



**Special Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, April 9, 2020 at 4:00 p.m.
Via Teleconference Call**

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

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

Members of the public who wish to listen to the Board of Director’s meeting may do so with the teleconferencing call-in number and meeting ID code. Teleconference 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://us04web.zoom.us/j/706899405>
Meeting ID: 706 899 405

- b. By phone**

One tap mobile
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Dial by your location
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Meeting ID: 706 899 405

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

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

Associate Members: Christopher Cabaldon (City of West Sacramento), Beverly Sandeen (City of West Sacramento)

4:00 p.m. Call to Order

- 1. Welcome**
- 2. Approval of Agenda**
- 3. Public Comment:** This item is reserved for persons wishing to provide comments to the Board on any VCEA-related matters that are not otherwise on this meeting agenda. Public comments for this meeting must be submitted electronically. Comments received by the time that this item is called by the Chair of the Board will be read by staff to the Board. Because public comment is generally 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 with the agenda for this meeting.

CONSENT AGENDA

- 4. Approve March 12, 2020 Board Meeting Minutes.**
- 5. Receive 2020 Long Range Calendar.**
- 6. Receive Financial Update – February 29, 2020 (unaudited) financial statement.**
- 7. Receive April 1, 2020 Regulatory Update provided by Keyes & Fox.**
- 8. Receive Legislative Update.**
- 9. Receive April 1, 2020 Customer Enrollment Update.**
- 10. Receive update on Fiscal Year 2020-2021 Operating Budget.**
- 11. River City Bank Revolving Line of Credit Extension ratification.**

REGULAR AGENDA

- 12. Report on VCE adjustments to COVID-19 crisis. (Informational)**
- 13. Approve Power Purchase Agreement between Valley Clean Energy and Rugged Solar LLC for the procurement of energy from a new 72 megawatt solar photovoltaic project located in San Diego County, California. (Action)**
- 14. Approve issuance of a local / regional renewable energy Request for Offers (RFO) solicitation. (Action)**
- 15. Status update and next steps on the potential acquisition of PG&E's local electricity distribution system. (Informational)**
- 16. Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

CLOSED SESSION

Public comment on the closed session items only will be read at this time.

17. A. VCE Board including Associate Board Members: Conference with Legal Counsel – Existing Litigation (Paragraph (1) of subdivision (d) of Section 54956.9)

Name of Cases:

(1) In re PG&E Corporation, Debtor; Chapter 11; US Bankruptcy Court, Northern District of California San Francisco Division, Case No. 19-30088(DM) and Case No. 19-30089(DM)

(2) Investigation 19-09-016 related to the consideration of the Ratemaking and other Implications of a Proposed Plan for Resolution of Voluntary Cases filed by PGE pursuant to the Bankruptcy Code, before the California Public Utilities Commission.

(3) Safety Order Instituting Investigation (O.I.I.) and Rulemaking

i. O. I. I. 15-08-019 (G&E Safety culture); Order Instituting Investigation on the Commission’s Own Motion to Determine Whether Pacific Gas and Electric Company and PG&E Corporation’s Organizational Culture and Governance Prioritize Safety.

ii. O. I. I. 19-06-015 (PG&E Safety Culture and Penalties for 2017 Fires); Order Instituting Investigation on the Commission’s Own Motion into the Maintenance, Operations and Practices of Pacific Gas and Electric Company (U39E) with Respect to its Electric Facilities; and Order to Show Cause Why the Commission Should not Impose Penalties and/or Other Remedies for the Role PG&E’s Electrical Facilities had in Igniting Fires in its Service Territory in 2017.

iii. R. 18-12-005 (PSPS Rulemaking); Order Instituting Rulemaking to Examine Electric Utility De-Energization of Power Lines in Dangerous Conditions.

**B. Public Employee Performance Evaluation (Government Code Section 54957)
Position Title: Interim General Manager**

18. Adjournment: The next VCE Board meeting is scheduled for Thursday, May 14, 2020 at 5:30 p.m. currently at the City of Winters Police/Fire Station located at 700 and 702 Main Street, Winters, CA 95694; however, this meeting may be held via teleconference.

PUBLIC PARTICIPATION INSTRUCTIONS FOR UPCOMING VALLEY CLEAN ENERGY BOARD OF DIRECTORS SPECIAL MEETING ON THURSDAY, APRIL 9, 2020 AT 4:00 P.M.:

PUBLIC PARTICIPATION. All public participation for this meeting will be done electronically 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 2:00 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 received after 2:00 p.m. the information will be distributed after the meeting but within 24 hours of the conclusion of the Board meeting

Public Comments: If you wish to make a public comment at this meeting, please e-mail your public comment to Meetings@ValleyCleanEnergy.org. 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 public comments will be read during Item 3, Public Comment. Public comment on individual agenda items should include the item number in the “Subject” line for the e-mail and the Clerk will read the comment during the item. Items read cannot exceed 300 words or approximately two (2) minutes in length. All comments received will be posted to the VCE website. E-mail comments received after the item is called will be distributed to the Board and posted on the VCE website so long as they are received by the end of the meeting.

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

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Valley Clean Energy Alliance Board of Directors
FROM: Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT: Approval of Minutes from March 12, 2020 Special Board Meeting
DATE: April 9, 2020

RECOMMENDATION

Receive, review and approve the attached Minutes from the March 12, 2020 Special Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS SPECIAL MEETING
THURSDAY, MARCH 12, 2020**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their special meeting scheduled for Thursday, March 12, 2020 at 4:00 p.m. at the City of Woodland Council Chambers, located at 300 1st Street, Woodland, California 95695. Chairperson Don Saylor established that there was a quorum present and began the meeting at 4:03 p.m.

Board Members Present: Don Saylor, Dan Carson, Lucas Frerichs, Gary Sandy, Wade Cowan, Jesse Loren, Angel Barajas (left at 5:45 p.m.)

Associate Members Present: Beverly Sandeen

Members Absent: Tom Stallard

Associate Members Absent: Christopher Cabaldon

Approval of Agenda #1 and #2 Motion made by Director Carson to approve both agendas, seconded by Director Loren. Motion passed with Director Stallard absent.

Public Comment Chairperson Saylor opened the floor for public comment. No public comment.

CLOSED SESSION: The Board adjourned their meeting to go into Closed Session at 4:04 p.m. The Board returned to their regular Agenda at 4:52 p.m. Chairperson Saylor reported that the Board had no reportable action out of closed session. Chairperson Saylor opened up the floor again for public comment, no public comment. Chairperson Saylor then moved on to the Consent Agenda.

Approval of Consent Agenda / Resolutions 2020-009 through 2020-011 Motion made by Director Frerichs to approve the consent agenda items, seconded by Director Sandy. Motion passed with Director Stallard absent. The following items were approved and/or received:

5. February 13 ,2020 Board Meeting Minutes
6. 2020 Long Range Calendar
7. Financial Updated – January 31, 2020 (unaudited) financial statement.
8. March 5, 2020 Regulatory update from Keyes & Fox;
9. March 4, 2020 Customer Update;
10. Community Advisory Committee February 5, 2020 special meeting and February 27, 2020 regular meeting summaries;
11. Update on SACOG grant schedule;
12. Amendment No. One to Pacific Policy Group contract for legislative support as Resolution 2020-009;



13. First Amendment to Boutin Jones agreement for legal services as Resolution 2020-010;
14. Amendment No. One to Victoria Zavattero contract for support services related to the acquisition of PG&E local distribution assets as Resolution 2020-011; and,
15. Entering into an agreement with Consultant LEAN Energy to assist in the process and development of a Strategic Plan.

Approve Support of
Legislation as
Indicated

Interim General Manager Mitch Sears introduced this item. He informed those present that VCE Staff, a few Board Members and Mark Fenstermaker of Pacific Policy Group (PPG) were at the capitol on Tuesday to attend the CalCCA Lobby Day. They met with various offices, including Senator Dodd's office. Mr. Fenstermaker reviewed the legislative bills that VCE Staff are looking for Board support on.

Chairperson Saylor asked Mr. Sears to explain VCE's legislative position process. Mr. Sears informed those present that there are provisions to allow the Board Chair and Vice Chair to take positions on behalf of VCE. The typical process is that after the Community Advisory Committee (CAC) Leg/Reg. Task Group reviews the bills, the bills are brought to the CAC for a position recommendation to the Board. Sometimes, such as this, timing is an issue and the bills go directly to the Board with a Staff recommendation for a position.

Director Cowan had a question about SB 917. Chairperson Saylor allowed for motions. Director Barajas made a motion to support SB 947, AB 2689, and AB 3014 as recommended, seconded by Director Frerichs. Motion passed with Director Stallard absent.

Mr. Fenstermaker reviewed SB 917, informing those present that the bill is sponsored by Senator Wiener, who is proposing, among other items, a public takeover of PG&E via eminent domain. Director Cowan informed those present that currently, the bill addresses both electricity and gas. He reminded those present that PG&E built a large gas operations and training facility in the City of Winters, which is an economic benefit to the City. Until the City has more information about this bill, as a Board Member he cannot support this bill. Director Loren asked if there is a possibility to decouple the gas from the electric. Mr. Fenstermaker agreed that a conversation with Senator Wiener's office regarding this issue should occur. He also noted that possibly there are creative ways to fold into the bill language the protection of the building.

Director Frerichs reminded those present that it was early in the legislative year. He suggested that the Board wait on making a position and wait to see how it unfolds. He supports PPG raising the issue with the offices of Senator Wiener and Assemblymember Aguiar-Curry.



Chairperson Saylor tabled the Board taking a position on SB 917. In addition, Chairperson Saylor asked that VCE Staff prepare a set of principles/strategies/targets for further conversations on proposed legislation.

Update on Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA) (Informational)

Mr. Sears provided an update on PCIA and ERRA by reviewing the background, current PCIA expectations/status, 2021 fiscal year PCIA impact, and potential mitigation strategies. Mr. Sears informed those present that East Bay Power is looking at a better PCIA model for outlining years. VCE is working with East Bay on this. Chairperson Saylor asked when decisions need to be made. Mr. Sears informed those present that discussing these issues during the budget process and making policy decisions should occur prior to January 2021.

Comments from the Board were provided, such as, the idea of holding VCE's rates rather than going down with PG&E's rates; looking at the risks of losing customers and what market approach should be taken to prevent this from happening; and, weighing the cost of service with Customers' priorities. Mr. Sears informed those present that another Community Choice Aggregate (CCA) prepared a 5 year plan, including marketing generation rate increases; then conducted community outreach and asked Customers their top 10 priorities. What the CCA found was that low rates did not make it into the top 10 of priorities. Lastly, a comment was made about rates and losing customers and that one CCA, which accepted GHG-free attributes of hydro, not nuclear, from PG&E will be spending money to make up the difference.

Review and Provide Feedback on the Preliminary Draft Fiscal Year 2020-2021 Operating Budget (Informational)

Mr. Sears reviewed the background of the FY19-20 operating budget - actual and forecast, preliminary budget FY 20-21, preliminary budget – rate impacts, power costs/mix, other operating expenses, mitigation strategies, and conclusions. VCE Staff will be presenting updates at the next few meetings with the final adoption by the Board at the June meeting.

PG&E allocation of Greenhouse (GHG)-free resources to Community Choice Aggregators

VCE Staff Gordon Samuel informed those present that the California Public Utilities Commission (CPUC) has not made a decision on the GHG-free attributes allocation offer from PG&E. Chairperson Saylor tabled this item.

Introduction on Local / Regional Renewable Energy Request for Offers (RFO) Solicitation (Informational)

Mr. Sears introduced this item and informed the Board that Staff are looking for final direction from the Board at their next meeting. VCE Staff Gordon Samuel informed those present that the recently signed Power Purchase Agreement (PPA) and an additional upcoming PPA are not local. He informed those present that the CAC has reviewed and provided feedback on the draft request for offers (RFO), including the criteria. The CAC's input has been incorporated into the



criteria presented to the Board. This is a local solicitation, with the goal of it being advertised in April. Mr. Samuel reviewed the background and high level guidance items, then reviewed each of the following criteria:

1. Local/Regional resources
2. Prior land use
3. Located in pre-screened energy development areas
4. Level of completeness of permits
5. Grid interconnection status
6. Site control
7. Multi-benefit renewable energy

Board Members commented that the criteria looks good and wanted to know if projects with storage would give VCE more flexibility. Mr. Samuel informed those present that most solar developers like to install storage and anticipates that many of the projects will include storage.

Update on Planning Process for the Development of a Strategic Plan for Valley Clean Energy (Informational) Chairperson Saylor tabled this item as the strategic plan process is being rescheduled with the cancellation of the March 23, 2020 special meeting / Strategic Planning Workshop. Mr. Sears informed those present that LEAN Energy assisted with preparing a worksheet, “homework” for the Board. VCE Staff will be sending out to the Board Members this worksheet, with directions, for the Board Members to work on in the meantime.

Status update and next steps on the potential acquisition of PG&E’s local electricity distribution system (Informational) Mr. Sears informed those present that VCE Staff are actively monitoring this item and will continue to do so.

Special Meeting #2 Agenda / Special Authority for General Manager in the event the Board is not able to meet due to the COVID-19 Emergency / Resolution 2020-008 Mr. Sears introduced this item informing those present that the resolution before the Board is to address continuity of business operations during the COVID-19 Emergency. This is to continue basic operations if the Board is unable to meet.

Motion made by Director Sandy to approve of the resolution giving special authority to the Interim General Manager in the event the Board is not able to meet due to the COVID-19 emergency, seconded by Director Frerichs. Motion passed as Resolution 2020-008 by the following vote:

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



Board Member and Staff Announcements Director Cowan informed those present that he and Director Loren attended the Yosemite Policymakers Conference as part of the Local Government Commission in Yosemite National Park in early March. There was a lot to talk about and noted that CPUC Commissioner Martha Guzman Aceves spoke at the event.

Adjournment Chairperson Saylor adjourned the meeting at 6:02 p.m. to the next meeting scheduled for Thursday, April 9, 2020 at 5:30 p.m.; however, this meeting will most likely be held telephonically.

Alisa M. Lembke
VCEA Board Secretary

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

Staff Report - Item 5

TO: VCEA Board
FROM: Alisa Lembke, Board Clerk/Administrative Analyst
SUBJECT: Community Advisory Committee 2020 Long-Range Calendar
DATE: April 9, 2020

Recommendation

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

VALLEY CLEAN ENERGY

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

MEETING DATE		TOPICS	ACTION
January 9, 2020	Board WOODLAND	•	•
January 23, 2020	Advisory Committee WOODLAND	•	•
February 13, 2020	Board DAVIS	• Power Purchase Agreement	• Action
February 27, 2020	Advisory Committee DAVIS	• Task Groups – Present Tasks/Projects • Update on Regulatory Assistance Project	• Informational • Informational
March 12, 2020	Board WOODLAND	• Preliminary FY20/21 Operating Budget (Regular) • GHG-free attributes • Local/Regional Renewable RFO solicitation	• Review • Action • Informational
Monday, March 23, 2020 Special Board Meeting / Strategic Planning CANCELLED	Board WOODLAND Community & Senior Center, Meeting Room #3	• Strategic Plan • To be rescheduled for a future date	• Discussion/Action
March 26, 2020 IRP workshop CANCELLED	Advisory Committee WOODLAND	• Integrated Resource Plan (IRP) workshop (to be rescheduled - due date is now September 1, 2020)	• Information
April 9, 2020 Via Teleconference	Board DAVIS	• Local / Regional Renewable Request for Officers (RFO) solicitation • River City Bank Revolving Line of Credit • Power Purchase Agreement	• Action • Action • Action

April 23, 2020 Via Teleconference	Advisory Committee DAVIS	<ul style="list-style-type: none"> Review Task Groups' projects/tasks "charge" for 2020 	<ul style="list-style-type: none"> Action
May 14, 2020 Possibly via Teleconference	Board WINTERS	<ul style="list-style-type: none"> Appoint City of Winters seats to CAC 	<ul style="list-style-type: none"> Action
May 28, 2020	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Information related to 2021 Integrated Resource Plan Update Review Draft Integrated Resource Plan (IRP) / Public Workshop, CAC to provide recommendation 	<ul style="list-style-type: none"> Information Informational / Action
June 11, 2020	Board DAVIS	<ul style="list-style-type: none"> Final Approval of FY20/21 Operating Budget Extension of Waiver of Opt-Out Fees for one more year (??) Re/Appointment of Members to Community Advisory Committee Review Draft Integrated Resource Plan and CAC Recommendation (IRP due 9/1/20) 	<ul style="list-style-type: none"> Approval Action Action
June 25, 2020	Advisory Committee DAVIS	<ul style="list-style-type: none"> Information related to 2021 Integrated Resource Plan Update 	<ul style="list-style-type: none"> Discussion
July 9, 2020	Board WOODLAND	<ul style="list-style-type: none"> Adoption of Integrated Resource Plan (due September 1, 2020) 	<ul style="list-style-type: none"> Action
July 23, 2020	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Information related to 2021 Integrated Resource Plan Update 	<ul style="list-style-type: none"> Discussion
August 13, 2020	Board DAVIS		
August 27, 2020	Advisory Committee DAVIS	<ul style="list-style-type: none"> Revised Procurement Guide – Review 	<ul style="list-style-type: none"> Discussion
September 10, 2020	Board WOODLAND	<ul style="list-style-type: none"> Residential Time of Use Rate Classes Report Discussion on River City Bank Revolving Line of Credit 	<ul style="list-style-type: none"> Information/Discussion Discussion

September 24, 2020	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Review Draft Recommendation 	<ul style="list-style-type: none"> • Discussion • Discussion
October 8, 2020	Board WINTERS	<ul style="list-style-type: none"> • Approval of FY19/20 Audited Financial Statements (James Marta & Co.) • River City Bank Revolving Line of Credit 	<ul style="list-style-type: none"> • Action • Discussion/Action
October 22, 2020	Advisory Committee DAVIS	<ul style="list-style-type: none"> • Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide- Review Draft Recommendation 	<ul style="list-style-type: none"> • Discussion • Discussion
November 12, 2020	Board WOODLAND	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
November 26, 2020 Thanksgiving Holiday – Rescheduled to 3 rd Thursday, November 19, 2020	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Finalize Recommendation to Board 	<ul style="list-style-type: none"> • Discussion • Action: Recommendation to Board
December 10, 2020	Board DAVIS	<ul style="list-style-type: none"> • Election of Officers for 2020 	<ul style="list-style-type: none"> • Nominations
December 24, 2020 Rescheduled to 3 rd Thursday, December 17, 2020	Advisory Committee DAVIS	<ul style="list-style-type: none"> • Election of Officers for 2020 • Finalization of Committee Calendar Year End Report 	<ul style="list-style-type: none"> • Nominations • Approve Report
January 14, 2021	Board WOODLAND	<ul style="list-style-type: none"> • Receive CAC Calendar Year End Report • Approve Revised Procurement Guide 	<ul style="list-style-type: none"> • Receive Report • Action
January 28, 2021	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Review and Discuss Task Groups 	<ul style="list-style-type: none"> • Discuss/Action

Note: CalCCA Annual Meeting 11/16-11/18, San Jose.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Update – February 29, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending February 29, 2020

DATE: April 9, 2020

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of February 1, 2020 to February 29, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending February 29, 2020.

BACKGROUND & DISCUSSION:

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

The Financial Statements include the following reports:

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

In addition, staff is reporting the Actual vs. Budget variances year to date ending February 29, 2020.

Financial Statements for the period February 1, 2020 – February 29, 2020

In the Statement of Net Position, VCEA as of February 29, 2020 has a total of \$12,402,434 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,116,975 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of February 29, 2020 \$210,890 and \$450,346 respectively for a grand total of \$661,236. VCEA began paying SMUD for the monthly operating expenditures (starting with January 2018 expenditures) and repayment of the deferred amount of \$1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in June 2019 and repayment of the deferred amount of \$556,188 over a 12-month period.

The term loan with River City Bank includes a current portion of \$395,322 and a long-term portion of \$1,482,458 as of February 29, 2020, for a total of \$1,877,780. At February 29, 2020, VCE's net position is \$12,722,292.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,867,951 of revenue (net of allowance for doubtful accounts) of which \$2,833,686 was billed in February and (\$13,250) represent estimated unbilled revenue. The cost of the electricity for the February revenue totaled \$2,630,927. For February, VCEA's gross margin is approximately 9.0% and operating income totaled negative (\$83,529). The year-to-date change in net position was \$5,393,459.

In the Statement of Cash Flows, VCEA cash flows from operations was negative (\$1,190,226) due to February cash receipts of revenues being lower than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending February 29, 2020

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

Salaries & Wages/Benefits - (\$156,342) and (38%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

SMUD Credit Support - (\$55,162) and (13%) – variance is due to lower actual customer load than budgeted, which results in a lower payment to SMUD since the payment is based on MWH volume.

SMUD Operating Services - (\$86,447) and (36%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

PG&E Acquisition Consulting - \$159,310 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - \$82,255 and 55% - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget; this variance is being actively managed and a reduction in the variance is expected by year-end

Contingency - (\$155,558) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$159,310 of PG&E acquisition-related expenses.

Attachments:

- 1) Financial Statements (Unaudited) February 1, 2020 to February 29, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending February 29, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2020

PREPARED ON APRIL 1, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
FEBRUARY 29, 2020
(UNAUDITED)

ASSETS

Cash and cash equivalents	\$	12,402,434
Accounts receivable, net of allowance		3,199,969
Accrued revenue		1,754,331
Prepaid expenses		10,955
Inventory - Renewable Energy Credits		-
Other current assets and deposits		2,540
Total current assets		17,370,229
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,116,975
Total restricted assets		2,216,975
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	19,687,204

LIABILITIES

Current liabilities:		
Accounts payable	\$	692,287
Accrued payroll		5,469
Interest payable		6,159
Due to member agencies		210,890
Accrued cost of electricity		2,921,333
Other accrued liabilities		701,881
Security deposits - energy supplies		515,640
User taxes and energy surcharges		33,473
Current Portion of LT Debt		395,322
Total current liabilities		5,482,454
Noncurrent liabilities		
Term Loan- RCB		1,482,458
Total noncurrent liabilities		1,482,458
TOTAL LIABILITIES	\$	6,964,912

NET POSITION

Restricted		
Local Programs Reserve		136,898
Restricted		2,216,975
Unrestricted		10,368,419
TOTAL NET POSITION	\$	12,722,292

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF FEBRUARY 1, 2020 TO FEBRUARY 29, 2020
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 29, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 2,867,951	\$ 37,378,866
TOTAL OPERATING REVENUES	2,867,951	37,378,866
OPERATING EXPENSES		
Cost of electricity	2,630,927	28,936,247
Contract services	208,048	2,066,075
Staff compensation	76,501	682,527
General, administration, and other	36,004	286,875
TOTAL OPERATING EXPENSES	2,951,480	31,971,724
TOTAL OPERATING INCOME (LOSS)	(83,529)	5,407,142
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,426	60,843
Interest and related expenses	(6,257)	(74,526)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,169	(13,683)
CHANGE IN NET POSITION	(80,360)	5,393,459
Net position at beginning of period	12,802,652	7,328,833
Net position at end of period	\$ 12,722,292	\$ 12,722,292

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING FEBRUARY 29, 2020</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,229,213	\$ 41,691,577
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(3,936,035)	(31,018,402)
Payments for contract services, general, and administration	(408,383)	(2,839,934)
Payments for staff compensation	(75,021)	(680,847)
Net cash provided (used) by operating activities	(1,190,226)	7,668,034
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,943)	(98,830)
Interest and related expenses	(7,491)	(180,679)
Net cash provided (used) by non-capital financing activities	(40,434)	(1,779,509)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,426	60,843
Net cash provided (used) by investing activities	9,426	60,843
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,221,234)	5,949,368
Cash and cash equivalents at beginning of period	15,840,643	8,670,041
Cash and cash equivalents at end of period	\$ 14,619,409	\$ 14,619,409
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 12,402,434	\$ 12,402,434
Restricted assets	2,216,975	2,216,975
Cash and cash equivalents at end of period	\$ 14,619,409	\$ 14,619,409

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING FEBRUARY 29, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (83,529)	\$ 5,407,142
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	381,584.00	1,795,304.00
(Increase) decrease in accrued revenue	13,044	2,541,382.00
(Increase) decrease in prepaid expenses	9,497	(10,955.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	(31,172)	106,167.00
Increase (decrease) in accrued payroll	1,480	1,680.00
Increase (decrease) in due to member agencies	(42,915)	(199,419.00)
Increase (decrease) in accrued cost of electricity	(1,305,108)	(2,289,323.00)
Increase (decrease) in other accrued liabilities	(99,741)	(382,777.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	(33,366)	(23,975.00)
Net cash provided (used) by operating activities	\$ (1,190,226)	\$ 7,668,034

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 02-29-20

Description	2/29/2020	2/29/2020	YTD Variance	% over/under
	FY2020 Actuals	FY2020 Budget		
Electric Revenue	\$ 37,378,864	\$ 38,323,544	\$ (944,680)	-2%
Interest Revenues	60,842	81,798	(20,956)	-26%
Purchased Power	28,936,247	29,230,856	(294,610)	-1%
Labor & Benefits	682,529	787,346	(104,818)	-13%
Salaries & Wages/Benefits	250,936	407,278	(156,342)	-38%
Contract Labor	409,316	371,668	37,648	10%
Human Resources & Payroll	22,277	8,400	13,877	165%
Office Supplies & Other Expenses	89,642	85,264	4,377	5%
Technology Costs	8,085	6,176	1,909	31%
Office Supplies	3,803	822	2,981	363%
Travel	4,389	3,200	1,189	37%
CalCCA Dues	72,640	72,667	(27)	0%
Memberships	725	2,400	(1,675)	-70%
Contractual Services	2,066,048	2,006,985	59,063	3%
Don Dame	11,811	12,000	(190)	-2%
SMUD - Credit Support	353,988	409,150	(55,162)	-13%
SMUD - Wholesale Energy Services	376,096	376,096	-	0%
SMUD - Call Center	440,284	449,039	(8,756)	-2%
SMUD - Operating Services	154,553	241,000	(86,447)	-36%
Legal	70,076	112,000	(41,924)	-37%
Regulatory Counsel	119,013	123,520	(4,507)	-4%
Joint Regulatory	36,613	20,000	16,613	83%
Legislative	40,000	40,000	-	0%
Accounting Services	9,371	16,000	(6,629)	-41%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	159,310	-	159,310	100%
Marketing Collateral	231,935	149,680	82,255	55%
Rents & Leases	13,038	11,664	1,374	12%
Hunt Boyer Mansion	13,038	11,664	1,374	12%
Other A&G	157,635	215,819	(58,184)	-27%
PG&E Data Fees	153,875	166,114	(12,239)	-7%
Community Engagement Activities & Sponsorships	326	4,000	(3,674)	-92%
Insurance	3,435	4,906	(1,471)	-30%
New Member Expenses	-	40,000	(40,000)	-100%
Banking Fees	-	800	(800)	-100%
Miscellaneous Operating Expenses	26,582	4,088	22,494	550%
Contingency	-	155,558	(155,558)	-100%
TOTAL OPERATING EXPENSES	\$ 31,971,721	\$ 32,497,582	\$ (525,861)	-2%
Interest Expense - Munis	14,965	37,030	(22,066)	-60%
Interest on RCB loan	49,737	57,988	(8,251)	-14%
Interest Expense - SMUD	9,824	10,670	(846)	-8%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 5,393,459	\$ 5,802,071	\$ (408,612)	-7%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Valley Clean Energy Alliance Board of Directors
From: Mitch Sears, Interim General Manager
Subject: Regulatory Monitoring Report – Keyes & Fox
Date: April 9, 2020

Please find attached Keyes & Fox’s March 2020 Regulatory Memorandum dated April 1, 2020, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated April 1, 2020

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
Ben Inskeep, Principal Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: April 1, 2020

Summary

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

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

- **IRP Rulemaking:** The CPUC unanimously approved a Revised Proposed Decision, to be numbered D.20-03-028 upon issuance, adopting a 2019-2020 Reference System Portfolio (RSP). The VCE Board will need to officially approve of VCE’s IRP prior to the IRP due date, which was extended to September 1, 2020.
- **RA Rulemaking (2019-2020):** The ALJ issued a Proposed Decision on the central buyer, rejecting CalCCA’s proposed settlement and proposing that PG&E and SCE serve as the central procurement entity in their territories. The CPUC issued an Order (D.20-03-016) granting limited rehearing of D.19-10-020 on "clarifications" to rules governing the use of imports to meet resource adequacy (RA) requirements. The process for this limited rehearing was set forth through a Ruling issued on March 20, 2020.
- **RA Rulemaking (2021-2022):** Parties filed comments on the Track 1 (RA imports) workshop report and/or proposals. The four Track 2 working groups on qualifying capacity counting conventions filed final. Parties filed comments and reply comments on the Track 2 workshop and proposals. CalCCA late-filed a Track 2 proposal on establishing waivers for system and flexible RA compliance obligations.
- **PCIA Rulemaking:** The CPUC approved a revised Proposed Decision, to be numbered D.20-03-019 upon issuance, on departing load forecast and the presentation of PCIA rate on tariffs and bills, which had been discussed in Working Group 1. Parties filed opening and reply comments, respectively, on the final Working Group 3 report.
- **Investigation of PG&E Bankruptcy Plan:** Opening briefs (including opening comments on the February 18 Ruling) and reply briefs (including reply comments on the February 18 Ruling), respectively, were filed. PG&E submitted two Notices of Amended Plan, filed with the bankruptcy court in March. PG&E also filed (1) a motion and supporting exhibits filed by PG&E in the Bankruptcy Court, which seeks approval of a Case Resolution Contingency Process, to be

implemented if PG&E fails to meet certain dates regarding the administration of the Chapter 11 Cases; (2) a statement in support filed by Gov. Newsom in the Bankruptcy Court; and (3) a Form 8-K that PG&E filed with the U.S. SEC. The ALJ issued an Email Ruling granting PG&E's motion to take official notice of the documents.

- **Investigation into PG&E Violations Related to Wildfires:** PG&E, the Coalition of California Utility Employees, and Thomas del Monte and Wild Tree Foundation filed appeals of the Presiding Officer's Decision, issued in February, that approved a settlement agreement with significant modifications that included increasing PG&E shareholders' penalties to \$2.137 billion for the role PG&E's equipment played in igniting catastrophic wildfires in 2017 and 2018. SED filed a Motion stating it continues to support the Settlement Agreement, but that it neither supports nor opposes the modifications made in the Presiding Officer's Decision. Commissioner Rechtschaffen filed a Motion requesting full CPUC review of the Presiding Officer's Decision. PG&E's Tort Claimants Committee filed a Motion for Party Status and a response to PG&E's appeal. A Ruling shortened the time for responding to appeals and requests for review to April 9, and directs PG&E, SED, and CUE to separately or jointly file a response indicating whether they accept the proposed modifications to the settlement agreement set forth in Commissioner Rechtschaffen's Motion.
- **PG&E's 2019 ERRA Compliance:** CPUC Executive Director Alice Stebbins issued a Ruling categorizing this proceeding as a ratesetting and making a preliminary determination that a hearing is necessary.
- **PG&E's 2020 ERRA Forecast:** PG&E filed AL 5781-E, which implements the final decision (D.20-02-047) in this proceeding, including an uncapped 2020 PCIA rate for the 2017 vintage of \$0.04266/kWh.
- **RPS Rulemaking:** The ALJ issued a Ruling in response to a Petition for Modification filed by EnerCal of D.19-12-042, which addressed 2019 RPS Procurement Plan compliance. The CPUC also issued a Ruling requesting comments on a Staff Proposal on the Bioenergy Market Adjusting Tariff (BioMAT). Parties filed comments on a Staff Proposal recommending changes to confidentiality rules regarding the RPS program.
- **2018 Rate Design Window:** The CPUC issued D.20-03-003 addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that largely retains the overarching design of residential rates as they are now. The proceeding is now closed.
- **PG&E's Phase 1 GRC:** No updates this month.
- **PG&E's Phase 2 GRC:** The ALJ issued an Email Ruling that postponed public participation hearings due to the COVID-19 pandemic and resulting state guidelines restricting public gatherings. PG&E held a public workshop via webinar on the proposed design for a joint study on the essential usage of electricity. PG&E hosted a public workshop to present, and receive feedback on, a new rate proposal to encourage residential electrification, which the CPUC recently ordered be included in its updated testimony.
- **Direct Access Rulemaking:** The ALJ informed parties that the release of Energy Division's report has been delayed, and while it is anticipated to be released in the near future, it was not possible to specify a date. The procedural schedule will be updated accordingly following its release.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** No updates this month.
- **Other Regulatory Developments:**

- **Wildfire Mitigations Plans Rulemaking:** The CPUC issued [D.20-03-004](#) addressing Phase 2 refinements of utility Wildfire Mitigation Plans (WMPs), focused on issues related to community awareness and communications and the process for WMP submissions and reviews going forward.

IRP Rulemaking

On March 12 and 17, 2020, parties filed comments and reply comments, respectively, on a Proposed Decision adopting the Reference System Portfolio (RSP) for 2020 IRPs. On March 13, 2020, parties filed reply comments on updated load forecasts provided by LSEs. On March 26, 2020, the CPUC unanimously approved a Revised Proposed Decision, to be numbered D.20-03-028 upon issuance (or “Decision”), adopting a 2019-2020 RSP. The VCE Board will need to officially approve of VCE’s IRP prior to the IRP due date, which was extended to September 1, 2020.

- **Background:** In the CPUC’s IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement.

The most recent IRP decision, D.19-11-016, addressed the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a *recommendation* that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing generation facilities that use once-through cooling (OTC) systems (~3,750 MW of capacity slated to retire December 31, 2020). Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. At least 50% of resources must be on-line by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE’s incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW.

- **Details:** D.20-03-028 establishes a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), but, with the revisions adopted, also requires LSEs to file an IRP scenario based on a more aggressive 38 MMT target and allows LSEs to include alternate portfolios. The resulting 2019-2020 RSP under both targets includes a large amount of new solar, wind, and battery storage resources. The CPUC will explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured for the benefit of the sector as a whole, as well as the need for development of diverse resources and those that may require multiple off-takers in order to be developed.

The Decision provides that in their individual IRPs, LSEs are required to, among other things, (1) include Conforming Portfolios reflective of the 46 MMT and 38 MMT targets; (2) demonstrate how their previous and planned resource procurement will help the state collectively meet this optimal portfolio and GHG target; (3) provide information on activities to minimize criteria air pollutants with priority on disadvantaged communities; (4) provide information on activities to evaluate opportunities and include feasible procurement designed to reduce reliance on fossil-fueled power plants; (5) include resources in following the general categories: Long-duration storage (8-12 hours), Short-duration storage (4 hours or less), Renewables, Hybrid resources, and Other resources. The Revised Proposed Decision further extended the IRP deadline for LSEs to September 1, 2020.

Finally, the CPUC clarified in the Decision that the extra system RA it required LSEs to procure under D.19-11-016 cannot include new natural gas generation turbines at new sites, even if storage is added. However, new biomethane or compressed air storage that uses natural gas in its process is not prohibited. Expansion of existing natural gas generation at existing sites is not strictly prohibited, but the addition of gas turbines must be shown to create GHG benefits, such as by reducing the rate of GHG emissions from plant operations by adding storage.

- **Analysis:** The procurement track of this proceeding could potentially diminish VCE’s authority and control over its resource procurement decisions, although the scope of centralized procurement is now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action. D.20-03-028 clarified several aspects of D.19-11-016 that affect the types of resources VCE is allowed to procure for its additional system RA requirement.

The proposed 2019-2020 RSP would result in large additions of solar and energy storage resources to California’s supply mix, as well as smaller quantities of wind, over the next decade.
- **Next Steps:** Energy Division will provide final IRP templates by May 11, 2020. VCE’s IRP is due on September 1, 2020.
- **Additional Information:** [D.20-03-028](#) on RSP and 2020 IRP filing requirements (revised PD issued on March 25, 2020, and adopted on March 26, 2020); [List of Baseline Resources](#) (December 2, 2019); [D.19-11-016](#) (November 13, 2019); [Ruling](#) initiating procurement track (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

RA Rulemaking (2019-2020)

On March 12, 2020, the CPUC issued an Order (D.20-03-016) granting limited rehearing of D.19-10-020 on "clarifications" to rules governing the use of imports to meet resource adequacy (RA) requirements. The process for this limited rehearing was set forth through a Ruling issued on March 20, 2020. On March 26, 2020, the CPUC issued a Proposed Decision on the central buyer structure and identities for local RA beginning 2023.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2 as well as limited hearing of certain RA import issues. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed.

In [Track 2](#), the CPUC previously adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). A proposed settlement agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity ("CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Under the proposed settlement, individual LSEs would be able to choose to procure their share of the collective RA requirement, or they may allow the CPE to procure their share on default. Costs would be allocated afterwards based on cost causation principles.

In [Track 3](#), D.19-06-026 adopted CAISO’s recommended 2020-2022 Local Capacity Requirements and CAISO’s 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a “Binding Load Forecast” process such that an LSE’s initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE’s implementation to new customers.

D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

On February 11, 2020, a group of clean energy and energy storage parties filed a Petition for Modification (PFM) of D.20-01-004, seeking a revision to the definition of “Hybrid Resource.”

- **Details:** The PD adopts implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E)

distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. If an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. Under this structure, LSEs within PG&E's and SCE's TAC areas would not have a local RA requirement beginning in the 2023 compliance year. A competitive solicitation process would be used by the CPEs to procure RA products. Costs incurred by the CPE would be allocated ex post based on load share, using the CAM mechanism.

Notably, the PD would decline to adopt CalCCA's settlement agreement that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA, finding it not to be a workable plan.

D.20-03-016 finds that limited rehearing of D.19-10-021 should be granted in order to clarify the self-scheduling requirement, provide parties an opportunity for comment, and provide evidentiary support for adoption of the new requirements contained in the Decision. Limited rehearing is also granted to clarify certain specific terms used in D.19-10-021, including "resource-specific" and "resource-non-specific," as well as to clarify the timeframe within which RA importers are required to self-schedule in the CAISO market. The stay of D.19-10-021 (ordered in D.19-12-064) will remain in effect until this limited rehearing is completed.

- **Analysis:** The PD, if approved by the CPUC, would resolve the central buyer issues. Moving to a central procurement entity as proposed would impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework, eliminating the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but also eliminating VCE's autonomy with regard to local RA procurement and placing this in the hands of PG&E.
- **Next Steps:** Comments and reply comments on the PD are due April 15, 2020, and April 20, 2020, respectively, and the PD may be considered by the CPUC, at the earliest, at its May 7, 2020 meeting. Comments and reply comments on rehearing of D.19-10-021 are due April 6, 2020, and April 13, 2020, respectively.
- **Additional Information:** [Proposed Decision](#) on central buyer (March 26, 2020); [Ruling](#) establishing process for rehearing of D.19-10-021 (March 20, 2020); [D.20-03-016](#) granting limited rehearing of D.19-10-021 (March 12, 2020); [PFM](#) of D.20-01-004 (February 11, 2020); [D.20-01-004](#) on qualifying capacity value of hybrid resources (January 17, 2020); [D.19-12-064](#) granting motion for stay of D.19-10-021 (December 23, 2019); [Petition for Modification](#) of D.19-06-026 by CalCCA (October 30, 2019); [D.19-10-021](#) affirming RA import rules (October 17, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

RA Rulemaking (2021-2022)

On March 6, 2020, parties filed comments on the Track 1 (RA imports) workshop report and/or proposals. The four Track 2 working groups on qualifying capacity counting conventions filed final reports on March 11, 2020. On March 23, 2020, parties filed comments and reply comments on the Track 2 workshop and proposals. On March 18, 2020, CalCCA late-filed a Track 2 proposal on establishing waivers for system and flexible RA compliance obligations.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks:
 1. Track 1 considers revisions to the RA import rules.

2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the “PG&E Other” area; and changes to the existing penalty structure and waiver process to address potential market power.
3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

Track 1 Staff Proposal

In Track 1, the Energy Division is proposing the following measures to reduce speculation and potential gaming in the RA import market to ensure electricity is delivered into California when it is actually needed:

1. Require resource-specific RA imports to be pseudo-tied or dynamically scheduled into the CAISO day-ahead and real-time markets and to have resource-specific IDs;
2. Require non-resource specific RA imports (i.e., energy contracts) to (a) have contractually specified fixed energy price provisions and contain no curtailment provisions, (b) deliver or schedule energy into the day-ahead and real-time markets, and (c) deliver energy at least during the availability assessment hours regularly throughout the RA compliance month; and
3. Require load-serving entities (LSEs) to provide RA import contracts in a timely manner, with no provisions redacted, to Energy Division staff in order for the RA import contracts to count towards an LSE’s RA obligation.

Track 2 Staff Proposal

In Track 2, with respect to Energy Division’s MCC proposal, for background, the MCC bucket system, which was last updated in 2012, groups capacity resources into categories (currently 5 in total) based on their monthly availability limits during summer (i.e., peak) months, and limits the amount of capacity that may be procured from use-limited resources to specified percentages of RA capacity needs. The Staff Proposal contains four options for updating the MCC bucket system and recommends Option #4b (essentially an all of the above option). Of note, solar and wind are currently considered “unrestricted” resources (Category 4), meaning that they are not limited to specified maximum quantities. Energy Division’s proposal would retain solar and wind within Category 4, but modify it to provide that at least 56.1% of resources must be 24-hour dispatchable resources. This amount was arrived at by analyzing the MCC bucket percentages using net load duration curves (i.e., load minus solar and wind).

Energy Division’s other Track 2 proposals include re-aggregating the PG&E “Other” Local Area; requiring all non-emergency DR except DR auction mechanism (DRAM) resources be required to dispatch for a four-hour period during RA measurement hours on three days during the July - September time frame; establishing an optional alternative to the use of LIPs for non-IOU DR resources; supporting the design and application of the current interim methodology for hybrid resource (i.e., generation resources paired with energy storage); capping the effective flexible capacity of energy storage resources; recommending that the CPUC affirm several reporting elements that are largely reflected in the 2020 RA Filing Guide to avoid confusion about how capacity should be reported; and proposing to clarify the meaning of notices indicating an RA deficiency versus a need for corrections; and modifying the RA penalty structure by increasing penalties for summer months and decreasing penalties in non-summer months. It also requested comments on whether it is appropriate to penalize an LSE twice when a month ahead deficiency

is redundant to a year ahead deficiency that was not cured in the interim and whether a procedure should be established to remove LSEs that consistently cannot procure sufficient capacity from the market, and a potential alternative where penalties are escalated for repeated violations.

- **Details:** The working group reports each summarize the discussions of the working group and consensus and non-consensus items for CPUC consideration. Highlights include:
 - The ELCC working group featured presentations from SCE on moving from a marginal ELCC from an average ELCC, but there was not consensus on this. There was broad support for the discussion of additional refinements to the ELCC methodology. Calpine presented a proposal on energy storage ELCC, but parties continue to disagree about the need to transition to an ELCC QC methodology for standalone storage in the near term. Parties agree that the CPUC should provide more certainty about the future RA counting of standalone storage.
 - The Hybrid working group consensus items include that QC methodologies should be developed for four use cases (Hybrid – ITC Limited; Hybrid – Non-ITC Limited; Co-located – ITC Limited; and Co-located – Non-ITC Limited). Co-Chairs also recommend that (1) the CPUC provide a means for additional stakeholder discussion of modifications to the SCE proposal for the ITC Limited charging case where 100% of the energy is from on-site charging, and (2) working groups should be allowed to continue to resolve the specified issues, sync up with the CAISO hybrid initiative, and review the Joint IOU ELCC study results performed as part of the RPS proceeding.
 - The Hydro working group resulted in a joint proposal by CAISO, PG&E, and SCE to address all non-consensus items. The agreed-upon methodology calculates a monthly hydro QC based on the previous 10 years of same-month bid-in availability, and would be an option (and not a requirement) for hydro resources. It also supported a 2021 implementation timeframe, with recognition of the potential increase in local RA waiver requests in the near-term.
 - The DR working ground recommends a modified schedule of decision making in which Track 2 would continue to address (1) whether modifications to the load impact protocols are needed (e.g., to ensure demand response resources provide local and system reliability benefits), and (2) what rules should be required for third party demand response (e.g., operation, testing). After Track 2, the Working Group recommends the CPUC address how load-modifying demand response should be counted.

CalCCA's Track 2 proposal recommends establishing waivers for system and flexible RA compliance obligations and proposes such a waiver process. (Currently, only local RA obligations are subject to the established RA waiver process.)

- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE's capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps:** A Track 1 proposed decision is anticipated to be issued in April.

Track 2 reply comments are due April 2, 2020, and a proposed decision on Track 2 issues is anticipated to be issued in May. Flexible and local RA issues will be addressed in April-May, kicking off with the CAISO draft 2021 LCR Report filed on April 1, 2020, with comments due April 15, 2020, and the final report issued May 1, 2020. Comments and reply comments on the final report are due May 8, 2020, and May 13, 2020, respectively.

In Track 3, proposals from parties and Energy Division are due July 10, 2020.

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

- **Additional Information:** [Email Ruling](#) extending deadline on Track 2 comments (March 26, 2020); [DR Working Group Final Report](#), [Hybrid Counting Working Group Final Report](#), [Hydro Working Group Final Report](#) and [ELCC Working Group Final Report](#) (March 11, 2020); [Ruling](#) providing Energy Division's Track 1 Proposal (February 28, 2020); [Ruling](#) modifying Track 2 schedule (February 28, 2020); [Scoping Memo and Ruling](#) (January 22, 2020); [Ruling](#) attaching Energy Division's Track 2 proposals (February 21, 2020); [Ruling](#) attaching Energy Division's Maximum Cumulative Capacity (MCC) buckets proposal (February 7, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

PCIA Rulemaking

On March 16, 2020, and March 23, 2020, parties filed opening and reply comments, respectively, on the second Working Group 1 PD. On March 13, 2020, and 27, 2020, parties filed opening and reply comments, respectively, on the final Working Group 3 report. On March 26, 2020, the CPUC approved a revised Proposed Decision, to be numbered D.20-03-019 upon issuance, on departing load forecast and the presentation of PCIA rate on tariffs and bills, which had been discussed in Working Group 1.

- **Background:** D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

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

- **Details:** D.20-03-019 concludes the work of Working Group 1 and declines to adopt any technical modifications to departing load forecasting. It requires each IOU to report their meet-and-confer activities with the CCAs in ERRA application testimony and in their initial annual RA load forecasting filing. It directs the IOUs to collaborate to submit a joint proposal for bill and tariff changes to show a PCIA line item in their tariffs and bill summary table on all customer bills, with each utility submitting a Tier 3 Advice Letter by August 31, 2020, to implement the joint proposal by the last business day of 2021. It also allows the IOUs to file a petition to modify to correct the mathematical errors claimed to exist in the PCIA template. Finally, the PD denies a motion for evidentiary hearings filed by Protect Our Communities on August 2, 2019.
- **Analysis:** D.20-03-019 increases the transparency between bundled and unbundled customers' bills and is beneficial for the CCAs overall.
- **Next Steps:** A proposed decision is anticipated to be issued soon on issues addressed by Working Group Two (Prepayment). With respect to the Working Group 3, motions for an evidentiary hearing are due April 3, 2020, and a proposed decision is expected in Q3 2020.
- **Additional Information:** [D.20-03-019](#) on departing load forecast and presentation of the PCIA (revised PD issued March 24, 2020 and adopted March 26, 2020); [Ruling](#) modifying procedural schedule for working group 3 (January 22, 2020); [D.20-01-030](#) denying rehearing of D.18-10-019 as modified (January 21, 2020); [Ruling](#) modifying procedural schedule (January 15, 2020); [Ruling](#) modifying procedural schedule (December 18, 2019); [Working Group 2 Final Report](#) (December 9, 2019); [AL 5705-E](#) (December 2, 2019); [D.19-10-001](#) (October 17, 2019); [AL 5624-E](#) establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019). [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting

the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

Investigation of PG&E Bankruptcy Plan

Opening briefs (including opening comments on the February 18 Ruling) and reply briefs (including reply comments on the February 18 Ruling), respectively, were filed March 13, 2020, and March 26, 2020. PG&E submitted two Notices of Amended Plan, filed with the bankruptcy court on March 9, 2020, and March 16, 2020. On March 23, 2020, PG&E filed (1) a motion and supporting exhibits filed by PG&E in the Bankruptcy Court, which seeks approval of a Case Resolution Contingency Process, to be implemented if PG&E fails to meet certain dates regarding the administration of the Chapter 11 Cases; (2) a statement in support filed by Gov. Newsom in the Bankruptcy Court; and (3) a Form 8-K that PG&E filed with the U.S. SEC. On March 24, 2020, the ALJ issued an Email Ruling granting PG&E's motion to take official notice of the documents.

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

PG&E's reorganization plan would result in a \$13.5 billion Fire Victim Trust and a \$11 billion settlement with insurance claim holders and companies. The original reorganization plan also specified that the Fire Victim Trust would be funded through \$6.75 billion in cash, and \$6.75 billion in stock of reorganized PG&E Corp., representing at least a 20.9% share ownership of the reorganized PG&E Corp. Notably, tort claimants of PG&E have shifted their support from the plan of the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E to the amended plan proposed by PG&E.

On January 22, 2020, PG&E announced that it had reached an agreement with AHC regarding its reorganization plan. This agreement was approved by the Bankruptcy Court on February 4, 2020. PG&E's amended reorganization plan now addresses the claims of holders of utility prepetition funded debt, separately classifies Ghost Ship Fire Claims from other Fire Claims (i.e., rather than channeling them through the Fire Victim Trust), clarifies that all accrued and unpaid payments as of the Effective Date that are due under the Debtors' Employee Benefit Plans will be paid on or as soon as practicable after the Effective Date, and incorporates agreements with IBEW Local 1245.

On February 18, 2020, the Assigned Commissioner (President Batjer) issued a Ruling requesting parties' comments on ten Proposals (attached to the Ruling in Appendix A) that include changes to PG&E's financial and operational structure. The Ruling identifies ten proposals for providing more oversight of PG&E along with management and operational changes at PG&E. Among the proposals is for PG&E to create local operating regions, including appointing regional officers to manage each region and having each region have its own risk officer and safety officer. The last of the ten proposals identifies a roadmap for how the CPUC will closely monitor PG&E's performance, specifying various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its Certificate of Public Convenience and Necessity.

- **Details:** Gov. Newsom's statement provides that he believes that PG&E's Plan, supplemented by the additional proposals endorsed by PG&E's Post-Hearing Brief and Comments on Assigned Commissioner's Proposals, is compliant with AB 1054. PG&E's Motion also includes certain additional commitments, such as if PG&E's anticipated application for a post-emergence securitization is not granted, then it will not seek to recover in rates any of the amounts paid in respect of Fire Victim Claims under PG&E's Plan. In addition, it provides that PG&E Corporation will not pay dividends until it has recognized \$6.2 billion in Non-GAAP Core Earnings following the Effective Date. Other amendments that have been made relative to the original reorganization plan include:
 - Clarifying that the provisions included in the CPUC's final decision in the 2020 Cost of Capital Proceeding are satisfactory for purposes of the CPUC Approval condition to the confirmation and effectiveness of the Plan.
 - Making amendments to the formula for calculating the amount of New HoldCo Common Stock to be distributed to the holders of Allowed HoldCo Rescission or Damage Claims.
 - Clarifying the crediting provisions that apply to distributions from the Fire Victim Trust to holders of Fire Victim Claims who have insurance coverage in respect of their Fire Victim Claims. The Amended Plan includes a provision that prohibits any party from bringing a preference action under the Bankruptcy Code to recover payments made as result of damages caused by wildfires.
 - Removing the various references to Wildfire Victim Recovery Bonds, as PG&E is not planning to issue WVRBs.
 - Clarifying that Administrative Expense Claims which have not been paid prior to or on the Effective Date will not be discharged under the Plan. States that Environmental Claims will ride through the chapter 11 cases and will not be discharged under the Plan.
 - Separately classifying HoldCo Rescission or Damage Claims arising from PG&E Corporation's common stock and providing for satisfaction of such claims through distribution of New HoldCo Common Stock to holders of such Claims.
 - Removing "satisfactory resolution" of claims for fines and penalties from among PG&E's conditions precedent to confirmation (but retains that as a condition precedent to the Effective Date).

In briefing, Joint CCAs argued that PG&E should be required to divest its retail generation and urged rejection of provisions of the reorganization plan that would constrain CPUC authority. It also expressed concern that the ratepayer neutrality requirement of AB 1054 would not be achieved under the reorganization plan.

The City and County of San Francisco expressed concern with the high levels of debt and debt leverage that PG&E will have coming out of bankruptcy and argued the reorganization plan fails to meet the requirements of AB 1054. It expressed support for enhanced oversight but recommended specific changes to the process so as not to limit the CPUC's authority regarding enforcement.

The City of San Jose also concluded that the reorganization plan fails to meet the ratepayer neutrality requirement of AB 1054 and argued that the CPUC must reject any proposed moratorium on further organizational restructuring, including whether municipalization might be appropriate.

- **Analysis:** PG&E cleared a major hurdle in emerging from bankruptcy by securing the support of Gov. Newsom after making additional changes to its plan. However, the economic recession and extreme market volatility as a result of COVID-19 has created new concerns about PG&E's plan. The express exclusion of municipalization issues from the scope of the proceeding has implications for VCE and its bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring. The stock component of the amended reorganization plan

could align tort claimants with PG&E in ways that are detrimental to VCE's bid for municipalization and other interests as well. VCE is a party to this proceeding.

- **Next Steps:** A PD on financial issues is targeted for April 2020. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.
- **Additional Information:** [Email Ruling](#) granting PG&E motion to take official notice (March 24, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Ruling](#) requesting comments on the Assigned Commissioner's proposals (February 18, 2020); [Press Release](#) on President's statement on PG&E's bankruptcy plan (February 18, 2020); [PG&E Notice of Amended Plan of Reorganization](#) and [Testimony](#) (January 31, 2019); Ruling modifying procedural schedule (January 16, 2020); [Ruling](#) on Section 854 (November 27, 2019); [Scoping Memo and Ruling](#) (November 14, 2019); [PG&E Amended Plan](#) (November 5, 2019); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

Investigation into PG&E Violations Related to Wildfires

On March 18 and 19, 2020, PG&E and the Coalition of California Utility Employees (CUE), respectively, filed appeals of the Presiding Officer's Decision, issued in February, that approved a Settlement Agreement with significant modifications that included increasing PG&E shareholders' penalties to \$2.137 billion for the role PG&E's equipment played in igniting catastrophic wildfires in 2017 and 2018. SED filed a Motion on March 18, 2020, stating it continues to support the Settlement Agreement, but that it neither supports nor opposes the modifications made in the Presiding Officer's Decision. On March 25, 2020, PG&E's Tort Claimants Committee filed a Motion for Party Status and a response to PG&E's appeal. On March 27, 2020, Commissioner Rechtschaffen filed a Motion requesting full CPUC review of the Presiding Officer's Decision, and Thomas del Monte and Wild Tree Foundation filed an Appeal. On March 30, 2020, the ALJ issued a Ruling shortening the time for responding to appeals and requests for review and directing PG&E, SED, and CUE to separately or jointly file a response indicating whether they accept the proposed modifications to the settlement agreement set forth in Commissioner Rechtschaffen's Motion.

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

The terms of the Settlement Agreement between PG&E, SED, the CPUC's Office of the Safety Advocate, and CUE specified that PG&E's shareholders are on the hook for \$1.675 billion in financial obligations as a result of numerous wildfires its equipment played a role in sparking in 2017 and 2018. Specifically, PG&E would not be permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling \$1.625 billion. In addition, PG&E would be required to spend \$50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

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

- Details:** In its Motion Requesting Other Relief and a separate Appeal that contest the Presiding Officer's Decision, PG&E asserts that the Presiding Officer's Decision modifies the Settlement Agreement to add nearly \$1 billion to the effective penalty amount compared to the terms of the Settlement and creates unacceptable risks to its Plan of Reorganization (PoR). PG&E requests the original settlement be approved, or that the Presiding Officer's Decision modified to (1) eliminate the Tax Modification, arguing it is contrary to CPUC precedent and invites PG&E to violate the IRS normalization rules, and because it is unclear whether it considered the impact of a potential \$518 million increase in penalties that may result from the Tax Modification; and (2) order that any fine payable to the General Fund, including the proposed \$200 million fine, is a Fire Victim Claim under the PoR, will be paid out of the Fire Victim Trust, and will be subordinated to the Trust's payments to fire victims. The Coalition of California Utility Employees strongly supported the proposed modifications to the Presiding Officer's Decision recommended by PG&E.

The Tort Claimants Committee argued in its response to PG&E's appeal that the CPUC should adopt the Settlement Agreement, but if it instead adopts the Presiding Officer's Decision, it should prioritize wildfire victims and reject PG&E's proposed modification that would make any fine payable to the General Fund, including the proposed \$200 million fine, a Fire Victim Claim under the PoR.

Commissioner Rechtschaffen's Motion requesting full CPUC review of the Presiding Officer's Decision argues that (1) the \$200 million cash fine payable to the General Fund should be permanently suspended, and (2) changes should be made to eliminate any potential legal conflict with IRS normalization rules and preserve the tax benefits for shareholders from an estimated \$403 million in capital expenditures.

Thomas del Monte and Wild Tree Foundation's Appeal of the Presiding Officer's Decision argues that the \$200 million fine is woefully inadequate but supports the higher penalties in the Presiding Officer's Decision relative to the original settlement agreement and ensuring ratepayers rather than shareholders retain any resulting tax benefit.

- Analysis:** If the Presiding Officer's Decision becomes final, this investigation will have resulted in the largest penalty in CPUC history. It also will require additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. Monetary penalties will ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can emerge from bankruptcy within the time frame provided in AB 1054 (*i.e.*, June 30, 2020).
- Next Steps:** Any party may file a Response to an Appeal or Request for Review by April 9, 2020.
- Additional Information:** [Ruling](#) shortening response time (March 30, 2020); [Motion](#) by Commissioner Rechtschaffen (March 27, 2020); [Appeal](#) of Thomas del Monte and Wild Tree Foundation (March 27, 2020); [Motion for Party Status](#) by PG&E Tort Claimants Committee (March 25, 2020); [Appeal](#) by CUE of Presiding Officer's Decision (March 19, 2020); [Motion](#) by SED (March 18, 2020); [Appeal](#) by PG&E of Presiding Officer's Decision (March 18, 2020); [Presiding Officer's Decision](#) approving the settlement agreement with modifications (February 27, 2020); [Ruling](#) denying AHC motion to withdraw and rulings on other motions (February 24, 2020); [Ruling](#) modifying procedural schedule (January 21, 2020); [Joint Motion for Approval of Settlement Agreement](#) (December 17, 2019); [Ruling](#) amending scope (December 5, 2019); [Report on Camp Fire](#) (November 26, 2019; *Note: Large File, 259 MB*); [Ruling](#) granting extension of proceeding schedule (November 25, 2019); [Amended Scoping Memo and Ruling](#) (October 28, 2019); GO 95 [Rule 31.1](#); GO 95 [Rule 35](#); GO 95 [Rule 38](#); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [I.19-06-015](#).

PG&E's 2019 ERRA Compliance

On March 12, 2020, CPUC Executive Director Alice Stebbins issued a Ruling categorizing this proceeding as a ratesetting and making a preliminary determination that a hearing is necessary.

- **Background:** ERRA compliance review proceedings review the utility’s compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about \$4.0 million for Diablo Canyon seismic study costs.
- **Details:** A prehearing conference followed by the issuance of a scoping memo and ruling are anticipated to be the next steps in this proceeding.
- **Analysis:** This proceeding addresses PG&E’s PABA, providing a venue for a detailed review of the billed revenues and costs (net of CAISO revenues) from PG&E’s generation fleet, which impact the level of the PCIA. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** Protests and responses are due April 2, 2020. PG&E will provide supplemental testimony as necessary on April 13, 2020.
- **Additional Information:** [Resolution](#) on category and need for hearing (March 12, 2020); PG&E’s [Application](#) and [Testimony](#) (February 28, 2020); Docket No. [A.20-02-009](#).

PG&E’s 2020 ERRA Forecast

On March 13, 2020, PG&E filed AL 5781-E, which implements the final decision (D.20-02-047) in this proceeding, including 2020 PCIA rates.

- **Background:** ERRA forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. In this proceeding, D.20-02-047 approved a 2020 ERRA revenue requirement of \$3.014 billion and a PCIA revenue requirement of \$3.056 billion. It also adopted a revision made to the original PD that deducted \$92.9 million from the PABA balance, finding the 20% of starting bank RECs included in PG&E AL 5554-E should not be counted as unsold RPS.

Details: AL 5781-E reports a \$130 million variance between the forecast adopted in D.20-02-047 and the advice letter, meaning the indifference amount and PCIA rates increase based on the true-up of Q4. AL 5781-E also shows PG&E under-recovering \$409.4 million during the course of 2020 due to the capping of PCIA rates. The PUBA trigger mechanism at the 7% filing level is \$112.5 million, and the 10% Trigger Threshold is \$160.7 million.
- **Analysis:** The decision resulted in an uncapped system-average PCIA of \$0.041/kWh for the 2017 vintage, but that uncapped rate rises to \$0.04266/kWh under the Advice Letter. A capped rate of \$0.0317/kWh for the 2017 vintage likely will be effective May 1, 2020, an increases from the current rate of \$0.0267/kWh.
- **Next Steps:** Protests of AL 5781-E are due April 2, 2020, and PG&E proposes an effective date for rate changes of May 1, 2020. VCE is protesting the advice letter, along with seven other CCAs. This proceeding is now closed.
- **Additional Information:** PG&E [AL 5781-E](#) implementing D.20-02-047 (March 13, 2020); [D.20-02-047](#) (February 28, 2020); [Scoping Memo and Ruling](#) (August 22, 2019); [Application](#) (June 3, 2019); [Testimony](#) available on PG&E’s regulatory webpage (June 3, 2019); Docket No. [A.19-06-001](#).

RPS Rulemaking

On March 5, 2020, the ALJ issued a Ruling in response to a January 7, 2020, Petition for Modification filed by EnerCal of D.19-12-042, which addressed 2019 RPS Procurement Plan compliance. On March 10, 2020, the CPUC issued a Ruling requesting comments on a Staff Proposal on the Bioenergy Market Adjusting Tariff (BioMAT). On March 30, 2020, parties filed comments on the Staff Proposal recommending changes to confidentiality rules regarding the RPS program.

- Background:** This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan to address two deficiencies identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the long-term contracting requirement.

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

The BioMAT is a feed-in tariff available for up to 250 MW of small bioenergy projects (5 MW or less) that uses a market-based mechanism to arrive at the contract price. The program is broken in categories for biogas (Category 1, 110 MW), dairy and other agricultural bioenergy (Category 2, 90 MW), and sustainable forest management byproducts (Category 3, 50 MW).

- Details:** The BioMAT Staff Proposal would extend the end date for the program from February 2021 to December 31, 2025. It would also allocate the net costs via a non-bypassable charge to all customers and allow all LSEs to enter into contracts at the offer price and collect their expenses through the same charge. (Currently, only IOUs can enter into BioMAT contracts.)

The Ruling on EnerCal's PFM is narrowly focused on how the Decision addressed EnerCal's reporting obligations.

CalCCA's comments on the Energy Division's proposed changes to RPS confidentiality rules generally supports the proposed changes. CalCCA requests, however, that the CPUC contemporaneously grant CalCCA's pending PFM seeking to align protection of confidential CCA data with the protection of confidential data for other LSEs. CalCCA also proposes modifying the Staff Proposal impacting contracts that do not require CPUC approval (e.g., CCA contracts), so that contract price would be publicly available one year after the contract is executed, rather than six months after contract execution as proposed by Energy Division.

- Analysis:** The Staff Proposal on the BioMAT program, if adopted, could impact VCE customer rates, as the program and associated cost recovery through a non-bypassable charge would be extended through 2025. In addition, it would allow VCE to directly enter into BioMAT contracts.

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

Other issues to be addressed in this proceeding could further impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- Next Steps:** Comments and reply comments, respectively, on the Staff Proposal on the BioMAT proposal are due April 1, 2020, and April 15, 2020.

Reply comments on the Staff Proposal making changes to confidentiality rules regarding the RPS program are due April 17, 2020.

The 2020 RPS Procurement Plan is due June 21, 2020, and the 2019 RPS Compliance Report is due August 1, 2020.

In 2020, the Energy Division is developing a proposal (potentially including workshops or working groups) on integrating the IRP and RPS Procurement Plan filings, but the possibility of combining these filings will not occur prior to 2022, per D.19-12-042.

- **Additional Information:** [CalCCA Comments](#) on RPS confidentiality (March 30, 2020); [Ruling](#) requesting comments on BioMAT (March 10, 2020); [D.20-02-040](#) correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); [Ruling](#) on RPS confidentiality and transparency issues (February 27, 2020); [EnerCal's Petition for Modification](#) of D.19-12-042 (January 7, 2020); [D.19-12-042](#) on 2019 RPS Procurement Plans (December 30, 2019); [D.19-09-043](#) on ELCC modeling (September 26, 2019); [D.19-09-007](#) on new CCAs' 2018 RPS Procurement Plans (September 18, 2019); [D.19-08-007](#) on RPS enforcement actions (August 7, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

2018 Rate Design Window

On March 19, 2020, the CPUC issued D.20-03-003 addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that largely retains the overarching design of residential rates as they are now. The proceeding is now closed.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase 1](#) Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 [Phase 2A](#) Decision addressed PG&E's restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill. The July 2019 [Phase 2B](#) Decision made determinations regarding PG&E's rate design under its default TOU roll out beginning in October 2020 and established a process for a CCA wishing to have its customers defaulted to TOU generation rates. [Phase 3](#) considered the IOUs' proposals for fixed charges and/or minimum bills.
- **Details:** The D.20-03-003 finds that the utilities failed to demonstrate that their fixed charge proposals would be met with customer acceptance and understanding of what would be a novel rate design for California. It rejects PG&E's proposal to establish a \$6.37/month fixed charge but allows PG&E to increase the standard minimum bill amount, currently \$10/month, for 2020 to reflect the CPI inflation percentages for 2018 and 2019, with an annual CPI adjustment beginning in 2021. The CARE rate will remain at the current \$5/month rate as adjusted for inflation.

D.20-03-003 also provides that the minimum bill amounts be calculated based on distribution charges only beginning October 1, 2020. This is a shift from present design under which the minimum bill is assessed based on all non-generation volumetric rates, which also include transmission and other non-bypassable charges. It determines that if a customer does pay a fixed charge under an optional rate that they choose to enroll in, the customer may not also be charged a minimum bill.
- **Analysis:** The Track 3 Decision did not result in major residential rate design changes for PG&E customers, as it rejected PG&E's proposed fixed charge and only slightly modifies PG&E's existing minimum bill.
- **Next Steps:** The proceeding is now closed.
- **Additional Information:** [Decision](#) on Track 3 issues (February 5, 2020); [D.19-07-004](#) in Phase IIB (July 19, 2019); PG&E Phase III [Revised Testimony](#) on fixed charges (April 12, 2019, and March 29, 2019); [D.18-12-004](#) on Phase IIA Issues (December 21, 2018); [D.18-05-011](#) (Phase I)

on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

PG&E's Phase 1 GRC

No updates this month.

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

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

- Details:** N/A.
- Analysis:** PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:
 - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
 - Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
 - Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
 - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.
- Next Steps:** The ALJs will issue a proposed decision.
- Additional Information:** Joint CCAs' [PG&E Motion](#) for Official Notice of Facts (January 27, 2020); [Joint Motion](#) for Settlement Agreement (January 14, 2020); [E-Mail Ruling](#) granting oral argument (January 6, 2020); [E-Mail Ruling](#) modifying procedural schedule (December 2, 2019); [E-Mail Ruling](#) suspending briefing deadlines (November 25, 2019); [D.19-11-014](#) (November 14, 2019); [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

PG&E's Phase 2 GRC

On March 17, 2020, the ALJ issued an Email Ruling that postponed public participation hearings due to the COVID-19 pandemic and resulting state guidelines restricting public gatherings. On March 18, 2020, PG&E held a public workshop via webinar on the proposed design for a joint study on the essential usage of electricity. On April 1, 2020, PG&E hosted a public workshop to present, and receive feedback on, a new rate proposal to encourage residential electrification, which the CPUC recently ordered be included in its updated testimony.

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

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

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

- **Details:** The ALJ indicated his intent to reschedule the public participation hearings to occur before the end of the year, but no additional timeframe has been established yet.

The essential usage study determines what constitutes essential usage for residential customers (e.g., cooking, lighting, space conditioning) in the different IOU service territories and climate zones. The apparent use case is that essential service be reflected in the Tier I baseline quantities.

- **Analysis:** This proceeding may not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps:** PG&E will file its essential usage study design proposal on April 1, 2020, and opening and reply comments on the proposal, respectively, are due May 1 and May 15, 2020. The schedule for general issues in this proceeding includes the following key dates: PG&E hosts public workshop on marginal costs and revenue allocation proposals the week of April 13, 2020; PG&E serves updated testimony on May 1, 2020; and intervenor direct testimony is due September 25, 2020. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Scoping Memo and Ruling](#) (February 10, 2020); [E-mail Ruling](#) extending Protest deadline (December 3, 2019); [Application, Exhibit \(PG&E-1\): Overview and Policy, Exhibit \(PG&E-2\): Cost of Service, Exhibit \(PG&E-3\): Revenue Allocation, Rate Design and Rate Programs](#), and [Exhibit \(PG&E-4\): Appendices](#) (November 22, 2019); Docket No. [A.19-11-019](#).

Direct Access Rulemaking

On March 24, 2020, the ALJ informed parties that the release of Energy Division's report has been delayed, and while it is anticipated to be released in the near future, it was not possible to specify a date. The procedural schedule will be updated accordingly following its release.

- **Background:** Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details:** The Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.
- **Analysis:** This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.
- **Next Steps:** A report containing the Energy Division's draft recommendations to the Legislature will be published in the near future, which will be followed by a ruling updating the procedural schedule. There will be an opportunity for comments on the report, followed by a proposed decision.
- **Additional Information:** [Amended Scoping Memo and Ruling](#) adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. [R.19-03-009](#); see also [SB 237](#).

Wildfire Cost Recovery Methodology Rulemaking

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

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

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

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

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

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

No updates this month.

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

In June 2019, D.19-06-008 ordered PG&E to report on the safety experience and qualifications of the PG&E Board of Directors and establishes an advisory panel on corporate governance. The brief Decision required PG&E to provide a variety of information on each PG&E and PG&E Corporation Board member involving safety training, related work experience, previous positions held, and current professional commitments.

- **Details:** N/A.
- **Analysis:** This proceeding could have a range of possible impacts on CCAs within PG&E's territory and their customers, given the broad issues under investigation pertaining to PG&E's corporate structure and governance.
- **Next Steps:** TBD.
- **Additional Information:** [Ruling](#) on proposals to improve PG&E safety culture (June 18, 2019); [D.19-06-008](#) directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); [Scoping Memo](#) (December 21, 2018); Docket No. [I.15-08-019](#).

Wildfire Fund Non-Bypassable Charge (AB 1054)

No updates this month.

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

2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.

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

- **Details:** N/A.
- **Analysis:** This proceeding established a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E’s territory will be subject to the charge will be determined only after its Bankruptcy proceeding is complete. D.19-10-056 kept the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.
- **Next Steps:** The non-bypassable charge will go into effect as early as the second half of 2020.
- **Additional Information:** [D.20-02-070](#) denying Application for Rehearing (March 2, 2020); [D.19-10-056](#) approving a non-bypassable charge (October 24, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

Other Regulatory Developments

- **Wildfire Mitigations Plans Rulemaking:** The CPUC issued [D.20-03-004](#) addressing Phase 2 refinements of utility Wildfire Mitigation Plans (WMPs), focused on issues related to community awareness and communications and the process for WMP submissions and reviews going forward. Note that 2020 WMPs were due February 7, but pursuant to 2019 AB 1054 the utility plans are reviewed outside of the proceeding by the newly established Wildfire Safety Division of the CPUC, which will present the Commission with Resolutions on the plans before the beginning of the next wildfire season. With respect to community awareness and communications issues, the Decision determines that utilities must communicate before, during and after a wildfire with community residents, businesses, state and local first responders, and community organizations in English, Spanish, Chinese, Tagalog, and Vietnamese, and all languages that are "prevalent" in their service territories. Utilities must consider a variety of means to make these communications, including broadcast-type methods (e.g., TV, radio) and numerous others (e.g., social network notices, in-person contact, text messages). Further portions of the Decision direct utilities to conduct surveys to evaluate the effectiveness of their communications and direct them to file budgets to conduct additional outreach if such is required for them to accomplish the directives made in the Decision.

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up

ALJ	Administrative Law Judge
BioMAT	Bioenergy Market Adjusting Tariff
BTM	Behind the Meter
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism
CARB	California Air Resources Board
CEC	California Energy Commission
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
DA	Direct Access
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
IEPR	Integrated Energy Policy Report
IFOM	In Front of the Meter
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
ITC	Investment Tax Credit
LSE	Load-Serving Entity
MCC	Maximum Cumulative Capacity
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
PSPS	Public Safety Power Shutoff
PUBA	PCIA Undercollection Balancing Account
QC	Qualifying Capacity
RA	Resource Adequacy
RDW	Rate Design Window
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TURN	The Utility Reform Network
UOG	Utility-Owned Generation

WMP Wildfire Mitigation Plan
WSD Wildfire Safety Division (CPUC)

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: April 9, 2020

Pacific Policy Group, VCE’s lobby services consultant, continues to work with Staff and the Community Advisory Committee’s Regulatory and Legislative Task Group on numerous legislative bills.

In response to the COVID-19 crisis, the Legislature recessed on March 16 and is scheduled to return on April 13, although that date is likely to be extended. Sacramento County issued a shelter-in-place order on March 17 that closed the Capitol to the public. No official decisions have been made regarding the legislative calendar and deadlines of the legislative process and how legislation will be considered in the 2020 legislative session, but an emerging thought is that only matters responding to COVID-19, homeless, and wildfire issues will be heard. Initial conversations have begun on preparing an economic and jobs stimulus package that would include energy infrastructure among other infrastructure projects.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Customer Enrollment Update (Information)
DATE: April 9, 2020

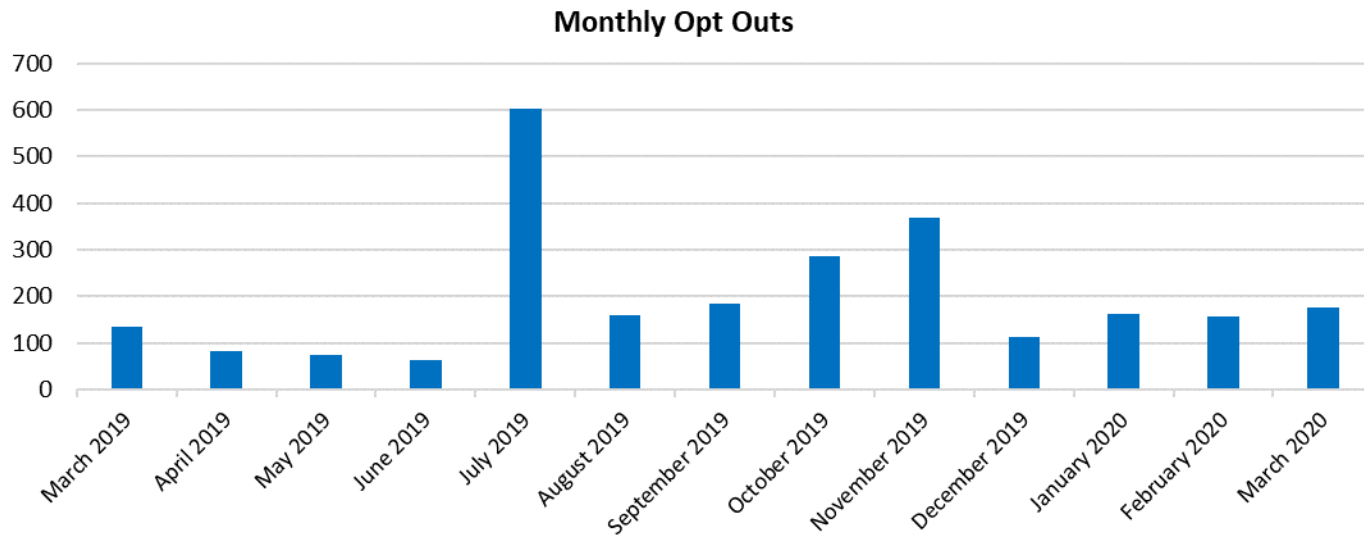
RECOMMENDATION

Receive and review the attached Customer Enrollment update as of April 1, 2020.

Item 10 - Enrollment Update

	Davis	Woodland	Yolo Co	Total	Ag	Commercial	Industrial	Residential
VCEA customers	26,089	19,167	9,556	54,812	1,774	5,787	5	47,246
Eligible customers	27,664	22,073	11,674	61,411	2,067	6,429	6	52,909
Participation Rate	94%	87%	82%	89%	86%	90%	83%	89%

- There are currently 4,186 NEM customers not included in this table. They will enroll throughout the remainder of 2020.

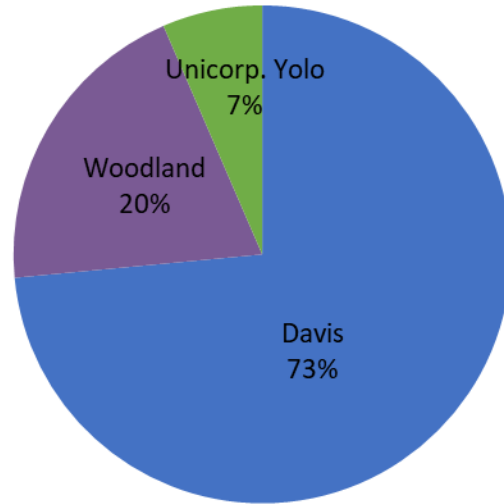


Status Date: 4/1/20

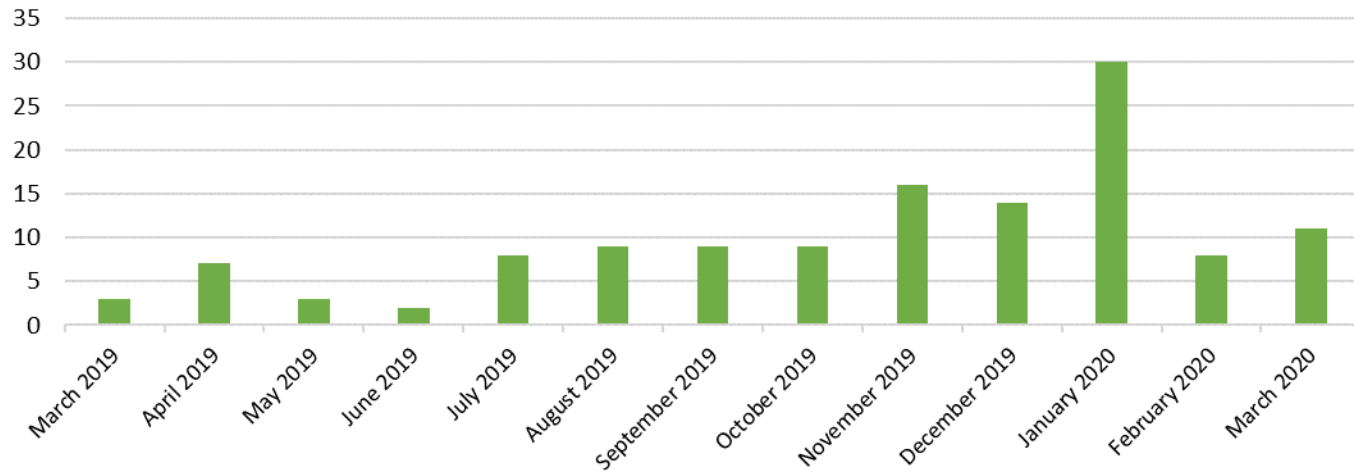


Item 10 - Enrollment Update

200 Opt Ups



Monthly Opt Ups



Status Date: 4/1/20



VALLEY
CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Update - Operating Budget Fiscal Year 2020-2021

DATE: April 9, 2020

RECOMMENDTION

Informational – no action requested.

OVERVIEW

The purpose of this staff report is to provide an update on the preliminary operating budget for FY 2020-2021 (2021 Budget), that staff introduced at the March 2020 Board meeting. The report also provides additional information on several potential fiscal mitigation strategies that may help offset anticipated negative net income in the 2021 Budget. Preliminary financial analysis associated with the potential mitigation strategies is introduced, which will be analyzed in more depth for the May 15th Board meeting.

Final adoption of the 2021 Budget is scheduled for the June 11th Board meeting.

BACKGROUND AND ANALYSIS

2021 Budget

At the March 12, 2020, Board meeting staff presented the 2021 Preliminary Budget, which forecasted a negative Net Income of -\$6.4 million (now -\$5.6 million – see below), due primarily to two major factors that are both outside of VCE’s direct control:

- First, the 2021 Budget suffers from anticipated negative revenue trends in FY 20/21 resulting from an estimated 44% increase in Power Charge Indifference Adjustment (PCIA), costs and a 4% decrease in PG&E generation rates.
- Second, VCE faces a large increase in power costs due to significant increase in resource adequacy (RA) costs and the assumption that the upcoming long-term solar projects will not begin delivering energy until the end of 2021 instead of mid-2021 as originally forecast.

Additional detail on these primary drivers includes:

PCIA/Rates – The revenue decline is driven by the following rate impact factors:

- PCIA will increase by 18% to approximately 3.2 cents per kWh starting May 2020 and

will increase an additional 44% to approximately 4.6 cents per kWh starting in October 2020 due to the expectation that PG&E will file a cap exception trigger in 2020. Note: VCE, through CalCCA, is investigating options to defer and/or smooth this PCIA spike in late 2020. Staff will continue to be engaged in this discussion and report to the Board as these issues move through the CPUC process.

- PG&E generation rates are forecast to decrease by an overall average of 4% for calendar year 2020 and then increase 2% in calendar year 2021; this results in a revenue decline as VCE's policy is to match PG&E generation rates.

Power Costs/Mix – Power costs have increased substantially from 2020 Budgeted amounts to the preliminary 2021 Budget power cost forecast. The increase of \$9.4 million is due primarily to the market cost of RA increasing substantially over the past several years. Primary drivers for RA cost increases in this time period include a tightening market as fossil fuel baseload energy resources are retired and shifting market rate design and requirements mandated by the CPUC. Other less significant contributing factors impacting VCE power costs include:

- Adding Winters load
- Renewable Energy Credit (RECs) cost increase
- Carbon-free energy cost increase
- Brown power market cost decrease

Rising RA costs have been a significant problem for the industry, with CCAs across the state also grappling with the issue. VCE and SMUD actively monitor and manage the long-term portfolio of RA to remain compliant with requirements and to procure power in as cost-effective way as possible. VCE also addresses RA cost volatility through direct participation and CalCCA involvement in regulatory proceedings.

Preliminary 2021 Budget Key Assumptions/Factors

The Preliminary 2021 Budget includes the following key assumptions/factors:

1. Power mix reflected in the Preliminary 2021 Budget remains unchanged from the prior year's budget with 42% renewable and 75% clean content.
2. The load forecast has been updated for 2020 and 2021 using actual load data, opt-out rates and opt-up rates. The retail load forecast for the FY 2021 is estimated at 722 GWh.
3. Energy cost includes: (1) system energy, (2) eligible renewables and (3) carbon free attributes which are estimated at \$37.6 million, or 73.9% of the total power costs. Resource adequacy cost is forecasted at \$13.3 million, or 26.1% of the total power costs.

UPDATES ON PCIA AND FISCAL MITIGATION STRATEGIES

PCIA Update

As stated in the March 12, 2020 Board PCIA staff report, the CPUC issued its Final Decision on PCIA & ERRA. This decision largely adopted the Proposed Decision (PD), recommendations but did include approximately \$93 million in overall PCIA reductions for PG&E. This \$93 million reduction was one of the topics VCE and EBCE addressed in its joint meetings at the CPUC in February 2020.

Staff has analyzed the impacts of the \$93 million reduction in PCIA. The overall positive impact on the VCE 2021 Budget is an increase of \$0.8 million in operating revenue, lifting negative Net Income from -\$6.4 million to -\$5.6 million (12.5% change).

Potential Mitigation Strategies

Staff have begun researching and analyzing potential strategies to partially mitigate the negative Net Income highlighted in the preliminary 2021 Budget.

1. Rate Changes

VCE could increase its combined generation rate (generation, PCIA and Franchise Fee Surcharge), beyond PG&E's generation rates. For every 1% that VCE's rates are higher than PG&E's generation rates, revenue will increase by approximately \$800,000.

Another rate related option being analyzed by staff is to add a third rate choice for customers that would be set at the minimum State standards for renewable energy content. This would allow customers the option to choose a more cost-effective rate (perhaps set at PG&E's generation rate), while maintaining VCE's other two current rate options that deliver higher renewable and GHG free attributes at a premium.

2. Power Resource Planning Adjustments

Currently VCE's long-term renewable PPA's are anticipated to begin delivering energy and associated RA in mid-2021, displacing more expensive existing short-term renewable contracts (PCC1) and GHG free resources. Staff is analyzing the timing of these power deliveries in 2021 and when to dial back the existing short-term contracts. Aligning the actual start dates and end dates may result in a period where overall renewable and GHG levels in VCE's portfolio are much lower but averaged out to meet VCE's goals over a 2 or 3 year period as the higher levels of renewables from the long-term contracts come on-line. These power resource planning adjustments may result in a net cost savings over this 2-3 year period while still meeting VCE's regulatory compliance requirements. Staff is analyzing the potential savings which are dependent on timing of the adjustments and the level of transition out of short-term contracts.

3. Additional Mitigation Levers

- Accept the GHG-free large hydro and nuclear allocations from PG&E, at a potential benefit of \$0.5 million and \$0.8 million respectively. These savings are speculative and would only be realized if a market exists in which to realistically sell these characteristics.
- Seek additional reductions in operating expense beyond those already captured. Although VCE has already crafted an operating budget that is lower than the current FY 2020 Budget, staff could present a set of more austere measures that could result in additional incremental operational expense savings. The scale of these measures would represent the smallest potential savings of the mitigation options outlined in this report.

CONCLUSION

Staff is continuing to analyze information and budgetary options for FY 2021 and will present an additional update to the Board in May and a final draft Budget for consideration in June.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Temporary extension of River City Bank revolving line of credit

DATE: April 9, 2020

RECOMMENDATION

Board ratification of a three month extension of the existing revolving line of credit with River City Bank with a reduced line from \$11 million to \$7 million.

BACKGROUND AND ANALYSIS

At its December 14, 2017 meeting, the Board adopted a resolution to select River City Bank as the credit and banking services vendor for VCE and authorized the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCE credit facilities. On March 7, 2018, the Interim General Manager executed a term sheet for up to \$11 million dollars in total credit facilities for VCE with River City Bank. On May 10, 2018 the Board authorized the Interim General Manager to sign an \$11 million dollar revolving line of credit (RLOC) with an 18 month term. VCE has not drawn on the line since August 2018 when adequate customer revenue began accruing to pay for power costs and does not anticipate the need to draw on the line in 2020.

In late summer 2019 VCE staff engaged with River City Bank on renewing the RLOC which was due to expire in November 2019. VCE and River City Bank agreed to a series of short-term extensions in late 2019 and early 2020 to allow the CPUC decision on the power charge indifference amount (PCIA), and its implications to be better understood. VCE is currently operating under such an extension until April 15, 2020. The Interim General Manager has approved these short-term extensions as the terms of the RLOC have not changed.

Based on recent discussions, River City Bank has agreed to an additional 3 month extension of the RLOC through July 15th with a reduction in the line from \$11 million to \$7 million. Staff has agreed to this short-term extension, in consultation with legal counsel, to allow time for additional clarity on the COVID crisis and implementation of the 2020 PCIA before beginning discussions of a longer-term extension. Staff took this action as it does not further increase the potential for VCE debt nor does it limit VCE's ability to meet its financial obligations during this period. Staff anticipates returning to the Board for consideration of the longer-term extension of the RLOC in early summer.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Gordon Samuel, Assistant General Manager & Director of Power Services

SUBJECT: Rugged Solar Power Purchase Agreement Approval

DATE: April 9, 2020

RECOMMENDATION

Staff recommends the Board adopt a resolution that:

1. Approves the Power Purchase Agreement (PPA) by VCEA for 100% of the output for 20 years of the Rugged Solar Project under development by Rugged Solar LLC (Rugged).
2. Authorize the Interim General Manager to execute the PPA substantially in the form attached and authorize to Interim General Manager, in consultation with General Counsel, to make minor changes to the PPA so long as the term and price are not changed.

BACKGROUND

On August 13, 2018, SMUD, on behalf of VCEA, issued a solicitation for Long Term Renewable power supply. Responses, which were received on September 17, 2018, included proposals from 13 developers for 32 projects, of which 23 were unique (some developers bid variants of the same project).

The Board received multiple updates on the solicitation process throughout 2018 and 2019. The solicitation and evaluation of proposals were managed by SMUD and overseen by VCEA staff. The VCEA team that developed and negotiated the Power Purchase Agreement (PPA) included highly experienced SMUD staff, the VCEA Interim General Manager, and VCEA's regulatory counsel Kevin Fox of Keyes and Fox.

Pass/Fail Consideration

After compiling and consolidating the technical details from each response, Projects were evaluated for Pass/Fail criteria. The Board will recall that the solicitation for proposals made clear that projects, at a minimum, had to satisfy certain criteria to even be considered. Those criteria with effective pass/fail scoring included:

Table 1. Pass/Fail Criteria

Criteria	Pass/Fail Threshold
Siting	Projects cannot be proposed for land with a prime agricultural designation. Projects cannot be proposed for areas that are designated as Renewable Energy Transmission Initiative (“RETI”) Category 1 or 2. Category 1 lands are those identified where development is prohibited by law or policy. Category 2 lands are those where cultural or environmental conflicts would be highly likely and/or controversial.
Development Status	Projects must at least have filed a permit application with the relevant land use authority and received an acknowledgment of the filing from such authority. Projects must provide evidence of site control.
Out-Of-State Resources	Projects must be located within California.
Interconnection Status	Projects must already be in an interconnection queue and have requested full capacity deliverability for the project interconnection.

Preliminary Screening

The next step was to perform a preliminary screening that was used to reduce the project list to a limited number of projects that would then receive an economic evaluation and consideration for a short list. In the preliminary screening, projects were ranked. Ranking criteria included:

- Permit progress
- Status of Cultural/Environmental surveys
- Whether or not sensitive cultural or habitat resources were identified
- CEQA status
- Whether wildlife permits were needed and obtained
- Location of project (northern California preferred)
- Whether the project was local, regional or other
- Whether project could be online and delivering energy by April 1, 2021

Only the 9 highest ranked projects were selected to move on to the short list evaluation stage.

Short List Evaluation

Economic evaluations were performed on the 9 projects, where the levelized contract prices were compared to expected value from sales of the power component back to the CAISO and resource adequacy capacity value. The result of the economic evaluations was to determine an implicit renewable premium for each project, compared to VCEA’s current renewable costs. The short-term Renewable Energy Certificate (REC) contracts in VCEA’s portfolio have an average renewable premium of \$13.79/MWh.

Key factors in determining which projects to short list were:

- At least one project selected could deliver any significant energy in 2020.
- Whether total energy delivered from all selected projects will meet the legal requirement for significant energy under long term contract in 2021.
- Price (value)
- Selection of projects to supply at least the VCEA minimum 42% renewable content in 2021 (and beyond).

Short List Selection

Two projects were short listed; the Westlands solar project and Rugged. The Westlands-Aquamarine project is currently under contract with VCEA as of Feb 14, 2020. Neither of the projects are considered either Local or Regional projects by VCEA's definition. They both were selected for the following key reasons:

- The two projects provided a renewable volume totaling at least 42% of VCEA overall energy portfolio starting in 2021
- Both projects had favorable pricing
- No other combination of projects provided enough energy in 2021 to satisfy the RPS minimum long-term contracting requirements which begin in 2021.

Remaining Selection Process

Following the short-list process, staff executed letters of intent, collected short list deposits and began PPA negotiations. The first PPA has been executed with Aquamarine Westside, LLC. This staff report discusses the second PPA negotiated with the Rugged project in San Diego County.

RUGGED SOLAR PROJECT

Rugged solar project is located on approximately 765 acres in unincorporated San Diego County. The site is approximately 70 miles east of San Diego.

The project is in late development with a long term lease for the land in place, an interconnect agreement with CAISO and SDG&E, and environmental permits in place. The Major Use Permit (land use) is currently being modified to reflect the specific solar technology now intended to be employed.

Once the PPA and financing are finalized, construction should begin by December 1, 2020, and Commercial Operation should be achieved by December 1, 2021.

KEY PPA TERMS AND CONDITIONS

Price and Impact to VCEA Budget

[\$[Price Redacted]\$/MWh with 0% escalation. PPA price is held flat, or levelized, across the 20 year term. The pricing is two-tiered, and will be reduced slightly if Rugged does not achieve Full Capacity Deliverability Status (FCDS) with CAISO. FCDS is discussed later in this report.

We expect REC costs from Rugged, as a portion of the overall PPA cost, to be favorable to VCEA's budget. For 2020, VCEA paid an average of \$13.79/MWh for RECs alone. This PPA is structured as fixed price, versus VCEA's short term renewable contracts, which are based on index power price plus a fixed REC premium. In addition to contributing savings on the average cost of RECs in the near term, a fixed price contract reduces the volatility in VCEA's future power costs.

This project is expected to yield approximately 220,000 MWh per year. Based on historical energy prices at the project's point of delivery, staff have estimated an implicit renewable premium of (\$3.31)/MWh for the project in 2021, compared to VCEA's average short-term renewable cost in 2020 of \$13.79/MWh. This reduces VCEA's annual renewable costs by approximately \$3.8 million. If Rugged achieves FCDS it will also provide Resource Adequacy (RA) capacity which has value but is not included in the \$3.8 million cost savings above. An estimate of the RA value is not provided as the CPUC is currently assessing the RA value that solar photovoltaic (PV) projects provide. In any case, any RA value will be in addition to the cost savings noted above.

Term

A 20 year term was negotiated along with other salient contract terms in order to suit VCEA's long term needs for energy supply as well as other attributes. This term matches up well with the 15 year PPA with Aquamarine. As a result of staggering long-term PPAs, VCEA can avoid large coincident procurement requirements in the future.

Expected Annual Energy Product/Portfolio Share of Renewable Provided

The expected annual energy production is approximately 30% of VCEA's annual energy retail needs. Table 2 below shows the anticipated combined annual production for the Rugged and Aquamarine projects.

Table 2. Incremental Portfolio Contribution from Long Term Renewable PPAs

	Project COD	PPA Capacity	2021	2022	2023
Short Listed Projects					
<i>Rugged</i>	12/1/2021	72 MWs	11,587	222,820	221,706
<i>Aquamarine</i>	8/1/2021	50 MWs	47,438	134,684	134,011
<i>Project 2 Phase 2</i>	12/1/2021	0 MWs	0	0	0
<i>Project 2 Option</i>	7/1/2022	0 MWs	0	0	0
Total Supply		122 MWs	59,025	357,504	355,717
VCEA Retail Load			740,117	739,992	741,517
RPS Minimum Requirements			35.8%	38.5%	41.3%
Incremental Contribution to Renewable Content			8.0%	48.3%	48.0%

Full Capacity Deliverability Status

The project has requested Full Capacity Deliverability Status (FCDS) from the CAISO, which means they have an interconnection agreement for the full output of the Project, and that output can be accommodated by the transmission system. It is possible that upgrades could be completed (at Rugged expense) that would result in Rugged receiving FCDS. If that were to occur the FCDS status is not “locked in” but would be subject to seasonal variation and the CAISO determination of what percentage of project nameplate capacity is going to be eligible for capacity calculations. Having FCDS ensures that VCEA can benefit from the Resource Adequacy Capacity allocated to the Project.

Notwithstanding all of the above, staff recommends proceeding with the PPA even if the project is ultimately declared “energy only” and does not receive FCDS with CAISO.

CONCLUSION

Based on results from the solicitation process and PPA negotiation, VCEA and SMUD staff believe the price and terms of the PPA support VCEA’s policy objectives, help meet regulatory requirements, and are competitive in the current market for utility scale solar PV in California.

REQUESTED ACTION

Adopt the resolution detailed above.

Attachments:

1. Attachment A - Rugged Power Purchase Agreement
2. Resolution

Attachment A
Rugged Power Purchase Agreement

RUGGED SOLAR
POWER PURCHASE AGREEMENT

between

VALLEY CLEAN ENERGY ALLIANCE

(as “Buyer”)

and

RUGGED SOLAR LLC

(as “Seller”)

dated as of

April 10, 2020

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS.....	1
1.1 Definitions.....	1
ARTICLE 2 SALE AND PURCHASE OF ENERGY.....	16
2.1 Purchase and Sale of Energy.....	16
2.2 Contract Price.....	16
2.3 Dedication of Product to Buyer.....	17
2.4 Purchase and Sale of Green Attributes; Tax Credits.....	18
2.5 New Generation Facility.....	19
2.6 Commercial Operation.....	21
2.7 Title; Risk of Loss.....	22
2.8 Transmission; CAISO Payments and Charges; Curtailment.....	22
2.9 Scheduling; Forecasting; EIRP; Outage Notification.....	24
2.10 Capacity Rights.....	27
2.11 Sales for Resale.....	27
ARTICLE 3 TERM; TERMINATION; DEFAULTS	28
3.1 Term.....	28
3.2 Regulatory Approvals; Certifications; Qualifications.....	28
3.3 Compliance Expenditure Cap.....	29
3.4 Defaults; Remedies; Termination Payment.....	30
3.5 Specific Performance; Injunctive Relief.....	32
3.6 Seller’s Financial Support Obligations.....	32
ARTICLE 4 BILLING AND PAYMENT; METERING AND MEASUREMENT	34
4.1 Billing; Payment.....	34
4.2 Metering Equipment.....	36
4.3 Maintenance; Records.....	38
4.4 Electronic Communications.....	38
4.5 Environmental Contamination.....	39
ARTICLE 5 REPRESENTATIONS, WARRANTIES AND COVENANTS.....	39
5.1 Seller’s Representations and Warranties.....	39
5.2 Buyer’s Representations and Warranties.....	40
5.3 Seller’s Covenants.....	41
5.4 Buyer’s Covenants.....	41
5.5 Guaranteed Energy Production; Full Capacity Deliverability Status.....	43
5.6 Access Rights.....	45
5.7 Facility Images.....	45
ARTICLE 6 INDEMNIFICATION AND INSURANCE.....	45
6.1 Indemnity.....	45
6.2 Insurance.....	46
ARTICLE 7 GOVERNMENT APPROVALS.....	48
7.1 Government Approvals – Seller’s Obligation.....	48
7.2 Government Approvals – Buyer’s Obligation.....	48
7.3 Changes In Law.....	48
ARTICLE 8 MISCELLANEOUS.....	49
8.1 Confidential Information.....	49
8.2 Successors and Assigns; Assignment.....	51

8.3	Lender Rights.....	51
8.4	Notices.....	52
8.5	Force Majeure.....	53
8.6	Amendments.....	54
8.7	Waivers.....	54
8.8	Waiver of Certain Damages.....	54
8.9	No Recourse to Buyer’s Members.....	55
8.10	Survival.....	55
8.11	Severability.....	55
8.12	Standard of Review.....	55
8.13	Governing Law.....	56
8.14	Consent to Jurisdiction.....	56
8.15	Waiver of Trial by Jury.....	57
8.16	Disputes.....	57
8.17	No Third-Party Beneficiaries.....	57
8.18	No Agency.....	57
8.19	Cooperation.....	57
8.20	Further Assurances.....	58
8.21	Captions; Construction.....	58
8.22	Entire Agreement.....	58
8.23	Counterparts.....	58
8.24	Forward Contract.....	58

Exhibit A	Contract Price
Exhibit B	Description of Facility
Exhibit B-1	Facility Site Plan
Exhibit C	Description of Delivery Point and One-Line/Metering Diagram
Exhibit D	[Reserved]
Exhibit E	Form of Consent (Financing)
Exhibit F	Minimum Annual Energy Production
Exhibit G	Form of Letter of Credit
Exhibit H	Expected Energy
Exhibit I	Milestone Schedule
Exhibit I-1	Form of Milestone Schedule Report
Exhibit J	Form of Commercial Operation Certificate

POWER PURCHASE AGREEMENT

This POWER PURCHASE AGREEMENT (this “Agreement”) is entered this 10th day of April, 2020 (the “Effective Date”), by and between Valley Clean Energy Alliance, a California Joint Powers Authority (“Buyer”), and Rugged Solar LLC, a Delaware limited liability company (“Seller”). Buyer and Seller are each individually referred to herein as a “Party” and collectively as the “Parties”.

WITNESSETH:

WHEREAS, Buyer is a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 *et seq.*) that provides retail electricity service to customers within its service area;

WHEREAS, Seller is developing and will own and operate Rugged Solar, which is expected to be comprised of 71.88 MW-AC of solar photovoltaic systems, located at 2750 McCain Valley Road in San Diego County, California, which will be dedicated to Buyer; and

WHEREAS, Seller desires to sell and deliver, and Buyer desires to purchase and receive, all of the Energy, Green Attributes, and Capacity Rights (as each are defined below) from the Facility (as defined below), on the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereto, for good and sufficient consideration, the receipt of which is hereby acknowledged, intending to be legally bound, do hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 *Definitions.*

Unless otherwise required by the context in which any term appears: (i) capitalized terms used in this Agreement have the meanings specified in this Article 1; (ii) the singular includes the plural and vice versa; (iii) references to “articles,” “sections,” “schedules,” “appendices” or exhibits” (if any) are to Articles, Sections, Schedules, Appendices or Exhibits hereof; (iv) all references to a particular entity or pricing index include a reference to such entity’s or pricing index’s successors and permitted assigns; (v) the words “herein,” “hereof” and “hereunder” refer to this Agreement as a whole and not to any particular section or subsection hereof; (vi) all accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in the United States of America, consistently applied; (vii) references to this Agreement include a reference to all appendices, schedules and exhibits hereto, as the same may be amended, modified, supplemented or replaced from time to time; (viii) the masculine includes the feminine and neuter and vice versa; (ix) the words “include” and “including” or similar words are not words of limitation and shall be deemed to be followed by the words “without limitation”; (x) all references to dollars are U.S. dollars, and all amounts due, and payments made, under this Agreement, shall be paid in U.S. dollars; and (xi) “or” is not necessarily exclusive. The Parties collectively have prepared this Agreement, and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

“Affiliate” means, with respect to any Person each Person that directly or indirectly, controls or is controlled by or is under common control with such designated Person.

“After-Tax Basis” means, with respect to any payment received or deemed to have been received by any Person, the amount of such payment (the **“Base Payment”**) supplemented by a further payment (the **“Additional Payment”**) to that Person so that the sum of the Base Payment plus the Additional Payment shall, after deduction of the amount of all federal, state and local income taxes required to be paid by such Person in respect to the receipt or accrual of the Base Payment and the Additional Payment (taking into account the net present value of any reduction in such income taxes resulting from tax benefits realized by the recipient as a result of the payment or the event giving rise to the payment), be equal to the amount of the Base Payment that was to have been received by such Person. Such calculations shall be made on the basis of the amounts of the highest generally applicable federal, state and local income tax applicable to a corporation for all relevant periods and shall take into account the deductibility of state and local income taxes for federal income tax purposes.

“A.M. Best” means A.M. Best Company, Inc.

“Applicable Law” means, with respect to any Person or the Facility, all laws, statutes, codes, acts, treaties, ordinances, orders, judgments, writs, decrees, injunctions, rules, regulations, governmental approvals, licenses and Permits, directives and requirements of all regulatory and other governmental authorities, in each case applicable to or binding upon such Person or the Facility (as the case may be).

“Available Capacity” means, for any given point in time, the maximum instantaneous generation capacity of the Facility at the Delivery Point (expressed in MW).

“Available Energy” means the quantity of Energy, expressed in MWh, that Seller would have generated and delivered to the Delivery Point from the Facility, but for (i) a Buyer Curtailment Order, or (ii) a suspension of Seller’s obligation to make Energy available due to a Buyer Event of Default pursuant to Section 3.4(a), in either case from equipment that would otherwise have been mechanically and electrically available for generation of Energy. The amount of Available Energy shall be determined by Seller using the best information available at the time including weather conditions or physical limitations and any other factors relevant to the determination. Seller shall be responsible for collecting and archiving Site insolation in order to determine the Available Energy from the Facility.

“Back-up Meter” means a CAISO approved revenue quality meter installed by Seller pursuant to Section 4.2(d) that is capable of recording Energy delivered to Buyer at the Delivery Point.

“Bankruptcy Code” means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.), as amended, and any successor statute.

“Bid” has the meaning set forth in the CAISO Tariff.

“Business Day” means any day other than a Saturday or Sunday or any other day on which banks in the State of California are permitted or required to remain closed.

“Buyer Cash Collateral” means cash collateral deposited by Buyer with Seller, in respect of which Buyer hereby grants to Seller a first priority, perfected security interest thereon (including on any and all interest thereon or proceeds resulting therefrom or from the liquidation thereof).

“Buyer Curtailment Order” means a telephonic or automated instruction (it being acknowledged that Buyer shall endeavor to promptly confirm any such telephonic instructions in writing), which is issued by Buyer, in its sole discretion, for a reason other than those enumerated in the definition of Curtailment Period, directing that Seller: (1) reduce generation from the Facility by an amount, in whole MW increments, and for the period of time set forth in such order; or (2) bid economically so that if the CAISO Locational Marginal Price (as defined in the CAISO Tariff) is below a threshold, the Facility is not awarded a Schedule (as defined in the CAISO Tariff) and does not generate. For avoidance of doubt, Buyer’s communication to Seller to curtail the Facility for reasons enumerated in the definition of Curtailment Period shall not constitute a Buyer Curtailment Order.

“Buyer Letter of Credit” means an irrevocable, transferable standby letter of credit issued for the benefit of Seller by a U.S. commercial bank or a U.S. branch of a foreign bank, with such bank having a Credit Rating of at least BBB from S&P or Baa2 from Moody’s, in a form based on and similar to the letter of credit set forth in Exhibit G, mutatis mutandis, and otherwise in a form and with terms and conditions reasonably acceptable to Seller.

“Buyer Performance Assurance” means (A) Buyer Cash Collateral in an amount no less than the Buyer Performance Assurance Amount, (B) a Buyer Letter of Credit with a face amount no less than the Buyer Performance Assurance Amount or (iii) a combination of Buyer Cash Collateral and a Buyer Letter of Credit in an aggregate amount no less than the Buyer Performance Assurance Amount.

“Buyer Performance Assurance Amount” means an amount equal to \$ [REDACTED] per MW of Contract Capacity.

“CAISO” means the California Independent System Operator Corporation.

“CAISO Penalties” means any fees, liabilities, assessments, sanctions, penalties or similar charges assessed, or otherwise billed to a Party, by the CAISO.

“CAISO Settlement Price” means the Locational Marginal Price (as defined in the CAISO Tariff) at the Delivery Point for each Settlement Interval (as defined in the CAISO Tariff).

“CAISO Tariff” means the CAISO Operating Agreement and Tariff, Business Practice Manuals (BPMs), and Operating Procedures, including the rules, protocols, procedures and

standards attached thereto, as the same may be amended, supplemented or replaced (in whole or in part) from time to time; provided, if there is a conflict between the CAISO Operating Agreement and Tariff, and the BPM, the CAISO Operating Agreement and Tariff will control.

“California Public Records Act” means California Government Code Section 6250 *et seq.*, as amended or supplemented from time to time.

“California Renewables Portfolio Standard” means the renewable energy program and policies established and codified in California Public Utilities Code Sections 399.11, *et seq.* and California Public Resources Code Sections 25740 *et seq.*, as implemented by the CPUC and CEC, as such program and policies may be amended or supplemented from time to time.

“Capacity” means the maximum instantaneous electric generating capacity of the Facility, as measured at the Delivery Point (expressed in MW-AC) when operated in compliance with the Interconnection Agreements and consistent with the manufacturer’s recommended power factor and operating parameters, and as further defined in **Exhibits B and B-1**.

“Capacity Rights” means any current or future defined characteristic, certificate, tag, credit, ancillary service or attribute thereof, or accounting construct, including any of the same counted towards any current or future Resource Adequacy or reserve requirements, associated with the electric generation capability and capacity of the Facility. Capacity Rights shall be deemed to include all Resource Adequacy benefits, if any, associated with the Facility and its Capacity. Capacity Rights are measured in MW and shall exclude Energy, Green Attributes, and any other tax incentives existing now or in the future associated with the construction, ownership or operation of the Facility.

“Cash Revenues” means, for any period, the total amount of Buyer’s cash revenues received for such period, as set forth in Buyer’s statement of cash flows (or other applicable financial statement or document) for such period prepared in accordance with Governmental Accounting Standards Board requirements; provided, however, that Cash Revenues shall not include any non-recurring or extraordinary items for such period.

“CEC” means the California Energy Commission.

“CEC Certification and Verification” means that the CEC has certified or pre-certified that the Facility is an ERR for purposes of the California Renewables Portfolio Standard and that all Energy produced by the Facility qualifies as generation from an ERR.

“CIRA Tool” means the CAISO Customer Interface for Resource Adequacy.

“Commercial Operation” means the status of the Facility upon Seller’s satisfaction of all of the conditions set forth in Section 2.6(a).

“**Commercial Operation Certificate**” is defined in Section 2.6(a) and shall be in the form attached hereto as **Exhibit J**.

“**Commercial Operation Date**” means, subject to Section 2.6(a), the date on which Commercial Operation has commenced.

“**Compliance Showings**” means Buyer’s compliance with the Resource Adequacy obligations of the CPUC for an applicable Showing Month.

“**Contract Capacity**” means Capacity of 71.88 MW-AC, as may be adjusted pursuant to Section 2.5(b), to which Buyer has the exclusive right during the Term.

“**Contract Price**” is set forth in **Exhibit A** and shall differ depending on whether Seller has obtained Full Capacity Deliverability Status.

“**Contract Year**” means a twelve (12) calendar-month period, with the first Contract Year commencing at 00:00 am PPT on the first day of the first full month following the Commercial Operation Date and each new Contract Year beginning on the anniversary date thereof.

“**Costs**” means, with respect to the non-defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses (including costs incurred in connection with transmission services that would otherwise not have been incurred hereunder) reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement and all reasonable attorneys’ fees and expenses incurred by the non-defaulting Party in connection with the termination of this Agreement.

“**Coverage Ratio**” means, for any twelve (12) month period ending on a Coverage Ratio Test Date, the ratio of (A) the sum of (1) Cash Revenues during such period plus (2) the Total Cash Reserve Balance as of such Coverage Ratio Test Date less (3) Total Expenditures during such period to (B) the Seller PPA Payment for such period. The Coverage Ratio shall be calculated for each Coverage Ratio Test Date based on audited financials, if available; otherwise, the Coverage Ratio for such Coverage Ratio Test Date shall be calculated based on unaudited financials prepared by Buyer.

“**Coverage Ratio Test Date**” means the last day of Buyer’s fourth fiscal quarter of each fiscal year.

“**CPUC**” means the California Public Utilities Commission.

“**Credit Rating**” means, with respect to a Person, on any date of determination, (a) the ratings assigned by Moody’s or S&P with respect to such Person’s long-term unsecured, senior indebtedness not supported by third party credit enhancement, or (b) if such Person does not have such a rating, then the rating assigned to such Person by Moody’s or S&P as its corporate credit rating or issuer rating.

“Curtailed Period” means the period of time during which there is any reduction in Energy deliveries to the Delivery Point as a result of any of the following:

(a) The CAISO or other Governmental Authority orders, directs, alerts, or provides notice to a Party to curtail Energy deliveries for any reason;

(b) The Transmission Provider, or other Governmental Authority having similar authority or performing similar functions, orders, directs, alerts or provides notice to a Party to curtail Energy deliveries for any reason;

(c) Scheduled or unscheduled maintenance or construction on the CAISO, Transmission Provider, or other Governmental Authority’s transmission or distribution facilities that prevents Buyer from receiving Energy at, or Seller from delivering Energy to, the Delivery Point;

(d) A curtailment by a third party (*i.e.*, an entity other than Seller) pursuant to the Interconnection Agreements (or a curtailment by Seller pursuant to the Interconnection Agreements) solely in the event of an Emergency Condition;

(e) Such reduction in Energy deliveries is the result of any of the following: (i) a Planned Outage or Forced Outage, (ii) an outage not constituting a Planned Outage or a Forced Outage undertaken to construct, install, maintain, repair, replace, remove or inspect any of its equipment or facilities or in connection with a condition likely to result in significant damage to Seller’s equipment or if Seller otherwise reasonably deems such curtailment necessary to protect life or property, (iii) because the interconnection between the Facility and Transmission Provider’s Transmission System is otherwise disconnected, suspended or interrupted, in whole or in part, pursuant to the Interconnection Agreements, or (iv) a Force Majeure Event that prevents either Party from delivering or receiving the Product;

(f) Seller, or Seller’s SC, has received a notice from CAISO pursuant to CAISO Operating Procedure No. 2390 (or its successor) having the effect of requiring a reduction during the same time period that Seller, or Seller’s SC submitted a Self-Schedule and/or an Energy Supply Bid (each as defined in the CAISO Tariff) that clears, in full, the applicable CAISO market for the full amount of Energy forecasted to be produced from the Facility for such time period.

“Daily Delay Damages” shall equal [REDACTED] per Day.

“Day” or “day” means a period of twenty-four (24) consecutive hours beginning at 00:00 hours Pacific Prevailing Time (PPT) on any calendar day and ending at 00:00 hours PPT on the next calendar day.

“Delivery Point” means the pricing node (i.e., “PNode”), more specifically described in **Exhibit C**, where Seller’s Interconnection Facilities connect to the Transmission Provider’s Transmission System.

“Delivery Term” means the period beginning at 00:00 am PPT on the first day of the first full month following the Commercial Operation Date and continuing through the end of the Term.

“Downgrade Event” occurs if either (i) the lowest of the Credit Ratings of the Seller Guarantor or Buyer (as applicable): (A) is below “BBB-” with respect to S&P or (B) is below “Baa3” with respect to Moody’s or (ii) if Seller Guarantor or Buyer (as applicable), ceases to have a Credit Rating, by either Moody’s or S&P.

“Electrical Losses” means all losses between the Facility and the Delivery Point, including any transmission or transformation losses between any of the Facility’s Meters and the Delivery Point.

“Eligible Intermittent Resource Protocol” or **“EIRP”** means the Eligible Intermittent Resource Protocol, as may be amended from time to time, as set forth in the CAISO Tariff.

“Eligible Renewable Energy Resource” or **“ERR”** has the meaning set forth in California Public Utilities Code Section 399.12, as may be amended or supplemented from time to time.

“Emergency Condition” means a condition or situation:

(a) In the reasonable judgment of the Party making the claim, is imminently likely to endanger life or property, or is necessary to protect persons, or third parties’ property from damage or interference caused by the Facility or improperly operating protective devices;

(b) That, in the case of Seller, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse impact on or damage to the security or operation of Seller’s Interconnection Facilities or the Facility;

(c) That will result in Buyer or Seller being unable to meet specific FERC or NERC standards applicable to them regarding the transmission of Energy; or

(d) That is an abnormal system condition that requires automatic or immediate manual action to prevent or limit the failure of transmission/distribution facilities or generation supply that could adversely affect the reliability of the bulk electric or interconnecting utility systems.

For avoidance of doubt, the following are not Emergency Conditions: (i) Buyer’s ability to purchase energy or Green Attributes at a lower price; or (ii) Buyer’s inability to use or resell Energy or other generation.

“Energy” means the as-available, net electric energy output generated or discharged by the Facility, which shall exclude station use, auxiliary loads or other electric energy consumed by the Facility and shall be in the form of three (3)-phase, sixty (60) Hertz, alternating current.

“Environmental Contamination” means the introduction or presence of hazardous substances or hazardous materials (as such term or terms are defined by Applicable Law, including 42 U.S.C. § 9601(14), the definition of the terms “hazardous substance” or “hazardous material” in any Applicable Law to exclude petroleum and natural gas notwithstanding, including all forms of petroleum and natural gas at such levels, quantities or location, or of such form or character, as to constitute a violation of Applicable Law, or present a risk under Applicable Law that the Site will not be available or usable for the purposes contemplated by this Agreement.

“Excused Energy” means the quantity of Energy, expressed in MWh, that Seller would have produced and delivered to the Delivery Point from the Facility, absent: (i) a Force Majeure Event, (ii) a Curtailment Period, except for a Curtailment Period that results from a Forced Outage or Planned Outage, (iii) a Buyer Curtailment Order, or (iv) a period of Seller suspension due to a Buyer Event of Default pursuant to Section 3.4(b)(ii). For avoidance of doubt, Energy that Seller would have produced and delivered but for a Forced Outage or Planned Outage shall not be counted as Excused Energy. The amount of Excused Energy shall be determined by Seller using the best information available at the time including weather conditions or physical limitations and any other factors relevant to the determination. Seller shall be responsible for collecting and archiving Site insolation in order to determine the Excused Energy for the Facility.

“Expected Energy” means the Energy expected to be delivered to the Delivery Point for each Contract Year as specified in **Exhibit H**.

“Facility” means Seller’s Rugged Solar solar photovoltaic facility, located in San Diego County, California, together with any and all additions, replacements or modifications thereto, together with other electrical infrastructure, including metering, Seller Interconnection Facilities, SCADA System, and a step-up transformer, as more particularly described in **Exhibits B and B-1**.

“Facility Construction” means the start of construction for the Facility, as demonstrated by Seller’s physical movement of soil at the Site at a sufficient level to reasonably demonstrate that Seller is preparing the Site for the construction of the Facility.

“Facility Operator” means Seller or an Affiliate of Seller that operates the Facility.

“FERC” means the Federal Energy Regulatory Commission.

“Force Majeure Event” means any act of God (including fire, flood, earthquake, extremely severe storm, lightning strike, tornado, volcanic eruption, hurricane or other natural disaster), labor disturbance, strike or lockout of a national scope, act of the public

enemy, war, insurrection, riot, explosion, terrorist activities or any order, regulation or restriction imposed by governmental, military, or lawfully established civilian authorities that (i) prevents one Party from performing any of its obligations under this Agreement, (ii) could not reasonably be anticipated as of the Effective Date, (iii) is not within the reasonable control of, or the result of negligence, willful misconduct, breach of contract, intentional act or omission or wrongdoing on the part of the affected Party (or any subcontractor or Affiliate of that Party, or any Person under the control of that Party or any of its subcontractors or Affiliates, or any Person for whose acts such subcontractor or Affiliate is responsible), and (iv) by the exercise of due diligence the affected Party is unable to overcome or avoid or cause to be avoided; provided, nothing in clause (iv) shall be construed so as to require a Party to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or labor dispute in which it may be involved. Any Party rendered unable to fulfill any of its obligations by reason of a Force Majeure Event shall exercise due diligence to remove such inability with reasonable dispatch within a reasonable time period and mitigate the effects of the Force Majeure. The relief from performance shall be of no greater scope and of no longer duration than is required by the Force Majeure. Without limiting the generality of the foregoing, a Force Majeure Event does not include any of the following: (1) any requirement to meet an Applicable Law or any change (whether voluntary or mandatory) in any Applicable Law that may affect the value of the Product; (2) events arising from the failure by Seller to operate or maintain the Facility in accordance with this Agreement; (3) any increase of any kind in any cost of a Party to perform under this Agreement (except as expressly provided for otherwise herein); (4) delays in or inability of a Party to obtain financing or other economic hardship of any kind; (5) Seller's ability to sell any Product at a price in excess of those provided in this Agreement, or Buyer's ability to purchase similar product at a price below that provided in this Agreement; (6) curtailment or other interruption of any Transmission Service, except due to Force Majeure; (7) failure of third parties to provide goods or services essential to a Party's performance, except due to Force Majeure; (8) Facility or equipment failure of any kind, except due to Force Majeure; or (9) any changes in the financial condition of Buyer, Seller, a Lender, or any subcontractor or supplier impacting the affected Party's ability to perform its obligations under this Agreement.

“Forced Outage” means an unplanned reduction, interruption or suspension of the Facility's ability to generate or deliver Energy to the Delivery Point that is not the result of a Force Majeure Event or a Planned Outage.

“Forward Certificate Transfer” has the meaning set forth in the WREGIS Operating Rules.

“Full Capacity Deliverability Status” or ***“FCDS”*** has the meaning set forth in the CAISO Tariff.

“Generator Operator” means an operator that meets the requirements of Generator Operator as defined by NERC in its Statement of Compliance Registry Criteria (Revision 6.0), as amended or in a successor document.

“Governmental Authority” means any supranational, federal, state or other political subdivision thereof, having jurisdiction over Seller, Buyer or this Agreement, including any municipality, township or county, and any entity or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any corporation or other entity owned or controlled by any of the foregoing. For purposes of this Agreement, the term Government Authority shall include FERC, NERC (if applicable), WECC, CAISO, CPUC and CEC.

“Green Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation of Energy from the Facility and its avoided emission of pollutants. Green Attributes include but are not limited to Renewable Energy Credits, as well as: (1) any avoided emission of pollutants to the air, soil or water such as sulfur oxides (Sox), nitrogen oxides (Nox), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere; (3) the reporting rights to these avoided emissions, such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag purchaser’s discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Facility, (ii) investment tax credits, production tax credits associated with the ownership, construction or operation of the Facility and other financial incentives in the form of credits, reductions, or allowances associated with the Facility that are applicable to a tax obligation, (iii) fuel-related subsidies or “tipping fees” that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Facility for compliance with local, state, or federal operating and/or air quality permits.

“Historical Load Served” means, for any period, the actual metered MWh served by Buyer during such period, as reported by Buyer to the CAISO in its T+48 data submission (if applicable) or other applicable data submission mutually agreed by the Parties.

“Interconnection Agreements” means all (a) Large Generator Interconnection Agreements, (b) Distribution Service Agreements, (c) Transmission Service Agreements, (d) Participating Generator Agreements, and (e) Metering Service Agreements (as each are defined in the CAISO Tariff) necessary for Seller to operate the Facility and delivery Energy to the Delivery Point in compliance with this Agreement.

“Interconnection Study” has the meaning set forth in the CAISO Tariff.

“Interconnection Point” means the point of first point of interconnection of the Facility with the Transmission Provider’s Transmission System, as more fully described on **Exhibits B and B-1**.

“Investment Grade” means a Credit Rating of at least “Baa3” with respect to Moody’s and at least “BBB-” with respect to S&P.

“Lender” means any and all Persons or successors in interest thereof, other than an Affiliate of Seller, (a) lending money or extending credit (whether directly to Seller or to an Affiliate of Seller) as follows: (i) for the construction, interim or permanent financing or refinancing of the Facility; (ii) for working capital or other ordinary business requirements of the Facility (including the maintenance, repair, replacement or improvement of the Facility); (iii) for any development financing, bridge financing, credit support, credit enhancement or interest rate protection in connection with the Facility; (iv) for any capital improvement or replacement related to the Facility; or (v) in connection with the financing of a portfolio of projects that includes the Facility; (b) participating (directly or indirectly) as a Tax Equity Investor; or (c) a lessor under a lease finance arrangement of the Facility.

“Lender Consent” means a Consent and Agreement in the form of **Exhibit E**.

“Letter of Credit” means one or more irrevocable, non-transferable standby letters of credit issued by a Qualified Institution and in the form of **Exhibit G**.

“Local Capacity Area Resources” has the meaning set forth in the CAISO Tariff.

“Losses” means, with respect to the non-defaulting Party, an amount equal to the present value of the economic loss to it (if any), exclusive of Costs, resulting from termination of this Agreement, determined in a commercially reasonable manner, which economic loss (if any) shall be the loss (if any) to such Party represented by the difference (if any) between the present value of the payments required to be made during the remaining Term of this Agreement and the present value of the payments that would be required to be made under transaction(s) replacing this Agreement. The non-defaulting Party’s Losses shall be zero (\$0) if such Party receives an economic benefit due to the termination of this Agreement. If the non-defaulting Party is the Seller, then Losses shall exclude any loss of the PTC, or other federal or state tax credits, grants, or benefits related to the Facility or generation therefrom.

“Meter” means the revenue quality meters, data processing gateways or remote intelligence gateways, telemetering equipment and data acquisition services that are dedicated exclusively to the Facility and are sufficient for monitoring, recording and reporting, in real time, all Energy from the Facility, as required and specified in the CAISO Tariff.

“Milestone Schedule” means Seller’s schedule to develop the Facility, as set forth in **Exhibit I**.

“Minimum Annual Energy Production” means for each Contract Year the quantity of Energy specified in **Exhibit F**.

“Minimum Coverage Ratio” means, as of any Coverage Ratio Test Date, 1.20:1.00; provided, however, that if the Historical Load Served as of any Coverage Ratio Test Date has declined by fifteen percent (15%) or more from the immediately preceding Coverage Ratio Test Date, the Minimum Coverage Ratio as of such Coverage Ratio Test Date shall be 1.50:1.00.

“Moody’s” means Moody’s Investor Service, Inc.

“MW” means a megawatt.

“MWh” means a megawatt hour.

“NERC” means the North American Electric Reliability Corporation.

“NERC Reliability Standards” means standards and rules that are adopted by NERC or WECC and approved by the applicable Governmental Authorities.

“Net Qualifying Capacity” or **“NQC”** has the meaning set forth in the CAISO Tariff.

“Notification Deadline” is twenty (20) Business Days before the relevant deadlines for the corresponding Compliance Showings applicable to the relevant Showing Month.

“Pacific Prevailing Time” or **“PPT”** means the prevailing standard time or daylight savings time, as applicable, in the Pacific time zone.

“Performance Period” means each two (2) consecutive Contract Years commencing with the first Contract Year so that the first Performance Period shall include Contract Years 1 and 2. For the avoidance of doubt, Performance Periods shall overlap, so that if the first Performance Period is comprised of Contract Years 1 and 2, the second Performance Period shall be comprised of Contract Years 2 and 3, the third Performance Measurement Period shall be comprised of Contract Years 3 and 4, and so on; provided however that a new Performance Period shall begin following any Performance Period in which there is a Shortfall Amount. Thus, for example, if there is a Shortfall Amount for the Performance Period that is comprised of Contract Years 4 and 5, the next Performance Measurement Period shall be comprised of Contract Years 6 and 7.

“Permits” means all applications, approvals, authorizations, consents, filings, licenses, orders, permits or similar requirements imposed by any Governmental Authority in order to develop, construct, operate, maintain, improve, refurbish and retire the Facility or to forecast or deliver the Product produced by the Facility to Buyer at the Delivery Point.

“Permitted Transferee” means any person or entity who is at least as creditworthy as the Seller on the Effective Date and has, or contracts with an operator that has, at least three (3) years of experience either owning or operating solar, wind or other renewable energy generating facilities in the CAISO market.

“Person” means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental entity, limited liability company or any other entity of whatever nature.

“Planned Outage” means an interruption of all or a portion of the Facility’s capability to generate or deliver Energy to the Delivery Point that is scheduled in the Outage Schedule delivered to Buyer pursuant to Section 2.9(d)(ii) and is required for inspection, preventive maintenance or corrective maintenance of the Facility.

“Prime Rate” means the interest rate (sometimes referred to as the “base rate”) for large commercial loans to creditworthy entities announced from time to time by Citibank, N.A. (New York), or its successor bank, or, if such rate is not announced, the rate published in The Wall Street Journal as the “Prime Rate” from time to time (or, if more than one rate is published, the arithmetic average of such rates), in either case determined as of the date the obligation to pay interest arises, but in no event more than the maximum rate permitted by Applicable Law.

“Product” means (i) all of the Energy produced by the Facility, (ii) all of the Green Attributes and Renewable Energy Credits associated with the Energy, and (iii) all of the Capacity Rights, as well as any ancillary services associated with the Capacity of the Facility’s operation.

“Prudent Operating Practices” means the practices, methods and standards of professional care, skill and diligence engaged in or approved by a significant portion of the solar electric generation industry that, in the exercise of reasonable judgment, in light of the facts known at the time, would have been expected to accomplish results consistent with Applicable Law, reliability, safety, environmental protection and standards of economy and expedition.

“Qualified Institution” means a major U.S. commercial bank or a foreign bank with a U.S. branch office with a Credit Rating of at least “A-” by S&P and “A3” by Moody’s (without a “credit watch”, “negative outlook” or other rating decline alert if its Credit Rating is “A-” by S&P or “A3” by Moody’s), and having assets of at least ten billion dollars (\$10,000,000,000.00).

“Qualifying Capacity” has the meaning set forth in the CAISO Tariff.

“Renewable Energy Credit” has the meaning set forth in California Public Utilities Code Section 399.12(h) and CPUC Decision 08-08-028, as may be amended from time to time or as further defined or supplemented by Applicable Law.

“Replacement RA” means Resource Adequacy benefits, if any, equivalent to those that would have been provided by the Facility with respect to the applicable month in which a RA Deficiency Amount is due to Buyer. Replacement RA shall not be provided from any generating unit that utilizes coal or coal materials as a source of fuel.

“Resource Adequacy” or “RA” means the procurement obligation of load serving entities, as such obligations are described in CPUC Decisions D.04-10-035 and D.05-10-042 and subsequent CPUC decisions addressing Resource Adequacy issues, as those obligations may be altered from time to time in the CPUC Resource Adequacy Rulemakings (R.) 04-04-003, R.05-12-013, R.08-01-025, R.09-10-032, R.10-04-012, R.11-10-023, R.14-10-010, and R.17-09-020 or by any successor proceeding, and the Resource Adequacy supply obligations of generators provided in the CAISO Tariff, including Section 40 of such Tariff.

“Resource Adequacy Plan” has the meaning set forth in the CAISO Tariff.

“SCADA System” means the automated system that meters and collects: (a) availability and power generation from the Facility; (b) solar irradiance, temperature and pressure from the Meteorological Station; and, (c) other operational parameters describing the state of the Facility.

“Scheduling Coordinator” or “SC” means an entity certified by the CAISO as qualifying as a Scheduling Coordinator pursuant to the CAISO Tariff for the purposes of undertaking the functions specified in “Responsibilities of a Scheduling Coordinator” as set forth in the CAISO Tariff, as amended from time to time.

“Seller PPA Payment” means, (A) prior to the Commercial Operation Date, an amount equal to the Expected Energy in Contract Year 1 multiplied by the applicable Contract Price, and (B) for any period commencing on or after the Commercial Operation Date, the aggregate actual amount of payments required to be made by Buyer to Seller under this Agreement for such period.

“Seller’s Interconnection Facilities” means all of the interconnection facilities, control and protective devices, distribution facilities, metering facilities and other equipment and facilities, whether or not the facilities, devices and equipment are owned by Seller, required to connect the Facility with the Transmission Provider’s Interconnection Facilities or Transmission Provider’s Transmission System located up to, and on Seller’s side of, the Delivery Point, including any modification, addition or upgrades to such facilities.

“Showing Month” means the calendar month of the Delivery Term that is the subject of the related Compliance Showing.

“Site” means the real property located in San Diego County, California on which the Facility is located, as more fully described on **Exhibits B and B-1**.

“Site Control” means that Seller has the right to utilize the Site for the construction and operation of the Facility during the Term pursuant to option(s), lease(s), easement(s) or other legal instrument(s), or any combination thereof.

“S&P” means Standard and Poor’s Ratings Group (a division of McGraw Hill Inc.).

“Supply Plan” has the meaning set forth in the CAISO Tariff.

“Suspension Event” means that (A) Buyer has an Investment Grade Credit Rating and (B) no Event of Default with respect to which Buyer is the Defaulting Party has occurred and is continuing.

“Tax Equity Investor” means an equity investor in the Facility that is not an Affiliate of Seller, and whose investment in the Facility is intended to be consistent with the “Safe Harbor” for solar transactions under Revenue Procedure 2007-65 and Announcement 2009-69.

“Termination Payment” means an amount calculated in a manner consistent with Section 3.4(c)(ii).

“Total Cash Reserve Balance” means, as of any date of determination, the aggregate amount of cash reserves set forth on the balance sheet of Buyer as of such date prepared in accordance with Governmental Accounting Standards Board requirements.

“Total Expenditures” means, for any period, the sum of Buyer’s power supply costs, general operating expenses, debt service obligations, capital expenditures and any cash expenditures for such period, but excluding the Seller PPA Payment for such period.

“Transmission Provider” means San Diego & Electric Company in its capacity as owner of the facilities used for the transmission or distribution of electric energy at or from the Interconnection Point.

“Transmission Provider’s Interconnection Facilities” means all facilities and equipment owned by the Transmission Provider and controlled or operated by CAISO, required to connect the Transmission Provider’s Transmission System with the Facility up to, and on the Transmission Provider’s side of, the Interconnection Point.

“Transmission Provider’s Transmission System” means the facilities owned or operated by the Transmission Provider, and controlled by CAISO, for the transmission of electric energy from the Interconnection Point.

“WECC” means the Western Electricity Coordinating Council.

“WREGIS” means the Western Renewable Energy Generating Information System or any successor program that may be implemented to track and record compliance with the California Renewable Portfolio Standard.

“*WREGIS Certificates*” has the same meaning as “Certificate” as defined by WREGIS in the WREGIS Operating Rules and are designated as eligible for complying with the California Renewables Portfolio Standard.

“*WREGIS Operating Rules*” means those operating rules and requirements dated December 2010, as subsequently amended, supplemented or replaced (in whole or in part) from time to time.

ARTICLE 2 SALE AND PURCHASE OF ENERGY

2.1 *Purchase and Sale of Energy.*

(a) At all times during the Delivery Term, Seller shall sell and deliver to Buyer at the Delivery Point, and Buyer shall purchase and accept from Seller at the Delivery Point, all of the Energy generated by the Facility.

(b) Notwithstanding the foregoing:

(i) Seller’s obligation to sell and deliver Energy to Buyer at the Delivery Point shall be excused during the pendency of, and to the extent required by (A) a Force Majeure Event, (B) a Buyer Curtailment Order, (C) a Curtailment Period, provided such Curtailment Period is not attributable to Seller’s breach of its obligations under this Agreement or the Interconnection Agreements, or (D) a period of Seller suspension pursuant to Section 3.4(b)(ii) due to a Buyer Event of Default.

(ii) Buyer’s obligation to accept Energy at the Delivery Point shall be excused during the pendency of, and to the extent required by (A) a Force Majeure Event, (B) a Buyer Curtailment Order, (C) a Curtailment Period, provided such Curtailment Period is not attributable to Buyer’s breach of its obligations under this Agreement, or (D) a period of Buyer suspension pursuant to Section 3.4(b)(ii) due to a Seller Event of Default.

(iii) Buyer’s obligation to purchase Energy from Seller under this Agreement shall be excused during the pendency of, and to the extent required by (A) a Force Majeure Event, (B) a Curtailment Period, provided such Curtailment Period is not attributable to Buyer’s breach of its obligations under this Agreement, or (C) a period of Buyer suspension pursuant to Section 3.4(b)(ii) due to a Seller Event of Default.

2.2 *Contract Price.*

(a) During the Delivery Term, Buyer shall pay Seller the Contract Price (as set forth in **Exhibit A**) for: (i) each MWh of Energy Seller delivers to the Delivery Point from the Facility (which deliveries shall be adjusted to reflect Electrical Losses in accordance with Section 4.2(a)), and (ii) each MWh of Available Energy that Seller would have generated and delivered to the Delivery Point from the Facility. The Contract Price shall differ (as set forth in **Exhibit A**) depending on whether Seller has obtained Full Capacity Deliverability Status for the Facility. The

Contract Price is intended to compensate Seller for all Product and shall become applicable on the Commercial Operation Date.

(b) Test Energy. During the time period, if any, beginning on the day the Facility is first energized and operated in parallel with the Transmission Provider's Transmission System and delivers metered Energy to the Delivery Point and up to the Commercial Operation Date, Seller may sell and deliver to Buyer and Buyer shall purchase and accept such Energy at no net cost to Buyer, meaning that Seller shall be responsible for paying all charges and fees associated with the scheduling and delivery of such Energy deliveries and Seller shall receive the CAISO Settlement Price (whether positive or negative) with respect to such Energy deliveries.

(c) Excess Energy. During any Contract Year, the Contract Price for Energy, if any, that is delivered in excess of one hundred and twenty-five percent (125%) of the Expected Energy for such Contract Year ("Excess Energy") shall be the lesser of (i) the CAISO Settlement Price applicable to the Settlement Interval in which such Excess Energy was delivered, or (ii) seventy-five percent (75%) of the Contract Price.

(d) Maximum Energy Delivery. During the Delivery Term, the Contract Price for Energy, if any, that is delivered in excess of the Contract Capacity during any Settlement Interval (as defined in the CAISO Tariff) shall be zero dollars (\$0); provided that if the CAISO Settlement Price is negative for any such Settlement Interval, Seller shall pay Buyer an amount equal to the product of (i) the absolute value of the CAISO Settlement Price, and (ii) the quantity of Excess Energy.

(e) Transfer Taxes. In addition to the amounts otherwise payable by Buyer in accordance with this Section 2.2, Buyer shall pay (and shall indemnify and hold Seller harmless on an After-Tax Basis from and against) all sales, use, excise, ad valorem, transfer and other similar taxes arising out of or with respect to the purchase or sale of Product ("Transfer Taxes"), but excluding all taxes based on or measured by net income, that are imposed by any taxing authority arising out of or with respect to the purchase or sale of Product (regardless of whether such Transfer Taxes are imposed on Buyer or Seller) at and beyond the Delivery Point, together with any interest, penalties or additions to tax payable with respect to such Transfer Taxes. Seller shall indemnify and hold Buyer harmless on an After-Tax Basis from and against Transfer Taxes or similar taxes on Product imposed by any taxing authority up to the Delivery Point, including severance taxes and taxes on generation of solar energy and taxes on Seller's income. In all events, property taxes or special assessments that may be levied upon the Facility as well as state or local sales taxes applicable to the construction, maintenance, repair or operation of the Facility shall be borne by the Seller and paid by Seller when due. Each Party shall use reasonable efforts to implement the provisions of and to administer this Agreement in accordance with the intent of the Parties to minimize all taxes, so long as neither Party is materially adversely affected by such efforts.

2.3 *Dedication of Product to Buyer.*

Except as otherwise provided for herein, Seller shall not assign, transfer, convey, encumber, sell, or otherwise dispose of all or any portion of the Product that is to be sold and delivered to Buyer under this Agreement to any person other than Buyer during the Term. During the Term, Seller

shall not deliver, or attempt to schedule or deliver, energy to the Delivery Point to satisfy its obligations under this Agreement that was not generated by or attributable to the Facility.

2.4 *Purchase and Sale of Green Attributes; Tax Credits.*

(a) Buyer shall be entitled to all Green Attributes resulting from the generation of Energy purchased by Buyer pursuant to this Agreement. The consideration for all such Green Attributes is included within the Contract Price. Buyer shall not be entitled to any Renewable Energy Credits or Green Attributes from the generation of Energy that Buyer, for any reason, does not purchase under this Agreement.

(b) Title to the Green Attributes shall pass from Seller to Buyer free and clear of all liens, security interests, claims and encumbrances immediately upon the generation of the associated Energy at the Facility that gives rise to such Green Attributes. Seller shall not report under § 1605(b) of the Energy Policy Act of 1992 or under any applicable program that any of the Green Attributes purchased by Buyer hereunder belong to any person other than Buyer.

(c) At all times during the Delivery Term, Seller shall, at its sole cost, cause the Facility to be registered with WREGIS; implement and maintain all necessary generation information communications required by WREGIS Operating Rules; and report generation information to WREGIS pursuant to WREGIS-approved meters that are dedicated to the Facility and only the Facility. Buyer has established a general account (WREGIS Account Holder ID: 1408) with WREGIS. Within ten (10) Business Days following the commencement of the Delivery Term, Seller shall, at its sole cost: (i) transfer to Buyer's WREGIS account any and all WREGIS Certificates associated with Renewable Energy Credits corresponding to that Energy generated by the Facility and purchased by Buyer, and (ii) pursuant to Section 15.5 of the WREGIS Operating Rules, implement a Forward Certificate Transfer to Buyer's WREGIS account for the WREGIS Certificates associated with all the Renewable Energy Credits generated by the Facility during the Delivery Term. Seller covenants that such Forward Certificate Transfer shall be effective for the remainder of the Delivery Term. Buyer shall comply with all reporting and other requirements of WREGIS with respect to Green Attributes it purchases from Seller; provided, Seller shall provide promptly to Buyer that Facility data and information reasonably necessary in order for Buyer to comply with such WREGIS requirements. Upon termination or expiration of this Agreement, Seller shall rescind the Forward Certificate Transfer and Buyer shall promptly assign and transfer back to Seller any Green Attributes existing in Buyer's WREGIS account not associated with Energy purchased and paid for by Buyer.

(d) Seller shall cooperate reasonably with Buyer, at Buyer's expense:

(i) In order for Buyer to register, hold, and manage such Green Attributes in Buyer's own name and to Buyer's accounts, including any rights associated with any renewable energy information or tracking system other than WREGIS that may be established with regard to monitoring, tracking, certifying, or trading such Green Attributes; and

(ii) In any registration by Buyer of the Facility in the renewable portfolio standard or equivalent program in states other than California and other non-California programs in which Buyer may wish to register or maintain registration of the Facility by providing copies of

all such information as Buyer reasonably requests for such registration.

(e) As between Buyer and Seller, Seller shall be entitled to all production or investment tax credits and similar tax benefits that are or will be generated by or associated with the Facility.

2.5 *New Generation Facility.*

(a) Seller's Duty to Construct and Operate Facility. Seller, at no cost to Buyer, shall: (i) design and construct the Facility; (ii) pay all fees, costs, and charges associated with interconnecting the Facility with the Transmission Provider's Transmission System; (iii) acquire and maintain all Permits and other approvals from Governmental Authorities necessary to construct, operate, and maintain the Facility throughout the Term; and (iv) complete, update, and maintain all environmental impact and plant and wildlife impact studies and mitigation necessary to construct operate, and maintain the Facility, including all impact studies and mitigation required under the California Environmental Quality Act.

(b) Contract Capacity. As of the Effective Date, the Contract Capacity is expected be 71.88 MW-AC. Prior to the Commercial Operation Date, Seller may, without penalty or default, increase or decrease the Contract Capacity by plus or minus two percent (2%); provided that Seller shall promptly notify Buyer of any such adjustment.

(i) Guaranteed Contract Capacity Date. Seller may declare Commercial Operation in accordance with Section 2.6(a) once at least ninety-five percent (95%) of the Contract Capacity has been installed and commissioned. Seller shall have demonstrated Commercial Operation for one hundred percent (100%) of the Contract Capacity no later than April 1, 2022, which date shall be extended on a day-for-day basis commensurate with (i) any extension to the Guaranteed Commercial Operation Date as a result of a Permitted Extension or (ii) any Force Majeure Event occurring after the Guaranteed Commercial Operation Date (the "Guaranteed Contract Capacity Date"). Seller shall demonstrate Commercial Operation for one hundred percent (100%) of the Contract Capacity by satisfying the conditions in Section 2.6(a)(ii)-(vi) with respect to one hundred percent (100%) of the Contract Capacity. If Seller fails to demonstrate Commercial Operation for one hundred percent (100%) of the Contract Capacity on or prior to the Guaranteed Contract Capacity Date, then Seller shall pay to Buyer, as liquidated damages, [REDACTED] for each MW, or fraction thereof, of Contract Capacity that fails to reach Commercial Operation by the Guaranteed Contract Capacity Date (the "Contract Capacity Damages"), and thereafter the installed Capacity upon which such liquidated damages are calculated shall be the Contract Capacity.

(ii) Maximum Facility Capacity. Seller shall not install Capacity in excess of the Contract Capacity, as may be adjusted pursuant to this Section 2.5(b), without Buyer's prior written consent, which may be withheld in Buyer's sole and absolute discretion.

(c) Milestone Schedule Reporting. Seller shall use commercially reasonable efforts to meet the Milestone Schedule and to avoid or minimize any delays in meeting such schedule. Within ten (10) Days after the end of each month after the Effective Date and until the Commercial Operation Date, Seller shall provide Buyer a monthly written report of its progress toward meeting

the Milestone Schedule in a form substantially similar to **Attachment A** of **Exhibit I**. Seller shall advise Buyer as soon as reasonably practicable of any problems or issues of which Seller is aware that may impact Seller's ability to meet the Milestone Schedule.

(d) Guaranteed Construction Start Date. Seller shall initiate Facility Construction no later than December 1, 2020 (the "Guaranteed Construction Start Date"). If Seller has not initiated Facility Construction on or prior to the Guaranteed Construction Start Date, after giving effect to all Permitted Extensions, then Seller shall pay to Buyer liquidated damages equal to Daily Delay Damages for each day until such time as Facility Construction is initiated. Seller shall pay Daily Delay Damages to Buyer in advance, on a monthly basis, for each full month during which any Daily Delay Damages will be due. A prorated amount shall be returned to Seller if Seller initiates Facility Construction during a month for which Daily Delay Damages were paid in advance. In the event that Seller achieves Commercial Operation on or before the Guaranteed Commercial Operation Date, Buyer shall return to Seller any previously paid Daily Delay Damages resulting from Seller's failure to initiate Facility Construction on or prior to the Guaranteed Construction Start Date.

(e) Guaranteed Commercial Operation Date. Seller shall have demonstrated Commercial Operation no later than December 1, 2021 (the "Guaranteed Commercial Operation Date"). If Commercial Operation has not occurred on or prior to the Guaranteed Commercial Operation Date, after giving effect to all Permitted Extensions, then Seller shall pay to Buyer liquidated damages equal to Daily Delay Damages for each day until such time as Commercial Operation is achieved. Seller shall pay Daily Delay Damages to Buyer in advance, on a monthly basis, for each full month during which any Daily Delay Damages will be due. A prorated amount shall be returned to Seller if Commercial Operation is achieved during a month for which Daily Delay Damages were paid in advance.

(f) Permitted Extensions. If Seller complies with Section 2.5(f)(i), the Guaranteed Construction Start Date, the Guaranteed Commercial Operation Date, and the Guaranteed Contract Capacity Date, as applicable, may each be extended on a day-for-day basis for a time period no longer than one-hundred eighty (180) days as a result of: a Force Majeure Event; a delay caused by transmission provider (e.g., the CAISO), transmission owner, or Buyer through no fault of Seller; or a delay in obtaining final approval of a major use permit from San Diego County through no fault of Seller ("Permitted Extensions"); provided that such Permitted Extensions shall only be granted so long as Seller has used commercially reasonable efforts (including but not limited to Seller's timely filing of required documents and payment of all applicable fees) to overcome the cause of such Permitted Extension.

(i) In order to secure a Permitted Extension, Seller shall provide Buyer written notice within ten (10) Days of Seller becoming aware of the facts or circumstances giving rise to the Permitted Extension. Such notice must clearly identify the reason for the Permitted Extension being claimed, including the extent and anticipated period of delay to the Guaranteed Construction Start Date, the Guaranteed Commercial Operation Date or the Guaranteed Contract Capacity Date, as applicable.

(g) Liquidated Damages. Each Party agrees and acknowledges that the damages Buyer would incur due to Seller's failure to initiate Facility Construction by the Guaranteed Construction

Start Date, Seller's failure to achieve Commercial Operation by the Guaranteed Commercial Operation Date, or Seller's failure to achieve the Contract Capacity by the Guaranteed Contract Capacity Date would be difficult or impossible to determine, or obtaining an adequate remedy would be unreasonably time consuming or expensive, and therefore the Parties agree that Daily Delay Damages are an appropriate approximation of such damages. Buyer shall have the right to set off any Daily Delay Damages against payments due to Seller.

(h) **Buyer's Termination Right.** Buyer shall have the absolute and unconditional right, but not the obligation, to terminate this Agreement upon three (3) Days written notice to Seller if Seller fails to achieve Commercial Operation on or before the date that is one hundred and eighty (180) Days after the Guaranteed Commercial Operation Date, after giving effect to all Permitted Extensions. If Buyer exercises its termination right pursuant to this Section 2.5(h), Buyer's sole and exclusive remedy shall be Buyer's right to collect Daily Delay Damages up through the date upon which termination is effectuated pursuant to this Section 2.5(h).

2.6 Commercial Operation.

(a) **Commercial Operation Date.** Seller shall make commercially reasonable efforts to achieve Commercial Operation by April 1, 2021; provided, that on or prior to the Commercial Operation Date, which shall be a date no sooner than April 1, 2021, Seller has completed all of the following conditions precedent set forth in this Section 2.6(a) to Buyer's reasonable satisfaction:

(i) Seller has provided to Buyer a certificate signed by an independent engineer in the form attached hereto as **Exhibit J** ("Commercial Operation Certificate"), certifying that subparts (ii), (iii), (iv), and (v) of this Section 2.6(a) have been completed;

(ii) All the facilities required by the Interconnection Agreements, including Seller's Interconnection Facilities and Transmission Provider's Interconnection Facilities, have been installed, tested and are completed as required by the Interconnection Agreements;

(iii) Seller has executed all necessary Transmission Provider and CAISO agreements, including all the Interconnection Agreements, and the CAISO has authorized deliveries from the Facility to the Delivery Point;

(iv) At least ninety-five percent (95%) of the Contract Capacity has been installed and commissioned in compliance with all applicable manufacturers' supply, construction, and operating specifications;

(v) All testing required by Prudent Operating Practices or any requirement of law to operate the Facility has been successfully completed;

(vi) Seller has successfully completed a one hundred sixty-eight (168) hour continuous operation test, under which Seller has demonstrated that the Facility is capable of delivering at least ninety-five percent (95%) of the Contract Capacity at the Delivery Point on a reliable and continuous basis as evidenced by such 168-hour continuous operation test, during which all Project components operate and are fully available during the 168-hour period;

(vii) All applicable Permits and all governmental approvals required to be obtained from any Governmental Authority to operate the Facility in compliance with Applicable Law and this Agreement have been obtained and are in full force and effect;

(viii) Seller has provided evidence to Buyer that Seller has obtained Site Control and has necessary rights to maintain Site Control during the Term;

(ix) Seller has satisfied the insurance coverage requirements of Section 6.2 of this Agreement and provided evidence of such coverage to Buyer; and

(x) Seller has delivered to Buyer the Operating Security.

(b) Seller shall provide notice of expected Commercial Operation to Buyer in writing no less than sixty (60) days in advance of such date. Seller shall notify Buyer in writing when Seller believes that it has provided the required documentation to Buyer and met the conditions for achieving Commercial Operation set forth in Section 2.6(a). Buyer shall have five (5) Business Days to approve or reject Seller's request for Commercial Operation. Upon Buyer's approval of Seller's achievement of Commercial Operation, Buyer shall provide Seller with written acknowledgement of the Commercial Operation. Upon Seller's receipt of Buyer's written acknowledgement, the Commercial Operation Date shall be the date of Seller's notice to Buyer with regard to completion of the conditions for achieving Commercial Operation set forth in Section 2.6(a), or the date upon which outstanding issues related to the satisfaction of the conditions in Section 2.6(a) have been resolved. If Buyer rejects Seller's request for Commercial Operation, Buyer shall provide Seller with a written explanation of the basis for such rejection within such initial 5-day period.

2.7 Title; Risk of Loss.

Seller shall hold all rights, title and interest to all Product which Seller has conveyed and has committed to convey to Buyer hereunder. Title to and risk of loss with respect to any Energy purchased by and delivered to Buyer by Seller in accordance with this Agreement shall pass from Seller to Buyer at the Delivery Point, and such Energy shall be free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereto by any other Person at the time of Seller's delivery. Until title passes, Seller shall be deemed in exclusive control of the same and shall be responsible for any damage or injury caused thereby. After title to Product passes to Buyer, as between the Parties, Buyer shall be deemed in exclusive control of such Product and shall be responsible for any damage or injury caused thereby. Seller shall bear all risks, financial and otherwise throughout the Term, associated with Seller's or the Facility's eligibility to receive incentive or other tax benefits, or qualify for accelerated depreciation for Seller's accounting, reporting or tax purposes. The obligations of the Parties hereunder, including those obligations set forth herein regarding the purchase and price for and Seller's obligation to deliver Product, shall be effective regardless of whether the Seller is eligible for, or receives, incentive tax credits or any other tax benefits.

2.8 Transmission; CAISO Payments and Charges; Curtailment.

(a) Seller's Transmission Service Obligations. Prior to the Commercial Operation

Date and at all times during the Delivery Term:

(i) Seller shall deliver all Energy to the Delivery Point, and Seller shall arrange and pay for any and all facilities and transmission services (and any regulatory approvals required for the foregoing) that are necessary for Seller to deliver Energy to Buyer at the Delivery Point, including all of Seller's Interconnection Facilities and Transmission Provider's Interconnection Facilities.

(ii) Seller shall bear all risks, fees, costs, and charges associated with or imposed on transmission of Energy to the Delivery Point, including, but not limited to, any Electrical Losses, outages or curtailment of Energy deliveries, CAISO costs, CAISO Penalties, congestion, scheduling deviation, energy imbalance, and neutrality allocations associated with or imposed on transmission of Energy to the Delivery Point.

(iii) Seller shall comply with all contractual, metering and applicable interconnection requirements, including those set forth in the Interconnection Agreements, Transmission Provider's applicable tariffs, the CAISO Tariff, and implementing CAISO standards and requirements, so as to be able to deliver Energy to the Delivery Point.

(b) CAISO Payments and Charges. Buyer shall be entitled to all CAISO payments, and shall be responsible for CAISO charges, except that Seller shall: (1) be responsible for (a) any administrative charges, penalties, or fees assessed by the CAISO to the Facility solely in its capacity as a generator in the CAISO market (including the Forecast Fee(s) and Grid Management Charge(s), both as defined in the CAISO Tariff), (b) any costs, charges and penalties assessed by the CAISO resulting from any five minute interval where the Uninstructed Imbalance Energy (as defined in the CAISO Tariff) quantity is negative; (2) be entitled to any CAISO revenues generated as a result of any five minute interval where the Uninstructed Imbalance Energy quantity is negative; (3) be responsible for any CAISO charges, penalties, or fees related to Seller's failure to comply with a Buyer Curtailment or Dispatch Down Instruction (as defined in the CAISO Tariff); and (4) be responsible for any CAISO charges due to Seller's failure to comply with the CAISO Tariff, except for those charges Buyer has agreed to pay in this Agreement.

(c) Curtailment. Seller shall fully or partially curtail deliveries of Energy to Buyer during, and to the extent required by, a Curtailment Period or a Buyer Curtailment Order.

(i) Curtailment Periods. During any Curtailment Period, Seller shall curtail the generation or delivery of Energy from the Facility as directed by CAISO, the Transmission Provider, or a Governmental Authority, or as such reductions or curtailments are communicated to Seller by Buyer at the direction of CAISO, the Transmission Provider, or a Governmental Authority. If Seller delivers Energy that is not compliant with a direction to curtail generation or delivery of Energy during a Curtailment Period, Buyer shall not be required to pay Seller the Contract Price for Seller's non-compliant Energy deliveries. To the extent an event arises that causes Seller to curtail Energy deliveries to Buyer at the Delivery Point, Seller shall use commercially reasonable efforts to minimize the extent, amount and duration of any such curtailments.

(ii) Buyer Curtailment Orders. Buyer shall have the right to order Seller to

reduce generation or delivery of Energy from the Facility pursuant to a Buyer Curtailment Order; provided: (i) Buyer shall give Seller not less than thirty (30) minutes' notice prior to the requested curtailment; (ii) such Buyer Curtailment Order does not violate the manufacturer's operating limits of the Facility's equipment in which case Seller may refuse to implement such curtailment in such time frame without any liability to Buyer; provided, Seller must continue to curtail Energy in a manner that is consistent with such operating limits; and (iii) Buyer shall pay Seller for all Available Energy not delivered to Buyer due to a Buyer Curtailment Order in accordance with Section 2.2(a). Seller shall design and construct the Facility so that it has the ability to respond to a dispatch control signal in order to facilitate Buyer Curtailment Orders. If Seller delivers Energy that is not compliant with a Buyer Curtailment Order, Buyer shall not be required to pay Seller the Contract Price for Seller's non-compliant Energy deliveries. Seller shall, within one hundred and eighty (180) days of the expected Commercial Operation Date, provide Buyer with the operating limits for the Facility's equipment.

(iii) Notwithstanding the foregoing, if Seller fails to curtail deliveries of Energy during a Curtailment Period, or in accordance with a Buyer Curtailment Order, Seller shall assume all liability, be responsible for, and hold harmless Buyer, for any and all CAISO Penalties, other penalties, costs or charges incurred by Buyer due to Seller's failure to curtail, including payment for any negative CAISO Settlement Price associated with Energy deliveries that are not compliant with a Curtailment Order or Buyer Curtailment Order. In the event any such penalties, costs or charges are incurred by Buyer due to Seller's failure to curtail, Buyer shall provide Seller with a written invoice and supporting documentation with respect to any amounts due, and Seller shall pay such amounts within fifteen (15) days of receipt of the invoice. Any disputes with respect to such amounts shall be resolved in accordance with Section 8.16 hereof.

2.9 *Scheduling; Forecasting; EIRP; Outage Notification.*

(a) Scheduling Coordinator. During the Term, Seller, at its sole cost, shall act as or select a Scheduling Coordinator for the Facility. In that regard, Buyer and Seller agree to the following:

(i) Designation as Scheduling Coordinator. Within thirty (30) Days of the Effective Date, Seller shall take all actions and execute and deliver to Buyer all documents necessary to authorize or designate Seller, or Seller's SC, as Seller's Scheduling Coordinator so that such designation becomes effective as of the commencement of the Delivery Term. If Seller designates a Scheduling Coordinator, then Seller shall give Buyer notice of such designation at least ten (10) Business Days before Seller's SC assumes Scheduling Coordinator duties hereunder, and Buyer shall be entitled to rely on such designation until it is revoked or a new Seller's SC is appointed by Seller upon similar notice. Seller shall be fully responsible for all acts and omissions of Seller's SC and shall indemnify Buyer for all CAISO Penalties, costs, charges and liabilities incurred by the Buyer.

(ii) Seller's Responsibilities as Scheduling Coordinator. As soon as it is authorized to act as the Facility's Scheduling Coordinator, Seller (or Seller's SC) shall comply with all obligations under the CAISO Tariff and shall conduct all scheduling and bid submissions in full compliance with the terms and conditions of this Agreement and the CAISO's protocol and

scheduling practices, including the requirements of EIRP, if applicable (the “Scheduling Procedures”). Upon Buyer’s request, Seller shall, within three (3) Business Days of such request, provide to Buyer any supporting documentation necessary for Buyer to audit and verify matters related to Seller’s or Seller’s SC’s bids of the Facility into the CAISO market. Except as provided herein or to the extent attributable to Buyer’s acts or omissions, including any failure by Buyer to meet any deadlines for making scheduling requests, Seller shall be responsible for the payment of all charges associated with its scheduling activities, including all charges assessed by the CAISO (including CAISO Penalties) with respect to Seller’s scheduling of Energy.

(iii) Buyer shall have the right from time to time during the Term, at Buyer’s sole cost and expense, to enter into contracts with solar forecast service providers for the provision of forecasts respecting the Facility. In such event, Buyer shall provide Seller reasonable advance written notice thereof with the date of commencement of such service; provided, if requested by Seller, such solar forecaster selected by Buyer shall execute a confidentiality agreement in form and substance reasonably satisfactory to Seller.

(b) Forecast Procedures. Seller shall, at its sole cost, and at all times during the Term:

(i) Provide Buyer with information in a manner and time frame that allows Buyer to comply with the CAISO’s forecasting and associated data collection requirements as set forth in the CAISO Tariff (including, as applicable, Appendix Q thereof);

(ii) Provide to Buyer:

(A) Annual Forecast of Energy Production. By December 1 of each calendar year during the Term, Seller shall provide to Buyer a non-binding forecast of the hourly Energy production for an average day in each month of the follow calendar year in a form reasonably acceptable to Buyer.

(B) Monthly Forecast of Energy Production. Ten (10) Business Days before the beginning of Commercial Operation, and thereafter ten (10) Business Days before the beginning of each month during the Delivery Term, Seller shall provide to Buyer a non-binding forecast of the hourly Energy production for each day of the following month in a form reasonably acceptable to Buyer.

(C) Daily Forecast of Energy Production. During the Delivery Term, Seller shall provide to Buyer a day-ahead forecast of hourly Energy production for each day no later than as required by WECC, which at a minimum shall be no more than fourteen (14) hours before the beginning of the “Preschedule Day” (as defined by the WECC) for such day. Seller shall notify Buyer of any changes in hourly Energy production of one (1) MWh or more, whether due to Forced Outage, Force Majeure Event, or other cause within thirty (30) minutes after obtaining knowledge of such event. Such notices shall contain information regarding the beginning date and time of the event resulting in the change in hourly Energy production, the expected end date and time of such event, and the expected Available Capacity in MW during such event. Seller shall keep Buyer informed of any developments that will affect either the duration of such outage or the availability of the Facility during or after the end of such outage.

(iii) If any Governmental Authority imposes forecasting requirements associated with the Product, Seller shall comply, and provide Buyer with information in a manner and time frame that allows Buyer to comply with such forecasting requirements ((i), (ii) above and this subsection (iii), the “Forecast Procedures”).

(c) Each Party shall perform its respective scheduling and forecasting obligations in compliance with all applicable: (i) operating policies, criteria, rules, guidelines, tariffs and protocols of the CAISO, (ii) WECC scheduling practices, and (iii) Prudent Operating Practices. Seller shall assume all liability and be responsible for any and all CAISO Penalties (or other penalties, costs or charges) incurred by Buyer due to Seller’s failure to comply with the Forecasting Procedures or Scheduling Procedures or Seller’s failure to comply with its obligations set forth in Section 2.9(d). Buyer shall assume all liability and be responsible for any and all CAISO Penalties (or other penalties, costs or charges) incurred by Seller due to Buyer’s failure to comply with the Scheduling Procedures. Any invoice submitted by either Buyer or Seller related to CAISO Penalties shall include the related CAISO invoice and a written statement explaining in reasonable detail the calculation of the amount due. Any disputes with respect to such amounts shall be resolved in accordance with Section 8.16.

(d) Outage Notification.

(i) Seller shall comply with the CAISO Tariff regarding notifying CAISO with respect to, and securing any necessary CAISO approvals for, all Facility outages, including Forced Outages and Planned Outages, and Seller shall comply with the CAISO Tariff regarding all CAISO reporting requirements with regard to outages through use of the CAISO OMS (as defined in the CAISO Tariff) electronic-outage reporting system (or a successor reporting system). Seller shall conform the timing and extent of all Planned Outages with the outage schedule provided to CAISO. Seller shall be responsible for securing CAISO approval for changes in its outage schedules if CAISO disapproves Seller’s proposed schedules or if there is any cancellation of previously approved outages. Seller shall promptly notify Buyer of all Forced Outages and Planned Outages and provide Buyer with a copy of any communications with CAISO with respect to such outages.

(ii) No later than (A) thirty (30) days prior to the anticipated Commercial Operation Date, and (B) at least at least sixty (60) days before July 1 of each calendar year throughout the Term, Seller shall submit to Buyer, Seller’s schedule of proposed Planned Outages (“Outage Schedule”) for the subsequent twenty four (24) month period, and Seller shall provide the following information for each proposed Planned Outage:

- (1) Start date and time;
- (2) End date and time;
- (3) Available Capacity of the Facility during the Planned Outage; and
- (4) Purpose for the Planned Outage.

(iii) Seller shall not schedule Planned Outages during the months of June to September, unless (1) such Planned Outage is required to avoid damage to the Facility, (2) such Planned Outage is necessary to maintain equipment warranties and cannot be scheduled outside the months of June through September, (3) such Planned Outage is required in accordance with Prudent Operating Practices, or (4) the Parties agree otherwise in writing.

(iv) Within thirty (30) days after Buyer's receipt of a proposed Outage Schedule, Buyer shall notify Seller in writing of any reasonable request for changes to the Outage Schedule, and Seller shall, consistent with Prudent Operating Practices, use commercially reasonable efforts to accommodate Buyer's requests regarding the timing of any Planned Outage. If a condition occurs at the Facility that causes Seller to revise its Planned Outages, Seller shall provide prompt notice to Buyer, which notice shall be provided within three (3) Business Days of Seller's becoming aware of such condition or revision (including an estimate of the length of such Planned Outage).

2.10 Capacity Rights.

(a) Buyer shall be entitled to all Capacity Rights associated with the Facility during the Term. The consideration for all such Capacity Rights is included within the Contract Price. During the Term, Seller shall not sell or attempt to sell to any other Person the Capacity Rights, and Seller shall not report to any person or entity that the Capacity Rights belong to anyone other than Buyer.

(b) At Buyer's request Seller shall: (i) execute such documents and instruments as may be reasonably required to effect recognition and transfer of the Capacity Rights to Buyer; and (ii) cooperate reasonably with Buyer in order that Buyer may satisfy the Resource Adequacy requirements, if any, including: (A) assisting Buyer in registering the Facility with the CAISO so that the Capacity Rights are able to be recognized and counted for Resource Adequacy purposes; (B) assisting Buyer in making such annual submissions to the CAISO associated with establishing the correct quantity of Capacity Rights; (C) coordinating with Buyer in accordance with Section 5.5(b) on the submission to the CAISO of the monthly Supply Plan submissions (or corrections), as required by the CAISO Tariff; and (D) providing the CAISO all necessary information for annual and other outage planning.

(c) Seller shall deliver such additional documents, instruments, submissions and information as may be requested by Buyer in connection with the Capacity Rights and Resource Adequacy; provided, that in responding to any such requests, Seller shall have no obligation to provide any consent, certification, representation, information or other document, or enter into any agreement, that materially adversely affects, or could reasonably be expected to have or result in a material adverse effect on, any of Seller's rights, benefits, risks and/or obligations under this Agreement.

(d) At all times during the Delivery Term, Seller shall install such meters and power electronics as are necessary so that Capacity Rights may be provided from the Facility without regard to Section 3.3. Subject to Section 3.3, at all times during the Delivery Term, Seller shall install such meters and power electronics as are necessary so that ancillary services may be provided from the Facility.

2.11 Sales for Resale.

All Energy delivered to Buyer hereunder shall be sales for resale, with Buyer reselling such Energy. Buyer shall provide Seller with any documentation reasonably requested by Seller to evidence that the deliveries of Energy hereunder are sales for resale.

ARTICLE 3
TERM; TERMINATION; DEFAULTS

3.1 *Term.*

The “Term” of this Agreement shall commence on the Effective Date and continue until 23:59 pm PPT on the date that is twenty (20) years after the first day of the Delivery Term, unless sooner terminated in accordance with the terms hereof. The Term may be renewed or extended by mutual consent of the Parties, upon terms and conditions and for a price upon which the Parties mutually agree in connection with such extension or renewal.

3.2 *Regulatory Approvals; Certifications; Qualifications.*

(a) Except as specifically provided for herein, each Party shall maintain (or obtain from time to time as required, including through renewal, as applicable) all regulatory authorizations necessary for it to legally perform its obligations under this Agreement.

(b) Seller shall file an application for CEC pre-Certification and Verification for the Facility within thirty (30) days following the Effective Date. Seller shall, at its sole expense (but subject to Section 3.3), take all steps necessary to ensure that during the Delivery Term: (i) the Facility qualifies and is certified by the CEC as an Eligible Renewable Energy Resource, and in that regard, Seller shall submit an application to the CEC for final CEC Certification and Verification within ten (10) Business Days after the Commercial Operation Date; (ii) the Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with Portfolio Content Category 1 and meet the criteria of California Public Utilities Code Section 399.16(b)(1), and as such, Seller shall ensure that in all cases the Renewable Energy Credits and Energy from the Facility are bundled according to the applicable CEC RPS Eligibility Guidebook; and (iii) the Facility is maintained and operated in a manner so as to preserve such certification and qualification.

(c) Seller shall, at its sole expense (but subject to Section 3.3), make any filings and submit any reports necessary for the Facility to maintain and comply with CEC, ERR and California Renewables Portfolio Standard certifications and qualifications during the Delivery Term and shall promptly provide Buyer with copies of any such filings or reports. Buyer shall cooperate with Seller by providing promptly to Seller such data and information necessary, if any, in order for Seller to prepare and submit such filings and reports. In the event Seller fails to make such filings or submit such reports necessary to maintain such CEC, ERR and California Renewables Portfolio Standard certifications and qualifications (and such failure is not caused by Buyer’s actions or inactions), Buyer, on prior notice to Seller and at Seller’s expense (but subject to Section 3.3), may take any and all actions deemed necessary by Buyer, on behalf of Seller and as Seller’s agent, to maintain such CEC, ERR and California Renewables Portfolio Standard certifications and qualifications, including executing all necessary California regulatory agency documentation in order to accomplish the foregoing.

(d) To the extent the Facility is eligible to participate in the EIRP prior to the Commercial Operation Date, Seller shall, at its sole cost, promptly undertake such commercially reasonable actions as may be necessary to ensure the Facility participates in EIRP at the earliest

date possible, but shall not be obligated to participate earlier than the Commercial Operation Date. Seller shall provide Buyer immediate oral notice of its receipt from CAISO of any notice or certification from CAISO regarding the Facility's participation in EIRP and shall provide Buyer with a written copy of the notice from CAISO certifying the Facility as eligible to participate in the EIRP within three (3) Business Days of Seller's receipt of such notice of EIRP certification. At all times following EIRP certification, Seller shall, at its sole cost (but subject to Section 3.3), participate in and comply with EIRP as directed by Buyer and shall comply with all additional protocols issued by the CAISO relating to EIRP resources during all hours of the Delivery Term. Seller as Scheduling Coordinator (or Seller's SC) shall facilitate communication between Seller and CAISO and provide other administrative materials to CAISO as necessary to assist Seller's participation in and compliance with EIRP and any additional protocols. Seller shall, at its own expense, comply with, and satisfy the certification requirements of EIRP.

(e) Throughout the Term, Seller shall, at its sole cost (but subject to Section 3.3), to the extent required by NERC, WECC or FERC, cause the Facility Operator to register with NERC as the Generator Operator of the Facility and in which case Seller shall: (i) cause the Facility Operator to be responsible for complying with all NERC Reliability Standards applicable to a Generator Operator; and, (ii) be liable for all penalties assessed by NERC, FERC or WECC for violations of the NERC Reliability Standards applicable to a Generator Operator.

(f) Notwithstanding any provision of this Agreement, Seller acknowledges that Buyer has no obligation to register with NERC as a Generator Operator or any other applicable NERC registration category with respect to the Facility, as a result of this Agreement, or to comply with any NERC Reliability Standards or requirements thereunder applicable to the Facility.

3.3 Compliance Expenditure Cap.

(a) If Seller establishes to Buyer's reasonable satisfaction that a change in Applicable Law occurring after the Effective Date has increased Seller's cost to comply with Seller's obligations under Sections 2.10(d), 3.2(b)-(e), or 7.3 of this Agreement (such Seller-incurred costs, the "Compliance Expenditures"), then the Parties agree that the maximum aggregate amount of Compliance Expenditures Seller shall be required to bear during the Delivery Term shall be capped at [REDACTED] per Contract Year and [REDACTED] in the aggregate over the Term ("Compliance Expenditure Cap"). Any actions required for Seller to comply with its obligations set forth in this Section 3.3(a), the cost of which will be included in the Compliance Expenditure Cap, shall be referred to collectively as the "Compliance Actions."

(b) Seller shall use commercially reasonable efforts to provide Buyer with five (5) Days written notice of any Compliance Expenditures incurred by Seller that Seller reasonably believes should be counted against the Compliance Expenditure Cap, but failure of Seller to provide Buyer with notice within such time will not impact whether such Compliance Expenditure is permitted to be counted against the Compliance Expenditure Cap. If Seller reasonably anticipates the need to incur Compliance Expenditures in excess of the Compliance Expenditure Cap, Seller shall notify Buyer of such Compliance Expenditures. Buyer shall have sixty (60) Days from the receipt of such Notice to evaluate such Notice (during which time period Seller is not obligated to incur out-of-pocket expenses in excess of the Compliance Expenditure Cap) and shall, within such time, either (1) agree to reimburse Seller for the Compliance Expenditure amount that

exceeds the Compliance Expenditure Cap (such Buyer-agreed upon costs, the “Accepted Compliance Expenditures”), or (2) waive Seller’s obligation to take the identified Compliance Actions. If Buyer does not respond to a Notice given by Seller under this Section 3.3(b) within sixty (60) days after Buyer’s receipt of same, Buyer shall be deemed to have waived its rights to require Seller to take the Compliance Actions that are the subject of the Notice, and Seller shall have no further obligation to take, and no liability for any failure to take, these Compliance Actions for the remainder of the Term. If Buyer agrees to reimburse Seller for the Accepted Compliance Expenditures, then Seller shall take such Compliance Actions covered by the Accepted Compliance Costs as agreed upon by the Parties and Buyer shall reimburse Seller for Seller’s Compliance Expenditures that exceed the Compliance Expenditure Cap within sixty (60) days from the time that Buyer receives an invoice and documentation of such costs from Seller.

3.4 Defaults; Remedies; Termination Payment.

(a) Default. Each of the following shall constitute an “Event of Default” hereunder:

(i) A Party has made a representation or warranty herein that is false or incorrect in a material respect that has a material adverse effect on the other Party (the non-defaulting Party), and the non-defaulting Party provides to other Party notice of the same, and: (A) such misrepresentation or breach of warranty is not remedied within twenty (20) Business Days after notice is received by the defaulting Party; or (B) if such inaccuracy is not capable of being remedied, but the non-defaulting Party’s damages resulting from such inaccuracy can be reasonably ascertained, then if payment of such damages is not made within ten (10) Business Days after a notice of such damages is provided by the non-defaulting Party to the defaulting Party;

(ii) A Party fails to pay any amount due hereunder, where such failure is not cured within ten (10) Days after written notice from the other Party of such failure to pay;

(iii) A Party has (a) filed or otherwise commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or the taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets, (b) failed, or admitted in writing its inability generally, to pay its debts as such debts become due, (c) made a general assignment for the benefit of creditors, which excludes collateral assignment to Lenders pursuant to Section 8.2(b)(i), (d) been adjudicated bankrupt or has filed a petition or an answer seeking an arrangement with creditors, (e) taken advantage of any insolvency law or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding, (f) become subject to an order, judgment or decree for relief, entered in an involuntary case, without the application, approval or consent of such Party by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for a substantial part of any of its assets and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive Days, (g) failed to remove or stay an involuntary petition in bankruptcy filed against it within sixty (60) Days of the filing thereof, or (h) become subject to an order for relief under the provisions of the United States Bankruptcy Act, 11 U.S.C. § 301;

(iv) Seller fails to maintain Site Control, if such default has not been cured by Seller within thirty (30) Days after receiving written notice from Buyer;

(v) Seller fails to post or maintain Development Security or Operating Security in compliance with Section 3.6 and such default is not cured within ten (10) Business Days after notice from Buyer;

(vi) Seller fails to obtain CEC Certification and Verification within ninety (90) Days of the Commercial Operation Date or Seller fails to maintain such status thereafter through the end of the Term, or the Facility fails to qualify as an ERR and any Energy from the Facility sold to Buyer fails to qualify as eligible renewable energy for purposes of the California Renewables Portfolio Standard, and such failure is not cured within ten (10) Business Days after notice;

(vii) Except as otherwise provided herein, during the Term, Seller assigns, transfers, conveys, encumbers, sells, or otherwise disposes of all or any portion of the Product that is to be sold and delivered to Buyer under this Agreement to any person other than Buyer, or Seller delivers, or attempts to schedule or deliver, energy to the Delivery Point to satisfy its obligations under this Agreement that was not generated by or attributable to the Facility;

(viii) Except as otherwise provided herein, Seller installs Capacity in excess of the Contract Capacity at the Facility and such excess generating capacity is not removed within thirty (30) Days after notice from Buyer;

(ix) Seller fails to deliver Energy together with Excused Energy during a Performance Period in a quantity greater than seventy percent (70%) of the sum of the Minimum Annual Energy Production corresponding to the two (2) Contract Years of the Performance Period;

(x) Seller has not sold or delivered Energy from the Facility to Buyer for a period of twelve (12) consecutive months after the Commercial Operation Date, except due to during the pendency of, and to the extent required by (A) a Force Majeure Event, (B) a Buyer Curtailment Order, (C) a Curtailment Period, provided such Curtailment Period is not attributable to Seller's breach of its obligations under this Agreement or the Interconnection Agreements, or (D) a period of Seller suspension due to a Buyer Event of Default pursuant to Section 3.4(b)(ii); or

(xi) Any other default in performance or observance by a Party of any agreement, undertaking, covenant or other obligation contained in this Agreement that has a material adverse effect on the other Party if such default has not been cured by the defaulting Party within thirty (30) Days after receiving written notice from the non-defaulting Party setting forth, in reasonable detail, the nature of such default and its impact on the non-defaulting Party; provided, however, that, in the case of any such default that is not reasonably capable of being cured within the thirty (30) Day cure period, the defaulting Party shall have up to an additional sixty (60) Days if it commences to cure the default within such initial thirty (30) Day cure period and it diligently and continuously pursues such cure.

(b) Remedies. Upon the occurrence of, and during the continuation of, an Event of Default by a Party, the non-defaulting Party shall have the right but not the obligation to:

(i) Subject to Section 8.8, pursue all remedies given under this Agreement or now or hereafter existing at law, in equity or otherwise;

(ii) Suspend performance of its obligations and duties hereunder immediately upon delivering written notice to the defaulting Party of its intent to exercise its suspension rights; and

(iii) Terminate this Agreement by notice to the other Party, designating a Day no less than thirty (30) Days after such notice, as an early termination date (the “Early Termination Date”) to accelerate all amounts then owing between the Parties and to liquidate and terminate this Agreement.

(c) Termination Payment.

(i) During the Term, as soon as practicable after the declaration of an Early Termination Date, notice shall be given by the non-defaulting Party to the defaulting Party of the amount of the Termination Payment. The non-defaulting Party shall calculate the Termination Payment in a commercially reasonable manner as of the Early Termination Date. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The Termination Payment, if any, shall be made by the Party owing the Termination Payment within five (5) Business Days after such notice is effective and shall bear interest at the Prime Rate from the due date until paid.

(ii) “Termination Payment” means an amount equal to the sum of all Losses (if any) and all Costs (if any) incurred by the non-defaulting Party as a result of the termination of this Agreement, plus all amounts then currently due from the defaulting Party to the non-defaulting Party under this Agreement, minus all amounts due to the defaulting Party under this Agreement, so that all such amounts shall be netted to a single liquidated amount payable by the defaulting Party to the non-defaulting Party.

(iii) If the defaulting Party disputes the non-defaulting Party’s calculation of the Termination Payment, in whole or in part, the defaulting party shall, within ten (10) Business Days of receipt of the non-defaulting Party’s calculation of the Termination Payment, provide to the non-defaulting Party a detailed written explanation of the basis for such dispute. Disputes regarding the Termination Payment shall be resolved in accordance with Section 8.16. Notwithstanding any provision of this Agreement, Buyer and Seller shall each have a duty to mitigate damages pursuant to this Agreement, and each shall use reasonable efforts to minimize any damages it may incur as a result of the other Party’s non-performance of this Agreement, including with respect to termination of this Agreement.

3.5 *Specific Performance; Injunctive Relief.*

Each Party shall be entitled to seek a decree compelling specific performance with respect to, and shall be entitled, without the necessity of filing any bond, to seek the restraint by injunction of, any actual or threatened breach of any material obligation of the other Party under this Agreement. The Parties in any action for specific performance or restraint by injunction agree that they shall each request that all expenses incurred in such proceeding, including reasonable counsel fees, be apportioned in the final decision based upon the respective merits of the positions of the Parties.

3.6 *Seller’s Financial Support Obligations.*

(a) Development Security. Seller shall provide to Buyer as security for the performance of Seller's obligations hereunder, either (a) a Letter of Credit from a Qualified Institution reasonably acceptable to Buyer, or (b) a cash deposit; in either case in an amount equal to [REDACTED] (the "Development Security"). Seller shall post the Development Security by the later to occur of April 14, 2020 or five (5) Business Days after Buyer executes the Agreement. Buyer shall have the right to draw upon the Development Security, at Buyer's sole discretion, in the event Seller fails to make any payments due and owing under this Agreement or to reimbursement Buyer for costs or damages, including Daily Delay Damages, that Buyer has incurred as a result of Seller's failure to perform its obligations under this Agreement, if Seller has not cured such non-payment within ten (10) Days after receipt of written notice from Buyer of the non-payment. Within five (5) Business Days following any draw by Buyer on the Development Security, Seller shall replenish the amount drawn such that the Development Security is restored to the full amount; provided that the aggregate amount of all replenishments of the Development Security under this provision shall be capped at 100% of the amount of the Development Security (i.e. one full replenishment). Buyer shall release the Development Security, less amounts drawn, if any, to Seller upon the earlier of (i) the termination of this Agreement in accordance with its terms; or (ii) the tenth (10th) Business Day after Seller posts the Operating Security pursuant to Section 3.6(b). Upon the consent of Buyer, with respect to cash held as Development Security, Seller may elect to apply and maintain the unused portion of the Development Security, if any, as a portion of Operating Security pursuant to Section 3.6(b).

(b) Operating Security. As a condition of Buyer's continuing obligation under this Agreement, Seller shall provide to Buyer as security for the performance of Seller's obligations during the Delivery Term, either (a) a Letter of Credit from a Qualified Institution reasonably acceptable to Buyer, or (b) a cash deposit; in either case, in an amount equal to [REDACTED] (the "Operating Security"). Seller shall post the Operating Security on or prior to the Commercial Operation Date and maintain the Operating Security until the end of the Term. Buyer shall have the right to draw upon the Operating Security, at Buyer's sole discretion, in the event Seller fails to make any payments owing under this Agreement or to reimburse Buyer for costs or damages that Buyer has incurred as a result of Seller's failure to perform under this Agreement, if Seller has not cured such non-payment within ten (10) Days after receipt of written notice from Buyer of the non-payment. Within five (5) Business Days following any draw by Buyer on the Operating Security, Seller shall replenish the amount drawn such that the Operating Security is restored to the full amount; provided that the aggregate amount of all replenishments of the Operating Security under this provision shall be capped at 100% of the amount of the Operating Security (i.e. one full replenishment). Buyer shall release the Operating Security, less amounts drawn, if any, to Seller upon the earlier of (i) termination of this Agreement in accordance with its terms; and (ii) on the fifteenth (15th) Business Day after the expiration of the Term.

(c) With respect to any Letter of Credit posted hereunder, on or before the date that is thirty (30) days prior to the expiration date of any Letter of Credit, Seller shall cause the Letter of Credit to be renewed or replaced with another Letter of Credit in an equal amount. Buyer shall have the right to draw on a Letter of Credit, at Buyer's sole discretion if (A) such Letter of Credit has not been renewed or replaced at least thirty (30) days prior to the date of its expiration or (B) the issuer is no longer a Qualified Institution and Seller has not caused a replacement Letter of

Credit to be issued for the benefit of Buyer within ten (10) Business Days of such issuer no longer qualifying as a Qualified Institution; provided that if Buyer draws upon any Letter of Credit for the foregoing reasons and Seller subsequently posts a replacement Letter of Credit or extends or renews a Letter of Credit (in the case of (A) above), the proceeds of Buyer's drawing shall be returned to Seller.

ARTICLE 4

BILLING AND PAYMENT; METERING AND MEASUREMENT

4.1 Billing; Payment.

(a) Billing and payment for Product sold to and purchased by Buyer under this Agreement and any other amounts due and payable hereunder, including Buyer's payments for Available Energy, if any, shall be as follows:

(i) Commencing on the Effective Date and continuing throughout the Term, Seller shall, consistent with Section 4.2, calculate: (A) the amount of Energy delivered to Buyer at the Delivery Point from recordings produced by the Meter(s) for the Facility on or near the last Day of each calendar month through last Day of the final Contract Year; and (B) the amount of Available Energy, if any, for each calendar month through the last Day of the final Contract Year.

(ii) No later than the tenth (10th) Day of each calendar month during the Term and for the first calendar month following the expiration thereof, Seller shall deliver to Buyer an invoice showing (A) the amount of Energy delivered to Buyer by Seller at the Delivery Point (which deliveries shall be adjusted to reflect Electrical Losses to the Delivery Point in accordance with Section 4.2(a)) during the preceding calendar month of the Term, and Seller's computation of the amount due Seller in respect thereof; (B) the amount, if any, of Available Energy during the preceding calendar month of the Delivery Term, and Seller's computation of the amount due Seller in respect thereof; and (C) any other amounts owed by one Party to the other Party pursuant to this Agreement; provided, however, that prior to the beginning of the Delivery Term, Seller's invoices shall include the CAISO Settlement Price for delivered Energy and Seller's invoices shall not include Available Energy amounts. Seller shall cooperate reasonably with any Buyer request to modify the format, or level of detail, of Seller invoices pursuant to this Agreement.

(iii) Prior to the Delivery Term, Buyer shall pay to Seller the undisputed amount of each invoice by the later of either the twentieth (20th) calendar day of the month or ten (10) Days after receipt of the CAISO Settlement Price (unless such Day is not a Business Day, in which case such payment shall be due on the next succeeding Business Day). Buyer may adjust future payments to Seller to account for any recalculation of the CAISO Settlement Price for previously paid Energy deliveries. To the extent Seller owes Buyer any amounts hereunder, including damages payable to Buyer pursuant to Section 5.5, Buyer may set-off such amounts from Buyer's payments to Seller. Buyer shall make payment by wire transfer of immediately available funds to an account specified in writing by Seller or by any other means agreed to by the Parties in writing from time to time.

(iv) During the Delivery Term, Buyer shall pay to Seller the undisputed amount of each invoice by the later of either the twentieth (20th) calendar day of the month or ten (10)

Days after receipt of each invoice (unless such Day is not a Business Day, in which case such payment shall be due on the next succeeding Business Day). To the extent Seller owes Buyer any amounts hereunder, including damages payable to Buyer pursuant to Section 5.5, Buyer may set-off such amounts from Buyer's payments to Seller. Buyer shall make payment by wire transfer of immediately available funds to an account specified in writing by Seller or by any other means agreed to by the Parties in writing from time to time.

(b) Except as provided in Section 4.1(e), within one (1) year after receipt of any invoice, either Party may provide written notice to the other Party of any alleged error therein, and the Parties shall meet, by telephone conference call or otherwise, within ten (10) Business Days of the other Party's receipt of such notice, for the purpose of attempting to resolve the dispute. If the Parties are unable to resolve the dispute within thirty (30) Days after such initial meeting, then either Party may proceed to seek any remedy that may be available to such Party at law or in equity.

(c) Except as otherwise provided in this Agreement, all payments hereunder shall be made without set-off or deduction. Any payment not made by the date required by this Agreement shall bear interest from the date on which such payment was required to have been made through and including the date such payment is actually received at an annual rate equal to the Prime Rate then in effect plus two percent (2%), but in no event shall such interest exceed the maximum interest rate permitted by Applicable Law ("Late Payment Rate"). If, as a result of a dispute settled in favor of Buyer, a refund is owed to Buyer, then the amount of the overpayment shall bear interest from the date on which such payment was made by Buyer through and including the date that the overpayment is refunded by Seller at an annual rate equal to the Late Payment Rate.

(d) Statements or invoices shall be sent to Buyer by mail, facsimile, or E-mail to:

Valley Clean Energy Alliance
604 2nd Street, Davis, California 95616
Attn: Director, Finance and Operations
Telephone: 530-446-2752
E-mail: Alisa.Lembke@valleycleanenergy.org

Statements or invoices shall be sent to Seller by mail or facsimile to:

Rugged Solar LLC
c/o Clean Focus Renewables, Inc.
150 Mathilda Pl # 106
Sunnyvale, CA 94086
Attn: Accounting
Telephone: (408) 329-9280
Facsimile:
E-mail: accounting@cleanfocus.net

Either Party may change the address or facsimile number by providing written notice to the other Party.

(e) If Seller or Buyer determines that a calculation of delivered Product or CAISO Penalties is incorrect as a result of inaccurate Meters, the correction of data by the CAISO in MRI-S, or a recalculation of CAISO Penalties or other amounts owing between the Parties, Seller or Buyer, as the case may be, shall promptly recompute the delivered Product, CAISO Penalties, or other amounts for the period of the inaccuracy based upon an adjustment of inaccurate Meter readings, correction of data or recalculation of CAISO Penalties in accordance with the CAISO Tariff and any payment affected by the adjustment or correction. Any amount due from Buyer to Seller, or Seller to Buyer, as the case may be, will be made as an adjustment to the next monthly payment statement that is calculated after Seller's or Buyer's recomputation using corrected measurements. If the recomputation results in a net amount owed to Buyer after applying any amounts owing to Seller as shown on the next monthly payment statement, any such amount owing to Buyer shall, at Buyer's discretion, be netted against amounts owed to Seller in any subsequent monthly payment invoice or be separately invoiced to Seller, in which case Seller must pay the amount owing to Buyer within twenty (20) days after receipt of that invoice. Buyer or Seller may make payment adjustments arising from a recalculation of CAISO Penalties or as a result of inaccurate Meters after the end of a Contract Year. Adjustment payments for Meter inaccuracy will not bear interest.

4.2 Metering Equipment.

(a) During the Delivery Term, Seller shall: (i) provide and maintain, at its cost, all metering and recording equipment necessary to meet all applicable WREGIS, CEC and CPUC requirements to permit an accurate determination of the quantities of Green Attributes generated by the Facility; (ii) provide and maintain, at its cost, Meter(s) and associated measuring and recording equipment necessary to meet all applicable CAISO requirements to permit an accurate determination of the quantities of Energy delivered to the Delivery Point under this Agreement; (iii) measure all deliveries of Energy through Seller's CAISO revenue Meter(s) assigned to the Facility located closest to the Delivery Point; (iv) ensure that Meter(s), and any Back Up Meter(s), shall be adjusted to reflect Seller's deliveries of Energy at the Delivery Point using a formula reasonably acceptable to Buyer to account for Electrical Losses associated with transmission of Energy to the Delivery Point; and, (v) exercise reasonable care in the maintenance and operation of any such Meter(s) and Back Up Meter(s) so as to assure to the maximum extent reasonably practicable an accurate determination of the quantities of Energy delivered to Buyer at the Delivery Point under this Agreement. A metering diagram is attached as **Exhibit C**.

(b) During the Term, all Energy from the Facility must be delivered through Meter(s) and Back-Up Meter(s), as applicable, and must be measured by the Meter(s) or Back-Up Meter(s) to be eligible for payment under this Agreement. Seller shall bear all costs relating to Meter(s) installed to measure the delivery of Energy, except for Back-Up Meter(s) installed at the direction of Buyer, which costs to purchase, install and maintain such Back-Up Meter(s) installed at the direction of Buyer shall be borne by Buyer. Seller hereby agrees to obtain and provide all Meter data, including all inspection, testing and calibration data and reports, to Buyer in a form reasonably acceptable to Buyer, and consents to Buyer obtaining from the CAISO the CAISO meter data applicable to the Facility and all related inspection, testing and calibration data and reports. Seller shall grant Buyer the right to access and retrieve the meter reads from the CAISO Market Results Interface – Settlements (MRI-S) application and/or directly from the Meter(s) at the Site; provided, any such access to the Site be in a manner consistent with the access provisions

of Section 5.6. If the CAISO adjusts any CAISO Meter data related to a specific time period, Seller agrees that it shall, pursuant to Section 4.1(e), submit revised monthly invoices related to such time period in order to reconcile past invoices to conform fully with such CAISO Meter data adjustments. Seller shall submit any such revised invoice no later than thirty (30) days from the date on which it receives from the CAISO such binding adjustment to the Meter data.

(c) Seller shall test and calibrate the Meter(s), as necessary, but in no event shall the period between testing and calibration dates be greater than twelve (12) months. Seller shall bear the cost for any Meter check or recertification of the Meter(s); provided, Buyer shall reimburse Seller the costs associated with recertification of a Back-up Meter installed at the direction of Buyer. Seller shall replace Meter and Back-Up Meter batteries at least once every thirty-six (36) months, or such shorter period as may be recommended by the Meter or Back-Up Meter manufacturer. Notwithstanding the foregoing, if a Meter or Back-Up Meter battery fails, Seller shall replace such battery within one (1) day after becoming aware of its failure. Seller shall use certified test and calibration technicians to perform any work associated with Meter(s) and Back-Up Meter(s), and Seller shall provide Buyer certified results of tests and calibrations within thirty (30) days after completion.

(d) Buyer is permitted, but not obligated, to request, at Buyer's sole cost and expense, that Seller furnish and install one or more Back-Up Meters at locations of Buyer's choosing. All such Back-Up Meters shall be CAISO approved and the readings from each such Back-Up Meter shall be adjusted to reflect Seller's Energy deliveries to Buyer at the Delivery Point, taking into account Electrical Losses.

(e) All of the Meters and Back-Up Meters shall be locked or sealed, and the lock or seal shall be broken only for purposes of testing, calibration, or adjustment. If any Meter or Back-Up Meter is found to be defective or inaccurate, it shall be adjusted, repaired, replaced, and/or recalibrated as near as practicable to a condition of zero error by the Seller at the expense of the Party owning such defective or inaccurate device. Each Party grants the other Party the right to request additional tests of such Party's Meter(s) or Back-Up Meter(s), as applicable, with reasonable prior notice and at reasonable time in order to verify the accuracy of such Meter(s) or Back-Up Meter(s) and the Party owning such Meter or Back-Up Meter shall perform such additional tests; provided, such inspections and verifications shall be at the requesting Party's sole expense and shall not occur more than two (2) times each Contract Year for each Meter or Back-Up Meter during the Term; provided that if a test of a Meter or Back-Up Meter determines that the Meter or Back-Up Meter is inaccurate by more than one half percent (0.5%), the Party owning the Meter or Back-Up Meter shall pay for such test and such test shall not count towards the two test per Contract Year for each Meter or Back-Up Meter limit described above.

(f) If a Meter or Back-Up Meter fails to register, or if the measurement made by a Meter or Back-Up Meter is found upon testing to be inaccurate by more than one half percent (0.5%), an adjustment shall be made correcting all measurements by the inaccurate or defective Meter or Back-Up Meter for both the amount of the inaccuracy and the period of the inaccuracy, in the following manner:

(i) In the event that a Meter is found to be defective or inaccurate, the Parties shall use readings from a Back-Up Meter, if installed, to determine the amount of such inaccuracy;

provided, however, that such Back-Up Meter has been tested and maintained in accordance with the provisions of this Agreement. If there is no Back-Up Meter, or such Back-Up Meter is also found to be inaccurate by more than one half percent (0.5%), the Parties shall estimate the amount of the necessary adjustment on the basis of deliveries of Energy from the Facility to the Delivery Point during periods of similar operating conditions when the Meter was registering accurately. The adjustment shall be made for the period during which inaccurate measurements were made.

(ii) If the Parties cannot agree on the actual period during which the inaccurate measurements were made, the period during which the measurements are to be adjusted shall be the shortest of (A) the last one-half of the period from the last previous test of the Meter to the test that found the Meter to be defective or inaccurate, (B) the last one-half of the period from the last previous test of the Back-Up Meter to the test that found the Back-Up Meter to be defective or inaccurate, or (C) the one hundred eighty (180) days.

(g) Notwithstanding any provisions set forth in this Section 4.2, to the extent there is an inconsistency between this Agreement and the provisions of the CAISO Tariff or Metering Services Agreement, the CAISO Tariff or Metering Services Agreement shall control.

4.3 Maintenance; Records.

During the Term, Seller shall provide Buyer reports indicating the amount of Energy delivered to Buyer at the Delivery Point from recordings produced by the Meter(s) for the Facility. Seller shall provide reports on a frequency, and in a format, as reasonably requested by Buyer. Buyer shall have the right to be present whenever Seller reads, cleans, changes, repairs, inspects, tests, calibrates, or adjusts the Meter(s), Back-Up Meter(s), or any of Seller's equipment used in measuring or checking the measurement of the amount of Energy delivered to the Delivery Point during the Term; provided, any such access to the Site be in a manner consistent with the access provisions of Section 5.6. Seller shall give at least two (2) Business Days' notice to Buyer in advance of taking any such actions. The records from the measuring equipment shall remain the property of Seller, but, upon request, Seller shall submit to Buyer its records and charts, together with calculations therefrom, for inspection, verification and copying, subject to return within ten (10) Days after receipt thereof. Seller agrees to retain such records for a period no less than two (2) years.

4.4 Electronic Communications.

During the Delivery Term, Seller shall provide Buyer, at Seller's sole expense, the instantaneous net MW flow updated every minute via file transfer protocol which represents the quasi real time electronic Meter data from the Facility. During the Delivery Term, Seller shall use commercially reasonable efforts to transmit to Buyer, on a real time basis, any other operational data from the Facility that Seller receives or possesses. During the Delivery Term, Seller, at its own expense, shall: (a) install and maintain at least one (1) stand-alone meteorological station (the "Meteorological Station") at the Site to monitor and report meteorological data; (b) install and maintain additional Meteorological Stations at the Facility, if any, required pursuant to the CAISO Tariff; (c) provide meteorological data to Buyer on the same basis on which Seller receives the data (e.g., if Seller receives the data in four second intervals, Buyer shall also receive the data in four second intervals); and (d) install a dedicated direct communication circuit (which may be by

common carrier telephone) between Buyer and the control center in the Facility's control room or such other communication equipment as the Parties may agree for the communication of such meteorological data to Buyer.

4.5 *Environmental Contamination.*

Seller shall disclose in writing to Buyer, the extent of, and as soon as it is known to Seller, any violation of any environmental laws or regulations arising out of the construction or operation of the Facility, or the presence of Environmental Contamination at the Facility or on the Site, alleged to exist by any Person or Governmental Authority having jurisdiction over the Site, or the existence of any past or present enforcement, legal, or regulatory action or proceeding relating to such alleged violation or alleged presence of Environmental Contamination.

ARTICLE 5 REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 *Seller's Representations and Warranties.*

(a) Seller represents and warrants as follows:

(i) Seller is a limited liability company, duly organized, validly existing, and in good standing under the laws of the State of California, and authorized to conduct business in the State of California;

(ii) Seller has the power and authority to enter into and perform this Agreement and is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement;

(iii) Seller has taken all action required by Applicable Law and its documents of formation in order to approve, execute and deliver this Agreement;

(iv) The execution and delivery of this Agreement, the consummation of the transactions contemplated herein, and the fulfillment of and compliance by Seller with the provisions of this Agreement will not conflict with or constitute a breach of, or a default under, any provisions of any law, rule or regulation, any order, judgment, writ, injunction, decree, determination, award or other instrument or legal requirement of any court or other agency of government, the documents of formation of Seller, or any contractual limitation, restriction or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness or any other agreement or instrument to which Seller is a party or by which it or any of its property is bound and will not result in a breach of or a default under any of the foregoing;

(v) Seller has taken all such action as may be necessary or advisable and proper to authorize this Agreement, the execution and delivery hereof, and the consummation of transactions contemplated hereby;

(vi) There are no bankruptcy, insolvency, or receiverships pending or being contemplated by Seller, or to its knowledge threatened against Seller;

(vii) There are no actions or proceedings pending or, to Seller's knowledge, threatened, and there are no judgments, rulings or orders issued by any court or other Governmental Authority, that would materially adversely affect Seller's ability to perform its obligations under this Agreement;

(viii) This Agreement is a legal, valid and binding obligation of Seller enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditor's rights or by the exercise of judicial discretion in accordance with general principles of equity; and

(ix) Seller has procured or will procure prior to the commencement of the Delivery Term all easements or leases of real property required for the operation of the Facility at the Site and the performance of any obligations of Seller hereunder, and the terms of each are for periods of no less than the Term.

5.2 Buyer's Representations and Warranties.

(a) Buyer represents and warrants as follows:

(i) Buyer is a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 *et seq.*) and as such is duly organized, validly existing and in good standing under the laws of the State of California and authorized to conduct business in California;

(ii) Buyer has the power and authority to enter into and perform this Agreement and is not prohibited from entering into this Agreement or discharging and performing all covenants and obligations on its part to be performed under and pursuant to this Agreement;

(iii) Buyer has taken all action required by Applicable Law in order to approve, execute and deliver this Agreement;

(iv) The execution and delivery of this Agreement, the consummation of the transactions contemplated herein and the fulfillment of and compliance by Buyer with the provisions of this Agreement will not conflict with or constitute a breach of or a default under or require any consent, license or approval that has not been obtained pursuant to any of the terms, conditions or provisions of any law, rule or regulation, any order, judgment, writ, injunction, decree, determination, award or other instrument or legal requirement of any court or other agency of government, the documents of formation of Buyer or any contractual limitation, restriction or outstanding trust indenture, deed of trust, mortgage, loan agreement, lease, other evidence of indebtedness or any other agreement or instrument to which Buyer is a party or by which it or any of its property is bound and will not result in a breach of or a default under any of the foregoing;

(v) Buyer has taken all such action as may be necessary or advisable and proper to authorize this Agreement, the execution and delivery hereof, and the consummation of transactions contemplated hereby;

(vi) There are no bankruptcy, insolvency, reorganization or receiverships pending or being contemplated by Buyer, or to its knowledge threatened against Buyer;

(vii) There are no actions or proceedings pending or, to Buyer's knowledge, threatened, and there are no judgments, rulings or orders issued by any court or other governmental body that would materially adversely affect Buyer's ability to perform its obligations under this Agreement; and

(viii) This Agreement is a legal, valid and binding obligation of Buyer enforceable in accordance with its terms, except as limited by laws of general applicability limiting the enforcement of creditor's rights or by the exercise of judicial discretion in accordance with general principles of equity.

5.3 Seller's Covenants.

(a) Seller covenants that:

(i) At all times during the Term, the Facility shall be operated and maintained in accordance with this Agreement, Prudent Operating Practices, and Applicable Laws;

(ii) From the Effective Date through the expiration or termination of this Agreement, Seller shall comply with this Agreement and applicable provisions of the CAISO Tariff;

(iii) Except for assignments authorized in accordance with Section 8.2, Seller shall at all times own and operate the Facility;

(iv) Seller shall obtain, maintain, and remain in compliance with all Permits, Interconnection Agreements, and transmission and distribution rights necessary to operate the Facility and to deliver Product to Buyer, including Energy from the Facility to the Delivery Point;

(v) Seller shall maintain Site Control required for the operation of the Facility at the Site and the performance of any obligations of Seller hereunder;

(vi) Seller shall cause its employees to comply with the Occupational Safety and Health Act, and the rules promulgated thereunder by the U.S. Department of Labor, and all applicable California statutes and regulations affecting job safety; and

(vii) Seller shall comply with all applicable federal, state and local laws, statutes, ordinances, rules and regulations, and the orders and decrees of any courts or administrative bodies or tribunals, including, without limitation employment discrimination laws and prevailing wage laws.

5.4 Buyer's Covenants.

(a) Buyer's Reporting of Financial and Credit Information. Beginning on the first full calendar quarter of the Term and continuing until the expiration of the Term, Buyer shall provide to Seller the following reports and information:

(i) within sixty (60) days after the end of each fiscal quarter: (1) the number of customers of Buyer by customer category (including retail, commercial and industrial) as of the

end of such fiscal quarter, (2) Buyer's Historical Load Served for the prior quarter and (3) unaudited quarterly financial statements of Buyer;

(ii) within one hundred twenty (120) days after the end of each fiscal year, annual audited financial statements of Buyer (including a balance sheet and statements of income and cash flows), all prepared in accordance with generally accepted accounting principles in the United States, consistently applied; and

(iii) concurrently with the delivery by Buyer of Buyer's quarterly financial statements for each fiscal quarter that ends on a Coverage Ratio Test Date, Buyer shall provide to Seller Buyer's calculation (with a reasonable level of detail and explanation) of the Coverage Ratio as of such Coverage Ratio Test Date.

(b) Buyer Financial Covenants.

(i) Subject to Section 5.4(b)(ii) below, if at any time after the Effective Date, the Coverage Ratio as of any Coverage Ratio Test Date is less than the Minimum Coverage Ratio, Seller may demand in writing that Buyer deliver to Seller, and Buyer agrees that it shall deliver to Seller within thirty (30) days after such written demand from Seller, Buyer Performance Assurance. Buyer shall maintain such Buyer Performance Assurance until such time that the Coverage Ratio is equal to or greater than the Minimum Coverage Ratio as of a Coverage Ratio Test Date. If, at any time after Buyer has delivered Buyer Performance Assurance to Seller as required by this subsection (b), (x) the Coverage Ratio is equal to or greater than the Minimum Coverage Ratio as of a Coverage Ratio Test Date and (y) no Event of Default with respect to which Buyer is the Defaulting Party has occurred and is continuing, Seller shall reasonably promptly release to Buyer such Buyer Performance Assurance; provided, however, that if the Coverage Ratio as of any subsequent Covenant Ratio Test Date is less than the Minimum Coverage Ratio, Seller may again demand that Buyer deliver to Seller, and Buyer must again deliver to Seller, Buyer Performance Assurance in accordance with the requirements of this subsection (b).

(ii) During any period of time that a Suspension Event has occurred and is continuing, then, beginning on the Coverage Ratio Test Date, Buyer shall not be required to comply with the covenant in clause (i) above (the "Coverage Ratio Covenant"). If Buyer is not required to comply with the Coverage Ratio Covenant for any period of time as a result of the preceding sentence and, subsequently, (x) Moody's or S&P withdraws its Credit Rating for Buyer or downgrades the Credit Rating of Buyer so that Buyer does not have an Investment Grade Credit Rating or (y) an Event of Default with respect to which Buyer is the Defaulting Party occurs and is continuing, the Suspension Event shall cease to be in effect and Buyer shall thereafter be required to comply with the Coverage Ratio Covenant from and after the first Coverage Ratio Test Date immediately following the date on which the Suspension Event ceases to be in effect.

(iii) If the Buyer Performance Assurance is a Buyer Letter of Credit and (i) the issuer of such Buyer Letter of Credit fails to maintain its Credit Rating, (ii) Buyer fails to renew such Buyer Letter of Credit at least thirty (30) days prior to its expiration date or (iii) the issuer fails to honor Seller's properly documented request to draw on such Buyer Letter of Credit by such issuer, Buyer shall have five (5) Business Days to either post Buyer Cash Collateral or deliver a substitute Buyer Letter of Credit that meets the requirements herein. Seller shall have the full right

to draw upon the Buyer Performance Assurance in whole or part at any time and from time to time following the occurrence of a Buyer Event of Default, if Buyer has not cured such Buyer Event of Default within ten (10) Days after receipt of written notice of a Buyer Event of Default from Seller. Within ten (10) days following any such draw, Buyer shall cause the Buyer Performance Assurance to be replenished to its original amount.

(c) Cooperation with Financing Parties. Buyer shall cooperate with Seller and any of Seller's financing counterparties to execute and arrange for the delivery of certificates, consents, opinions, estoppels, direct agreements, amendments and any other documents and information reasonably requested in connection with the debt or equity (including tax equity) financing of the Facility.

5.5 *Guaranteed Energy Production; Full Capacity Deliverability Status.*

(a) Guaranteed Energy Production.

(i) During each Performance Period, Seller shall deliver to Buyer an amount of Energy together with Excused Energy no less than eighty-five percent (85%) of the sum of the Minimum Annual Energy Production corresponding to the two (2) Contract Years of the Performance Period (the "Guaranteed Energy Production").

(ii) In the event Seller's Energy deliveries together with Excused Energy are less than eight-five percent (85%) of the sum of the Minimum Annual Energy Production corresponding to the two (2) Contract Years of the Performance Period (the difference a "Shortfall Amount"), Buyer shall be entitled to receive liquidated damages in the amount of the Shortfall Amount multiplied by \$█/MWh (the "GEP Damages").

(iii) Within thirty (30) Days of the end of each Contract Year, Seller shall provide to Buyer Seller's calculation of the Energy delivered to the Delivery Point together with Excused Energy during the preceding Contract Year. Buyer shall have thirty (30) days following receipt of such calculation to dispute the calculation therein, after which time the calculation shall be binding on the Parties. Any disputes regarding such calculation shall be resolved pursuant to Section 8.16.

(iv) Within sixty (60) Days of the end of each Performance Period, Buyer shall provide notice to Seller if Seller failed to satisfy the Guaranteed Energy Production along with Buyer's calculation of the Shortfall Amount and GEP Damages; provided, however, that Buyer's failure to provide such notice shall not constitute as a waiver of Buyer's right to collect GEP Damages.

(v) The Parties agree and acknowledge that the damages sustained by Buyer associated with Seller's failure to satisfy the Guaranteed Energy Production would be difficult or impossible to determine, or that obtaining an adequate remedy would be unreasonably time consuming or expensive, and therefore agree that the GEP Damages are a reasonable approximation of such damages. Buyer shall have the right to set off any GEP Damages against payments due to Seller.

(b) Full Capacity Deliverability Status ("FCDS").

(i) Seller's Obligation to Obtain FCDS. Seller shall apply to the CAISO to obtain FCDS for the Contract Capacity as soon as practical, but no later than December 1, 2021. Failure by Seller to apply for and to use commercially reasonable efforts to obtain FCDS shall be a Seller Event of Default pursuant to Section 3.4(a)(xii) and shall entitle Buyer to pursue remedies set forth in Section 3.4(b); provided, however, that if Seller has used commercially reasonable efforts to obtain FCDS, Seller's failure to obtain FCDS shall not be an Event of Default; provided, Seller shall not be obligated to pursue FCDS if either (i) the sum of Seller's out-of-pocket costs of studies, associated reports and nonrefundable network upgrade costs needed to apply for and secure FCDS exceeds [REDACTED] or (ii) Seller obtains any Interconnection Study results that indicate the cost of refundable network upgrades necessary to obtain FCDS would exceed [REDACTED].

(ii) Delivery of Capacity Rights. For Seller to obtain the Contract Price corresponding to having obtained FCDS, Seller shall have delivered Capacity Rights to Buyer for the corresponding Showing Month of the Delivery Term. The total amount of Capacity Rights identified and confirmed for each day of such Showing Month shall equal the then applicable Net Qualifying Capacity of the Facility. Seller shall deliver the Capacity Rights by submitting the Facility and its Net Qualifying Capacity to the CAISO in Seller's Supply Plan. Seller shall submit, or cause Seller's SC to submit, on a timely basis with respect to each applicable Showing Month, Supply Plans in accordance with the CAISO Tariff and CPUC requirements to identify and confirm the Net Qualifying Capacity delivered to Buyer. Seller shall confirm the Net Qualifying Capacity of the Facility to Buyer no later than the Notification Deadline for the relevant Showing Month. If CAISO rejects either the Supply Plan or the Resource Adequacy Plan with respect to any part of the Net Qualifying Capacity for the Facility in any Showing Month, the Parties shall confer, make such corrections as are necessary for acceptance, and resubmit the corrected Supply Plan or Resource Adequacy Plan, as applicable, for validation before the applicable deadline for the Showing Month. The Capacity Rights shall be deemed delivered and received when the CIRA Tool shows the Supply Plan accepted for the Net Qualifying Capacity from the Facility by CAISO or Seller complies with Buyer's instruction to withhold all or part of the Net Qualifying Capacity from Seller's Supply Plan for any Showing Month during the Delivery Term but Seller otherwise delivers the amount of Net Qualifying Capacity that Buyer does not direct Seller to withhold. Seller has failed to deliver the Capacity Rights if (i) Buyer has elected to submit the Net Qualifying Capacity from the Facility in its Resource Adequacy Plan and such submission is accepted by the CPUC and the CAISO but the Supply Plan and Resource Adequacy Plan are not matched in the CIRA Tool and are rejected by CAISO, or (ii) Seller fails to submit in its Supply Plan the volume of Net Qualifying Capacity for any Showing Month in such amount as instructed by Buyer for the applicable Showing Month. Buyer will have received the Net Capacity Rights if (i) Seller's Supply Plan is accepted by the CAISO for the applicable Showing Month or (ii) Seller complies with Buyer's instruction to withhold all or part of the Net Qualifying Capacity from Seller's Supply Plan for the applicable Showing Month but Seller otherwise delivers the amount of Net Qualifying Capacity that Buyer does not direct Seller to withhold. Seller will not have failed to deliver the Capacity Rights if Buyer fails to submit or chooses not to submit the Facility and the Net Qualifying Capacity in its Resource Adequacy Plan with the CPUC or CAISO.

(iii) For any month of the Delivery Term after Seller has obtained FCDS, but during which Seller fails to deliver Capacity Rights for the full Qualifying Capacity for the entire month (each an "RA Shortfall Month"), Seller shall owe to Buyer, as liquidated damages, an amount equal to the product of the difference, expressed in kW, of (A) the Qualifying Capacity of

the Facility, minus (B) the Net Qualifying Capacity of the Facility (such difference, the “RA Deficiency Amount”), multiplied by the price for CPM Capacity as listed in Section 43.7.1 of the CAISO Tariff (or its successor); provided, Seller may, as an alternative to paying some or all of the RA Deficiency Amounts, provide Replacement RA, provided that any Replacement RA capacity is communicated by Seller to Buyer with Replacement RA product information in a written notice at least fifty (50) Business Days before the applicable CPUC operating month for the purpose of monthly RA reporting.

5.6 Access Rights.

Upon reasonable prior notice and subject to the prudent safety requirements of Seller, and Applicable Law relating to workplace health and safety, Seller shall provide Buyer and its authorized agents, employees, contractors and inspectors with reasonable access to the Facility: (a) for the purpose of reading or testing metering equipment; and, (b) for other reasonable purposes at the reasonable request of Buyer; provided, such access shall take place during normal business hours and Buyer shall observe all applicable safety rules made known to Buyer’s employees, contractors and authorized agents and shall indemnify Seller for the actions of its employees, contractors and authorized agents for harm or liabilities caused by Buyer, its employees, contractors or authorized agents during such Site visits. Buyer shall release Seller against and from any and all liabilities resulting from actions or omissions in connection with Buyer’s visits to the Site, except to the extent that such damages are caused or exacerbated by the intentional or negligent act or omission of Seller or Seller’s contractors.

5.7 Facility Images.

Buyer shall not, without the prior consent of Seller (such consent not unreasonably withheld, conditioned or delayed) use any images from or of the Facility for promotional purposes.

ARTICLE 6 INDEMNIFICATION AND INSURANCE

6.1 Indemnity.

(a) Subject to Section 8.8 (waiver of certain damages):

(i) Each Party hereby protects, defends, indemnifies and holds harmless on an After-Tax Basis, the other Party, its Affiliates, directors, officers, employees and agents, from and against all claims, demands, causes of action, judgments, liabilities and associated costs and expenses (including reasonable attorney’s fees) arising from property damage, bodily injuries or death suffered by any Person (including, without limitation, employees of Buyer or Seller) related to, arising from, or connected to the representations, covenants or other obligations of the indemnifying party hereunder;

(ii) Seller shall defend, indemnify and hold harmless, on an After-Tax Basis, Buyer, its Affiliates, directors, officers, employees and agents, from and against all claims, demands, causes of action, judgments, liabilities and associated costs and expenses (including reasonable attorney’s fees) arising from Environmental Contamination (including claims brought pursuant to the Comprehensive Environmental Response, Compensation and Liability Act),

interference with, death or injury to birds or bats, or other injury or damage to flora, fauna or the environment, including any mitigation efforts requested or required by any Governmental Authority;

(iii) Seller shall defend, indemnify and hold harmless, on an After-Tax Basis, Buyer, its Affiliates, directors, officers, employees and agents, from and against all claims, demands, causes of action, judgments, liabilities and associated costs and expenses (including reasonable attorney's fees) arising from NERC standards non-compliance penalties or an attempt by any Governmental Authority, person or entity to assess such NERC standards non-compliance penalties against Buyer, except to the extent due to Buyer's negligence in performing its role as Scheduling Coordinator throughout the Term; and

(b) The indemnitor's liability to the indemnitee shall be reduced proportionately to the extent that an act or omission of the indemnitee may have contributed to the loss, injury, property damage, charges, fees or liability. Further, no indemnitee shall be indemnified hereunder for its loss, liability, injury and damage resulting from its sole negligence, fraud or willful misconduct. The indemnitor, upon the other Party's request, shall defend any suit asserting a claim covered by this indemnity and shall pay all costs, subject to the proportionality standard set forth above in the event of the indemnitee's contributory negligence, including reasonable legal fees, that may be incurred by the other Party in enforcing this indemnity; provided, that the indemnitor shall be entitled, at its option, to assume and control the defense with reasonable input from the indemnitee and any settlement of such suit shall first be submitted to the indemnitee for prior approval. If indemnitee fails to approve a settlement proposed by indemnitor, indemnitor may settle such claim on its behalf only, without relinquishing any rights of indemnitee. If the indemnitee fails to approve any such settlement, indemnitor's liability to the indemnitee will be capped at a level equal to the proposed settlement amount, plus attorney fees and expenses incurred by the indemnitee prior to the indemnitee's rejection of the proposed settlement. Each indemnity set forth in this Section 6.1 is a continuing obligation, separate and independent of the other obligations of each Party and survives the expiration or termination hereof. It is not necessary for a Party to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement.

6.2 Insurance.

(a) Seller, at its own cost and expense, shall maintain and keep in full force and effect from the date ninety (90) days after the Effective Date through the later of the date of expiration or termination of the Agreement, the following insurance coverage (collectively, the "Insurance Obligations"):

(i) Workers' Compensation Insurance for statutory obligations imposed by applicable state laws, and Employer's Liability Insurance with a minimum limit of one million dollars (\$1,000,000) for disease and injury to employees;

(ii) Commercial General Liability Insurance, including premises and operations, bodily injury, broad form property damage, products/completed operations, contractual liability and independent contractors protective liability all with minimum combined single limit liability of one million dollars (\$1,000,000);

(iii) Business Automobile Liability Insurance covering bodily injury and property damage with a combined single limit of not less than one million dollars (\$1,000,000) per occurrence. Such insurance shall cover liability arising out of Seller's use of all owned (if any), non-owned and hired automobiles in the performance of the Agreement;

(iv) Umbrella/Excess Liability Insurance, written on an "occurrence," not a "claims-made" basis, providing coverage excess of the underlying Employer's Liability, Commercial General Liability, and Business Automobile Liability insurance, on terms at least as broad as the underlying coverage, with limits of not less than ten million dollars (\$10,000,000) per occurrence and in the annual aggregate. The insurance requirements of this Section 6.2 can be provided by any combination of Seller's primary and excess liability policies; and

(v) Such insurance against loss or damage as is prudently carried by businesses operating facilities in the nature of the Facility.

(b) All insurance policies required to be obtained hereunder shall provide insurance for occurrences from the date ninety (90) days after the Effective Date through the expiration or termination of the Agreement. All insurance coverage, required by this Agreement, other than self-insurance, shall be issued by an insurer with an A.M. Best's rating of not less than "A-" or such other insurer as is reasonably acceptable to both Parties. The minimum insurance requirements specified herein do not in any way limit or relieve Seller of any obligation assumed elsewhere in this Agreement, including Seller's defense and indemnity obligations.

(c) All insurance policies shall include provisions or endorsements stating any cancellation or non-renewal of the insurance required by this Section 6.2 without thirty days (30) days prior written notice and cancellation for non-payment of premium shall be effective at least ten (10) days after the insurer provides notice of such cancellation to Buyer.

(d) The insurance required above shall apply as primary insurance to, without a right of contribution from, any other insurance maintained by or afforded to Buyer, its subsidiaries and Affiliates, and their respective officers, directors, shareholders, agents, and employees, regardless of any conflicting provision in Seller's policies to the contrary. To the extent permitted by Applicable Law, Seller and its insurers shall be required to waive all rights of recovery from or subrogation against Buyer, its subsidiaries and Affiliates, and their respective officers, directors, shareholders, agents, employees and insurers. The Commercial General Liability and Umbrella/Excess Liability insurance required above shall name Buyer, its subsidiaries and Affiliates, and their respective officers, directors, shareholders, agents and employees, as additional insureds for liability arising out of Seller's construction, ownership or operation of the Facility.

(e) Within ninety (90) days of the Effective Date, and within three (3) days after coverage is renewed or replaced, Seller shall furnish to Buyer certificates of insurance evidencing the coverage required above, written on forms and with deductibles reasonably acceptable to Buyer. All deductibles, co-insurance and self-insured retentions applicable to the insurance above shall be paid by Seller. Buyer's receipt of certificates that do not comply with the requirements stated herein, or Seller's failure to provide certificates, shall not limit or relieve Seller of the duties

and responsibility of maintaining insurance in compliance with the requirements in this Section 6.2 and shall not constitute a waiver of any of the requirements in this Section 6.2.

(f) Self-Insurance.

(i) Seller may self-insure the Insurance Obligations to the extent Seller or an Affiliate of Seller (as applicable, the “Self-Insurer”), maintains a self-insurance program under which Seller is insured; provided that, the Self-Insurer’s Credit Rating is rated at Investment Grade, or better, by S&P. Seller shall provide Buyer with no less than one hundred twenty (120) days prior written notice of its intent to self-insure the Insurance Obligations.

(ii) For any period of time that the Self-Insurer is unrated by S&P or the Self-Insurer’s Credit Rating is rated at less than Investment Grade by S&P, Seller shall comply with the insurance obligations applicable to it under this Section 6.2.

(iii) In the event that Seller self-insures in accordance with this Section 6.2(f), it shall not be required to comply with the insurance requirements set forth in Sections 6.2(a)-6.2(e).

(iv) The minimum insurance requirements specified herein do not in any way limit or relieve Seller of any obligation assumed elsewhere in this Agreement, including Seller’s defense and indemnity obligations.

(v) Seller shall furnish to Buyer a letter of self-insurance in the event that Seller intends to self-insure in accordance with this Section 6.2(f). Seller’s failure to provide the letter of self-insurance shall not limit or relieve Seller of the duties and responsibility of maintaining insurance or self-insurance in compliance with the requirements in this Section 6.2 and shall not constitute a waiver of any of the requirements in this Section 6.2 by Buyer.

ARTICLE 7 GOVERNMENT APPROVALS

7.1 *Government Approvals – Seller’s Obligation.*

Seller shall secure and maintain, at no cost to Buyer, all Permits (including environmental permits), easements, rights-of-way, releases and other approvals necessary for the construction, engineering, operation and maintenance of the Facility and the performance by Seller of its obligations hereunder.

7.2 *Government Approvals – Buyer’s Obligation.*

Buyer shall secure and maintain, at no cost to Seller, all government approvals, permits, licenses, easements, rights of way, releases and other approvals necessary for the performance by Buyer of its obligations hereunder.

7.3 *Changes In Law.*

Parties acknowledge that an essential purpose of this Agreement is to provide renewable generation that meets the requirements of the California Renewables Portfolio Standard, and that

Governmental Authorities, including the CEC, CPUC, CAISO and WREGIS, may undertake actions to implement changes in law. Seller agrees (subject to Section 3.3) to use commercially reasonable efforts to cooperate with respect to any future changes to this Agreement needed to satisfy requirements of Governmental Authorities associated with changes in law to maximize benefits to Buyer, including: (i) modification of the description of Green Attributes, Capacity Rights or Renewable Energy Credits as may be required, including updating the Agreement to reflect any mandatory contractual language required by Governmental Authorities; (ii) submission of any reports, data, or other information required by Governmental Authorities; or (iii) all other actions that may be required to assure that this Agreement or the Facility is eligible as an ERR and other benefits under the California Renewables Portfolio Standard; provided, Seller shall have no obligation to modify this Agreement, submit any reports, data, or other information or take other actions that materially adversely affects, or could reasonably be expected to have or result in a material adverse effect on, any of Seller's rights, benefits, risks and/or obligations under this Agreement.

ARTICLE 8 MISCELLANEOUS

8.1 *Confidential Information.*

(a) The Parties have and will develop certain information, processes, know-how, techniques and procedures concerning the Facility that they consider confidential and proprietary (together with the terms and conditions of this Agreement, the "Confidential Information"); provided that in order for such information, processes, know-how, techniques and procedures to be considered "Confidential Information," the Party disclosing such information must: (i) if disclosure is in writing or other tangible electronic storage medium, clearly mark such item as "Confidential" or "Proprietary" or (ii) if the disclosure is oral or visual, the disclosing Party must, within three (3) Business Days thereafter, follow up with a disclosure complying with the requirements of clause (i) above. Notwithstanding the confidential and proprietary nature of such Confidential Information, the Parties (each, the "Disclosing Party") may make such Confidential Information available to the other (each, a "Receiving Party") subject to the provisions of this Section 8.1.

(b) Upon receiving or learning of Confidential Information, the Receiving Party shall:

(i) Treat such Confidential Information as confidential and use reasonable care not to divulge such Confidential Information to any third party except as required by Applicable Law, subject to the restrictions set forth below;

(ii) Restrict access to such Confidential Information to only those employees, subcontractors, suppliers, vendors, and advisors whose access is reasonably necessary for the development, construction, operation or maintenance of the Facility and for the purposes of the negotiation or implementation of this Agreement, who shall be bound by the terms of this Section 8.1;

(iii) Use such Confidential Information solely for the purpose of developing the Facility and for purposes of this Agreement; and

(iv) Upon the termination of this Agreement, destroy or return any such Confidential Information in written or other tangible form and any copies thereof.

(c) The restrictions of this Section 8.1 do not apply to:

(i) Release of this Agreement to any Governmental Authority required for obtaining any approval or making any necessary filing; provided, that each Party agrees to cooperate in good faith with the other to maintain the confidentiality of the provisions of this Agreement by requesting confidential treatment with all filings to the extent appropriate and permitted by Applicable Law;

(ii) Information which is, or becomes, publicly known or available other than through the action of the Receiving Party in violation of this Agreement;

(iii) Information which is in the possession of the Receiving Party prior to receipt from the Disclosing Party or which is independently developed by the Receiving Party; provided, that the Person or Persons developing such information have not had access to any Confidential Information;

(iv) Information which is received from a third party which is not known (after due inquiry) by the Receiving Party to be prohibited from disclosing such information pursuant to a contractual, fiduciary or legal obligation; and

(v) Information which is, in the reasonable written opinion of counsel of the Receiving Party, required to be disclosed pursuant to Applicable Law (including the California Public Records Act); provided, however, that the Receiving Party, prior to such disclosure, shall provide reasonable advance notice to the Disclosing Party of the time and scope of the intended disclosure in order to provide the Disclosing Party an opportunity to obtain a protective order or otherwise seek to prevent, limit the scope of, or impose conditions upon such disclosure.

(d) Notwithstanding the foregoing, Seller may disclose Confidential Information to the Lenders and any other financial institutions expressing an interest in providing equity or debt financing or refinancing or credit support to Seller, and the agent or trustee of any of them. Any such disclosed information will be subject to the obligations concerning confidentiality set forth in this Agreement. Seller shall be responsible for any breach of this Section 8.1 by the Lenders or such other financial institutions.

(e) Notwithstanding the foregoing, Buyer may disclose Confidential Information to WREGIS, CAISO or other Persons for purposes of ensuring Buyer receives the benefit of, or credit for, Green Attributes, Capacity Rights, Renewable Energy Credits, and to downstream purchasers of Product; provided the form and content of such disclosure is subject to Seller's approval, which approval may not be unreasonably withheld, conditioned or delayed; and provided, further, that Buyer may disclose without Seller's approval: (i) the Facility's name, location, interconnection characteristics, size, monthly resource forecast and historical generation, expected Commercial Operation Date, and (ii) any Confidential Information necessary (A) to schedule Energy, (B) for the generation of an e-tag or successor mechanism, or (C) export Energy out of California to obtain the benefit of any commercial advantage provided to solar energy generators by state or federal

legislation favoring renewable or non-carbon generation. Any such disclosed information will be subject to the obligations concerning confidentiality set forth in this Agreement.

(f) Neither Party shall issue any press or publicity release or otherwise release, distribute or disseminate any information, with the intent that such information will be published (other than information that is, in the reasonable written opinion of counsel to the Disclosing Party, required to be distributed or disseminated pursuant to Applicable Law, provided that the Disclosing Party has given notice to, and an opportunity to prevent disclosure by, the other Party as provided in Section 8.1(c)(v)), concerning this Agreement or the participation of the other Party in the transactions contemplated hereby without the prior written approval of the other Party, which approval will not be unreasonably withheld or delayed. This provision shall not prevent the Parties from releasing information which is required to be disclosed in order to obtain permits, licenses, releases and other approvals relating to the Facility or as are necessary in order to fulfill such Party's obligations under this Agreement.

(g) The obligations of the Parties under this Section 8.1 shall remain in full force and effect for three (3) years following the expiration or termination of this Agreement.

8.2 *Successors and Assigns; Assignment.*

(a) This Agreement shall inure to the benefit of and shall be binding upon the Parties and their respective successors and permitted assigns.

(b) Neither Party may assign or transfer by this Agreement, whether voluntarily or by operation of law, and including with respect to any change in control, without the prior written consent of the other Party, which consent shall not be unreasonably withheld, delayed or conditioned. Any direct or indirect change of control of Seller (whether voluntary or by operation of law) shall be deemed an assignment and shall require the prior written consent of Buyer, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, no consent shall be required for any change of control of Seller, or any assignment of this Agreement by Seller, to (i) any Lenders providing debt or tax-equity financing, including as collateral security for obligations under the debt financing documents entered into with such Lenders, or (ii) any Permitted Transferee; provided that Seller shall provide Buyer twenty (20) Days advance written Notice of Seller's intent to assign this Agreement to a Permitted Transferee, and Buyer shall have twenty (20) Days from its receipt of such Notice, to confirm to Seller whether or not such proposed transferee is a "Permitted Transferee" (together with a written statement of the reason(s) for any negative determination) it being understood that if Buyer shall fail to so respond within such twenty (20) Day period such proposed transferee shall be deemed to be a "Permitted Transferee".

8.3 *Lender Rights.*

(a) Seller, without approval of Buyer, may, by security, charge or otherwise encumber its interest under this Agreement to a Lender providing debt or tax-equity for the purposes of financing the Facility and Seller's Interconnection Facilities.

(b) Promptly after making such encumbrance, Seller shall notify Buyer in writing of the name, address, and telephone and facsimile numbers of each Lender to which Seller's interest under this Agreement has been encumbered. Such notice shall include the names of the account managers or other representatives of the Lenders to whom all written and telephonic communications may be addressed.

(c) After giving Buyer such initial notice, Seller shall promptly give Buyer notice of any change in the information provided in the initial notice or any revised notice.

(d) If Seller encumbers its interest under this Agreement as permitted by this Section 8.3, upon the receipt of a written request from the Lender, Buyer shall execute, at the Seller's expense, a consent to assignment in a form substantially similar to the Form of Consent to Assignment attached hereto as **Exhibit E**. Buyer shall, upon a commercially reasonable request by Seller or a Lender, and at Seller's sole expense, cooperate reasonably to execute, or arrange for the delivery of, within thirty (30) days of such request, those normal, reasonable and customary certificates, opinions and other documents (including estoppel certificates related to a tax equity financing) and to provide such other normal and customary representations or warranties (all in a form reasonably acceptable to Buyer including exclusions, assumptions and caveats typical for such documents or necessary for the accuracy or delivery thereof), as may be necessary to assist Seller in consummating any debt financing or refinancing of the Facility or any part thereof; provided, that in responding to any such request, Buyer shall have no obligation to provide any consent, certification, representation, information or other document, or enter into any agreement, that adversely affects, or could reasonably be expected to have or result in an adverse effect on, any of Buyer's rights, benefits, risks and/or obligations under this Agreement.

8.4 Notices.

Each notice, request, demand, statement or routine communication required or permitted under this Agreement, or any notice or communication that either Party may desire to deliver to the other, shall be in writing, and shall be considered delivered: (a) when received by the other Party if sent by certified U.S. mail or reputable overnight courier addressed to the other Party at its address indicated below; or (b) when electronic confirmation is received by the sending Party's facsimile machine if sent by facsimile addressed to the other Party at its facsimile number indicated below. Either Party may designate another address for itself in a written notice to the other Party in accordance with this Section 8.4.

If to Seller: Rugged Solar LLC
 c/o Clean Focus Renewables, Inc.
 150 Mathilda Pl # 106
 Sunnyvale, CA 94086
 Attn: Legal
 Telephone: (408) 329-9280
 Email: legal@greenskies.com

If to Buyer: Valley Clean Energy Alliance
 604 2nd Street, Davis, California 95616

Attn: Mitch Sears, Interim General Manager
Telephone: (530) 446-2750

With a copy to:

Keyes & Fox LLP
1580 N Lincoln Street, Suite 880, Denver, CO 80203
Attn: Kevin T. Fox
Telephone: (510) 381-3052
Email: kfox@keyesfox.com

With copies of all notices relating to Events of Default, termination (see Section 3.4(b)(iii)) and other legal notices by overnight mail to:

Best, Best & Kreiger
500 Capitol Mall, Suite 1700, Sacramento, CA 95814
Attn: Harriet Steiner
Telephone: (916) 551-2821

8.5 Force Majeure.

(a) The performance of any obligation required hereunder shall be excused to the extent required by, and during the continuation of, any Force Majeure Event suffered by the Party whose performance is hindered in respect thereof, and the time for performance of any obligation that has been delayed due to the occurrence of a Force Majeure Event shall be extended, as required to overcome the effects of such Force Majeure Event. The Party experiencing the delay or hindrance shall orally notify the other Party as soon as reasonably practicable following the Force Majeure Event, and shall notify the other Party in writing of the occurrence of such Force Majeure Event, including the nature, cause, date and time of commencement of such event, and extent and anticipated period of delay, within fourteen (14) Days after becoming aware of the commencement of the Force Majeure Event; provided, that the failure of the Party experiencing the delay or hindrance to notify the other Party within such fourteen (14) Day period shall preclude such Party from claiming a Force Majeure Event hereunder for any Days prior to its notice. By way of example, if a Party first notifies the other Party of a Force Majeure Event thirty (30) Days after becoming aware of the commencement of such event, the claiming Party will only have its performance excused by reason of such Force Majeure Event for periods after its notice (i.e., on and after day thirty (30)). Each Party suffering a Force Majeure Event shall take, or cause to be taken, such action as may be necessary to overcome or otherwise to mitigate, in all material respects, the effects of any Force Majeure Event suffered by either of them and to resume performance hereunder as soon as practicable under the circumstances.

(b) If Seller is unable to deliver, or Buyer is unable to receive, Energy due to a Force Majeure Event, then Buyer shall have no obligation to pay Seller for Energy not delivered or received by reason thereof. In no event shall Buyer be obligated to compensate Seller or any other Person for any losses, expenses or liabilities that Seller or such other Person may sustain as a consequence of any Force Majeure Event. In no event shall any delay or failure of performance caused by any conditions or Force Majeure Event extend this Agreement beyond its stated Term.

(c) Buyer shall have the absolute and unconditional right, but not the obligation, to terminate this Agreement upon thirty (30) Days written notice to Seller if: (i) a Force Majeure Event occurs that diminishes the Capacity of the Facility by more than fifty percent (50%) of the Contract Capacity for a period of eighteen (18) consecutive months; or (ii) the Facility is damaged as a result of a Force Majeure Event and thereby rendered inoperable and an independent engineer that is mutually acceptable to the Parties determines that the Facility cannot be repaired or replaced within a period of time not to exceed twenty four (24) months following the date of the occurrence of the Force Majeure Event.

(d) Either Party shall have the absolute and unconditional right, but not the obligation, to terminate this Agreement upon thirty (30) Days written notice to the other Party if either Party is prevented from performing its material obligations under this Agreement for a period of twelve (12) consecutive months or longer due to a Force Majeure Event.

(e) Buyer's exercise of its termination right pursuant to Section 8.5(c), and either Party's exercise of its termination right pursuant to Section 8.5(d), shall be "no-fault" and no Party shall have any liability or obligation to the other Party arising out of such termination. Notwithstanding the foregoing, upon any such termination, each Party shall pay the other Party for any and all amounts hereunder that may be owing, including for any outstanding payments due in the ordinary course that occurred prior to the termination, and Buyer shall return Seller's Operating Security within five (5) Business Days of such termination.

8.6 *Amendments.*

This Agreement shall not be modified nor amended unless such modification or amendment shall be in writing and signed by authorized representatives of both Parties.

8.7 *Waivers.*

Failure to enforce any right or obligation by any Party with respect to any matter arising in connection with this Agreement shall not constitute a waiver as to that matter nor to any other matter. Any waiver by any Party of its rights with respect to a default under this Agreement or with respect to any other matters arising in connection with this Agreement must be in writing. Such waiver shall not be deemed a waiver with respect to any subsequent default or other matter.

8.8 *Waiver of Certain Damages.*

Notwithstanding any other provision of this Agreement, except to the extent indemnification payments are made pursuant to this Agreement as a result of an indemnified entity's obligation to pay special, indirect, incidental, punitive or consequential damages to a third party (excluding either Party's Affiliates, officers, directors, shareholders or members) as a result of actions included in the protection afforded by the indemnification provisions hereof, and except with respect to the liquidated damages provided for in Sections 2.5(d), 2.5(e), 2.5(f), 5.5(a), and 5.5(b), neither Buyer nor Seller (nor any of their Affiliates, contractors, consultants, officers, directors, shareholders, members or employees) shall be liable for special, indirect, incidental, punitive or consequential damages under, arising out of, due to, or in connection with its performance or

non-performance of this Agreement or any of its obligations herein, whether based on contract, tort (including, without limitation, negligence), strict liability, warranty, indemnity or otherwise.

8.9 No Recourse to Buyer's Members

Seller hereby acknowledges and agrees that Buyer is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 *et seq.*) pursuant to an agreement executed by the Cities of Davis and Woodland, and the County of Yolo (the "Joint Power Agreement"), that Buyer is a public entity separate from its members, and that under the Joint Powers Agreement the members have no liability for any obligations or liabilities of Buyer. Buyer shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement, and Seller acknowledges and agrees that it shall have no rights against, and shall not make any claim, take any actions, or assert any remedies against, any of Buyer's members, any cities or counties participating in Buyer's community choice aggregation program, or any of Buyer's retail customers in connection with this Agreement.

8.10 Survival.

Notwithstanding any provisions herein to the contrary, the obligations set forth in 2.2(e), 4.1, 4.3, 6.1, 8.1, 8.4, 8.8 through 8.16 shall survive (in full force) the expiration or termination of this Agreement.

8.11 Severability.

If any of the terms of this Agreement are finally held or determined to be invalid, illegal or void, all other terms of the Agreement shall remain in effect, provided that the Parties shall enter into negotiations concerning the terms affected by such decision for the purpose of achieving conformity with requirements of any Applicable Law and the original intent of the Parties.

8.12 Standard of Review.

(a) Each Party represents and warrants to the other that it is an "eligible commercial entity" and an "eligible contract participant" within the meaning of United States Commodity Exchange Act §§1a(17) and 1a(18), respectively. This Agreement constitutes a sale of a nonfinancial commodity for deferred shipment or delivery that the Parties intend to be physically settled and is excluded from the term "swap" as defined in the Commodity Exchange Act under 7 U.S.C. § 1a(47) and the regulations of the Commodity Future Trading Commission and Securities and Exchange Commission, with further reference to 77 Fed. Reg. 48233-35.

(b) Absent the agreement of both Parties to a proposed change, the standard of review for changes to any rate, charge, classification, term or condition of this Agreement, whether proposed by a Party (to the extent that any waiver in subsection (c) below is unenforceable or ineffective as to such Party), a non-party or FERC acting *sua sponte*, shall solely be the "public interest" application of the "just and reasonable" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) and clarified by Morgan Stanley Capital Group,

Inc. v. Public Util. Dist. No. 1, 554 U.S. 527 (2008), and NRG Power Marketing LLC v. Maine Public Utility Commission, 558 U.S. 527 (2010) (the “Mobile-Sierra” doctrine).

(c) In addition, and notwithstanding the foregoing subsection (a), to the fullest extent permitted by Applicable Law, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives any rights it can or may have, now or in the future, whether under §§ 205 or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and each hereby covenants and agrees not at any time to seek to so obtain, an order from FERC changing any section of this Agreement specifying the rate, charge, classification, or other term or condition agreed to by the Parties, it being the express intent of the Parties that, to the fullest extent permitted by Applicable Law, neither Party shall unilaterally seek to obtain from FERC any relief changing the rate, charge, classification, or other term or condition of this Agreement, notwithstanding any subsequent changes in Applicable Law or market conditions that may occur. In the event it were to be determined that Applicable Law precludes the Parties from waiving their rights to seek changes from FERC to their market-based power sales contracts (including entering into covenants not to do so) then this subsection (c) shall not apply, provided that, consistent with the foregoing subsection (b), neither Party shall seek any such changes except solely under the “public interest” application of the “just and reasonable” standard of review and otherwise as set forth in the foregoing section (b).

8.13 *Governing Law.*

This Agreement and the rights and duties of the Parties hereunder shall be governed by and construed, enforced and performed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

8.14 *Consent to Jurisdiction.*

Subject to Section 8.15, each of the Parties irrevocably and unconditionally submits to the exclusive jurisdiction of the Superior Court of Yolo County, California for the purposes of any suit, action or other proceeding arising out of or relating to this Agreement, the transactions contemplated hereby, any provision hereof or the breach, performance, enforcement or validity or invalidity of this Agreement or any provision hereof (and agrees not to commence any suit, action or proceeding relating thereto except in such court). Each of the Parties further agrees that service of any process, summons, notice or document hand delivered or sent by U.S. registered mail to such Party’s respective address set forth in Section 8.4 will be effective service of process for any suit, action or proceeding in any such court with respect to any matters to which it has submitted to jurisdiction as set forth in the immediately preceding sentence. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement, the transactions contemplated hereby, any provision hereof or the breach, performance, enforcement or validity or invalidity of this Agreement or any provision hereof in the Superior Court of Yolo County, California and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Notwithstanding the foregoing, each Party agrees that a final judgment (i.e., judgment after any appeals that may be duly made) in any suit, action or proceeding so brought shall be conclusive

and may be enforced by suit on the judgment in any jurisdiction or in any other manner provided in law or in equity.

8.15 *Waiver of Trial by Jury.*

EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

8.16 *Disputes.*

In the event of any dispute, controversy or claim between the Parties arising out of or relating to this Agreement (collectively, a “Dispute”), the Parties shall attempt in the first instance to resolve such Dispute through friendly consultations between the Parties. If such consultations do not result in a resolution of the Dispute within fifteen (15) days after notice of the Dispute has been delivered to either Party, then such Dispute shall be referred to the senior management of the Parties for resolution. If the Dispute has not been resolved within fifteen (15) days after such referral to the senior management of the Parties, then either Party may pursue any or all of its remedies available under law or equity. The Parties agree to attempt to resolve all Disputes promptly, equitably and in a good faith manner, provided, however, that failure to resolve a Dispute shall not, standing alone, constitute a breach of this Agreement. Notwithstanding the existence of a Dispute, each Party shall fulfill its obligations in accordance with the terms hereof. Any undisputed payment due or payable by one Party to the other shall not be withheld on account of the occurrence or continuance of any legal proceedings or the existence of a Dispute.

8.17 *No Third-Party Beneficiaries.*

Except as set forth in a Lender Consent or the indemnification provisions hereof that expressly accrue to the benefit of third parties, this Agreement is intended solely for the benefit of the Parties hereto and nothing contained herein shall be construed to create any duty to, or standard of care with reference to, or any liability to, or any benefit for, any Person not a Party to this Agreement.

8.18 *No Agency.*

This Agreement is not intended, and shall not be construed, to create any association, joint venture or partnership between the Parties or to impose any such obligation or liability upon either Party. Except for the agency Seller grants Buyer in Section 3.2(c), neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act as or be an agent or representative of, or otherwise bind, the other Party.

8.19 *Cooperation.*

The Parties acknowledge that they are entering into a long-term arrangement in which the cooperation of both of them will be required. If, during the Term, changes in the operations, facilities or methods of either Party will materially benefit a Party without detriment to the other Party, the Parties commit to each other to make reasonable efforts to cooperate and assist each other in making such change.

8.20 *Further Assurances.*

Upon the receipt of a written request from the other Party, each Party shall execute such additional documents, instruments and assurances and take such additional actions as are reasonably necessary and desirable to carry out the terms and intent hereof. Neither Party shall unreasonably withhold, condition or delay its compliance with any reasonable request made pursuant to this Section 8.20.

8.21 *Captions; Construction.*

All indexes, titles, subject headings, section titles, and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning of the content or scope of this Agreement. Any term and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Party.

8.22 *Entire Agreement.*

This Agreement shall supersede all other prior and contemporaneous understandings or agreements, both written and oral, between the Parties relating to the subject matter of this Agreement.

8.23 *Counterparts.*

This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

8.24 *Forward Contract.*

The Parties acknowledge and agree that this Agreement and the transactions contemplated by this Agreement constitute a “forward contract” Code and that Buyer and Seller are each “forward contract merchants” within the meaning of the United States Bankruptcy Code (11 U.S.C. § 101 (2000)).

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK –
SIGNATURES APPEAR ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, representatives of the Parties have executed this Agreement on the date set forth below, causing this Agreement to be effective as of the Effective Date:

Rugged Solar LLC

Valley Clean Energy Alliance

By: _____

By: _____

Name: Stanley Chin

Name: _____

Title: Authorized Signer

Title: _____

Date: March 16, 2020

Date: _____

EXHIBIT A

CONTRACT PRICE

The Contract Price for all Product shall be:

\$ [REDACTED] /MWh until Seller obtains Full Capacity Deliverability Status;
or

\$ [REDACTED] /MWh once Seller obtains Full Capacity Deliverability Status.

EXHIBIT B

DESCRIPTION OF FACILITY

1. Facility name:

Rugged Solar

2. Facility location:

The Facility is located at 2750 McCain Valley Road, in San Diego County, in the State of California

3. Technology type:

Solar photovoltaic

4. Interconnection Point of Facility:

The Facility's Interconnection Point shall be Boulevard East Substation in Boulevard, California, which is the point of first interconnection of the Facility with the CAISO Controlled Grid

5. Service territory of Facility:

San Diego Gas & Electric Company

6. Description of Facility equipment:

74 MVA AC

SMA 2500 inverters

ATI single Axis tracking system

229, 032 390 W Bifacial modules

A Photovoltaic Array, with photovoltaic modules mounted on trackers oriented towards the sun that rotate East-West to track the sun. Trackers would be arranged around inverter stations.

A collection system linking the trackers to the on-site substation would consist of 1,000-volt (V) DC underground conductors leading to 34.5 kV underground and overhead AC conductors. The collection system would be located within the same development footprint as the Photovoltaic Array.

A collector substation within a fenced area of approximately 6,000 square feet. The on-site substation would include a 450-square-foot control house.

A 60-foot by 125foot (4,500-square-foot) Operations and Maintenance (O&M) facility, which includes a 900 square foot storage and conference room. The O&M building would be used for employee operations, and maintenance of equipment.

The on-site substation would include a 450-square-foot control house.

7. Description of Site:

The Project site encompasses a total of approximately 765acres within the Mountain Empire Subregional Plan area in unincorporated San Diego County. The Mountain Empire Subregional Plan area contains five subregional group areas. The Proposed Project site is located in the Boulevard Subregional Plan area.

The Project site is located north of Interstate 8 (I-8) to the east of Ribbonwood Road and primarily west of McCain Valley Road. Regional access to the Project site would be provided by I-8. Access to the Project site would be provided by McCain Valley Road.

The Project site includes the following parcels to west of McCain Valley Road: Assessor Parcel Number (APN) 611-060-04, 611-090-02, 611-090-04, 611-091-03, 611-091-07 (portion), 611-100-07, 612-030-01, and 612-030-19. One parcel (APN 611-110-01) is located to the east of McCain Valley Road.

8. Maps:

The Facility's location is identified in the following map:

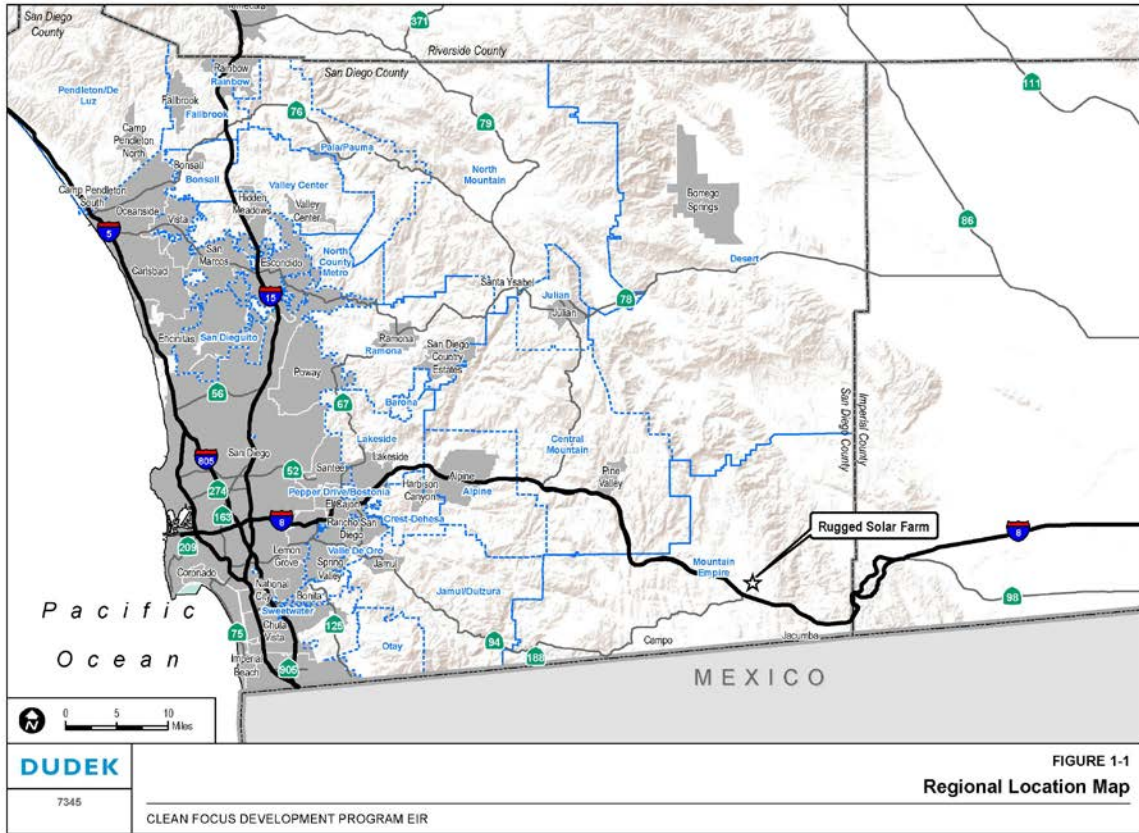


FIGURE 1-1
Regional Location Map

CLEAN FOCUS DEVELOPMENT PROGRAM EIR

EXHIBIT B-1 FACILITY SITE PLAN

The Facility will be located at the Site as show on the map below:

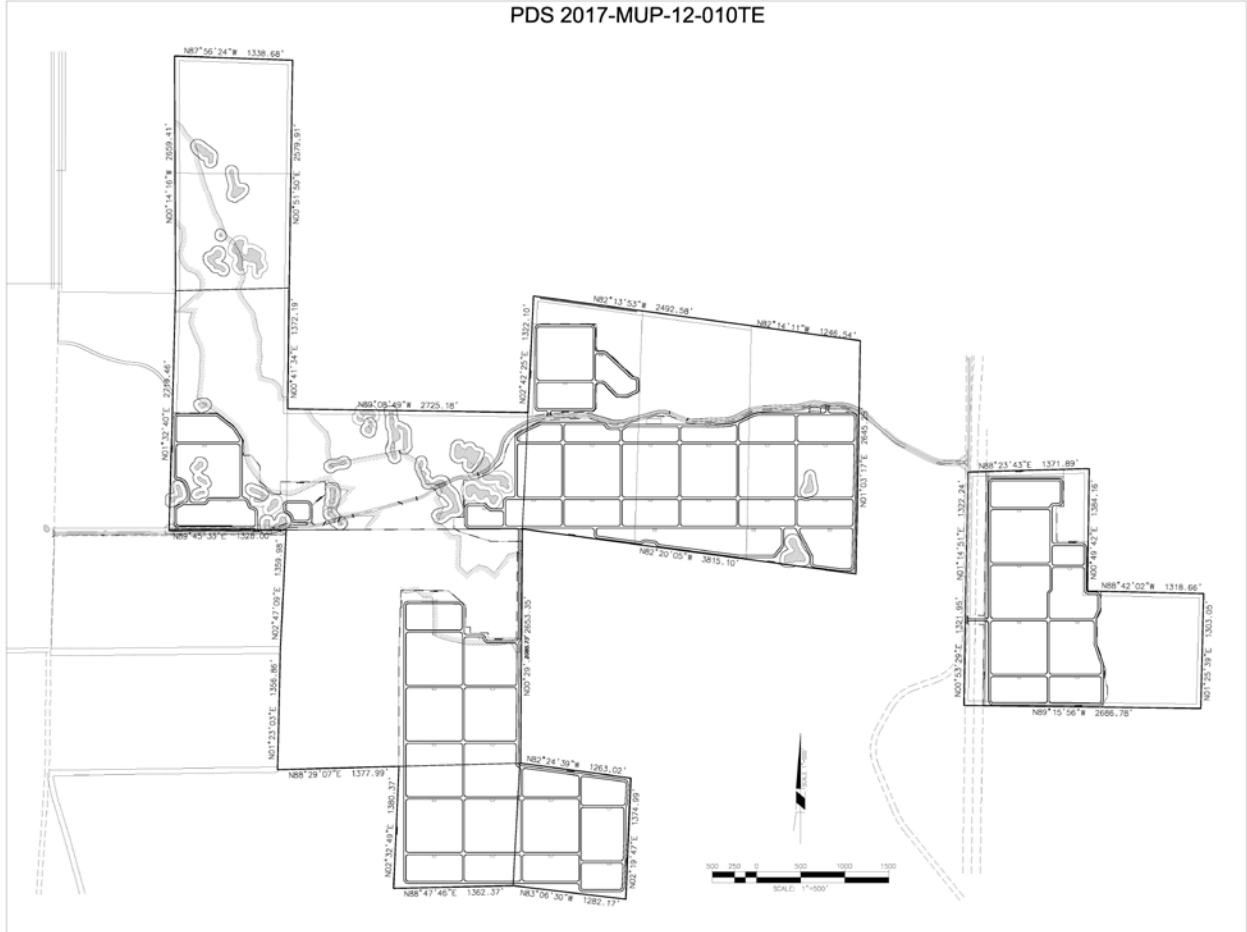


EXHIBIT C

DESCRIPTION OF INTERCONNECTION POINT, DELIVERY POINT, AND ONE-LINE/METERING DIAGRAM

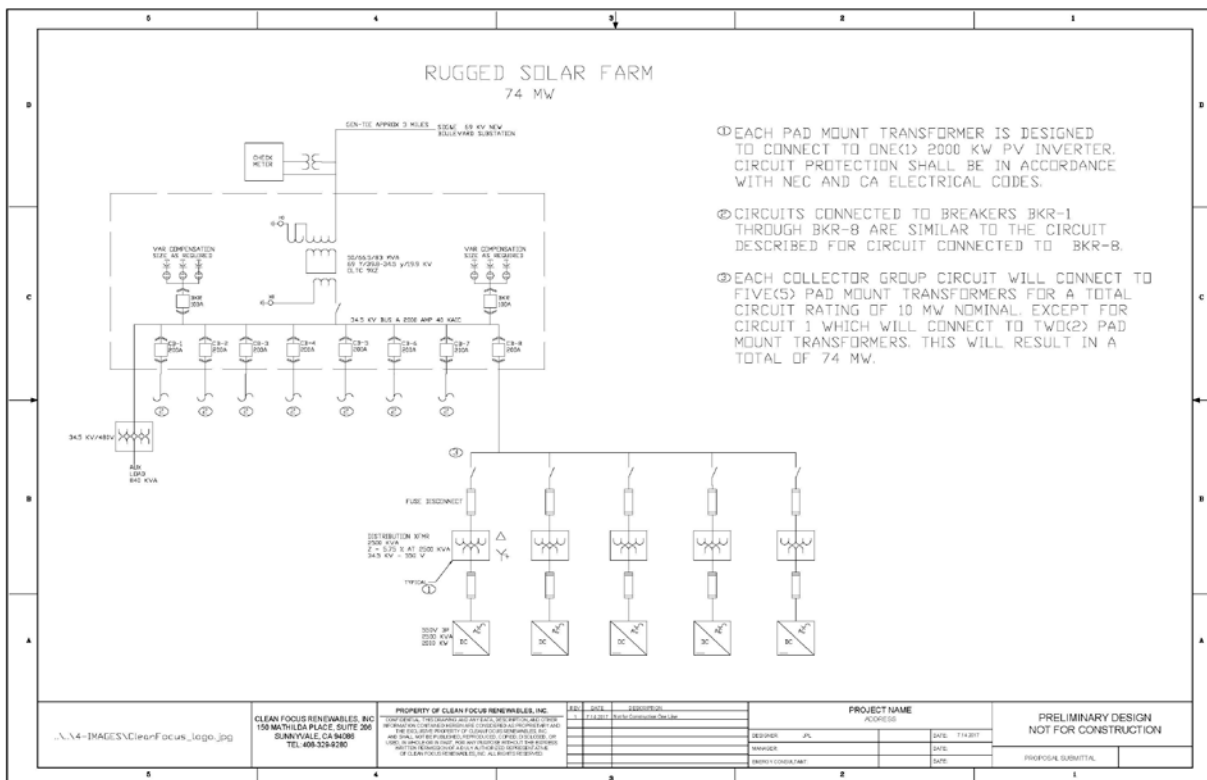


EXHIBIT D
[RESERVED]

EXHIBIT E

**FORM OF LENDER CONSENT
(FINANCING)**

**FORM OF CONSENT AND AGREEMENT
POWER PURCHASE AGREEMENT**

This CONSENT AND AGREEMENT (this “Consent”), dated as of _____, 20[], is executed by and between Valley Clean Energy Alliance, a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 *et seq.*) (the “Contracting Party”), and [NAME OF COLLATERAL AGENT], as collateral agent (in such capacity, together with its successors and permitted assigns, the “Collateral Agent”) for various financial institutions named from time to time as Lenders under the Credit Agreement (as defined below) and any other parties (or any of their agents) who hold any other secured indebtedness permitted to be incurred under the Credit Agreement (the Collateral Agent and all such parties collectively, the “Secured Parties”).

A. Rugged Solar LLC, a limited liability company organized and existing under the laws of Delaware (the “Facility Owner”) owns, operates and maintains a 71.88 MW-AC single-axis tracking solar energy generating facility located in San Diego County, CA, which will be dedicated to Valley Clean Energy Alliance (the “Facility”).

B. The Contracting Party and the Facility Owner have entered into the agreement specified in Schedule I hereto (as further amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “Assigned Agreement”).

C. The Borrower, the Facility Owner, the other affiliates of the Borrower as Guarantors, various financial institutions named therein from time to time as Lenders, [____], as the Administrative Agent and Collateral Agent, [____], as Lead Arrangers, have entered into a Credit Agreement, dated as of [____] (as amended, modified or supplemented from time to time, the “Credit Agreement”), providing for the extension of the credit facilities described therein.

D. As security for the payment and performance by the Facility Owner of its obligations under the Credit Agreement and the other Financing Documents (as defined below) and for other obligations owing to the Secured Parties, the Facility Owner has assigned all of its right, title and interest in, to and under, and granted a security interest in, the Assigned Agreement to the Collateral Agent pursuant to the [Security Agreement], dated as of [____] between the Facility Owner and the Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "Security Agreement", and, together with the Credit Agreement and any other financing documents relating thereto, the “Financing Documents”).

E. It is a requirement under the Credit Agreement that the Facility Owner cause the Contracting Party to execute and deliver this Consent.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto hereby agree as follows:

1. Additional Definitions. Any capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Assigned Agreement.

2. Consent to Assignment. Subject to the terms and conditions below, the Contracting Party hereby acknowledges and consents to the pledge and assignment of all right, title and interest of the Facility Owner in, to and under the Assigned Agreement by the Facility Owner to the Collateral Agent pursuant to the Security Agreement.

3. Limitations on Assignment. Collateral Agent acknowledges and confirms that, notwithstanding any provision to the contrary under applicable law or in any Financing Document or this Consent, Collateral Agent shall not assume, sell or otherwise dispose of the Assigned Agreement (whether by foreclosure sale, conveyance in lieu of foreclosure or otherwise) unless, on or before the date of any such assumption, sale or disposition, Collateral Agent or any third party, as the case may be, assuming, purchasing or otherwise acquiring the Assigned Agreement (a) cures any and all defaults of Facility Owner under the Assigned Agreement which are capable of being cured and which are not personal to the Facility Owner (e.g., a default such as bankruptcy), (b) executes and delivers to Contracting Party a written assumption of all of Facility Owner's rights and obligations under the Assigned Agreement in form and substance reasonably satisfactory to Contracting Party, (c) otherwise satisfies and complies with all requirements of the Assigned Agreement which are capable of being complied with and satisfied, (d) provides such tax and enforceability assurance as Contracting Party may reasonably request, and (e) is a Permitted Transferee (as defined below). Collateral Agent further acknowledges that the assignment of the Assigned Agreement is for security purposes only and, except as otherwise expressly provided in this Consent, that the Collateral Agent has no rights under the Assigned Agreement to enforce the provisions of the Assigned Agreement unless and until an event of default has occurred and is continuing under the Financing Documents between Seller and Collateral Agent (a "Financing Default"), in which case, upon Collateral Agent's assuming the Assigned Agreement as provided herein, the Collateral Agent shall be entitled to all of the rights and benefits and subject to all of the obligations which Facility Owner then has or may have under the Assigned Agreement to the same extent and in the same manner as if Collateral Agent were an original party to the Assigned Agreement.

"Permitted Transferee" means any person or entity who is at least as creditworthy as the Facility Owner on the Effective Date (as defined in the Assigned Agreement) and has, or contracts with an operator that has, at least three (3) years of experience either owning or operating solar, wind or other renewable energy generating facilities in the CAISO market. Collateral Agent may from time to time, following the occurrence of a Financing Default, notify Contracting Party in writing of the identity of a proposed transferee of the Assigned Agreement, which proposed

transferee may include Financing Provider, in connection with the enforcement of Financing Provider's rights under the Financing Documents, and Contracting Party shall, within thirty (30) Business Days of its receipt of such written notice, confirm to Financing Provider whether or not such proposed transferee is a "Permitted Transferee" (together with a written statement of the reason(s) for any negative determination) it being understood that if Contracting Party shall fail to so respond within such thirty (30) Business Day period such proposed transferee shall be deemed to be a "Permitted Transferee".

4. Right to Cure.

(a) From and after the date hereof and unless and until the Contracting Party shall have received written notice from the Collateral Agent that the lien of the Security Agreement has been released in full, Contracting Party shall, concurrently with the delivery of any notice of an Event of Default under the Assigned Agreement to Facility Owner (a "Default Notice"), provide a copy of such Default Notice to the Collateral Agent pursuant to Section 10 of this Consent.

(b) The Collateral Agent shall have the right, but not the obligation, following Contracting Party's issuance of a Default Notice to the Facility Owner under the Assigned Agreement to pay all sums due under the Assigned Agreement by the Facility Owner and to perform any other act, duty or obligation required of the Facility Owner thereunder as described in Section 4(d) below; provided, that no such payment or performance shall be construed as an assumption by the Collateral Agent or any other Secured Party of any covenants, agreements or obligations of the Facility Owner under or in respect of the Assigned Agreement.

(c) The Contracting Party agrees that it will not terminate the Assigned Agreement without first giving the Collateral Agent notice and opportunity to cure as provided in Sections 4(a) and 4(d).

(d) If the Collateral Agent elects to exercise its right to cure as herein provided, it shall provide written notice to Contracting Party prior to the end of any cure period as set forth in the Assigned Agreement. If the Default Notice is issued because of a payment default by Facility Owner, the Collateral Agent shall have a period of thirty (30) days after receipt by it of notice from the Contracting Party referred to in Section 4(a) in which to cure the payment default specified in such Default Notice, or if such Termination Event is an event other than a failure to pay amounts due and owing by the Facility Owner (a "Non-monetary Event") the Collateral Agent shall have such longer period as is required to cure such default, not to exceed ninety (90) days, so long as the Collateral Agent has commenced and is diligently pursuing appropriate action to cure such default; provided, however, that (i) if possession of the Facility is necessary to cure such Non-monetary Event and the Collateral Agent has commenced foreclosure proceedings, the Collateral Agent will be allowed a reasonable time to complete such proceedings, and (ii) if the Collateral Agent is prohibited from curing any such Non-monetary Event by any process, stay or injunction issued by any governmental authority or pursuant to any bankruptcy or insolvency proceeding or other similar proceeding involving the Facility Owner, then the time periods specified herein for curing the Non-monetary Event shall be extended for the period of such prohibition (but in no event longer than 180 days).

(e) Any curing of or attempt to cure any default shall not be construed as an assumption by the Collateral Agent or the other Secured Parties of any covenants, agreements or obligations of the Facility Owner under or in respect of the Assigned Agreement, provided, however, if Collateral Agent, directly or indirectly, takes possession of, or title to the Facility (including possession by a receiver or title by foreclosure or deed in lieu of foreclosure), Collateral Agent must assume all of Facility Owner's obligations arising under the Assigned Agreement.

5. Replacement Agreements. Notwithstanding any provision in the Assigned Agreement to the contrary, in the event the Assigned Agreement is rejected or otherwise terminated as a result of any bankruptcy, insolvency, reorganization or similar proceedings affecting the Facility Owner, and if Collateral Agent or its designee, directly or indirectly, takes possession of, or title to, the Facility (including possession by a receiver or title by foreclosure or deed in lieu of foreclosure), Collateral Agent must itself or must cause its designee to promptly enter into a new agreement with Contracting Party for the remainder of the originally scheduled term of the Assigned Agreement, effective as of the date of such rejection or termination, with the same covenants, agreements, terms, provisions and limitations as are contained in the Assigned Agreement, subject to the Collateral Agent or its designee curing all outstanding monetary defaults under the Assigned Agreement and all other non-monetary defaults under the Assigned Agreement which are reasonably susceptible of being cured.

6. Substitute Owner. The Contracting Party acknowledges that in connection with the exercise of possessory remedies following a default under the Financing Documents, the Collateral Agent must cause any purchaser at any foreclosure sale or any assignee or transferee under any instrument of assignment or transfer in lieu of foreclosure to assume all of the interests, rights and obligations of the Facility Owner thereafter arising under the Assigned Agreement as a condition of the sale or transfer; provided, however, that prior to such assumption, if the Contracting Party advises the Collateral Agent that the Contracting Party will require that one or more outstanding defaults under the Assigned Agreement be cured in order to avoid the exercise by the Contracting Party of its right to terminate the Assigned Agreement pursuant to Section 4(c) above, then Collateral Agent, at its option and in its sole discretion, may elect to either: (i) cause such defaults to be cured, in which case, the Assigned Agreement will be assumed by the purchaser, or (ii) not cause such defaults to be cured, in which case, the Assigned Agreement will not be assumed by the purchaser. In case of an assumption of the Assigned Agreement, the assuming party shall be a Permitted Transferee and shall agree in writing to be bound by and to assume the terms and conditions of the Assigned Agreement and any and all obligations to the Contracting Party arising or accruing thereunder from and after the date of such assumption, and, the Contracting Party shall continue to perform its obligations under the Assigned Agreement in favor of the assuming party as if such party had thereafter been named as the "Seller" under the Assigned Agreement.

7. Representations and Warranties.

(a) Facility Owner and Collateral Agent each recognizes and acknowledges that Contracting Party makes no representation or warranty, express or implied, that Facility Owner has any right, title, or interest in the Assigned Agreement or as to the priority of the assignment for security purposes of the Assigned Agreement. Collateral Agent is responsible for satisfying itself as to the existence and extent of Facility Owner's right, title, and interest in the Assigned

Agreement, and Collateral Agent releases Contracting Party from any liability resulting from the assignment for security purposes of the Assigned Agreement.

(b) The Contracting Party represents that on the date it provided this Consent that:

(i) No Amendments. [Except as described in Schedule I hereto,] there are no amendments, modifications or supplements (whether by waiver, consent or otherwise) to the Assigned Agreement, either oral or written.

(ii) No Previous Assignments. The Contracting Party affirms that it has no notice of any assignment relating to the right, title and interest of the Facility Owner in, to and under the Assigned Agreement other than the pledge and assignment to the Collateral Agent referred to in Section 1 above.

(iii) No Termination Event: No Disputes. After giving effect to the pledge and assignment referred to in Section 2, and after giving effect to the consent to such pledge and assignment by the Contracting Party, to the knowledge of the Contracting Party: (A) there exists no event or condition (a "Termination Event") that would entitle either the Facility Owner or the Contracting Party to terminate the Assigned Agreement or suspend the performance of its obligations under the Assigned Agreement; (B) [except as set forth on Schedule II hereto,] there are no unresolved disputes between the parties under the Assigned Agreement; and, (C) all amounts due under the Assigned Agreement as of the date hereof have been paid in full[, except as set forth on Schedule II hereto].

8. Setoffs and Deductions. Each of Facility Owner and Collateral Agent agrees that Contracting Party shall have the right to set off or deduct from payments due to Facility Owner each and every amount due Contracting Party from Facility Owner whether or not arising out of or in connection with the Assigned Agreement. Collateral Agent further agrees that it takes the assignment for security purposes of the Assigned Agreement subject to any defenses or causes of action Contracting Party may have against Facility Owner.

9. Payments. The Contracting Party shall make all payments due to the Facility Owner under the Assigned Agreement directly into the account specified on Schedule III hereto, or to such other person or account as shall be specified from time to time by the Collateral Agent to the Contracting Party in writing. All parties hereto agree that each payment by the Contracting Party as specified in the preceding sentence of amounts due to the Facility Owner from the Contracting Party under the Assigned Agreement shall satisfy the Contracting Party's corresponding payment obligation under the Assigned Agreement.

10. Notices. Notice to any party hereto shall be in writing, sent to the respective addresses below, and shall be deemed to be delivered on the earlier of: (a) the date of personal delivery, (b) if sent postage prepaid, registered or certified mail, return receipt requested, or sent by express courier, in each case addressed to such party at the address indicated below (or at such other address as such party may have theretofore specified by written notice delivered in accordance herewith), upon delivery or refusal to accept delivery, or (c) if transmitted by facsimile,

the date when sent and facsimile confirmation is received; provided that any facsimile communication shall be followed promptly by a hard copy original thereof by express courier:

The Collateral Agent: [NAME OF COLLATERAL AGENT]

[]
Attn: []
Telephone No.: []
Facsimile No.: []

The Contracting Party:

[]
Attn: []
Telephone No.: []
Facsimile No.: []

11. Successors and Assigns. This Consent shall be binding upon and shall inure to the benefit of the successors, transferees and assigns of the Contracting Party, and shall inure to the benefit of the Collateral Agent, the other Secured Parties, the Facility Owner and their respective successors, transferees and assigns.

12. Counterparts. This Consent may be executed in one or more counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Governing Law. This Consent shall be governed by and construed in accordance with the laws of the State of New York.

14. No Modification. This Consent is neither a modification of nor an amendment to the Assigned Agreement.

15. No Waiver. No term, covenant or condition hereof shall be deemed waived and no breach excused unless such waiver or excuse shall be in writing and signed by the party claimed to have so waived or excused.

16. No Third-Party Beneficiaries. There are no third-party beneficiaries to this Consent.

17. Severability. The invalidity or unenforceability of any provision of this Consent shall not affect the validity or enforceability of any other provision of this Consent, which shall remain in full force and effect.

18. Amendments. This Consent may be modified, amended, or rescinded only by writing expressly referring to this Consent and signed by all parties hereto.

19. Joint Powers Authority. Collateral Agent hereby acknowledges that Contracting Party is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 et seq.) pursuant to an agreement executed by the Cities of Davis and Woodland, and the County of Yolo (the "Joint Power Agreement"), that

Contracting Party is a public entity separate from its members, and that under the Joint Powers Agreement the members have no liability for any obligations or liabilities of Contracting Party. Collateral Agent agrees that Contracting Party shall solely be responsible for all debts, obligations and liabilities accruing and arising out of the Assigned Agreement, and Collateral Agent agrees that it shall have no rights against, and shall not make any claim, take any actions or assert any remedies against, any of Contracting Party's members, any cities or counties participating in Contracting Party's community choice aggregation program, or any of Contracting Party's retail customers in connection with the Assigned Agreement.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Consent as of the date first written above.

VALLEY CLEAN ENERGY ALLIANCE

By:_____

Name:

Title:

[NAME OF COLLATERAL AGENT]

as Collateral Agent

By:_____

Name:

Title:

Acknowledged:

[Seller's corporate entity]

By:_____

Name:

Title:

Assigned Agreement

Disputes and Amounts Due and Unpaid under the Assigned Agreement
(Section 7(b)(iii))

Payment Instructions
(Section 9)

All payments due to the Facility Owner pursuant to the Assigned Agreement shall be made to

[INSERT REVENUE ACCOUNT INFORMATION].

EXHIBIT F

MINIMUM ANNUAL ENERGY PRODUCTION

Contract Year	Minimum Annual Energy Production (MWh)
1	191,796
2	190,837
3	189,883
4	188,933
5	187,989
6	187,049
7	186,114
8	185,183
9	184,257
10	183,336
11	182,419
12	181,507
13	180,599
14	179,696
15	178,798
16	177,904
17	177,014
18	176,129
19	175,249
20	174,373

EXHIBIT G
LETTER OF CREDIT

[ISSUING BANK] IRREVOCABLE STANDBY LETTER OF CREDIT

[DATE OF ISSUANCE]

[BENEFICIARY] (“Beneficiary”)

[Address]

Attention: [Contact Person]

Re: [ISSUING BANK] Irrevocable Standby Letter of Credit No. _____

Ladies and Gentlemen:

We hereby establish in favor of Beneficiary (sometimes alternatively referred to herein as “you”) this Irrevocable Standby Letter of Credit No. _____ (the “Letter of Credit”) for the account of Valley Clean Energy Alliance (“Account Parties”), effective immediately and expiring on the date determined as specified in numbered paragraphs 5 and 6 below.

We have been informed that this Letter of Credit is issued pursuant to the terms of that certain [*describe the underlying agreement which requires this LC*].

1. Stated Amount. The maximum amount available for drawing by you under this Letter of Credit shall be [*written dollar amount*] United States Dollars (US\$[*dollar amount*]) (such maximum amount referred to as the “**Stated Amount**”).

2. Drawings. A drawing hereunder may be made by you on any Business Day on or prior to the date this Letter of Credit expires by delivering to [*ISSUING BANK*], at any time during its business hours on such Business Day, at [*bank address*] (or at such other address as may be designated by written notice delivered to you as contemplated by numbered *paragraph 9* hereof), a copy of this Letter of Credit together with (i) a Draw Certificate executed by an authorized person substantially in the form of Attachment A hereto (the “**Draw Certificate**”), appropriately completed and signed by your authorized officer (signing as such) and (ii) your draft substantially in the form of Attachment B hereto (the “**Draft**”), appropriately completed and signed by your authorized officer (signed as such). Partial drawings and multiple presentations may be made under this Letter of Credit. Draw Certificates and Drafts under this Letter of Credit may be presented by Beneficiary by means of facsimile or original documents sent by overnight delivery or courier to [*ISSUING BANK*] at our address set forth above, Attention: _____ (or at such other address as may be designated by written notice delivered to you as contemplated by numbered *paragraph 9* below). In the event of a presentation by facsimile transmission, the original of such documents shall be sent to us by overnight mail.

3. Time and Method for Payment. We hereby agree to honor a drawing hereunder made in compliance with this Letter of Credit by transferring in immediately available

funds the amount specified in the Draft delivered to us in connection with such drawing to such account at such bank in the United States as you may specify in your Draw Certificate. If the Draw Certificate is presented to us at such address by 12:00 noon, [_____] time on any Business Day, payment will be made not later than our close of business on third succeeding business day and if such Draw Certificate is so presented to us after 12:00 noon, [_____] time on any Business Day, payment will be made on the fourth succeeding Business Day. In clarification, we agree to honor the Draw Certificate as specified in the preceding sentences, without regard to the truth or falsity of the assertions made therein.

4. Non-Conforming Demands. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the demand for payment was not effectuated in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effectuated in conformity with this Letter of Credit, you may correct any such non-conforming demand.

5. Cancellation. This Letter of Credit shall automatically expire at the close of business on the date on which we receive a Cancellation Certificate in the form of Attachment C hereto executed by your authorized officer and sent along with the original of this Letter of Credit and all amendments (if any).

6. Initial Period and Automatic Rollover. The initial period of this Letter of Credit shall terminate on [*one year from the issuance date*] (the “**Initial Expiration Date**”). The Letter of Credit shall be automatically extended without amendment for one (1) year periods from the Initial Expiration Date or any future expiration date, unless at least sixty (60) days prior to any such expiration date we send you notice by registered mail or courier at your address first shown (or such other address as may be designated by you as contemplated by numbered paragraph 9) that we elect not to consider this Letter of Credit extended for any such additional one year period.

7. Business Day. As used herein, “**Business Day**” shall mean any day on which commercial banks are not authorized or required to close in the State of [New York], and inter-bank payments can be effected on the Fedwire system.

8. Governing Law. THIS LETTER OF CREDIT IS GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND, EXCEPT AS OTHERWISE EXPRESSLY STATED HEREIN, TO THE INTERNATIONAL STANDBY PRACTICES, ICC PUBLICATION NO. 590 (THE “ISP98”), AND IN THE EVENT OF ANY CONFLICT, THE LAWS OF THE STATE OF NEW YORK WILL CONTROL, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

9. Notices. All communications to you in respect of this Letter of Credit shall be in writing and shall be delivered to the address first shown for you above or such other address

as may from time to time be designated by you in a written notice to us. All documents to be presented to us hereunder and all other communications to us in respect of this Letter of Credit, which other communications shall be in writing, shall be delivered to the address for us indicated above, or such other address as may from time to time be designated by us in a written notice to you.

10. Irrevocability. This Letter of Credit is irrevocable.

11. Complete Agreement. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein, or in which this Letter of Credit is referred to or to which this Letter of Credit relates, except for the ISP98 and Attachment A, Attachment B and Attachment C hereto and the notices referred to herein and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

*

*

*

SINCERELY,

[ISSUING BANK]

By: _____

Title: _____

Address:

ATTACHMENT A

FORM OF DRAW CERTIFICATE

The undersigned hereby certifies to [ISSUING BANK] (“**Issuer**”), with reference to Irrevocable Letter of Credit No. _____ (the “**Letter of Credit**”) issued by Issuer in favor of the undersigned (“**Beneficiary**”), as follows:

- (1) The undersigned is the _____ of Beneficiary and is duly authorized by Beneficiary to execute and deliver this Certificate on behalf of Beneficiary.
- (2) Beneficiary hereby makes demand against the Letter of Credit by Beneficiary’s presentation of the draft accompanying this Certificate, for payment of _____ U.S. dollars (US\$ _____), which amount, when aggregated together with any additional amount that has not been drawn under the Letter of Credit, is not in excess of the Stated Amount (as in effect of the date hereof).
- (3) The conditions for a drawing by Beneficiary pursuant to [*describe the draw conditions from the underlying agreement*].
- (4) You are hereby directed to make payment of the requested drawing to: (insert wire instructions)

Beneficiary Name and Address:

By: _____
Title: _____
Date: _____

- (5) Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Letter of Credit.

[*BENEFICIARY*]

By: _____
Title: _____
Date: _____

ATTACHMENT B

DRAWING UNDER IRREVOCABLE LETTER OF CREDIT NO.

Date:

PAY TO: [BENEFICIARY]

U.S.\$ _____

FOR VALUE RECEIVED AND CHARGE TO THE ACCOUNT OF LETTER OF
CREDIT NO. _____.

[BENEFICIARY]

By: _____

Title: _____

Date: _____

ATTACHMENT C
CANCELLATION CERTIFICATE

Irrevocable Letter of Credit No. _____

The undersigned, being authorized by the undersigned (“**Beneficiary**”), hereby certifies on behalf of Beneficiary to [ISSUING BANK] (“**Issuer**”), with reference to Irrevocable Letter of Credit No. _____ issued by Issuer to Beneficiary (the “**Letter of Credit**”), that all obligations of [PROJECT ENTITY], an affiliate of the Account Parties, under the [*describe the underlying agreement which requires this LC*] have been fulfilled.

Pursuant to Section 5 thereof, the Letter of Credit shall expire upon Issuer’s receipt of this certificate.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Letter of Credit.

[*BENEFICIARY*]

By: _____

Title: _____

Date: _____

EXHIBIT H
EXPECTED ENERGY

Contract Year	Expected Annual Generation (MWh)
1	222,820
2	221,706
3	220,597
4	219,494
5	218,397
6	217,305
7	216,218
8	215,137
9	214,062
10	212,991
11	211,926
12	210,867
13	209,812
14	208,763
15	207,720
16	206,681
17	205,648
18	204,619
19	203,596
20	202,578

EXHIBIT I

MILESTONE SCHEDULE

1	10/27/2018	Execute Interconnection Agreement (executed)
2	10/31/2019	Receive CEC pre-certification
3	6/30/2020	Procure Major Equipment
4	3/31/2020	Obtain Federal, State, and Local Discretionary Permits
5	9/30/2020	Expected Construction Start Date
6	12/1/2020	Guaranteed Construction Start Date
7	4/1/2021	Target Commercial Operation Date
8	12/1/2021	Guaranteed Commercial Operation Date
9	12/1/2021	Submit Application for Full Capacity Deliverability Status
10	4/1/2022	Guaranteed Contract Capacity Date

ATTACHMENT A
FORM OF MILESTONE SCHEDULE REPORT

Within ten (10) Days after the end of each month following the Effective Date until the Commercial Operation Date, Seller shall provide Buyer a monthly written report of its progress toward meeting the Milestone Schedule in **Exhibit I** (the “Milestone Schedule Report”). Each Milestone Schedule Report must include the following items:

1. Summary of activities during the previous calendar month.
2. Forecast of activities scheduled for the current calendar month.
3. Bar chart schedule showing progress on achieving each of the Milestones in **Exhibit I**.
4. An explanation of the reasons for any missed Milestone and a detailed description of Seller’s corrective actions to achieve the missed Milestone and all subsequent Milestones by the Guaranteed Commercial Operation Date.
5. List of issues that could potentially impact Seller’s ability to achieve the Milestones.
6. Progress and schedule of all agreements, contracts, Permits, approvals, technical studies, financing agreements and major equipment purchase orders showing the start dates, completion dates, and completion percentages.
7. Pictures, in sufficient quantity and of appropriate detail, in order to document construction and startup progress of the Facility, the interconnection into the Transmission System and all other interconnection utility services.

EXHIBIT J

FORM OF COMMERCIAL OPERATION CERTIFICATE

This certification (“Certification”) is delivered to Valley Clean Energy Alliance (“Buyer”) by _____, an independent electrical engineer that is not under direct employment by Rugged Solar LLC (“Seller”) or any of its Affiliates and who is a licensed electrical engineer in California with at least five (5) years’ experience constructing or operating solar photovoltaic facilities with a generating capacity of at least twenty (20) MW (“Engineer”). Capitalized terms that are not defined in this Certification are defined in the Agreement to which this Certification is a part. Engineer hereby certifies and represents to Buyer the following:

(a) Seller has completed installation of at least ninety-five percent (95%) of the Contract Capacity at 2750 McCain Valley Road, in San Diego County, in the State of California (the “Facility”);

(b) At least ninety-five percent (95%) of the Contract Capacity has been installed and commissioned in compliance with all applicable manufacturers’ supply, construction, and operating specifications;

(c) All the facilities required by the Interconnection Agreements, including Seller’s Interconnection Facilities and Transmission Provider’s Interconnection Facilities, have been installed, tested and are completed as required by the Interconnection Agreements;

(d) Seller has executed all necessary Transmission Provider and CAISO agreements, including all the Interconnection Agreements, and the CAISO has authorized deliveries from the Facility to the Delivery Point; and

(e) All testing required by Prudent Operating Practices or any requirement of law to operate the Facility has been successfully completed. “**Prudent Operating Practices**” means the practices, methods and standards of professional care, skill and diligence engaged in or approved by a significant portion of the solar electric generation industry that, in the exercise of reasonable judgment, in light of the facts known at the time, would have been expected to accomplish results consistent with Applicable Law, reliability, safety, environmental protection and standards of economy and expedition.

IN WITNESS WHEREOF, the undersigned has executed this Officer’s Certificate on behalf of the Company as of the ___ day of _____ 20__.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2020-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE (VCE) APPROVING ENTERING INTO A POWER PURCHASE AGREEMENT WITH RUGGED SOLAR, LLC AND AUTHORIZING INTERIM GENERAL MANAGER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE THE POWER PURCHASE AGREEMENT

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

WHEREAS, on August 13, 2018, Sacramento Municipal Unified District (“SMUD”), on behalf of VCE, issued a solicitation for Long Term Renewable power supply;

WHEREAS, after compiling and consolidating the technical details from each response received and evaluating for consideration, VCE Staff executed letters of intent, collected short list deposits, and began negotiating power purchase agreements (“PPA”) for two (2) projects;

WHEREAS, Rugged Solar, LLC (“Rugged”) is to construct a solar generating facility with transmission infrastructure in San Diego County, California;

WHEREAS, a PPA was negotiated with Rugged Solar, LLC for VCE to procure power from a seventy-two (72) MW photovoltaic solar facility.

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

1. The Power Purchase Agreement (PPA) by VCEA for 100% of the output for 20 years of the Rugged Solar Project under development by Rugged Solar LLC is hereby approved.
2. The Interim General Manager is authorized to execute the PPA substantially in the form attached hereto on behalf of VCE, and in consultation with legal counsel is authorized to approve minor changes to the PPA so long as the term and price are not changed.

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

AYES:

NOES:

ABSENT:

ABSTAIN:

Don Saylor, VCE Chair

Alisa M. Lembke, VCE Board Secretary

Attachment A: Exhibit A - Power Purchase Agreement with Rugged Solar LLC

Attachment A

Power Purchase Agreement with Aquamarine Westside, LLC

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Gordon Samuel, Assistant General Manager & Director of Power Services

SUBJECT: Local Renewable Request for Offers (RFO) Solicitation

DATE: April 9, 2020

RECOMMENDATION

Staff is requesting the Board approve the release of a Local Long Term Renewable Solicitation (“Solicitation”) planned for issuance in mid-April 2020.

OVERVIEW

As directed by the Board and noted in previous updates, VCE is in the process of preparing a solicitation for local/regional long-term renewable projects. Projects resulting from this solicitation would supplement renewable projects that come out of VCE’s previous long-term solicitation, including the recently signed power purchase agreement (PPA) for a 50 MW project with the Westlands solar park as well as the 72 MW project the Board is considering at the April 9, 2020 meeting. This staff report provides an overview of the solicitation objectives, high-level schedule, minimum project requirements and evaluation criteria that would be included in the Local/Regional Long-Term Renewable Request for Offer (“RFO”) planned for issuance in April 2020. Staff reviewed the siting criteria with the Board (3/12/2020), Community Advisory Committee (2/27/2020) as well as with the Defenders of Wildlife and The Nature Conservancy (2/24/2020). Input received from those meetings will be incorporated in the RFO documents.

BACKGROUND

If approved by the Board, staff will release an RFO to procure local/regional renewable energy through long-term power purchase agreements that will be executed in VCE’s name. The local/regional solicitation is consistent with general Board direction and VCE’s Vision statement to pursue procurement of cost effective local renewable energy. This solicitation is also identified in VCE’s 2019 Renewable Portfolio Standard (RPS), Procurement Plan submitted to the California Public Utilities Commission. The 2019 RPS Plan states:

“VCE plans to establish an open solicitation for local renewables in the first quarter of 2020 in order to supply up to 25% of its targeted 2030 renewable goal of 80%.”

Table 1 below provides an overview of VCE’s renewable energy targets compared to the RPS minimums.

Table 1 – VCE Renewable Targets

	2020	2022	2026	2030
VCE IRP Renewable Energy Targets	42.0%	60.0%	70.0%	80.0%
RPS Minimum Requirements	33.0%	38.5%	49.3%	60.0%
Additional Voluntary Procurement by VCE Above RPS Minimum Reqs	9.0%	21.5%	20.7%	20.0%

As the table shows, after VCE’s long-term renewable contracts begin supplying power in late 2021/early 2022, VCE is roughly 20% better than State standards. While the larger, non-local renewable projects will provide the bulk of that power the proposed local/regional solicitation will supplement the totals. Based on prior Board direction, staff has purposely left an open position in VCE’s portfolio to accommodate up to 25% of the renewables needed to make VCE’s targeted amount to be filled with cost-effective local/regional projects that would come on-line over the next 10 years (by 2030). For discussion purposes: assuming an annual VCE load of 750,000 MWh, VCE plans to ultimately meet 600,000 MWh with renewable resources and 150,000 MWh of this could be from local renewables (approximately 50MW depending on the type of resource).

Staff is not suggesting that all 150,000 MWh will come from this RFO. Staff intends to procure a portion of this amount and in future solicitations will acquire the remaining balance. This will allow VCE to diversify its portfolio and potentially take advantage of emerging and maturing technologies such as energy storage and other distributed energy resources. In addition, staff notes that the current (and future), solicitation would not limit the types of technologies that could submit proposals.

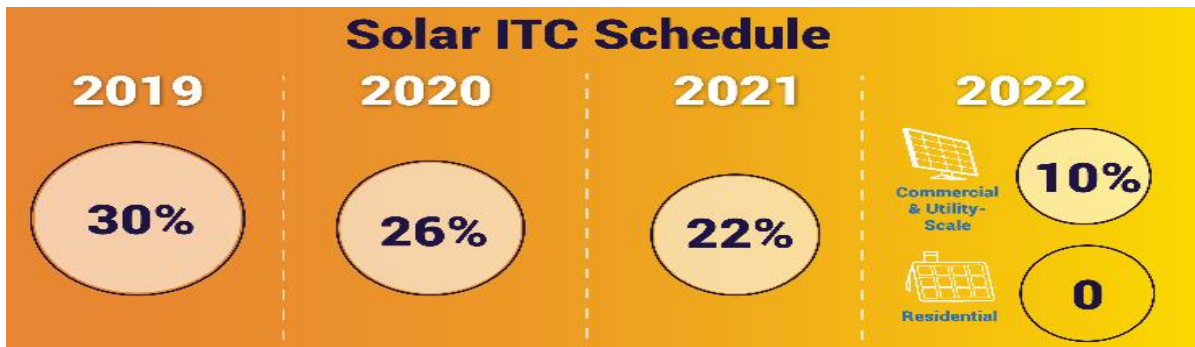
As with potential renewable projects resulting from the previous long-term solicitation, all potential projects from the local/regional RFO will be vetted using the adopted selection criteria and brought to the Board for final consideration.

ANALYSIS

1). This solicitation will contribute to satisfying a near-term regulatory requirement:

CPUC Decision D.17-06-026: VCE is required to meet the statutory goal of 65% of its procurement being from contracts with term lengths of 10 years or more in duration by the 2021-2024 compliance period. The recently signed 50 MW PPA will satisfy approximately 50% of this requirement leaving approximately 350,000 MWh (total remaining for years '21 through '24) for upcoming procurement activity.

2). Staff recommends that this RFO be limited only to proposals from resources that can achieve a commercial operation date (COD) no later than 12/31/23. All other things being equal, projects that can achieve an earlier COD will be given preference. This date supports the above regulatory requirement, and it coincides with the expiration of the Federal Investment Tax Credit (“ITC”), that is utilized by projects to lower costs.



A project will receive a higher ITC the sooner a project commences construction. Utility-scale projects which have commenced construction before December 31, 2021 may still qualify for the 30, 26 or 22 percent ITC if the project is placed in-service before December 31, 2023.

Recommended Project Requirements (high-level):

Location	Within Yolo County, CA or any of the adjacent six counties, with preference given to those projects in Yolo. Deliverability to the CAISO grid.
Products	RPS-eligible generation or RPS-eligible generation+storage. Projects may be existing or new.
Price	Fixed \$/MWh with zero percent (0%) annual escalator. Prices must be offered at the project Pnode. Projects that include storage may add an optional \$/kW-month storage capacity cost with zero percent (0%) annual escalator. Note: Actual payments to bidder will be consistent with the terms of the PPA Agreements for each project.
Term	Minimum of ten (10) years, maximum of twenty (20) years.
Scheduling Coordinator	For generation only projects, Seller shall be the scheduling coordinator (SC). For generation+storage projects, Buyer shall be the scheduling coordinator (SC).
Ownership	All projects will be owned by the Bidder (Seller), with VCE contracting the output of the resource for the Term.
Expected Commercial Operation Date (COD)	On or prior to December 31, 2023.
Installed Capacity (MW)	Nameplate capacity no less than 2 MWac and no greater than 25 MWac (not inclusive of storage capacity).

Operation	Storage components of generation+storage resources will only be charged by the generation resource they are directly connected to (no grid charging). Storage resources are expected to operate at a minimum 200 cycles/year (bidder can propose additional cycles/yr offers).
Station Use	Seller will be responsible for Station Use.
Pre and Post Development Seller Security Requirements	\$/kW of Contract Capacity for generation resources and \$/kW of Contract Capacity for storage resources.

Schedule:

Issue RFO	April 20, 2020
Bid Submittals Due	May 26, 2020
Complete Evaluation	July 13, 2020
Short-list and Negotiations	September 30, 2020
Award Contract(s) / Approvals	Q4 2020

Evaluation Criteria:

Projects will be evaluated based on a combination of quantitative and qualitative criteria. Quantitative criteria will focus on project performance and economics, while qualitative criteria will focus on factors related to environmental stewardship, development risk, and project site characteristics. Both categories of criteria will play a significant role in project evaluation.

The quantitative analysis will determine the project benefit by comparing project cost to market forward prices. The total project cost is calculated from the expected energy generation profile times offered prices plus the cost of the energy storage system capacity (if offered). VCE will evaluate the potential for congestion between the project's point of interconnection and VCE's Default Load Aggregation Point (DLAP). This analysis will provide an estimate of energy value for each project, which along with the \$/MWh PPA cost and, if relevant, the energy storage \$/kW-month capacity cost submitted in the proposal will be used to calculate an overall value for each project. The economic value of a project is a key consideration but not the only important factor in screening projects.

The primary qualitative criteria will include, but not be limited to, the following:

- Project team experience
- Financing plan and financial stability of project owner/developer
- Local/Regional resources location
- Prior land use
- Located in pre-screened energy development areas
- Level of completeness of permits

- Grid Interconnection status
- Site control
- Multi-benefit renewable energy

Staff recognizes that some projects may not meet all criteria, but preference will be given to those that satisfy the majority of the criteria.

CONCLUSION

Staff is seeking approval from the Board to issue the Local Renewable RFO later this month with project screening based on the project requirements and evaluation criteria listed in the staff report. Staff will return with periodic updates as the solicitation moves forward.