 2019 **Need to reschedule**	**Advisory Committee** DAVIS	• Election of Officers for 2020 • Finalization of Committee Calendar Year End Report	• Nominations • Approve Report
January 9, 2020	**Board** WOODLAND	• Receive CAC Calendar Year End Report • Approve Revised Procurement Guide	• Receive Report • Action
January 23, 2020	**Advisory Committee** WOODLAND	•	•

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – December 31, 2018 and January 31, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2019

DATE: March 14, 2019

RECOMMENDATION:
Accept the following Financial Statements (unaudited):

1. For the period of December 1, 2018 to December 31, 2018 (with comparative year to date information).
2. For the period of January 1, 2019 to January 31, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2019.

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, 2019.

<u>Financial Statements for the period December 1, 2018 – December 31, 2018</u>
In the Statement of Net Position, VCEA as of December 31, 2018 has a total of $4,971,766 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $320,593 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of December 31, 2018 $698,867 and $1,449,345 respectively for a grand total of $2,148,212. VCEA began paying SMUD for the monthly operating

expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of $1,522,433 over a 24-month period. The outstanding line of credit balance with River City Bank at December 31, 2018 totaled $1,976,610. At December 31, 2018, VCE's net position is $2,757,096.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $3,125,082 of revenue (net of allowance for doubtful accounts) of which $2,880,737 was billed in December and $234,045 represent estimated unbilled revenue (net November and December). The cost of the electricity for the December revenue totaled $2,591,076. For December, VCEA's gross margin is approximately 17.09% and operating income totaled $227,755.

In the Statement of Cash Flows, VCEA cash flows from operations was $726,103 mainly due to a $500,000 refund from CAISO for deposit made on CRR registration in June 2018. The November purchased electricity (paid in December) was paid with cash from operations.

<u>Financial Statements for the period January 1, 2019 – January 31, 2019</u>

In the Statement of Net Position, VCEA as of January 31, 2019 has a total of $5,308,637 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $371,911 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of January 31, 2019 $723,417 and $1,397,875 respectively for a grand total of $2,121,292. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of $1,522,433 over a 24-month period. The outstanding line of credit balance with River City Bank at January 31, 2019 totaled $1,976,610. At January 31, 2019, VCE's net position is $2,499,341.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $2,472,791 of revenue (net of allowance for doubtful accounts) of which $3,069,348 was billed in January and ($595,282) represent estimated unbilled revenue (net December and January). The reduction in unbilled revenue is mainly due to reduction of wholesale load of 10,000 MWh in January compared to December. The cost of the electricity for the January revenue totaled $2,417,372, due to increase cost in RA and timing of CAISO fees. For January, VCEA's gross margin is approximately 2.3% and operating loss totaled ($254,373), mainly due to the estimate of unbilled revenues are based on average usage for the month and not actual usage therefore impacting the calculation of revenues when the wholesale load drops substantially from month-to-month.

In the Statement of Cash Flows, VCEA cash flows from operations was $400,884 due to the cash receipts of revenues exceeded the January payment for purchased electricity. The December purchased electricity (paid in January) was paid with cash from operations.

Actual vs. Budget Variances for the year to date ending January 31, 2019

Below are the financial statement line items with variances >$25,000 and 5%:

Electric revenues - ($2,388,019) and (7%) - actual electric revenues are down from budget due to the mild summer weather which led to lower retail customer usage than forecasted load and the deferral of NEM customers until 2020.

Purchased Power – ($1,785,772) and (7%) – due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits – ($229,596) and (29%) – the decrease is due to the budgeted Assistant general manager (AGM) position has not been filled. Beginning September 2018, SMUD's Task Order 4 was amended to have SMUD provide proxy AGM services which is included in Contract Labor.

CalCCA dues – ($43,599) and (43%) - the decrease is due to CalCCA billing on a quarterly basis, but our budget has it as a one-time annual expense in January 2019.

SMUD – Credit Support – ($40,497) and (10%) –due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

Legislative/Regulatory – ($66,375) and (47%) – the decrease is due to no legislative expenditures incurred year-to-date.

Accounting Services – ($42,447) and (85%) – due to Yolo County's accounting department providing accounting services along with the VCE Director of Finance oversight which is ~$6,000/month less than an outside accounting firm's fees that were budgeted.

Audit fees – ($42,000) and (70%) – the decrease is due to the audit fees for the 2017/18 fiscal year were $18,000 due to only one month of operations compared to the budget of $60,000.

Marketing Collateral – ($67,658) and (63%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – ($84,513) and (37%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – ($283,533) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – ($229,420) and (76%) – due to lower outstanding Line of credit balance than originally budgeted.

Attachments:

1) Financial Statements (Unaudited) December 1, 2018 to December 31, 2018 (with comparative year to date information.)
2) Financial Statements (Unaudited) January 1, 2019 to January 31, 2019 (with comparative year to date information.)
3) Actual vs. Budget for year to date ending January 31, 2019

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF December 1, 2018 TO December 31, 2018

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON January 31, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF December 31, 2018
(UNAUDITED)

ASSETS		
Current assets:		
Cash and cash equivalents	$	4,971,766
Accounts receivable, net of allowance		3,195,302
Accrued revenue		1,873,021
Prepaid expenses		3,313
Inventory - Renewable Energy Credits		212,718
Other current assets and deposits		2,540
Total current assets		10,258,660
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		320,593
Total restricted assets		1,420,593
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	$	11,779,253
LIABILITIES		
Current liabilities:		
Accounts payable	$	469,280
Accrued payroll		3,657
Interest payable		105,699
Due to member agencies		698,867
Accrued cost of electricity		2,766,689
Other accrued liabilities		1,449,345
User taxes and energy surcharges		52,010
Total current liabilities		5,545,547
Noncurrent liabilities		
Line of credit		1,976,610
Loans from member agencies		1,500,000
Total noncurrent liabilities		3,476,610
TOTAL LIABILITIES	$	9,022,157
NET POSITION		
Net position:		
Restricted		
Local Programs Reserve	$	39,747
Unrestricted		2,717,349
TOTAL NET POSITION	$	2,757,096

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING DECEMBER 31, 2018	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 3,125,082	$ 28,690,026
TOTAL OPERATING REVENUES	3,125,082	28,690,026
OPERATING EXPENSES		
Cost of electricity	2,591,076	22,535,161
Contract services	188,429	1,180,716
Staff compensation	85,688	494,284
General, administration, and other	32,134	193,762
TOTAL OPERATING EXPENSES	2,897,327	24,403,923
TOTAL OPERATING INCOME (LOSS)	227,755	4,286,103
NONOPERATING REVENUES (EXPENSES)		
Interest income	5,579	9,373
Interest and related expenses	(27,154)	(114,527)
TOTAL NONOPERATING REVENUES (EXPENSES)	(21,575)	(105,154)
CHANGE IN NET POSITION	206,180	4,180,949
Net position at beginning of period	2,550,916	(1,423,853)
Net position at end of period	$ 2,757,096	$ 2,757,096

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING DECEMBER 31, 2018	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 3,654,206	$ 26,493,872
Payments for security deposits with energy suppliers	500,000	500,000
Payments to purchase electricity	(3,099,737)	(22,218,541)
Payments for contract services, general, and adminstration	(242,341)	(376,923)
Payments for staff compensation	(86,025)	(385,036)
Net cash provided (used) by operating activities	726,103	4,013,372
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	-	(4,000,000)
Interest and related expenses	(9,435)	(70,384)
Net cash provided (used) by non-capital financing activities	(9,435)	306,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	5,579	9,373
Net cash provided (used) by investing activities	5,579	9,373
NET CHANGE IN CASH AND CASH EQUIVALENTS	722,247	4,328,971
Cash and cash equivalents at beginning of period	5,670,112	2,063,388
Cash and cash equivalents at end of period	$ 6,392,359	$ 6,392,359
Cash and cash equivalents included in:		
Cash and cash equivalents	$ 4,971,766	$ 4,971,766
Restricted assets	1,420,593	1,420,593
Cash and cash equivalents at end of period	$ 6,392,359	$ 6,392,359

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2018
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING DECEMBER 31, 2018	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 227,755	$ 4,286,103
(Increase) decrease in net accounts receivable	749,567	(3,189,631)
(Increase) decrease in accrued revenue	(234,936)	951,469
(Increase) decrease in prepaid expenses	8,757	(3,313)
(Increase) decrease in inventory - renewable energy credits	265,880	223,869
(Increase) decrease in other assets and deposits	500,000	500,000
Increase (decrease) in accounts payable	(4,328)	331,805
Increase (decrease) in accrued payroll	(337)	2,033
Increase (decrease) in due to member agencies	36,808	164,228
Increase (decrease) in accrued cost of electricity	(774,541)	92,750
Increase (decrease) in other accrued liabilities	(63,015)	612,051
Increase (decrease) in user taxes and energy surcharges	14,493	42,008
Net cash provided (used) by operating activities	$ 726,103	$ 4,013,372

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON FEBRUARY 27, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF January 31, 2019
(UNAUDITED)

ASSETS		
Current assets:		
Cash and cash equivalents	$	5,308,637
Accounts receivable, net of allowance		3,288,455
Accrued revenue		1,274,677
Prepaid expenses		19,586
Other current assets and deposits		2,540
Total current assets		9,893,895
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		371,911
Total restricted assets		1,471,911
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	$	11,465,806
LIABILITIES		
Current liabilities:		
Accounts payable	$	496,454
Accrued payroll		4,126
Interest payable		96,386
Due to member agencies		723,417
Accrued cost of electricity		2,708,795
Other accrued liabilities		1,397,875
User taxes and energy surcharges		62,802
Total current liabilities		5,489,855
Noncurrent liabilities		
Line of credit		1,976,610
Loans from member agencies		1,500,000
Total noncurrent liabilities		3,476,610
TOTAL LIABILITIES	$	8,966,465
NET POSITION		
Net position:		
Restricted		
Local Programs Reserve	$	37,169
Unrestricted		2,462,172
TOTAL NET POSITION	$	2,499,341

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 2,472,791	$ 31,162,817
TOTAL OPERATING REVENUES	2,472,791	31,162,817
OPERATING EXPENSES		
Cost of electricity	2,417,372	24,952,533
Contract services	197,066	1,377,782
Staff compensation	81,430	575,714
General, administration, and other	31,296	225,058
TOTAL OPERATING EXPENSES	2,727,164	27,131,087
TOTAL OPERATING INCOME (LOSS)	(254,373)	4,031,730
NONOPERATING REVENUES (EXPENSES)		
Interest income	6,123	15,496
Interest and related expenses	(9,505)	(124,032)
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,382)	(108,536)
CHANGE IN NET POSITION	(257,755)	3,923,194
Net position at beginning of period	2,757,096	(1,423,853)
Net position at end of period	$ 2,499,341	$ 2,499,341

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2019	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 2,988,774	$ 29,482,646
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(2,262,548)	(24,481,089)
Payments for contract services, general, and adminstration	(244,381)	(621,304)
Payments for staff compensation	(80,961)	(465,997)
Net cash provided (used) by operating activities	400,884	4,414,256
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	-	(4,000,000)
Interest and related expenses	(18,818)	(89,202)
Net cash provided (used) by non-capital financing activities	(18,818)	287,408
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	6,123	15,496
Net cash provided (used) by investing activities	6,123	15,496
NET CHANGE IN CASH AND CASH EQUIVALENTS	388,189	4,717,160
Cash and cash equivalents at beginning of period	6,392,359	2,063,388
Cash and cash equivalents at end of period	$ 6,780,548	$ 6,780,548
Cash and cash equivalents included in:		
Cash and cash equivalents	$ 5,308,637	$ 5,308,637
Restricted assets	1,471,911	1,471,911
Cash and cash equivalents at end of period	$ 6,780,548	$ 6,780,548

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2019	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (254,373)	$ 4,031,730
(Increase) decrease in net accounts receivable	(93,153)	$ (3,282,784)
(Increase) decrease in accrued revenue	598,344	$ 1,549,813
(Increase) decrease in prepaid expenses	(16,273)	$ (19,586)
(Increase) decrease in inventory - renewable energy credits	212,718	$ 436,587
(Increase) decrease in other assets and deposits	-	$ 500,000
Increase (decrease) in accounts payable	27,174	$ 358,979
Increase (decrease) in accrued payroll	469	$ 2,502
Increase (decrease) in due to member agencies	24,550	$ 188,778
Increase (decrease) in accrued cost of electricity	(57,894)	$ 34,856
Increase (decrease) in other accrued liabilities	(51,470)	$ 560,581
Increase (decrease) in user taxes and energy surcharges	10,792	$ 52,800
Net cash provided (used) by operating activities	$ 400,884	$ 4,414,256

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2019
FOR THE YEAR TO DATE ENDING JANUARY 31, 2019

Description	1/31/2019 YTD FY2019 Actuals	1/31/2019 YTD FY2019 Budget	YTD Variance	% over/-under
Electric Revenue	$ 31,162,817	$ 33,550,836	$ (2,388,019)	-7%
Interest Revenues	15,497	45,462	(29,965)	-66%
Purchased Power	24,952,533	26,738,305	(1,785,772)	-7%
Labor & Benefits	575,714	805,310	(229,596)	-29%
Salaries & Wages/Benefits	197,131	435,746	(238,615)	-55%
Contract Labor	371,295	362,500	8,795	2%
Human Resources & Payroll	7,288	7,065	223	3%
Office Supplies & Other Expenses	66,466	137,042	(70,576)	-51%
Technology Costs	5,323	9,520	(4,197)	-44%
Office Supplies	955	702	253	36%
Travel	1,787	17,800	(16,013)	-90%
CalCCA Dues	58,401	102,000	(43,599)	-43%
Memberships	-	7,020	(7,020)	-100%
Contractual Services	1,377,782	1,638,104	(260,322)	-16%
LEAN Energy	3,996	12,000	(8,005)	-67%
Don Dame	3,572	3,000	572	19%
SMUD - Credit Support	346,274	386,771	(40,497)	-10%
SMUD - Wholesale Energy Services	358,135	329,000	29,135	9%
SMUD - Call Center	432,390	451,647	(19,257)	-4%
CirclePoint	54,915	72,801	(17,886)	-25%
Legal	39,013	24,920	14,093	57%
Legislative/Regulatory	73,628	140,000	(66,372)	-47%
Accounting Services	7,553	50,000	(42,447)	-85%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	40,307	107,965	(67,658)	-63%
Rents & Leases	9,874	13,500	(3,627)	-27%
Hunt Boyer Mansion	9,874	8,400	1,474	18%
Future Office Space	-	5,100	(5,100)	-100%
Other A&G	142,217	237,879	(95,662)	-40%
PG&E Data Fees	141,956	226,469	(84,513)	-37%
Community Engagement Activities & Sponsorships	251	7,000	(6,749)	-96%
Green-e Certification	-	1,750	(1,750)	-100%
Banking Fees	10	2,660	(2,650)	-100%
Miscellaneous Operating Expenses	6,501	3,500	3,001	86%
Contingency	-	283,533	(283,533)	-100%
TOTAL OPERATING EXPENSES	$ 27,131,087	$ 29,857,173	$ (2,726,086)	-9%
Interest Expense - Munis	36,445	27,739	8,706	31%
Interest on RCB loan	72,833	302,253	(229,420)	-76%
Interest Expense - SMUD	14,755	11,400	3,355	29%
NET INCOME	$ 3,923,194	$ 3,397,733	$ 525,461	15%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: March 14, 2019

RECOMMENDATION: Receive regulatory monitoring report.

Regulatory Priorities

The Keyes and Fox Board report includes several priority issues including:

- **PG&E's ERRA forecast proceeding:** The decision grants the brown power true-up for 2018, which will result in additional PCIA revenue decreases from what had been estimated in the proposed decision. PG&E will file an advice letter by March 19 that will provide the specific amounts for 2019.
- **Resource Adequacy proceeding:** The decision adopts a three-year procurement requirement for Local RA. However, the CPUC did not adopt a central buyer model at this time, and instead directed parties to hold a series of workshops on this topic, with the intent of then addressing the issue by Q4 2019.
- **RPS proceeding:** The CPUC approved the RPS Procurement Plan filed by VCE in 2018, but required CCAs to file additional, more granular detail on certain components in their 2019 RPS Procurement Plans.

Attachment: Keyes & Fox March 7, 2019 Regulatory Memorandum

KEYES&FOX LLP

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Regulatory Update

Date: March 7, 2019

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).

This month's report includes regulatory updates on the following priority issues:

- PG&E's 2019 Energy Resource and Recovery Account Forecast
- Resource Adequacy (RA) Rulemaking
- Power Charge Indifference Adjustment (PCIA) Rulemaking
- PG&E's Phase I General Rate Case (GRC)
- Renewables Portfolio Standard (RPS) Rulemaking
- Integrated Resource Plans Rulemaking
- 2018 Rate Design Window (RDW)
- 2019 RDW
- Wildfire Cost Recovery Methodology Rulemaking
- Utility Wildfire Mitigation Plans Rulemaking
- Investigation into PG&E's Organization, Culture and Governance (Safety OII)
- Other Regulatory Developments

PG&E's 2019 Energy Resource and Recovery Account Forecast

On March 4, 2019, the CPUC issued Decision(D.)19-02-023.

- **Background**: Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. In its November Update, PG&E requested a 2019 total revenue requirement of $2.929 billion, comprised of $1.554 billion related to its ERRA, plus three non-bypassable charges: the ongoing Competition Transition Charge (CTC), $80.3 million; the PCIA, $1.164 billion; and the Cost Allocation Mechanism, $131.1 million. PG&E's forecasted 2019 revenue requirement for the PCIA in its November Update was 84.1% higher than its approved 2018 revenue requirement, whereas the CTC and CAM revenue requirements decreased by 3.3% and 7.5%, respectively.

- **Details**: The Decision grants the brown power true-up for target year 2018, resulting in a total 2019 PCIA revenue requirement that decreases further from the $1.043 billion in the Proposed Decision (PD), which itself was a decrease of $122 million. It also revised the methodology for calculating the brown power true-up, which will likely reduce the amount of the true up compared to original estimates. The exact further amount of the reduction will be determined in an Advice Letter to be filed by PG&E by March 19, 2019. It also rejected PG&E's proposals on (1) forecasting sales at the sales price rather than the market price benchmark and (2) allocating the PCIA based on billing determinants less than forecasted system sales.
- **Analysis**: This proceeding implements the October Track 2 Decision from the PCIA docket and will establish the amount of the PCIA for VCE's 2019 rates and the level of PG&E's generation rates for bundled customers. Any under or over-collections between January 1, 2019 and the date of the PG&E's Annual Electric True-Up implementing the ERRA (currently anticipated May 1, 2019) will be recovered in 2020 rates.
- **Next Steps**: PG&E will file an advice letter within 15 days of issuance of the written decision (*i.e.,* by March 19, 2019) to implement the changes associated with D.19-02-023. The delay in a decision being issued in this proceeding means new 2019 PCIA rates will not be implemented until May 1, 2019.
- **Additional Information**: D.19-02-023 (March 4, 2019); Alternate Proposed Decision (January 22, 2019); Proposed Decision (December 7, 2018); PG&E November Update with proposed PCIA rates on page 60 (November 9, 2018); Joint NorCal CCA Motion (October 24, 2018); Scoping Memo and Ruling (August 16, 2018); CCA Parties' Protest (July 5, 2018); PG&E's Application (June 1, 2018); PG&E's Testimony (June 1, 2018); Docket No. A.18-06-001.

Resource Adequacy (RA) Rulemaking

On March 4, 2019, the CPUC issued D.19-02-022 on Track 2 RA issues. The judge issued a Ruling extending the deadline for Track 3 proposals, which were submitted by parties on March 4, 2019.

Background: This proceeding has three tracks, and is currently focused on Track 3. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. In Track 2, the CPUC adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism. The proceeding is now in Track 3.

The Track 3 Scoping Memo established that the following issues are in-scope: adoption of the 2020 Local Capacity Requirements (LCR); adoption of the 2020 Flexible Capacity Requirements (FCR); adoption of the 2020 System RA Requirements; further refinements to the RA Program, including (a) revisions to the load forecast methodology, (b) consideration of how storage and combined resources should be counted for RA credit, and (c) refinements to the third-party demand response qualifying capacity methodology; consideration of other modifications and refinements to the RA program as identified in proposals by Energy Division or by parties.

- **Details**: The Decision delays implementation of the central procurement entity (CPE). It declines to establish a specific entity as the CPE and does not specify if the CPE will procure all of an LSE's Local RA ("full" procurement) or only any remaining portion not procured by the LSE ("residual" procurement). It initiates a series of stakeholder workshops to further resolve these issues, but indicates that the CPUC will implement a decision in Q4 2019 if no consensus can be reached.

  The Decision approves a multi-year procurement requirement beginning in 2020 for Local RA in the amount of 100% of the LSE's requirements for Years 1 and 2 and 50% for Year 3. An LSE's requirements for Years 2 and 3 will then be updated during the following year's year-ahead allocation process. The current penalty process for the year-ahead requirements will now apply for the multi-year process. Furthermore, the revised PD adopts the disaggregation of the local area "PG&E Other."

CPUC President Michael Picker implied that the CPUC will no longer issue waivers to LSE's failing to meet their RA requirements, saying at the Commission's meeting "We need hard time for RA crime."

- **Analysis**: The Decision affects VCE's Local RA compliance obligations beginning in 2020 by requiring procurement over a three-year period instead of an annual period. It is also likely to increase the complexity of Local RA procurement since it increases the number of Local RA areas by disaggregating the PG&E Other local area. The implementation of the CPE remains uncertain at this time, and future changes could impact VCE's ability to procure Local RA capacity on its own behalf.

  Track 3 of the proceeding addresses further refinements to the RA program, including the load forecasting methodology, which impacts VCE's RA requirements and associated procurement costs. CalCCA submitted a Track 3 proposal incorporating VCE's suggestions to push back the timeline for load forecasting, provide earlier notice to LSE's of California Energy Commission (CEC) plausibility adjustments and an opportunity for LSEs to contest these, penalize LSEs for under-forecasting and compensate impacted LSEs. The CalCCA proposal would also tailor RA purchases to actual month-to-month forecast load.

- **Next Steps**: Parties will begin meeting in April 2019 and participate in a minimum of three workshops over six months on the remaining issues to be resolved on the CPE. A final decision is anticipated for Q4 2019.

  With respect to Track 3, a workshop on Energy Division and party proposals is scheduled for March 12-13, 2019. Comments and reply comments on the workshop and on all proposals filed are due March 22, 2019 and March 29, 2019, respectively. The Track 3 Proposed Decision is anticipated for May 2019, and the Final Decision for June 2019.

  With respect to LCR and FCR issues specifically, CAISO's draft LCR and FCR studies are expected April 4, 2019, with comments on the drafts due April 18, 2019. The final studies are expected May 1, 2019, at which time parties will have the opportunity to file comments and reply comments by May 8, 2019 and May 14, 2019, respectively. A decision is anticipated by the end of June 2019 so that LSEs like VCE have sufficient time to obtain Flexible resources to meet their Flexible RA procurement requirements for 2020.

- **Additional Information**: D.19-02-022 (March 4, 2019); Ruling extending deadline for Track 3 proposals (February 22, 2019); Amended Scoping Memo and Ruling (January 29, 2019); Ruling suspending ELCC comment deadline (January 3, 2019); Ruling requesting comments on updated ELCC proposal (December 4, 2018); Track 2 Proposed Decision (November 2018); 2017 Resource Adequacy Report (August 3, 2018); D.18-06-030 setting local capacity requirements and resource adequacy program revisions and D.18-06-031 adopting flexible capacity requirements for 2019 (both on June 22, 2018); Scoping Memo and Ruling (January 1, 2018; modified in part on May 2, 2018); Docket No. R.17-09-020.

PCIA Rulemaking

On February 20, 2019, the judge issued an E-Mail Ruling granting an extension of time, pushing back the first Working Group One meeting to March 1, 2019.

- **Background**: The first phase of this proceeding had two tracks. Track 1 addressed the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 addressed alternatives to the current PCIA methodology.

  Applications for Rehearing of the CPUC's Track 2 Decision remain outstanding, and the CPUC has opened Phase 2 of this proceeding to address additional PCIA issues. The Phase 2 Scoping

Memo and Ruling will primarily rely on a working group process to further develop a number of PCIA-related proposals. It provides that three types of issues are within the Phase 2 scope: (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.

- **Details**: The E-Mail Ruling granted a request to move the first meeting of Working Group One, established to work on benchmark true-up and other benchmarking issues, to March 1, 2019.
- **Analysis**: Phase 2 of this proceeding could further affect the PCIA paid by VCE's customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.
- **Next Steps**: Working Group One progress reports are due March 20, 2019 and April 22, 2019. Working Group One will issue a report on the Brown Power, RPS and RA true up by May 31, 2019, and a second report on remaining high priority issues by July 1, 2019. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed. A Proposed Decision (PD) on the Brown Power, RPS and RA true up is anticipated in September 2019, with a separate PD issued later Fall 2019 on other Working Group One issues.
- **Additional Information**: E-Mail Ruling setting a March 1, 2019 meeting date (February 20, 2019); Phase 2 Scoping Memo and Ruling (February 1, 2019); PG&E AL 5440-E (December 10, 2018); Applications for Rehearing of D.18-10-019: PCE, SCP, and MCE, Shell Energy North America, CalCCA, California Large Energy Consumers Association, Protect Our Communities Foundation and Utility Consumers' Action Network (November 19, 2018); 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.

PG&E Phase I General Rate Case (GRC)

A prehearing conference was held February 11, 2019. PG&E also requested an extension in filing its Phase 2 GRC from August 1, 2019 to November 22, 2019.

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

  Overall, more than half of PG&E's proposed increase in this GRC is directly related to wildfire prevention, risk reduction, and additional safety enhancements. Specifically, PG&E proposes expanding its integrated wildfire mitigation strategy, the Community Wildfire Safety Program, which PG&E established following the October 2017 North Bay wildfires to mitigate wildfire threats, with plans to spend an incremental $5 billion between 2018-2022. PG&E is also requesting a two-way balancing account for insurance premiums and other financial-risk transfer instruments, under which it would be permitted to recover up to $2 billion in insurance costs.

  Significantly, PG&E is proposing to shift substantial hydroelectric generation costs into a non-bypassable charge, arguing that its hydro facilities provide benefits beyond electricity generation. PG&E proposes to shift costs associated with these alleged public benefits from its generation rates (applicable only to bundled customers) to a non-bypassable charge (e.g., the Electric Public Purpose Programs charge). Examples of current and future costs that would be recovered through the non-bypassable charge include, but are not limited to: (1) protection of the natural habitat of fish, wildlife, and plants; (2) outdoor public recreation; (3) protection of historic resources; (4) compliance with conservation easements on the watershed lands; (5) post-decommissioning activities that are a result of FERC orders. PG&E estimates that the unrecovered historic costs that it would shift to the non-bypassable electric charge are $83.1 million for fish and wildlife and recreation values, plus tens of millions in forecasted future costs, with new license compliance (~$59 million in 2021-2022) expected as the largest subcategory of future expenses.

- **Details**: N/A.
- **Analysis**: PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's.

  Next Steps: The judge is expected to issue a scoping ruling soon. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase II proceeding, which PG&E plans to file in November 2019 if its request for an extension is granted.
- **Additional Information**: Ruling scheduling a prehearing conference (January 22, 2019); Joint CCAs' Protest (January 17, 2019); Application and PG&E GRC Website (December 13, 2018); A.18-12-009.

Renewables Portfolio Standard (RPS) Rulemaking

On February 28, 2019, the CPUC issued a Decision (D.19-02-007) approving RPS Procurement Plans filed in 2018 by LSEs, including VCE. In addition, parties filed comments on February 28, 2019 in response to a February 11, 2019 Ruling on SB 100 implementation with respect to RPS procurement requirements.

- **Background**: Issues to be addressed in this proceeding are threefold: (1) implementing existing and new statutory requirements (*e.g.,* SB 100) that are mandated or may be mandated during the course of this proceeding; (2) continuing and completing specific tasks identified in R.15-02-020 (the now-closed previous RPS docket), but not completed prior to the issuance of this new Order Instituting Rulemaking (OIR); and (3) continuing, monitoring, reviewing, and improving elements of the RPS program that have previously been put in place, including identifying additional program elements that could be developed.
- **Details**: The February 28, 2019 Decision accepts and deems final VCE's Draft 2018 RPS Procurement Plan, as well as those filed by other LSEs, but expressed concern that CCA and electric service provider (ESP) plans were "scant on information." The Decision directs CCAs and ESPs to include more granular information regarding planning in their next annual procurement plan cycle in 2019. Specifically, the Decision provides that "in the [renewable net short (RNS)] Calculations LSEs submit to the [CPUC], CCAs should address whether they will hold a solicitation this year, how many MWs they intend to procure this year, how many MWs they intend to procure long term, the resources they intend to procure in particular portfolio content categories, their Net RPS Procurement Need (variable E in the RNS calculation table), the steps planned to reach it, what appropriate minimum margin of procurement and information on upcoming participation in solicitations or other forms of procurement that are needed." The Decision also clarifies that CCAs and other retail sellers must comply with RPS Program procurement requirements implemented in D.16-12-040.

  The Decision also approves requests by PG&E, SDG&E and SCE to not hold a 2018 RPS solicitation, permits the IOUs to execute contracts to sell RPS volumes of five-year delivery terms between now and the CPUC's decision on 2019 RPS plans (with future CPUC approval of each sale) and requires follow-up proposals from the IOUs on Time-of-Delivery factors. Finally, the Decision grants all motions for confidential treatment.

The February 11, 2019 Ruling requested comments on implementing changes to the RPS program procurement quantity requirements pursuant to SB 100, which increased the RPS target to 60% by 2030. The Ruling sought comments on the following questions: 1) whether the CPUC should continue with the "straight-line trend methodology" to monitor a retail seller's progress toward compliance during intervening years of each compliance period from 2021 through 2030; and 2) for each compliance period after 2030, whether retail sales should be measured as an average over the 3-year compliance period. A group of CCA parties filed joint comments, recommending the continuation of a straight-line trend methodology for establishing the increased procurement quantity requirements for future compliance periods through 2030.

- **Analysis**: This proceeding will affect VCE's RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E's RPS compliance obligations and above-market costs for the PCIA calculation. Potential issues to be addressed that could impact VCE include, but are not limited to, implementing SB 100 (*i.e.,* increasing the RPS to 60% by 2030 and 100% clean energy by 2045), and details such as the straight-line methodology, reviewing and revising RPS penalty rules and confidentiality rules, and potentially increasing the RPS procurement percentage for later compliance periods.
- **Next Steps**: A Ruling on 2019 RPS Procurement Plans is expected in Q2 2019. A Proposed Decision on ELCC, time of delivery factors, and project viability is expected sometime in 2019.
- **Additional Information**: D.19-02-007 (February 28, 2019); Ruling requesting comments on SB 100 implementation (February 11, 2019); Draft Resolution E-4977 (December 21, 2018); PG&E's AL-5454-E implementing BioMAT changes from D.18-11-004 (December 24, 2018); Scoping Ruling (November 9, 2018); D.18-11-004 on interconnection rules in the BioMAT program per AB 1923 (November 8, 2018); AL-5422 on PG&E RPS transactions (November 2, 2018); Ruling on revised RPS Procurement Plans (September 19, 2018); Order Instituting Rulemaking (July 23, 2018); R.18-07-003.

Integrated Resource Planning (IRP) Rulemaking

Parties filed comments or reply comments in response to two separate rulings: (1) Parties filed reply comments on February 11, 2019, in response to the January 11, 2019 Ruling that provided the recommended preferred system portfolio to support the Preferred System Plan (PSP) for the 2017-2018 IRP cycle, as well as recommendations for CAISO's 2019-2020 Transmission Planning Process (TPP); (2) Parties filed comments on March 5, 2019, in response to a February 11, 2019 Ruling on 2019-20 Reference System Plan scenarios and assumptions.

- **Background**: In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide RSP. VCE submitted its IRP on August 1, 2018. Its next IRP filing is due May 1, 2020.

  Details: The January 11, 2019 Ruling requested comments on the analysis supporting its preferred system portfolio recommendation, whether the recommended preferred system portfolio is reasonable, and any actions the CPUC should take as a result of the recommended portfolio. The preferred system portfolio is the result of aggregation of data from individual LSE IRP submissions in 2018 as well as modeling relating to reliability. CPUC Staff recommend the adoption of the hybrid conforming portfolio as the basis for the 2017-2018 RSP. Regarding the 2019-2020 TPP, CPUC Staff recommend that the hybrid conforming portfolio (aggregation of the LSE IRPs) be transmitted to CAISO as the reliability base case and the policy-driven base case.

  The February 11, 2019 Ruling requested comments on 2019-20 Reference System Plan scenarios and assumptions. The proposed scenarios were informed by a larger number of scenarios analyzed for the 2017-2018 IRP cycle. Also included was a separate proposal for a more in-depth analysis of the existing thermal generation fleet.

- **Analysis**: The proceeding is now focused on addressing issues that will be relevant to VCE's 2020 IRP filing, with the exception of a forthcoming proposed decision on the individual LSEs'

2018 IRPs. A group of CCAs has filed comments supporting the staff recommendation that the CPUC adopt the Hybrid Conforming Portfolio (HCP) as the basis for the PSP for the 2017-2018 IRP cycle—showing that more than 90% (10,000 MW) of new procurement would come from CCA programs—while recommending a number of flaws with HCP should be remedied in the 2019-2020 IRP process.

- **Next Steps**: Reply comments on the February 11, 2019 Ruling are due March 15, 2019. A proposed decision on the PSP and individual LSE's 2018 IRPs is anticipated in March 2019. The CPUC is also expected to issue a new Order Instituting Rulemaking on the 2019-2020 IRP cycle in early 2019.
- **Additional Information**: Ruling seeking comments on the Reference System Plan scenarios and analysis for 2019-2020 IRPs (February 11, 2019); Ruling and attachments on Proposed Preferred System Portfolio for 2017-2018 and Proposed IRP Portfolios for 2019-2020 CAISO Transmission Planning Process (January 11, 2019); Ruling seeking comments on reliability issues (November 16, 2018); Ruling finalizing production cost modeling approach and schedule (November 15, 2018); VCE's 2018 IRP (August 1, 2018); D.18-02-018 adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. R.16-02-007.

2018 Rate Design Window (RDW)

On February 15, 2019, parties filed Phase IIB briefs.

- **Background**: The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 Phase I Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 Phase IIA Decision addressed PG&E restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill.

  The proceeding is currently focused on Phase IIB, which addresses PG&E's rate design proposals and implementation, including a number of issues impacting CCA customers (*e.g.*, PG&E's CCA rate comparison tool and TOU rate design roll out to CCA customers).

  A future Phase III will consider the IOUs' proposals for fixed charges and/or minimum bills. PG&E proposed raising its minimum bill from \$10/month to \$15/month and implementing a fixed charge beginning at \$3.70/month in the first year and rising to \$7.40/month in the second year.
- **Details**: N/A.
- **Analysis**: This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures it residential rates.
- **Next Steps**: In Phase IIB, reply briefs are due March 8, 2019, and a Proposed Decision is expected in June 2019. In Phase III, supplemental IOU testimony on the impacts of federal tax changes is due March 29, 2019, with intervenor testimony due May 31, 2019 and rebuttal testimony due June 28, 2019. A Proposed Decision is expected in Q1 2020.
- **Additional Information**: D.18-12-004 on Phase IIA Issues (December 21, 2018); Ruling requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); PG&E Supplemental Testimony (August 17, 2018); Ruling clarifying scope (July 31, 2018); D.18-05-011 (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); Amended Scoping Memo (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. A.17-12-011 (consolidated).

2019 RDW

No party filed testimony by the March 1, 2019, deadline, prompting the judge to request a status conference with parties to determine next steps in the proceeding.

- **Background**: The filing stems from PG&E's recently completed 2017 Phase 2 general rate case (GRC), where a new set of default rates (AG-A, AG-B, and AG-C) and opt-in rates (AG-RA, AG-RB, and AG-RC) were adopted to replace the legacy set of agricultural rate schedules. The associated settlement required PG&E to file a 2019 RDW proposal seeking bill mitigation measures for "highly impacted" customers, defined as those that would see bill increases over 7% and $100 per year. PG&E states that its new rates would replace all of the rates adopted in the 2017 GRC and consequently requests a decision on the RDW Application by April 2019 in order to implement the rates by March 2020 on an opt-in basis, and avoid customer confusion (i.e., by adopting the 2017 GRC rates only to have them replaced soon thereafter).
- **Details**: N/A.
- **Analysis**: This proceeding could result in changes to rates for PG&E's agricultural customers as well as VCE's customers to the extent they mirror PG&E's rates.
- **Next Steps**: Rebuttal testimony is due March 15, 2019. An evidentiary hearing is scheduled for March 28, 2019. Deadlines for opening and reply briefs are still TBD, but a Proposed Decision and final Decision are anticipated in Q2 2019.
- **Additional Information**: Scoping Memo and Ruling (January 24, 2019); PG&E Application (November 26, 2018); A.18-11-013.

Wildfire Cost Recovery Methodology Rulemaking

Parties filed comments and reply comments on February 11, 2019, and February 25, 2019, respectively, in response to the CPUC's Order Instituting Rulemaking (OIR) on implementing a wildfire cost recovery methodology in accordance with SB 901 (also referred to as the "stress test OIR"). A prehearing conference was held February 20, 2019. On March 5, 2019, several parties filed a joint motion requesting public participation hearings.

- **Background**: SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility's rates and charges are "just and reasonable." In addition, and notwithstanding this basic rule, the CPUC must "consider the electrical corporation's financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service." Costs that would ordinarily be disallowed as not being "just and reasonable" may not exceed this maximum amount.

  This proceeding will implement the provisions of SB 901 by adopting criteria and a methodology for use by the CPUC in future applications for cost recovery of wildfire costs. The OIR will not adopt a specific financial outcome for purposes of cost recovery in a future wildfire cost recovery application by a utility. Furthermore, the scope of this proceeding does not include the consideration of cost recovery for any specific wildfire.
- **Details**: PG&E argued in its comments on the OIR that its threshold should be based on the amount of debt it can carry, as it is unable to raise equity at this time. PG&E argues that given its distressed state, the CPUC should set the threshold to allow it to achieve a BBB- rating (on S&P's scale) after it emerges from Chapter 11 bankruptcy, and an A- rating over time. Meanwhile, on March 6, 2019, SCE served notice to the CPUC and the service list that Moody's had downgraded Edison International's ratings due to potential wildfire liabilities and assessed the outlooks for Edison and SCE as negative. SCE made a similar filing on February 19, 2019 regarding similar downgrades of Edison International by S&P.

- **Analysis**: This proceeding will establish the methodology the CPUC will then use to determine, in a separate proceeding, the specific costs that PG&E may recover associated with 2017 or future wildfires.
- **Next Steps**: A scoping memo is anticipated in March 2019. Responses to the joint motion seeking hearings are due March 21, 2019.
- **Additional Information**: Order Instituting Rulemaking (January 18, 2019); R.19-01-006. *See also* SB 901, enacted September 21, 2018.

Utility Wildfire Mitigation Plans Rulemaking

On February 6, 2019, PG&E, SCE and SDG&E filed Wildfire Mitigation Plans. On February 21, 2019, the judge issued a Ruling requesting additional information on utilities' Wildfire Mitigation Plans, to which PG&E and other utilities responded on February 26, 2019. A Prehearing Conference was held on February 26, 2019. Technical workshops on the plans were held on February 26-27, 2019. At the prehearing conference, the judge denied motions requesting evidentiary hearings, triggering a March 13, 2019, comments deadline for intervenors. On March 5, 2019, the ALJ issued a second ruling seeking additional information on Wildfire Mitigation Plans.

- **Background**: This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018).
- **Details**: PG&E's Wildfire Mitigation Plan provides for an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The Plan also includes increasing vegetation management (removing 375,000 trees in 2019, up 235% from 2017; more frequent inspections of transmission and distribution system infrastructure; 150 circuit miles of system hardening (*e.g.*, undergrounding power lines); enhanced situational awareness through additional weather stations and cameras; and resilience zones. PG&E plans to use pre-installed interconnection hubs (PIH), to be able to quickly and safely connect temporary mobile generation to energize an isolated Resilience Zone to provide service to central community resources like grocery stores when PG&E de-energizes power lines in the area due to wildfire risk conditions. PG&E suggests that the PIHs could evolve into Resilience Zone Microgrids over time, as preferred resource combinations begin to meet technical requirements, and as PG&E's capability to operate these systems matures. Intervenors are actively conducting discovery and the utilities are publicly posting discovery responses on a weekly basis. PG&E is providing weekly updates (every Monday) to its data site containing discovery responses.
- **Analysis**: PG&E's Wildfire Mitigation Plan establishes its management approach to preventing wildfires in the future and includes provisions impacting the quality of service experienced by VCE customers (*e.g.,* PG&E's procedures for de-energizing electrical lines) and costs paid by VCE customers (*e.g.,* PG&E's expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers).
- **Next Steps**: Utility responses to the March 5, 2019 Ruling are due March 8, 2019. Intervenor comments on the Wildfire Mitigation Plans are due March 13, 2019, and utility reply comments are due March 22, 2019.
- **Additional Information**: Second Ruling seeking additional information on Wildfire Mitigation Plans (March 5, 2019); PG&E Response providing additional information on wildfire mitigation plan (February 26, 2019); Ruling seeking additional information on Wildfire Mitigation Plans (February 21, 2019); PG&E Wildfire Mitigation Plan (February 6, 2019); Ruling on independent evaluator (January 30, 2019); Scoping Memo and Ruling (December 7, 2018); Order Instituting Rulemaking (October 25, 2018); R.18-10-007.

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

Parties filed comments and reply comments on February 13, 2019, and February 28, 2019, respectively, on changes that should be made to P&GE's corporate governance and structure, as well as addressing larger questions, such as whether PG&E should be turned into one or more publicly owned utilities, transitioned to a "wires-only" company, or have its electric and natural gas divisions separated into different companies, among other possibilities.

- **Background**: On December 21, 2019, 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. The next phase of this proceeding will consider alternatives to current management and operational structures for providing electric and natural gas in Northern California. The judge noted that at this stage, the CPUC is engaged in a preliminary vetting of concepts, and that there will be further opportunities for parties to file comments in future.
- **Details**: In jointly filed comments, CCAs including VCEA, argued PG&E should improve its electric infrastructure safety outcomes by removing itself from the retail generation business and concentrating its attention and investments on its electric transmission and distribution businesses. CCAs also urged the CPUC to put financial stewardship, responsibility and control over programs such as demand response, energy efficiency and transportation electrification under local control.
- **Analysis**: Given the broad initial scope, this proceeding could have a range of possible impacts on CCAs and their customers. The scoping memo, while focused on PG&E, raised a series of questions regarding the future of the existing models of electricity generation, transmission and distribution in California and the entities participating in providing these services.
- **Next Steps**: Parties await a ruling from the judge providing guidance on the next procedural steps.
- **Additional Information**: Scoping Memo (December 21, 2019); I.15-08-019.

Other Regulatory Developments

- **PG&E Annual Electric True-Up**. On February 15, 2019, and February 26, 2019, respectively, PG&E filed Advice Letters 5376-E-A and 5376-E-B implementing the Annual Electric True-Up. PG&E proposed a bifurcated process where non-ERRA rates will go into effect on March 1, 2019, and ERRA rates will go into effect on May 1, 2019. If adopted, there will be a 2.2% increase in PG&E's system average bundled electric rate and a 1.3% increase in PG&E's system average rate for CCA customers.
- **CEC AB 1110 Regulations**. On March 6, 2019, the CEC held a workshop on AB 1110 Implementation focused on draft rule changes modifying the Power Source Disclosure (PSD) Program. Under AB 1110, the PSD Program will require electricity retail suppliers like VCE to disclose to customers the GHG emissions intensity and unbundled RECs procured in relation to their electric service products, beginning with disclosures on the 2020 Power Content Label for 2019 calendar year data. The draft regulations remove the proposed sunset date for the grandfathering provision of firmed-and-shaped imports. The CEC is seeking input on several issues, including what disclosure requirements the regulation should include for the treatment of Cost Allocation Mechanism (CAM) resources. Written comments are due March 20, 2019.
- **Building Decarbonization Rulemaking.** On February 8, 2019, the CPUC published a final Order Instituting Rulemaking (OIR) establishing a new proceeding to consider the adoption of a policy framework to support building decarbonization and related programs or efforts. Comments on the OIR are due March 11, 2019, and replies are due March 25, 2019. The OIR contemplates four general categories of issues, as follows: (1) implementation of 2018 SB 1477, which involves the establishment of the Building Initiative for Low Emissions Development (BUILD) and Technology

and Equipment for Clean Heating (TECH), which together have authorized funding of $50 million annually (2019-2023); (2) potential pilot programs for new construction in areas damaged by wildfires, focused on decarbonization beyond what is required by current building codes (e.g., all-electric homes); (3) coordination with building efficiency standards (Title 24) and appliance efficiency standards (Title 20), potentially involving the establishments of voluntary incentives or programs for new construction and low-emission demand response and self-generation technologies; (4) establishing a building decarbonization policy framework, encompassing a broad swath of potential issues relevant to creating a coherent and comprehensive approach to building decarbonization.

- **PG&E 2018 Energy Storage Procurement Application**. On February 26, 2019, the CPUC issued a Proposed Decision (PD) on utility applications for distributed energy storage investment programs pursuant to AB 2868. The PD largely rejects PG&E's in-front-of-the-meter RFO, in which PG&E had proposed a general framework focused on investment categories of community resiliency, reducing local capacity requirements, and supporting transportation electrification and distribution reliability, but did not specify individual projects. The PD rejects it as insufficiently detailed and directs that future proposals to provide project-specific detail. Furthermore, the PD finds that AB 2868 did not require cost recovery through the non-bypassable Cost Allocation Mechanism. Instead, at the time that the utilities propose the approval of contracts or projects pursuant to AB 2868, the utilities are directed to propose specific cost recovery mechanisms for each contract or project, consistent with the benefits received. The PD also approves PG&E's request for cost recovery for its behind-the-meter thermal storage program through the Public Purpose Program non-bypassable charge. Comments on the PD are due March 18, 2019, replies are due March 25, 2019, and the PD may be considered for adoption, at earliest, at the March 28, 2019 CPUC meeting.
- **2019 Integrated Energy Policy Report (IEPR)**. On February 14, 2019, the California Energy Commission issued its 2019 IEPR draft scope that largely involves continued work on focus areas from prior IEPRs and the standard contents of the IEPR. Among the components of the draft scope are: Transportation; Energy Equity; Energy Efficiency; Electricity Sector (*e.g.,* Evaluation of changes needed to support 2030 goals for GHG reductions, zero-emission vehicles, and a 60% RPS); Energy Demand Forecasts; Natural Gas; Southern California Electric Reliability; Climate Adaptation.
- **CAISO Changes to Resource Adequacy Rules.** On February 27, 2019, the CAISO issued a its RA Enhancements Straw Proposal - Part 2 proposal, which considers the rest of the items within the scope of the RA Enhancements initiative that were not in the Part 1 proposal, including (1) RA counting rules and assessments, (2) backstop capacity procurement, and (3) RA import capability provisions. Part 1, issued December 2018, included a discussion and proposed enhancements on (1) rules for import RA; (2) RA Availability Incentive Mechanism (RAAIM) enhancements, outage and substitution rules, and review of must offer obligations; (3) local capacity assessment with availability limited resources; and (4) meeting local RA capacity needs with slow demand response. Comments on the straw proposal are due March 20, 2019. A working group meeting is scheduled for April 8-9, 2019, with comments due April 22, 2019. In the next iteration of the proposal, anticipated for release on May 20, 2019, the CAISO will issue a revised straw proposal encompassing all issues in this initiative as part of a single proposal.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager, VCEA

SUBJECT: Customer Enrollment Update and Call Center Report (Information)

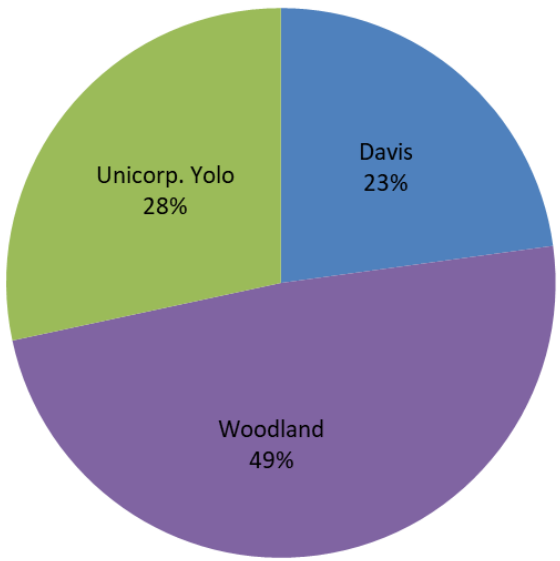
DATE: March 14, 2019

RECOMMENDATION

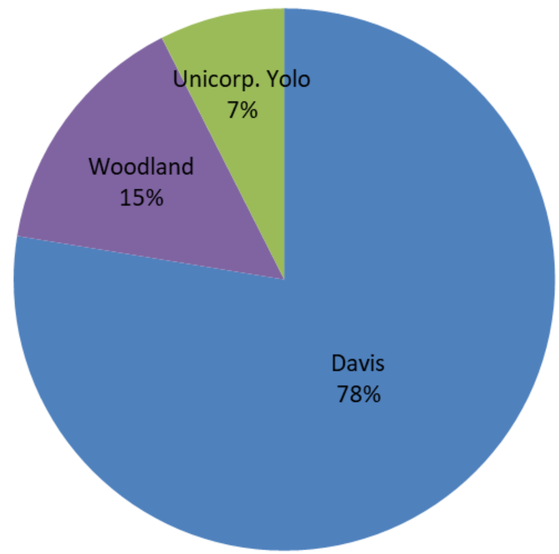
Receive and review the attached Customer Enrollment update as of March 6, 2019 and the monthly Call Center report as of February 24, 2019.

Enrollment Update

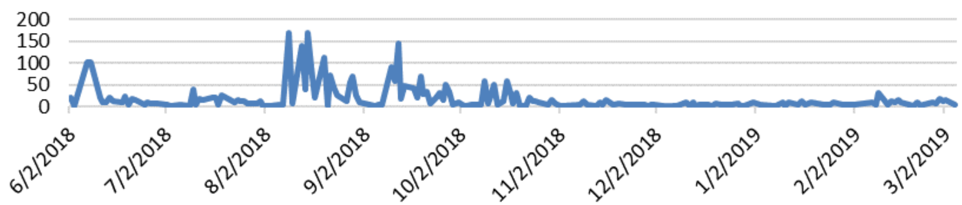
4,552 Opt Outs
7% of customers



107
Opt Ups



Daily Opt Outs

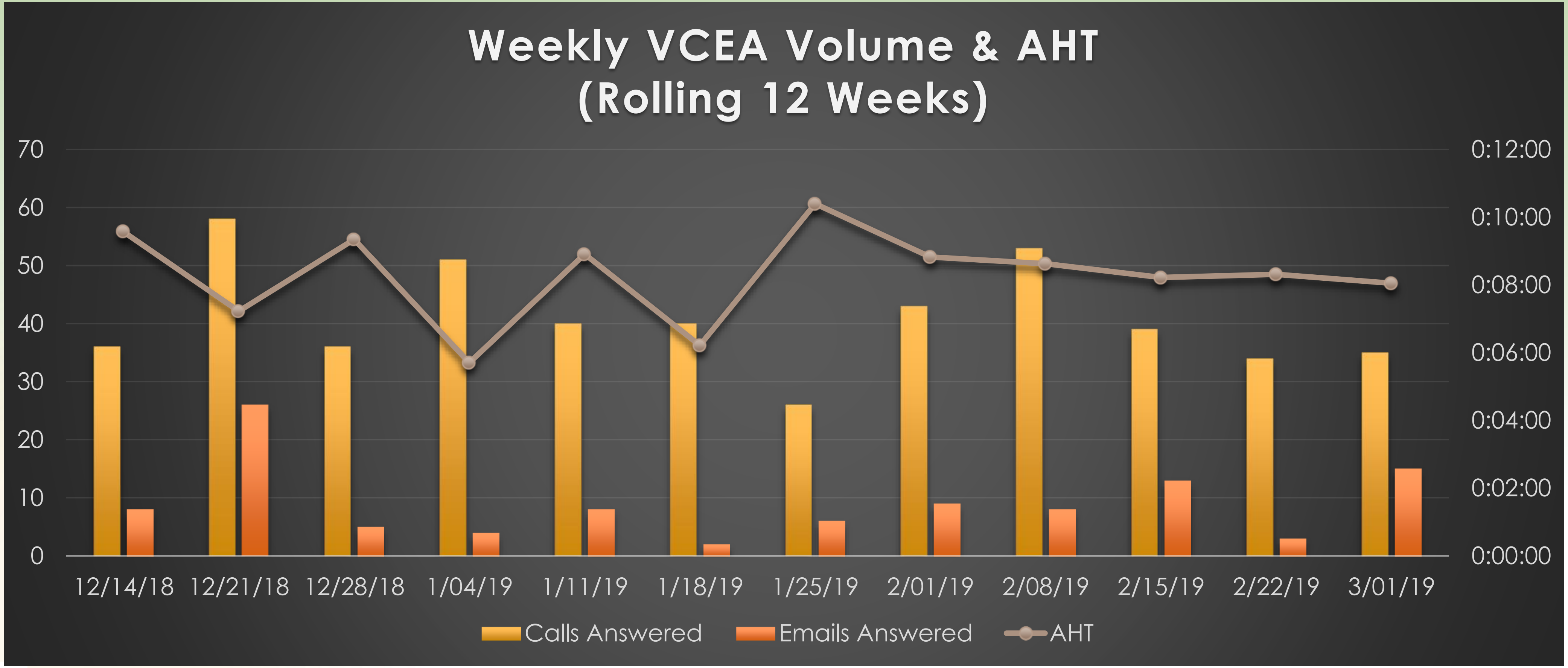


	Eligible	Opt-Out	% Opt Out
Residential	56,500	3,842	6.8%
Non-Residential	8,500	710	8.4%
Total	65,000	4,552	7.0%

Approximately 7,000 NEM customers are pending enrollment with VCE and are included in the total.

Status Date: 3/6/19

VCE Monthly **Call Center** Report



VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO:	Valley Clean Energy Alliance Board of Directors
FROM:	Mitch Sears, Interim General Manager
SUBJECT:	Transmittal of Community Advisory Committee Reports – January 24, 2019 and February 28, 2019 meetings
DATE:	March 14, 2019

This report transmits the Community Advisory Committee's Reports regarding its January 24, 2019 and February 28, 2019 meetings.

<u>Attachment</u>

1. January 24, 2019 CAC Meeting Summary Report
2. February 28, 2019 CAC Meeting Summary Report

Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of January 24th CAC Meeting

- Regulatory Assistance Project (RAP) offer of Support
  - C. Linvill discussed his background working as a utility commissioner in Nevada and now with the non-profit RAP (Regulatory Assistance Project: www.raponline.org). He is also on the planning committee of the Climate Conference to be held on March 16th in Davis and sponsored by the Interfaith Alliance for Climate Justice. He is interested in the work of VCE and would like to support VCE staff within the scope of work RAP is being funded to do by the Solar Foundation. Mr. Linvill will meet with Staff to determine where there is alignment between his funded work scope and on-going or new VCE staff efforts. Mr. Linvill also requested a VCE speaker for agenda of the climate conference. M. Sears will respond.

- Review of Task Group structure
  - Discussed the continued need for task groups that focus on:
    i. Legislative/Regulatory Issues, and
    ii. Outreach/Marketing
  - Discussed additional areas where task group(s) could provide value:
    i. Working with Staff on a possible dividend offering, researching options for bringing NEM customers to VCE sooner, looking into increasing opt-ups.
    ii. Looking at long range planning, decarbonization, and local projects.
  - Motion: to form the 3 task groups below for 2019. Motion passed: 8-0-0.
    i. Legislative/Regulatory: Y. Hunter, L. Kristov.
    ii. Outreach/Marketing: M. Aulman, M. Baird, C. Casey, Y. Hunter.
    iii. "Rate-related"(Name tbd): M. Baird, G. Braun, C. Shewmaker, D. Springer.
  - The three task groups will elect a chair for 2019 and prepare their scope of work for review at the next CAC meeting. A long-range planning task group may be added in the future.

- Other CAC Organizational Issues
  - Discussed coordinating meetings/discussions with the advisory committees of other CCAs. C. Shewmaker provided a spreadsheet of which CCAs have advisory committees. M. Sears will bring the idea up at the next CalCCA meeting to determine other CCA's receptivity.
  - Discussed and updated Long Range Calendar.

Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of February 28th CAC Meeting

- Updated Strategic Marketing and Communications Plan
  - Members of the CAC had the opportunity to review the Plan prior to the meeting. C. Shewmaker commented that the Plan does not adequately emphasize CAC's desire to "encourage and inform public discourse regarding the need and urgency to address climate concerns."
  - Motion: to have Green Ideals, Staff, and the Outreach Task Group include verbiage throughout the Plan about educating on the urgency to address climate change and recommend that the VCE Board of Directors approve the updated Strategic Marketing & Communications Plan with the additional language. Motion passed: 6-0-0.

- Customer Enrollment Update
  - Discussed prior request to include numbers on NEM customers not yet enrolled in VCE in the enrollment summary as they will become customers in the future.
  - Motion: to add NEM information to the updates that are provided. Motion passed: 6-0-0.

- UltraGreen Update
  - J. Parks provided an update on marketing plans for encouraging customers to opt up to UltraGreen. He also provided information on the financial impact for VCE and cost estimates for member jurisdictions to opt up.
  - Motion: to recommend to the Board to consider asking their individual Agencies (local governments) to consider opting up and request that staff provide relevant cost and benefits to them at the next board meeting. Motion passed: 6-0-0.

- Solar Home and Business (NEM) Enrollment Update
  - M. Baird provided an update that the Rates and Services Task Group is meeting with Staff to review the VCE financials and look at alternative scenarios for enrolling NEM customers as soon as possible.

- Possible Dividend Program
  - L. Limcaco presented information regarding the background and considerations for a potential future Dividend program in lieu of discounted pricing. The Rates and Services Task Group has been meeting with Staff and is providing input on the program. C. Shewmaker commented that determining the enrollment of NEM customers is a consideration when reviewing the dividend program. G. Braun added that Monterey Bay has options for customers to apply their dividend to local programs which VCE should also consider. D. Springer has agreed to do a presentation on local program options for VCE at the next CAC meeting.

- CAC Task Group Charges
  - M. Aulman highlighted charge for Outreach, L. Kristov provided Reg/Leg charge overview, and M. Baird reviewed the proposed Rates and Services charge. Charges are attached.
  - Motion: to approve the charges of the 3 task groups for 2019. Motion passed: 6-0-0.
    - i. Legislative/Regulatory: Y. Hunter, L. Kristov.
    - ii. Outreach/Marketing: M. Aulman, M. Baird, C. Casey, Y. Hunter.
    - iii. Rates and Services: M. Baird, G. Braun, C. Shewmaker.

- Interactions with other CCA Advisory Groups
  - M. Sears brought this up at last CalCCA meeting -- that VCE's CAC would like to interact with other advisory groups -- and asked other CCAs' opinion. M. Sears will follow up at next CalCCA meeting to make sure there are no objections to this by the CCAs.

COMMUNITY ADVISORY COMMITTEE
2019 LEG/REG TASK GROUP CHARGE

Members: Yvonne Hunter (chair); Lorenzo Kristov

Background

The charge to the VCEA Community Advisory Committee (CAC) from the VCEA Board is that the CAC should, among other things, "Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues." At a high level, the charge to the CAC Leg/Reg Task Group is to support this element of the CAC's responsibilities. To this end, the January 2018 "Role of Chair and Committee Operational Guidelines CAC Leg/Reg Task Group" stated that the task group "will review and analyze legislation and proposed regulations that are followed by CalCCA."

With the recent addition of a contract lobbying firm to represent VCE in the Legislature, and the staff additions at CalCCA enabling them to enhance their presence in regulatory matters before the California Public Utilities Commission and the California Energy Commission, as well as at the Legislature, the ability of the Task Group to receive timely information from CalCCA about priority legislative and regulatory issues should improve. Thus, while the role of the Task Group stated above will generally remain the same, the procedures used by the Task Group in 2019 should be updated. (It should be noted that the PG&E bankruptcy filing will likely dominate both the legislative and regulatory environment related to community choice aggregation.)

Proposed 2019 Charge

1. Work with staff (and VCE's lobbyists as needed) to develop an effective process to identify bills and regulations that VCE should follow, especially those that help or hurt the ability of VCE to function effectively. This will emphasize, but not be limited to, issues being followed by CalCCA.

2. Work with VCE staff and VCE's lobbyist to provide feedback and strategic advice to VCE staff, lobbyists and CalCCA on key legislative issues followed by CalCCA (or that CalCCA is sponsoring) that have the potential to significantly impact VCE's ability to function effectively.

3. Where feasible, engage in CalCCA's regulatory work where the Leg/Reg Task Group and/or the CAC can contribute and be effective.

4. Regularly brief and seek the input of the CAC on legislative and regulatory issues that CalCCA and VCE are following as the issues evolve. Recommend to CAC positions on legislation and regulations that VCE should take. (The CAC-adopted recommendation would be forwarded to the VCE board.)

5. Contribute, as requested, to VCE's engagement with legislators and other stakeholders.

6. Work with the CAC Outreach Task Group and VCE staff on providing a framework for legislative and regulatory updates on the new VCE website, if feasible.

CAC Outreach Task Group

Mark Aulman – Chair
Marsha Baird
Chris Casey
Yvonne Hunter

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.

Specific Tasks

1. Consult with staff and Green Ideals on short-term and long-term outreach strategies

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. Solicit input from individual Community Advisory Committee members on audience segments, messages, and other issues relating to public information and outreach that may impact VCE

5. Review development procedures for marketing communications and public relations projects

6. Conduct review of marketing materials at the draft (pre-release) stage

7. Prepare concise monthly summaries for the CAC on marketing materials currently in the development pipeline

VCE Community Advisory Committee
Rates and Services Task Group

Task Group Members: Marsha Baird (chair), Gerry Braun, Christine Shewmaker, David Springer

CAC Charge: The charge to the VCEA Community Advisory Committee (CAC) from the VCEA Board states as one of its duties that the CAC should "Advise the VCEA Board of Directors on VCEA's general policy and operational objectives, including portfolio mix and objectives, technical, market, program and policy areas, strategic objectives and strategies to reduce carbon emissions, accelerate development of local resources and promote energy resilience."

Tasks/Scope of work for the Rates and Services Task Group for 2019:

- Review costs, benefits and rate options for enrolling solar customers.
- Review reserve policies and targets with Staff. Review resource adequacy experience and discuss future expected resource adequacy costs with Staff.
- Review and recommend rate setting principles consistent with VCE vision statement.
- Collaborate with Staff and SMUD consultants on dividend program option. Provide recommendation to CAC and Board.
- Collaborate with Staff and SMUD consultants on plans for NEM customer enrollment. Provide recommendation to CAC and Board.
- Review additional rate, service and program projects that arise and collaborate with Staff. Provide recommendations to the CAC and Board.
- Review services and programs offered by other CCAs and by PG&E. Make any relevant recommendations of options for VCE to Staff, CAC and Board.
- Prepare concise monthly summaries and updates for the CAC on issues being reviewed by the task group.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Approval of Resolution Authorizing Board to Disclose Information to Certain Individuals in Closed Session

DATE: March 14, 2019

RECOMMENDATION

Approve the attached Resolution adopting a policy authorizing the Board to disclose information to member agencies of the Joint Powers Agency pursuant to Government Code Section 54956.96.

BACKGROUND

The policy as stated in the attached Resolution authorizes the VCE Board to adopt a policy that authorizes the disclosure of information disclosed in a VCE closed session to certain individuals, in specified circumstances. Specifically, VCE may disclose certain information to a member of the legislative body of a local agency that is a member of the joint powers agency that was disclosed in a closed session of the joint powers agency that has direct financial or liability implications for that local agency; and may disclose that information to the local agency's legal counsel, and to the other members of the local agency's legislative body in closed session. In addition, upon adoption of such policy, the member agency's legislative body may conduct a closed session, on advice of legal counsel, to receive, discuss and take action on information obtained from the joint powers agency's closed session.

Adoption of the attached resolution will enable VCE to share this type of information with its member agency City Councils and Board of Supervisors.

Attachment: Resolution

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2019- ___

RESOLUTION ADOPTING A POLICY CONCERNING CLOSED SESSIONS PURSUANT TO GOVERNMENT CODE SECTION 54956.96 FOR THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE (VCEA)

WHEREAS, Government Code Section 54956.96 authorizes the legislative body of a joint powers agency to adopt a policy that authorizes the disclosure of information disclosed in a VCEA closed session to certain individuals, in specified circumstances. Specifically, a member of the legislative body of a local agency that is a member of the joint powers agency may disclose information obtained in a closed session of the joint powers agency that has direct financial or liability implications that local agency; and may disclose that information to the local agency's legal counsel, and to the other members of the local agency's legislative body in closed session. In addition, upon adoption of such policy, the member agency's legislative body may conduct a closed session, on advice of legal counsel, to receive, discuss and take action on information obtained from the joint powers agency's closed session; and

WHEREAS, VCEA is a joint powers agency and desires to establish a policy pursuant to Section 54956.96 to allow for the sharing of information with its member cities' councils and the County board of supervisors, and their legal counsel, in those situations where there are direct financial or liability implications for the Cities and the County and that authorizes the legislative body of a member agency, on advice of legal counsel to conduct a closed session of the member agency's legislative body to receive, discuss and take action on information obtained from the joint powers agency's closed session.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE RESOLVES AS FOLLOWS:

The following policy is adopted pursuant to Government Code Section 54956.96, and shall apply to closed sessions of VCEA:

Closed Session Policy Pursuant to Government Code Section 54956.96

1. Councilmembers and Supervisors serving on the board of the VCEA may disclose information obtained in a VCEA closed session that has direct financial or liability implications for the City and/or the County to the following individuals:

    a. Legal counsel of the City or the County for purposes of obtaining advice on whether the matter has direct financial or liability implications for that member local agency, and

    b. Other members of the City Council or Board of Supervisors, in a closed session of the City or the County.

2. Councilmembers and Supervisors attending VCEA closed sessions as designated alternates shall be entitled to disclose information obtained in those closed sessions pursuant to Paragraph 1 above.

3. VCEA member agencies may, on advice of their legal counsel, conduct a closed session in order to receive, discuss and take action concerning information obtained in a VCEA closed session pursuant to section 1 of this Policy.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of _________ 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Tom Stallard, VCEA Chair

____
Alisa M. Lembke, VCEA Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 12

TO:	VCE Board of Directors
FROM:	Mitch Sears, Interim General Manager Jim Parks, Director of Customer Care and Marketing
SUBJECT:	Peak Day Pricing Update
DATE:	March 14, 2019

RECOMMENDATION

Approve continuation of the Peak Day Pricing pilot, Match Plus.

BACKGROUND

At the May 10, 2018 VCE board meeting, the board approved the staff recommendation to adopt a resolution establishing a Peak Day Pricing Pilot Program that provides alternatives for VCE commercial, industrial and agricultural customers participating in PG&E's Peak Day Pricing (PDP) program. The VCE pilot program focuses on medium and large non-residential customers that participated in PG&E's PDP program.

PDP is a demand response program that provides participating customers with a discount on their energy rates from May 1 through October 31 (summer tariff season) in exchange for a significantly higher rate between 2 PM and 6 PM for up to 15 Peak Day Events per year. Most customers were automatically enrolled in PG&E's PDP program. (See attached staff report from May 2018.)

UPDATE

VCE contacted all E-19, E-20 and all key account PDP customers and informed them that as a VCE customer, they would no longer be eligible for PG&E's PDP program. The new VCE pilot, Match Plus, was offered as an alternative. Match Plus was designed to offset any discount lost by customers moving from PG&E to VCE service.

Only one customer expressed interest in continuing with the program and was signed up for Match Plus. After the summer season, Match Plus benefits were calculated and the customer received a credit of $2,240.

Staff promised to review the program early in 2019 and recommend changes if needed. Based on the results of the 2018 pilot, staff recommends continuing the pilot. This will allow the existing customer to stay on the program and will leave the program open to other participants if requested.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 13

TO:	Board of Directors
FROM:	Mitch Sears, Interim General Manager Jim Parks, Director of Customer Care and Marketing
SUBJECT:	UltraGreen Costs and Benefits Information to Local Governments
DATE:	March 14, 2019

REQUESTED ACTION

Information item. No action requested.

BACKGROUND

Members of the Community Advisory Committee (CAC) requested VCE staff to provide information on the cost to Yolo County, Davis and Woodland to opt up to VCE's 100% renewable energy program, UltraGreen. VCE staff presented this information at the recent CAC meeting on February 28, 2019. After the presentation, Chair Braun made a motion to recommend the VCE Board consider their individual Agencies (local governments) opting up to Ultra Green and request that staff provide relevant cost and benefits to them at their next Board meeting, seconded by Mr. Springer. The motion passed unanimously with Yvonne Hunter and Christine Casey absent.

ANALYSIS AND COSTS

The staff analysis that was completed for the CAC estimated the following additional costs for the local governments to opt up:

- **Woodland** – approximately $118k to $123k annually (~$10k/month)

- **Yolo County** – approximately $16k/year (~$1,333/month)
  Yolo County procures approximately 2/3 of their energy from solar systems already. This cost is to opt up the remaining accounts.

- **Davis** – approximately $26.3k annually (~$2,200/month)
  The City of Davis procures much of its energy from PV USA. The PV USA accounts are not with VCE. This cost is to upgrade the VCE accounts to UltraGreen.

The estimates are based on 2017 energy usage.

POTENTIAL BENEFITS OF OPTING UP

- Meet goals of respective climate action plans
- Reduce greenhouse gas emissions
- Public recognition for going green

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Director of Finance & Internal Operations
Mitch Sears, Interim General Manager

SUBJECT: Preliminary Operating Budget Fiscal Year 2019/2020

DATE: March 14, 2019

BACKGROUND AND ANALYSIS

Operating Budget FY 2018/2019

In June 2018, the Board approved the Operating Budget of $46.3 M for fiscal year 2018-2019 and includes Purchased power and other operating expenses. The operating budget was based on the following:

- VCEA rates set at a 2.5% discount from PGE&E's generation rates placed into effect March 1, 2018, net of PCIA and Franchise Fees
- Power Mix of 42% renewable, 75% clean for the default product
- Contingency of 10% of other operating expenses due to uncertainty surrounding initial year of operations

YTD Actual plus Forecast

The YTD actual financial position for the 7 months ending January 31, 2019 plus the forecast for the remaining part of the fiscal year 2018/2019 are below the approved budget mainly due to the following:

- Reduction of Wholesale and Retail Load due to 1) Deferral of Net Metering customers and 2) Customer KWh usage down from forecasted load
- Power costs increased due to additional RA allocation by CEC for 2019
- Other operating costs are lower than expected due reduction in VCE staffing, marketing costs and operating costs based on customer counts and load
- Reduced the contingency % for the forecast to 5% of operating expenses

Preliminary Operating Budget FY 2019/2020

In November 2018, the Board approved several policy modifications to address the PCIA exit fee volatility and budget shortfalls due to the anticipated increase in power costs for 2019 and 2020.

Rates – The policy modifications included structural changes to the rate design where VCE eliminated any up-front rate discount from PG&E's generation rates net of PCIA and Franchise fees and simply matched the PG&E rates. The revenue budget is based on the following assumptions:

- PG&E generation rates will decrease by an overall average of 2% for 2019 and flat for 2020
- PCIA will increase by 17% to approximately 3.2 cents per KWh in 2019 and decrease 2% to approximately 3.1 cents per KWh in 2020

Power Costs/Mix – The power mix remains unchanged from the prior year's budget with 42% renewable and 75% clean content. The load forecast has been updated for 2019 and 2020 using actual load data, opt-out rates and opt-up rates. The retail load forecast for the FY 2019/2020 is estimated at 685 GWh. Energy cost includes system energy, eligible renewables and carbon free attributes which are estimated at $33.3 M, or 83.1% of the total power costs. Resource adequacy cost is forecasted at $6.8 M, or 16.9% of the total power costs.

Other Operating Expenses – Staff has reviewed the other operating expenses and have updated the budget based on the following:

- Services currently under contract
- Anticipation of increase legal costs due to PG&E bankruptcy
- 2.2% annual inflation rate on all expense not under contract
- 5% contingency rate for unanticipated operating expenses

CONCLUSION

The preliminary operating budget reflects a 5.4% net margin which meets VCE's 5% minimum net margin to maintain financial viability. Staff has prepared the preliminary operating budget for FY 2019/2020 based on the best available information on PG&E generation rates and PCIA exit fees. The 2019 PG&E generation rates and PCIA exit fees will be effective May 2019 and will be included in the final proposed Operating Budget for FY 2019/2020. Based on the Board feedback and direction, staff will return with a final recommended Operating Budget for FY 2019/2020 for consideration in May.

Attachment:

Preliminary Operating Budget FY 2019/2020

VALLEY CLEAN ENERGY
PRELIMINARY OPERATING BUDGET
FY 2019/2020

	APPROVED BUDGET FY 2018/2019	ACTUAL YTD JAN 31, 2019 (7 MO) + FORECAST (5 MO) FY 2018/2019	PRELIMINARY BUDGET FY 2019/2020
OPERATING REVENUE	$ 54,314	$ 49,526	$ 47,260
OPERATING EXPENSES:			
Cost of Electricity	41,103	40,207	40,144
Contract Services	2,719	2,444	2,599
Staff Compensation	1,358	1,047	1,200
General, Administration and other	1,094	554	620
TOTAL OPERATING EXPENSES	46,274	44,252	44,563
TOTAL OPERATING INCOME	8,040	5,274	2,697
NONOPERATING REVENUES (EXPENSES)			
Interest income	89	25	54
Interest expense	(590)	(194)	(175)
TOTAL NONOPERATING REVENUE (EXPENSES)	(501)	(169)	(121)
NET MARGIN	$ 7,539	$ 5,105	$ 2,576
NET MARGIN %	13.88%	10.31%	5.45%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 16

TO:	Valley Clean Energy Alliance Board of Directors
FROM:	Lisa Limcaco, Director of Finance & Internal Operations Mitch Sears, Interim General Manager
SUBJECT:	Draft approach to VCE's new Rate Structure / Dividend Program.
DATE:	March 14, 2019

BACKGROUND

At the November 15, 2018 board meeting, staff recommended a package of policy modifications that work together to address PCIA volatility and resulting budget shortfalls anticipated for 2019 and 2020. One of the policy modifications approved by the Board in November was to study adoption of a new rate structure starting in July 2019 (VCE's 2020 Fiscal Year).

In January 2019, staff recommended that the Community Advisory Committee (CAC) create a task group to collaborate with staff to develop a new rate structure and dividend program for VCE's 2020 fiscal year. The CAC created a Rates and Services Task Group that would review rate, service and program projects that includes collaboration with staff in developing this draft Dividend program. Staff presented this draft Dividend program to the CAC for consideration at their February 28th meeting. CAC provided their feedback and suggestions which have been incorporated in this draft Dividend program.

Initially VCE's rate structure provided customers with a pre-determined, up front rate discount relative to PG&E service. An alternative would be to set identical rates to that of PG&E and move from a monthly fixed rate discount structure to a yearly "dividend" rate structure where bill credits are awarded annually if VCE meets certain financial thresholds. This is a similar rate structure currently employed by Monterey Bay Community Power (MBCP).

The purpose of this report is to introduce the draft Dividend program and receive feedback from Board of Directors.

ANALYSIS & DISCUSSION

Key considerations identified by staff in analyzing a move to a dividend rate structure include:

- Rate design impacts on customer opt-outs
- Trigger for payment of customer dividend – minimum net margin

- Impact on financial stability of VCE
- Allocation of revenue to reserves, dividends, and local program development/implementation
    - Short-term consideration of NEM Enrollment

Rate Design

During MBCP's analysis, the direct correlation between rate structure (i.e. "dividend") and opt-out rates were uncertain. MBCP concluded that rate structure factors were not the major driver of customer opt-outs based on feedback from customers who chose to opt out of the CCA. A super majority of CCA customers who opted out cited dissatisfaction with being automatically switched from PG&E without their consent and that neither the lower price nor sourcing of cleaner energy seemed to affect that decision. Similarly, a majority of VCE customers that chose to opt out cited dislike of being automatically enrolled into VCE as the reason for their decision.

By setting identical rates to that of PG&E, VCE can shift the focus from rate comparisons and rate design to the goals that define the reasons VCE was established in the first place. Namely, cleaner resources, local control, custom tailored programs responsive to community needs, and improving the local economy by investing in clean power resources and returning some of the annual savings back to the customers.

Financial Stability

<u>Minimum Net Margin</u>
Net margins vary greatly across different industries and sectors. For example, average net margins in the retail clothing industry run lower than the average net margins in the telecommunications sector. Large, national-chain retailers can function with lower margins due to the massive volume of their sales. Conversely, small, independent businesses need higher margins to cover costs and still make a profit. Based on Staff research, the Electric Utility industry average net margin for 2017 ranged from 8%-10%. Similarly, VCE is one of the smaller CCAs with a smaller customer base than other CCAs. Thus, VCE will require higher margins to cover its costs and still build reserves to offer local programs and customer incentives. Therefore, staff believes that VCE should maintain a minimum net margin (after any bank debt principal payment) of 5% before any dividends are paid to our customers.

<u>Cash Reserves</u>
VCE needs sufficient funds to provide for operating capital reserves, rate stabilization, and sufficient credit to support long-term investments in renewable resources. It is prudent business practice to build up reserves that target a level of 90 days cash. In November 2018, the Board approved a reserve policy to build toward a 90-day cash level reserve within the next 4 years.

The speed at which reserves are accumulated is very important. The Board has provided direction in the reserve policy that VCE should dedicate the majority of operating surplus in the early years to reserves. Under the current draft Dividend program, gradually, the portion of the surplus dedicated to reserves should be reduced until the target reserve is met; then, the allocation of the surplus would be dedicated to custom local programs and customer dividends. The portion of the surplus dedicated to cash reserves would be determined annually by the Board of Directors.

Local Programs

Staff believes that VCE should establish its own portfolio of programs that will be designed specifically for local customers to help further reduce GHGs associated with transportation and other sectors of the local economy. VCE currently allocates 1% of net margin to a local programs reserve. Under the draft dividend program, In lieu of this allocation, any surplus above the 5% minimum net margin will be allocated between the local programs reserve and customer dividends at a percentage determined annually by the Board of Directors.

Customer Dividends (Bill Credits)

CCA programs are community owned, managed and directed by a local Board representing its customers. It is therefore reasonable to provide a return/dividend to VCE customers at the end of each fiscal year as a bill credit. As proposed in the draft dividend program, any surplus above the 5% minimum net margin would be allocated between the local programs reserve and customer dividends at a percentage determined annually by the Board of Directors.

As the VCE fiscal year is July to June, the dividends would be calculated based on the audited financial statements and would be announced in September and credited annually in October. Customers will have an option in lieu of receiving their dividend to apply it to the Local Program reserve. By allocating the dividend or credit annually, VCE would be able to pay out on a "performance basis," and build customer satisfaction and loyalty as well.

CONCLUSION

Staff believes that a well-designed dividend rate structure can help VCE improve financial stability while building customer trust and loyalty. Based on Board feedback and direction, staff will return with a final recommended rate structure/dividend program for consideration in April.

ATTACHMENT
VCE Draft Dividend Program Guidelines

Valley Clean Energy Alliance

Dividend Program Guidelines

- Match PG&E electric generation rates less PCIA exit fee
- Require a minimum 5% net margin (less principal debt payments) before any dividends are paid to VCE customers
- Annually based on the audited financial statements:
    - Calculate the Net margin less principal debt payments
    - If Net margin < 5% - no customer dividends and Board determine allocation of net margin to Cash reserves and & Local Program reserves
    - If Net margin > 5% - Board determine allocation of any surplus (over 5%) to Cash reserves, Local Program reserves and Customer Dividends
- Guidelines of Allocation of Net Margin
    - Net Margin <= 5%
        - Up to 95% to Cash Reserves (Until 90-days of cash reserves met)
        - At least 5% to Local Program Reserves
    - Net Margin > 5%
        - Follow guidelines for Net Margin up to 5%
        - Net margin in excess of 5%:
            - At least 50% to Cash Reserves (Until 90-days cash reserves met)
            - Remaining excess split 50%/50% between Cash Dividends and Local Programs Reserve
- Board approves allocation of Net Margin on or around the September Board meeting
- Any surplus allocation to customer dividends will appear as bill credits or the customer may have the option to apply their dividend to the Local Program Reserve. Customer dividends will appear as bill credits as follows:
        - Residential customers – annually in October bill
        - Non-residential customers – bi-annually in October and April bills

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 17

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Jim Parks, Director of Customer Care and Marketing

SUBJECT: Residential Time of Use Rate Update

DATE: March 14, 2019

REQUESTED ACTION

Information item. No action requested.

BACKGROUND

PG&E is required by the CPUC to implement residential time of use (RTOU) rates as the default rate for residential customers. The rates will be phased in over a 1-year period beginning Q4 2020. PG&E is working with community choice aggregators (CCAs) to gauge their interest in adopting PG&E's TOU rates and to facilitate implementation of the rates as-needed. PG&E engaged the CCAs early in the process and both MCE and Sonoma Clean Power completed pilot projects with over 160,000 total customers.

The rates will be rolled out over an extended period and, if VCE decides to accept the rate, the planned rollout in Yolo County will occur in February 2021. PG&E is asking for a commitment well before that time and would like to come to a VCE board meeting to present the information.

UPDATE

We expect to invite PG&E to a VCE board meeting to describe their expectations for the TOU rollout. In preparation for that, staff would like to provide information to VCE board members so they can have a better understanding of the process prior to meeting with PG&E representatives. Staff will also make a presentation to the Community Advisory Committee prior to inviting PG&E. The presentation provided by VCE staff will give an overview of the rate, implementation schedule, results of the CCA pilots and expected next steps.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 18

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Jim Parks, Director of Customer Care and Marketing

SUBJECT: Strategic Marketing & Communications Plan Update

DATE: March 14, 2019

REQUESTED ACTION

Approve the *Valley Clean Energy Strategic Marketing & Communications Plan*

BACKGROUND

As Valley Clean Energy was preparing to serve the residents of Yolo, Woodland and Davis, staff from VCE's marketing/outreach contractor, Circlepoint, developed a marketing and outreach plan focused on start-up activities. This plan guided the outreach efforts at that time—advertising on buses, notifications to customers, facilitating presentations in the community, development of start-up collateral and other outreach initiatives.

With VCE moving to operational mode, and with the hiring of Green Ideals, our new outreach/marketing contractor, it was time to update the marketing plan to focus on day-to-day operations and activities.

UPDATE

The Valley Clean Energy *Strategic Marketing & Communications Plan* was updated through the following process:

- VCE staff updated the existing plan and forwarded it to Green Ideals for input
- Green Ideals staff (Susan) significantly edited the plan and returned it to VCE for review
- VCE staff reviewed the plan, made edits and forwarded the plan to the Outreach Task Group (OTG) of the Community Advisory Committee (CAC)
- The OTG provided comments and these comments were discussed and incorporated into the plan
- The OTG agreed that the plan should be brought to the full CAC, and the CAC should forward a recommendation to the VCE Board of Directors to approve the plan
- The CAC approved the request to recommend approval of the plan by the VCE Board of Directors, with minor modifications, at their February 28 meeting.

The Strategic Marketing and Communications Plan will serve as a foundational roadmap for the implementation of a marketing program that provides participating residents, businesses, key stakeholders, elected officials, and the general public with information about the operations and services provided by VCE. The plan defines objectives, goals, issues and challenges, target audiences, messaging, priorities, communications channels, and measurements of success.

The Plan is intended to be a living document that will be assessed and refined as needed. It will evolve with the VCE brand to fit the evolving needs of the brand and its constituents.

The primary goals of the plan are:

- to educate and inform the general public in Davis, Woodland and Yolo County about VCE, and about how electricity and the grid work—so they can better understand the program
- to establish recognition and trustworthiness of VCE among households and businesses
- to promote positive expectations for the VCE brand within VCE's member agencies and beyond
- to illuminate the true cost of energy for people and the planet

Achieving these goals will contribute to general understanding of the program, its values, and its importance in people's lives—and thus to the growth of a successful program with minimal opt-outs. Our aim is not just to be recognized, but also to be so well thought of and trusted that VCE is given the benefit of the doubt throughout its first years, when initial growing pains and actions by PG&E and the CPUC have created a challenge to seamless operations.

The core objectives of this Plan focus on building brand awareness and a deeper understanding of the critical benefits of Community Choice programs in general, and of VCE in particular: local control, effortless tools for the reduction of greenhouse gases, and reinvestment of revenues in participating communities. The Plan also aims to promote and publicize the eventual development of additional programs or sub-products that further these goals, as VCE matures.

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VALLEY CLEAN ENERGY
Strategic Marketing & Communications Plan

February 2019

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1. Introduction

Valley Clean Energy Alliance (VCE) is Yolo County's Community Choice Energy (CCE) program that serves as the default electricity service provider to all participating residents, businesses, and agricultural customers in the cities of Davis, Woodland, and unincorporated Yolo County.

As a community-governed, not-for-profit electricity supplier, VCE offers residents and businesses local control of their electricity program, with tools to affordably address climate change that require little or no effort. Customers now have a choice in who sources their electricity, and in the percentage of power that comes from clean sources. Governance of the program is by designated representatives from the Woodland and Davis city councils and the Yolo County board of supervisors who comprise the VCE Board of Directors. Monthly public meetings are held which the public can attend, and where they can be heard. VCE also has a professional staff, including contract staff from SMUD (the Sacramento Municipal Utility District).

VCE has hired Green Ideals, in collaboration with Media Solutions and Digital Marketing Labs, to develop and manage customer outreach and a marketing, advertising, and communications campaign that will continue to educate, inform, raise awareness and develop loyalty for the VCE brand and its services. In so doing, the program's growing positive reputation may result in an eventual request from nearby communities to participate, helping the program to grow and thrive, and offering economies of scale in both power costs and environmental benefits.

This Strategic Marketing and Communications Plan will serve as a foundational roadmap for the implementation of a marketing program that provides participating residents, businesses, key stakeholders, elected officials, and the general public with information about the operations and services provided by VCE. The plan defines objectives, goals, issues and challenges, target audiences, messaging, priorities, communications channels, and measurements of success.

This Plan is intended to be a living document that will be assessed and refined as needed. It will evolve with the VCE brand to fit the evolving needs of the brand and its constituents.

2. Goals and Objectives

The primary goals of the plan are:

- to educate and inform the general public in Davis, Woodland and Yolo County about VCE, and about how electricity and the grid work—so they can better understand the program (and not mistake VCE for a solar company)
- to help customers and the public at large to understand and appreciate the connection between the use of fossil fuels and climate change
- to establish recognition and trustworthiness of VCE among households and businesses
- to promote positive expectations for the VCE brand within VCE's member agencies and beyond
- to illuminate the true cost of energy for people and the planet

Achieving these goals will contribute to general understanding of the program, its values, and its importance in people's lives—and thus to the growth of a successful program with minimal opt-outs. Our aim is not just to be recognized, but also to be viewed as an ally in the fight against climate change, and so well thought of and trusted that VCE is given the benefit of the doubt throughout its first years, when initial growing pains and actions by PG&E and the CPUC have created a challenge to seamless operations.

The core objectives of this Plan focus on building brand awareness and a deeper understanding of the critical benefits of Community Choice programs in general, and of VCE in particular: local control, practical tools for the reduction of greenhouse gases, and reinvestment of revenues in participating communities. The Plan also aims to promote and publicize the eventual development of additional programs or sub-products that further these goals, as VCE matures.

Specific objectives of this Plan include:

1. The provision of clear, accurate, and easily accessible program information to its customers—via website, social media, earned media, collateral and paid advertising
2. Establishment of the brand as a local and trusted source with recognition by residential, commercial and agricultural customers in Yolo County and VCE's member cities
3. Delivery of clear and transparent messaging regarding:
    a. overarching program benefits
    b. electricity rates
    c. legislative and regulatory policies
    d. specific program offerings
    e. effects of PG&E and state government policies and decisions

4. Maintaining an opt-out rate below 8% for the standard/default energy product
5. Maximizing the number of opt-ups
6. Strengthening brand awareness of the program and sub-products
7. Promotion of customers' feeling of investment in and ownership of the program, for the benefit of all

3. Key Issues and Challenges

CCE programs create customer choice where none existed before. As such, there are inherent challenges with promoting the VCE program simply due to lack of familiarity with the Community Choice program concept, and sometimes due to more serious concerns and fears. Some of those key barriers to program participation might include:

1. **Lack of Brand Recognition:** VCE is a fairly new program with relatively low brand recognition within the area it serves. The idea of competition for PG&E, which has monopolized the energy market for more than a century, seems unfathomable to some. Establishing the VCE brand, and casting it in a positive light with many local benefits, will continue to be a key challenge.

2. **Lack of Awareness of Program Benefits other than Cost:** Communication efforts should lead with program benefits and why they are of importance—now and for future generations—rather than simply focusing on rates. Selling a concept on price is not a reliable way to develop customer loyalty. Rather, customers must be made aware of the reasons this program is important in their lives.

   Recent CPUC rulings (such as increasing PCIA fees) have required the program to eliminate its original rate discount; VCE rates are currently at parity with PG&E. Marketing and outreach should lead with the benefits provided by VCE other than cost reduction—including local control, transparency, choice, sustainability, greater rate consistency, and investment in the community. Customers must be encouraged to embrace the positive effects their participation will have, both locally and on a higher level, and on the fact that VCE offers an effective way to make a difference on climate. Focus should also be placed on programs that VCE may be able to develop in the near term, such as EV infrastructure development, energy efficiency programs, and the like.

3. **Regulatory Uncertainty**: The uncertainty created by PG&E's bankruptcy filing and CPUC's recent PCIA rulings can leave customers wary about the possibility of future rate increases that are outside VCE's control. VCE must exude consistency and honesty in the face of uncertainty, so that customers are able to assume that VCE "has their backs."

Additional concerns for some electricity customers include:

- **Trust**—"*What's a government agency doing in the electricity business?"*
  Outreach efforts must focus on helping constituents understand that Community Choice programs are helping customers take control of a clean energy future—and it's already happening all over the state and nation. Monopolies such as PG&E have recently proven that it's time for a change; taking charge of electricity programs at a local level allows communities to decide for themselves how to manage their power. Focusing on the aspects of *not-for-profit* and *community control* have proven to be key to developing trust and surmounting initial suspicion in other California CCE programs. VCE's participation in local school programs, farmers' markets, community events, fairs, sporting events and other public activities will help it be seen as a trusted local friend. Tabling and presenting at such events will offer an opportunity for one-on-one conversations that are warm and human.

- **Cost**—*"How much more will it cost me to buy greener electricity?"*
  Presenting benefits that focus on cost will de-value other brand benefits. Because future cost savings can never be guaranteed, outreach should always lead with the many other program benefits which *can* be guaranteed, while looking issues of cost directly in the eye—even when it's not necessarily to the program's advantage. Honesty will earn trust in the brand.

- **Value**—"*I know that renewable electricity is better than fossil-fuel-based electricity, but if it costs more I'm not sure it's worth it to me."*
  Helping customers realize that VCE is a valuable tool everyone can use to take action against climate change is key. Our outreach must help customers realize they can be part of something bigger than themselves, igniting a level of social consciousness that makes sense for the participating communities. Addressing bigger-picture issues of the *true cost* of fossil fuels, while retaining relevance to the everyday concerns of people, requires a balanced, strategic approach to communication. VCE's opt-up program can also attract customers for whom installing solar PV is not cost effective, but who still wish to "go green."

This Plan addresses these key issues by establishing an overall outreach strategy implemented through specific messaging and actions.

4. Brand Creation

Creating a Brand Story Customers Care About
Green Ideals will promote the VCE brand by creating and telling the VCE brand story, including its emotional nuances, which help the customer understand that the program's values mirror their own. Messaging will educate and inspire, to convey benefits and create a brand experience that builds trust and shows why the program is important in the lives of its customers—and those of their children. Branding efforts will ensure that the look and feel of all VCE messaging and collateral remain consistent throughout the program's multiple communication channels, building recognition. As the brand grows and evolves, branding evolutions will always protect the visual brand equities.

Naming Future Products and Programs (sub-branding)
The creation of sub-brands will differentiate products and programs that may eventually be available through VCE, distinguishing each product as a unique entity within the overarching VCE brand family. An upgraded electricity product name was established prior to launch, with the default product referred to simply as the standard (or default) level, and the upgraded 100% renewable product taking a superlative: UltraGreen. These names offer shorthand identifiers for marketing communication.

UltraGreen, VCE's 100% renewable and 100% carbon-free option, is currently the only sub-branded product in VCE's portfolio. As the program evolves, we expect the need to create logical, easily remembered sub-brands for products and programs that might include Net Energy Metering, Electric Vehicle charging, and more.

5. Target Audiences

The cities of Davis and Woodland, and unincorporated Yolo County contain a diverse population with a variety of cultural backgrounds, ages, education, income levels and social consciousness levels, as well as different residential, commercial, agricultural and industrial sector mixes. In order to establish communication styles and channels which are truly effective, it is essential to define target audiences to help inform key messaging which, while consistent for the brand on an overarching level, must be customized for each segment of that audience. The diverse population creates a variety of motivations for potential VCE customers, ranging from environmental sustainability to economic impact. In many cases, different groups share basic concerns, but each may have its own specific priorities. This Plan maps out the diversity of target audiences as follows:

1. General Residential Customers/PG&E customers: urban, suburban and rural
2. Commercial/industrial/business
3. Agricultural audiences
4. Multicultural audiences (specifically Spanish speakers)
5. Advocates, champions, and early adopters
6. Seniors
7. Solar customers
8. Low income residents

9. City and County Chambers of Commerce
10. Unincorporated areas and neighborhood groups
11. Elected officials and municipal governments
12. Schools – including board members, administrators, teachers and students
13. Neighboring towns, cities and communities (as prospects for program expansion)

Special Considerations: Multicultural Communications and Outreach
VCE has committed to providing support and resources to customers for whom English might be a second language. In Yolo County, approximately 35% of people speak another language at home; 60% of those people speak Spanish in the VCE service territory. Therefore, all early messaging, notices, advertising, and marketing, whether print or digital, have been bi-lingual—in both English and Spanish. Green Ideals will continue to create bi-lingual communications as necessary, though translations will be more than merely word-for-word translations. We will seek to capture the idiom and nuance of the intended messages, earning trust while aiding in customer education.

In addition, Green Ideals will always include English when creating collateral materials for Spanish speakers, giving Limited English Proficient (LEP) and bi-lingual customers the ability to cross-reference information in two languages. This approach is especially valuable to bi-lingual persons for two reasons:

1. Bilingual persons born in the U.S. who use their first language primarily at home are often accustomed to using English outside of the home.
2. Many non-English speakers do not trust the quality of translated text and feel reassured when they cross-reference information with written English text that they may understand nearly or just as well.

In addition to Spanish-language communication strategies, Green Ideals may also, when needed, employ grassroots engagement tactics to reach the Spanish speaking population in Yolo County. This may involve working with religious and social service institutions to reach these audiences through trusted channels, or engaging the various ethnic chambers of commerce to frame participation in VCE (or upgrading to UltraGreen) as the new status quo for sustainable businesses. This will provide an opportunity to request that businesses promote the program on their websites, social channels, and other communications platforms.

6. Messaging & Tone

The key to success for this brand is in its messaging.

Many products and services sell themselves successfully, at least at first, on the lowest common denominator—lower cost. That only works until a lower-cost competing option appears in the market. Loyalty based solely on price erodes the brand's value and profits.

Our brand will only succeed when its audience realizes that the brand's values mirror their own. They must be urged to think about electricity service, perhaps for the first time ever. And they must be encouraged to realize that there are many unrealized layers of cost associated with fossil fuel-based electricity service, with long-term effects on climate, societies and health. All of this must be conveyed gently but convincingly and without judgment, as we offer our customers proven tools to improve their lives and ours.

Our brand must strive to convey:

- Hope – It's not too late to do something important about the long-term health of our families and our environment.
- Easy Action – Here are some practical tools that allow me to do something that can really make a difference.
- Moral High Ground – This is the right thing to do for our children and their children.
- Community – Our positive response to this program will support the communities in which we live and work.
- Local Control – This is a program governed right here in Yolo County, and not in a board room and state agency far away.

Foundational messaging for the brand should strive for optimism, social responsibility, local participation and control, community support, family values and future-mindedness. It should focus on people taking charge of their clean energy future, looking science squarely in the eye, but avoid partisan politics. While indicating that VCE is a forward-thinking program that offers multiple benefits to the community and the atmosphere, messaging should never intentionally diminish PG&E, which is both a competitor and partner-provider that supplies a critical service to the program.

It's important that VCE employ language in outreach materials that is somewhat warmer and more human than might be expected from an ordinary utility company. This brand must be seen both as detail-oriented/technically adept and simultaneously friendly. VCE is a company created by the community for the good of the community, so retention of a voice that feels realistic and understanding will help to develop comfort and earn trust. A light-hearted or clever tone, used appropriately, can build a great deal more good will—while being more memorable—than one that's dour or stern.

Upon launch in June 2018, VCE offered cost savings for its standard product, which contained a moderately higher amount of renewable energy than PG&E's standard product. Therefore, cost savings was emphasized in all initial messaging—more to some customer groups than others. The CPUC's October 2018 ruling that increased PCIA fees has necessitated the elimination of that cost benefit as of January 2019. We're now re-prioritizing key messaging to lead with the important benefits of the program that do not involve rate savings. The opportunity at present is to emphasize multiple social, community and climate benefits at *no additional cost* to the customer.

Messaging will always be:

- Inclusive: we—not you
- Optimistic: building a bright future
- Realistic: offering easily accessible tools to make a difference
- Honest: never side-stepping the challenging issues

Foundational Messaging Options:

1. Taking charge of our clean energy future
2. We're powered by people
3. A brighter energy future is in our own hands
4. Communities working together for positive change

5. Tools to address climate change
6. Clean. Green. Affordable.
7. Local benefits at no added cost
8. Personal choice—for the first time ever—in electricity providers

The draft messages listed here touch on the topics that the specific audiences care about. These messages speak to their presumed motivations and what is most likely to resonate. The messaging framework below will help to inform specific messaging, future collateral development, advertising, and other outreach materials.

Messaging Framework		
Audience	Key Motivations	Preliminary Sub-messages
General Audience/Residential Customers	• Environmental health • Reliability • Cost • Local control • Not-for-Profit • Choice • Rate stability • Action tools	• Simple tools to address climate change. • VCE offers clean, affordable energy you can count on. • Let's take charge of our clean energy future. • Clean energy at competitive rates provided by a local not-for-profit, committed to returning value to our communities • The choices we make now impact future generations. Choose clean, renewable energy for a healthier Yolo County.
Agricultural and rural customers/ Unincorporated areas and neighborhood groups	• Cost • Reliability • Rate stability • Environmental health • Choice • Local control • Better partner	• VCE offers clean, affordable energy you can count on. • VCE is good for our communities and the local economy. • VCE is a better partner for local agriculture—we're your neighbors. • Community energy means cost competitive rates and local control. • Reducing fossil fuel use will help control the very real and recently experienced impacts of climate change: drought, floods and fire
Champions and early adopters	• Leading by example • Environmental health • Local control • Energy efficiency • Moving the state and nation forward on clean energy	• California is leading the way in GHG reduction with CCE programs—now including VCE. • Together we're taking charge of our clean energy future. • Cleaner energy without paying more is just the beginning; VCE will develop additional tools such as energy efficiency programs and EV

	initiatives	infrastructure. • Your support will help create local, renewable jobs. • Our community can exceed our statewide clean energy goals or meet them ahead of schedule.
Seniors	• Cost • Impact on future generations • Leading by example • Trust • Rate stability • Environmental health as legacy	• VCE offers clean, affordable local energy you can count on. • Choice in electricity is good for our economy—It's time we ended energy monopoly and had a choice. • Make a difference for future generations who will suffer most from the impacts of climate change. • Local control means that our familiar local leaders have our best interests at heart. • We're reinvesting in local communities while paying competitive rates and keeping revenues at home.
New Solar NEM customers (those who installed solar panels after June 2018)	• Cost • Choice • Environmental health • Trust	• 100% renewable energy available when I need to buy more than I generate. • Harness your solar power for additional savings. • You care about the environment—so does VCE. • Not everyone can have solar panels. VCE provides clean energy and an opportunity for 100% renewables even to those who can't have them.
Low income residents	• Cost • Retention of CARE/FERA programs • Rate stability • Health / clean air	• VCE's clean energy gives back to our communities, and it's competitively priced. • Make the local choice for clean energy at no extra cost. • VCE will invest in green energy infrastructure, to create local jobs. • Clean energy managed locally means healthier air and communities.
Commercial/industrial/ business /chambers of commerce	• Cost • Local control • Local jobs / economic re-investment • Reducing pollution • Reputation among socially conscious customer groups • Environmental health	• VCE offers a local choice for cost-competitive clean energy your business can rely on. • Show your customers and constituents you care about their health and economic vitality. • Take charge of our future—power your business with clean energy from VCE. • Providing many local benefits, VCE powers Yolo County, Davis and

		• Continued use of fossil fuels will impact local, national and global economies on a critical level. • Woodland businesses with rates that are competitive. • When you support clean, local energy, you support economic growth in Yolo County, Davis and Woodland.
Elected officials	• Serving constituents' needs/desires • Local focus • Impact on future generations • Building local clean energy infrastructure • Meeting climate goals set by CA • Transparent, open and community engagement	• Community Choice is one of the most efficient routes to reduced GHGs and meeting our communities' climate action goals. • When you support clean, local energy, you support economic growth in Yolo County. • VCE offers easy, competitively priced tools for residents to work towards a clean, sustainable lifestyle. • The choices we make now impact future generations. Choose clean energy for a healthier Yolo County. • VCE is Yolo County's first and most effective tool in the fight for a cleaner climate and a bright economic future. • Our communities will step into a fossil-free future with the help of VCE. • If residents have questions or concerns, VCE is here to answer them.
Educators/Students	• Environmental health • Tools for action • Local control • Not-for-Profit • Improving the world for future generations	• The choices we make now impact future generations. Choose clean energy for a healthier Yolo County. • VCE is Yolo County's first and most effective tool in the fight for a cleaner climate and a bright economic future. • Our communities will step into a fossil-free future with the help of VCE. • We can all be a part of something larger than ourselves when we join in our local effort to control our clean energy future. • VCE will teach us about energy efficiency and help us develop a local clean energy infrastructure. • We can take action today for cleaner air tomorrow. • WE are the ones who need to act to stop the effects of climate change from becoming even more severe.

PG&E "Legacy" Solar/NEM Customers (not able to enroll at this time)	• Cost • Choice • Environmental health • Trust	• Unforeseen program expenses have delayed our ability to enroll customers who were in PG&E's NEM program prior to VCE's launch.

7. Communication Channels

Messaging and public outreach are only effective when the target audiences receive messages to which they can specifically relate. Market segmentation allows us to address a diverse audience with messages from a variety of media through a range of channels. Green Ideals will maximize reach by employing a wide variety of communications channels to raise awareness and enhance brand recognition for VCE.

Green Ideals was brought on board near the end of 2018, just as the CPUC was ruling to increase PCIA, and just prior to PG&E's bankruptcy filing. The former prompted decisions by the VCE Board of Directors to adjust electricity rates and postpone the NEM program for a year or more; the latter contributed to an atmosphere of general unrest regarding future electricity services. Thus, our attentions between November and mid-February have been focused as much on damage control as on strategic planning and outreach. As we move past these events and the tactical moves they required, our focus will shift to positive reputation building and education, as indicated below.

Circlepoint created many initial outreach pieces for program launch. Some of those require updates in message and tone; other new outreach pieces are recommended as the brand moves forward as shown here:

Media	Materials	Implementation
Program Collateral	• Business toolkit • Agricultural toolkit • Animated video • Factsheets • Brochures • Opt up booklets • Poster • Flyers • Banner • Static-cling Window stickers • FAQs • Yard signs • SWAG • PPT slides	• Distribute collateral, brochures, stickers, and yard signs at tabling during community events and through community organizations. • Print collateral will be created in a bi-lingual format. • Distribute/post flyers and postcards in public locations, such as libraries, City/County facilities, senior centers, veteran centers, schools. • Send static cling window stickers to those who opt up as a thank-you. • PPT slides to educate people/students about the positive benefits of VCE.

Website	• Redesign for optimism and energy, and for easier navigation • Add features and news • Rates sheets for each customer class • Blog page • Dedicated pages for residential, commercial, agricultural, and special programs • Meeting schedules, agenda, videos • Customer stories (when available)	• Create bi-lingual website content (English and Spanish). • Implement site enhancements including social media integration and a blog. • Add program information that leads with program benefits other than cost. • Redesign original website to include additional features and news with frequent updates, giving viewers a reason to return. • Build out original site for dedicated customer types: residential, commercial, and agricultural.
Email Marketing	• Email templates • Content and graphics • Newsletter	• Distribute informational content through VCE's existing listserv email database. Add new email addresses through social media campaigns, a sign-up option on the VCE website and at tabling events. • Develop regularly scheduled email blasts, including Board meeting announcements and key decisions. • Publish program achievements and customer or staff profiles in quarterly newsletter.
Advertising (bi-lingual)	• Print • Radio • Transit • Digital • Outdoor • Social media	• Explore digital media push to build awareness, followers and opt-ups. • Participate in relatively low-cost print opportunities to promote VCE, such as the Capay Valley Almond Festival special section and the appropriate festivals that may be planned through the Spring. • Explore cost-effective paid advertising plans to build awareness of the brand and its programs, as budgets allow. • Plan photo shoot of VCE Champions, who can serve as spokespersons for the brand and its importance in their lives/our lives—both on the website and in print advertising.
Social Media	• Social media graphics • Editorial content	• Maintain robust schedule of social media posts, including Facebook and twitter, to broadcast news of the program and about electricity and relevant environment issues.

		• Create social media editorial calendar one month in advance for client review (both text and image). • Boost specific posts in order to build a friendly following. • Engage via NextDoor.
Events and personal Outreach	• Develop list of events, neighborhood, and stakeholder meetings • Attend or sponsor existing community events, such as farmers' markets, sporting events, agricultural events, etc. • Create program Collateral that highlights accomplishments and reasons VCE is important in the lives of Yolo County ratepayers.	• Attend relevant community and stakeholder meetings and events, leading where feasible with Board or CAC reps with ties to the meetings and events. • Use events as an opportunity to distribute informational material, collect input, gather email addresses and have one-on-one conversations with the public. • Capitalize on the skillsets, experience, talent and dedication of the Board and CAC members to support personal outreach. • Engage community organizations to support personal outreach.
Earned media	• Press releases • Op-eds and news articles • Ongoing media outreach • Speakers Bureau with Board Members • PSAs	• Generate opportunities for public service announcements and radio interviews at no cost. • Engage local media, specialized media and community bloggers for earned placement. • Develop news alerts and press releases for key milestones, human-interest stories and other unique and interesting aspects of VCE. • Celebrate successes. • Look challenges in the eye. • Conduct outreach to ethnic media.
Call Center Scripting and Office Voicemail Message	• Update call center script as needed with program information • Revise office voicemail message to offer human contact first, rather than last	• Update script for call center agents as needed. • Ensure that people who call feel respected, instead of getting the telephone run-around.
On-call tasks	• VCE board presentations • Planning calls • Reporting	• Provide VCE board with marketing and outreach updates • Compile regular progress, tracking, and reports of marketing and media work

Ongoing Stakeholder Outreach

Outreach to local neighborhood and community groups, business groups, elected officials and academic institutions is essential to identify and engage program champions and seed natural dissemination of program awareness in communities served by VCE. This is a valuable opportunity for VCE Board Members to get involved and help empower those champions.

As budget allows, we plan to develop focused initiatives on specific customer segments, including periodic surveys and studies of key stakeholder groups such as agriculture and business leaders. In the interim, appearances at regularly scheduled meetings (such as the Yolo Farm Bureau or the Davis/Woodland Downtown Business Association Meetings) can offer an opportunity to learn about attitudes towards the VCE program, awareness of its benefits, and to adjust outreach efforts based on these.

Personal Meetings or Phone Calls/Material Distribution
Although initial stakeholder outreach was undoubtedly conducted in pre-launch stages, ongoing contact with these groups will ensure a better understanding of the program and its specific benefits to each group. In-person meetings and conversations will always help to build goodwill, and to develop loyalty. Special care should be taken to address people living outside of urban areas, where initial advertising efforts may have been less robust.

Green Ideals will work with VCE to create a list of community based organizations, agencies and business organizations to target for more personalized outreach.

Media Plan
Communication priorities must be set according to reach and effectiveness, since budget is limited. Therefore, as Green Ideals becomes more familiar with areas of greatest concern—including management of PG&E bankruptcy and CPUC rulings that affect the program—we will develop a detailed and affordable media plan to maximize available resources.

In the interim, our focus will be on the least expensive, most effective options: creation of a more robust and feature-rich website, frequent social media postings, earned media opportunities in print, TV and radio, and sponsorship opportunities in the public eye.

8. Timing / Priorities

Immediate Needs
Green ideals began working with Valley Clean Energy in December 2018, when the visual brand was already well developed. Established messaging led in most cases with rate discounts compared to PG&E, with other important benefits in secondary or tertiary positions. Our first task has been to re-prioritize messaging, putting more substantial program benefits in primary positions. Our planned priorities for marketing outreach and design are:

1. Website revision and expansion (adding visual optimism, useful features, breaking news, and dedicated pages for user groups, programs, etc.
2. Earned media opportunities, such as OpEds from Board representatives, reminding readers about VCE and the values they share with the brand
3. Build social media following – with interesting news and information about the program and clean energy more generally

4. Organize digital media campaign for UltraGreen awareness/opt up in Spring/early Summer months
5. Create collateral and SWAG for Spring event appearances: static cling window stickers, yard signs, etc.
6. Design UltraGreen (3 Good Reasons) booklet, Fingertip Facts, quarterly newsletter
7. Research best opportunities for Earth Day support/sponsorships
8. Determine schedule for pertinent Spring/Early Summer events that can be sponsored by VCE, and whether materials are needed

As Time & Budgets Permit
With immediate needs met and/or planned for, we can turn our efforts to less time-sensitive outreach materials, including:

1. Planned photography of UltraGreen champions for use in digital and/or print ad campaign, and on website and newsletters
2. Collection of testimonials (some of which correspond to photography above) to publish on website, social media and quarterly newsletter
3. Research local sporting events, festivals, farm days, business fairs at which to table and promote the brand
4. Revisit key stakeholder groups to reacquaint them with the program benefits and attributes
5. Conduct market segmentation studies to assess awareness of program benefits
6. Update targeted collateral for agriculture, business, seniors
7. Design additional collateral pieces to promote products, programs, etc.
8. Negotiate PSA announcements, radio interviews, press interviews with Board members and senior staff to promote the brand and deepen understanding of program benefits
9. Design “at-a-glance” collateral that simply and clearly explains the values and accomplishments of the program to date
10. Research GHG savings realized in Marin when municipalities all opted up, as incentives to present within Yolo County towards a similar end
11. Create additional banners and display pieces to promote UltraGreen and brand benefits
12. Continue to build out and update website pages, focusing on customer stories, EV infrastructure, program expansion and accomplishments, etc.
13. Design paid advertising campaign that features brand champions talking about why they love the program
14. Create a campaign specifically targeted to recapture those who have opted out, simply because they didn’t understand the benefits of the program.
15. Prepare benefits and accomplishments info sheet on a running basis, to help neighboring communities realize why they might want to join VCE

9. Success Measurements

Program effectiveness is measured in a number of ways. Tracking opt-outs and opt-ups is one way. Noting the tone of customer communication, both in writing and at Board Meetings, is another. Engaging people at events to gauge their level of understanding and appreciation for the program is another.

Here are some measurements that will serve as a barometer for the effectiveness of the outreach campaign, while measuring customer acceptance of the program. Some of these are quantitative; others are more qualitative, offering a look at general perceptions.

1. Residential and business opt-out rates (by community and segment, if possible)
2. Residential and business opt-up rates (by community and segment, if possible)
3. Social media followers
4. Social media conversations, engagement, and viral spread
5. Website traffic, usage, and patterns
6. Email sign-ups and engagement
7. Attendance at meetings and events
8. Advertising reach, impressions, and effectiveness
9. Media coverage and interviews
10. Neighboring community requests to join

Throughout the life of the campaign, Green Ideals will engage in ongoing tracking and evaluation, and will create reports with both detailed and summary information. Tracking and reporting these indicators on a monthly basis will inform the Board of Directors, CAC and/or OTG, and will enable the team to make adjustments to strategies, tactics, and messages during the outreach campaign.