Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, April 11, 2024 at 5:30 p.m.
City of Davis Community Chambers
23 Russell Blvd., Davis, California 95616

Board Members will be attending in-person and public participation will be in-person and available via Zoom Webinar (video/teleconference). VCE will, to the best of its ability, provide hybrid and remote options for VCE meeting participants and to the public; however, VCE cannot guarantee these options will be available due to technical limitations outside of our control. For assurance of public comment, VCE encourages in-person and written public comments to be submitted as described below when possible. VCE, to the best of its abilities, will provide participation via the Zoom platform.

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

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.

Members of the public who wish to listen to the Board of Director's meeting may do so with the video/teleconferencing call-in number and meeting ID code. Video/teleconference information below to join meeting:

Join meeting via Zoom:

a. **From a PC, Mac, iPad, iPhone, or Android device with high-speed internet. (If your device does not have audio, please also join by phone.)**
   https://us02web.zoom.us/j/87196674325
   Meeting ID: 871 9667 4325
b. **By phone**
   One tap mobile:
   +1-669-900-9128,, 87196674325# US
   +1-669-444-9171,, 871966784325# US

Dial:
+1-669-900-9128 US
+1-669-444-9171 US
Meeting ID: 871 9667 4325

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

Board Members: Lucas Frerichs (Yolo County, Chair), Bapu Vaitla (City of Davis, Vice Chair), Tom Stallard (City of Woodland), Jesse Loren (City of Winters), Jim Provenza (Yolo County), Will Arnold (City of Davis), Tania Garcia-Cadena (City of Woodland), Albert Vallecillo (City of Winters)

Alternate Board Members: Angel Barajas (Yolo County), Mayra Vega (City of Woodland), Donna Neville (City of Davis)

5:30 p.m. Call to Order

1. **Welcome / Oath of Office to new Board Member(s). (Government Code § 1362)**
2. **Recognition of Service of Community Advisory Committee Member Marsha Baird**
3. **Public Comment:** This item is reserved for persons wishing to address the Board on any VCE-related matters that are not otherwise on this meeting agenda or are listed on the Consent portion of the agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to two minutes per speaker, electronically submitted comments should be limited to approximately 300 words. Comments that are longer than 300 words will only be read for two minutes. All electronically submitted comments, whether read in their entirety or not, will be posted to the VCE website within 24 hours of the conclusion of the meeting. See below under **PUBLIC PARTICIPATION** on how to provide your public comment.

CONSENT AGENDA

4. **Approve January 11, 2024 Board meeting Minutes.**
5. **Receive 2024 long range calendar.**
6. **Receive financial updates: A) January 31, 2024 and B) February 29, 2024 unaudited financial statements.**
7. **Receive legislative update provided by Pacific Policy Group.**
8. **Receive April 3, 2024 regulatory update provided by Keyes & Fox.**
9. **Receive Community Advisory Committee January 25, 2024, February 22, 2024 and March 28, 2024 meeting summaries.**
10. **Receive Customer participation update.**
11. **Receive Strategic Plan update.**
12. **Receive Enterprise Risk Management report.**
13. **Adopt updated Conflict of Interest Code. (Action)**
14. **Authorize participation in California Community Power exploration and solicitation for Build-Own-Transfer projects and approve budget amendment. (Action)**

15. **Approve the extension of amended and restated credit agreement with River City Bank. (Action)**
16. **Receive draft Load Management Standard (LMS) plan update.**

REGULAR AGENDA

17. **Receive Calendar Year 2023 Audited Financial Statements.**
18. **Approve 2023 Net Margin allocation.**
19. **Receive update on Electrification Retrofit Rebate Outreach (ERRO) Program and take the following actions:**
    a. **approve Amendment 1 to SMUD Agreement Task Order 8 (Consulting Services) for Concierge Services; and,**
    b. **approve ERRO Programs and Concierge Service budget and 2024 Programs budget transfer.**
20. **Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.
21. **Announcement/Adjournment:** The Board's next regular meeting is scheduled for Thursday, May 9, 2024 to be held at City of Woodland Council Chambers located at 300 First Street, Woodland, California 95695.

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

Public participation via e-mail: If you have anything that you wish to be distributed to the Board and included in the official record, please e-mail it to VCE staff at Meetings@ValleyCleanEnergy.org . If information is received by 3:00 p.m. on the day of the Board meeting it will be e-mailed to the Board members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting. Written public comments that do not exceed 300 words will be read by the VCE Board Clerk, or other assigned VCE staff, to the Board and the public during the meeting subject to the usual time limit for public comments [two (2) minutes]. General written public comments will be read during Item 3, Public Comment. *Written public comment on individual agenda items should include the item number in the "Subject" line for the e-mail and the Clerk will read the comment during the item.* All written comments received will be posted to the VCE website.

Verbal public participation during the meeting:

1) **If attending in person**, please complete a **Comment Card** and return it to the Board Clerk.
2) **If attending remotely via Zoom**, there are two (2) ways for the public to provide verbal comments:
    A. If you are attending by computer, activate the "participants" icon at the bottom of your screen, then raise your hand (hand clap icon) under "reactions". When called upon, you will be "unmuted" to allow to speak.
    B. If you are attending by phone only, you will need to press *9 to raise your hand. When called upon, press *6 to unmute your microphone.

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

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk / Administrative Analyst

SUBJECT: Approval of Minutes from January 11, 2024 meeting

DATE: April 11, 2024

RECOMMENDATION

Receive, review and approve the attached January 11, 2024 meeting Minutes.

Attachment: January 11, 2024 meeting Minutes

VALLEY CLEAN ENERGY

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING
THURSDAY, JANUARY 11, 2024

The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular meeting for Thursday, January 11, 2024 at 5:30 p.m. to be held at City of Woodland Council Chambers located at 300 First Street, Woodland, California 95695. VCE Chair Tom Stallard stablished that there was a quorum present and began the meeting at 5:31 p.m.

Board Members Present:	Tom Stallard, Lucas Frerichs, Jesse Loren, Bapu Vaitla, Tania Garcia-Cadena, Albert Vallecillo (alternate – City of Winters), Will Arnold
Members Absent:	Jim Provenza

Welcome and Board Clerk Administering the Oath of Office to new Member(s)	Chair Stallard welcomed the Board Members. He informed those present that there were no new Board Members present for the Board Clerk to give the Oath of Office to.
Election of Officers for 2024	Chair Stallard made a motion to nominate Lucas Frerichs (Yolo County) as VCE Board Chair and Bapu Vaitla (City of Davis) as VCE Board Vice Chair for the 2024 calendar year, seconded by Director Arnold. Motion passed with Director Provenza absent.
Public Comment – General and Consent	There were no verbal or written public comments.
Approval of Consent Agenda / Resolutions 2024-001	Motion made by Director Loren to approve the consent agenda items, seconded by Director Arnold. Motion passed with Director Provenza absent. The following items were: 5. approved December 14, 2023 Board meeting Minutes; 6. received 2024 long range calendar; 7. receive financial update: November 30, 2023 (unaudited) financial statement; 8. received December 2023 regulatory update dated January 3, 2024 provided by Keyes & Fox; 9. received updated Community Advisory Committee December 21, 2023 meeting summary; 10. received quarterly customer participation update; and 11. approved VCE Employee Handbook updates as Resolution 2024-001.

Item 12: Consider 2024 customer rates adjustment.	VCE Executive Officer Mitch Sears introduced this item and provided a brief background on bringing this item to the Board. VCE Director of Finance and Internal Operations Edward Burnham summarized VCE's cost-based rate policy; reviewed key objectives of VCE's 2024 rates and budget; reviewed the long-term outlook on fixed power purchase agreement (PPA) prices; reviewed updated multi-year forecast; and, reviewed key considerations of the proposed rate adjustment and additional rate relief steps. The Board and Staff discussed: outreach to customers on rate credits; general differences between VCE and PG&E; the possibility of increasing the rate credit to 1.5%; dividends and who would be eligible; and, the possibility of providing a rate credit to CARE/FERA customers. Director Stallard made a motion to approve staff's recommendation and provide an additional 1% credit to CARE/FERA customers, Director Arnold seconded the motion. There were no verbal public comments. Written Public comment: The Board Clerk received written public comment dated January 10, 2024 from Christine Shewmaker on this Board item, which was forwarded to the VCE Board. Due to the public comment time limit, a partial reading of the written public comment was read into the record. As with all written public comment, it will be posted to the VCE website. Motion made by Director Stallard to: 1. Approve a 1% average generation rate credit effective February 1, 2024, for VCE customer Standard Green customers. 2. Increase CARE/FERA generation rate credit by 1%. 3. Approve a 2024 Budget reduction in customer revenues by $1,300,000 (~5 operating days cash). This motion was seconded by Director Arnold. Motion passed by the following vote: AYES: Vaitla, Stallard, Loren, Arnold, Garcia-Cadena, Vallecillo (Alt.), Frerichs NOES: None ABSENT: Provenza ABSTAIN: None
Item 13: Receive 2023 customer year-end review and recap presentation. (Information)	Mr. Sears introduced this item. He provided an overview of VCE's impact on the community in customer savings and reinvestment programs. VCE Chief Operating Officer Gordon Samuel reviewed VCE's power portfolio highlighting that VCE has a new target of 100% renewables with a 25% local storage component; VCE had a successful transition from SMUD to The

Energy Authority (TEA) for wholesale energy work resulting in cost savings, efficiencies and additional services; and, that the Gibson (Yolo County) project received final permit approvals and VCE is pursuing microgrid funding opportunities. Mr. Samuel provided highlights of the Resurgence and Willy 9 Chap 2 projects. VCE Staff Director of Customer Care and Marketing Rebecca Boyles reviewed VCE's successes on events held, media, and customer inquiries; provided highlights of VCE's 5-Year Anniversary event, media and impact exposure; and, provided highlights of the customer service representatives interactions with Customers. Ms. Boyles reviewed website analytics and provided highlights of VCE's programs: EV Rebate, AgFIT, Ohm Connect, energy efficiency, and SACOG funded EV Charger installation within VCE's jurisdictions. Mr. Burnham provided highlights of VCE's financial successes.

The Board and Staff briefly discussed the timeline for reaching 100% renewable. The Board thanked Staff for leading the charge statewide and for its successes this past year. There were no verbal or written public comments.

Item 14: Board Member and Staff Announcements	There were no announcements from the Board. Mr. Sears announced that it was Edward Burnham's 3rd anniversary with VCE and congratulated him. He informed those present that CalCCA's Lobby Day has been scheduled for mid-February and their Annual Conference has been scheduled for mid-April. VCE Staff has been having discussions with Yolo Housing and has been monitoring Resource Adequacy (RA) proceedings.
Announcement / Adjournment	The Board's next regular meeting is scheduled for Thursday, February 8, 2024 at 5:30 p.m. at the City of Davis Community Chambers located at 23 Russell Boulevard, Davis, California 95616. There being no further business to discuss the meeting was adjourned at 6:28 p.m.

Alisa M. Lembke
VCEA Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 5

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Board and Community Advisory Committee 2024 Long-Range Calendar

DATE: April 11, 2024

Recommendation

Receive and file the 2024 Board and Community Advisory Committee long-range calendar listing proposed meeting topics.

Attachment: 2024 Board and CAC long range calendar

VALLEY CLEAN ENERGY

2024 Meeting Dates and *Proposed* Topics
Board and Community Advisory Committee (CAC)
(Note: Meeting locations and Topics are subject to change)

MEETING DATE		TOPICS	ACTION
January 11, 2024	**Board (Woodland)**	• Oaths of Office for Board Members [new Members(s) only] • Election of Officers for 2024 (Annual) • 2023 Year End Review: Customer Care and Marketing • Customer Participation Update	• Action • Nominations • Information • Information
January 25, 2024	**Advisory Committee (Woodland)**	• Customer Participation Update • Brown Act & Social Media Platforms • Review CAC Task Group "Charges" • AgFIT (Agriculture Flexible Irrigation Technology) Pilot Program – How it works • 2024 Budgets and Rates	• Information • Information • Discussion/Action • Information • Information
~~February 8, 2024~~ **CANCELLED**	**Board (Davis)**	• **MEETING CANCELLED**	
February 22, 2024	**Advisory Committee (Davis)**	• Strategic Plan Update (Annual) • Electrification Retrofit Rebate Outreach (ERRO) / Concierge Service (received public comment, tabled item) • Resource Adequacy – Slice of Day	• Information • Discussion/Action • Information
March 14, 2024 **CANCELLED**	**Board (Woodland)**	• Cancelled due to a lack of quorum	
March 28, 2024	**Advisory Committee (Woodland)**	• Electrification Retrofit Rebate Outreach (ERRO) / Concierge Service • 2023 Net Margin Allocation • BioMAT Program	• Discussion/Action • Discussion • Information
April 11, 2024	**Board (Davis)**	• Strategic Plan Update (Annual) • Receive Enterprise Risk Management Report (Bi-Annual) • Customer Participation update (1st Quarter 2024) • Update to VCE Conflict of Interest Code	• Information • Information • Information • Action

		• Calendar Year 2023 Audited Financial Statements (James Marta & Co.) • 2023 Net Margin Allocation • ERRO/Concierge Service	• Action • Discussion/Action • Discussion/Action
April 16 – 18, 2024	**CalCCA Annual Conference San Jose**	VCE Staff and some Board and CAC members attending	
~~April 25, 2024~~	**Advisory Committee (Davis)**	• NO MEETING	•
May 9, 2024	**Board (Woodland)**	• Update on SACOG Grant – Electrify Yolo • Resource Adequacy "Slice-of-Day" • 2023 Net Margin Allocation • Load Management Standards Plan • Recap of CalCCA April 2024 Annual Conference • BioMAT Program (placeholder)	• Information • Information • Discussion/Action • Discussion/Action • Information • Information/Discussion
May 23, 2024	**Advisory Committee (Yolo County Community Services Dept., Cache Creek Room, Woodland)**	• Load Management Standards • Customer Participation update (1st Quarter 2024) • Reserves Policy / Dividend Program update	• Information • Information • Discussion/Action
June 13, 2024	**Board (Davis)**	• Re/Appointment of Members to Community Advisory Committee (Annual) • Customer Participation Update • Mid-Year 2024 Financial Update • Legislative update	• Action • Information • Information • Information
June 27, 2024	**Advisory Committee (Davis)**	• Power Procurement / Renewable Portfolio Standard Update • Outreach and Marketing Plan (placeholder) • Customer Participation Update	• Information • Discussion/Action • Information

*No meeting unless an urgent matter needs to be addressed

July 11, 2024	**Board (Woodland)**	• Status of SACOG Grant – Electrify Yolo • Customer Participation Update (2nd Quarter 2024) • Power Portfolio Renewable Content Update (*placeholder*) • Outreach and Marketing Plan (placeholder)	• Information/Discussion/Action • Information • Information/Discussion • Discussion/Action
~~July 25, 2024~~	**Advisory Committee (Woodland)**	• NO MEETING*	
August 8, 2024	**Board (Davis)**	• NO MEETING*	
August 22, 2024	**Advisory Committee (Davis)**	• Customer Participation Update (2nd Quarter 2024)	• Information
September 12, 2024	**Board (Woodland)**	• Certification of Standard and UltraGreen Products / 2023 Power Content Label (Annual) • Enterprise Risk Management Update (Bi-annual)	• Action • Information
September 26, 2024	**Advisory Committee (Woodland)**	• Receive Board Staff Report on Certification of Standard and UltraGreen Products / 2023 Power Content Label	• Information/Discussion
October 10, 2024	**Board (Davis)**	• Update on SACOG Grant – Electrify Yolo • 2024 Operating Budget Update and 2025 preliminary Operating Budget • Customer Participation Update (3rd Quarter 2024) • Progress Update on Programs Plan and 2025 program concepts • Legislative End of Session Update	• Information • Information • Information • Discussion/Action • Information
October 24, 2024	**Advisory Committee (Davis)**	• 2023 Power Content Label outreach • Customer Participation Update (3rd Quarter 2024) • Draft 2025 Legislative Platform	• Information • Information • Discussion/Action
November 14, 2024	**Board (Woodland)**	• 2025 Operating Budget Update • 2023 Power Content Label outreach • 2025 Legislative Platform	• Information/Discussion • Information • Discussion/Action
~~November 28, 2024~~ **November 21, 2024** **(rescheduled to November 21 due to Thanksgiving holiday on Nov. 28th)**	**Advisory Committee (Woodland)**	• GHG Free Attributes • Legislative End of Session Update • 2025 Budget Update/Preview • Review and finalize CAC Task Group Year-end Reports	• Information • Information • Information • Discussion

*No meeting unless an urgent matter needs to be addressed

December 12, 2024	**Board (Davis)**	• Approve 2025 Operating Budget (Annual) and 2025 Customer Rates • GHG Free Attributes • Receive VCE Grant/Program activity summary • Receive CAC Year-end Task Group Reports	• Discussion/Action • Action • Information • Information
~~December 26, 2023~~ **December 19, 2024 (rescheduled to December 19 due to Christmas holiday on Dec. 25th)**	**Advisory Committee (Davis)**	• 2025 CAC Task Group(s) formation (Annual) • Power Procurement / Renewable Portfolio Standard Update • Election of Officers for 2025 (Annual)	• Discussion/Action • Information • Nominations
January 9, 2025	**Board (Woodland)**	• Oaths of Office for Board Members (Annual - new Members only) • Election of Officers for 2025 (Annual) • Customer Participation Update (4th Quarter 2024) • 2024 Year in review: Customer Care & Marketing	• Action • Nominations • Information • Information
January 23, 2025	**Advisory Committee (Woodland)**	• Rates/Budget 2025 Update • Customer Participation Update (4th Quarter 2024) • Review 2025 Task Group "Charges"	• Information • Information • Discuss/Action

CAC *PROPOSED* FUTURE TOPICS **Topics and Discussion dates may change as needed**	***ESTIMATED* MEETING DATE(S)**
Electric Vehicle Rebate Program – Phase 2	TBD
Inflation Reduction Act (IRA) opportunities	TBD
Regionalization (Information)	TBD
Self Generation Incentive Program (SGIP)	TBD
Agri-voltaics (for information only)	TBD
Status of Net Billing Tariff (NBT)/Solar Billing Plan (SBP) (as needed)	
Legislative Items (as needed)	

*No meeting unless an urgent matter needs to be addressed

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6A

TO: Board of Directors

FROM: Mitch Sears, Executive Director
Edward Burnham, Finance and Operations Director

SUBJECT: Financial Update – January 31, 2024 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2024

DATE: April 11, 2024

RECOMMENDATION:
Accept the following Financial Statements (unaudited) for the period of January 1, 2024 to January 31, 2024 (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2024.

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, 2024.

<u>Financial Statements for the period January 1, 2024 – January 31, 2024</u>
In the Statement of Net Position, VCE, as of January 30, 2024, has a total of $29,745,132 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account, and $1,800,000 restricted assets related to supplier deposits. On January 31, 2022, VCE's net position was $39,904,384.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded $ 6,664,815 of revenue (net of allowance for doubtful accounts), of which $6,947,209 was billed in January, and $3,434,034 represent estimated unbilled revenue. The cost of electricity for the January revenue totaled

$2,773,970. For January, VCE's gross margin was approximately 52% and the net income totaled $3,477,936. The year-to-date change in net position was 3,477,936.

In the Statement of Cash Flows, VCE cash flows from operations were $2,214,511 due to January cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending January 31, 2024

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

- Electric Revenue – ($293,185) and -4% – Unfavorable variance due to retail load variance lower than forecasted due to mild and wet winter.

- Purchased Power – ($2,066,030) and -46% – favorable mainly due to budgeted renewable energy certificates not procured, lower load due to mild and wet winter, and lower energy prices.

- Reimbursable Revenues & Programs $300,000 (AgFIT) – Net Neutral Variance - Reimbursable revenues and associated program costs from timing differences.

Attachments:

1) Financial Statements (Unaudited) January 1, 2024 to January 31, 2024 (with comparative year to date information.)
2) Actual vs. Budget for the year to date ending January 31, 2024

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2024

PREPARED ON APRIL 5, 2024

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
January 31, 2024
(UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 29,745,132
Accounts receivable, net of allowance	9,903,431
Accrued revenue	3,022,275
Prepaid expenses	67,688
Inventory - Renewable Energy Credits	-
Other current assets and deposits	3,700,487
Total current assets	46,439,014
Restricted assets:	
Debt service reserve fund	1,100,000
Total restricted assets	1,100,000
TOTAL ASSETS	$ 47,539,014
LIABILITIES	
Current liabilities:	
Accounts payable	$ 508,562
Accrued payroll	70,561
Interest payable	-
Due to member agencies	(1,723)
Accrued cost of electricity	3,120,839
Other accrued liabilities	2,088,083
Security deposits - energy supplies	1,800,000
User taxes and energy surcharges	48,308
TOTAL LIABILITIES	$ 7,634,630
NET POSITION	
Net position:	
Local Programs Reserve	$ 840,000
Restricted	1,100,000
Unrestricted	37,964,384
TOTAL NET POSITION	$ 39,904,384

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENDITURES AND
January 31, 2024
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING January 31, 2024	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 6,664,815	$ 6,664,815
Other revenue	-	-
TOTAL OPERATING REVENUES	6,664,815	6,664,815
OPERATING EXPENSES		
Cost of electricity	2,773,970	2,773,970
Contract services	189,745	189,745
Staff compensation	139,390	139,390
General, administration, and other	134,462	134,462
TOTAL OPERATING EXPENSES	3,237,567	3,237,567
TOTAL OPERATING INCOME (LOSS)	3,427,249	3,427,249
NONOPERATING REVENUES (EXPENSES)		
Interest income	50,688	50,688
Interest and related expenses	-	-
Other Non Operating Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	50,688	50,688
CHANGE IN NET POSITION	3,477,936	3,477,936
Net position at beginning of period	-	36,426,448
Net position at end of period	$ 3,477,936	$ 39,904,384

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
January 31, 2024
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING January 31, 2024	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 6,664,815	$ 6,664,815
Payments received from other revenue sources	-	-
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(3,986,707)	(3,986,707)
Payments for contract services, general, and adminstration	(324,207)	(324,207)
Payments for member agency services	-	-
Payments for staff compensation	(139,390)	(139,390)
Return of security deposits to energy suppliers	-	-
Other cash payments	-	-
Net cash provided (used) by operating activities	2,214,511	2,214,511
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	-	-
Interest and related expenses	-	-
Other Non Operating Revenue	-	-
Net cash provided (used) by non-capital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
Net cash provided (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	50,688	50,688
Net cash provided (used) by investing activities	50,688	50,688
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,265,199	2,265,199
Cash and cash equivalents at beginning of period	28,579,933	28,579,933
Cash and cash equivalents at end of period	30,845,132	30,845,132
Cash and cash equivalents included in:		
Cash and cash equivalents	29,745,132	29,745,132
Restricted assets	1,100,000	1,100,000
Cash and cash equivalents at end of period	$ 30,845,132	$ 30,845,132

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING January 31, 2024	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 3,427,249	$ 3,427,249
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Revenue reduced for uncollectible accounts		
(Increase) decrease in net accounts receivable	(411,608)	(411,608)
(Increase) decrease in accrued revenue	(411,759)	(411,759)
(Increase) decrease in prepaid expenses	(2,940)	(2,940)
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	28,459	28,459
Increase (decrease) in accounts payable	(62,506)	(62,506)
Increase (decrease) in accrued payroll	(7,739)	(7,739)
Increase (decrease) in due to member agencies	5,855	5,855
Increase (decrease) in accrued cost of electricity	(335,205)	(335,205)
Increase (decrease) in other accrued liabilities	-	-
Increase (decrease)security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	-	-
Increase (decrease) in security deposits from energy suppliers		-
Increase (decrease) in user taxes due to other governments	(15,295)	(15,295)
Increase (decrease) in advances from public purpose programs		-
Net cash provided (used) by operating activities	$ 2,214,511	$ 2,214,511

VALLEY CLEAN ENERGY
2024 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 01/31/24

Description	YTD Actuals	YTD Budget	YTD Variance	% over /-under
Total Revenues	$ 6,715,533	$ 7,300,000	$ (584,467)	-8%
Electric Revenue	$ 6,664,845	$ 6,958,000	$ (293,155)	-4%
Interest Revenues	$ 50,688	$ 40,000	$ 10,688	27%
Reimbursable Revenues	$ -	$ 302,000	$ (302,000)	-100%
Purchased Power	$ 2,773,970	$ 5,082,000	$ (2,308,030)	-45%
Purchased Power Base	$ 2,773,970	$ 4,840,000	$ (2,066,030)	-43%
Purchased Power Contingency 5%	$ -	$ 242,000	$ (3,238)	-1%
Labor & Benefits	$ 134,462	$ 136,000	$ (1,538)	-1%
Salaries & Wages/Benefits	$ 110,300	$ 112,000	$ (1,700)	-2%
Contract Labor	$ -	$ 17,000	$ (17,000)	-100%
Human Resources & Payroll	$ 24,162	$ 7,000	$ 17,162	245%
Office Supplies & Other Expenses	$ 16,976	$ 24,700	$ (7,724)	-31%
Technology Costs	$ 5,344	$ 3,200	$ 2,144	67%
Office Supplies	$ 680	$ 1,000	$ (320)	-32%
Travel	$ -	$ 500	$ (500)	-100%
CalCCA Dues	$ 10,752	$ 12,000	$ (1,248)	-10%
CC Power	$ -	$ 7,500	$ (7,500)	-100%
Memberships	$ 200	$ 500	$ (300)	-60%
Contractual Services	$ 175,784	$ 182,650	$ (6,866)	-4%
Other Contract Services (e.g. IRP)	$ -	$ 2,500	$ (2,500)	-100%
Don Dame	$ 380	$ 1,800	$ (1,420)	-79%
Wholesale Energy Services (TEA)	$ 48,290	$ 68,250	$ (19,960)	-29%
2030 100% Renewable & Storage	$ -	$ 2,500	$ (2,500)	-100%
Customer Support Call Center	$ 76,282	$ 67,000	$ 9,282	14%
Operating Services	$ 22,310	$ 5,000	$ 17,310	346%
Commercial Legal Support	$ (7,776)	$ 2,000	$ (9,776)	-489%
Legal General Counsel	$ 2,295	$ 7,000	$ (4,705)	-67%
Regulatory Counsel	$ 1,095	$ 17,000	$ (15,905)	-94%
Joint CCA Regulatory counsel	$ 28,263	$ 1,600	$ 26,663	1666%
Legislative - (Lobbyist)	$ 10,500	$ 5,750	$ 4,750	83%
Accounting Services	$ (5,855)	$ 250	$ (6,105)	-2442%
Financial Consultant	$ -	$ 2,000	$ (2,000)	-100%
Audit Fees	$ -	$ -	$ -	100%
Marketing	$ 14,286	$ 25,000	$ (10,714)	-43%
Marketing Collateral	$ 14,286	$ 24,000	$ (9,714)	-40%
Community Engagement Activities & Sponsorships	$ -	$ 1,000	$ (1,000)	-100%
Programs	$ 81,679	$ 361,500	$ (279,821)	-77%
Program Costs (Rebates, Incentives, etc.)	$ 81,679	$ 60,000	$ 21,679	36%
AG Fit	$ -	$ 300,000	$ (300,000)	-100%
PIPP Program	$ -	$ 1,500	$ (1,500)	-100%
Rents & Leases	$ 14,040	$ 4,100	$ 9,940	242%
Hunt Boyer Mansion	$ 14,040	$ 2,100	$ 11,940	569%
Lease Improvement	$ -	$ 2,000	$ (2,000)	-100%
Other A&G	$ 25,723	$ 36,700	$ (10,977)	-30%
Development - New Members	$ -	$ 2,100	$ (2,100)	-100%
Strategic Plan Implementation	$ -	$ 6,400	$ (6,400)	-100%
PG&E Data Fees	$ 22,783	$ 24,000	$ (1,217)	-5%
Insurance	$ 2,940	$ 4,000	$ (1,060)	-27%
Banking Fees	$ -	$ 200	$ (200)	-100%
Miscellaneous Operating Expenses	$ 677	$ 1,000	$ (323)	-32%
Contingency	$ -	$ 20,000	$ (20,000)	-100%
	0	0		
TOTAL OPERATING EXPENSES	$ 3,237,597	$ 5,873,650	$ (2,636,053)	-45%
Interest on RCB Term loan	$ -	$ -	$ -	100%
Interest Expense - Bridge Loan \ Line of Credit	$ -	$ -	$ -	100%
NET INCOME	$ 3,477,936	$ 1,426,350		

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6B

TO: Board of Directors

FROM: Mitch Sears, Executive Director
Edward Burnham, Finance and Operations Director

SUBJECT: Financial Update – February 29, 2024 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending February 29, 2024

DATE: April 11, 2024

RECOMMENDATION:
Accept the following Financial Statements (unaudited) for the period of February 1, 2024 to February 29, 2024 (with comparative year to date information) and Actual vs. Budget year to date ending February 29, 2024.

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 February 29, 2024.

<u>Financial Statements for the period February 1, 2024 – February 29, 2024</u>
In the Statement of Net Position, VCE, as of February 30, 2024, has a total of $31,220,833 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account, and $1,800,000 restricted assets related to supplier deposits. On February 29, 2022, VCE's net position was $42,137,324.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded $ 6,570,991 of revenue (net of allowance for doubtful accounts), of which $6,204,705 was billed in February, and $3,747,873 represent estimated unbilled revenue. The cost of electricity for the February revenue totaled $3,965,304. For February, VCE's gross margin was approximately 40% and the net income totaled $2,236,212. The year-to-date change in net position was 5,714,148.

In the Statement of Cash Flows, VCE cash flows from operations were $1,425,314 due to February cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending February 29, 2024
Below are the financial statement line items with variances >$50,000 and 5%

- Electric Revenue – ($523,164) and -4% – Unfavorable variance due to retail load variance lower than forecasted due to mild and wet winter.

- Purchased Power – ($2,093,726) and -46% – favorable mainly due to budgeted renewable energy certificates not procured, lower load due to mild and wet winter, and lower energy prices.

- Reimbursable Revenues & Programs $600,000 (AgFIT) – Net Neutral Variance - Reimbursable revenues and associated program costs from timing differences.

Attachments:

3) Financial Statements (Unaudited) February 1, 2024 to February 29, 2024 (with comparative year to date information.)
4) Actual vs. Budget for the year to date ending February 29, 2024

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2024

PREPARED ON APRIL 5, 2024

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
February 29, 2024
(UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	31,220,833
Accounts receivable, net of allowance	9,993,098
Accrued revenue	3,747,874
Prepaid expenses	52,045
Inventory - Renewable Energy Credits	-
Other current assets and deposits	3,700,487
Total current assets	48,714,338
Restricted assets:	
Debt service reserve fund	1,100,000
Total restricted assets	1,100,000
TOTAL ASSETS	$ 49,814,338
LIABILITIES	
Current liabilities:	
Accounts payable	$ 500,603
Accrued payroll	91,984
Interest payable	-
Due to member agencies	(1,723)
Accrued cost of electricity	2,909,994
Other accrued liabilities	2,359,238
Security deposits - energy supplies	1,800,000
User taxes and energy surcharges	16,918
TOTAL LIABILITIES	$ 7,677,014
NET POSITION	
Net position:	
Local Programs Reserve	$ 840,000
Restricted	1,100,000
Unrestricted	40,197,324
TOTAL NET POSITION	$ 42,137,324

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENDITURES AND
February 29, 2024
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING February 29, 2024	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 6,570,991	$ 13,235,806
Other revenue	-	-
TOTAL OPERATING REVENUES	6,570,991	13,235,806
OPERATING EXPENSES		
Cost of electricity	3,965,304	6,739,273
Contract services	226,804	416,549
Staff compensation	135,165	274,555
General, administration, and other	57,894	192,356
TOTAL OPERATING EXPENSES	4,385,166	7,622,733
TOTAL OPERATING INCOME (LOSS)	2,185,825	5,613,073
NONOPERATING REVENUES (EXPENSES)		
Interest income	50,387	101,075
Interest and related expenses	-	-
Other Non Operating Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	50,387	101,075
CHANGE IN NET POSITION	2,236,212	5,714,148
Net position at beginning of period	3,477,936	36,423,176
Net position at end of period	$ 5,714,148	$ 42,137,324

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
February 29, 2024
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING February 29, 2024	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 6,570,991	$ 13,235,806
Payments received from other revenue sources	-	-
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(4,725,814)	(8,712,522)
Payments for contract services, general, and adminstration	(284,698)	(608,905)
Payments for member agency services	-	-
Payments for staff compensation	(135,165)	(274,555)
Return of security deposits to energy suppliers	-	-
Other cash payments	-	-
Net cash provided (used) by operating activities	1,425,314	3,639,825
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	-	-
Interest and related expenses	-	-
Other Non Operating Revenue	-	-
Net cash provided (used) by non-capital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
Net cash provided (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	50,387	101,075
Net cash provided (used) by investing activities	50,387	101,075
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,475,701	3,740,900
Cash and cash equivalents at beginning of period	30,845,132	28,579,933
Cash and cash equivalents at end of period	32,320,833	32,320,833
Cash and cash equivalents included in:		
Cash and cash equivalents	31,220,833	31,220,833
Restricted assets	1,100,000	1,100,000
Cash and cash equivalents at end of period	$ 32,320,833	$ 32,320,833

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING February 29, 2024	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 2,185,825	$ 5,613,073
Adjustments to reconcile operating income to net cash provided (used) by		
Depreciation expense		
Revenue reduced for uncollectible accounts		
(Increase) decrease in net accounts receivable	(181,487)	(593,095.56)
(Increase) decrease in accrued revenue	725,598	313,839.15
(Increase) decrease in prepaid expenses	(2,940)	(5,880.34)
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	(12,702)	15,756.69
Increase (decrease) in accounts payable	7,959	(54,547.41)
Increase (decrease) in accrued payroll	(18,150)	(25,888.91)
Increase (decrease) in due to member agencies	-	5,855.40
Increase (decrease) in accrued cost of electricity	(1,310,178)	(1,645,382.32)
Increase (decrease) in other accrued liabilities	-	-
Increase (decrease)security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	-	-
Increase (decrease) in security deposits from energy suppliers	-	-
Increase (decrease) in user taxes due to other governments	31,390	16,094.60
Increase (decrease) in advances from public purpose programs	-	
Net cash provided (used) by operating activities	$ 1,425,314	$ 3,639,825

VALLEY CLEAN ENERGY
2024 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 02/29/24

Description	YTD Actuals	YTD Budget	YTD Variance	% over /-under
Total Revenues	$ 13,336,911	$ 14,443,000	$ (1,106,089)	-8%
Electric Revenue	$ 13,235,836	$ 13,759,000	$ (523,164)	-4%
Interest Revenues	$ 101,075	$ 80,000	$ 21,075	26%
Reimbursable Revenues	$ -	$ 604,000	$ (604,000)	-100%
Purchased Power	$ 6,739,274	$ 9,275,000	$ (2,535,726)	-27%
Purchased Power Base	$ 6,739,274	$ 8,833,000	$ (2,093,726)	-24%
Purchased Power Contingency 5%	$ -	$ 442,000	$ (442,000)	-100%
Labor & Benefits	$ 269,627	$ 272,000	$ (2,373)	-1%
Salaries & Wages/Benefits	$ 217,751	$ 224,000	$ (6,249)	-3%
Contract Labor	$ -	$ 34,000	$ (34,000)	-100%
Human Resources & Payroll	$ 51,876	$ 14,000	$ 37,876	271%
Office Supplies & Other Expenses	$ 38,383	$ 49,400	$ (11,017)	-22%
Technology Costs	$ 13,953	$ 6,400	$ 7,553	118%
Office Supplies	$ 1,171	$ 2,000	$ (829)	-41%
Travel	$ -	$ 1,000	$ (1,000)	-100%
CalCCA Dues	$ 21,504	$ 24,000	$ (2,496)	-10%
CC Power	$ -	$ 15,000	$ (15,000)	-100%
Memberships	$ 1,755	$ 1,000	$ 755	76%
Contractual Services	$ 375,355	$ 365,300	$ 10,055	3%
Other Contract Services (e.g. IRP)	$ -	$ 5,000	$ (5,000)	-100%
Don Dame	$ 671	$ 3,600	$ (2,929)	-81%
Wholesale Energy Services (TEA)	$ 120,810	$ 136,500	$ (15,690)	-11%
2030 100% Renewable & Storage	$ -	$ 5,000	$ (5,000)	-100%
Customer Support Call Center	$ 149,123	$ 134,000	$ 15,123	11%
Operating Services	$ 22,340	$ 10,000	$ 12,340	123%
Commercial Legal Support	$ (6,020)	$ 4,000	$ (10,020)	-251%
Legal General Counsel	$ 8,638	$ 14,000	$ (5,362)	-38%
Regulatory Counsel	$ 21,581	$ 34,000	$ (12,419)	-37%
Joint CCA Regulatory counsel	$ 44,067	$ 3,200	$ 40,867	1277%
Legislative - (Lobbyist)	$ 16,500	$ 11,500	$ 5,000	43%
Accounting Services	$ (5,855)	$ 500	$ (6,355)	-1271%
Financial Consultant	$ -	$ 4,000	$ (4,000)	-100%
Audit Fees	$ 3,500	$ -	$ 3,500	100%
Marketing	$ 22,884	$ 50,000	$ (27,116)	-54%
Marketing Collateral	$ 22,884	$ 48,000	$ (25,116)	-52%
Community Engagement Activities & Sponsorships	$ -	$ 2,000	$ (2,000)	-100%
Programs	$ 86,627	$ 723,000	$ (636,373)	-88%
Program Costs (Rebates, Incentives, etc.)	$ 86,627	$ 120,000	$ (33,373)	-28%
AG Fit	$ -	$ 600,000	$ (600,000)	-100%
PIPP Program	$ -	$ 3,000	$ (3,000)	-100%
Rents & Leases	$ 15,990	$ 8,200	$ 7,790	95%
Hunt Boyer Mansion	$ 15,990	$ 4,200	$ 11,790	281%
Lease Improvement	$ -	$ 4,000	$ (4,000)	-100%
Other A&G	$ 51,446	$ 73,400	$ (21,954)	-30%
Development - New Members	$ -	$ 4,200	$ (4,200)	-100%
Strategic Plan Implementation	$ -	$ 12,800	$ (12,800)	-100%
PG&E Data Fees	$ 45,566	$ 48,000	$ (2,434)	-5%
Insurance	$ 5,880	$ 8,000	$ (2,120)	-27%
Banking Fees	$ -	$ 400	$ (400)	-100%
Miscellaneous Operating Expenses	$ 677	$ 2,000	$ (1,323)	-66%
Contingency	$ -	$ 40,000	$ (40,000)	-100%
	0	0		
TOTAL OPERATING EXPENSES	$ 7,600,263	$ 10,858,300	$ (3,258,037)	-30%
Interest on RCB Term loan	$ -	$ -	$ -	100%
Interest Expense - Bridge Loan \ Line of Credit	$ -	$ -	$ -	100%
NET INCOME	$ 5,736,648	$ 3,584,700		

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To:	Board of Directors
From:	Mark Fenstermaker, Pacific Policy Group
Subject:	Legislative Update – Pacific Policy Group
Date:	April 11, 2024

Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Legislative - Regulatory Task Group (LRTG) continues to meet and discuss legislative matters. Below is a summary:

April is one of the busiest months of the legislative session as it is the month in which policy committees consider introduced legislation. With over 1500 bills introduced this session, policy committees will be operating at full force to hear bills in accordance with the April 26 deadline for bills to move past the policy committee process. Certain bills have yet to propose the full policy content and use the committee process to begin putting flesh on the bone, so PPG and staff are on high alert to review bills as they are amended. In the energy policy space, there is a concerted focus of bills looking into the processes that the Investor-Owned Utilities utilize to propose rates. There are also proposals to revisit and potentially revise past decisions by and current proceedings at the PUC, most notably a proposal to cap the Income Graduated Fixed Charge and a proposal to reconsider the Net Energy Metering tariff.

April is also full of hearings in the budget process as the budget subcommittees vet the Governor's proposed budget. With the knowledge of the deficit has grown since Governor Newsom proposed his FY 24-25 budget, due to lower than estimated returns in January, the Senate proposed a suite of cuts to be taken as early action to reduce the problem the Legislature and Governor must solve before the Legislature's June 15 budget deadline. Termed "Shrink the Shortfall", the Senate mostly signed off on cuts proposed by the Governor that were seemingly easy to agree to. Not long after Shrink the Shortfall went public, Senate Pro Tem McGuire, Assembly Speaker Rivas, and Governor Newsom announced that an agreement had been reached on early action reductions. Final details are still being ironed out and a final bill has yet to be produced but one is anticipated in the next couple of weeks.

VCE staff, the LRTG and PPG are currently examining the following bills and expect to evaluate more bills as they are identified as of interest to VCE and CCAs.

1. SB 1305 (Stern) Virtual Power Plant Procurement Mandate
Summary: The bill would require the PUC to adopt virtual power plant (VPP) procurement targets applicable to the IOUs, which would beginning January 30, 2028 and each year

thereafter, be required to file a report with the PUC on its progress toward complying with the virtual power plant procurement targets.

CalCCA had some initial conversations with the author's office and the supposed sponsor, OhmConnect, to discuss the potential for amendments to remove the procurement mandate that had applied to CCAs. The amended version of the bill no longer applies to CCAs but it is one still to watch.

Additional Information

- Next Hearing: The bill will be heard Senate Energy, Utilities & Communications.
- VCE has yet to take an official position
- Bill language: SB 1305

2. AB 1999 (Irwin) Income Graduated Fix Charge (IGFC)

Summary: Current law requires the CPUC, no later than July 1, 2024, to authorize a fixed charge for default residential rates that are to be established on an income-graduated basis, with no fewer than 3 income thresholds, so that low-income ratepayers in each baseline territory would realize a lower average monthly bill without making any changes in usage. This bill would repeal the provisions described in the preceding sentence and would instead permit the commission to authorize fixed charges that, as of January 1, 2015, do not exceed $5 per residential customer account per month for low-income customers enrolled in the California Alternate Rates for Energy (CARE) program and that do not exceed $10 per residential customer account per month for customers not enrolled in the CARE program. The bill would authorize these maximum allowable fixed charges to be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year, beginning January 1, 2016.

In 2021, the Legislature passed AB 205, a budget trailer bill that enacted a number of energy related policies including the California Arrearage Payment Program, a new site certification process at the CEC, creation of the Strategic Reliability Reserve, an authorization to extend several once-through cooling plants, and an authorization for the CPUC to adopt new fixed charges on an income-graduated scale. The outcry from the public has emerged regarding an income-graduated fix charge as the CPUC has been working through its proceeding, and state legislators have been hearing from their constituents. AB 1999 is in response to the uproar, but it's a challenging position for legislators as many, including the author and many of the coauthors, voted for AB 205 back in 2021. The impact of the proposed IGFC on residential customers is that it appears to impact medium and low-income customers at a higher rate than anticipated, thus having the potential to impose a significant financial and affordability burden.

This bill, along with the other six bills introduced to deal with the IGFC issue, is an important issue for VCE to track, but at this time the consensus strategy of CalCCA and other CCAs is to not take a position on AB 1999 at this time. The CPUC recently released a proposed decision on the IGFC, which VCE and other CCAs are studying. It is unclear at this time how the proposed decision and the various bills will interact. This is definitely an issue to watch closely.

Additional Information

- Next Hearing: The bill will be heard Assembly Utilities & Energy
- VCE Position: Watch

- Bill language: AB 1999

3. AB 817 (Pacheco) Brown Act Exemption for Subsidiary Bodies

Summary: This bill, until January 1, 2026, would authorize a subsidiary, defined as a legislative body that serves exclusively in an advisory capacity and is not authorized to take final action on legislation, regulations, contracts, licenses, permits, or any other entitlements, to meet remotely and be exempt from the Brown Act requirements for notice, agenda, and public participation. In order to use the exemption, the bill would require the legislative body that established the subsidiary body by charter, ordinance, resolution, or other formal action to authorize, majority vote, the subsidiary body to use remote meetings before for the first time and every 12 months thereafter.

Additional Information

- Next Hearing: The bill will be heard Senate Local Government
- VCE Position: Watch
- CalCCA Position: Anticipated Support
- Bill Language: AB 817

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To:	Board of Directors
From:	Keyes & Fox, Regulatory Consultant
Subject:	Regulatory Monitoring Report – Keyes & Fox
Date:	April 11, 2024

Please find attached Keyes & Fox's March 2024 Regulatory Memorandum dated April 3, 2024 an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated April 3, 2024.

KEYES&FOX LLP

EQ Research

Valley Clean Energy Alliance

Regulatory Monitoring Report

To:	Valley Clean Energy Alliance (VCE) Board of Directors
From:	Sheridan Pauker, Partner, Keyes & Fox LLP Tim Lindl, Partner, Keyes & Fox LLP Jason Hoyle, Principal Analyst, EQ Research, LLC
Subject:	Monthly Regulatory Update
Date:	April 3, 2024

Keyes & Fox LLP and EQ Research LLC are pleased to provide VCE's Board of Directors with this informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC) over the past month.

Provider of Last Resort Rulemaking

Background: A Provider of Last Resort (POLR) is the utility or other entity that has the obligation to serve all customers (PG&E currently serves in this role for VCE's territory). Phase 1 of this proceeding will address POLR service requirements, cost recovery, and options to maintain GHG emission reductions in the event of an unplanned customer migration to the POLR. Phase 2 will build on Phase 1 to set the requirements and application process for non-IOU entities to serve as the POLR. Phase 3 will address specific issues not resolved in Phase 1 or 2.

Recent Developments: On March 14, the CPUC issued a Proposed Decision (PD) on Provider of Last Resort (POLR) policies, Financial Security Requirement (FSR) updates, a new financial monitoring process, and modifications to rules regarding CCA and ESP registration and deregistration. Under the Proposed Decision, CCAs will be required to meet a revised minimum FSR amount that is the greater of the current $147,000 or the per-account IOU fee multiplied by the number of CCA customers. **For VCE, the minimum FSR will increase from the current level of $147,000 to about $270,000** due to PG&E's per-account charge that is about 8-times higher than the same charge for SDG&E or SCE. CCAs will be provided an additional 30 days to comply with the first FSR posting and the new FSR will be due on the first day of the second month following the IOUs' initial FSR calculation; for example, the first FSR posting would be due January 1 if the IOU FSR calculations are filed in November. Under the Proposed Decision, CCAs will also be subject to financial monitoring by the Commission, which includes providing the Commission with the most recent audited financial statement twice per year, financial health tests that trigger reporting requirements and more stringent Tier 2 financial monitoring for CCAs that fail to satisfy one of the Tier 1 tests. A CCA has 10 days to confidentially report a failure to satisfy one of the Tier 1 financial health tests to the Commission or penalties of up to $1,000 per day apply. The development of guidelines or rules governing a customer's voluntary transfer from one CCA to another may be considered in a later phase of this proceeding. Finally, the Proposed Decision adopts CalCCA's recommendations for an enhanced CCA registration process including requirements for submission of a feasibility study and pro forma financial statements, including established annual assumptions, with the Implementation Plan and the creation of milestones for critical implementation actions. CCAs are required to submit a joint Tier 2 advice letter further developing these registration requirements.

Analysis: The Proposed Decision will significantly increase VCE's FSR amount, at least until PG&E's billing system automation upgrades are completed (potentially as soon as the end of 2025). The minimum FSR amount will likely increase because negative incremental procurement costs will no longer be netted against administrative costs.

Next Steps: The Proposed Decision may be heard as early as the April 18 Commission meeting. Comments on the Proposed Decision are due April 3 and reply comments are due April 8.

Additional Information: Proposed Decision / Appendix (Mar. 14, 2024); Amended Scoping Ruling and Memo (Jun. 19, 2023); OIR (Mar. 25, 2021); Docket No. R.21-03-011.

Demand Flexibility

Background: This rulemaking was opened to update the CPUC's rate design principles and guidance for advancing demand flexibility, and the proceeding may also modify, consolidate, or eliminate existing dynamic rate pilots. Phase 1-Track A will establish an income-graduated fixed charge (IGFC) for residential rates for all investor-owned electric utilities in accordance with Assembly Bill 205 (Stats. 2022, ch. 61). Phase 1-Track B first adopted rate design and demand flexibility principles and then expanded VCE's AgFIT Pilot.

Recent Developments: In Track B, on March 25, VCE submitted Advice Letter 17-E to expand and modify its AgFIT Pilot as required by D.24-01-032. On March 25, PG&E submitted AL 7222-E on the implementation of PG&E's expansion of the AgFIT pilot throughout its territory and Advice Letter 7223-E addressing pilot eligibility rules for customers participating in demand response programs. In Track A, on March 27, the CPUC issued a Proposed Decision (PD) addressing the income-graduated fixed charge (IGFC) for residential customers and other requirements of AB 205 (Stats. 2022, ch. 61). The Proposed Decision will set IGFCs for bundled customers of the IOUs at $6/month for CARE-enrolled customers, $12/month for FERA-enrolled customers, and $24.15/month for all other customers.
Analysis: The Proposed Decision's IGFCs are significantly lower than many party proposals recommended, and they are expected to reduce volumetric rates for bundled non-CARE/FERA IOU customers of PG&E by an average of $0.047/kWh, SCE by $0.046/kWh, and SDG&E by $0.068/kWh. The Proposed Decision reasons that higher fixed charges and lower volumetric rates supports beneficial electrification and decarbonization policies.
Next Steps: Protests of and responses to VCE's and PG&E's Advice Letters are due April 15, and the Advice Letters request effective dates of April 24, 2024. In Track A, a decision on IGFCs can be no earlier than May 9.
Additional Information: Proposed Decision (Mar. 27, 2024); PG&E AL 7223-E (Mar. 25, 2024); PG&E AL 7222-E (Mar. 25, 2024); VCE AL 17-E (Mar. 25, 2024); D.24-01-032 (Jan. 26, 2024); D.23-04-040 on electric rate design principles (May 3, 2023); D.23-04-008 (Apr. 14, 2023); Phase 1 Scoping Memo and Ruling (Nov. 2, 2022); OIR (Jul. 22, 2022); Docket No. R.22-07-005.

PG&E Asset Transfer

Background: This proceeding addresses PG&E's Application to transfer its non-nuclear generating assets to a new subsidiary, Pacific Generation, and sell up to 49.9% of its equity interest to third-party investors.
Recent Developments: On March 15, the ALJ issued a Proposed Decision that would deny, in its entirety, PG&E's Application to transfer its non-nuclear generation assets to Pacific Generation. The Proposed Decision concluded that PG&E's "novel and unprecedented" proposal could increase administrative costs and possibly rates by $3 million per year or more and that there was no information indicating whether the enterprise's post-transaction cost of debt would be reduced below the current cost of debt by an amount sufficient to offset the increase in administrative costs. The Commission's other primary concerns, highlighted throughout the Proposed Decision, include:
-PG&E failed to support its claims--there's just not enough on the record here.
-This transaction would create more complexity/burden (for the Commission, stakeholders, and the regulatory process generally).
-There are risks related to the Minority Investors (*e.g.*, issues related to conflicts of interest).
-This transaction might have jurisdictional impacts.
Analysis: CalCCA recommended that the Commission deny this Application in its entirety. The Proposed Decision adopted this recommendation and drew heavily from CalCCA's arguments in briefing to justify its rejection of the Application.
Next Steps: The Proposed Decision may be heard as soon as the April 18 Commission meeting. Comments on the Proposed Decision are due April 4 and reply comments are due April 9.
Additional Information: Proposed Decision (Mar. 15, 2024); ALJ Ruling granting Party Status to the tribal governments (Nov. 16, 2023); PG&E Response to Pit River Tribe and Potter Valley Tribe (Nov. 9, 2023); Motions for Party Status of Potter Valley Tribe and Pit River Tribe (Nov. 9, 2023); PG&E Notice (Jun. 8, 2023); ALJ Ruling (Mar. 30, 2023); Scoping Memo and Ruling (Jan. 20, 2023); PG&E Application (Sep. 28, 2022); Docket No. A.22-09-018.

IRP Rulemaking

Background: This proceeding governs the biennial Integrated Resource Plan (IRP) process, including load serving entity (LSE) procurement requirements, the establishment of a variety of state- and LSE-level load and procurement forecasts, greenhouse gas (GHG) reduction targets, and ongoing reliability obligations.
Recent Developments: No recent development in the past month.
Analysis: N/A
Next Steps: VCE's next IRP filing will be due no earlier than November 1, 2024, and as late as November 1, 2025; the Commission will set the exact deadline in an amended scoping memorandum that will be issued in this proceeding in mid-2024.
Additional Information: D.24-02-047 (Feb. 20, 2024); PG&E AL 7105-E (Dec. 19, 2023); D.23-12-014 (Dec. 19, 2023); ALJ Ruling and Supporting Material (Oct. 5, 2023); Scoping Memo and Ruling (Aug. 21, 2023); Joint Expedited Petition for Modification (Aug. 9, 2023); Petition for Modification (May 30, 2023); D.23-02-040 on Procurement (Feb. 28, 2023); ALJ Ruling & Reliable and Clean Power Procurement Program: Staff Options Paper (Sep. 8, 2022); D.22-05-015 (May 23, 2022); D.21-06-035 (Jun. 30, 2021); Scoping Memo (Sep. 24, 2020); Docket No. R.20-05-003.

NEW Diablo Canyon Cost Recovery

Background: This proceeding will determine the methodology for cost recovery and the allocation of costs and benefits associated with extended operations of the Diablo Canyon Power Plant (DCPP). These costs as well as resource adequacy (RA) and greenhouse gas-free benefits will be allocated to all retail customers, including CCA customers.
Recent Developments: PG&E's March 29 Application estimates a net revenue requirement of $418.4 million for extended operations at the Diablo Canyon Power Plant (DCPP), of which 55.5% is allocated to retail customers in PG&E's territory, 36% to retail customers in SCE's territory, and 8.5% to retail customers in SDG&E's territory. These costs will be recovered through a public purpose nonbypassable charge estimated at $2.07/month for non-CARE customers in PG&E territory, $1.25/month for non-CARE customers in SCE territory, and $0.87/month for non-CARE customers in SDG&E territory. Additionally, PG&E proposed an adjustment to the associated RA and GHG-free benefits that would increase the share of those benefits allocated within its territory in proportion to the higher share of costs allocated to customers in PG&E territory.
Analysis: Extended operations at the Diablo Canyon facility are considered essential for system reliability in the near term. PG&E's proposed adjustment to the allocation of benefits would more closely align the allocation of costs and benefits so that while customers in PG&E territory pay slightly higher costs they would also receive slightly more benefits.
Next Steps: Protests or responses are due 30 days from the date the Application first appears in the daily calendar (the Application has not yet been included in the daily calendar).
Additional Information: Application (Mar. 29, 2024); Docket No. A.24-03-018.

RPS Rulemaking

Background: This proceeding addresses ongoing Renewables Portfolio Standard (RPS) requirements, including legislative mandates, and other matters related to the purchase of renewable energy. This proceeding will be the forum for review of VCE's next RPS Procurement Plan and RPS Compliance reports.
Recent Developments: Opening comments on the OIR were filed on March 4 and reply comments were filed on March 14. A March 7 ALJ Ruling scheduled the prehearing conference for April 4.
Analysis: N/A
Next Steps: A prehearing conference is scheduled for April 4, which will be followed by a scoping memo and ruling in late Q1 or sometime in Q2.
Additional Information: ALJ Ruling (Mar. 7, 2024); OIR (Feb. 1, 2024); Docket No. R.24-01-017.

RA Rulemaking (2025-2026)

Background: This proceeding considers resource adequacy (RA) requirements for LSEs and will address the 2025 and 2026 RA compliance years, local RA procurement obligations for the 2025-2028 compliance years, and further development of the 24-hour Slice-of-Day (SOD) framework. Track 1 is focused on priority issues including RA capacity requirements, SOD framework implementation, and RA compliance and penalties. Track 2 is focused on Central Procurement Entity framework issues, including potential structural modifications, and Track 3 is focused on remaining RA capacity issues.
Recent Developments: Opening comments on Track 1 proposals were filed on March 8 and reply comments were filed on March 22. Party comments focused on issues related to SOD implementation, including whether to adopt hourly load transactability such that LSEs would be allowed to transfer hourly RA obligations to provide liquidity to the RA market (proposed by CalCCA), whether implementation of the SOD framework should be delayed until 2026 or later, whether the Commission should implement waivers for system or flexible RA obligations, the appropriate planning reserve margin, and whether the Commission should require further transparency on IOU management of RA resources. PG&E generally opposes delaying the implementation of SOD, system or flexible RA waivers, and further transparency. In Track 2, on March 18, an ALJ Ruling provided the Energy Division's Proposed Inputs & Assumptions for use in the Resource Adequacy Loss of Load Expectation (LOLE) Study.
Analysis: N/A
Next Steps: A proposed decision on Track 1 is expected in May and a final decision in June. The Test Year 2024 SOD Month Ahead showings are due to Energy Division on June 1 and September 1. Track 2 begins with an Energy Division report on the CPE framework expected in the first quarter of 2024, and proposals on the CPE framework and coordination with the IRP proceeding are due May 13. A report from the CAISO on local capacity requirements for 2025 is expected on April 4 and comments on the draft report are due April 19.
Additional Information: ALJ Ruling (Mar. 18, 2024); CalCCA Revised Proposal (Feb. 23, 2024); Staff Report (Appendices) on SOD (Jan. 22, 2024); CalCCA Proposal, CalAdvocates Proposal, WPTF Proposal (Jan. 19, 2024); (Scoping Memo and Ruling (Dec. 18, 2023); Cal CCA Opening Comments on OIR (Nov. 8, 2023); ALJ Ruling (Oct. 27, 2023); OIR (Oct. 16, 2023); Docket No. R.23-10-011.

Microgrids

Background: This proceeding was opened to implement the requirements of SB 1339 (Stern, 2018), requiring the commercialization of microgrids for distribution customers of the large IOUs. The initial three tracks have concluded, and Track 4 and Track 5 address the establishment of a Microgrid Incentive Program (MIP), potential contributions that microgrids can make to mitigating capacity shortages in the near-term, the development of a multi-property microgrid framework, and examination of the value of resiliency from microgrids.
Recent Developments: On March 27, the ALJ issued a Ruling requesting comment on stakeholder multi-property microgrid tariff proposals' alignment with the Commission's nine environmental and social justice (ESJ) action plan goals.
Analysis: N/A
Next Steps: Responses to ESJ questions on tariffs are due April 19. Comments on responses are due May 3 and reply comments are due May 17. The Joint Application for Rehearing is pending.
Additional Information: ALJ Ruling (Mar. 27, 2024); Microgrid Resources Coalition proposal, Green Power Institute proposal, Clean Coalition proposal (Dec. 15, 2023); PG&E MIP Handbook (Oct. 12, 2023); Scoping Memo and Ruling (Jul. 18, 2023); D.23-04-034 on Microgrid Incentive Program Implementation (Apr. 14, 2023); Docket No. R.19-09-009.

PG&E 2023 Phase 1 GRC

Background: Phase 1 General Rate Case (GRC) proceedings set PG&E's revenue requirement, including functionalizing costs into categories such as electric distribution or generation, and impact the costs recovered through rates from customers (e.g., bundled, unbundled, or both) for a set period (in this case, 2023-2026).
Recent Developments: Opening briefs on Phase II issues (pertaining to energization project costs) were filed on March 22.
Analysis: N/A
Next Steps: Reply briefs are due April 5, per a February 12 Ruling. A proposed decision is expected late in the second quarter of 2024.
Additional Information: Case Management Statement (Feb. 26, 2024); Third Amended Scoping Memo and Ruling (Dec. 22, 2023); D.23-11-069 / Appendices (Nov. 17, 2023); Second Amended Scoping Memo and Ruling (Oct. 10, 2023); Illustrative rates (Sep. 27, 2023); Scoping Memo and Ruling (Sep. 5, 2023); PG&E's Amended Application (Mar. 10, 2022); PG&E Application (Jun. 30, 2021); Docket No. A.21-06-021.

PG&E 2024 ERRA Forecast

Background: The annual Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the Power Charge Indifference Adjustment (PCIA) and other nonbypassable charges (NBCs) for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates.
Recent Developments: CalCCA, San Diego Community Power, and Clean Energy Alliance filed a Joint Prehearing Conference Statement in which the joint CCA Parties recommended the Commission consolidate the IOUs' ERRA Forecast proceedings for the sole purpose of addressing Track 2 issues, that the Commission not include the Replacement Resource Adequacy costs in Track 2 scoping issues, and that the Track 2 scope include vintaging of utility-owned generation and IOU procurement contracts and also address threshold questions related to fixed generation costs. The April 2 Scoping Memo and Ruling consolidated all thee major IOUs' ERRA forecast proceedings for the sole purpose of addressing issues related to the definition of and accounting for fixed generation costs.
Analysis: PG&E's identified preliminary Track 2 scoping issues are centered on "allocation methodologies for Common Costs and clarification on accounting for outage costs arising from Replacement RA requirements", which could impact the allocation of PCIA-eligible portfolio costs between bundled and unbundled (i.e. CCA) customers.
Next Steps: Intervenor testimony is due May 8, opening briefs are due June 25, and reply briefs are due July 10. A proposed decision is expected in September.
Additional Information: Scoping Memo and Ruling (Apr. 2, 2024); Joint Prehearing Conference Statement (Mar. 26, 2024); PG&E AL 7180-E (Feb. 15, 2024); D.23-12-022 (Dec. 19, 2023); ALJ Ruling (Dec. 18, 2023); ALJ Ruling (Nov. 20, 2023); Market Price Benchmarks (Oct. 2, 2023); Scoping Ruling and Memo (Sep. 15, 2023); ERRA Trigger Application (Jul. 28, 2023); CalCCA Protest (Jun. 16, 2023); PG&E 2024 ERRA Forecast Application (May 15, 2023); Docket No. A.23-05-012.

PG&E 2021 ERRA Compliance

Background: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the prior year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
Recent Developments: No recent developments in the past month.
Analysis: N/A
Next Steps: A proposed decision is expected in early 2024.

Additional Information: ALJ Ruling (Nov. 9, 2023); ALJ Ruling (Sep. 27, 2023); ALJ Ruling on schedule (Jan. 6, 2023); Assigned Commissioner's Scoping Memo and Ruling (Aug. 9, 2022); PG&E 2021 ERRA Compliance Application (Feb. 28, 2022); Docket No. A.22-02-015.

PG&E 2022 ERRA Compliance

Background: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the prior year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
Recent Developments: On March 1, CalCCA filed a Motion for Commission Review of certain evidentiary rulings – each related to PG&E's treatment of excess resource adequacy (RA) during 2022. On March 7, PG&E and CalAdvocates filed a Joint Motion for Adoption of Settlement that would resolve some issues of the moving Parties with respect to utility-owned nuclear generation, require PG&E to provide certain information in its 2024 ERRA Compliance filing as well as update its preliminary statement via advice letters, and under which CalAdvocates would withdraw its recommended disallowances. On March 15, an ALJ Ruling extended the deadline for briefings.
Analysis: N/A
Next Steps: The extended briefing deadlines are April 19 for Opening Briefs and May 20 for Reply Briefs. CalCCA's Motion for Commission Review remains pending.
Additional Information: ALJ Ruling (Mar. 15, 2024); PG&E and CalAdvocates Joint Motion for Settlement (Mar. 7, 2024); CalCCA Motion (Mar. 1, 2024); ALJ Ruling (Feb. 15, 2024); ALJ Ruling (Sep. 25, 2023); Scoping Memo and Ruling (Jun. 2, 2023); PG&E 2022 ERRA Compliance Application and Notice of Availability (Feb. 28, 2023); Docket No. A.23-02-018.

PG&E 2023 ERRA Compliance

Background: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the prior year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
Recent Developments: No recent developments in the past month.
Analysis: N/A
Next Steps: Protests and responses to the Application are due April 5.
Additional Information: PG&E 2023 ERRA Compliance Application (Feb. 28, 2024); Docket No. A.24-02-012.

EV Rates & Infrastructure

Background: This rulemaking is the successor to R.18-12-006 and will focus on issues related to 1) timely energization of electric vehicle (EV) charging, 2) transportation electrification grid planning to support charging infrastructure deployment, 3) deployment of behind-the-meter (BTM) charging infrastructure to support state goals, 4) vehicle-grid integration (VGI), and 5) ongoing transportation electrification policy development and collaboration.
Recent Developments: Draft Resolution E-5314, issued on March 8, would approve PG&E's nearly $18.8 million funding request in AL 6883-E (also AL 6883-E-A and AL 6883-E-B) for three-year a technical assistance advisory services program, Transportation Electrification Advisory Services (TEAS), to support medium-and heavy-duty (MDHD) vehicle customers.
Analysis: PG&E's technical advisory services would support planning and increased adoption of MDHD electric vehicles in the state and provide additional information for further evaluation of electric vehicle charging in this transportation sector.
Next Steps: A scoping memo and ruling from the Assigned Commissioner is expected May 28. The Draft Resolution is scheduled to be heard at the April 18 Commission meeting.
Additional Information: Draft Resolution E-5314 (Mar. 8, 2024); ALJ Ruling (Dec. 27, 2023); OIR (Dec. 20, 2023); Docket No. R.23-12-008.

Demand Response Programs (2023-2027)

Background: This proceeding addresses the IOUs' Demand Response (DR) Portfolio Applications required under D.17-12-003 for the years 2023-2027.
Recent Developments: Comments on the Proposed Decision that would sunset the Demand Response Auction Mechanism (DRAM) pilot programs of PG&E, SCE, and SDG&E were filed on March 21 and reply comments were filed on March 26.
Analysis: The Proposed Decision would terminate the DRAM pilots because they were not found to be successful, "particularly in the areas of performance and reliability."
Next Steps: The Proposed Decision on the DRAM may be heard as soon as the April 18 Commission meeting.

Additional Information: Proposed Decision on DRAM (Mar. 1, 2024); D.23-12-005 (Dec. 20, 2023); ALJ Ruling (Aug. 24, 2023); D.23-01-006 (Jan. 13, 2023); Scoping Memo and Ruling (Dec. 19, 2022); D.22-12-009 (Dec. 6, 2022); Ruling consolidating Applications (May 25, 2022); PG&E Application (May 2, 2022); Docket No. A.22-05-002.

Building Decarbonization

Background: This proceeding explores reduction of greenhouse gas (GHG) emissions associated with energy use in buildings. D.20-03-027 established the Building Initiative for Low-Emissions Development and the Technology and Equipment for Clean Heating program. D.21-11-002 adopted guiding principles for layering building decarbonization incentives, adopted incentives to help wildfire victims rebuild all-electric, and directed the IOUs to study bill impacts from electrification. The current Phase 3B will consider building decarbonization efforts regarding the reasonableness of modifying or ending electric line extension allowances, refunds, and discounts for “mixed-fuel” new construction (i.e., building projects that use gas and/or propane in addition to electricity).
Recent Developments: On March 13, TECH Clean California submitted its second Annual Report.
Analysis: N/A
Next Steps: Phase 3B concluded with issuance of D.23-12-037, and an updated scoping memo and procedural schedule is expected.
Additional Information: TECH Clean California Annual Report (Mar. 13, 2024); PG&E AL 7158-E (Jan. 29, 2024); D.23-12-037 (Dec. 21, 2023); Amended Scoping Memo and Ruling (Jul. 26, 2023); D.23-02-005 (Feb. 3, 2023); D.21-11-002 (Appendices A-E) Decision on Building Decarbonization Phase II (Nov. 9, 2021); D.20-03-027 Establishing Building Decarbonization Pilot Programs (Apr. 6, 2020); OIR (Feb. 8, 2019); Docket No. R.19-01-011.

Other Dockets

The following table identifies other tracked dockets that are closed or inactive.

Docket	Name	Status
R.18-07-003	RPS Rulemaking	This proceeding remains open for the limited purpose of considering Final 2023 RPS Procurement Plans.
R.21-10-002	RA Rulemaking (2023-2024)	The proceeding was closed by D.23-12-038, and closed again by issuance of D.24-03-004 (issued March 12, 2024) denying the California Large Energy Consumers Association’s Petition for Rehearing.
A.21-03-008	PG&E 2020 ERRA Compliance	The proceeding was closed by D.23-12-019 in December 2023.
R.18-12-006	Transportation Electrification	The proceeding was closed by the December 2023 OIR establishing R.23-12-008, but it has been re-opened pending resolution of a Petition for Modification of D.22-11-040 filed on November 20, 2023.
R.21-10-001	Utility Safety Culture Assessments	The proceeding has been inactive since July 2023 and is awaiting issuance of a proposed decision.
R.23-03-007	Wildfire Fund NBC 2024-2026	The next 90-day Notice for the 2025 Wildfire NBC is expected in September 2024.
R.17-06-026	PCIA Rulemaking	The proceeding was closed by D.23-06-006, but SCE’s Petition for Modification of D.23-06-006, filed on September 12, 2023, that requests clarification on certain points regarding the valuation of previously banked RECs remains outstanding.
I.15-08-019	Investigation into PG&E Organization, Culture, and Governance	This proceeding was opened as part of an investigation into whether PG&E’s organizational culture and governance prioritize safety, and currently serves to monitor the progress of PG&E in improving its safety culture. On May 19, 2023 the CPUC issued D.23-05-009 adopting the Safety Policy Division’s Modified Staff Report and closing the proceeding.
A.20-06-011	PG&E Regionalization Plan	D.22-06-028 closed the proceeding. PG&E will continue to convene quarterly “town hall” meetings in each region and conduct broader meetings with the Regionalization Stakeholder Group. PG&E’s Q4 2023 Quarterly Report
A.20-10-011	Commercial EV Real-Time Pricing Pilot	Opt-in enrollment for the real-time pricing export compensation pilot was extended and now expected to begin by February 28, 2025. A status update is due by August 28, 2024. D.23-07-003 closed the proceeding.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO:	Board of Directors
FROM:	Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT:	Summaries of Community Advisory Committee meetings: 1) January 25, 2024; 2) February 22, 2024; and, 3) March 28, 2024
DATE:	April 11, 2024

This report summarizes the Community Advisory Committee's meetings held in person and via Zoom webinar on 1) Thursday, January 25, 2024 (Woodland); 2) Thursday, February 22, 2024 (Davis); and, 3) Thursday, March 28, 2024.

1) <u>January 25, 2024 Meeting Summary:</u>

A. Received customer participation update and 2024 rates and budget update. The CAC received a copy of Board staff report updates dated January 11, 2024 on customer participation and on 2024 rates and budget.

B. Overview of the Brown Act and social media. Patrick Enright of Richards, Watson and Gershon, VCE's general legal counsel, reviewed highlights of the Brown Act, social media rules and Robert's Rules of Order. CAC asked questions related to social media, Nextdoor, and enforcement related to violations of the Brown Act.

C. Received Introduction / Overview of AgFIT program. VCE Staff Sierra Huffman gave an overview of the AgFIT program: participants, hourly prices, subscription/Bill protection, customer experience, initial finds since the program began and customer response. CAC and Staff discussed: Locational Marginal Price (LMP) and how it is used; the different variables, such as, weather, soil, water table level, the needs of the plants, effecting how much electricity is used; how VCE sought out participation; spot pricing; generation rate setting; billing determinants; pilot expansion of the AgFIT program to other sectors of customers, such as residential, commercial; participant control and price signaling; automation benefits; demand charges; grant opportunities that align with AgFIT; and, the potential to work with other agencies.

D. Reviewed 2024 Task Group draft Charges. Task Group Chairs provided brief overviews of the Task Groups' 2024 draft Charges. The Legislative/Regulatory Task Group and Programs & Outreach Task Group Charges were approved. (9-0-0)

2) <u>February 22, 2024 Meeting Summary:</u>

A. Received Strategic Plan update. Staff provided a summary of 2023 Strategic Plan accomplishments. CAC and Staff discussed the need to highlight VCE's accomplishments in collateral (pamphlets and social media) and opportunities to encourage Customers to opt up to UltraGreen now that renewable power is coming online.

B. Received Resource Adequacy "Slice of Day" framework presentation. VCE Staff Gordon Samuel, and Jaclyn Harr and Jay Strickland of The Energy Authority, provided an overview of traditional and updated Resource Adequacy (RA) products and requirements; reviewed California Public Utility Commission's (CPUC) goals of restructuring RA; and defined "Slice of Day". Staff and the CAC discussed: compliance issues, Flex RA, load, trading capabilities, impacts of new requirements, reliability, management of resources, and resource acquisition timing.

C. Electrification Retrofit Rebate Outreach (ERRO) Program update and seeking feedback and recommendation on Concierge Service. The CAC received written and verbal public comments. The public comments will be reviewed by the Programs & Outreach Task Group. The CAC tabled the item to their next meeting.

3) <u>March 28, 2024 meeting summary:</u>

A. Electrification Retrofit Rebate Outreach (ERRO) program update and provided feedback and recommendation on Concierge Service. This item was carried over from the CAC's February meeting. VCE Staff Rebecca Boyles provided a verbal update on the ERRO program and reviewed key aspects of the proposed Concierge Service. The CAC and Staff discussed: details of the ERRO program and Concierge Service; the challenges of reaching out and incentivizing the owner to participate in the program; how to reach low income renters; and, available resources for obtaining home electrification information. The CAC heard one verbal public comment. The CAC recommends that the Board approve the Concierge Service tool. (6-0-0)

B. 2023 Net Margin discussion. VCE Staff Edward Burnham reviewed various options on how to allocate the estimated net margin for 2023. CAC and Staff discussed: reserves including local programs, risks, credit rating, generation rate discount, customer opt outs and opt ins, dividends, and marketing. The CAC provided their feedback to Staff on the scenarios presented. Mr. Burnham informed the CAC that the 2023 Net Margin item will be presented to the Board at their May meeting for discussion and Staff will be returning in May for the CAC's input on updating the reserves policy and dividend program.

C. CPUC BioMAT program participation. Executive Officer Mitch Sears provided the background on the California Public Utilities (CPUC) BioMAT program expiring at the end of 2025, and included which CCA's are actively participating in the program. He reviewed the program criteria, who is eligible to participate, and the three (3) categories of bioenergy. Staff and the CAC discussed: request to extend BioMAT program, energy production, contract capacity, funding of program, penalties, bioenergy technology advances, potential impacts to VCE's portfolio, and public perception of biomass. Mr. Sears informed those present that Staff will continue to assess the pros/cons of biomass and the BioMAT program and return to the CA for further discussion, prior to taking the BioMAT program to the Board.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO: Board of Directors

FROM: Rebecca Boyles, Director of Customer Care & Marketing

SUBJECT: Quarterly Customer Participation Update (Information)

DATE: April 11, 2024

RECOMMENDATION

Receive and review the attached quarterly Customer Participation update reflecting the time period of January 1, 2024 through March 31, 2024 (Quarter 1 2024).

Attachment: Quarterly Report - Customer Participation update

Item 10 – Customer Participation Update

	Davis	Woodland	Winters	Yolo Co	Total	Residential	Commercial	Industrial	Ag	NEM	Non-NEM
VCEA customers	28,174	20,374	2,565	10,837	61,950	54,026	5,997	9	1,918	13,645	48,305
Eligible customers	29,664	23,990	3,011	12,516	69,181	60,293	6,708	9	2,171	15,437	53,744
Participation Rate	95%	85%	85%	87%	90%	90%	89%	100%	88%	88%	90%

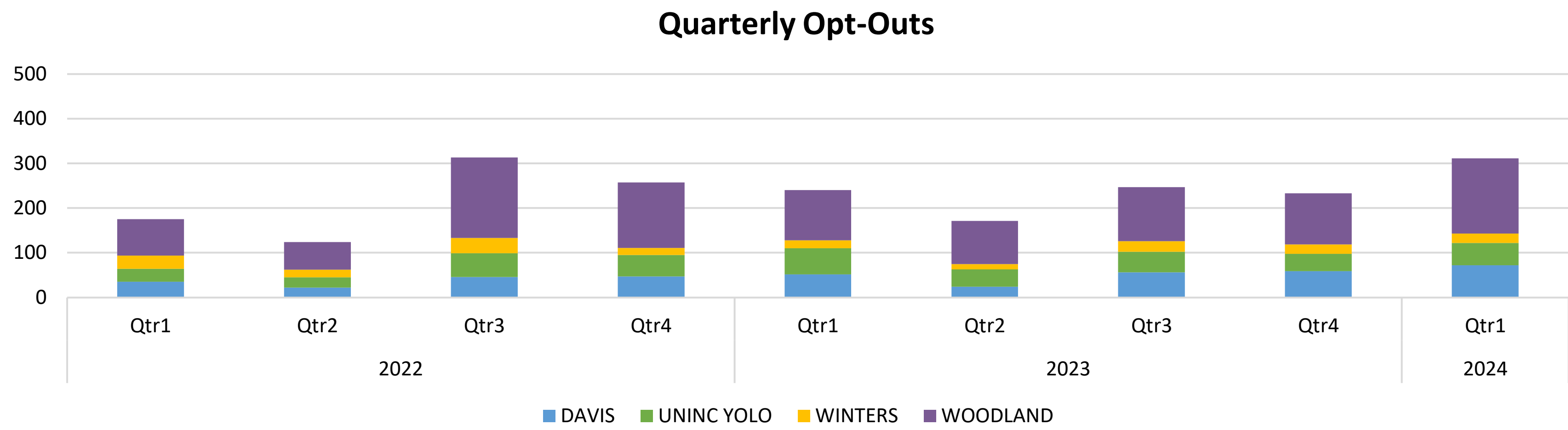
% of Load Opted Out

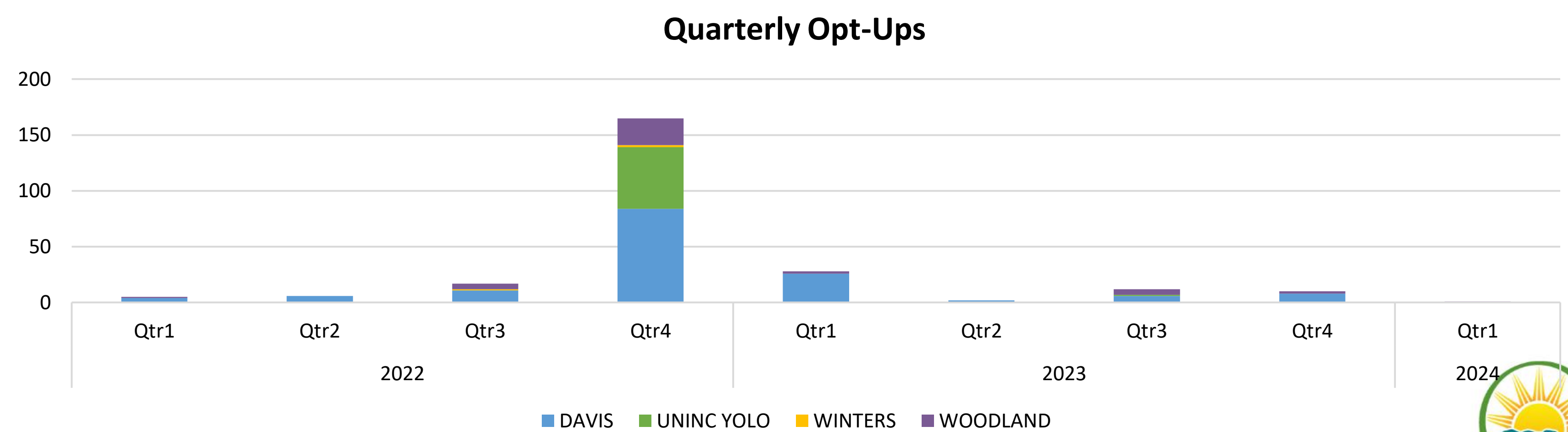
	Davis	Woodland	Winters	Yolo Co	Total	Residential	Commercial	Industrial	Ag	Total
% of Load Opted Out	8%	11%	13%	11%	10%	10%	11%	0%	12%	10%
% of Load Opted Up	3%	1%	0%	1%	1%	1%	3%	0%	0%	1%

Status Date: 04/01/24

VALLEY CLEAN ENERGY

Item 10 – Customer Participation Update



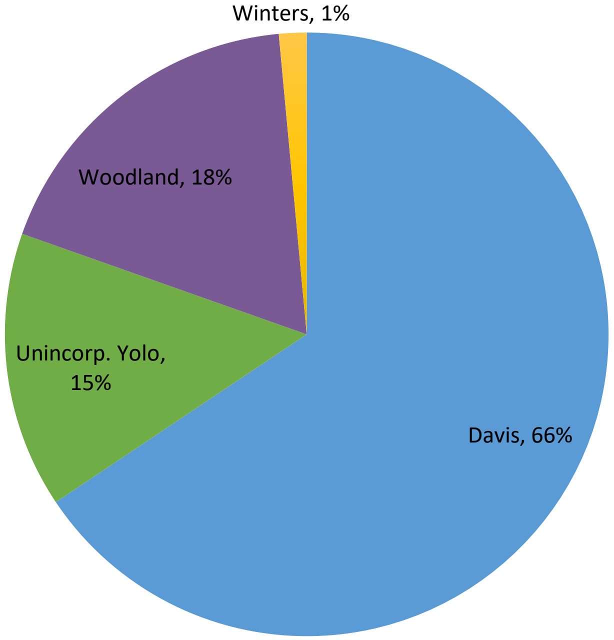


Status Date: 04/01/24

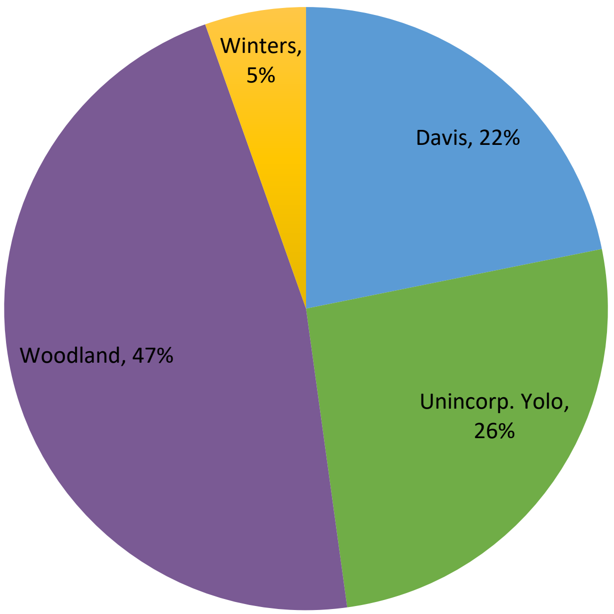
VALLEY CLEAN ENERGY

Item 10 – Customer Participation Update

541 Opt-Ups



11,694 Opt-Outs



These pie charts are based on total opt-ups and opt-outs since launch. The percentages in the charts are the percentages of those opt-ups and opt-outs by TOT (town or territory).

Status Date: 04/01/24

VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Board of Directors

FROM: Mitch Sears, Executive Officer
Edward Burnham, Director of Finance & Internal Operations

SUBJECT: VCE Strategic Plan Annual Update

DATE: April 11, 2024

RECOMMENDATION
The purpose of this annual report is to provide a progress update to the Board on implementation of the Strategic Plan and provide an outlook of planned activity for 2023.

OVERVIEW
The purpose of this report is to provide the annual progress update to the Board on the implementation of the 2021-2025 Strategic Plan.

BACKGROUND
The Board ratified the VCE Three-Year Strategic Plan (Plan) for 2021-2023 at its November 12, 2020 meeting (**VCE-Strategic-Plan-Final.pdf (valleycleanenergy.org)**. At the July 13, 2023 Board meeting, the Board approved Item 12 including a resolution for adopting Strategic Plan Guidelines. The Guidelines included a proposed timeline for extending the 2021-23 plan through 2025 with a minor update as part of that process. The Board approved Item 17 at the September 14, 2023 meeting including a minor update and extension through 2025.

The strategic plan is aligned with VCE's mission and vision and guides the organization's actions over a multi-year time horizon. The Plan is the basis for developing annual organization and individual goals, annual budgets, key decisions, and priorities. The Plan also informs the development of VCE's compliance documents, including the Integrated Resource Plan (IRP), a document that sets out a 10-year roadmap for energy procurement that is updated on a 2-year rolling basis.

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The Plan categories and key goals include:

FINANCAL STRENGTH	• Goal: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.
PROCUREMENT AND POWER SUPPLY	• Goal: Manage power supply resources to consistently exceed California's Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% carbon neutral by 2030.
CUSTOMERS AND COMMUNITY	• Goal: Prioritize VCE's community benefits and increase customer satisfaction and retention.
DECARBONIZATION AND GRID INNOVATION	• Goal: Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.
STATEWIDE ISSUES: REGULATORY AND LEGISLATIVE AFFAIRS	• Goal: Strongly advocate for public policies that support VCE's Vision/Mission.
ORGANIZATION, WORKPLACE, AND TECHNOLOGY	• Goal: Analyze and implement an optimal long-term organizational, management, and information technology structure at VCE.

The multi-year Strategic Plan update schedule is:

Extension of 2021-2023 Plan			Strategic Plan				Strategic Plan			
2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Minor Update		Major Update		Minor Update		Major Update		Minor Update		Major Update
	IRP WORK		IRP WORK		IRP WORK		IRP WORK		IRP WORK	

The Strategic Plan incorporates the following schedule for status reporting:

- Quarterly Report to VCE Management
  Staff will report quarterly to the Executive Officer on the status of goals, objectives and metrics for which they are responsible.
- Annual Report to Board and CAC
  Staff will report annually to the Board and CAC on the status of goals, objectives and metrics, and will recommend any mitigations or amendments as may be necessary for Board approval.

Staff has provided progress updates to the Executive Officer, Community Advisory Committee (CAC), and Board as described above. Generally, Staff observes that progress has been made in each goal area and that the plan serves to align organizational activities with policy priorities.

This report provides key strategic plan accomplishments during 2023 as presented at the January 11, 2024 Board meeting. Examples of key accomplishments in 2023 include:

Goal 1 – Financial Strength

- Second year of net income post covid-19
- Debt Free - $500K toward debt & early retirement of RCB term Loan
- Over $350K to Care/FERA discounts
- Cash Reserve Policy Met +90 Days Operating Cash
- Clean Financial Audit

- Reached $3M for Programs with $700K allocated to program reserve.
- Compliance with All Debt and Power Purchase Agreement covenants
- Implemented 3rd Customer Rate Option – Base Green

<u>Goal 2 & 4 – Procurement, Power Supply, Decarbonization, Grid Innovation</u>

- Established a new VCE target of 100% renewables with a 25% local storage component.
- Successful transition from SMUD to The Energy Authority (TEA) resulting in cost savings, efficiencies and additional services.
- Gibson project final permit approvals and pursuing microgrid funding opportunities
- Resurgence I & II (90 MW PV + 75MW BESS) PV & Battery Energy Storage System (BESS) portion began commercial operation by August 2023
- Willy 9 Chap 2 (72MW PV + 36MW BESS). Formerly Willow Springs Solar Project. CAISO requested revised naming convention. PV portion is complete and is in commercial operation. BESS is awaiting final approvals.

<u>Goal 3 – Customers and Community</u>

- Community Engagement – Participated in 8 in-person community events; 10,000+ people reached (including media, in-person) Media: 6 press releases, 8 press placements, 2 op-eds, 200 media contacts.
- VCE rate credits to qualified low-income customers (CARE and FERA): ~2.5%/$1.1M annually in discounts to 25% of VCE customers
- Successful EV Rebate Program - 39 rebates awarded total; 8 low-income total awarded $109,500/$32,000 low-income
- AgFIT – Successful 2 year of pilot program and CPUC awarded extension and expansion
- Installation of multiple SACOG-funded EV Chargers
- REDWDS Grant provisionally approved (2024/2025)

<u>Goal 5 – Legislative and Regulatory</u>

- Actively participated in CalCCA's Legislative Committee and Regulatory Committee
- Engaged on high priority legislation of interest to VCE, including AB 1373, by working with CalCCA and other CCAs to seek amendments, testifying before Legislative Committees and arranging for VCE board members to lobby our legislators when needed.
- Reduction in Power Charge Indifference Adjustment (PCIA) through joint CCA participation and testimony in Energy Resource Recovery Account (ERRA) Proceeding

<u>Goal 6 – Organization, Workplace, and Technology</u>

- 100% Employee Retention (2-1/2 years)
- 2023 CalCCA Community Impact Award
- 5 Years of Serving Our Member Communities

CONCLUSION

Generally, Staff observes that progress has been made in each goal area and that the plan serves the overall intended purpose of aligning organizational activities with policy priorities.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Board of Directors

FROM: Mitch Sears, Executive Officer
Edward Burnham, Director of Finance & Internal Operations

SUBJECT: Bi-annual Enterprise Risk Management Report

DATE: April 11, 2024

RECOMMENDATION
Accept the Bi-annual Enterprise Risk Management Report – March 2024.

BACKGROUND & DISCUSSION
In 2018, the Board approved VCE's Enterprise Risk Management (ERM) Policy. The policy is centered on risk management best practices and policies for the energy sector. In summary, the VCE ERM policy contains the following sections:

- Introduction: This section introduces the value of ERM as a structured approach to managing risk and uncertainty. It lays out the objectives of VCEA's ERM function, providing the framework for evaluating and managing risk in the organization's decision-making process.

- ERM Roles and Responsibilities: The ERM roles are consistent with the Board-approved Wholesale Power Procurement & Risk Management Policy. The Enterprise Risk Oversight Committee (EROC) has primary responsibility for the implementation of ERM. The policy lays out the scope of the EROC's risk management authority.

- Business Practices: This section identifies the steps of risk management and the basic process associated with each step. The intent is to provide a high-level framework. Specific tools and techniques for implementing enterprise risk management will be recommended by the portfolio manager following approval of the policy.

- Management Reporting and Metrics: The policy defines an enterprise risk report that will be provided bi-annually to the Board.

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

September 2023 and the actions VCE is and will be taking to manage the top risks that have been identified.

Prior to this report, staff most recently presented the bi-annual update to the Board in September 2023, describing progress on the ERM plan since inception. Bi-annual updates are provided in March and September of each year.

ATTACHMENT

1. Bi-annual Enterprise Risk Management Report – March 2024

Valley Clean Energy

Enterprise Risk Management Report

March 2024

Executive Summary

Introduction and Background

In 2018, the Valley Clean Energy (VCE) Board adopted an Enterprise Risk Management (ERM) framework. The objective was to provide the Board with insight into risks that could impact the ability to execute VCE's mission and build credibility and sustain confidence in VCE's governance. In addition, the framework and reports are designed to enhance the understanding of significant risks to VCE, develop the capacity for continuous monitoring, provide for periodic reporting of risks, and establish a platform for responding to changing risk circumstances. This report is the 1st of VCE's biannual risk reports for 2024; the prior ERM biannual Report was issued in September 2023.

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

ERM Philosophy

VCE's ERM philosophy includes the following principles:

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

ERM Approach

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

- Roles and responsibilities

- Definitions and language
- Risk heat map and risk exposure inventory
- Risk exposure monitoring, updating, and reporting
- Integration of ERM with key business processes
- Integration of risk awareness within corporate culture
- This framework supports the Board in exercising its overall responsibility to:
  - Regulate opportunities and risks for VCE;
  - Develop a better understanding of appropriate opportunities and risks for VCE;
  - Promote active management of risk exposure down to acceptable levels; and
  - Assist VCE in its achievement of business plan objectives and operational performance.

Summary of Activities through March of 2024

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

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

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

Key Steps Taken Since the Last Biannual Update

Some actionable steps that VCE has taken since the last Board update in September 2023 include:

1. Have actively engaged from a regulatory and legislative standpoint, supporting regulatory statewide proceedings and settlements, meeting with key CPUC staff, and continuing progress on the annual VCE legislative platform.
2. Approved 2024 VCE Rate Credits for Standard green providing additional rate credits to all customers.
3. Adopted 2024 Budget consistent with Policies and set 180+ operating days cash reserve targets to further stabilize VCE's financial standing and support establishing a credit rating.
4. Adopted a Strategic Plan guidelines and update including increasing the 80% renewable goal to 100% renewable by 2030 and substituted the 25% renewable local component goal with a goal of 25% of future storage amounts to be from local installations.
5. Received Approval for expansion of AgFIT pilot program that provides growers with hourly dynamic rates and incentives for irrigation automation to better manage their energy costs and shift a small portion of VCE's peak load.

Key Risks

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

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

Key Priorities for Risk Management in 2024:

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

Risk Portfolio

Top 5 Risks for VCE:

1. Commodity procurement
2. Regulatory & Policy risk
3. Resource Adequacy (Slice of Day)
4. Rate Stabilization
5. 2025 PCIA Increases

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

Table 1: Risk Description/Level

Risk	Description	Current Residual Risk	Target Residual Risk
PCIA	The PCIA rate for 2024 increased slightly. The lower energy costs and usage are forecasted to be under collected and lower energy price forwards are expected to increase 2025 PCIA.		
Resource Adequacy	The supply of RA in the western US is tightening, and the regulatory framework is evolving. A combination of these two elements has resulted in an increased cost of RA and in some cases no available supply. Due to IOU interconnection delays, the Resurgence PV+S project was partially delayed thus causing VCE to be short RA 2023.		
Commodity Procurement	The 2023/2024 market is experiencing fluctuations associated with commodity prices, including energy prices, resource adequacy, and other components of the energy portfolio.		
Regulatory & Policy risk	Risk of additional regulatory requirements increasing complexity and cost of operations.		

Risk	Description	Current Residual Risk	Target Residual Risk
Capital availability/cashflow	Capital / Cashflow Risk has been reduced through the adoption of the new cost recovery rate policy, lower 2023/2024 PCIA, auto rate adjustment policy, and liquidity lines of credit with River City Bank. VCE has met its current Reserve Policy of 90 days. Staff will be proposing revisions to increase reserve to meet current targets associated with the initial investment grade credit rating.		
Economic Uncertainty	The risk from the ongoing geopolitical climate increases the chances of impacting gas prices, the economy, and associated cost forecasts.		
Rate structure	The risk of rate design for cost of service has been reduced with an updated rate policy and additional implementation of the "Base Green" rate option. VCE will continue to develop rate-setting options to minimize risks further.		
Cyber security & data privacy	Risk of a data breach as a result of a cyber breach or physical attack.		
Financial Markets Volatility	Swings in global energy markets, financial markets, and currencies due to current geopolitical events (e.g. Russian invasion of Ukraine) have created challenges that impact VCE's power costs.		
Changing customer expectations	Risk that customer's changing expectations as a result of innovation may result in reduced customer revenue and loyalty.		
Opt-out rate	The risk of higher than expected opt-out has normalized despite PG&E's increases in both electricity transmission and distribution and gas rates. VCE implementation of "Base Green" product option should minimize opt-outs.		
Business model	Ability to quickly identify and respond to business risks that have the potential to impact the ability to achieve VCE goals.		

Risk	Description	Current Residual Risk	Target Residual Risk
Media & Community	Risk of unfavorable public communications or events; spillover customer dissatisfaction related to PG&E's PSPS events and continuous rate increases.		
Unknown risks	Business and utilities attempt to identify and adapt to known risks but some potential events outside of VCE's control could have a debilitating impact on utilities in general and VCE in particular.		

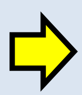
	High Risk
	High/Moderate Risk
	Low/Moderate Risk
	Low Risk

Table 2: Summary of VCE top risk response plan

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
PCIA	Monitor risk & actively engage and respond		1) Continue direct involvement with CalCCA task groups to seek favorable rulings and settlements in the PCIA, ERRA, and other filings. 2) Work towards the potential long-term goal of attaining an option for a PCIA buy-out and sunset date.	The 2025 PG&E PCIA forecast is expected to increase due to 2024 under collection and lower forward market prices. VCE will continue to monitor Energy Resource	Director of Finance

[1] Current trend of risk for VCE- increasing , no change or decreasing

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
				Recovery Account (ERRA) proceedings.	
Commodity Procurement	Reduce & manage risk	⇧	1) Continue to pursue long-term power purchase agreements to reduce the average cost of power in future years 2) Pursue regulatory and legislative avenues in addressing the extreme swings in pricing. 3) Take an active role in regulatory proceedings at the CPUC, including appeals, on various regulations that impact the cost of electricity, along with support from the CalCCA Regulatory Committee 4) Amending VCE's Wholesale Energy Risk Manual to extend the hedging horizon to multiple years in an effort to smooth market fluctuations.	Execution of PPA contracts Regulatory rulings that affect commodity procurement cost Monitor impacts and market conditions resulting from slice of day resource adequacy requirements.	Director of Power Procurement
Regulatory & Policy risk	Monitor risk & actively engage and respond	⇨	1) Take an active role in legislative sessions (contract with lobbyist and engage Board members for support / opposition on bills) along with	Weekly CalCCA Regulatory and Legislative Committee meetings	Executive Officer

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
			support from CalCCA legislative committee 2) Follow and continue to update the annual VCE Legislative Platform 3) Take an active role in regulatory proceedings at the CPUC, including appeals, on various regulations that impact VCE and CC's that increase cost or bureaucracy without any significant safety or cost benefits to VCE and its customers along with support from CalCCA Regulatory Committee	Regulatory rulings Legislative actions	
Capital Availability / Cash Flow	Monitor risk & actively engage and respond		1) Continue towards conserving cash, reducing debt, and lowering cash requirements. 2) Evaluate reserve policy changes. 3) Work towards the 2024 goal of securing an investment-grade credit rating.	VCE Line of credit agreements & extension to 2026. VCE is working with Financial Advisor (PFM) to establish VCE's initial investment grade credit rating by 2028. Implement VCE Rate adjustment and Collections Policy	Director of Finance

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
Resource Adequacy	Reduce & manage risk		1) Take an active role in regulatory proceedings at the CPUC, including appeals, on various regulations that impact the cost of electricity along with support from the CalCCA Regulatory Committee. 2) Monitor and participate in CalCCA activities related to regional developments in RA. 3) Continue to develop portfolio of resources that satisfy various future RA program scenarios.	Execution of PPA contracts Regulatory rulings that affect RA cost, including non-compliance penalty structure Annual review of VCE PPA RA resources	Director of Power Procurement

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
Rate Structure	Reduce & manage risk		1) Monitor and update Board based on analyst forecasts for ERRA proceeding. 2) Identify and mitigate risks outside of VCE control to limit impacts and frequency of rate changes. 3) Review and update rates for rate adjustment policy.	Economic outlook and Rate forecasts Monitor Regulatory proceedings that impact PCIA, RA, and ERRA. Monitor cash short-term and long-term impacts to reserve funds, credit lines, commercial negotiations, and PPA covenants.	Director of Finance

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Board of Directors

FROM: Mitch Sears, Executive Officer
Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: VCE Updated Conflict of Interest Code

DATE: April 11, 2024

Recommendation

Adopt Resolution updating the Valley Clean Energy Alliance ("VCE") Conflict of Interest Code to add four (4) new positions, enumerate disclosure categories, and update the code reviewing body.

Background and Discussion

On December 13, 2016, the Board of Directors adopted a conflict of interest code as required by the Political Reform Act, commencing at Government Code Section 81000, as Resolution 2016-002. The code lists the positions within VCE that are required to file statements of economic interests (Form 700). As a joint powers authority with members located entirely within Yolo County, the County Board of Supervisors is the conflict code reviewing body that is required to approve all changes to the conflict-of-interest code.

Since December 2016 several new VCE positions have been added. Of these positions, VCE staff and general counsel feel the following positions should report financial interests based on the decisions they will be making:

- Auditor
- Director of Finance and Internal Operations
- Director of Customer Care & Marketing
- Chief Operating Officer

In accordance with the requirements of the Political Reform Act, an updated conflict of interest code must be adopted by resolution which includes the updated information. The attached Resolution amends the Appendix to the conflict of interest code to add the new positions, enumerate the appropriate disclosure categories, and update the code reviewing body as Yolo County Board of Supervisors.

Attachment

1. Updated Conflict of Interest Code
2. Resolution 2024-XXX

Conflict of Interest Code of the

Valley Clean Energy Alliance

(Adopted _________ _____, 2024)

The Political Reform Act (Gov. Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code Regs. § 18730) that contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency's code. After public notice and hearing, Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference. This incorporation page, Regulation 18730 and the attached Appendix designating positions and establishing disclosure categories, shall constitute the Conflict of Interest Code of the Valley Clean Energy Alliance ("VCE").

All Officials and Designated Positions required to submit a statement of economic interests shall file their statements with the Secretary, as VCE's Filing Officer. VCE's Filing Officer shall retain the originals of the statements of all Officials and Designated Positions and shall make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code §81008.)

APPENDIX

Conflict of Interest Code of the

Valley Clean Energy Alliance

(Adopted _________ _____, 2024)

PART "A"

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Officials who manage public investments, as defined by 2 California Code of Regulations Section 18700.3(b)(1) are NOT subject to VCE's Code, but must file disclosure statements under Government Code Section 87200. (Regs. §18730(b)(3).) These positions are listed here for informational purposes only.

It has been determined that the positions listed below are officials who manage public investments[1]:

Members of the Board of Directors

Members of the Board of Directors (Alternates)

Executive Officer

Treasurer

Auditor

Director of Finance and Internal Operations

[1] Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Government Code Section 87200.

DESIGNATED POSITIONS
GOVERNED BY THE CONFLICT OF INTEREST CODE

Designated Positions	Disclosure Category
General Counsel	1, 2, 3
Director of Customer Care & Marketing	1, 2, 3
Chief Operating Officer	1, 2, 3
Consultants and New Positions[2]	1, 2, 3

[2] Individuals providing services as a Consultant defined in Regulation 18700.3(a)(2), or in a new position created since this Code was last approved that makes or participates in making decisions shall disclose pursuant to the broadest disclosure category in this Code subject to the following limitation:

The Executive Officer may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to comply with the disclosure requirements described in this section or shall be assigned a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.) The Executive Officer's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.)

APPENDIX

Conflict of Interest Code of the

Valley Clean Energy Alliance

(Adopted _________ _____, 2024)

PART "B"

DISCLOSURE CATEGORIES

The Disclosure Categories listed below identify the types of economic interests that the Designated Position must disclose for each category to which he or she is assigned.[3] "Investment" means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of VCE.

1. All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of VCE, or within two (2) miles of any land owned or used by VCE.

2. All reportable investments and business positions in, and sources of income, including gifts, loans, and travel payments, from business entities that contract with or have contracted with VCE to provide services, products, supplies, materials, machinery, vehicles or equipment to VCE.

3. All reportable investments and business positions in, and sources of income, including gifts, loans and travel payments, from business entities that are contractors or subcontractors engaged in the performance of work or services of the type utilized or foreseeably utilized by VCE, or manufacture, sell or provide services, products, supplies, materials, machinery, vehicles or equipment of the type purchased or leased by or used or foreseeably utilized by VCE.

[3] This Conflict of Interest Code does not require the reporting of gifts from outside VCE's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position (Reg. 18730.1)

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2024 -________

A RESOLUTION OF VALLEY CLEAN ENERGY ALLIANCE ADOPTING AN UPDATED CONFLICT OF INTEREST CODE

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

WHEREAS, the Political Reform Act (Government Code Section 81000, *et seq*.) requires state and local government agencies to adopt and promulgate conflict of interest codes; and

WHEREAS, the Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. § 18730), which contains the terms of a standard conflict of interest code, which may be incorporated by reference in an agency's code and, after public notice and hearing, may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act; and

WHEREAS, VCE is a joint powers agency subject to the Political Reform Act's code-filing requirement; and

WHEREAS, notice of the time and place of a public meeting on, and of consideration by the Board of Directors of, the proposed updated Conflict of Interest Code for VCE was provided to each affected designated employee and publicly posted for review at the offices of VCE.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of Valley Clean Energy Alliance, as follows:

<u>Section 1</u>. The Board of Directors of Valley Clean Energy Alliance (the "Board") hereby adopts the proposed updated Conflict of Interest Code, a copy of which is attached hereto and shall be on file with the Secretary of VCE, and available to the public for inspection and copying during regular business hours.

<u>Section 2</u>. The updated Conflict of Interest Code shall be submitted to the Board of Supervisors of Yolo County for approval and said Code shall become effective 30 days after the Board of Supervisors approves the proposed updated Conflict of Interest Code as submitted.

Section 3. Persons holding designated positions listed in the updated Conflict of Interest Code shall file with the Secretary of VCE Statements of Economic Interests on Fair Political Practices Commission forms, in conformance with the individual disclosure categories and State law.

Section 4. The Secretary of VCE is directed to provide, upon request, copies of this Resolution and the updated Conflict of Interest Code to any officer, employee, and consultant designated in the Code, and to make copies of the Code available to any interested party who requests a copy.

Section 5. Any violation of any provision of the updated Conflict of Interest Code is subject to the administrative, criminal, and civil sanctions provided in the Political Reform Act, Government Code Section 81000 *et seq*.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of _________ 2024, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Lucas Frerichs, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

Attachment: Exhibit A – Conflict of Interest Code (Adopted ____ __, 2024)

EXHIBIT A

CONFLICT OF INTEREST CODE OF
VALLEY CLEAN ENERGY ALLIANCE
(Adopted ____ ___, 2024

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Board of Directors

FROM: Gordon Samuel, Chief Operating Officer

SUBJECT: Budget Amendment for Participation in California Community Power Exploration and Solicitation for Build-Own-Transfer Projects

DATE: April 11, 2024

RECOMMENDATION

1. Authorize participation in California Community Power's build-own-transfer solicitation at a not to exceed cost of $54,000.

BACKGROUND

On April 8, 2021 through VCE Board Resolution 2021-010, the Board approved application to join California Community Power (CC Power), a joint powers agency comprised of several CCAs to facilitate joint procurement of power projects and services. Subsequently the CC Power Board approved VCE's participation at their April 21, 2021 Board meeting. Since joining CC Power, VCE has entered into four project participation share agreements through CC Power for two long- duration battery energy storage contracts and two geothermal power contracts, which are in development.

In 2022, CC Power adopted a Strategic Plan that directs strategic assessment of the Inflation Reduction Act (IRA) and possible opportunities for joint action amongst member CCAs to take advantage of incentives that IRA made available to public agencies. These incentives make it possible for tax-exempt entities to take advantage of direct-pay tax credits for clean energy projects commensurate with the tax credits that are only available to private entities. To realize these IRA direct-pay incentives on behalf of its membership, CC Power would need to be the direct owner and operator of energy projects. This would be possible through a build-own-transfer arrangement with a private developer, who would be responsible for the project up to an agreed- upon milestone, such as commercial operation, upon which ownership of the project would be transferred to CC Power for the duration of its operational life.

SUMMARY

Staff is seeking approval to participate in CC Power's Build-Own-Transfer Solicitation, which would include development, issuance and management of the solicitation as well as desktop evaluation of proposed projects. This phase (which CC Power is referring to as "Phase 2a") would also include preliminary review of each member's debt capability and CC Power's overall bond financing capacity, as well as analysis of the financial proposition associated with developing, financing and operating a project. Phase 2a would not cover contract negotiations or detailed due diligence of the proposed projects, for which staff will come back to the Board to request additional funding approval if the solicitation yields one or more attractive projects.

While the solicitation hasn't been developed yet, it is expected that it will be open to renewable generation and energy storage technologies and will be tailored to the participating CCAs' procurement needs. In addition to soliciting pricing for build-own-transfer structures, pricing for other contractual arrangements such as power purchase agreements (PPAs) or tolling contracts that have previously been used for the CC Power energy storage and geothermal procurements mentioned above will be sought for comparison purposes. Total cost estimates for this phase range from $135,000 to $440,000, to be split evenly among the participating CCAs. A breakdown of these costs assuming all nine members participate, as estimated by CC Power staff, is shown in the table below, including a conservative estimate of per-member costs if fewer than all nine CC Power member CCAs participate.

Cost Component	**Low Estimate**	**High**
Solicitation	$60,000	$180,000
Engineering Support	$15,000	$40,000
PPA Counsel	$10,000	$20,000
Build Transfer Counsel	$25,000	$100,000
Bond Issuance Costs	$25,000	$100,000
Total Cost	$135,000	$440,000
Cost/Member (9 participants)*	$15,000	$49,000
Cost/Member (6 participants)	$22,500	$74,000

*at this time it appears all 9 members Board's approved participation in this phase, staff is requesting a not to exceed amount of the above $49,000 + approx. 10% contingency = $54,000.

The following are achievable or possible benefits of participating in this solicitation:

- Build-own-transfer proforma contract documents and valuation tools that VCE can use in its own solicitations.
- Informs participants on procurement opportunities while establishing an alternative CCA procurement approach to PPAs.
- Current wholesale price data for build-own-transfer projects compared to more conventional offtake arrangements like PPAs.
- Preliminary debt due-diligence and evaluation of individual bond financing capacity for project ownership.
- Option to pursue ownership and issue bonds to capitalize on direct pay incentives with shared risk among multiple CCAs.
- Relatively low cost compared to VCE conducting our own similar solicitation.

CONCLUSION

In summary, the staff recommendation to the Board is:

1. Participate in California Community Power Exploration and Solicitation for Build-Own-Transfer Projects (Phase 2a)
2. Approve budget amendment of a not-to-exceed amount of $54,000 associated with Phase 2a work.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

To: Board of Directors

From: Edward Burnham, Director of Finance & Internal Operations
Mitch Sears, Executive Officer

Subject: Extension of Credit Agreement with River City Bank

Date: April 11, 2024

RECOMMENDATION

1. Adopt a resolution approving a two-year extension of the Second Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed $11,000,000.
2. Authorize the Executive Officer to conduct any final negotiations, implement the approval, and sign all necessary documents related to the extension of the two-year Second Amended and Restated Credit Agreement with River City Bank.

BACKGROUND AND ANALYSIS

At the March 10, 2022 Board meeting, the Board approved Item 16 including a resolution for a Second Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed $11,000,000 and a term loan for approximately $1.1M. At the December 14, 2023 Board Meeting, the Board approved Item 17 including the early payment and retirement of term loan portion of the agreement with River City Bank.

Revolving Line of Credit (RLOC) with RCB

The current RLOC Agreement has a limit of $7,000,000 available for cash advances and/or letters of credit and an additional $4,000,000 credit facility available for Letters of Credit, for a total RLOC of $11,000,000. Since August 2018, VCE has not drawn cash on the RLOC. VCE currently has a $147,000 letter of credit issued for the PG&E Financial Security Requirement required by CPUC regulations for all CCAs, and a $3.8M letter of credit issued as optional financial security for PPA pricing discounts that provide power cost savings. Both letters of credit remain undrawn by the beneficiaries.

River City Bank Terms – Revolving Line of Credit

The following key terms are summarized from the agreement with RCB.

- Type of Financing: Commercial Revolving Line of Credit
- Maximum Amount: $11,000,000, with a $7,000,000 sublimit for cash advances
- Maturity: April 15, 2026 *(two years from the current 4/15/2024 maturity date)*

- Interest Rate: Variable rate, Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (unchanged)
- Fees:
  - Loan Fee: 0.50% of the total RLOC commitment, payable upon loan closing
  - Documentation Fee: $500, payable upon loan closing, provided that Borrower approves the use of Bank's standard form documents.
  - Non-Use Fee: 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC

Collateral/Pledged Assets

RCB shall maintain a perfected security interest in 1st lien position via a UCC filing and security agreement in each of the following:

- Restricted Debt Service Reserve Account ("DSRA") maintained at RCB in the minimum amount of $1,100,000.
  - VCE has requested that the DSRA become interest-bearing, for which a formal decision will be made in RCB's 4/11/2024 Loan Committee.
- A security agreement that covers (i) the right of set-off to all of Borrower's deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues.
- A UCC-1 perfected blanket lien filing covering all Accounts, Revenues, Resource Adequacy Contracts, and the Debt Service Reserve Account.
- No junior liens will be permitted on any Collateral.

Covenants

The RLOC is currently subject to the following loan covenants, which will be maintained for the renewal term:

- Rate Covenant: VCE shall set customer rates at levels to cover all annual costs, inclusive of debt service.
- Adj. Tangible Unrestricted Net Position: VCE will maintain a minimum Adjusted Tangible Unrestricted Net Position of $17,500,000, measured annually as of each fiscal year end.
- Change in Net Position: VCE must achieve a minimum cumulative change in net position of $1.00 for each fiscal year.
- Leverage Ratio: VCE shall maintain a total Liabilities to total Adjusted Tangible Unrestricted Net Position ratio not any time greater than 1:50 : 1:00, measured quarterly as of each calendar quarter.

Staff believes that the RLOC renewal is mutually beneficial for RCB and VCE as VCE continues to build reserves towards the initial investment grade credit rating. Staff believes that the cash requirements and the reduced but continued uncertainty related to the PCIA fee, resource adequacy costs, and PG&E bundled rates justify the renewal of the line of credit with River City Bank. The revolving credit line provides an additional ~35 days of cash liquidity when evaluated by rating agencies.

CONCLUSION

Staff recommends the Board Authorize a two year extension of the $11,000,000 RLOC facility, per the Second Amended and Restated Credit Agreement (RLOC Agreement).

Attachment

1. Resolution authorizing the Executive Officer to execute an extension of the Credit Agreement with the River City Bank.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2024-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE AUTHORIZING THE EXTENSION OF ITS REVOLVING LINE OF CREDIT WITH RIVER CITY BANK

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

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

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

WHEREAS, pursuant to a Resolution adopted on March 10, 2022, the Board of Directors of VCE (the "Board") approved the a Second Amended and Restated Credit Agreement (the "Agreement") with River City Bank, including a revolving line of credit not to exceed $11,000,000 and a term loan for approximately $1.1M;

WHEREAS, the Credit Facility currently has a limit of $7,000,000 available for cash advances and/or letters of credit and an additional $4,000,000 credit facility available for Letters of Credit, for a total maximum amount of $11,000,000;

WHEREAS, RCB is willing to extend the Credit Facility for two years ending in April 2026 pursuant to the terms set forth in the Amendment; and

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

Section 1. The foregoing recitals are true and correct.

Section 2. The Board of Directors (the "Board") of the Valley Clean Energy Alliance ("VCE") hereby approves the executive officer and his designees as authorized representatives of

VCE (each an “Authorized Representative” and collectively, the “Authorized Representatives”) in connection with the negotiation and execution of the two-year extension the Amendment, including such related amendments deemed necessary or advisable by the Authorized Representative executing the Amendment extending the term of the Agreement, and any ancillary documents relating thereto.

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

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

Section 5. The Authorized Representatives, the Board Secretary, and the Board Chair and all other appropriate officials of the VCE are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution.

Section 6. The Board hereby approves all acts, transactions or agreements undertaken, prior to the adoption of these resolutions by any of the officers of VCE, or their designees, in its name and for its account in connection with the foregoing matters, are hereby ratified, confirmed and adopted by VCE.

Section 7. This Resolution shall take effect immediately upon its adoption.

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PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the __ day of _____ 2024, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Lucas Frerichs, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 16

To: Board of Directors

From: Mitch Sears, Executive Officer

Subject: Transmittal of the Draft VCE Load Management Standard (LMS) Plan

Date: April 11, 2024

RECOMMENDATION
This is an informational item. The Board will consider the draft LMS plan at its May 2024 meeting.

BACKGROUND AND ANALYSIS
The attached draft VCE Load Management Standard (LMS) plan is intended to address the requirements of the California Energy Commission's (CEC) Load Management Standard by evaluating the cost effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for VCE's residential, commercial, and agricultural customer classes.[1] VCE has some experience with this type of rate structure based on its implementation of the AgFIT hourly dynamic rate pilot that it has been running for the past two years. As required under the CEC's order, VCE will review this plan every three years after its adoption and submit a plan update to the Board if there is a material change to its evaluation of the factors noted above pursuant to 20 CCR § 1623.1(a)(1)(C).

VCE is further required to submit an LMS plan to the CEC within 60 days of April 1, 2024. Staff will be returning to the Board with analysis and a recommendation on the draft plan at the May Board meeting.

Attachment
Draft VCE Load Management Standard (LMS) plan

[1] California Code of Regulations, Title 20, § 1623.1(a)(1)(A).

Load Management Standards 2024 Compliance Plan

Valley Clean Energy Alliance

DRAFT 4/1/24

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1. Introduction

This plan is intended to address the requirements of the California Energy Commission's (CEC) Load Management Standard (LMS) by evaluating the cost effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for Valley Clean Energy Alliance's (VCE) residential, commercial, and agricultural customer classes.[1] VCE will review this plan every three years after its adoption and submit a plan update to the Board if there is a material change to its evaluation of the factors noted above pursuant to 20 CCR § 1623.1(a)(1)(C).

Based on the evaluation of the factors discussed in the sections below, VCE has determined that it does not have sufficient information at this time to conclude that proposing and implementing marginal rates following the adopted LMS amendments' schedule would be cost effective or provide incremental benefits to VCE customers or the grid. Though results for VCE's AgFIT dynamic rates pilot have been encouraging, as noted in its July 2022 comments to the CEC during its consideration of the LMS, significant uncertainties exist related to a gap in dynamic rate pilot evaluation results and data in VCE's and Pacific Gas & Electric's (PG&E) service area, the level of incremental load shift potential, customer response to market price risks, and customer acceptance of a complex new rate design.

1.1 About VCE

VCE was formed as a Joint Powers Authority (JPA) of the City of Davis and County of Yolo in 2016. The City of Woodland joined the JPA in June 2017, and the City of Winters joined in 2021. The members formed VCE for the purpose of implementing a community choice aggregation (CCA) program to allow VCE to provide electric generation service within their respective jurisdictions. VCE initiated customer service on June 1, 2018. VCE currently serves nearly 61,000 customers or about 90% of the customers within its territory. VCE provided just under 700,000 MWh of power to its customers in 2023. VCE promotes long-term electric rate stability and energy security while reducing reliance on fossil fuels and stimulating our local economies.

VCE is a public agency that sources competitively priced electricity from clean and renewable energy resources. Through its dedicated Board and staff, VCE is steadfast in reducing greenhouse gas emissions by accelerating the transition to 100% renewable energy, while maintaining competitive rates. Committed to addressing the effects of climate change, VCE is investing in the development of a renewable and reliable grid that supports the electrification of sectors such as transportation, agriculture, and buildings, as well as incentivizing change through innovative customer benefiting programs.

1.2 VCE's Board of Directors

VCE's Board of Directors is comprised of eight seats, two each from its four member agencies across Yolo County. The Board directs the strategic vision, budget, rates, power procurement and major non-power-procurement capital expenses, as well as oversees contracts and policies to ensure effective administration.

[1] California Code of Regulations, Title 20, § 1623.1(a)(1)(A).

In fulfilling the state's climate policies, the Board has directed VCE to pursue the following:

1. **Procurement Strategy:** Commitment to serving 100% of retail sales with renewable energy by 2030.[2]
2. **Resource Adequacy Hedging**: Support for a structured approach ensuring system reliability through various measures, including investment in energy storage, baseload renewable energy technologies, and demand response.
3. **Ratemaking Discretion:** Aligning competitive and stable generation rates with state climate policies.

2. Load Management Standards

The Warren-Alquist Act of 1974 established the CEC and granted it with specific authority, including the ability to review and approve the siting of power plants, set efficiency standards for buildings and appliances, and establish load management standards.

In October 2022, the CEC adopted amendments to its LMS (California Code of Regulations, Title 20, §§ 1621-1625), effective April 1, 2023.[3] The amendments are designed to help integrate renewables on the grid by aligning electricity use with generation and capacity using energy storage, with the goals of improving air quality, helping to mitigate future climate change, and creating downward pressure on electric rates. LMS strives to achieve these goals by encouraging the use of energy at off-peak hours, encouraging the control of daily and seasonal peak loads to improve electricity system efficiency and reliability, reducing or delaying the need for new electrical capacity, and reducing fossil fuel consumption and greenhouse gas emissions.[4]

LMS does not set rates, but instead require that load-serving entities subject to 20 CCR § 1623.1 offer rates or programs structured according to the LMS requirements. The standards apply to major entities such as large investor-owned utilities (IOUs), large publicly owned utilities (POUs), and large CCAs, who provide over 700 GWh of electricity annually. To meet the LMS, CCAs are allowed to either create their own rates or programs or participate in already existing IOU programs and rate offerings. To meet the LMS, CCAs are allowed to either create their own rates or programs or participate in already existing IOU programs and rate offerings.

The CEC's primary objectives of the LMS encompass:

1. Ensuring the accuracy of existing and future time-varying rates in the Market Informed Demand Automation Server (MIDAS) rate database, which is publicly accessible and machine-readable.

[2] Valley Clean Energy 2021-2025 Strategic Plan at 3 (September 14, 2023). Available at: https://valleycleanenergy.org/wp-content/uploads/2021-2025-Strategic-Plan-Minor-Update-9-14-2023.pdf.
[3] California Energy Commission (CEC) Resolution No. 22-1012-2, October 12, 2022. Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=246501&DocumentContentId=80688. See also, October 12, 2022 CEC Meeting Transcript at 65-66. Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=247487&DocumentContentId=81884.
[4] California Code of Regulations, Title 20, § 1623.1(a)(1).

2. Developing a standard rate information access tool to support third-party demand response and load management services.
3. Creating and submitting location marginal price-based rates that change at least hourly to reflect marginal wholesale costs.
4. Integrating information about new time-varying rates and automation technologies into existing customer education and outreach programs.[5]

Objective 3 is an important feature in the CEC's LMS. To support demand flexibility, the LMS directs load-serving entities to adopt marginal-cost based rates, if such rates are determined to be cost-effective, equitable, technologically feasible, and beneficial to the grid and customers. Marginal-cost based rates, commonly linked to the wholesale price of electricity, are determined by factors like fuel costs, weather, renewable generation output, and the total demand for electricity at a specific time. These rates fluctuate during the day, reflecting real-time grid conditions.

Table 1: LMS Standards and Associated Deadlines

Due Date	Regulatory Requirement	LMS Reference
April 1, 2023	LMS Effective Date	
July 1, 2023 (Completed)	Within 3 months of the effective date, upload existing time-dependent rates to the MIDAS database.	§ 1623.1(c)
April 1, 2024 (Completed)	Within 1 year of the effective date, develop and submit to the Board a plan addressing how VCE will meet the requirements of the LMS, including an evaluation of marginal cost-based rates and programs. The Board must consider adoption of the plan within 60 days of submittal.	§ 1623.1(a)(1)
30 days after Board adoption (In Progress)	Submit approved plan to Executive Director of the CEC and respond to requests for additional information and/or recommendations within 90 days of receipt.	§ 1623.1(a)(3)(A)
April 1, 2024	Within 1 year of the effective date, provide customers with access to their Rate Identification Number (RIN) on billing statements and online accounts using both text and QR code.	§ 1623.1(c)(4)
October 1, 2024	Within 18 months of the effective date, develop and submit to the CEC, in conjunction with other obligated utilities, a single statewide standard tool for authorized rate data access by third-party providers, and the terms and conditions for using the tool. Upon CEC approval, maintain and implement the tool.	§ 1623.1(c)(2)

[5] California Energy Commission. "Load Management Standards." Accessed February 2024. https://www.energy.ca.gov/programs-and-topics/topics/load-flexibility/load-management-standards

October 1, 2024	Within 18 months of the effective date, submit a list of load flexibility programs deemed cost effective by VCE to the Executive Director of the CEC. The program portfolio must provide at least one option to automate response to MIDAS signals for each customer class where VCE's Board has determined such a program would materially reduce peak demand.	§ 1623.1(b)(3)
April 1, 2025 and annually thereafter	Submit annual reports to the Executive Director of the CEC demonstrating implementation of VCE's plan, as approved by the Board.	§ 1623.1(a)(3)(C)
July 1, 2025	Within 27 months of the effective date, submit at least one marginal cost-based rate to VCE's Board for any customer class(es) where such rate will materially reduce peak load.	§ 1623.1(b)(2)
July 1, 2027	Within 51 months of the effective date, offer customers voluntary participation in either a marginal cost-based rate, if approved by VCE's Board, or a cost-effective load flexibility program.	§ 1623.1(b)(4)
Ongoing	Conduct a public information program to inform and educate affected customers on why marginal cost-based rates or load flexibility programs and automation are needed, how they will be used, and how these rates and programs can save customers money.	§ 1623.1(b)(5)
Triennially	Review the plan at least once every 3 years after the date of adoption and submit a plan update to the Board if there are any material changes.	§ 1623.1(a)(1)(C)

2.1 VCE's Compliance Plan Administration

Section 1623.1(a) requires each Large CCA to submit to its rate-approving body a compliance plan that is consistent with the applicable requirements of the LMS regulation. The plan must be submitted within one year of the regulation effective date, which is April 1, 2024, and must be considered for adoption by the rate-approving body in a duly noticed public meeting within 60 days of submission.

This Plan meets the requirements of the CEC regulation, Section 1623.1(a). The description of how VCE complies with each of the elements is provided in the subsequent sections. The draft Plan was submitted to the Board on April 1, 20244, and will be presented to the VCE Board for consideration at duly noticed meeting on May 9, 2024.

2.2 CEC Review Process

Section 1623.1(3)(A) specifies that, upon adoption by the CCA rate approving-body, the plan must be submitted to the CEC Executive Director within 30 days for review. Note that the VCE Board is the sole authority to approve rates; the CEC's role is limited to determining whether the plan that the VCE Board has adopted complies with the regulation. Following the Plan presentation and adoption by the VCE's

Board on May 9, 2024, the Plan will be submitted to the CEC by June 9, 2024, for review. Any requests for additional information or recommended changes will be addressed and a written response submitted to the CEC within 90 days as required in the regulation.

2.3 Triennial Plan Review

Section 1623.1(a)(1)(C) requires each Large CCA to review its compliance plan at least once every three years. Where there is a material change to the factors considered in evaluating marginal cost-based rates and programs, the Large CCA must submit a plan update to its rate-approving body. Material revisions to the plan shall follow the same process as the initial plan approval.

This Plan will be reviewed every three years following the date of adoption and material Plan updates will be submitted to the VCE Board for consideration. This Plan and any approved material updates will be duly submitted to the CEC.

2.4 Annual Reporting

Section 1623.1(a)(3)(C) requires each Large CCA to submit annual reports to the CEC Executive Director demonstrating implementation of its Load Management Standards compliance plan. Each CCA must submit the initial report one year after adoption of the plan by the CCA's rate-approving body, and annually thereafter. Annual reports will be submitted to the CEC Executive Director describing the implementation of this Plan.

3. Rate Design & Deployment

CCA governing boards have jurisdictional control over rate-setting on behalf of their customers. Public Utilities Code Section 366.2(c)(3) provides that CCAs retain jurisdiction for setting rates for the electricity they purchase on behalf of their communities. This local control empowers CCAs to tailor energy programs, determine pricing structures, and prioritize renewable energy sources according to the preferences and goals of the communities they serve. VCE strives to stay competitive with Pacific Gas and Electric's (PG&E) rates. To this end, in January 2024 the VCE Board approved a 1% rate reduction on generation rates, in comparison to PG&E's generation rates, for all customers. VCE's most vulnerable community members which include customers enrolled in California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), and Medical Baseline currently see an even greater generation rate reduction of 3.5%.

In consideration of any rate modifications or additions, VCE will work to ensure that charges to the customer stay competitive with PG&E's generation rates.

3.1 Marginal Rate Requirements

Section 1623.1(b)(2) of the LMS directs each Large CCA, by July 1, 2025, to seek approval from its Board for at least one marginal cost-based rate or cost-effective program for which its rate-approving body determines will materially reduce peak load. The rate(s) proposed for approval, if desired, can mirror the marginal cost-based rate(s) offered by the IOU in whose service area the Large CCA exists. Rates and/or programs approved by the CCA's board must be offered on a voluntary basis to the CCA's customers by July 1, 2027, in accordance with section 1623.1(b)(4).

Section 1623.1(a)(1) of the LMS requires each Large CCA to evaluate the cost effectiveness, equity, technological feasibility, and benefits to the grid and customers, of marginal cost-based rates for each customer class in its compliance plan. After evaluating each of these components, the Large CCA may instead propose programs to enable automated response to marginal cost signals for each customer class and evaluate the programs and/or delay or modify compliance with the LMS requirements.[6]

VCE's customers are currently split into four customer classes, residential, commercial/industrial, agriculture, and state government. In this plan, VCE includes state government customers in its commercial/industrial customer class. Consistent with the adopted LMS amendments, the following section of the Plan evaluates the cost effectiveness, equity, technological feasibility, and benefits of dynamic rates to customers and the grid for each customer class.

4. Evaluation of Marginal Rates

The LMS regulation identifies dynamic hourly or marginal rates as a central tool for achieving the goals of encouraging off-peak energy usage, encouraging control of daily and seasonal peak loads, reducing, or delaying the need for new electrical capacity, and reducing fossil fuel consumption and associated GHGs. VCE has demonstrated support for this approach through implementation of its innovative Agricultural Flexible Irrigation Technology (AgFIT) dynamic pricing pilot.

In explaining marginal rate design, the LMS states that the "total marginal cost shall be calculated as the sum of the marginal energy cost, the marginal capacity cost (generation, transmission, and distribution), and any other appropriate time- and location-dependent marginal costs, including the locational marginal cost of associated greenhouse gas emissions, on a time interval of no more than one hour. Energy cost computations shall reflect locational marginal cost pricing as determined by the associated balancing authority."[7]

Being a CCA, VCE is authorized and responsible for setting and recovering only the generation cost components for each applicable electric rate, including marginal rates and programs. PG&E is responsible for setting distribution, transmission, and any other non-generation cost components for each rate.

4.1 Cost Effectiveness of Marginal Rates

LMS section 1623.1(a)(1)(A) specifies cost effectiveness as the first evaluation factor. VCE aims to estimate the costs and benefits associated with new dynamic rates for each rate class. This approach is necessary because, as of the time of the preparation of this Plan, VCE does not have sufficient data to support a full quantitative analysis.

4.1.1 Estimated Costs

To assess cost effectiveness, it is necessary to consider the costs associated with designing, implementing, and maintaining new rates for each customer class, as well as the ongoing benefits associated with that implementation. To demonstrate cost effectiveness, the expected benefits for each rate must exceed the costs of implementation.

[6] Id., § 1623.1(a)(1).

[7] California Code of Regulations, Title 20, § 1623.1(b)(1).

As a best practice for assessing the cost effectiveness of a new rate, VCE would need to conduct a comprehensive pilot study to test and gather data on different rate options, which would likely require several years and a multi-million-dollar investment with a third-party contractor specializing in rate design and pilot program evaluation. Beginning customer service in mid-2018, VCE is a relatively young organization and has been limited in terms of developing rate options, in order to prioritize building a strong, cost effective RPS-compliant portfolio backed by energy storage. VCE is engaged in an active dynamic rate pilot (AgFIT); however, this pilot is focused solely on agricultural customers with irrigation equipment, and it is inferred that customers would respond differently given differences in rate class, electricity usage, weather conditions, and other factors.

VCE has initial results published in the AgFIT Pilot's midterm evaluation report on which to draw limited conclusions on cost effectiveness, but the data is based only on a subset of agricultural customers, and VCE is hesitant to apply those initial results to other rate classes or pilots. As a result, VCE's evaluation of cost effectiveness is based on this limited assessment. VCE anticipates being able to refine estimates to inform future updates of our Plan as more results become available in pilots being conducted around the state of California by other load-serving entities (LSEs).

Implementing pilot rates for all customer classes, particularly rates that are far more complex than other currently available rates would require significant investment in planning, outreach, education, marketing, and technology development. VCE has identified several cost categories associated with implementing dynamic pilot rates, including but not limited to:

- Pilot rate design costs include market research, testing rate options, and analyzing the results of those pilots to refine the final design. In the event of a new rate recommendation, a rate action would be needed for it to be approved, adding to the costs.
- Setup costs including one-time costs like Information Technology (IT) system updates to enable data integration, and developing new or updating existing customer tools.
- Recruitment and retention costs include marketing, outreach, and enrollment costs. For example, with VCE's AgFIT pilot, staff drew upon existing relationships in the agricultural community with which to keep recruiting costs down, but there were still costs associated with the staff time necessary to recruit and retain customers. Additionally, because dynamic rates are new and novel, educating the customer on how to interact with the pilot rate and customer-facing scheduling application took significant staff investment.

To minimize cost to the LSE, the AgFIT pilot rate design was calibrated to recover annual LSE generation costs. However, the pilot included customer incentives for automation as well as incentives based on the difference between the pilot tariff and the customers' otherwise applicable tariff, with the goal of incentivizing the customer to shift peak load. While the pilot has seen initial success in customer response, it is unknown to what extent customers would respond to price signals without both sets of incentives, if it were not economically feasible to offer the same or similar incentives.

4.1.2 Estimated Cost Benefits

This section of the Plan describes the potential cost benefits associated with implementing new dynamic rates and the estimated realization of incremental benefits based on design effectiveness, customer adoption levels, and available load shift capacity.

VCE has identified the primary avoided cost benefits of new dynamic rates as the following:

- Avoided capacity costs resulting from a reduction for new capacity additions or resource adequacy procurement.
- Avoided energy costs resulting from shifting demand from higher-cost periods to lower-cost periods.

Secondary benefits could also flow from the realization of avoided capacity and energy procurement needs. For example, to the extent that load shifting could potentially reduce the need for new capacity and wholesale energy purchases during peak periods, reductions could also contribute to the following:

- Avoided GHG compliance costs associated with a reduction in generating or purchasing energy from fossil-fueled resources that may otherwise be needed to serve load during peak periods.
- Improved air quality, public health, and environmental outcomes associated with a reduction in operations of fossil-fueled resources. While these benefits do not accrue directly to VCE, they provide value to the communities that we serve.

As a retail electric service provider and a CCA, VCE anticipates that the greatest potential direct benefits would be derived from avoided capacity and energy procurement costs. However, the realization of any of the above-identified benefits from new dynamic rates is highly dependent on the following factors:

- Effectiveness of the rate design in shifting customer usage patterns.
- Operational value of the load shift.
- Adoption levels of the new rates.
- The customer experience on the new rate.

In addition, with respect to avoided GHG compliance costs and improved air quality, public health, and environmental outcomes, the realization of benefits also depends on the relative utilization of fossil-fueled resources to serve peak load.

4.1.3 Estimated Design Effectiveness Factors

Effective rate design is necessary to achieve predictable load shift during the most valuable peak hours. The risk of not having sufficient generation, which results in the need for new capacity additions or resource adequacy procurement, is typically concentrated in a small number of peak hours each year when serving that load is most challenging. Accordingly, to realize any avoided capacity benefits, it is important that a new rate design can achieve consistent and meaningful load reductions during peak hours. Reducing capacity and energy procurement during peak periods relies on consistent shift in demand.

Time to develop and test the effectiveness of rate design options will be especially important when proposing a complex new rate structure. If customers do not adequately understand price signals, their response may be unpredictable, leading to reduced load shift and potentially adverse bill impacts. VCE's ideal rate development process would include market research, testing the effectiveness of different rate options through pilots, analyzing the results, and considering and implementing refinements. This will help to ensure that the rate sends the right signals and takes into consideration customers' willingness and ability to respond directly or via automated technologies/devices while fully recognizing that the process can take significant time and resources.

The LMS requirements direct Large CCAs to propose new dynamic rates for every customer class to their Boards of Directors by July 1, 2025. That timeline does not provide sufficient time for VCE to design a pilot (outside of the limited scope of the AgFIT Pilot), test responses to different rate options, and analyze the results for even one rate class. In addition, PG&E's dynamic rate pilots have been delayed and results of those studies may not be available before July 1, 2025. Without the results from pilots, it is unclear that a complex new dynamic rate design would result in any incremental, dependable load shift, or ensure a positive customer experience for our customers.

The estimated adoption level of new hourly dynamic rates directly impacts the value of load shift benefits. Based on available information, VCE anticipates that dynamic rates rolled out to non-agricultural customers by July 1, 2027, may have low adoption and retention levels. VCE's assumption is based on several key factors, including the uncertainty in bill impacts from complex new rate structures, the time needed to educate customers to promote a positive experience, and the cost and limited accessibility of enabling behind-the-meter automation technology.

4.2 Equity of Marginal Rates

The second criterion by which to evaluate dynamic rates is equity. Since VCE does not currently have pilot study data to support quantifying load shift and bill impacts for different customer groups, VCE qualitatively evaluated the equity impacts of these rates by considering customers' ability to benefit directly and indirectly from the rates.

A key requirement of successful implementation of a dynamic or marginal cost-based rate is the ability of a customer to respond to the price signal of the rate. Customers, including residential, non-residential, and agricultural customers, that are capable of responding to a dynamic rate by shifting load are more likely to realize bill savings and provide benefits to the grid. Customers that lack an understanding of dynamic pricing, or the technology that easily enables load shifting (e.g. battery storage, smart appliances), are at a disadvantage to those with such resources when taking service under a dynamic pricing scheme. The inherent inequity of marginal rates providing savings benefits to affluent or tech-savvy businesses and residential customers that have the time and capability to closely manage their devices or energy usage has the potential to leave small business, low-income, and hard-to-reach communities behind. Without specific pricing or rate design information available, VCE is unable to determine the potential equity impact of any particular rate design option and would likely require a bill impact study before implementing a new rate.

The ability to directly benefit from a dynamic rate depends on several factors, such as access to enabling technology, the ability to shift load away from high-cost periods, and the ability to benefit from the rate and absorb potential bill shocks:

- Technology access: the ability to participate in a dynamic rate depends on customers' access to technology with characteristics that enable response to hourly or sub-hourly price signals. Currently, the high up-front cost of this technology may pose a limitation, particularly for lower-income customers. Customers that rent or lease their home or business may face additional constraints with respect to securing permission for technology installations.
- Flexible load shift ability: the ability to quickly shift load away from high price periods will affect whether participating customers can directly benefit from a dynamic rate. As market signals

would be dynamic with potentially large changes in prices between hours, customers that cannot or do not adopt and/or utilize enabling technology could see large bill impacts.

- Ability to absorb potential bill shocks: participating customers on a dynamic rate run the risk of bill shocks if they are unable to shift load away from high price hours. VCE anticipates that lower-income customers and small businesses that face greater barriers in implementing enabling technology would be least able to absorb potential bill shocks. By contrast, VCE's Time-of-Use rates provide customers the opportunity to save money without requiring specific technology or exposure to market risks and bill shocks if load is not sufficiently flexible.

Based on the information currently available, VCE cannot conclude that implementing dynamic rates would result in substantial equity benefits. At this time, the availability of such rates is likely to disproportionately benefit higher-income customers, early adopters of technology and businesses that own their property, have up-front capital to purchase enabling technology, and can absorb the risk of bill shocks. In addition, while VCE's entire customer base could potentially benefit from the incremental avoided system costs and improved air quality, public health, and environmental outcomes, the magnitude and uncertainty of these benefits are uncertain. VCE would not anticipate a high level of adoption of dynamic, hourly, or sub-hourly rates from low-income customers.

4.2.1 Technological Feasibility of Marginal Rates

The third evaluation factor for dynamic rates is technological feasibility. VCE's evaluation assesses the technological feasibility of implementing dynamic rates for all customers on the schedule specified in the LMS regulations. VCE's evaluation considers the feasibility of both the internal technology systems needed to support implementation of dynamic rates and the external customer technology that is needed to enable response to hourly or sub-hourly signals.

4.3 Billing System, Price Generation and Customer Technology

4.3.1 VCE's Billing System

As part of PG&E's 2020 General Rate Case (GRC), the IOU planned on implementing a Day-Ahead Hourly Real Time Price (DAHRTP) rate that would launch in the first quarter of 2024. DAHRTP would have required PG&E to make enhancements to its billing system, allowing for PG&E and CCAs to bill customers on dynamic rates. Since PG&E's submittal of their Load Management Compliance Plan in October 2023, DAHRTP has been postponed till 2025 and changes to the billing system have been halted.

The postponement of DAHRTP followed the California Public Utilities' approval of the Demand Flexibility Pilot Expansion in Decision 21-12-015. The expansion addressed PG&E's concerns over billing system upgrades and the cost associated by adopting the Joint DR parties' proposal of "shadow" billing. The programs under the expansion require no changes to the IOU or CCA billing systems. Program participants will instead receive an additional monthly bill that details their performance in the dynamic rate pilot.

The implementation of a "shadow" bill, while effective for the pilot programs under the expansion, does continue to postpone the billing enhancements needed for widespread adoption dynamic rates. VCE does not have adequate information on the cost, timing, and scope of the changes needed to bill on hourly dynamic prices. VCE is exploring this subject with our billing agent, the Sacramento Municipal

Utility District (SMUD), and will consider any findings derived from the investigation in future rate option decisions.

4.3.2 VCE's Price Generation

PG&E was developing a pricing methodology as part of its DAHRTP rate implementation that was to be implemented in quarter one of 2024. Following the postponement of DAHRTP, PG&E is now developing a pricing methodology as part of the Demand Flexibility Pilot Expansion to be launched in June 2024. With the enrollment of customers in the expansion, CCAs will be able to utilize PG&E's pricing methodology. Working within the parameters of the methodology's formula, CCAs can modify or adjust the real time prices by changing the coefficients. The capacity to modify the coefficients provides the necessary tools to VCE to remain cost competitive with PG&E. The advantages and cost of VCE developing its own pricing methodology is under evaluation. The option of partnering with another CCA(s) is an avenue that will be considered.

4.3.3 Customer Technology

Smart devices or load automation technology make it easier for customers to respond to price signals and have been shown to drive performance on dynamic rates. This is consistent with VCE's observations related to its AgFIT pilot. Following is a list of common load flexibility technologies in VCE's service area, along with their capabilities and constraints. VCE anticipates these same technologies will be necessary to respond to new dynamic rates.

- **Smart thermostats:** Wi-fi enabled smart thermostats are currently by far the most widely adopted load flexibility technology. These devices can receive and respond to dispatch signals within 15-30 minutes; however, doing so could end up sacrificing customer comfort, as market price signals may not allow time for the home to pre-cool.
- **Battery energy storage systems:** Battery energy storage systems are being adopted with increasing frequency by both residential and non-residential customers, particularly as an add-on to solar PV installations. However, the current adoption rates are relatively low, and it will likely be years before storage is affordable for a majority of VCE's customers.
- **Electric Vehicles (EVs):** EVs are an emerging source of load flexibility across VCE's service territory, and the rate of customer adoption appears to be increasing. There is significant potential for further growth given statewide goals for zero-emissions vehicles by 2030.
- **Electric Tractors:** The adoption of bi-directional and unidirectional charging equipment and electric tractors are likely to be supported throughout VCE's territory in the near term. VCE may be exploring the shift and shape potential of electric tractors in its Rural Electrification and Charging Technology (REACT) Pilot Program.

4.4 Benefits of Marginal Rates

The final two criteria for evaluating dynamic rates are benefits to the grid and benefits to customers. VCE is evaluating these factors together because many grid benefits also have pass-through benefits to customers.

Following is a summary of anticipated grid and customer benefits associated with implementation of new dynamic rates on the timeframe specified in the LMS regulation. VCE's evaluation of the benefits considers the expected effectiveness of the rate design, the expected adoption rate, and the incremental benefits relative to VCE's existing time-dependent rates and load flexibility programs. The realization of each benefit depends on whether dynamic rates would result in material load shift relative to VCE's existing time-dependent rates and programs.

- Avoided capacity needs: realizing the incremental benefits of avoided capacity costs in the form of reduced need to contract for new generation capacity or procure resource adequacy (RA), depends significantly on an effective rate design that delivers meaningful, dependable load shift in response to hourly or sub-hourly price signals. Shifting demand away from peak periods also has the potential to relieve grid strain and contribute to reliability.
- Avoided energy purchase costs: realizing the incremental benefits of avoided energy costs relies on a rate design that effectively encourages customers to shift from high-cost (high GHG) periods to lower cost (low GHG) periods. This allows for more efficient use of cheaper solar energy when it is generated and reduces the higher costs of energy associated with serving peak load.
- Improved air quality, public health, and environmental outcomes: the potential air quality, public health, and environmental benefits associated with dynamic rates depends on such rates reducing the capacity needs or energy purchases during time periods when the grid has a higher carbon intensity.
- Customer bill impacts: with dynamic rates, customers have the potential to save money by shifting their usage out of the most expensive hours. However, there are risks to customers in adopting dynamic rates, even if customers can largely rely on device automation to manage their demand. Depending on the rate design, customers could potentially take on the risk of market price fluctuations, which could have a negative impact on customer bills, especially during times of extreme market volatility.
- Customer experience: while dynamic rates would reflect the cost of energy at the time it is used, they could potentially be very complex and difficult for customers to understand. This could adversely impact adoption and benefits of the rate, as well as potentially hindering future load shift efforts.

Based on the information currently available, VCE's evaluation is unable to conclude that implementing dynamic rates on the timeframe specified in the LMS would yield material incremental benefits to the grid or to VCE's customers. Currently, VCE's load flexibility pilot programs are designed to capture peak load shift benefits. Any incremental benefits associated with dynamic rates being applied to all customer classes that enable response on hourly or sub-hourly signals are uncertain.

4.5 Marginal Rates Proposal

VCE requires additional information with respect to the cost, equity, technical feasibility, and benefits of marginal cost-based rates, including how these factors can be measured and evaluated. At this time, VCE lacks the internal resources necessary to develop this information and would require the use of external experts, likely at significant cost, to present a robust evaluation of dynamic pricing for its customer classes. As described in the sections below, VCE currently offers limited dynamic rate load flexibility programs, as well as time of use-differentiated rates that are intended to achieve the goals of the LMS without having to expend significant financial and staff resources.

VCE plans to defer the proposal and adoption of new marginal rates at this time. VCE will re-evaluate marginal rates with the benefit of additional information from dynamic rate pilots in our own territory, as well as PG&E's service area and other service areas in the next update of this Plan.

The following sections describe VCE's efforts in the development and implementation of dynamic rate programs that will assist in meeting the LMS requirements.

5. AgFIT and Expansion Pilot 1

A marginal signal program that could help VCE meet the LMS requirements is VCE's Agricultural Flexible Irrigation Technology (AgFIT) Pilot Program and its recent expansion, referred to as the AgFIT Expansion or Expansion Pilot 1. AgFIT was originally designed to target the shift potential of agricultural irrigation but was recently expanded to include all agricultural end uses. The sections below describe VCE's dynamic rates pilot program.

5.1 The Agriculture Sector

With the proposal in our Opening Testimony in California Public Utilities Commission docket R.20-11-003,VCE explained that more than 85% of our service territory is designated for agricultural use, and that the agricultural sector represents approximately 18% of VCE's total annual load and 16% of our peak demand.[8] The annual load can be seen to increases significantly during drought years (2020-2022), which is directly related to agricultural pumping in VCE's service territory.

Table 2: Annual Retail and Wholesale Load

Year	Retail Load, MWh	Wholesale Load, MWh
2019	642,656	684,191
2020	706,393	752,764
2021	755,901	806,377
2022	739,932	789,142
2023	654,637	697,056
Average	699,904	745,906

In Polaris's Opening Phase 2 Prepared Testimony in R.20-11-003, it states that "agricultural pumping has more shed and shift potential that can be built more quickly at lower costs than other sectors, especially residential space cooling and electric vehicle (EV) … Agricultural pumping has proven highly reliable in demand response events and is beneficial because of its mostly binary operating profile (pumps are either on or off), large loads controlled by a relatively small number of decision makers and lower weather sensitivity compared to cooling loads."[9]

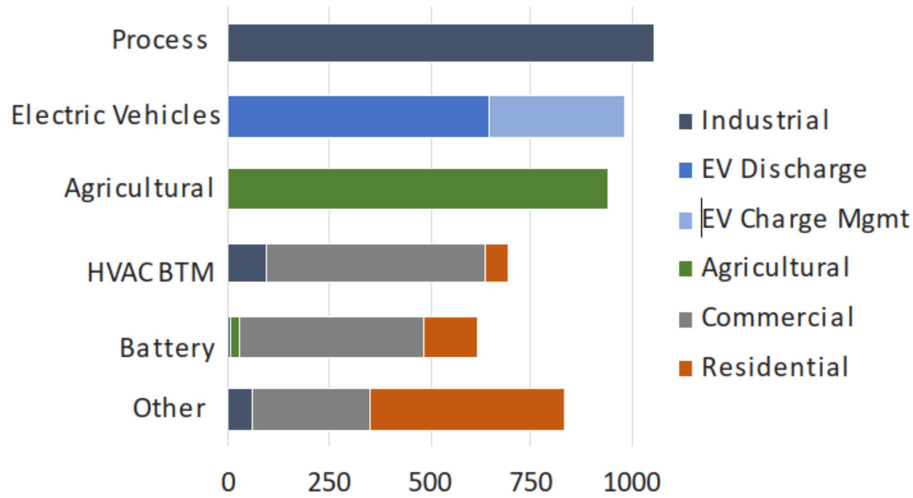
The figure below is from the CEC's Senate Bill 846 Load-Shift Goal Report, depicting the load flexibility potential by end use and sector. Collectively, industrial processes, EV-related interventions (vehicle-to-

[8] Docket No. R.20-11-003, *Opening Prepared Testimony of Gordon Samuel on behalf of Valley Clean Energy* at 1-2 (September 1, 2021). Accessible at: https://eqresearch.sharefile.com/public/share/web-s1c978db45ba94c71bc70d622bf070246.

[9] [9] Docket No. R.20-11-003, *Opening Phase 2 Prepared Testimony of Polaris Energy Services* at 3. Accessible at: https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/R2011003/4050/404292630.pdf.

grid, vehicle-to-building, and managed charging), and agricultural load flexibility (not including batteries) make up 58% of the state's estimated potential. Including process facilities and bi-directional EVs, VCE believes that agriculture is most likely the sector with the greatest load flexibility potential in Yolo County.

Figure 1: Load Flexibility Potential by End Use and Sector



Source: CEC staff

Figure 2 (below) is from Phase 3 of The California Demand Response Potential Study by Lawrence Berkeley National Laboratory published July 2020. The figure shows the disaggregation of the Shift supply in 2030, at the behind-the-meter (BTM) battery price threshold of $150/yr/kWh, broken out by utility service territory. Key conclusions from this figure are that the pumping resource is primarily to be found at agricultural sites and primarily in PG&E's service territory.

Figure 2: Average GWh of Shift Resources

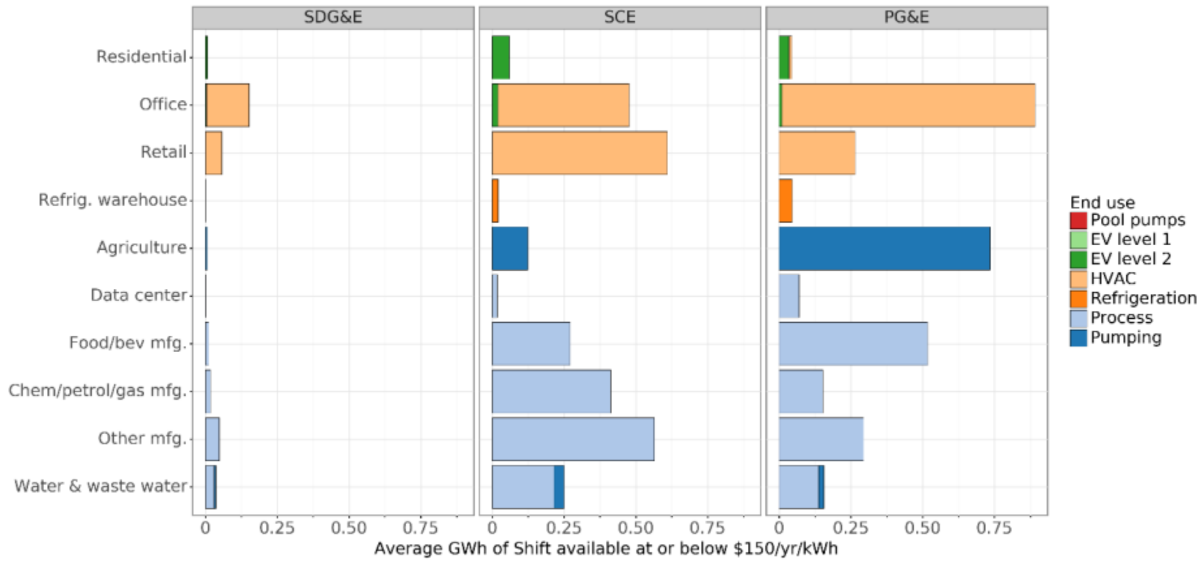


Figure 3-9. The Shift resource available in forecast year 2030 at the BTM battery price referent ($150/yr/kWh), disaggregated by utility service territory, building type, and end use.

5.2 Agricultural Automation

When VCE was evaluating the effectiveness of enrolling agriculture customers in dynamic rates, the cost of installing and operating sector-specific automation technology was a consideration. Figure 3 (below) from Lawrence Berkeley National Laboratory's (LBNL) California Demand Response Potential Study Phase 3 illustrates the impact of equipment cost on the overall cost-competitiveness of enabling load shift at different sites. Figure 3 shows the annualized costs per unit of shiftable energy ($/yr/kWh, circa 2015) to install and operate shift-enabling technology, for each shiftable end use, at a typical site in each one of the customer clusters modeled in LBNL's DR-Path. The variation in cost can be large from site to site for a given end use because each site has a different amount of shiftable load that is available to be captured. The minimum BTM battery cost is shown as a vertical dashed line. Any point in the figure that sits at a higher cost will not be cost-competitive with a battery. The conclusion from figure 3 is that the cost of automating pumping load is cheaper than installing a BTM battery.

Figure 3: Annualized Resource Procurement Cost ($/yr/kWh)

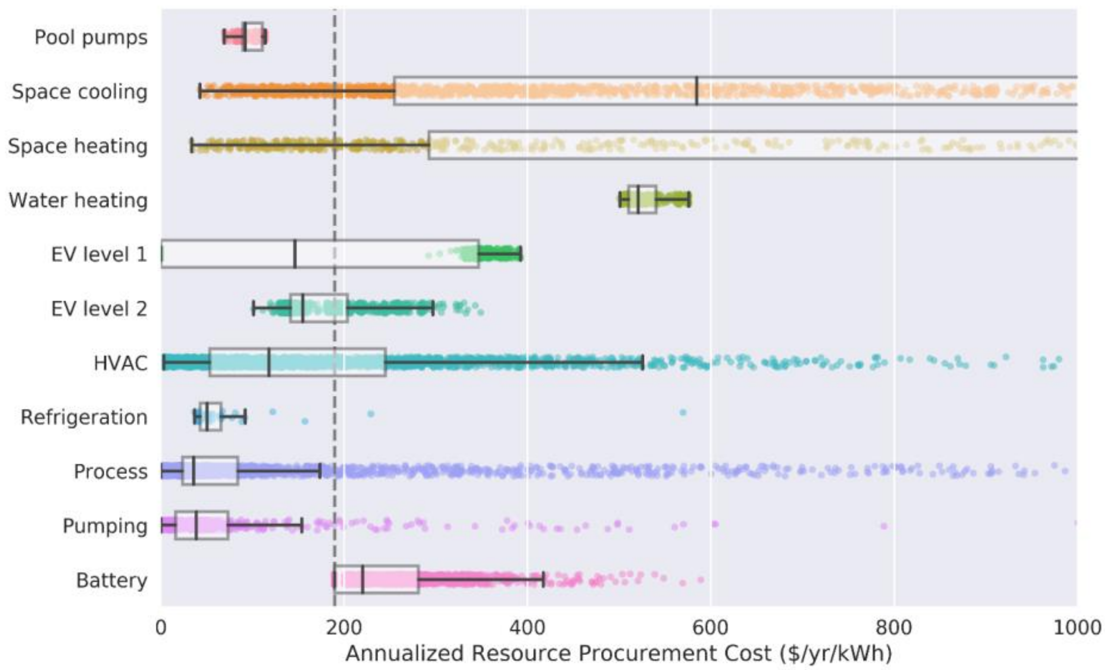


Figure 3-17. Installed costs, circa 2015, for Shift-enabling technologies, by end use, for a typical site in each customer cluster modeled in DR-Path. The minimum battery cost is shown as a vertical dashed line for reference. Box plots show the interquartile range (IQR, middle 50 percent of cluster costs), and whiskers show points beyond the IQR that are within 1.5 times the magnitude of the IQR.

5.3 Program Overview

The original Agricultural Flexible Irrigation Technology (AgFIT) Pilot Program was approved by the California Public Utilities Commission in D.21-12-015 on December 2,2021, as a near-term solution for summer reliability issues. The proposal was for a limited program focused on the agricultural sector and its flexibility in pumping water. The pilot was designed to unlock up to 5 MW of demand shift in the near term, with a simple, low-cost program design with benefits matched to meet customer needs.

The original pilot is expected to provide valuable data about the potential of dynamic rates for load shift. The results, which will be published Q3 of 2025, are expected to be used to help inform further load flexibility pilots and scale dynamic rates to other customers.

Due to the midterm results presented in AgFIT's initial evaluation, the extension and expansion of VCE's AgFIT pilot was instituted in Rulemaking 22-07-005 on August 15, 2023. The expansion of AgFIT, called Pilot 1, was formally approved in D.24-01-032. The expansion allowed for the inclusion of other agriculture sector end uses outside of irrigation, permitted the enrollment of customers throughout PG&E's service territory, as well as the extended the operation of the program until 2027.

5.3.1 Pricing Methodology

As stated in D. 21-12-015, AgFIT is a dynamic hourly tariff, with week-ahead projections that are integrated with pump automation controllers. Non-generation and non-delivery costs are recovered through existing rate structures, but all other costs are collected using a marginal rate design.

The generation prices are calibrated to fully recover VCE's costs. The generation price formula uses Locational Marginal Prices (LMP) provided by the California Independent System Operator (CAISO) and a marginal energy capacity cost from PG&E's latest General Rate Case (GRC).

6. PG&E Administered Programs

VCE is considering participating in PG&E administered marginal rate programs that would employ a diversity of enabling technologies and provide different tiers of engagement. The potential program portfolio includes dynamic rate offerings for both residential and commercial/industrial customer classes.

The following is a list of prospective programs that will be monitored and evaluated for reliability, load reduction and customer adoption. Participation by VCE in the programs below is dependent upon board approval.

6.1 Expansion Pilot 2

Using the same pricing design and program structure as the AgFIT program, D.24-01-032 directed PG&E to offer a secondary pilot that enrolls both residential and commercial/industrial customers. Eligible rate schedules include B-6, B-10, B-19, B-20, E-ELEC, and EV2-A.

Pilot 2 intends to target residential and non-residential customers who already have automation technology in place. Example use cases include smart EV charging, industrial processes, behind the meter batteries, and box stores. PG&E aims to enroll 50 MW of controlled load into the program.

VCE plans to take this program to the board for consideration in quarter 2 of 2024.

6.2 Vehicle-Grid Integration

PG&E's Vehicle-to-Grid Integration (VGI) Program will utilize the same pricing and billing methodology as AgFIT and Expansion Pilot 1. Only bi-directional electric vehicles will be eligible to participate in the program. Definitive details on VGI are pending final resolution from the California Public Utilities Commission.

6.3 Day-Ahead Hourly Real Time Pricing

PG&E's Day-Ahead Hourly Real Time Pricing (DAHRTP) Program was approved in D.21-11-017 on November 18, 2021. Due to the overlap in eligible rate schedules with Pilot 2, DAHRTP was paused after R.22-07-005 instituted the expansion of AgFIT. The program plans to utilize the pricing methodology approved in D.21-11-016 to derive a marginal generation rate, while all other rate components will be billed using existing rate structures.

Table 3: In Progress and Potential Programs

Program Name	Start Date	End Date	Status	Marginal Signal (Y/N)
AgFIT	Mar-22	Dec-24	In Progress	Y
Expansion Pilot 1	May-24	Dec-27	CPUC Approved	Y
Expansion Pilot 2	Jun-24	Dec-27	CPUC Approved	Y

VGI	Sep-24	Sep-25	Pending Final Resolution	Y
DAHRTP	Unknown	Unknown	Paused till Mar-25	Y

7. Education and Outreach

Section 1623.1(b)(5) of the LMS asks the Large CCAs to conduct a public information program to inform and educate affected customers why marginal cost-based rates or load flexibility programs and automation are needed, how they will be used, and how these rates and programs can save customers money.

VCE has a successful history of educating its customers on various energy-related initiatives. These experiences include marketing Time-of-Use rates, highlighting customer programs like CARE, FERA, AMP, CAPP and PIPP, and promoting our portfolio of energy programs and initiatives. VCE also maintains consistent communication across Yolo County through monthly newsletters and social media posts.

To reduce costs and boost enrollment, a Public Information Program would be run in conjunction with the launch of a Board-approved load flexibility program to eligible customer classes. VCE would design a campaign that may include direct mail, website, social media, newsletter articles, monthly content shares, and public presentations. VCE would also consider working with community partners to enhance customer outreach. VCE would examine the expansion of existing contracts with vendors to conduct graphic design, media buying, and video production.

8. Time-Dependent Rate Submission to MIDAS

The CEC developed the Market Informed Demand Automation Server (MIDAS), as part of the LMS revisions, so customers and automation service providers can connect flexible loads to a machine-readable database of rates to automate demand flexibility, section 1623.1(c). The LMS amendments require the utilities and Large CCAs to populate utility rate information into MIDAS and to facilitate access to MIDAS signals for customers and their authorized third parties. Each uploaded rate must be assigned a Rate Identification Number (RIN), which is used to uniquely identify each rate. Large CCAs are also required to upload any new time-dependent rates or changes to existing rates prior to the effective date of that rate. All uploaded time-dependent rates must include all applicable time-dependent cost components. This section of the Plan details VCE's actions to meet this requirement.

On August 1, 2023 VCE successfully uploaded all generation rates and associated RINs to the CEC's MIDAS, including base rates and rates with price adders. VCE will continue to upload and update the generation rate components with each rate change.

9. Billing System Updates

Section 1623(c)(4) of the LMS requests that by March 31, 2024, RINs be incorporated into customer billing statements and online accounts using both text and quick response (QR) codes or similar machine-readable digital code. Given that the IOUs act as billing agents, the design, placement, and input for RINs on the bill by Large CCAs are restricted. Nevertheless, VCE has collaborated with PG&E to furnish RINs, facilitating their inclusion in the billing statement. VCE plans to make the RINs available in text and QR formats on billing statements on or before April 1, 2024. This will allow customers to access their RIN on the billing statement received by mail or accessed online.

VCE customers will see two RINs, one for the CCA-associated component(s) of their bill pertinent to their generation rates and another for the PG&E-associated component(s) of their bill related to transmission and distribution rates.

Lastly, VCE is working with PG&E to have consistent and clear language regarding the RINs for customer understanding. VCE will likely augment the information provided by PG&E with content on our own webpages.

10. Single Statewide RIN Access Tool

Section 1623(c) requires the Large IOUs, Large POUs, and Large CCAs to develop a single statewide standard tool for authorized rate data access by third parties, along with a single set of terms and conditions for third parties using the tool, for submission to the CEC by October 1, 2024, for approval.

The tool must:

- Provide the RIN(s) for the rate(s) applicable to a customer's premises.
- Provide any RIN(s) for the rate(s) to which the customer is eligible to be switched.
- Provide estimated average or annual bill amounts based on the customer's current rate and any other rate(s) for which the customer is eligible to be switched if such calculation tools already exist.
- Enable authorized third parties, upon direction and consent of the customer, to modify the customer's applicable rate, to be reflected in the next billing cycle.

The tool must also incorporate reasonable and applicable cybersecurity measures, minimize enrollment barriers, and be accessible in a digital, machine-readable format according to best practices and standards.

VCE has provided stakeholder input and participated in CEC workshops on the RIN Access Tool's development held on March 21, 2024. If the need for an extension is determined by stakeholders, the CEC Executive Director will be notified in accordance with section 1623(c)(2)(B) of the CEC's LMS.

11. Recommendation

VCE has distributed this working draft plan to its Board, which will be considering its adoption within the 60-day timeframe allotted by the CEC. The draft plan underscores VCE's dedication to supporting the provision of affordable, clean, and reliable electricity to its customers through innovative rate design and customer-focused programs. It is important to note that new information on marginal programs and rates, as well as evolving customer needs, may influence VCE's approach on these issues.

VCE's evaluation of the cost effectiveness, equity, technological feasibility, and benefits to the grid and customers, of marginal cost-based rates indicates that there is currently insufficient data available to recommend the development and implementation of one or more marginal cost-based rates to the Board. Therefore, VCE staff plans to recommend the deferral of new marginal rates until a more robust study and pilot process can be completed. Without a comprehensive cost-of-service rate design study, which would require the use of a third-party consultant at significant cost, VCE is limited to a qualitative evaluation of the criteria set forth in the LMS. The qualitative evaluation provided in this report is intended to serve as an initial step in complying with the CEC's LMS requirements and will be revisited over time as new data and information become available.

VCE remains committed to the overall goals of the LMS, including aligning electricity use with generation and capacity using energy storage, improving air quality, helping to mitigate future climate change, and creating downward pressure on electric rates. This commitment is demonstrated through the participation in and offering of load flexibility programs including the AgFIT pilot program and expansions, as well as PG&E-administered programs.

Looking ahead, this plan remains flexible and open to adjustments as new information and opportunities emerge. VCE will assess opportunities to uphold reliability and align with the State's goals in a manner that is consistent with VCE’s goal to best support our customers.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 17

TO: Board of Directors

FROM: Edward Burnham, Finance and Operations Director
Mitch Sears, Executive Officer

SUBJECT: Receive and approve draft audited December 31, 2023 financial statements presented by James Marta & Company

DATE: April 11, 2024

RECOMMENDATIONS

1. Accept and approve the Draft Audited Financial Statements for the period of January 1, 2023, to December 31, 2023;
2. Accept the Draft Communication with Governance Letter; and
3. Accept the Draft Internal Control Letter

BACKGROUND & DISCUSSION

As part of VCE's Board approved transition to a fiscal year aligned with the calendar year, VCE has commissioned a financial audit to align its annual financial audit with its new January to December fiscal year. The attached financial statements were audited by VCE's Independent Auditor, James Marta & Company.

The Financial Statements include the following reports:

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

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

- Governance letter
- Internal Control Letter

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

AUDITOR'S FINDINGS

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

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

Attachments:

1. Audited Financial Statements for the period of January, 2023 to December 31, 2023
2. Communication with Governance Letter
3. Internal Control Letter

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

DRAFT

VALLEY CLEAN ENERGY ALLIANCE

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Clean Energy Alliance
Davis, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valley Clean Energy Alliance (VCE), which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Valley Clean Energy Alliance as of the year ended December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Valley Clean Energy Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VCE's ability to continue as a going concern for twelve months beyond the date when the financial statements are issued.

701 Howe Avenue, Suite E3, Sacramento, CA 95825 (916) 993-9494 fax (916) 993-9489
www.jpmcpa.com jmarta@jpmcpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VCE's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VCE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

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

DRAFT
James Marta & Company LLP
Certified Public Accountants
Sacramento, California
DATE

MANAGEMENT DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Valley Clean Energy Alliance's (VCE) financial activities for the periods ended December 31, 2023 and December 31, 2022. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

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

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

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

In June 2018, VCE began providing service to approximately 56,000 customer accounts as part of its initial enrollment phase. In calendar year 2020, VCE phased in approximately 7,000 Net Energy Metering (NEM) customers. In January 2021, VCE phased in approximately 7,100 customers from its new City of Winters jurisdiction.

Since its formation, Valley Clean Energy has operated with a fiscal accounting year ending on June 30, aligned with the Member Jurisdictions' Fiscal Year. Since early 2020, VCE has seen high volatility in the energy sector and overall economy. VCE's fiscal impacts were primarily driven by uncertainty associated with the COVID-19 pandemic, 2021 Power Charge Indifference Adjustment (PCIA) increases, resource adequacy and power market cost increases driven in part by the war in Ukraine. These factors required VCE to draw against reserves in the past two years to stabilize customer rates and maintain its rate policy to be competitive with PG&E generation rates. Beginning in 2022, VCE began to replenish its cash reserves and grow its financial strength (as envisioned in the Strategic Plan) for its initial investment grade credit rating.

Financial Reporting

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

Contents of this Report

This report is divided into the following sections:

- Management's Discussion and Analysis, which provides an overview of operations.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table is a comparative summary of VCE's assets, liabilities, and net position.

	December 31, 2023	December 31, 2022	% change from 2023 to 2022	December 31, 2021	% change from 2022 to 2021
Current assets	$ 43,363,001	$ 20,172,977	115%	$ 14,853,514	36%
Noncurrent assets	1,100,000	3,961,586	-72%	3,561,158	11%
Total Assets	44,463,001	24,134,563	84%	18,414,672	31%
Current liabilities	10,073,964	8,542,745	18%	8,728,436	-2%
Noncurrent liabilities	-	181,284	0%	-	0%
Total Liabilities	10,073,964	8,724,029	15%	8,728,436	0%
Net Position					
Designated – Local Programs	840,000	224,500	274%	224,500	0%
Restricted	1,100,000	3,809,273	-71%	3,561,158	7%
Unrestricted	34,342,641	11,376,761	202%	5,900,578	93%
Total Net Position	$ 36,282,641	$ 15,410,534	135%	$ 9,686,236	59%

Assets

Current assets ended December 31, 2023, at approximately 43.4 million, an increase of approximately $20.2 million compared to December 31, 2022. The primary contributor to the overall increase in current assets was an increase in cash resulting from competitive rate increases and the building of operating cash reserves. The VCE Board adopted a cost-based rate policy and automatic rate adjustment policy to continue to preserve and build cash reserves in preparation for obtaining our initial investment grade credit rating.

Overall, non-current assets decreased approximately $2.8M on December 31, 2023 due to a decrease of in restricted cash for power purchase reserves related to the wholesale energy services portion of the SMUD contract. VCE completed the transition to The Energy Authority (TEA) for wholesale energy services in 2023 and no longer had a restricted cash and lockbox contract requirements.

Liabilities

Current liabilities at December 31, 2023, were comprised primarily of the accrued cost of electricity, accounts payable, other accrued liabilities, and security deposits. Current liabilities increased by $ 1.5M for the period ended December 31, 2023 due to increased power cost hedges for the winter of 2023.

Non-current liabilities decreased $181K in the year ended December 31, 2023 related to VCE early payoff of the River City Bank (RCB) term loan scheduled to mature in 2024.

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

	December 31, 2023 (Twelve Months)	December 31, 2022 (Twelve Months)	% change from 2022 to 2023	December 31, 2021 (Six Months)	% change from December 31, 2021 (Six Months) to December 31, 2022
Operating revenues	$ 95,429,498	$ 86,661,734	10%	$ 29,357,623	195%
Interest income	327,157	46,501	604%	8,731	433%
Total Income	95,756,655	86,708,235	10%	29,366,354	195%
Operating Expenses	74,869,670	80,897,469	-7%	32,401,487	150%
Interest and related expenses	14,878	86,468	-83%	22,545	284%
Total Expenses	74,884,548	80,983,937	-8%	32,424,032	150%
Change in Net Position	$ 20,872,107	$ 5,724,298	-265%	$ (3,057,678)	-287%

Operating Revenues

In the period ended December 31, 2023, VCE's operating revenues were approximately $14.0M below budgeted amount. VCE's customers energy use in most sectors have been lower than forecasted. For example, two large sectors showed lower than forecast energy use: (1) residential and (2) commercial use related to agriculture due to a wet and long winter, lower overall summer temperatures, and reduced heat events. VCE's operating revenue is driven from the sale of electricity to its customer base.

Operating Expenses

In the period ended December 31, 2023, VCE's operating expenses were 7% lower than budgeted operations. The decrease was primarily due to a $3. million decrease in the cost of electricity, driven by the decreased average forward market power prices from the high 2022/23 winter costs due to an abnormally wet winter and increased hydro production VCE procures energy from various sources and focuses on purchasing at competitive prices and maintaining a balanced renewable power portfolio. The remaining operating expenses consist of contract services, staff compensation, and other general administrative expenses.

ECONOMIC OUTLOOK

As a CCA in its sixth year of operations and post COVID-19 pandemic, VCE continues to focus on limiting customer opt outs by keeping rates competitive, increasing brand recognition, and providing a superior customer experience. VCE has recently started to procure power through long-term power purchase agreements to assist in stabilizing renewable power costs in the future and help VCE accomplish its mission of providing renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers. VCE faces significant budgetary pressures that have been subject to regulatory and market pressures outside of direct control, including rising Power Charge Indifference Adjustment (PCIA) costs and increasing market costs to procure resource adequacy supplies.

VCE's Board adopted a rate policy in November 2021 to set customer rates to recover operating costs and build reserve funds and an automatic rate adjustment policy to address environmental and regulatory changes within a budget year. VCE has also adopted a base green product to maintain its competitiveness with PG&E by offering a least-cost option to it customers. VCE has recovered from COVID, continues to build cash reserves, and maintained its credit lines for liquidity in 2023. Longer-term, A majority of VCE's long-term fixed-price renewable PPA's that began delivery in 2023. VCE customer rates, including PCIA costs, have been reduced to near zero in 2023. As forecasted average forward market energy prices decease, PCIA costs are forecasted to increase for 2025. Current customer rates are forecasted to stabilized due to offsetting resource adequacy (RA) and renewable energy credit (REC) costs remain high.

REQUESTS FOR INFORMATION

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

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Unrestricted Cash	$ 27,479,933	$ 3,850,610
Accounts receivable, net of allowance	10,599,982	11,085,087
Accrued revenue	3,434,034	3,430,397
Prepaid expenses	42,169	-
Other current assets and deposits	1,806,883	1,806,883
Total Current Assets	43,363,001	20,172,977
Restricted assets:		
Cash in - debt service reserve fund	1,100,000	1,100,000
Cash in - power purchase reserve fund	-	2,709,273
Total Restricted assets	1,100,000	3,809,273
Noncurrent Assets		
Other noncurrent assets and deposits	1,893,604	152,313
Total Noncurrent Assets	1,893,604	152,313
TOTAL ASSETS	$ 46,356,605	$ 24,134,563
LIABILITIES		
Current Liabilities		
Accounts payable	$ 446,056	$ 399,529
Accrued cost of electricity	5,743,525	4,657,891
Accrued payroll	58,367	116,285
Interest payable	-	2,248
Due to member agencies	4,132	25,160
Other accrued liabilities	3,821,884	2,810,664
Line of credit	-	530,968
Total Current Liabilities	10,073,964	8,542,745
Noncurrent Liabilities		
Line of credit	-	181,284
Total Noncurrent Liabilities	-	181,284
TOTAL LIABILITIES	10,073,964	8,724,029
NET POSITION		
Net position		
Designated - local program reserves	840,000	224,500
Restricted	1,100,000	3,809,273
Unrestricted	34,342,641	11,376,761
TOTAL NET POSITION	$ 36,282,641	$ 15,410,534

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE		
Electricity sales, net	$ 94,681,216	$ 85,322,760
Other revenue	748,282	1,338,974
TOTAL OPERATING REVENUES	95,429,498	86,661,734
OPERATING EXPENSES		
Cost of electricity	68,527,737	75,130,283
Contractors	3,063,635	2,556,894
Staff compensation	1,450,487	1,282,519
Program expenses	1,014,792	1,168,019
General and administrative	813,019	759,754
TOTAL OPERATING EXPENSES	74,869,670	80,897,469
TOTAL OPERATING INCOME (LOSS)	20,559,828	5,764,265
NONOPERATING REVENUES (EXPENSES)		
Interest income	327,157	46,501
Interest and related expenses	(14,878)	(86,468)
TOTAL NONOPERATING REVENUES (EXPENSES)	312,279	(39,967)
CHANGE IN NET POSITION	20,872,107	5,724,298
Net position at beginning of period	15,410,534	9,686,236
Net position at end of period	$ 36,282,641	$ 15,410,534

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 95,146,830	$ 79,912,041
Payments for security deposits with energy suppliers	(1,741,291)	(152,313)
Payments to purchase electricity	(67,426,248)	(74,983,435)
Payments for contract services, program expenses, general, and administration	(3,896,896)	(4,167,896)
Payments for staff compensation	(1,508,405)	(1,230,143)
Other cash payments	748,282	1,530,367
Net Cash Provided (Used) by Operating Activities	21,322,272	908,621
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of debt	(712,252)	(440,774)
Interest and related expense	(17,127)	(87,007)
Net Cash Provided (Used) by Non-Capital Financing Activities	(729,379)	(527,781)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	327,157	46,501
Net Cash Provided (Used) by Investing Activities	327,157	46,501
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,920,050	427,341
Cash and cash equivalents at beginning of period	7,659,883	7,232,542
Cash and cash equivalents at ending of period	$ 28,579,933	$ 7,659,883
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ 20,559,828	$ 5,764,265
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	485,105	(3,678,618)
(Increase) decrease in net accrued revenue	(3,637)	(1,662,204)
(Increase) decrease in prepaid expense	(42,169)	9,192
(Increase) decrease in other assets and deposits	(1,741,291)	39,080
Increase (decrease) in accounts payable	46,527	(45,513)
Increase (decrease) in accrued payroll	(57,918)	52,376
Increase (decrease) in due to member agencies	(21,028)	(92,785)
Increase (decrease) in accrued cost of electricity	1,101,489	146,848
Increase (decrease) in other accrued liabilities	1,011,220	445,877
Increase (decrease) in user taxes and energy surcharges	(15,854)	(69,897)
Net Cash Provided by Operating Activities	$ 21,322,272	$ 908,621

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

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

DEPOSITS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING AND NON-OPERATING REVENUE

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

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity costs include the cost of energy and ancillary services arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from VCE's participation in the California Independent System Operator's centralized market. The cost of electricity and ancillary services are recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position. In 2022, VCE entered a three (3) year contract with The Energy Authority for the electrical power purchased contract and completely transitioned to The Energy Authority by the end of 2023. As of December 31, 2023, $677,754 was accrued as payable to SMUD, comprised of $494,296 in accrued electricity costs and $183,458 in accrued contractual services. As of December 31, 2022, $5,131,217 was accrued as payable to SMUD, comprised of $5,131,217 in accrued electricity costs and $0 in accrued contractual services. As of December 31, 2023, $3,880,145 was accrued as payable to VCE, comprised of $3,813,945 in accrued electricity costs and $66,200 in accrued contractual services and 0 accrued payable as of December 31, 2022.

RENEWABLE ENERGY CREDITS

To comply with the State of California's Renewable Portfolio Standards (RPS) and self- imposed benchmarks, VCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). VCE obtains Certificates with the intent to retire them, and does not sell or build surpluses of Certificates. An expense is recognized at the point that the cost of the RPS eligible energy is billed by the supplier. VCE is in compliance with external mandates and self-imposed benchmarks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STAFFING COSTS

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

INCOME TAXES

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

ESTIMATES

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

RECLASSIFICATION

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

NET POSITION

VCE reports net position balances in the following categories: Designated, Restricted, and Unrestricted. Local program reserves are designated funds as approved by the board in support of the VCE's mission and programs plan. Restricted funds are those restricted to a particular purpose, and that restriction is set out in the Contract Agreement. Unrestricted funds support the operating expenses or projects of the organization.

The following are the components of VCE's Net Position at December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Designated - local program reserves	$ 840,000	$ 224,500
Restricted	1,100,000	3,809,273
Unrestricted	34,342,641	11,376,761
Totals	$ 36,282,641	$ 15,410,534

2. CASH AND CASH EQUIVALENTS

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

3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable were as follows:

	December 31, 2023	December 31, 2022
Accounts receivable from customers	$ 12,019,166	$ 11,550,071
Allowance for uncollectible accounts	(1,419,184)	(464,984)
Accounts receivable, net	$ 10,599,982	$ 11,085,087

The majority of account collections occur within the first few months following customer invoicing. VCE estimates that a portion of the billed accounts will not be collected. VCE records reserves for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statement of Revenues, Expenses and Changes in Net Position. Charges to reserve for uncollectible accounts for the year ended December 31, 2023 and 2022 were $954,200 and $846,600, respectively. Due to the COVID-19 pandemic, VCE could not to pursue collections due to state restrictions and expects to commence collections of remaining balances in 2023.

Accrued revenue presented in the Statements of Net Position represents revenue from customer electricity usage that has not been billed at the end of the period. Accrued revenue recognized for the years ended December 31, 2023 and 2022 was $3,434,034 and $3,430,397, respectively.

4. DEBT

LINE OF CREDIT AND TERM LOAN

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

LINE OF CREDIT AND TERM LOAN (CONTINUED)

At the October 10, 2019 Board meeting the Board authorized VCE to convert an existing $1,976,610 Credit Agreement balance to an amortizing 5-year term loan. VCE converted the Agreement to the loan and has paid the loan down to $0 and $712,252 as of December 31, 2023 and 2022, respectively. The interest rate was 3.57% fixed for the loan term.

In September 2020, VCE had agreed in principle to one-year renewals to September 1, 2021, for both the Agreement and the term loan. The Agreement limit was reduced from $11,000,000 to a line of credit which allows up to $5,000,000 for cash advances and up to $2,000,000 for letters of credit, with the total of both to not exceed $7,000,000. The interest rate on the line of credit was 2.00% at the close of business on December 31, 2022.

The 5-year term loan had been shortened to a maturity date of September 1, 2021, with the outstanding balance due at that time unless another renewal is agreed upon. In August 2021, VCE had a second modification of the term loan whereas VCE will pay the loan in equal monthly principal payments of $32,943.50 beginning September 1, 2021. The final payment was due January 1, 2022, and will be for all outstanding principal and all accrued interest not yet paid. The interest rate was 3.57%, fixed for the loan term.

At the March 10, 2022 board meeting, the board approved an Amended and Restated Credit Agreement with RCB including the following amendments:

Line of Credit

- Cash Facility - $2,000,000 increase in cash from $5,000,000 to $7,000,000
- Letter of Credit Facility - $4,000,000 increase from $7,000,000 to $11,000,000
- Maturity: March 1, 2024
- Interest Rate: 2.00% (unchanged)

Term Loan

- Maturity: March 1, 2024
- Interest Rate: Fixed 3.57% (unchanged)

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

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

LINE OF CREDIT AND TERM LOAN (CONTINUED)

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

	Beginning	Addition	Payments	Ending
Year Ended December 31, 2022				
River City Bank - Loan	1,153,026	-	(440,774)	712,252
Total	$ 1,153,026	$ -	$ (440,774)	$ 712,252
Amounts due within one year				(530,968)
Amounts due after one year				$ 181,284
Year Ended December 31, 2023				
River City Bank - Loan	712,252	-	(712,252)	-
Total	$ 712,252	$ -	$ (712,252)	$ -
Amounts due within one year				-
Amounts due after one year				$ -

At the February 10, 2022 Board meeting, the Board authorized VCE to agree to a short term line of credit with the County of Yolo in the amount of $5,000,000. VCE withdrew $3,000,000 from the line of credit and were paid in full as December 31, 2022. Interest and fees paid in year 2022 were $25,000.

5. DEFINED CONTRIBUTION RETIREMENT PLAN

VCE provides retirement benefits to eligible employees through a 401(a) discretionary defined contribution plan and 457(b) deferred compensation plan (Plans). The Plans are administered by International City Management Association Retirement Corporation (ICMA-RC). At December 31, 2023, VCE had 4 plan participants. VCE contributes 7% of covered payroll and up to an additional 3% of covered payroll as a match to employee tax deferred contributions (into the 457(b) deferred compensation plan) into the 401(a) discretionary defined contribution plan.

For the year ended December 31, 2023 and 2022, VCE contributed $76,681 and $64,716, respectively. The Plans' provisions and contribution requirements as they apply to VCE are established and may be amended by the Board of Directors.

6. OPERATING LEASE

In 2018, VCE entered into a nine-month lease for its office space with the City of Davis. The most recent lease agreement renewal with the City covers the twelve months ending January 2024. Rental expense under this lease was $26,376 and $19,200 for the year ending December 31, 2023 and 2022, respectively. The total for future minimum lease payments are shown below:

6. OPERATING LEASE (CONTINUED)

Year	Payments
2024	$ 17,057
2025	17,569
2026	18,096
2027	18,638
Total	$ 71,359

Management has reviewed lease agreements related to the new lease accounting rules under GASB 87. It has been determined that the office rent and a copier lease are the only operating leases for the period and are not material for the implementation of the new lease accounting requirements.

7. RELATED PARTY TRANSACTIONS

VCE entered into a cooperative agreement with each respective member agency to provide management, legal, accounting and administrative services. The services billed from the Member Agencies to VCE outstanding for the year ending December 31, 2023 and 2022 totaled $4,132 and $25,160, respectively. The total services billed from the Member Agencies to VCE for the year ending December 31, 2023 and 2022 totaled $31,061 and $54,432, respectively.

8. RISK MANAGEMENT

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

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

VCE is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability and workers' compensation. Once VCE's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA) provide coverage for amounts in excess of YCPARMIA's limits. YCPARMIA provides workers' compensation insurance coverage up to statutory limits, above VCE's self-insurance limit of $1,000 per occurrence, and general and auto liability coverage of $40,000,000, above VCE's self-insurance.

8. RISK MANAGEMENT (CONTINUED)

limit of $1,000 per occurrence. For the year ended December 31, 2023 and 2022, VCE contributed $36,470 and $14,668 for coverage, respectively. Audited financial statements are available from YCPARMIA their website www.ycparmia.org. Condensed information for YCPARMIA for the most recent available year end is as follows:

	YCPARMIA June 30, 2022	
Total Assets	$	26,957,573
Deferred Outflows of Resources	$	297,375
Total Liabilities	$	24,505,895
Deferred Inflows of Resources	$	1,157,359
Net Position	$	1,591,694
Total Revenues	$	17,407,452
Total Expenses	$	19,416,024
Change in Net Position	$	(2,008,572)

The June 30, 2022 were the most recent audited financial statements available at the time of the preparation of this report.

9. COMMITMENTS AND CONTINGENCIES

On October 25, 2017, VCE entered into an agreement with SMUD to provide on-going professional services, including, but not limited to: wholesale energy services, customer and data services, billing administration and reporting. As of December 31, 2022, VCE had outstanding non-cancelable commitments to SMUD for professional services to be performed estimated to be $1.5 million. The agreement and non-cancelable commitments to SMUD ended on December 31, 2023.

10. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its period ended December 31, 2023 through DATE the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Valley Clean Energy Alliance
Davis, California

We have audited the financial statements of Valley Clean Energy Alliance as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated DATE. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 4, 2022 our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

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

Planned Scope and Timing of the Audit

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

701 Howe Avenue, Suite E3, Sacramento, CA 95825 (916) 993-9494 fax (916) 993-9489
www.jpmcpa.com jmarta@jpmcpa.com

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

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

Significant Accounting Estimates

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

Management's estimate of the allowance for doubtful accounts is based on actual revenues earned for the year which may not be collectible. We evaluated the key factors and assumptions used to develop the estimate of doubtful accounts and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the accrued revenue is based on actual revenues earned but not yet billed for December 2023. We evaluated the key factors and assumptions used to develop the estimate of accrued revenue and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements identified as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We have provided a listing of the misstatements identified by us as a result of our audit procedures and corrected by management which were material, either individually or in the aggregate, to the financial statements taken as a whole. There was a PJE in the prior year audit that management posted that we had to post in the current year in attachment B.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

DRAFT
James Marta & Company LLP
Certified Public Accountants
Sacramento, California
DATE

As of December 31, 2023

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

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
Effective for the fiscal year ending June 30, 2024

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

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

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

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

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

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

Effective for the fiscal year ending June 30, 2024

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

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32
Effective dates vary

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 2			
PBC - to record the expense relating to the penalties.			
41510-0000	POWER PURCHASES	491,678	
23040-0000	ACCRUED COST OF ELECTRICITY		491,678
Total		**491,678**	**491,678**
Adjusting Journal Entries JE # 4			
PBC - To adjust AR balance and tie out to AR Aging.			
13725-0000	NEM RECEIVABLE	331,500	
23020-0000	NEM CREDITS	58,348	
30110-0000	RESIDENTIAL SALES	23,224	
30120-0000	COMMERCIAL & INDUSTRIAL SALES	15,483	
13710-0000	BILLED REVENUES		38,707
30115-0000	NEM CREDITS - RESIDENTIAL		198,900
30115-0000	NEM CREDITS - RESIDENTIAL		35,009
30125-0000	NEM CREDITS - C&I		132,600
30125-0000	NEM CREDITS - C&I		23,339
Total		**428,555**	**428,555**

Reclassifying Journal Entries

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 3			
PBC - to reclass the cash balance to program reserve.			
12310-0000	Cash - Local Program Reserve	840,000	
13110-0000	CASH - CHECKING		840,000
Total		**840,000**	**840,000**

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

Independent Auditor's Report

Board of Directors
Valley Clean Energy Alliance

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Clean Energy Alliance, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements, and have issued our report thereon dated DATE.

Internal Control Over Financial Reporting

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

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

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

701 Howe Avenue, Suite E3, Sacramento, CA 95825 (916) 993-9494 fax (916) 993-9489
www.jpmcpa.com jmarta@jpmcpa.com

Compliance and Other Matters

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

Purpose of this Report

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

DRAFT
James Marta & Company LLP
Certified Public Accountants
Sacramento, California
DATE

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 18

TO: Board of Directors

FROM: Edward Burnham, Director of Finance & Internal Operations

SUBJECT: Allocation of 2023 Net Margin

DATE: April 11, 2024

RECOMMENDATION
Adopt a resolution approving the allocation of the $20.9M 2023 Audited Net Margin between cash reserves, local program reserve (LPR), and Customer Dividends program as follows:

1. $17,997,300 (90%) of Net Margin to cash reserves;
2. $1,008,500 (05%) of Net Margin to the Local Programs Reserve (LPR).
3. $1,154,200 (05%) of Net Margin to the Dividends Program in the form of increasing Rate Credits by 1% for all customers starting July 1, 2024

OVERVIEW
This staff report presents options related to the allocation of VCE's audited net margin for 2023. VCE's audited financial statements as presented in the preceding Item 18. Taking into account the Board adopted Dividend Program policy (2019), as well as available and forecast cash reserves, Staff analyzed options outlined in the analysis section below for VCE's 2023 net margin of $20.9 million. Based on this analysis, Staff concluded that the following allocation met VCE's policy objectives while providing the greatest material net benefit:

- Minimum allocation of $238,000 to the Local Programs Reserve as required by the VCE Dividend Program policy
- Minimum allocation of $12,226,500 to cash reserves as required by the VCE Dividend Program policy
- Discretionary Allocation (After Cash Reserves) of $7,694,500

BACKGROUND AND ANALYSIS
The Board adopted the VCE Rate Structure and Dividend Program Guidelines on June 17, 2019, to guide the allocation of the audited net margin for each year. The guidelines can be found here.

Key test of the Dividend Program:

- Basic Test: A minimum 5% net margin must be achieved before considering allocation of net margin above 5% to Cash Reserves, Local Program Reserves, and/or Cash Dividends

Based on audited 2023 Financial Statements, VCE achieved a 21.13% net margin, meeting the basic Dividend Program test. Therefore, the Board must consider how to allocate the net margin above 5%. As noted when the Board adopted the Dividend Program Policy in June 2019, a 5% minimum net margin is in the lower range of typical net margin goals for the utility sector and most other industries.

Dividend Program Formula

The adopted Dividend Program formula recommends allocating the net margin as follows:

- Net margin less than or equal to 5% is to be allocated as follows:
  - At least 5% of the first 5% of the net margin goes to VCE's Local Programs Reserve for program implementation
  - The balance (up to 95%) goes to cash reserves

- Net margin above 5% is to be allocated as follows:
  - At least 50% to cash reserves until reserves targets are met
  - Remainder allocated amongst dividends and Local Program Reserve (Board discretion)

Staff applied the Dividend Program formula above to VCE's 2023 audited net margin. The following table summarizes the analysis.

Table 1 – 2023 Audited Net Margin Summary

Description		Estimated 2023 Results	Avg. Days Cash	
Electricity Sales		95,429,500	204,000	
Operating Expense		74,557,400		
Operating Margin		20,872,100		
Principal Debt Payments		712,252		
Adjusted Net Margin less principal Debt Payments		20,160,000		
Adjusted Net Margin Percentage		21.13%		
Allocation Amount <=5%		4,771,000		
Allocation Amount > 5%		15,389,000		
Allocation of Net Margin up to 5%	**Percentage**	**Allocation Amount**	**Operating Days Cash**	
Cash Reserves Allocation	95%	4,532,000	22	Minimum
Local Programs Allocation	5%	239,000	1	Minimum
Allocation of Net Margin above 5%	**Percentage**	**Allocation Amount**		
Allocation to Cash Reserves	50%	7,694,500	38	Minimum

As shown in Table 1, applying the basic Dividend Program formula results in $7.7M of discretionary funds.

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Discretionary Allocation Considerations:
Based on the current and forecasted cash reserve for 2023 and previous direction from the Board regarding reserve targets, Staff is considering a recommendation to allocate the majority of the discretionary allocation to cash reserves for the initial investment grade credit rating. VCE is estimated to have ended 2023 with ~90+ days cash on hand and is currently projected to end 2024 with ~180+ in unrestricted operating cash. The Board has set reserve targets to increase to 180+ days of cash on hand in 2024 to better position VCE to obtain its initial investment grade credit rating. All scenarios described later in this report provide for additional program funds and dividend funds in the form of additional rate discounts starting as early as July 1st.

Staff considered the following factors related to this preliminary recommendation.

- Power Costs - Staff anticipates ongoing power cost increases and regulatory pressures related to changing resource adequacy requirements (increased costs = decreased days cash on hand)
- VCE's current 180 day cash reserve target does not include rate stabilization. An additional 30-90 days would provide for long-term rate stabilization.
- Available funds for dividends would increase VCE's current 1% discount during peak season.
- CPUC has approved increased security requirements in the proposed decision of phase one of the provider of last resort proceeding.
- VCE continues to provide an additional rate discount to qualified low-income customers (CARE and FERA): ~2.5%/$1.1M annually in discounts to 25% of VCE customers
- PG&E's additional Transmission/Distribution rate increase in March 2024 (projected +13%)

Allocation Scenarios
Staff analyzed three basic scenarios related to the allocation of discretionary funds to help inform its recommendation and the Board decision.

Scenario 1: Balanced Allocation (Staff Recommended)

	Percentage	Allocation Amount	Operating Days Cash	
Discretionary Allocation (After Cash Reserves)	**50%**	**7,694,500**	**38**	Maximum
Cash Reserves	75%	5,770,800	28	
Local Programs (Targeted 2024/25 Spend)	10%	769,500	4	
Customer Dividends (Targeted 2024/25 Spend)	15%	1,154,200	6	

Scenario 2: Increased Customer Dividends

	Percentage	Allocation Amount	Operating Days Cash	
Discretionary Allocation (After Cash Reserves)	**50%**	**7,694,500**	**38**	Maximum
Cash Reserves	70%	5,386,100	26	
Local Programs (Targeted 2024/25 Spend)	10%	769,500	4	
Customer Dividends (Targeted 2024/25 Spend)	20%	1,538,900	8	

Scenario 3: Increased Cash Reserves

	Percentage	Allocation Amount	Operating Days Cash	
Discretionary Allocation (After Cash Reserves)	**50%**	**7,694,500**	**38**	Maximum
Cash Reserves	80%	6,155,500	30	
Local Programs (Targeted 2024/25 Spend)	5%	384,700	2	
Customer Dividends (Targeted 2024/25 Spend)	15%	1,154,200	6	

Based on the cash reserve forecast in the coming years, Staff is recommending the Board allocate the discretionary allocation Scenario 1. Key factors in the staff's analysis of these options include:

- Cash Reserves Allocation. VCE's strategic goal of obtaining its initial investment credit rating by 2028 will require a minimum of +180 days of operating cash reserves. Staff will be returning with recommendations to update the reserve policy for an additional 30 to 60 days of operating cash reserves for rate stabilization to remain competitive by creating a financial buffer against outside factors such as PCIA, regulatory and legislative changes, and weather events.
- Customer Dividend Allocation. Available funds for dividends would increase the current rate credits from a 1% discount to 2% for all customers starting July 1, 2024. . Note: VCE would maintain its additional ~2.5%/$1M rate credits to 25% of qualified low-income residential customers (CARE and FERA)
- Local Programs Allocation– VCE currently has $840K in program fund allocations. Additional program funds are needed to execute VCE's adopted VCE's 3-Year Programs Plan for long-term outcomes beyond 2024.

Notes: (1) a 1% dividend would be approximately $1.50/month reduction in the average residential customer bill and an approximately $3.75/month reduction in the average small commercial customer bill; (2) anecdotal information from other CCAs indicate that these levels of customer dividends/discounts while helpful in communicating a CCA's value do not have significant effects on customer retention or new customer recruitment.

Community Advisory Committee (CAC) Consideration
The staff presented to the CAC at its March 28, 2024 meeting for discussion and feedback based on estimated results. CAC feedback was aligned with the recommended scenario 1 providing customer dividends in the form of rate credits, continuing to build programs, and building cash reserves towards the minimum 180+ cash reserve targets.

CONCLUSION

Staff believes that these scenarios represent a disciplined and financially prudent approach to building reserves and providing some additional level of rate relief. The longer-term outlook (2024+) shows increased stability and cost certainty due to VCE's fixed price long-term renewable power purchase contracts coming fully online combined with a cost-recovery based rate structure. Staff will be returning in May to the CAC for discussion on updating the reserves policy and dividend program for updates to current targets and requirements for VCE's initial investment grade credit rating before returning to the Board. Staff will be including additional financial updates as part of the presentation of the net margin allocation recommendation.

Based on the factors outlined above, staff believes its recommendation for VCE's 2023 audited $20.9M net margin (Scenario 1), is fiscally prudent and results in a balance between building/maintaining a strong financial foundation and direct customer/community benefits in the form of rate discounts and local programs.

ATTACHMENT:

1. Resolution 2024-XXX – Allocation of 2023 Net Margin

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2024 - ___

A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE APPROVING THE RECOMMENDED ALLOCATION OF NET MARGIN FOR THE AUDITED YEAR ENDED DECEMBER 31, 2023

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

WHEREAS, the Board adopted a Rate Structure & Dividend Program Guidelines (Dividend Program) on June 17, 2019, to be effective starting at the beginning of the following fiscal year on July 1, 2019; and

WHEREAS, the Dividend Program specifies how audited positive Net Margin for each fiscal year can be allocated amongst cash reserves, customer dividends, and local program reserve (LPR), at the Board's discretion; and

WHEREAS, VCE staff analyzed the allocation options for Board consideration based on the final, audited Net Margin for the year ended December 31, 2023.

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

1. For the audited year ended December 31, 2023, allocate the Net Margin of $20.9 million as follows: $1,008,500 to local program reserve, $1,154,200 to cash dividends, and the $17,997,300 balance to cash reserves.

PASSED, APPROVED AND ADOPTED, at a regular meeting of Valley Clean Energy, held on the ____ day of _______________, 2024, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Lucas Frerichs, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 19

TO: Board of Directors

FROM: Mitch Sears, Executive Officer
Rebecca Boyles, Director of Customer Care and Marketing
Sierra Huffman, Program and Community Engagement Analyst

SUBJECT: Approval of Electrification Retrofit Rebate Outreach Program (ERRO) Implementation Elements

DATE: April 11, 2024

RECOMMENDATIONS

1. Approve Electrification Retrofit Rebate Outreach Program (ERRO) Implementation Elements:
   a. Task Order Amendment (1) with Sacramento Municipal Utilities District (SMUD) for implementation and support of the Concierge Service in an amount not to exceed $184,234.
2. Authorize the Executive Officer and/or his designee to execute and take all actions necessary to implement the services contracts substantially in the form attached hereto on behalf of VCE, and in consultation with legal counsel, to approve minor changes to the services contract so long as the terms and amounts are not changed.
3. Approve ERRO Program & Concierge Service Budget of $270,000 and 2024 Programs budget transfer of $160,000 to ERRO Program including $70,000 in reimbursable revenues and $90,000 non-reimbursable costs (Net neutral impact 2024 Budget)

BACKGROUND

In June 2023 the Board approved VCE's participation in Yolo County's Electrification Retrofit Rebate Outreach (ERRO) Program. ERRO is a comprehensive outreach program designed to connect low-income households with $1 billion in existing State electrification rebates, as well as other related electrification retrofit rebates for existing residential homes. Helping these households reduce ongoing energy-related costs by targeting direct outreach to them will have long-term economic as well as potential indoor air quality benefits. As noted in June, the ERRO program is aligned with VCE's strategic plan goals to advance energy efficiency in disadvantaged communities and lower income households.

The purpose of the recommended actions is to approve implementation measures associated with the ERRO program.

///

ERRO Program Design

The ERRO Program is designed to identify lower income households who have had difficulty paying their utility bills and provide support for accessing State electrification rebates. VCE will be monitoring rebate and grant opportunities as they emerge and change, to provide maximum support for customers.

VCE will work with Yolo County to reach out to households and/or landlords of multifamily dwellings to connect them with information about electrification rebates, help fill out applications, and help facilitate retrofits if needed. This project is anticipated to create replicable models for electrification retrofit rebate programs throughout the County, region, and state. The outreach program will provide template outreach materials which other jurisdictions could use to implement similar programs.

ERRO program planning has been completed and outreach for the program is slated to commence Q2-3 2024 after finalizing the draft Outreach Plan. VCE plans to work with its incumbent customer service provider (SMUD) and marketing contractor (REACH Strategies), to minimize staff impact related to program execution. It is anticipated that enhanced REACH marketing support would only be needed for 2-3 months before and during the launch of customer outreach efforts in Q2-3 2024.

ANALYSIS

The two primary implementation elements that will be employed by VCE are (1) Design/Execution Outreach Plan, and (2) an enhanced customer support platform to receive/respond to customer inquiries related to the ERRO program (Concierge Service). The two implementation elements are outlined below.

Outreach Plan – REACH Strategies

- Program Kick-Off - REACH will work with the VCE and County teams to schedule a program kick-off. During this call, the timeline and project approach will be finalized.
- Program Materials - As determined by the kick-off meeting, materials may be developed to support the program. Materials may include email templates, educational flyers, website content and landing pages, and more. Materials will be made available in English and Spanish as requested.
- Ongoing Marketing Efforts - In coordination with the VCE and County teams, REACH will support ongoing marketing campaign efforts. Marketing campaigns may include email or direct mail outreach, coordination with local community groups, attending community events, and more.
- Program Impact Assessment - REACH will support the quarterly program impact evaluation and reporting.

As noted, REACH currently performs similar services for VCE which allows VCE and the County to benefit from their familiarity with VCE's customers and service territory.

Concierge Service – SMUD

During the planning phase for the ERRO program, staff identified what could be a very important tool to help facilitate ERRO's success: the Concierge Service. SMUD has developed an add-on service for CCAs that provides a heightened customer experience, but adds in program-related education, as well as technical support. In essence, this would be a "help desk" for VCE customers. The ERRO funding allows VCE to off-set a portion of the costs to establish and run the service for the time-period that ERRO would run. At the end of the ERRO program VCE could evaluate the value provided by the enhanced customer service platform and decide if it should continue to offer the service. Note: Silicon Valley Clean Energy (CCA) currently offers this service via SMUD.

The basic customer experience would include: call, email or chat inquiries on a range of efficiency-related topics, as well as in-depth topics such as evaluating several contractor bids on electrification projects. Because SMUD has access to VCE customer data as VCE's call center provider, with this enhanced service SMUD agents will be able to help customers gain a better understanding of their electricity bill/use and take the extra step to develop a plan to reduce their use/cost.

The SMUD team consistently earns high praise for VCE's Customer Care, and staff sees the Concierge service as a natural extension of that success. Customers may call in initially to ask about electrification, but end up having an in-depth conversation about their electric bills, or CCA in general, and the SMUD team will have all of this information at hand, as well as the ability to track the information in the customers' records for future program offerings.

Community Advisory Committee

The Community Advisory Committee evaluated the Concierge Service at its March 28th, 2024, meeting as part of the ERRO program review and voted unanimously to recommend approval to the Board.

Please note that the CAC's 3/28/24 recommendation was based on a different cost share than staff is now proposing: the CAC's recommendation was based on ERRO funds (external ARP funds) covering 60% of the two-year Concierge Service implementation, with VCE Program Funds covering 40% of the two-year implementation. Staff is now recommending a 50/50 cost share between ERRO funds and VCE Program funds as staff's estimate for use by non-ERRO VCE customers has been adjusted up to 50%.

As part of the CAC's discussion, feedback was provided by the CAC as well as the public. The main themes focused on:

- The split incentive between owners and renters in decision-making for electrification upgrades
- Having in-language collateral and website materials available (Spanish)
- The customer-facing name: Concierge Service should be changed to avoid customer confusion

Final program design and the ERRO Outreach Plan will integrate this feedback.

FISCAL IMPACT

Because of the direct applicability of the Concierge Service to the ERRO program, Yolo County has agreed that part of the $100,000 budget allotted to VCE for program administration can be spent on the Concierge Service. Because the service would also be accessible to VCE customers that do not qualify for the ERRO program (i.e. CARE/FERA customers), staff is recommending a 50/50 cost share between ERRO (external) funds and VCE's Local Program Reserve.

Overall, the ERRO and Concierge Service would have a net neutral effect on VCE's 2024 Budget. The total impact on VCE's Local Programs Reserve (LPR) through the end of 2025 of $170,000.

ATTACHMENTS

1. Program Preliminary Design/Implementation Form: Concierge Service
2. Resolution 2024-XXX (Amendment 1 to SMUD Task Order 8)

Program Preliminary Design/Implementation Form

Program Concept: Concierge Service

Date: 2.22.24

Staff Resources and Support:
Assigned Program Managers: Rebecca Boyles; Sierra Huffman
Programs Task Group members: TBD
Consultant name (if applicable): SMUD

Scope: A "white glove" customer care service that will help customers to better understand and apply for available rebates for electrification and energy efficiency. SMUD Customer Care Team would take the calls/chats/emails and would also be able to answer questions about billing, etc.

Timing: 2024 and beyond

Program Design Criteria Evaluation:

	Criteria 1	**Criteria 2**	**Criteria 3**
Criteria Type	**Availability of Funds:**	**Staff Time**	**Strategic Plan Alignment**
Reasoning for Program Score	There are available funds to initiate and continue the program without having a big effect on the Programs Fund. Additionally, APR funds for the ERRO program can cover part of the budget.	Scored high on Staff Time as it will take very little staff time to manage	<u>Scored high on strategic plan alignment:</u> **Reduces GHG Emissions** More efficient and electrified homes would lead to less emissions – this will help customers to do that **Customer Satisfaction** Customers will get complimentary access to information on rebates for EE and electrification, making their homes more comfortable and sustainable. **Addresses Environmental Justice** Addresses the needs of lower-income customers by making EE and electrification more accessible **Regulatory & Legislative Goals Alignment** Aligns with state goals of increasing EE and electrification in CA **Strategic Partnerships** High level of collaboration with SMUD, low-income communities, community-based organizations, and additional stakeholders

Program Metrics and Goals: Number of customers served, number of rebates applied for or assisted with

Rev. 2/22/24

Proposed Programs Budget:

Resource	Source	Budget	$ Remaining in Program Funds after Proposed Program Funds Spent
External Funds	ARP funds for ERRO	$25,000-75,000	
SMUD Consultant Support: Concierge Service	VCE Programs Fund	$55,000-$105,000	
	Total*	$130,000	$709,000

**Please note that the total budget is to implement the Concierge Service, and for the year 1 fees. For subsequent years, the charge would be approximately $40,000.*

Organizational Goals Addressed:

Alignment with VCE's Strategic Plan

- **Goal 3:** Prioritize VCE's community benefits and increase customer satisfaction and retention.
    - ***Objective 3.1:*** *Develop engagement strategies to increase awareness of, and participation in, local control of VCE's energy supply and programs with a particular focus on engaging disadvantaged and historically marginalized communities.*
    - ***Objective 3.4:*** *Build awareness and trust of the VCE brand through direct engagement with customers, communities, and organizations in VCE's service territory.*
    - ***Objective 3.5:*** *Develop customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.*
    - ***Objective 3.7****: Integrate and address the concerns and priorities of emerging and historically marginalized communities in the design and implementation of VCE's services and programs.*
- **Goal 4.** Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety
    - ***Objective 4.4****: Identify external funding sources to support decarbonization and grid-related programs and initiatives.*

Program Eligibility: all VCE customers. For ERRO, low-income customers are key demographic.

Marketing, Education and Outreach (ME+O) Strategy: Work with SMUD to devise customer-facing materials. If approved, use Concierge Service to promote the ERRO program, as well as to provide bill inquiry and general CCA support.

Board, CAC, POTG Input: POTG has evaluated and provided positive feedback. Service was introduced to the Board, with positive feedback.

Next Steps: Finalize budget share of Concierge Service.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2024 - ___

A RESOLUTION OF VALLEY CLEAN ENERGY ALLIANCE APPROVING AMENDMENT 1 TO TASK ORDER 8 – CONSULTING SERVICES OF THE SACRAMENTO MUNICIPAL UTILITIES DISTRICT PROFESSIONAL SERVICES AGREEMENT AND AUTHORIZING THE EXECUTIVE OFFICER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE AMENDMENT 1 TO TASK ORDER 8.

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

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

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

WHEREAS, on April 13, 2023, the VCE Board approved Amendment 1 to the Master Services Agreement (MSA) extending the term of the MSA through December 31, 2028; approved Amendment 32 to Task Order 3 (Wholesale Energy Services) reducing the scope of work; and, approved Task Order 7 (Data Management and Customer Call Center Services), Task Order 8 (Consulting Services); and Task Order 9 (Debt Collection Services) with an expiration date of December 31, 2028; and,

WHEREAS, in anticipation of VCE's strategic goal to increase electrification, and because of VCE's role in the Electrification Retrofit Rebate Outreach Program (ERRO), additional customer service needs will need to be met by customer service representatives with technical training in assisting customers with electrification inquiries.

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

1. Approve Amendment 1 to Task Order 8 (Consulting Services) providing Concierge Service to assist with enhanced customer service offerings for customer electrification support through December 31, 2025, with a not-to-exceed amount of $184,234; and,

2. Authorize the Executive Officer in consultation with legal counsel to finalize and execute Amendment 1 to Task Order 8 (Consulting Services) for Concierge Service.

PASSED, APPROVED AND ADOPTED, at a special meeting of the Valley Clean Energy Alliance, held on the ________ day of ______ 2024, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Lucas Frerichs, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

<u>Attachments:</u>

1. Amendment 1 to SMUD MSA Task Order 8 (Consulting Services) for Concierge Service

AMENDMENT 1 TO EXHIBIT A: SCOPE OF SERVICES Task Order 8 – Consulting Services

Concierge Service

The Sacramento Municipal Utility District (SMUD) and Valley Clean Energy (VCE) agree to the following services, terms and conditions described in this Amendment 1 to Task Order 8 the provisions of which are subject to the terms and conditions of the Master Service Agreement (MSA) between the Parties. If any specific provisions of this Amendment 1 to Task Order 8 conflict with any general provisions in the MSA, Task Order 8, or any preceding Amendments to Task Order 8, the provisions of this Amendment to Task Order 8 shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the MSA.

The Effective Date of this Task Order 8 is the date of last signature below.

Section 1, SCOPE OF WORK is amended to include:

1.1 Perform the following services:

Task #	Task Title	VCE Involvement/Milestone
1	**Project management**	
	Prep for, hold and draft minutes for monthly check in meeting	Attend monthly meetings
2	**Develop implementation plan**	
	Draft implementation plan	
	Send draft to VCE for review	
	Adjust implementation plan	Provide feedback into draft plan
	Send draft to VCE for review	
	Finalize implementation plan	Approve draft plan
3	**Develop use interface and utilize a CRM**	
	Develop preliminary hotline	
	Develop preliminary web experience	
	Develop preliminary CRM	
	Provide live demonstration of preliminary UI for hotline and web	
	Adjust preliminary UI for hotline and web	Provide feedback hotline/web
	Finalize preliminary UI for hotline and web	Approve hotline/web
	Provide live demonstration of UI for CRM	
	Adjust UI for CRM	Provide feedback into CRM
	Finalize UI for CRM	Approve CRM
4	**Train concierge personnel**	
	Develop training materials	
	Be trained	

	Deliver training	
5	**Launch and manage concierge services**	
	Deploy hotline	
	Deploy web	
	Deploy CRM	
	Send report format	
	Adjust report format	Provide feedback into report
	Finalize report format	Approve report
	Prepare and send monthly reports	
	Answer questions/provide ad hoc reporting	
	Send customer survey	
	Adjust customer survey	Provide feedback into survey
	Finalize customer survey	Approve customer survey
	Prepare and send weekly surveys	
	Take hotline calls year 1 (10 mins)	
	Take incentive layering calls year 1 (10 min)	
	Take technical assistance calls year 1 (30 min)	
	Take electrification plan calls year 1 (60 min)	
	Prepare electrification plans year 1 (120 min)	

Section 4.2, Optional Service Fees, is added to include:

Task #	**Task Title**	**Hours**	**2024**	**Hours**	**2025**
1	Project management	9.00	$ 1,603	12.00	$ 2,202
2	Develop implementation plan	23	$ 4,052		
3	Develop use interface and utilize a CRM	394	$ 70,179		
4	Train concierge personnel	26	$ 4,505	26	$ 4,641
5	Launch and manage concierge services	265	$ 43,392	209	$ 34,410
	License		$ 3,125		$ 3,125
	Total	717	**$ 139,857**	247	**$ 44,377**

[Signature Page follows]

SIGNATURES

The Parties have executed this Task Order 8 Amendment 1, and it is effective as of the date of last signature below.

Valley Clean Energy

By	
Name	
Title	
Date	
Approved As To Form	

Sacramento Municipal Utility District

By	
Name	Tracy Carlson
Title	Director Community Energy Services
Date	3/8/2024
Approved As To Form	Andrew Medif