



**Meeting of the Valley Clean Energy Alliance
Board of Directors**

Thursday, September 12, 2019 at 5:30 p.m.

**City of Woodland Council Chambers
300 1st Street, 2nd Floor, Woodland, CA 95695**

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Alisa Lembke, VCEA Board Clerk/Administrative Analyst, at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@valleycleanenergy.org.

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

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

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

5:30 p.m. Call to Order

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

CLOSED SESSION

- 4. Conference with Legal Counsel – Existing Litigation (5:30 p.m. – 6 p.m. These are time estimates only.)
(Paragraph (1) of subdivision (d) of Section 54956.9)**
Name of Case: In re PG&E Corporation, Debtor; Chapter 11; US Bankruptcy Court, Northern District of California San Francisco Division, Case No. 19-30088(DM) and Case No. 19-300889(DM)

CONSENT AGENDA

5. Approval of draft July 11, 2019 Board Meeting Minutes.
6. Receive 2019 Long Range Calendar.
7. Receive Financial Updates – June 30, 2019 (unaudited) and July 31, 2019 (unaudited) financial statements.
8. Receive September 6, 2019 Regulatory Update provided by Keyes & Fox.
9. Receive Legislative Update.
10. Receive August 29, 2019 Customer Enrollment Update and Monthly Call Center Report as of August 18, 2019.
11. Receive Community Advisory Committee’s July 25, 2019 and August 22, 2019 Meeting Summaries.
12. Receive Amendment #13 to Task Orders 2, 3 and 4 of the Sacramento Municipal Utility District Professional Services Agreement updating the billable rates for Fiscal Year 2019/2020.
13. Receive the Valley Clean Energy Triennial Data Privacy Audit report - 2018.
14. Accept and attest the accuracy of Valley Clean Energy’s 2018 Power Content Label for the Ultra Green product for 2018 based on staff’s review.
15. Amendment to Valley Clean Energy Alliance JPA to create associate membership status and approve inviting Cities of Winters and West Sacramento as associate members.

REGULAR AGENDA

16. Adoption of Residential Time of Use Rates and First Year Bill Protection. (Action)
17. Receive update of River City Bank Credit Agreement and debt restructure analysis. (Informational)
18. Status update on potential acquisition of local electricity distribution system. (Informational)
19. Request approval of delegation for procuring 2021 price hedging energy. (Action)
20. Long-Term Renewable solicitation update. (Informational)
21. Board Member and Staff Announcements: Action items and reports from member of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

The next VCEA Board meeting is scheduled for Thursday, October 10, 2019 at 5:30 p.m. at the City of Davis Community Chambers, 23 Russell Boulevard, Davis, CA 95616.

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

TO: Valley Clean Energy Alliance Board of Directors
FROM: Alisa Lembke, VCEA Board Clerk/Administrative Analyst
SUBJECT: Approval of Minutes from July 11, 2019 Board Meeting
DATE: September 12, 2019

RECOMMENDATION

Receive, review and approve the attached draft Minutes from the July 11, 2019 Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
SPECIAL BOARD OF DIRECTORS MEETING
THURSDAY, JULY 11, 2019**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their special meeting scheduled for Thursday, July 11, 2019 at 5:30 p.m. at the City of Woodland Council Chambers located at 300 1st Street, Woodland, California 95695. Chairperson Tom Stallard established that there was a quorum present and began the meeting at 5:31p.m.

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

Members Absent: None

Approval of Agenda Director Stallard made a motion to approve the July 11, 2019 Agenda, seconded by Director Frerichs. Motion passed unanimously.

Public Comment Chairperson Stallard opened the floor for public comment. No public comments were made.

CLOSED SESSION: Conference with Legal Counsel – Anticipated Litigation The Board adjourned their meeting to go into Closed Session at 5:32 p.m. The Board returned to their regular Agenda at 6:20 p.m. Chairperson Stallard reported that the Board had no reportable action out of closed session. Chairperson Stallard then moved on to the Consent Agenda.

Approval of Consent Agenda Director Carson made a motion to approve Consent Items 5 through 13, seconded by Director Frerichs. Motion passed unanimously. The following is a list of Consent Items 5 through 13:

5. approved draft June 17, 2019 Special Regular Board Meeting and June 27, 2019 Special Board Meeting: Closed Session Minutes;
6. received 2019 Long Range Calendar;
7. received Financial Updates – May 31, 2019 (unaudited) financial statements;
8. received July 2, 2019 Regulatory Update provided by Keyes & Fox.
9. received Legislative Update;
10. received July 2, 2019 Customer Enrollment Update and Monthly Call Center Report as of June 23, 2019;
11. received Community Advisory Committee’s June 27, 2019 Meeting Summary;
12. approved Valley Clean Energy Employee Handbook update; and,
13. approved Valley Clean Energy’s final tariff sheets effective July 1, 2019.



Presentation by Pacific Gas & Electric on residential time of use (Informational)	VCE Staff Jim Parks introduced Jessica Chancellor and Jenna Olsen of PG&E. Ms. Chancellor reviewed the key points of residential Time of Use program. Both Ms. Chancellor and Ms. Olsen answered questions from the Board.
Receive 2020 Integrated Resource Plan Overview (Informational)	VCE Staff Gary Lawson reviewed slides providing information on updating the 2020 Integrated Resource Plan and schedule.
Receive Second Quarter 2019 Procurement Update (Informational)	VCE Staff Gary Lawson provided an informational update on Quarter 2 of 2019 Procurement, including a budget review and estimated 2020 and 2021 costs.
Receive Bi-annual Enterprise Risk Management (ERM) report (Informational)	VCE Staff Lisa Limcaco provided an informational review of the Enterprise Risk Management (ERM) report which included activities in 2018 performed by the EROC committee, risk portfolio highlighting PCIA and Regulatory & policy risks, the risk response plan, and key priorities for 2019.
Board Member and Staff Announcements	<p>Director Stallard informed those present that he attended the June 25th Community Advisory Committee meeting and thanked the CAC members for all of their hard work, knowledge and experience, and dedication.</p> <p>VCE Staff Lisa Limcaco informed those present that there is currently a VCE campaign to opt customers up to UltraGreen – 100% renewable. It is too early to tell how successful the campaign is.</p> <p>Director Frerichs provided an additional legislative update on AB 1054 which was passed by the legislature today. In addition, AB 56 (Procurement Authority) died and is not moving forward during this legislative session. This bill was opposed by CalCCA.</p>
Adjournment	Chairperson Stallard adjourned the meeting at 7:22 p.m. to the next meeting scheduled for Thursday, September 12, 2019 at 5:30 p.m. at the City of Woodland Council Chambers, located at 300 1 st Street, 2 nd floor, Woodland, California.

Alisa M. Lembke
VCEA Board Secretary

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

Staff Report – Item 6

TO: VCEA Board
FROM: Mitch Sears, Interim General Manager
SUBJECT: Long Range Calendar 2019
DATE: September 12, 2019

Recommendation

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

VALLEY CLEAN ENERGY

2019 Meeting Dates and Proposed Topics – Board and Community Advisory Committee

MEETING DATE		TOPICS	ACTION
January 10, 2019 January 23, 2019	Board WOODLAND	Special Meeting scheduled for Wednesday, January 23rd , at 5:30 p.m. at Yolo County Board of Supervisors Chambers , Woodland <ul style="list-style-type: none"> • Procurement Authority / Procure Energy for 2020 • Schedule of New Rate Structure / Rebate Program 	<ul style="list-style-type: none"> • Action • Informational
January 24, 2019	Advisory Committee WOODLAND	Thursday, January 24 th at City of Woodland Council Chambers, Woodland <ul style="list-style-type: none"> • Preliminary Discussion on New Rate Structure / Rebate Program (Dividend) 	<ul style="list-style-type: none"> • Discussion / Formation of Task Group / timeline
February 14, 2019 Cancelled due to lack of quorum	Board DAVIS	<ul style="list-style-type: none"> • ERR/PCIA/PG&E 	<ul style="list-style-type: none"> • Discussion
February 28, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> • New Rate Structure / Dividend Program – Draft Recommendation • Net Energy Metering (NEM) Enrollment – Reassessment • Updated Outreach Plan / Videoconference with Green Ideals (marketing and outreach) • Task Groups – Present Tasks/Projects • Update on Regulatory Assistance Project 	<ul style="list-style-type: none"> • Action: Draft Recommendation • Informational • Action: Approve plan / Introduction to Green Ideals • Informational • Informational
March 14, 2019	Board WOODLAND	<ul style="list-style-type: none"> • Preliminary FY19/20 Operating Budget (Regular) • New Rate Structure / Dividend Program – Review Preliminary Recommendation and Staff Report 	<ul style="list-style-type: none"> • Review • Review and provide feedback
March 28, 2019	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • New Rate Structure / Dividend Program – Finalize Recommendation • Net Energy Metering (NEM) Enrollment – Reassessment • Time of Use Rate Classes • Long Term Load Forecast – Biannual 2019 Integrated Energy Planning Report 	<ul style="list-style-type: none"> • Action: Finalize Recommendation to Board • Discussion • Discussion • Information

		<ul style="list-style-type: none"> • Long Term Renewable Solicitation Short List • Ideas of Possible Local Programs 	<ul style="list-style-type: none"> • Information • Information/Discussion
April 11, 2019	Board DAVIS	<ul style="list-style-type: none"> • Long Term Load Forecast – Biannual 2019 Integrated Energy Planning Report • Long Term Renewable Solicitation Short List 	<ul style="list-style-type: none"> • Information • Information
April 25, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> • Net Energy Metering (NEM) Enrollment – Reassessment – Finalize Report and Recommendation • New Rate Structure / Dividend Program – Finalize Report and Recommendation 	<ul style="list-style-type: none"> • Action: Finalize • Action: Finalize
May 9, 2019 Cancelled due to a lack of quorum.	Board WOODLAND	<ul style="list-style-type: none"> • Net Energy Metering (NEM) Enrollment Reassessment CAC Recommendation and Information Presented • Residential Time of Use Rate Classes (PG&E Presentation) • New Rate Structure / Dividend Program • Long Term Renewable Solicitation Short List 	<ul style="list-style-type: none"> • Informational • Informational • Action: Approve • Action: Approve
May 23, 2019	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • PG&E Presentation on Residential Time of Use Rate Classes • Possible Local Programs • Net Energy Metering (NEM) Enrollment Reassessment Report – final review • Information related to 2020 Integrated Resource Plan Update 	<ul style="list-style-type: none"> • Informational • Informational • Action • Informational
June 13, 2019 Monday, June 17, 2019- <i>Special</i> Mtg.	Board DAVIS Woodland	<ul style="list-style-type: none"> • Final Approval of FY19/20 Operating Budget • Net Energy Metering (NEM) Enrollment Reassessment Report from CAC • New Rate Structure / Dividend Program • Long Term Renewable Solicitation Short List • Extension of Waiver of Opt-Out Fees for one more year • Re/Appointment of Members to Community Advisory Committee 	<ul style="list-style-type: none"> • Approval • Action • Action: Approve • Action • Action • Action
June 27, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> • Residential Time of Use Rate Classes • Local Resource Development • Information related to 2020 Integrated Resource Plan Update • Local Energy and Efficiency Programs 	<ul style="list-style-type: none"> • Discussion • Discussion • Discussion • Information/Discussion
July 11, 2019	Board WOODLAND	<ul style="list-style-type: none"> • Residential Time of Use – Presentation by PG&E 	<ul style="list-style-type: none"> • Informational

July 25, 2019	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Residential Time of Use Rate Classes Local Resource and Program Development Information related to 2020 Integrated Resource Plan Update Rates and Services Task Group List of Priority Tasks 	<ul style="list-style-type: none"> Discussion Information/Discussion Discussion Information/Discussion
August 8, 2019 Cancelled due to a lack of quorum	Board DAVIS		
August 22, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> Residential Time of Use Rate Classes – Finalize Report and Recommendation Local Resource Development Revised Procurement Guide – Review 	<ul style="list-style-type: none"> Action: Finalize Discussion Discussion
September 12, 2019	Board WOODLAND	<ul style="list-style-type: none"> Residential Time of Use Rate Classes Report Discussion on River City Bank Revolving Line of Credit Revision to JPA to add Associate Member verbiage 	<ul style="list-style-type: none"> Information/Discussion Discussion Action
September 26, 2019	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Committee Evaluation of Calendar Year End (Draft Report) Revised Procurement Guide – Review Draft Recommendation Reschedule November and December CAC meetings Local Renewable Solicitation Introduction / Kick-off of VCE IRP Process 	<ul style="list-style-type: none"> Discussion Discussion Action Discussion Informational
October 10, 2019	Board DAVIS	<ul style="list-style-type: none"> Approval of FY18/19 Audited Financial Statements (James Marta & Co.) Residential Time of Use Rate Classes Update on Integrated Resource Plan River City Bank Revolving Line of Credit Introduction / Kick-off of VCE IRP Process 	<ul style="list-style-type: none"> Action Action Discussion Discussion/Action Informational
October 24, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> Committee Evaluation of Calendar Year End (Draft Report) Revised Procurement Guide- Review Draft Recommendation Update on Integrated Resource Plan Process 	<ul style="list-style-type: none"> Discussion Discussion Informational
November 14, 2019	Board WOODLAND	<ul style="list-style-type: none"> Update on Integrated Resource Plan Process Consideration of City of Winters membership Approval of revised Implementation Plan 	<ul style="list-style-type: none"> Informational Action Action

November 28, 2019 Thanksgiving Holiday – need to reschedule	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 12, 2019	Board DAVIS	<ul style="list-style-type: none"> • Election of Officers for 2020 • 	<ul style="list-style-type: none"> • Nominations
December 26, 2019 Need to reschedule	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 9, 2020	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 23, 2020	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Review and Discuss Task Groups 	<ul style="list-style-type: none"> • Discuss/Action

Integrated Resource Plan Schedule:

February 2020: Draft IRP ready / CAC and Public Review

March 2020: VCE Board discussion and feedback on draft IRP and receive CAC Recommendation

April 2020: VCE Board adoption of IRP

May 1, 2020: Filing of IRP due to CPUC

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Update – June 30, 2019 and July 31, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending June 30, 2019 and July 31, 2019

DATE: September 12, 2019

RECOMMENDATION:

Accept the following Financial Statements (unaudited):

1. For the period of June 1, 2018 to June 30, 2018 (with comparative year to date information) and Actual vs. Budget year to date ending July 31, 2019.
2. For the period of July 1, 2019 to July 31, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending July 31, 2019.

BACKGROUND & DISCUSSION:

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

The Financial Statements include the following reports:

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

In addition, staff is reporting the Actual vs. Budget variances year to date ending June 30, 2019 and July 31, 2019.

Financial Statements for the period June 1, 2019 – June 30, 2019

In the Statement of Net Position, VCEA as of June 30, 2019 has a total of \$6,914,296 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$655,745 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of June 30, 2019 \$410,309 and \$1,084,658 respectively

for a grand total of \$1,494,967. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of \$1,522,433 over a 24-month period. 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 outstanding line of credit balance with River City Bank at June 30, 2019 totaled \$1,976,610. At June 30, 2019, VCE's net position is \$7,328,833.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,878,613 of revenue (net of allowance for doubtful accounts) of which \$5,071,232 was billed in June and \$1,925,582 represent estimated unbilled revenue (net May and June). The cost of the electricity for the June revenue totaled \$4,635,740. For June, VCEA's gross margin is approximately 32.61% and operating income totaled \$1,901,317. The year-to-date change in net position was \$8,752,686.

In the Statement of Cash Flows, VCEA cash flows from operations was \$452,739 due to June cash receipts of revenues exceeding the monthly operating expenses with the increase in billings beginning in May 2019.

Actual vs. Budget Variances for the year to date ending June 30, 2019

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

Electric revenues - (\$3,172,665) and (6%) - actual electric revenues are down from budget due to the mild summer weather which led to lower retail customer usage than forecasted load and the deferral of NEM customers until 2020.

Purchased Power – (\$2,563,681) and (6%) – due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits – (\$375,898) and (28%) – the decrease is due to the budgeted Assistant general manager (AGM) position has not been filled. Beginning September 2018, SMUD's Task Order 4 was amended to have SMUD provide proxy AGM services which is included in Contract Labor.

SMUD – Credit Support – (\$82,363) and (13%) – due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

SMUD – Wholesale Energy Services - \$36,670 and 7% - due to additional costs related to LT renewable procurement and other services.

SMUD – Call Center – (\$107,291) and (14%) – due to lower retail customers from the deferral of NEM customers.

Legal - \$53,837 and 126% - due to the increase legal costs related to PG&E bankruptcy case in 2019.

Legislative/Regulatory – (\$75,916) and (32%) – the decrease is due to no legislative expenditures incurred until February 2019 when VCE contracted for lobbying services.

Accounting Services – (\$74,923) and (82%) – due to Yolo County’s accounting department providing accounting services along with the VCE Director of Finance oversight which is ~\$6,000/month less than an outside accounting firm’s fees that were budgeted.

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

Marketing Collateral – (\$102,521) and (47%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – (\$153,433) and (39%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.

Contingency – (\$470,061) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – (\$416,059) and (79%) – due to lower outstanding Line of credit balance than originally budgeted.

Financial Statements for the period July 1, 2019 – July 31, 2019

In the Statement of Net Position, VCEA as of July 31, 2019 has a total of \$8,307,999 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$732,969 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of July 31, 2019 \$384,220 and \$1,021,701 respectively for a grand total of \$1,405,921. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of \$1,522,433 over a 24-month period. 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 outstanding line of credit balance with River City Bank at July 31, 2019 totaled \$1,976,610. At July 31, 2019, VCE’s net position is \$8,397,576.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,478,940 of revenue (net of allowance for doubtful accounts) of which \$6,964,400 was billed in July and (\$338,797) represent estimated unbilled revenue (net June and July). The cost of the electricity for the July revenue totaled \$5,025,963. For July, VCEA’s gross margin is approximately 22.42% and operating income totaled \$1,076,147. The year-to-date change in net position was \$1,068,743.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,478,945 due to July cash receipts of revenues exceeding the monthly operating expenses.

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

Below are the financial statement line items with variances >\$50,000 and 10%:

Electric revenues - (\$1,208,292) and (16%) - actual electric revenues are down from budget due to the July budget included the increase in PG&E rates effective July 1, 2019, however the July billings with rate changes will be included in the August billings.

Attachments:

- 1) Financial Statements (Unaudited) June 1, 2019 to June 30, 2019 (with comparative year to date information.)
- 2) Financial Statements (Unaudited) July 1, 2019 to July 31, 2019 (with comparative year to date information.)
- 3) Actual vs. Budget for year to date ending June 30, 2019
- 4) Actual vs. Budget for year to date ending July 31, 2019



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON AUGUST 8, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,914,296
Accounts receivable, net of allowance	4,995,273
Accrued revenue	4,295,713
Prepaid expenses	-
Inventory - Renewable Energy Credits	207,168
Other current assets and deposits	2,540
Total current assets	16,414,990

Restricted assets:

Debt service reserve fund	1,100,000
Power purchase reserve fund	655,745
Total restricted assets	1,755,745

Noncurrent assets:

Other noncurrent assets and deposits	100,000
Total noncurrent assets	100,000
TOTAL ASSETS	\$ 18,270,735

LIABILITIES

Current liabilities:

Accounts payable	\$ 586,120
Accrued payroll	3,789
Interest payable	112,312
Due to member agencies	410,309
Accrued cost of electricity	5,210,656
Other accrued liabilities	1,084,658
User taxes and energy surcharges	57,448
Line of credit	1,976,610
Total current liabilities	9,441,902

Noncurrent liabilities

Loans from member agencies	1,500,000
Total noncurrent liabilities	1,500,000
TOTAL LIABILITIES	\$ 10,941,902

NET POSITION

Net position:

Restricted	
Local Programs Reserve	\$ 87,525
Unrestricted	7,241,308
TOTAL NET POSITION	\$ 7,328,833

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF JUNE 1, 2019 TO JUNE 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>JUNE 30, 2019</u>	<u>YEAR TO</u> <u>DATE</u>
OPERATING REVENUE		
Electricity sales, net	\$ 6,878,613	\$ 51,141,568
TOTAL OPERATING REVENUES	<u>6,878,613</u>	<u>51,141,568</u>
OPERATING EXPENSES		
Cost of electricity	4,635,740	38,539,605
Contract services	221,533	2,309,962
Staff compensation	83,085	981,805
General, administration, and other	36,938	392,897
TOTAL OPERATING EXPENSES	<u>4,977,296</u>	<u>42,224,269</u>
TOTAL OPERATING INCOME (LOSS)	1,901,317	8,917,299
NONOPERATING REVENUES (EXPENSES)		
Interest income	5,657	37,944
Interest and related expenses	(26,732)	(202,557)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(21,075)</u>	<u>(164,613)</u>
CHANGE IN NET POSITION	1,880,242	8,752,686
Net position at beginning of period	5,448,591	(1,423,853)
Net position at end of period	<u>\$ 7,328,833</u>	<u>\$ 7,328,833</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE	
	PERIOD ENDING	
	JUNE 30, 2019	YEAR TO DATE
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,833,066	\$ 44,728,189
Payments for security deposits with energy suppliers	-	500,000
Payments to purchase electricity	(3,001,551)	(35,773,468)
Payments for contract services, general, and administration	(295,830)	(2,238,396)
Payments for staff compensation	(82,946)	(872,425)
Net cash provided (used) by operating activities	<u>452,739</u>	<u>6,343,900</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	4,376,610
Principal payments of Line of Credit to bank	-	(4,000,000)
Interest and related expenses	(12,991)	(151,801)
Net cash provided (used) by non-capital financing activities	<u>(12,991)</u>	<u>224,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	5,657	37,944
Net cash provided (used) by investing activities	<u>5,657</u>	<u>37,944</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	445,405	6,606,653
Cash and cash equivalents at beginning of period	8,224,636	2,063,388
Cash and cash equivalents at end of period	<u>\$ 8,670,041</u>	<u>\$ 8,670,041</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 6,914,296	\$ 6,914,296
Restricted assets	1,755,745	1,755,745
Cash and cash equivalents at end of period	<u>\$ 8,670,041</u>	<u>\$ 8,670,041</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>JUNE 30, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,901,317	\$ 8,917,299
(Increase) decrease in net accounts receivable	(1,141,866)	(4,989,602)
(Increase) decrease in accrued revenue	(1,925,583)	(1,471,223)
(Increase) decrease in prepaid expenses	9,585	-
(Increase) decrease in inventory - renewable energy credits	(132,510)	229,419
(Increase) decrease in other assets and deposits	-	500,000
Increase (decrease) in accounts payable	111,398	448,645
Increase (decrease) in accrued payroll	139	2,165
Increase (decrease) in due to member agencies	(95,490)	(124,330)
Increase (decrease) in accrued cost of electricity	1,766,699	2,536,717
Increase (decrease) in other accrued liabilities	(62,852)	247,364
Increase (decrease) in user taxes and energy surcharges	21,902	47,446
Net cash provided (used) by operating activities	<u>\$ 452,739</u>	<u>\$ 6,343,900</u>



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JULY 1 TO JULY 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON AUGUST 28, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
JULY 31, 2019
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)
(UNAUDITED)

	JULY 31, 2019	JULY 31, 2018
ASSETS		
Cash and cash equivalents	\$ 8,307,999	\$ 1,246,062
Accounts receivable, net of allowance	5,736,171	5,281,479
Accrued revenue	3,956,916	3,789,784
Prepaid expenses	22,743	16,687
Inventory - Renewable Energy Credits	106,080	1,029,703
Other current assets and deposits	2,540	2,540
Total current assets	18,132,449	11,366,255
Restricted assets:		
Debt service reserve fund	1,100,000	1,100,000
Power purchase reserve fund	732,969	36,293
Total restricted assets	1,832,969	1,136,293
Noncurrent assets:		
Other noncurrent assets and deposits	100,000	600,000
Total noncurrent assets	100,000	600,000
TOTAL ASSETS	\$ 20,065,418	\$ 13,102,548
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 646,014	\$ 122,542
Accrued payroll	3,692	2,332
Interest payable	111,698	67,968
Due to member agencies	384,220	574,654
Accrued cost of electricity	5,437,197	6,804,900
Other accrued liabilities	1,528,923	1,082,390
User taxes and energy surcharges	79,488	33,690
Line of credit	1,976,610	3,600,885
Total current liabilities	10,167,842	12,289,361
Noncurrent liabilities		
Loans from member agencies	1,500,000	1,500,000
Total noncurrent liabilities	1,500,000	1,500,000
TOTAL LIABILITIES	\$ 11,667,842	\$ 13,789,361
NET POSITION		
Restricted		
Local Programs Reserve	\$ 98,212	\$ 7,370
Unrestricted	8,299,364	(694,183)
TOTAL NET POSITION	\$ 8,397,576	\$ (686,813)

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

	FOR THE PERIOD ENDING JULY 31, 2019	FOR THE PERIOD ENDING JULY 31, 2018
OPERATING REVENUE		
Electricity sales, net	\$ 6,478,940	\$ 6,652,688
TOTAL OPERATING REVENUES	<u>6,478,940</u>	<u>6,652,688</u>
OPERATING EXPENSES		
Cost of electricity	5,025,963	5,538,730
Contract services	259,588	320,470
Staff compensation	84,979	9,049
General, administration, and other	32,263	36,966
TOTAL OPERATING EXPENSES	<u>5,402,793</u>	<u>5,905,215</u>
TOTAL OPERATING INCOME (LOSS)	1,076,147	747,473
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,224	-
Interest and related expenses	(8,628)	(10,433)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(7,404)</u>	<u>(10,433)</u>
CHANGE IN NET POSITION	1,068,743	737,040
Net position at beginning of period	7,328,833	(1,423,853)
Net position at end of period	<u>\$ 8,397,576</u>	<u>\$ (686,813)</u>

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

	<u>FOR THE PERIOD ENDING JULY 31, 2019</u>	<u>FOR THE PERIOD ENDING JULY 31, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,098,879	\$ 435,274
Payments for security deposits with energy suppliers	-	-
Payments to purchase electricity	(4,698,334)	(2,000,885)
Payments for contract services, general, and administration	163,476	(103,945)
Payments for staff compensation	(85,076)	(8,341)
Net cash provided (used) by operating activities	<u>1,478,945</u>	<u>(1,677,897)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Draw of line of credit	-	2,000,885
Interest and related expenses	(9,242)	(4,021)
Net cash provided (used) by non-capital financing activities	<u>(9,242)</u>	<u>1,996,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,224	-
Net cash provided (used) by investing activities	<u>1,224</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,470,927	318,967
Cash and cash equivalents at beginning of period	8,670,041	2,063,388
Cash and cash equivalents at end of period	<u>\$ 10,140,968</u>	<u>\$ 2,382,355</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 8,307,999	1,246,062
Restricted assets	1,832,969	1,136,293
Cash and cash equivalents at end of period	<u>\$ 10,140,968</u>	<u>\$ 2,382,355</u>

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

	<u>FOR THE PERIOD ENDING JULY 31, 2019</u>	<u>FOR THE PERIOD ENDING JULY 31, 2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,076,147	\$ 747,473
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(740,898)	(5,275,808)
(Increase) decrease in accrued revenue	338,797	(965,294)
(Increase) decrease in prepaid expenses	(22,743)	(16,687)
(Increase) decrease in inventory - renewable energy credits	101,088	(593,116)
Increase (decrease) in accounts payable	59,894	(14,933)
Increase (decrease) in accrued payroll	(97)	708
Increase (decrease) in due to member agencies	(26,089)	40,015
Increase (decrease) in accrued cost of electricity	226,541	4,130,961
Increase (decrease) in other accrued liabilities	444,265	245,096
Increase (decrease) in user taxes and energy surcharges	22,040	23,688
Net cash provided (used) by operating activities	<u>\$ 1,478,945</u>	<u>\$ (1,677,897)</u>

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

Description	6/30/2019	6/30/2019	YTD Variance	%
	YTD FY2019 Actuals	YTD FY2019 Budget		
Electric Revenue	\$ 51,141,568	\$ 54,314,233	\$ (3,172,665)	-6%
Interest Revenues	37,944	89,253	(51,309)	-57%
Purchased Power	38,539,605	41,103,286	(2,563,681)	-6%
Labor & Benefits	981,805	1,357,703	(375,898)	-28%
Salaries & Wages/Benefits	335,259	752,313	(417,054)	-55%
Contract Labor	635,375	593,200	42,175	7%
Human Resources & Payroll	11,170	12,190	(1,020)	-8%
Office Supplies & Other Expenses	116,940	168,102	(51,162)	-30%
Technology Costs	9,135	22,220	(13,085)	-59%
Office Supplies	1,807	1,212	595	49%
Travel	4,075	30,550	(26,475)	-87%
CalCCA Dues	100,118	102,000	(1,882)	-2%
Memberships	1,805	12,120	(10,315)	-85%
Contractual Services	2,309,962	2,718,793	(408,830)	-15%
LEAN Energy	3,996	12,000	(8,005)	-67%
Don Dame	14,568	3,000	11,568	386%
SMUD - Credit Support	555,222	637,585	(82,363)	-13%
SMUD - Wholesale Energy Services	600,670	564,000	36,670	7%
SMUD - Call Center	668,984	776,275	(107,291)	-14%
CirclePoint	54,915	72,801	(17,886)	-25%
Legal	96,607	42,770	53,837	126%
Legislative/Regulatory	164,884	240,800	(75,916)	-32%
Accounting Services	16,744	91,667	(74,923)	-82%
Audit Fees	18,000	60,000	(42,000)	-70%
Marketing Collateral	115,374	217,895	(102,521)	-47%
Rents & Leases	17,081	39,000	(21,920)	-56%
Hunt Boyer Mansion	17,081	8,400	8,681	103%
Future Office Space	-	30,600	(30,600)	-100%
Other A&G	245,916	410,999	(165,083)	-40%
PG&E Data Fees	237,930	391,363	(153,433)	-39%
Community Engagement Activities & Sponsorships	1,101	12,060	(10,959)	-91%
Green-e Certification	-	3,000	(3,000)	-100%
Banking Fees	6,885	4,576	2,309	50%
Miscellaneous Operating Expenses	12,960	6,010	6,950	116%
Contingency	-	470,061	(470,061)	-100%
TOTAL OPERATING EXPENSES	\$ 42,224,269	\$ 46,273,953	\$ (4,049,684)	-9%
Interest Expense - Munis	63,913	47,799	16,114	34%
Interest on RCB loan	107,667	523,727	(416,059)	-79%
Interest Expense - SMUD	24,317	19,060	5,257	28%
Miscellaneous Non-Operating	6,660	-	6,660	0%
NET INCOME	\$ 8,752,686	\$ 7,538,948	\$ 1,213,738	16%

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 7-31-2019
FOR THE YEAR TO DATE ENDING June 30, 2020

Description	7/31/2019	7/31/2019	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 6,478,940	\$ 7,687,232	\$ (1,208,292)	-16%
Interest Revenues	1,224	6,669	(5,445)	-82%
Purchased Power	5,025,963	5,430,341	(404,378)	-7%
Labor & Benefits	84,979	98,243	(13,264)	-14%
Salaries & Wages/Benefits	29,717	50,735	(21,018)	-41%
Contract Labor	52,816	46,459	6,358	14%
Human Resources & Payroll	2,446	1,050	1,396	133%
Office Supplies & Other Expenses	10,071	10,658	(587)	-6%
Technology Costs	945	772	173	22%
Office Supplies	-	102	(102)	-100%
Travel	46	400	(354)	-89%
CalCCA Dues	9,080	9,083	(3)	0%
Memberships	-	300	(300)	-100%
Contractual Services	259,590	298,778	(39,188)	-13%
Don Dame	7,143	1,500	5,643	376%
SMUD - Credit Support	66,358	71,833	(5,475)	-8%
SMUD - Wholesale Energy Services	46,000	47,012	(1,012)	-2%
SMUD - Call Center	55,000	55,495	(495)	-1%
SMUD - Operating Services	3,000	52,000	(49,000)	-94%
Legal	15,048	14,000	1,048	7%
Regulatory Counsel	18,845	15,440	3,405	22%
Joint Regulatory	5,170	2,500	2,670	107%
Legislative	5,000	5,000	-	0%
Accounting Services	-	2,000	(2,000)	-100%
Audit Fees	15,750	13,500	2,250	17%
Marketing Collateral	22,276	18,498	3,778	20%
Rents & Leases	1,442	1,442	-	0%
Hunt Boyer Mansion	1,442	1,442	-	0%
Other A&G	19,693	25,636	(5,943)	-23%
PG&E Data Fees	19,176	19,423	(247)	-1%
Community Engagement Activities & Sponsorships	-	500	(500)	-100%
Insurance	517	613	(96)	-16%
New Member Expenses	-	5,000	(5,000)	-100%
Banking Fees	-	100	(100)	-100%
Miscellaneous Operating Expenses	1,055	511	544	106%
Contingency	-	21,763	(21,763)	-100%
TOTAL OPERATING EXPENSES	\$ 5,402,793	\$ 5,887,372	\$ (484,579)	-8%
Interest Expense - Munis	-	4,596	(4,596)	-100%
Interest on RCB loan	7,030	7,264	(234)	-3%
Interest Expense - SMUD	1,598	1,703	(105)	-6%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 1,068,743	\$ 1,792,968	\$ (724,225)	-40%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: September 12, 2019

Please find attached Keyes & Fox's August 2019 Regulatory Memorandum dated September 6, 2019, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated September 6, 2019

Valley Clean Energy Alliance

Regulatory Monitoring Report

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

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

Subject: Regulatory Update

Date: September 6, 2019

Summary

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

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

- **New Proceeding: Investigation into PG&E Violations Related to Wildfires:** The CPUC opened this investigation into potential PG&E violations related to 2017 wildfires, and Commissioner Rechtschaffen issued a Scoping Memo and Ruling establishing a scope and procedural schedule.
- **New Proceeding: Wildfire Fund Non-Bypassable Charge (AB 1054):** The CPUC opened this rulemaking to implement AB 1054 and possibly add a new non-bypassable charge to fund the Wildfire Fund. SCE, SDG&E, and PG&E notified the CPUC of their intent to participate in the Wildfire Fund. Commissioner Rechtschaffen issued a Scoping Memo and Ruling, and parties filed opening and reply comments.
- **2018 Rate Design Window:** The CPUC issued D.19-07-004 in Phase IIB pertaining to SCE’s and PG&E’s respective proposals for the implementation of default time-of-use (TOU) rates for residential customers, as well as some other related rate proposals. In Phase III, evidentiary hearings were held.
- **Renewables Portfolio Standard Rulemaking:** Retail sellers including VCE filed their 2018 Renewable Portfolio Standard (RPS) Compliance Reports. The CPUC issued D.19-08-007 taking RPS enforcement actions against two LSEs, Gexa Energy and Liberty Power Holdings, for failing to comply with RPS requirements and denying their respective requests for waivers of penalties.
- **Resource Adequacy Rulemaking:** CalCCA and other parties signed a settlement agreement regarding central buyer issues and moved for the CPUC to approve it. With respect to the two outstanding petitions for modification (PFM) of the Track 2 RA Decision (D.19-02-022), on August 8, 2019, the CPUC issued D.19-08-005, denying the PFM filed by Shell Energy North and the judges issued a Proposed Decision that would deny a PFM filed by the Alliance for Retail Energy Markets.

- **Integrated Resource Planning Rulemaking:** In July and August, respectively, parties filed comments and reply comments in response to a Ruling establishing the procurement track of the IRP docket.
- **Wildfire Cost Recovery Methodology Rulemaking:** PG&E filed an Application for Rehearing of 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 wildfire liability costs utilities can afford to pay (D.19-06-027). D.19-06-027 closed this proceeding.
- **Utility Wildfire Mitigation Plans Rulemaking:** The electric utilities made compliance filings providing responses on six categories of information, parties filed comments and reply comments on the Phase 2 ruling, and a prehearing conference was held.
- **Investigation into PG&E's Organization, Culture and Governance:** PG&E filed a report providing information on the safety training and experience of members of PG&E and PG&E Corporation's respective Boards of Directors. In July and August 2019, parties filed comments and reply comments, respectively, on a series of proposals for improving PG&E's safety culture.
- **Power Charge Indifference Adjustment (PCIA) Rulemaking:** The judge issued a Ruling denying a motion by Protect Our Communities for an evidentiary hearing on Working Group One's benchmark proposal. Working Group Two (Prepayment) leaders filed a status report. Parties filed comments and reply comments, and Protect Our Communities filed a Motion requesting an evidentiary hearing, with respect to a Working Group One (Benchmark True-Up and Other Benchmarking Issues) report on issues 8-12. Parties provided informal comments on the Working Group Three (Portfolio Optimization) Workshop 2.
- **PG&E's 2020 Energy Resource Recovery Account Forecast:** PG&E served supplemental testimony to update the ERRR Application revenue requirements, which includes increases to the PCIA revenue requirement forecast it initially provided in June. A prehearing conference was held, and Commissioner Guzman Aceves subsequently issued a Scoping Memo and Ruling. PG&E requested a 45-day extension of time from September 1, 2019, to October 15, 2019, to submit its 2019 Annual Electric True-Up (AET) Advice Letter.
- **PG&E's 2018 Energy Resource Recovery Account Compliance:** The evidentiary hearing was canceled and PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE) gave notice of a settlement conference, held on August 29, 2019.
- **PG&E's Phase 1 General Rate Case:** Nine public participation hearings were held in July and August across PG&E's service territory. Intervenors filed testimony, and TURN filed a motion requesting that the CPUC direct PG&E to take certain steps in this case following its filing of its Chapter 11 reorganization plan in the Bankruptcy Court. Parties, including the Joint CCAs, filed replies in support of TURN's motion.
- **Other Regulatory Developments:**
 - **Workshop on CCA Implementation of Green Tariffs:** The CPUC has [scheduled](#) a public workshop on September 16, 2019, on CCA implementation of Disadvantaged Communities Green Tariff and Community Solar Green Tariff programs.
 - **Joint Agency Workshop on SB 100 Report:** The Energy Commission released a [Notice](#) of Joint Agency Workshop on the SB 100 Report scheduled for September 5, 2019. Written comments are due September 19, 2019.

Investigation into PG&E Violations Related to Wildfires

On June 27, 2019, the CPUC issued an Order Instituting Investigation into potential PG&E violations related to 2017 wildfires. On August 23, 2019, Commissioner Rechtschaffen issued a Scoping Memo and Ruling establishing a scope and procedural schedule for this investigation.

- **Background:** The CPUC opened this formal investigation to determine whether PG&E violated any laws, rules, or other applicable requirements pertaining to the maintenance and operation of electric facilities involved in igniting fires in its service territory in 2017. The CPUC's Safety and Enforcement Division (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 15 fires addressed in this investigation.
- **Details:** This investigation addresses 15 of the 17 fire incidents from the October 2017 Fire Siege investigated by SED and will determine whether PG&E's practices have been unsafe and in violation of the law. This investigation orders PG&E to take immediate corrective actions to come into compliance with CPUC requirements. The scope of the proceeding will include violations of law by PG&E with respect to the 2017 wildfires, and possibly also 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. PG&E and SED have begun bilateral settlement discussions.
- **Analysis:** This investigation could result in sanctions against PG&E and require additional corrective actions to mitigate future wildfire risk, potentially impacting the quality of service experienced by VCE customers and costs paid by VCE and other distribution customers. Monetary penalties would ultimately be handled in the Bankruptcy Court.
- **Next Steps:** SED's response to PG&E's Attachment B Report, as well as a SED and PG&E joint party status report, are due on September 27, 2019. Opening and reply briefs, respectively, are due September 30, 2019, and October 15, 2019. A SED motion to include Lobo Fire, McCourtney Fire, and Camp Fire is due October 1, 2019. Intervenor responses to the joint party status report are due October 3, 2019, with a status conference scheduled for October 4, 2019. There will be no hearings.
- **Additional Information:** [Scoping Memo and Ruling](#) (August 23, 2019); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [I.19-06-015](#).

Wildfire Fund Non-Bypassable Charge (AB 1054)

On August 2, 2019, the CPUC issued an Order Instituting Rulemaking, opening this proceeding to implement AB 1054 and possibly add a new non-bypassable charge to fund the Wildfire Fund. SCE, SDG&E, and PG&E have notified the CPUC of their intent to participate in the Wildfire Fund, PacifiCorp stated it will not participate, and Bear Valley Electric Service and Liberty Utilities/CalPeco have not yet made a final decision on their participation. On August 14, 2019, Commissioner Rechtschaffen issued a Scoping Memo and Ruling, which was subsequently supplemented with two additional rulings on August 21 and 23, respectively, requesting parties respond to additional specific information in their comments. Parties filed opening and reply comments, respectively, on August 29, 2019, and September 6, 2019.

- **Background:** This rulemaking implements AB 1054 and will consider extending a non-bypassable charge (NBC) on ratepayers to fund the Wildfire Fund.
- **Details:** The Scoping Memo and Ruling establishes the scope of this rulemaking and a procedural schedule. The scope of this proceeding is 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 otherwise expire by the end of 2021. In particular, it will examine whether it is reasonable to impose the Wildfire Fund non-bypassable charge on PG&E customers if PG&E is deemed ineligible to participate in the Wildfire Fund.
- **Analysis:** This proceeding could establish a new non-bypassable charge on VCE customers to fund the Wildfire Fund under AB 1054.

- **Next Steps:** The large IOUs are required to make the initial, shareholder-funded contribution to the Wildfire Fund by September 10, 2019. A proposed decision is anticipated by September 24, 2019, and a CPUC decision by October 24, 2019.
- **Additional Information:** [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

2018 Rate Design Window (RDW)

On July 19, 2019, the CPUC issued D.19-07-004 in Phase IIB pertaining to SCE's and PG&E's respective proposals for the implementation of default TOU rates for residential customers, as well as some other related rate proposals. In Phase III, evidentiary hearings were held August 5-16, 2019.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I Decision](#) granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 [Phase IIA Decision](#) addressed PG&E's restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill. The July 2019 [Phase IIB Decision](#), described below, concludes the second phase of this proceeding. The proceeding is now focused on [Phase III](#), which considers the IOUs' proposals for fixed charges and/or minimum bills.
- **Details:** For both PG&E and SCE the start date of customer migration to TOU rate is set to begin October 2020 and continue in batches over a period of up to 18 months (potentially less). The Phase IIB Decision provides that a CCA wishing to have its customers defaulted to TOU generation rates are directed to notify the IOU **by October 2019** of its intentions in order to facilitate a smooth transition and allow the IOU sufficient time to finalize its own transition plan.

The Decision conditionally accepted the E-TOU-C design (a tiered two-period design with a 5 p.m. to 8 p.m. peak period, with seasonal differentiation in rates but not peak periods), its designation as the default TOU rate, and the price differentials, but directs that it be modified to provide TOU-based price differentiation for the distribution component. The distribution differentiation must be included in the adopted fixed price differentials. During the Summer, the differential must be at least 1 cent/kWh but may be up to roughly 5.1 cents/kWh (based on marginal distribution costs), and must be set at 0.23 cents/kWh during the winter. PG&E must propose a revised E-TOU-C price differential in its next Phase 2 rate case, anticipated to be filed in November 2019, in order to allow other parties and the CPUC to consider a higher price differential.

Among numerous other determinations, the Decision also:

- Accepted PG&E's proposal to eliminate the existing E-TOU-A rate, which has a 3 p.m. to 8 p.m. weekday peak period, in June 2020.
- Accepted PG&E's revised E-TOU-B proposal, which allows customers to enroll in the existing E-TOU-B rate (4 p.m. through 9 p.m. peak period) through May 2020. All customers, including net metering customers are allowed to remain on the rate until October 2025.
- Rejected PG&E's proposal to increase its minimum bill for at least some rate schedules from \$10 to \$15 per month.
- For CCA customers, allows utilities to provide a proxy rate comparison tool using their generation rates but does not obligate them to provide a tool using CCA rates. Rate comparison tool costs will be recovered from all customers through distribution rates, with the exception that any costs incurred to model CCA-specific rates are to be borne by the CCA. Note that one-year bill protection (a condition of default TOU) applies to IOUs but not CCAs.

- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates. CCAs are not obligated to default their customers to TOU generation rates, but regardless of whether a CCA offers TOU generation rates, CCA customers will be subject to default TOU distribution rates.
- **Next Steps:** Phase III briefs and reply briefs, respectively, are due September 13, 2019, and October 4, 2019, with a Proposed Decision expected in Q1 2020. CCAs wishing to transition to default TOU generation rates should notify the applicable IOU by October 1, 2019. PG&E's Phase 2 rate case is anticipated to be filed on November 22, 2019.
- **Additional Information:** [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); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

Renewables Portfolio Standard (RPS) Rulemaking

On July 19, 2019, and August 2, 2019, respectively, parties filed comments and reply comments on the RPS Procurement Plans previously filed by retail sellers. On August 1, 2019, retail sellers including VCE filed their 2018 RPS Compliance Reports. On August 7, 2019, the CPUC issued D.19-08-007 taking RPS enforcement actions against two LSEs, Gexa Energy and Liberty Power Holdings, for failing to comply with RPS requirements and denying their respective requests for waivers of penalties. On August 8, 2019, the judge issued a Proposed Decision (PD) on 2018 RPS Procurement Plans filed by six new CCAs ("RPS Plans PD"), not including VCE. On August 23, 2019, the judge issued a PD that would adopt modeling requirements for IOUs to determine Effective Load Carrying Capability (ELCC) values that would be used in RPS program bid ranking and selection ("ELCC PD"). Several LSEs filed motions to update their 2019 RPS Procurement Plans by the August 23, 2019, deadline.

- **Background:** In February 2019, the CPUC issued D.19-02-007, approving RPS Procurement Plans filed in 2018 by retail sellers, including VCE. VCE filed its 2019 RPS Procurement Plan on June 21, 2019. Remaining issues to be addressed in this proceeding are threefold: (1) implementing existing and new statutory requirements (e.g., SB 100) that are mandated or may be mandated during the course of this proceeding; (2) continuing and completing specific tasks identified in R.15-02-020 (the now-closed previous RPS docket), but not completed prior to the issuance of this new Order Instituting Rulemaking (OIR); and (3) continuing, monitoring, reviewing, and improving elements of the RPS program that have previously been put in place, including identifying additional program elements that could be developed.
- **Details:** D.19-08-007 imposes a penalty of \$431,014 on Liberty Power and \$1,725,461 on Gexa Energy related to violations of the 2011-2013 RPS compliance period. Both penalties are the maximum fine as determined by the standard \$50/REC penalty for compliance shortfalls. Of note, Gexa's penalty is associated with a shortfall in long-term contracted RECs, which resulted in *all* of its RECs being disallowed.

The RPS Plans PD addresses the RPS Procurement Plans filed by new CCAs that have all been approved to begin operation but are not expected to serve load until 2020. The PD accepts the 2018 plans (filed in April and May 2019) as final but identifies a series of deficiencies in the plans and directs the CCAs to update their draft 2019 plans to address these deficiencies.

The ELCC PD would require IOUs to use the Strategic Energy Risk Valuation Model (SERVM) to determine marginal ELCC values and conduct an annual loss of load expectation (LOLE) study, which calculates the expected number of days annually for which the available generation capacity is insufficient to serve the demand at least once per day. For the 2020 procurement

cycle, IOUs would model the resource portfolio from the 2017-2018 IRP's Preferred System Plan with a study year of 2022, 2026, and 2030. The PD would direct the IOUs to conduct a joint ELCC study utilizing the adopted modeling requirements for use in RPS procurement in 2020 and to continue to update the joint ELCC study annually. If the PD is adopted, PG&E, SCE and SDG&E must jointly file their ELCC study results with their final 2019 RPS Procurement Plans, and the IOUs must update the modeling annually in their RPS Procurement Plans or file a Tier 2 Advice Letter by April 30 of each year.

- **Analysis:** D.19-08-007, as well as the RPS Plans PD, if adopted, reinforces the CPUC's increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance. If adopted, the ELCC PD could impact utilities' valuation of various renewable and renewable-paired storage resources for their RPS procurements.

Remaining issues to be addressed in this proceeding could also impact RPS compliance obligations and above-market costs for the PCIA calculation. For instance, the April 2019 Ruling proposed a process that would allow LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2020 by using its 2020 IRP filing instead.

- **Next Steps:** With respect to the RPS Plans PD, comments and reply comments have already been filed, and the PD may be considered for adoption, at earliest, at the CPUC's September 12 meeting. Comments and reply comments, respectively, on the ELCC PD are due September 12, 2019, and September 17, 2019, and the ELCC PD may be heard, at the earliest, at the CPUC's September 26, 2019, Business Meeting. According to the updated scoping ruling, a PD and decision on 2019 RPS Procurement Plans is anticipated for Q4 2019.
- **Additional Information:** [Proposed Decision](#) on ELCC (August 23, 2019); [Proposed Decision](#) on RPS Plans (August 8, 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); [PG&E Final, Conforming 2018 RPS Procurement Plan](#) (March 15, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

Resource Adequacy (RA) Rulemaking

On August 1, 2019, PG&E filed Advice Letter (AL) 5607-E, reducing prices by at least 10% on three power purchase agreements (PPAs) arising from PG&E's 2016 PV Solicitation and two capacity agreements with energy storage providers arising from an RFO. On August 9, 2019, CalCCA and other parties issued a Notice of Settlement Conference, which was held on August 20, 2019, and the Track 2 workshop process was deemed complete. With respect to the two outstanding petitions for modification (PFM) of the Track 2 RA Decision (D.19-02-022), on August 8, 2019, the CPUC issued D.19-08-005, denying the PFM filed by Shell Energy North America. On August 27, 2019, the judges issued a Proposed Decision (PD) that would deny a PFM filed by the Alliance for Retail Energy Markets (AREM). On August 30, 2019, parties including CalCCA filed a joint motion requesting adoption of a settlement agreement. On September 3, 2019, Commissioner Randolph issued a Ruling that provides Energy Division's Resource Adequacy State of the Market report.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. In [Track 2](#), the CPUC adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). As ordered by D.19-02-022, parties are holding workshops and filing informal comments in 2019 to further address the development of a Local RA central buyer mechanism, with the CPUC indicating it would act by late 2019 if parties did not come to a consensus. The settlement agreement attempts to resolve these issues, other than the identity of the central buyer.

In [Track 3](#), D.19-06-026 (filed on July 15, 2019) 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) would annually request data by January 15 and the IOU would 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. In addition, the Decision made a number of changes to the RA penalty structure and waiver process. It also allowed load migration to be the only reason for differences between initial and final year ahead load forecasts. Finally, the Decision eliminated the Path 26 constraint and directed the Energy Division to convene a working group on counting methodologies for hydro and use-limited fossil resources with the expectation that the group will submit a proposal into the RA proceeding in early 2020.

- **Details:** The Settlement Agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity ("RA-CPE"), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Individual LSEs may choose to procure their share of the collective RA requirement, or they may allow the RA-CPE to procure their share on default. Costs will be allocated ex post based on cost causation principles. It would eliminate the need for monthly RA showings by the LSEs. Procurement conducted by the RA-CPE will be done via an annual RFO. The settlement would expand the three-year forward procurement requirement beyond just local RA to include system and flexible RA, and would increase the three-year forward procurement requirement for local RA from 50% to 75%.

D.19-08-005 denied the PFM filed by Shell Energy North America that requested changes to the Track 2 Decision, D.19-02-022, which adopted multi-year local RA requirements for the 2020 RA year, as well as a number of corresponding modifications to the RA program. Shell requested changes to two components of the Decision: (a) the establishment of multi-year (3-year) RA requirements, and (b) RA reporting by the Energy Division of LSE-specific resources. The Decision rejects the PFM on the basis that the PFM was simply an attempt to re-litigate issues that were raised and considered in the Decision.

The August 27 PD would deny AREM's PFM, in which it requested that the CPUC modify a determination the CPUC made to disaggregate one local area (the "PG&E Other" area) into six separate local areas (D.19-02-022). AREM contended that the disaggregation creates complexities and potential harm to LSEs with RA contracts executed prior to the effective date of the decision because those purchases may not match the new disaggregated local requirements and some RA contracts do not specify individual facilities (i.e., an LSE may not even know in which new local area a contract may qualify). The PFM therefore requested a series of modifications to ensure that existing contracts can be fully utilized for RA compliance for the duration of the contract term. The PD would clarify that D.19-02-022 does require LSEs to meet the local RA requirement for the now-disaggregated PG&E Other area beginning in the 2020 RA compliance year. In denying the PFM, the PD asserted that the CPUC was aware of the existing multi-year local RA contracts raised in AREM's petition and considered the potential effect of its decision on existing contracts.

- **Analysis:** This proceeding affects VCE's Local RA compliance obligations beginning in 2020, for the first time requiring procurement over a three-year period instead of an annual period. The settlement agreement, if approved by the CPUC, would resolve central buyer issues other than the identity of the central buyer. Moving to a central procurement entity as proposed in the settlement agreement would impact VCE's RA procurement and compliance, including eliminating the need for monthly RA showings and associated penalties and/or waiver requests from individual LSEs. VCE could choose to procure its share of RA or allow that to be done by the central buyer and pay for its share of such procurement.
- **Next Steps:** Comments and reply comments, respectively, on the Settlement Agreement are due September 29, 2019, and October 14, 2019. Comments and reply comments, respectively, on the PD are due September 12, 2019, and September 17, 2019, and the CPUC may consider

adopting the PD, at the earliest, at its September 26, 2019, Business Meeting. A final decision regarding the central buyer is anticipated for Q4 2019.

- **Additional Information:** [Ruling](#) issuing RA State of the Market (September 3, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [Proposed Decision](#) denying AReM PFM (August 27, 2019); [D.19-08-005](#) denying Shell PFM (August 8, 2019); [AL 5607-E](#) reducing PG&E PPA prices (August 1, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); [AReM Petition for Modification](#) (May 24, 2019); [Final Flexible Capacity Needs Assessment](#) (May 15, 2019); [Final Local Capacity Technical Analysis](#) (May 1, 2019); [Shell Energy Petition for Modification](#) of D.19-02-022 (March 18, 2019); [D.19-02-022](#) (March 4, 2019); Docket No. [R.17-09-020](#).

Integrated Resource Planning (IRP) Rulemaking

In July and August, respectively, parties filed comments and reply comments in response to a Ruling establishing the procurement track of the IRP docket. On August 16, 2019, VCE made a separate filing providing the contractual status and the development status of each resource.

- **Background:** In the CPUC's IRP process, it adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. VCE submitted its IRP on August 1, 2018, and its next IRP filing is due May 1, 2020.

In May 2019, the CPUC issued D.19-04-040, which rejected an aggregation of each of the LSEs' IRPs (the Hybrid Conforming Portfolio) as the statewide PSP, adopting instead a modified version of the Reference System Plan adopted in D.18-02-018 as its PSP. D.19-04-040 opened a new "procurement track" of the proceeding to determine how LSEs are to procure resources to satisfy the PSP by 2030. Specifically, the decision clarified that the priorities for this track will be to (1) develop mechanisms for a "backstop" procurement in the event an LSE or LSEs fail to procure resources identified in their IRPs, and (2) address procurement that may require collective action.

The June 2019 Ruling kicking off the procurement track prioritized procurement by resource type/attribute, as follows: (1) near to medium-term integration and reliability (high priority, defined later as needed in 2019-2024); (2) renewables (medium priority); and (3) long-term reliability (low priority). Notably, the Ruling proposes to require LSEs to procure their proportionate shares of 2,000 MW of new peak capacity statewide from resources on-line by August 1, 2021. The Ruling recommends a series of solutions for meeting 2021 RA needs, including additional renewables procurement; additional storage and demand response procurement; extending once-through-cooling closure timelines until new procurement is authorized or online; and authorizing procurement of existing mothballed or potentially departing units. The May 2020 IRP filings by LSEs would have to address how an LSE would meet the requirement to procure their share of this additional 2,000 MW, including appropriate documentation (e.g., completed CAISO interconnection study, complete environmental review). In addition, the Ruling also proposed that SCE be required to solicit 500 MW from existing resources that do not have a contract beyond 2021 for contract terms of 2-5 years, with costs spread across all LSEs with RA obligations (not only those in SCE's territory), including VCE, via the Cost Allocation Mechanism non-bypassable charge.

Details: As discussed in our last memo, the June 2019 Ruling kicking off the procurement track prioritized procurement by resource type/attribute, as follows: (1) near to medium-term integration and reliability (high priority, defined later as needed in 2019-2024); (2) renewables (medium priority); and (3) long-term reliability (low priority). Notably, the Ruling proposes to require LSEs to procure their proportionate shares of 2,000 MW of new peak capacity statewide from resources on-line by August 1, 2021. That determination is based on a Staff analysis of resource availability, which has not been subject to vetting by parties, that found that by 2021 there could be a shortage in System RA whereby bilateral RA market could be relying on up to 8,800 MW of imports to meet system peak (double the historic use of imports for system resources and almost as much as is actually available). The increased need for imports stems from the closure of once-

through cooling (OTC) units in 2020, a shift in the peak from August to September, retirements, and proposed reductions in the August effective capacity values for both solar and wind. The Ruling recommends a series of solutions for meeting 2021 RA needs, including additional renewables procurement; additional storage and demand response procurement; extending once-through-cooling closure timelines until new procurement is authorized or online; and authorizing procurement of existing mothballed or potentially departing units. The May 2020 IRP filings by LSEs would have to address how an LSE would meet the requirement to procure their share of this additional 2,000 MW, including appropriate documentation (e.g., completed CAISO interconnection study, complete environmental review). In addition, the Ruling also proposed that SCE be required to solicit 500 MW from existing resources that do not have a contract beyond 2021 for contract terms of 2-5 years, with costs spread across all LSEs with RA obligations (not only those in SCE's territory), including VCE, via the Cost Allocation Mechanism non-bypassable charge.

- **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.

In addition to this procurement track, this proceeding is focused on addressing other issues that will be relevant to VCE's 2020 IRP filing. VCE will be required to disclose additional contractual and development status of its resource choices in its 2020 IRP filing, as well a section describing its plans to address the retirement of the Diablo Canyon Generation Plant and the characteristics of its energy output, including flexible baseload and/or firm low-emission energy.

- **Next Steps:** While concrete deadlines have not yet been established, the June Ruling anticipated workshops in August, followed by an opportunity to file additional comments in Fall 2019, with a proposed decision issued by late Fall 2019. The CPUC is also expected to issue a new Order Instituting Rulemaking on the 2019-2020 IRP cycle in 2019.
- **Additional Information:** [Ruling](#) (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

Wildfire Cost Recovery Methodology Rulemaking

On August 7, 2019, PG&E filed an Application for Rehearing of 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). D.19-06-027 closed this proceeding.

- **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.

- **Details:** 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.
- **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](#) (adopted June 27, 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.

Utility Wildfire Mitigation Plans Rulemaking

In July 2019, electric utilities made compliance filings providing responses on six categories of information as directed in D.19-05-036, and August 2019, parties filed comments and reply comments on the Phase 2 ruling (“Ruling”). On, August 8, 2019, the CPUC approved PG&E’s [AL 5555-E](#), establishing a Wildfire Plan Memorandum Account. On August 28, 2019, a prehearing conference was held.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018). PG&E’s Wildfire Mitigation Plan, approved with modifications in June 2019 (D.19-05-037), provided an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The CPUC’s separate 2019 Guidance Decision (D.19-05-036), addressing issues that are common to all of the Wildfire Mitigation Plans, ordered all IOUs to collect data and file reports on this year’s Wildfire Mitigation Plans, initiated a process to establish metrics to evaluate the Wildfire Mitigation Plans, and established a process for 2020 Wildfire Mitigation Plans. It rejected as incorrect the IOUs’ assertion that substantial compliance with their Wildfire Mitigation Plans ensures cost recovery, finding that cost recovery issues are reserved for consideration in the IOUs’ General Rate Cases. D.19-05-036 directed CPUC’s Safety and Enforcement Division to initiate a process beginning in Fall 2019 to work with all stakeholders to develop a common template for tracking key metrics.

Phase 2 will kick off the process contemplated in SB 901 for evaluation of the effectiveness of the current Wildfire Mitigation Plans. The Ruling requested comments on Phase 2 and provided further detail on topics planned to be addressed, including specifying the goals of the forthcoming workshops to be conducted on the CPUC’s Safety and Enforcement Division, which will include establishing metrics, with corresponding templates, to evaluate the effectiveness of Wildfire Mitigation Plans; a process for conducting review of the next WMP filings; and discussing additional languages to use when utilities conduct related outreach to customers.

- **Details:** N/A.
- **Analysis:** PG&E’s Wildfire Mitigation Plan established its management approach to preventing wildfires in the future and included provisions impacting the quality of service experienced by VCE customers (e.g., PG&E’s procedures for de-energizing electrical lines) and costs paid by VCE customers (e.g., PG&E’s expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers). While wildfire plans can influence the approach and investments made by utilities like PG&E to mitigate

the risk of catastrophic wildfires, cost recovery issues are generally outside the scope and will be separately addressed through utility GRCs.

- **Next Steps:** Parties are awaiting the issuance of a scope and schedule for Phase 2 following the August 28, 2019, prehearing conference. The CPUC's Safety and Enforcement Division is authorized to convene workshops, tentatively scheduled for September 17, 18, and 19, 2019, for the purpose of initiating the 2020 Wildfire Mitigation Plan process.
- **Additional Information:** [AL 5555-E](#) establishing Wildfire Plan Memorandum Account (August 8, 2019); [Ruling](#) launching Phase 2 of proceeding (June 14, 2019); [D.19-05-037](#) PG&E-specific decision on 2019 Wildfire Mitigation Plan (June 4, 2019); [D.19-05-036](#) Guidance Decision on 2019 Wildfire Mitigation Plans (June 3, 2019); [PG&E Second Amendment to Wildfire Mitigation Plan](#) (April 25, 2019); [PG&E Wildfire Mitigation Plan](#) (February 6, 2019); [Order Instituting Rulemaking](#) (October 25, 2018); Docket No. [R.18-10-007](#).

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

On July 3, 2019, PG&E filed a report with the CPUC in response to D.19-06-008, providing information on the safety training and experience of members of PG&E's and PG&E Corporation's respective Boards of Directors. On July 19 and August 2, 2019, parties filed comments and reply comments, respectively, on a series of proposals for improving PG&E's safety culture provided in a June Ruling.

- **Background:** On December 21, 2019, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E's organizational culture and governance prioritize safety. 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, 2019); Docket No. [I.15-08-019](#).

PCIA Rulemaking

On July 17, 2019, the judge issued a Ruling denying a motion by Protect Our Communities for an evidentiary hearing on Working Group One's benchmark proposal. On July 26, 2019, Working Group Two (Prepayment) leaders filed a status report. On July 19, 2019, and July 26, 2019, respectively, parties filed comments and reply comments, and on August 2, 2019, Protect Our Communities filed a Motion requesting an evidentiary hearing, with respect to a Working Group One (Benchmark True-Up and Other Benchmarking Issues) report on issues 8-12. On August 9, 2019, parties provided informal comments on the Working Group Three (Portfolio Optimization) Workshop 2. On August 28, 2019, PG&E requested a 45-day extension of time from September 1, 2019, to October 15, 2019, to submit its 2019 Annual Electric

True-Up (AET) Advice Letter. On August 30, 2019, PG&E filed Advice Letter (AL) 5624-E on the PCIA Undercollection Balancing Account and trigger mechanism.

- **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.

A Phase 2 Scoping Memo and Ruling relies primarily on a working group process to further develop a number of PCIA-related proposals. It provides that three types of issues are within the Phase 2 scope: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

- **Details:** The deadline has passed for the Commission to rule on high-priority Phase 2 PCIA issues in September, meaning the decision will need to be made on either October 10 or October 24. This leaves little time for implementation of that decision in the 2020 ERRA Forecast proceeding, in which the November Update is due the first week of November.

AL 5624-E would establish the PCIA Undercollection Balancing Account to track departing load customers' undercollected PCIA obligation that accrues if the PCIA system average rate increase is capped at the 0.5 cent per kWh by vintage. PG&E proposes to determine whether the 0.5 cent per kWh PCIA cap has been reached using the system average PCIA rate by vintage. If the system average PCIA rate by vintage increases more than 0.5 cent per kWh, then all PCIA rates for that vintage would be capped, and the capped PCIA rates by customer class would be determined based on the revenue allocation among classes.

- **Analysis:** PG&E's implementation of the PCIA trigger mechanism via AL 5624-E would mean that some customer classes could pay an increase that is slightly more than 0.5 cent per kWh and some customer classes could pay slightly less than the 0.5 cent per kWh increase. Phase 2 of this proceeding could further affect the PCIA paid by VCE's customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.
- **Next Steps:** Protests of AL 5624-E are due September 19, 2019, with PG&E otherwise requesting an effective date of September 30, 2019. A Proposed Decision (PD) on the Brown Power, RPS and RA true-ups is anticipated in September 2019, with a separate PD issued later Fall 2019 on other Working Group One issues. Working Group Two's next scheduled filing will be its report on consensus and non-consensus items; no additional workshops have been scheduled. A Working Group Three progress report is due September 26, 2019. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed.
- **Additional Information:** [AL 5624-E](#) establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019). [Ruling](#) denying Protect Our Communities' motion for evidentiary hearing (July 17, 2019); [Working Group One Report](#) on Brown Power, RPS and RA True-Up (May 31, 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](#).

PG&E's 2020 Energy Resource and Recovery Account Forecast

On July 29, 2019, PG&E served supplemental testimony (the "July Supplement") to update the ERRA Application revenue requirements, which includes increases to the PCIA revenue requirement forecast it initially provided in June. On August 15, 2019, a prehearing conference was held, and on August 22, 2019, Commissioner Guzman Aceves issued a Scoping Memo and Ruling.

- **Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel

and purchased power costs associated with serving bundled customers that utilities may recover in rates.

- **Details:** The Ruling establishes the scope and procedural schedule for this proceeding.

In its July Supplement, PG&E does not apply a cap to PCIA rates, instead indicating it would do so via an advice letter (see description of AL 5624-E in the PCIA Rulemaking section above). PG&E will reflect its proposed application of the PCIA rate cap or a CPUC approved PCIA rate cap in the PCIA rates presented as part of PG&E's November Update. PG&E's July Supplement showed an increase in several of its forecasted costs, as follows:

- Increasing the 2020 ERRA revenue requirement from \$2.908 billion to \$3.184 billion.
 - Increasing the PCIA from \$2.549 billion to \$2.996 billion.
 - Increasing the Competition Transition Charge (CTC) from \$62.2 million to \$81.5 million.
 - Increasing the Cost Allocation Mechanism from \$147.4 million to \$147.8 million.
 - Maintaining the Tree Mortality Non-Bypassable Charge at \$92.6 million.
 - Maintaining the utility-owned generation revenue requirement forecast at \$2.368 billion.
- **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. The PCIA revenue requirement detailed above is now shared between bundled and unbundled customers. PG&E's requested increase in the PCIA revenue requirement for unbundled customers only for this year is approximately \$650 million, an increase of over two-thirds of the final revenue requirement for unbundled customers from last year.
 - **Next Steps:** Intervenor testimony is due September 10, 2019, rebuttal testimony is due September 24, 2019, and evidentiary hearings are scheduled for September 30 through October 2, 2019. Opening and reply briefs, respectively, are due October 21, 2019, and October 31, 2019. In November 2019, PG&E will update its 2020 ERRA Forecast revenue requirements, forecasted end of year balancing account balances, and electric sales forecast, after which parties will have 10 days to file comments. A proposed decision is anticipated by December 2, 2019, with comments and reply comments, respectively, due 10 and 15 days thereafter, followed by a final decision on December 19, 2019.
 - **Additional Information:** [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](#).

PG&E's 2018 Energy Resource and Recovery Account Compliance

In August 2019, the evidentiary hearing was canceled and PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE) gave notice of a settlement conference, held on August 29, 2019.

- **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 ERRA balancing account. In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources, as well as that it managed its utility-owned generation (UOG) facilities reasonably. PG&E also requested recovery of \$4.7 million for Diablo Canyon seismic study costs.
- **Details:** N/A.

- **Analysis:** This proceeding will address whether PG&E correctly calculated and accounted for the actual costs it incurred in 2018 and whether it managed its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** Parties have reached a settlement in this proceeding. A Proposed Decision was scheduled for Q1 2020 but may come sooner.
- **Additional Information:** [Scoping Memo and Ruling](#) (June 3, 2019); [Notice of Prehearing Conference](#) (April 17, 2019); [Response](#) of EBCE and PCE (April 5, 2019); [Resolution](#) categorizing proceeding as ratesetting (March 14, 2019); [PG&E Application](#) (February 28, 2019); Docket No. [A.19-02-018](#).

PG&E Phase I General Rate Case (GRC)

Nine public participation hearings were held in July and August across PG&E's service territory. On July 26, 2019, intervenors filed testimony. On July 29, 2019, TURN filed a motion requesting that the CPUC direct PG&E to take certain steps in this case following its filing of its Chapter 11 reorganization plan in the Bankruptcy Court. Parties, including the Joint CCAs, filed replies in support of TURN's motion.

- **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.

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

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

- **Details:** TURN's motion requests the CPUC direct PG&E to file its Chapter 11 reorganization plan in this proceeding within one business day of it filing the plan in Bankruptcy Court. Furthermore, TURN requests that PG&E then schedule a prehearing conference to discuss the procedural and substantive implications of its reorganization plan on this proceeding. PG&E has requested the CPUC deny TURN's motion, asserting it is unnecessary and premature.

- **Analysis:** PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's.
- **Next Steps:** An evidentiary hearing is scheduled to begin September 23, 2019. A proposed GRC Phase 1 decision is targeted for Q1 2020. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase 2 proceeding, which PG&E plans to file by November 22, 2019.
- **Additional Information:** [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](#).

Other Regulatory Developments

- **Workshop on CCA Implementation of Green Tariffs:** The CPUC has [scheduled](#) a public workshop on September 16, 2019, on CCA implementation of Disadvantaged Communities Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) programs. Under D.18-06-027, CCAs can develop and implement their own DAC-GT and/or CSGT programs. In order to access GHG allowance revenues or public purpose program funds to support a DAC-GT or CSGT program, the CCA tariff must abide by all rules and requirements adopted D.18-06-027. CCA programs receiving funds will be implemented by a Tier 3 advice letter. The workshop will include a discussion of potential solutions to CCA implementation issues so that barriers and potential conflicts can be addressed prior to when the CCAs submit their DAC-GT and/or CSGT implementation advice letters.
- **Joint Agency Workshop on SB 100 Report:** On August 22, 2019, the CEC released a [Notice](#) of Joint Agency Workshop on the SB 100 Report scheduled for September 5, 2019. The interagency principals for the SB 100 report, Chair Hochschild, Chair Nichols, and Commissioner Randolph, will provide opening comments, including SB 100 alignment with other state efforts, such as economy-wide decarbonization, integrated resource planning, and promoting a safe, reliable, and equitable energy future for all Californians. Staff from the three agencies will present additional context for the report process, including CARB's Climate Change Scoping Plan, the CPUC's integrated resource planning, and an update on where California is today in the transition to a clean electric grid. Written comments are due September 19, 2019.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: September 12, 2019

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. Below is a summary of the key bills that are currently being monitored:

1. **AB 56 (Garcia, Eduardo) Electricity: procurement by the California Alternative Energy and Advance Transportation Financing Authority.** Would require the Public Utilities Commission to empower the California Alternative Energy and Advanced Transportation Financing Authority to undertake backstop procurement of electricity that would otherwise be performed by an electrical corporation to meet the state resource adequacy, integrated resource planning, and renewable portfolio standard goals not satisfied by retail sellers or load-serving entities. The bill would authorize the authority to undertake backstop procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. The bill would require the commission to periodically review the need for, and the benefits of, continuing to empower the authority to undertake backstop procurement responsibilities.
2. **AB 1054 (Holden) Public Utilities: wildfires.** Would establish the California Wildfire Safety Advisory Board consisting of 7 members appointed by the Governor, Speaker of the Assembly, and Senate Committee on Rules, as provided, who would serve 4-year staggered terms. The bill would require the board, among other actions, to advise and make recommendations related to wildfire safety to the Wildfire Safety Division or, on and after July 1, 2021, the Office of Energy Infrastructure Safety, as established pursuant to AB 111 or SB 111 of the 2019–20 Regular Session.
3. **SB 155 (Bradford) California Renewables Portfolio Standard Program: Integrated resource plans. Summary:** Current law requires the Public Utilities Commission to direct each retail seller to prepare and submit an annual report to the commission that includes specified information on the retail seller’s compliance with requirements related to eligible renewable energy resource procurement. This bill would require the commission to review each annual compliance report filed by a retail seller, to notify a retail seller if the commission has determined, based upon its review, that the retail seller may be at risk of not satisfying the renewable procurement requirements for the

then-current or future compliance period, and to provide recommendations in that circumstance regarding satisfying those requirements.

4. **SB 350 (Hertzberg) Electricity: resource adequacy: multiyear centralized resource adequacy mechanism.** Would authorize the Public Utilities Commission to consider a multiyear centralized resource adequacy mechanism, among other options, to most efficiently and equitably meet specified resource adequacy objectives.
5. **SB 520 (Hertzberg) Electrical services: provider of last resort.** The Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Under current law, a public utility has a duty to serve, including furnishing and maintaining adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons and the public. This bill would provide that the electrical corporation is the provider of last resort, as defined, in its service territory unless provided otherwise in a service territory boundary agreement approved by the commission pursuant to existing law or unless the commission designates a load-serving entity, as defined, other than the electrical corporation to serve as the provider of last resort for all or a portion of that service territory pursuant to a joint application of the electrical corporation and the load-serving entity.
6. **SB 550 (Hill) Public Utilities: merger, acquisition, or control of electrical or gas corporations.** Would require the Public Utilities Commission, before authorizing a merger, acquisition, or change in control of an electrical or gas corporation, to additionally consider specified elements, including a nonpunitive system for reporting potential safety incidents to the commission, and find, on balance, that the proposal is in the public interest. The bill would authorize the commission to delay the requirement that the commission consider these specified elements and find, on balance, that the proposal is in the public interest, until July 1, 2021, or until the commission adopts rules implementing this requirement, whichever is earlier.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

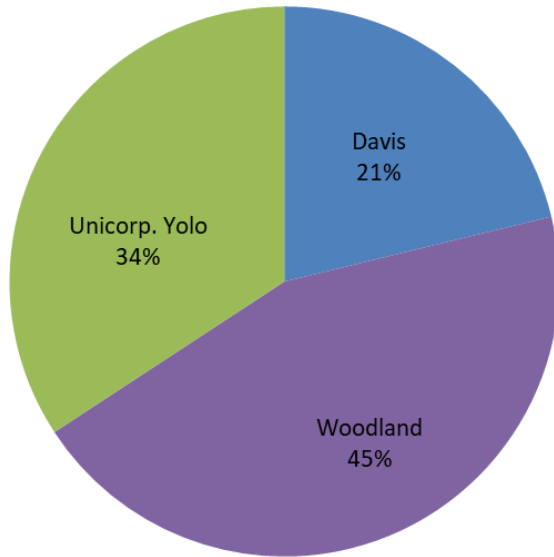
TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Customer Enrollment Update and Call Center Report (Information)
DATE: September 12, 2019

RECOMMENDATION

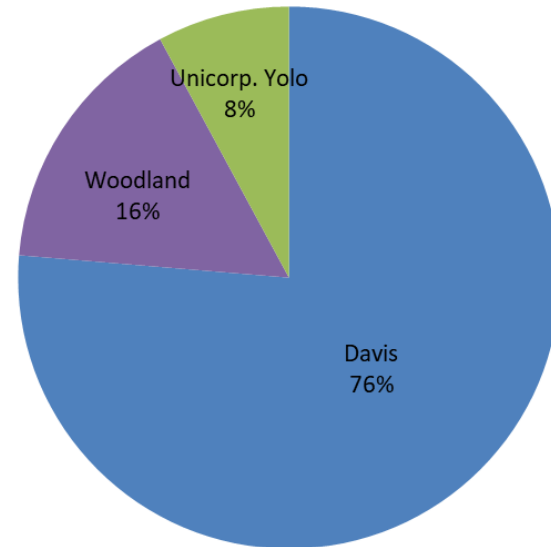
Receive and review the attached Customer Enrollment update as of August 29, 2019 and the monthly Call Center report as of August 18, 2019.

Enrollment Update

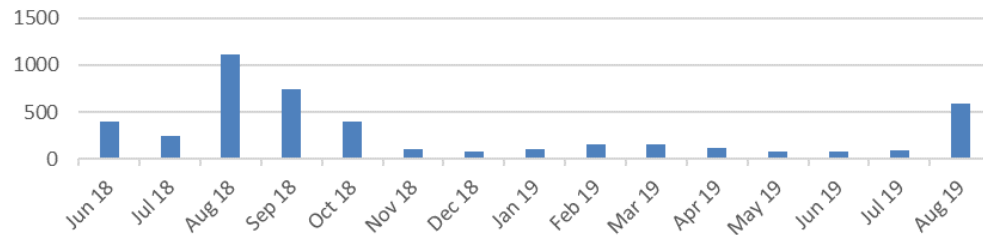
5,537 Opt Outs
8.5% of customers



114 Opt Ups



Monthly Opt Outs



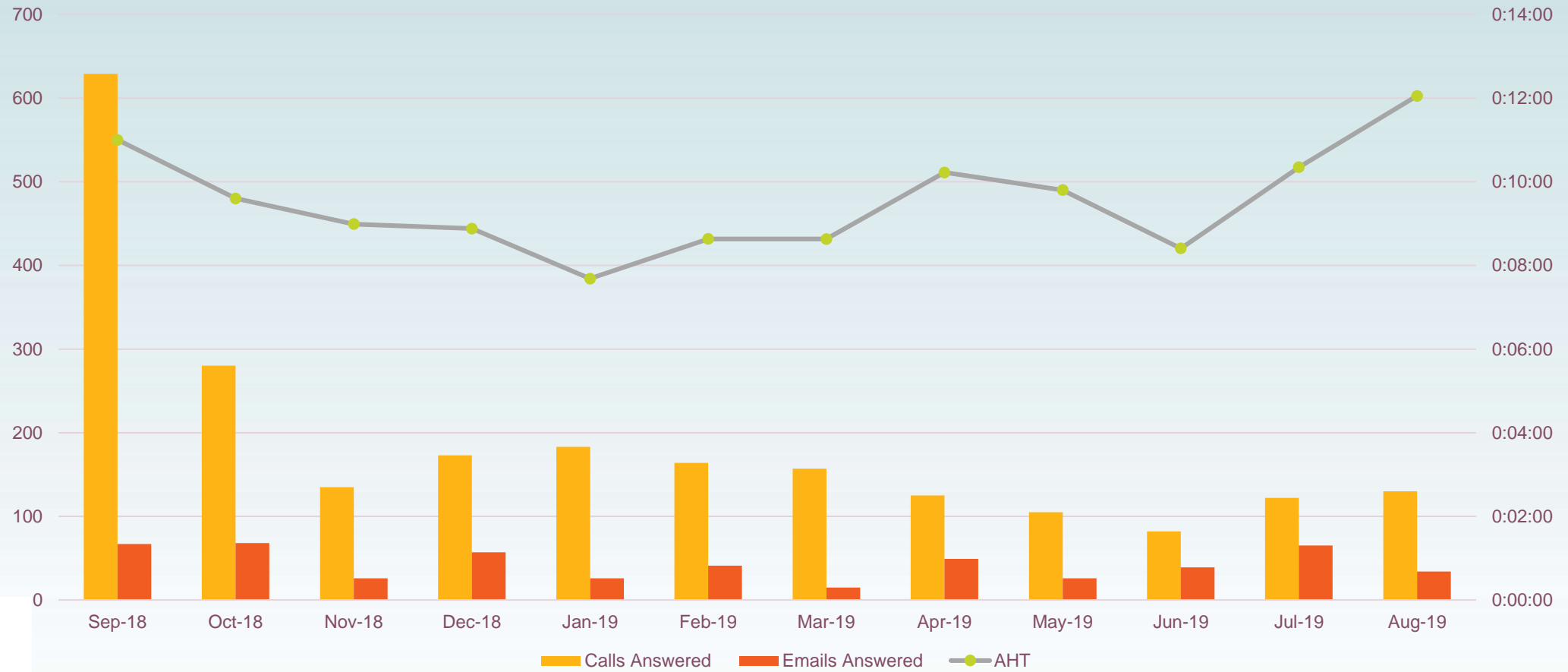
	Eligible	Opt-Out	% Opt Out
Residential	56,500	4,842	8.6%
Non-Residential	8,500	764	9.0%
Total	65,000	5,606	8.6%

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



Monthly Call Center Report

Monthly VCE Volume & AHT
(Rolling 12 Months)



VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Transmittal of Community Advisory Committee Reports – July 25, 2019 and August 22, 2019 meetings

DATE: September 12, 2019

This report transmits the Community Advisory Committee’s Summary Reports regarding its July 25, 2019 and August 22, 2019 meetings.

Attachment

1. July 25, 2019 CAC Summary Report
2. August 22, 2019 CAC Summary Report

**Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of July 25th CAC Meeting**

- Residential Time of Use (TOU)
 - J. Parks presented slides providing additional details on the new Residential TOU rate proposed by PG&E. His presentation covered customers included, exclusions, the expected effect on peak load, what other CCAs are doing, customer notifications, and VCE's timeline for CAC recommendation and Board decision. He also commented that VCE has rate setting authority and can develop its own rates at any time.
 - CAC members requested further information prior to making a recommendation such as the effect on VCE procurement costs and revenue.
 - VCE will have a public meeting on August 22nd, the same day as the next CAC meeting.
 - The CAC plans to develop a recommendation to the Board on RTOU at its next meeting.

- Potential Local Energy and Efficiency Programs
 - J. Parks presented slides on the various programs offered by IOUs and other CCAs and some ideas of programs for VCE. Next step will be creating a list of near, mid and long-term programs for VCE to develop and implement.
 - CAC will work with Staff on plan for local programs.

- Integrated Resource Plan (IRP) and Strategic Plan
 - O. Bystrom presented slides on the IRP and Strategic Plan including how the two plans would differ, a timeline for the IRP, and resource portfolio considerations.

- Rates and Services Task Group projects
 - M. Baird reviewed a revised list of projects for the task group. The Rates and Services task group narrowed the list down to a top 3 and asked the committee and staff for help selecting its next project. "Research and evaluate local program options such as energy efficiency and electrification" was the top pick, so the task group will work with Staff on developing a list and plan. The other tasks considered were: "Explore the possibility of VCE offering incentives for customers, especially NEM customers, to install energy storage" and "Development of a 100% local solar product offering."
 - Assistance from VCE's interns to help research offerings from other CCAs was also recommended by the task group to help with the project.
 - Additionally, the task group has been providing some feedback to Staff on the RTOU rate.

**Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of August 22nd CAC Meeting**

Note: The workshop and meeting were videotaped and will be viewable on the VCEA website.

- Public Workshop on PG&E's Residential Time of Use (RTOU)
 - Jessica Chancellor of PG&E presented slides on rationale, timing, and customers included in PG&E's new residential rate structure.
 - 11 people from the public, 2 Board members (T. Stallard, L. Frerichs) attended.
 - Several members of the public asked questions and made comments.

- Staff Recommendation on PG&E's Residential Time of Use (TOU)
 - J. Parks reviewed staff's recommendation to support PG&E's new RTOU rate and provide first year bill protection.
 - Motion: to approve staff's recommendations with the addition that the CAC is making this recommendation with the knowledge that VCE can change the rates at any time. Motion passed: 7-0-0.
 - Motion: the CAC encourages VCE Staff to coordinate rollout and program messaging with PG&E to VCE's customers. Motion passed: 7-0-0.

- Discussion of possible acquisition of PG&E distribution system assets
 - M. Sears presented slides on the opportunities and challenges of the acquisition.
 - CAC members raised questions on the acquisition, some of which were addressed by M. Sears and some which VCE Staff will review and incorporate responses in future updates.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Receipt of signed Amendment 13 to Task Orders 2, 3 and 4 of the SMUD Professional Services Agreement

Date: September 12, 2019

RECOMMENDATION

Receive copy of signed Amendment 13 to Task Order 2 (data management and call center services), Task Order 3 (wholesale energy services), and Task Order 4 (operational staff services) of the Sacramento Municipal Utilities District (SMUD) Professional Service Agreement increasing the billable hourly rates by 2.2% effective July 1, 2019.

BACKGROUND

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

The attached Amendment reflects increases in the billable rates by 2.2% effective July 1, 2019 per the contractually defined escalation methodology of benchmarking to the consumer price index. These rates will be in effect through June 30, 2020.

The Board approved Operating budget for Fiscal Year 2019/2020 included the anticipated increases in the billable rates.

UPDATE

Per the SMUD contract, billable rates were to increase July 1, 2019. Interim General Manager Mitch Sears recently signed Amendment 13. Attached is a signed copy.

Attachment

Amendment 13 to Task Order 2, 3 and 4

AMENDMENT 13 TO EXHIBIT A: Scope of Services

**A.4 Task Order 2 – Data Management and Customer Call Center Services
 Task Order 3 – Wholesale Energy Services
 Task Order 4 – Operational Staff Services**

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 13 to Exhibit A, Task Orders No. 2, 3, and 4 (Amendment 13), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 13 conflict with any general provisions in the Agreement or Task Orders 2, 3 or 4, the provisions of this Amendment 13, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

1. In accordance with the terms of Task Orders 2, 3 and 4, this Amendment 13 is to memorialize the rate escalation effective July 1, 2019, as described in *Section 4, COMPENSATION FOR SERVICES*. The following rates are effective from July 1, 2019 through June 30, 2020.

- a. Task Order 2, Subsection 4.1, *Data Management and Call Center Services* is amended as follows:
 - i. “The Data Management and Call Center Services at the selected “Silver” service level will be charged at a fixed monthly fee per customer meter enrolled in Program Service of \$1.0220.”
- b. Task Order 3, Subsection 4.3, *Wholesale Energy Services* is amended as follows:
 - i. “Wholesale Energy Services will be charged at a fixed monthly service fee of \$47,012.00.”
- c. Task Order 2, Subsection 4.2, Task Order 3, Subsection 4.3, and Task Order 4, Subsection 5.2, *Hourly Rates*, are amended as follows:
 - i. “Hourly Billing Rates effective July 1, 2019 – June 30, 2020:

Resource	Hourly Rate
CEO/VP	\$255.50
Principal	\$194.18
Senior Analyst	\$153.30
Analyst	\$102.20
Administrative	\$81.76

[Signature Page follows]

SIGNATURES

The Parties have executed this Amendment 13, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: _____

Name: Mitch Sears

Title: Interim General Manager

Date: 8/27/19

Approved as to Form: N/A

Sacramento Municipal Utility District

By: _____

Name: _____

Title: _____

Date: _____

Approved as to Form: _____

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

To: Valley Clean Energy Alliance Board of Directors

From: Lisa Limcaco, Director of Finance and Internal Operations
Mitch Sears, Interim General Manager

Subject: Receive the Valley Clean Energy Triennial Data Privacy Audit Report - 2018

Date: September 12, 2019

RECOMMENDATION

Receive the VCEA's Triennial Data Privacy Audit Report – 2018.

BACKGROUND

VCE is required to comply with the rules regarding privacy and security protection for Energy Usage Data applicable to Community Choice Aggregators or Electrical Service Providers as described in CPUC's Decision 12-08-045 through the year ended December 31, 2018. Rule 9 (d) in the Decision provides that "Each Community Choice Aggregator or Electrical Service Provider (when providing service to residential or small commercial customers) shall conduct an independent audit of its data privacy and security practices in conjunction every three years following 2012 and at other times as required by order of the Commission. The audit shall monitor compliance with data privacy and security commitments, and the Community Choice Aggregator or Electrical Service Provider (when providing service to residential or small commercial customers) shall report the findings to the Commission."

VCE engaged Abbott Stringham Lynch to perform agreed upon procedures to verify VCE's internal privacy and data security policies regarding "Covered Information" as defined by the Decision, for the period from inception of operations, June 1, 2018, through December 31, 2018. The audit reported compliance of all required internal data privacy and security practices with one exception related to VCE's lack of formal, documented records retention policy and procedures that will ensure that the use and retention of Covered Information is minimized if followed. Staff responded in the report that VCE will have a records retention policy and procedures approved by the VCE Board no later than October 31, 2019.

The VCEA's Triennial Data Privacy Audit Report - 2018 was issued and sent to the CPUC on July 29, 2019. No action is required by the Board.

ATTACHMENT:

VCEA's Triennial Data Privacy Audit Report - 2018



VALLEY CLEAN ENERGY ALLIANCE

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

REPORTING YEAR 2018

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES aicpa.com

Board of Directors of
Valley Clean Energy Alliance
Davis, California

and

California Public Utilities Commission
San Francisco, California

We have performed the procedures enumerated below, which were agreed to by Valley Clean Energy Alliance ("VCEA") and the California Public Utilities Commission ("CPUC") (the "specified parties"), solely to assist VCEA with respect to complying with third party verification requirements of Decision 12-08-045 (the "Decision") as it relates to VCEA's internal privacy and data security policies regarding "Covered Information", as defined in the Decision, for the period from inception of operations, June 1, 2018, through December 31, 2018. VCEA's management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1) We obtained the following documents from VCEA:

- List of all customers from which VCEA collected Covered Information
- Latest privacy notice (version prior to December 31, 2018) provided to customers
- Internal privacy and data security policies
- Categories of agents, contractors, and other third parties to which VCEA disclosed Covered Information for a primary purpose
- List of agents, contractors, and other third parties to which VCEA disclosed Covered Information for a secondary purpose, if any
- List of disclosures pursuant to legal requests, if any
- List of security breaches, if any

2) We performed the following procedures with respect to these documents:

A. Data Security and Information Technology (IT) Environment and Controls:

- i. The internal and external security vulnerability scans were performed by third party IT Specialists to ascertain that VCEA implemented technical and physical safeguards to protect Covered Information from unauthorized access, destruction, use modification, or disclosures. We obtained the work of the IT Specialists that reported the results of their procedures as follows:
 - 1. Based on the review of operational and security documentation provided by Valley Clean Energy Alliance, the IT Specialists noted Valley Clean Energy Alliance implemented technical and physical safeguards to protect Covered Information from unauthorized access, destruction, use modification, or disclosures. It is important to note some Valley Clean Energy Alliance personnel are currently Sacramento Municipal Utility District (SMUD) contract-employees whose parent organization maintains its own independent IT control environment. The IT Specialists did not review and assess SMUD's IT control environment during this review.

2. We performed the following procedures with respect to these documents (continued):
 - A. Data Security and Information Technology (IT) Environment and Controls (continued):
 - ii. Ascertain that upon any breach affecting 1,000 or more customers, VCEA notified the CPUC within two weeks of the detection, or within one week of notification.
 1. Upon inquiry of VCEA's management, management represented that VCEA did not have any breach affecting 1,000 or more customers during the period from inception of operations, June 1, 2018, through December 31, 2018. As such, this step was not applicable and was not performed.
 - B. Transparency:
 - i. Ascertain that a privacy notice was provided to customers from which VCEA collected Covered Information.
 1. We noted that VCEA's privacy notices are available at all times at <https://valleycleanenergy.org/wp-content/uploads/Reso-2018-001-Cust-and-Data-Policies-wc-1.pdf>. Any changes to this policy between notification periods will be communicated through VCEA's website. No exceptions were noted.
 - ii. We inspected the latest privacy notice and ascertained that it contained the language described in the Decision.
 - C. Use and Disclosure:
 - i. Ascertain that authorizations were obtained from customers for the disclosure of Covered Information to third parties for a primary purpose, other than to an entity exempted under Decision 12-08-045, Attachment B, 6(b) and 6(c).
 1. Upon inquiry of VCEA's management, management represented that VCEA did not disclose Covered Information to third parties for a primary purpose, other than to an entity or entities exempted under Decision 12-08-045, Attachment B, 6(b) and 6(c), during the period from inception of operations, June 1, 2018, through December 31, 2018. As such, this step was not applicable and was not performed.
 - ii. Ascertain that authorizations were obtained from customers for the disclosure of Covered Information to third parties for a secondary purpose.
 1. Upon inquiry of VCEA's management, management represented that VCEA did not disclose Covered Information to third parties for a secondary purpose during the period from inception of operations, June 1, 2018, through December 31, 2018. As such, this step was not applicable and was not performed.
 - iii. Ascertain that a notice was provided to the applicable customer within seven days for the disclosure of Covered Information as a result of a subpoena or legal proceedings.
 1. Upon inquiry of VCEA's management, management represented that VCEA did not disclose Covered Information to third parties as a result of a subpoena or legal proceedings during the period from inception of operations, June 1, 2018, through December 31, 2018. As such, this step was not applicable and was not performed.

2. We performed the following procedures with respect to these documents (continued):

D. Data Minimization:

- i. Ascertain that Covered Information was maintained for only as long as reasonably necessary or as authorized by the CPUC to accomplish a specific primary purpose or for a specific secondary purpose authorized by the customers.
 1. We ascertained by inquiry of management that VCEA retains customer-specific usage and billing information for a duration only as long as reasonably necessary for business and legal purposes. However, we noted that VCEA does not have detailed and formally documented records retention policies and procedures to ensure that the use and retention of Covered Information is minimized if followed. We note this as an exception.

Management's response:

VCEA will create formal, documented records retention policy and procedures that will ensure the use and retention of Covered Information is minimized if followed. VCEA will have this records retention policy and procedures approved by the VCEA Board no later than October 31, 2019.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on VCEA's compliance with the requirements of Decision 12-08-045. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to Valley Clean Energy Alliance and the California Public Utilities Commission.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.



July 26, 2019

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

To: Valley Clean Energy Alliance Board of Directors

From: Lisa Limcaco, Director of Finance and Internal Operations
Mitch Sears, Interim General Manager

Subject: Accept and attest the accuracy of VCE Power Content Label for the Ultra Green Product for 2018

Date: September 12, 2019

RECOMMENDATION: Attest to the accuracy of information presented in Valley Clean Energy’s 2018 Power Content Label for the Ultra Green Product based on staff’s review.

BACKGROUND:

California Public Utilities Code requires all retail sellers of electric energy, including Valley Clean Energy (VCE), to disclose “accurate, reliable, and simple-to-understand information on the sources of energy” that are delivered to their respective customers¹. Applicable regulations direct retail sellers to provide such communications no later than October 1st of each year. The format for requisite communications is highly prescriptive, offering little flexibility to retail sellers when presenting such information to customers. This format has been termed the “Power Content Label” by the California Energy Commission (CEC).

Information presented in the Power Content Label includes the appropriate share of total energy supply based on resource type, including both renewable and conventional fuel sources. In the event that a retail seller meets a certain percentage of its supply obligation from unspecified resources, the report must identify such purchases as “unspecified sources of power”. Unspecified sources of power refers to electricity that cannot be sourced back to a specific generator, such as energy purchased through open market transactions.

During the 2018 calendar year, VCE delivered a substantial portion of its electric energy supply from various renewable energy sources, including eligible hydroelectric, solar, and wind. For VCE Standard Green customers, 42% of the energy delivered was from renewable energy resources. For Ultra Green customers, 100% of the energy delivered was renewable energy resource. A copy of VCE’s 2018 Power Content Label is attached. The Power Content Label consists of our energy resources for 2018.

¹ California Public Utilities Code Section 398-1 (b)

Consistent with applicable regulations, VCE will complete required customer communications in accordance with the October 1st deadline. All customers currently enrolled in the VCE program will receive the Power Content Label via mail.

To fulfill its Power Content Label reporting obligation, VCE may provide the CEC with the Board's attestation regarding the accuracy of information of one Electric Service Product included in the Power Content Label. Staff recommends VCE self-certify the Ultra Green Product. While developing VCE's 2018 Power Content Label, our technical consultants (SMUD), performed a detailed review of all power purchases completed for the 2018 calendar year. Subsequent to the completion of the 2018 Power Content Label, staff reviewed the Electric Service Product – Ultra Green and verified that the information on the Power Content Label is accurate.

The Electric Service Product – Standard Green will be reviewed by a 3rd party auditor and verified that the content contained within the report to the CEC was accurate. The audit report will be completed and submitted by October 1, 2019.

Based on the foregoing, staff requests that the Board accept this determination and attest to the accuracy of the information included in VCE's 2018 Power Content Label for Electric Service Product – Ultra Green. Upon approval and receipt of the audit report on the Electric Service Product – Standard Green, the 2018 Power Content Label will be distributed to VCE customers during the month of October. A copy of this staff report and related meeting minutes along with the audit report will be forwarded to the CEC, thereby completing VCE's Power Content Label reporting obligation for the 2018 calendar year.

Attachment

VCE's 2018 Power Content Label

2018 POWER CONTENT LABEL			
Valley Clean Energy			
https://valleycleanenergy.org/power-sources/			
ENERGY RESOURCES	Standard Green	Ultra Green	2018 CA Power Mix**
Eligible Renewable	48%	100%	31%
Biomass & Biowaste	0%	0%	2%
Geothermal	0%	0%	5%
Eligible Hydroelectric	0%	56%	2%
Solar	0%	0%	11%
Wind	48%	44%	11%
Coal	0%	0%	3%
Large Hydroelectric	37%	0%	11%
Natural Gas	0%	0%	35%
Nuclear	0%	0%	9%
Other	0%	0%	<1%
Unspecified sources of power*	15%	0%	11%
TOTAL	100%	100%	100%
* "Unspecified sources of power" means electricity from transactions that are not traceable to specific generation sources.			
** Percentages are estimated annually by the California Energy Commission based on the electricity generated in California and net imports as reported to the Quarterly Fuel and Energy Report database and the Power Source Disclosure program.			
For specific information about this electricity product, contact:	Valley Clean Energy 1-855-699-8232		
For general information about the Power Content Label, please visit:	http://www.energy.ca.gov/pcl/		
For additional questions, please contact the California Energy Commission at:	Toll-free in California: 844-454-2906 Outside California: 916-653-0237		

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Eric May, General Counsel

SUBJECT: Approval of Amendment to Joint Powers Agreement (JPA) Re: Acquisition of Distribution System, Associate Membership City of Winters and West Sacramento

DATE: September 12, 2019

RECOMMENDATION

It is recommended that the Board:

- 1) Adopt Resolution approving the amendment of the Valley Clean Energy Joint Powers Agreement;
- 2) Direct staff to take all steps necessary to finalize amendment of the JPA Agreement; and,
- 3) Adopt Resolution inviting the City of Winters and the City of West Sacramento to join VCEA as associate members.

BACKGROUND & DISCUSSION

Valley Clean Energy Alliance (VCEA) was created on October 25, 2016, via a Joint Exercise of Powers Agreement (JPA) between the County of Yolo and the City of Davis to operate a Community Choice Aggregation (CCA) program in those jurisdictions. The JPA Agreement provides the purposes of VCEA, which serves as a limit to its powers. The City of Woodland was added as a member to the JPA on June 13, 2017.

Currently, VCEA is investigating the feasibility of acquiring some or all of PG&E's electric distribution system within Yolo County as part of the PG&E bankruptcy process. VCEA and its members are considering the optimal governance structures that might be implemented if the acquisition is pursued. Currently, the most practicable structure is for VCEA to be the entity that acquires the system. But in order for VCEA to do so, the VCEA JPA Agreement will need to be amended to add the appropriate powers, and VCEA's governance would need to be revised to account for different types of membership between jurisdictions that participate in the existing CCA/power procurement business and those that participate in the distribution business.

The proposed JPA amendment would add to VCEA's powers the ability to investigate, acquire, and operate the electric distribution system. In addition, the amendment would create an "Associate Membership" for any city in Yolo County that is not already a member of VCEA (i.e. West Sacramento and Winters), should they request to join VCEA for purposes of the local distribution system. The Associate Members would appoint the same number of "Associate Directors" to the VCEA Board as the existing members, who would only participate in matters related to the local energy distribution matters. The quorum and vote requirements would also be adjusted for such matters to reflect the modified Board composition. For all matters related to the CCA program, the Board composition and quorum/voting requirements would remain the same as they are now.

Following approval of the JPA Amendment by this Board, staff will place the amendments on the agendas of the Members' governing bodies for approval in the coming weeks. Thereafter, West Sacramento and Winters would be eligible to join as Associate Members by resolution adopted by their respective City Councils.

Attachments

1. Resolution approving the amendment to the JPA
2. Resolution approving the invitation to Winters and West Sacramento to join VCEA as Associate Members.
3. JPA Agreement dated June 13, 2017

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2019- ____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE AMENDMENT TO THE JOINT POWERS AGREEMENT AND AUTHORIZE STAFF TO FINALIZE AMENDMENT

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”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs;

WHEREAS, VCE is investigating the feasibility of acquiring some or all of Pacific Gas & Electric’s (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process;

WHEREAS, VCE and its members are considering the optimal governance structures that might be implemented if the acquisition is pursued and the most practicable structure is for VCE to be the entity that acquires the system; and,

WHEREAS, in order for VCE to be the entity that acquires the system, amendment of the VCE JPA Agreement is needed to (1) add the appropriate powers, and (2) revise VCE’s governance structure to account for different types of membership between jurisdictions that participate in the existing Community Choice Aggregation (CCA) / power procurement business and those that participate in the distribution business.

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

1. Approve the amendment of the Valley Clean Energy Joint Powers Agreement; and,
2. Authorize VCE Staff to take all steps necessary to finalize amendment of the JPA Agreement.

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

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom Stallard, VCE Chair

Alisa M. Lembke, VCE Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2019- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE INVITING THE CITY OF WINTERS AND THE CITY OF WEST SACRAMENTO TO JOIN THE JOINT POWERS AGENCY AS ASSOCIATE MEMBERS

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”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs;

WHEREAS, the City of Winters and West Sacramento are located within Yolo County and currently are not part of a Community Choice Aggregation program (CCA), such as Valley Clean Energy; and,

WHEREAS, VCE is investigating the feasibility of acquiring some or all of Pacific Gas & Electric’s (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process;

WHEREAS, VCE adopted a Resolution on September 12, 2019 amending the JPA to create an Associate Member classification to enable non-member jurisdictions to participate in the investigation of acquiring some or all of Pacific Gas & Electric’s (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process; and,

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

1. Approval of an invitation to the City of Winters and the City of West Sacramento to join the Valley Clean Energy Alliance Joint Powers Agency as Associate Members.

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

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom Stallard, VCE Chair

Alisa M. Lembke, VCE Board Secretary

Approval of Woodland as member of JPA –

June 13, 2017

**JOINT EXERCISE OF POWERS AGREEMENT RELATING TO AND CREATING
THE VALLEY CLEAN ENERGY ALLIANCE**

This Joint Exercise of Powers Agreement, effective on the date determined by Section 2.1, is made and entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Sections 6500 et seq.) of the California Government Code relating to the joint exercise of powers and establishes the Valley Clean Energy Alliance (“VCEA”), is by and between the County of Yolo (“County”), the City of Davis (“City”) and those other cities and counties who become signatories to this Agreement as provided herein, who agree as follows:

RECITALS

- A. The Parties share various powers under California law, including but not limited to the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions.
- B. In 2006, the State Legislature adopted AB 32, the Global Warming Solutions Act, which mandates a reduction in greenhouse gas emissions in 2020 to 1990 levels. The California Air Resources Board is promulgating regulations to implement AB 32 which will require local governments to develop programs to reduce greenhouse gas emissions.
- C. The purposes for entering into this Agreement include:
 - a. Reducing greenhouse gas emissions related to the use of power in Yolo County and neighboring regions;
 - b. Providing electric power and other forms of energy to customers at a competitive cost;
 - c. Carrying out programs to reduce energy consumption;
 - d. Stimulating and sustaining the local economy by developing local jobs in renewable energy; and
 - e. Promoting long-term electric rate stability and energy security and reliability for residents through local control of electric generation resources.
- D. It is the mission and purpose of this Agreement to build a strong Community Choice Energy program that is locally controlled and delivers cost-competitive clean electricity, product choice, price stability, energy efficiency and greenhouse gas emission reductions.

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- E. It is the intent of this Agreement to promote the development and use of a wide range of renewable energy sources and energy efficiency programs, including but not limited to solar, wind, and biomass energy production. The purchase of renewable power and greenhouse gas-free energy sources will be the desired approach to decrease regional greenhouse gas emissions and accelerate the State's transition to clean power resources to the extent feasible. The Agency will also add increasing levels of locally generated renewable resources as these projects are developed and customer energy needs expand.
- F. The Parties desire to establish a separate public agency, known as the Valley Clean Energy Alliance or VCEA, under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") in order to collectively study, promote, develop, conduct, operate, and manage energy programs.
- G. The Parties anticipate adopting an ordinance electing to implement through the VCEA a common Community Choice Energy (CCE) program (also known as a community choice aggregation (CCA) program) hereinafter called a CCE Program, an electric service enterprise available to cities and counties pursuant to California Public Utilities Code Sections 331.1(b) and 366.2. The first priority of the VCEA will be the consideration of those actions necessary to implement the CCE Program.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

ARTICLE 1: DEFINITIONS AND EXHIBITS

- 1.1 Definitions. Capitalized terms used in the Agreement shall have the meanings specified in Exhibit A, unless the context requires otherwise.
- 1.2 Documents Included. This Agreement consists of this document and the following exhibits, all of which are hereby incorporated into this Agreement.

Exhibit A: Definitions
Exhibit B: List of the Parties
Exhibit C: Annual Energy Use
Exhibit D: Voting Shares
Exhibit E: Signatures

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ARTICLE 2: FORMATION OF VALLEY CLEAN ENERGY ALLIANCE

- 2.1 Effective Date and Term. This Agreement shall become effective and VCEA shall exist as a separate public agency on October 25, 2016, or when the County and the City execute this Agreement, whichever occurs later. The VCEA shall provide notice to the Parties of the Effective Date. VCEA shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with Section 6.4, subject to the rights of the Parties to withdraw from VCEA.
- 2.2 Formation. There is formed as of the Effective Date a public agency named Valley Clean Energy Alliance. Pursuant to Sections 6506 and 6507 of the Act, VCEA is a public agency separate from the Parties. Pursuant to Sections 6508.1 of the Act, the debts, liabilities or obligations of VCEA shall not be debts, liabilities or obligations of the individual Parties unless the governing board of a Party agrees in writing to assume any of the debts, liabilities or obligations of VCEA. A Party who has not agreed to assume an VCEA debt, liability or obligation shall not be responsible in any way for such debt, liability or obligation even if a majority of the Parties agree to assume the debt, liability or obligation of VCEA. Notwithstanding Section 7.4 of this Agreement, this Section 2.2 may not be amended unless such amendment is approved by the governing board of each Party.
- 2.2.1 Name. VCEA may change its name at any time through adoption of a resolution of the Board of Directors.
- 2.3 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to build a strong CCE program that achieves deep, long-term GHG emission reductions by offering clean, cost effective and price stable electricity to residents, businesses, and agricultural producers while carrying out innovative programs to reduce customer energy use, substantially increase local renewable energy production, and power the local transportation system. To that end, VCEA will study, promote, develop, conduct, operate, and manage energy, energy efficiency and conservation, and other energy-related programs, and to exercise all other powers necessary and incidental to accomplishing this purpose. Without limiting the generality of the foregoing, the Parties intend for this Agreement to be used as a contractual mechanism by which the Parties are authorized to participate in the CCE Program, as further described in Section 4.1. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCE Program and any other energy programs approved by VCEA.

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2.4 Membership in VCEA.

2.4.1 The initial members of VCEA are the County of Yolo and the City of Davis. The Cities of Woodland, West Sacramento and Winters may also become initial members of VCEA by resolution of the city's city council adopted prior to the Effective Date.

2.4.2 Any city or county, that is not an initial member, may request to become a member of VCEA by submitting a resolution adopted by its City Council or Board of Supervisors to the Board of VCEA. The Board shall review the request and shall vote to approve or disapprove the request. The Board may establish conditions, including but not limited to financial conditions, under which the city or county may become a member of VCEA. The Board shall notify the then members of VCEA of this request and the date that the request will be on the Board's meeting agenda for action. The date set for Board action shall be at least forty-five (45) days from the date the notice is mailed to the members. If the request is approved by the Board, the city or county shall become a member of VCEA under the terms and conditions set forth by the Board and upon approval and execution of this Agreement by the city or county.

2.5 Powers. VCEA shall have all powers common to the Parties and such additional powers accorded to it by law. VCEA is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to, each of the following powers, subject to the voting requirements set forth in Section 3.7 through 3.7.5:

2.5.1 to make and enter into contracts;

2.5.2 to employ agents and employees, including but not limited to an Executive Officer;

2.5.3 to acquire, contract, manage, maintain, and operate any buildings, infrastructure, works, or improvements;

2.5.4 to acquire property by eminent domain, or otherwise, except as limited under Section 6508 of the Act, and to hold or dispose of any property; however, VCEA shall not exercise the power of eminent domain within the jurisdiction of a Party over its objection without first meeting and conferring in good faith.

2.5.5 to lease any property;

2.5.6 to sue and be sued in its own name;

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- 2.5.7 to incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers such as Government Code Sections 53850 et seq. and authority under the Act;
 - 2.5.8 to form subsidiary or independent corporations or entities if necessary, to carry out energy supply and energy conservation programs at the lowest possible cost or to take advantage of legislative or regulatory changes;
 - 2.5.9 to issue revenue bonds and other forms of indebtedness;
 - 2.5.10 to apply for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state, or local public agency;
 - 2.5.11 to submit documentation and notices, register, and comply with orders, tariffs and agreements for the establishment and implementation of the CCE Program and other energy programs;
 - 2.5.12 to adopt Operating Rules and Regulations;
 - 2.5.13 to make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCE Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services; and
 - 2.5.14 to permit additional Parties to enter into this Agreement after the Effective Date and to permit another entity authorized to be a community choice aggregator to designate VCEA to act as the community choice energy aggregator on its behalf.
- 2.6 Limitation on Powers. As required by Government Code Section 6509, the power of VCEA is subject to the restrictions upon the manner of exercising power possessed by City of Davis.

ARTICLE 3: GOVERNANCE AND INTERNAL ORGANIZATION

- 3.1 Board of Directors. VCEA shall be governed by a legislative body known as the a Board of Directors (“Board”). The Initial Board shall consist of two (2) directors appointed by each of the initial members; for example, if the initial members are the County of Yolo and the City of Davis, the board shall be four (4) directors with two (2) directors appointed by the Yolo County Board of Supervisors and two (2) directors appointed by the City Council of Davis. Each Director shall serve at the pleasure of the governing board of the Party who appointed such Director, and may be removed as Director by such governing

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board at any time. If at any time a vacancy occurs on the Board, a replacement shall be appointed to fill the position of the previous Director within 60 days of the date that such position becomes vacant. Directors must be members of the Board of Supervisors or members of the City Council of the appointing City that is the signatory to this Agreement. Each Party may appoint an alternate(s) to serve in the absence of its Director(s). Alternates may be either (1) members of the Board of Supervisors or (2) members of the governing board of the municipality that is the signatory to this Agreement.

If additional cities or counties join VCEA, as set forth in section 2.4, each city or county that becomes a member of VCEA shall be entitled to two (2) directors who shall be appointed as set forth above. When the fifth member joins VCEA, the number of directors per member agency of all current member agencies shall be reduced to one (1) director per member agency.

- 3.1.1 Ex officio Directors. The Board may appoint ex officio members of the Board. Ex officio directors shall receive all meeting notices, shall have the right to participate in Board discussions and the right to place items on the agenda but shall not be counted towards a quorum and shall have no vote.
- 3.2 Quorum. A majority of the appointed Directors shall constitute a quorum, except that less than a quorum may adjourn from time to time in accordance with law.
- 3.3 Powers and Functions of the Board. The Board shall exercise general governance and oversight over the business and activities of VCEA, consistent with this Agreement and applicable law. The Board shall provide general policy guidance to the CCE Program. Board approval shall be required for any of the following actions:
 - 3.3.1 The issuance of bonds or any other financing even if program revenues are expected to pay for such financing.
 - 3.3.2 The appointment or termination of the Executive Officer and General Counsel.
 - 3.3.3 The appointment or removal of officers described in Section 3.9, subject to Section 3.9.3.
 - 3.3.4 Any decision to provide retirement or post-retirement benefits that are defined benefit programs, subject to the requirements of section 5.3.4, below.
 - 3.3.5 The adoption of the Annual Budget.

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- 3.3.6 The adoption of an ordinance.
- 3.3.7 The approval of agreements, except as provided by Section 3.4.
- 3.3.8 The initiation or resolution of claims and litigation where VCEA will be the defendant, plaintiff, petitioner, respondent, cross complainant or cross petitioner, or intervenor; provided, however, that the Executive Officer or General Counsel, on behalf of VCEA, may intervene in, become a party to, or file comments with respect to any proceeding pending at the California Public Utilities Commission, the Federal Energy Regulatory Commission, or any other administrative agency, without approval of the Board as long as such action is consistent with any adopted Board policies.
- 3.3.9 The setting of rates for power sold by VCEA and the setting of charges for any other category of service provided by VCEA.
- 3.3.10 Termination of the CCE Program.
- 3.4 Executive Officer. The Board of Directors shall appoint an Executive Officer for VCEA, who shall be responsible for the day-to-day operation and management of VCEA and the CCE Program. The Executive Officer may be retained under contract with VCEA, be an employee of VCEA, or be an employee of one of the Parties. The Executive Officer shall report directly to the Board and serve as staff to VCEA. Except as otherwise set forth in this Agreement, the Executive Officer may exercise all powers of VCEA, including the power to hire, discipline and terminate employees as well as the power to approve any agreement if the total amount payable under the agreement is less than \$100,000 in any fiscal year, or such higher amount as established by the Board from time to time, by resolution of the Board, except the powers specifically set forth in Section 3.3 or those powers which by law must be exercised by the Board of Directors. The Executive Officer shall serve at the pleasure of the Board.
- 3.5 Commissions, Boards, and Committees. The Board may establish commissions, boards or committees, including but not limited to a standing executive committee of the Board, as the Board deems appropriate, to assist the Board in carrying out its authority and functions under this Agreement and may delegate authority to such commission, board or committee as set forth in a Board resolution. Such delegation may be modified, amended or revoked as any time as the Board may deem appropriate. Any decision delegated pursuant to this subsection may be appealed to the Board, as the Board so determines.
 - 3.5.1 The Board may also establish any advisory commissions, boards, and committees as the Board deems appropriate to assist the Board in carrying

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out its functions and implementing the CCE Program, other energy programs and the provisions of this Agreement.

3.5.2 Any board, commission or committee formed under this section shall comply with the requirements of the Ralph M. Brown Act. The Board may establish rules, regulations, policies, bylaws or procedures to govern any such commissions, boards, or committees, and shall determine whether members shall be compensated or entitled to reimbursement for expenses.

3.6 Director Compensation. Directors shall serve without compensation from VCEA. However, Directors may be compensated by their respective appointing authorities. The Board, however, may adopt by resolution a policy relating to the reimbursement by VCEA of expenses incurred by Directors.

3.7 Voting. In general, as described below in Section 3.7.3, action by VCEA Board will be taken solely by a majority vote of the total number of Directors present; provided, however, that so long as VCEA consists of three or less members, all actions of the Board shall require the affirmative vote of at least one director appointed by each member. In addition, as described below in Section 3.7.4, upon request of two (2) Directors each from a different member agency, a weighted vote by shares will also be conducted. When such a request is made, an action must be approved by both a majority vote of Directors present and a majority of the weighted vote by shares present. No action may be approved solely by a vote by shares. The voting shares of Directors and approval requirements for actions of the Board shall be as follows:

3.7.1 Voting Shares.

Each member agency shall have a voting share as determined by the following formula: (Annual Energy Use/Total Annual Energy) multiplied by 100, where

- (a) “Annual Energy Use” means, (i) with respect to the first two (2) years following the Effective Date, the annual electricity usage, expressed in kilowatt hours (“kWh”), within the Party’s respective jurisdiction and (ii) with respect to the period after the second anniversary of the Effective Date, the annual electricity usage during the prior Fiscal Year, expressed in kWh, of accounts within a Party’s respective jurisdiction that are served by VCEA; and
- (b) “Total Annual Energy” means the sum of all Parties’ Annual Energy Use. The initial values for Annual Energy Use will be designated in Exhibit C, and shall be adjusted annually as soon as

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reasonably practicable after January 1, but no later than March 1 of each year. These adjustments shall be approved by the Board.

- (c) The combined voting share of all Directors representing a member agency shall be based upon the annual electricity usage within the member agency's jurisdiction; the combined voting share of a county shall be based upon the annual electricity usage within the unincorporated area of the county.

For the purposes of Weighted Voting, if a member agency has more than one director present and voting, then the voting shares allocated to the entity shall be equally divided amongst its Directors that are present and voting.

3.7.2 Exhibit Showing Voting Shares. The initial voting shares will be set forth in Exhibit D. Exhibit D shall be revised no less than annually as necessary to account for changes in the number of Parties and changes in the Parties' Annual Energy Use. Exhibit D and adjustments shall be approved by the Board.

3.7.3 Approval Requirements Relating to CCE Program. Except as provided in Sections 3.7 above and 3.7.4 and 3.7.5 below, action of the Board shall require the affirmative vote of a majority of Directors present at the meeting.

3.7.4 Option for Approval by Voting Shares. Notwithstanding Section 3.7.3, any two (2) Directors, each appointed from a different member agency, present at a meeting may demand that approval of any matter related to the CCE Program be determined on the basis of both voting shares and by the affirmative vote of a majority of Directors present at the meeting. If two Directors makes such a demand with respect to approval of any such matter, then approval of such matter shall require the affirmative vote of a majority of Directors present at the meeting and the affirmative vote of Directors having a majority of voting shares present, as determined by Section 3.7.1 except as provided in Section 3.7.5.

3.7.5 Special Voting Requirements for Certain Matters.

- (a) Two-Thirds and Weighted Voting Approval Requirements Relating to Sections 6.2 and 7.4. Action of the Board on the matters set forth in Section 6.2 (involuntary termination of a Party), or Section 7.4 (amendment of this Agreement) shall require the affirmative vote of at least two-thirds of Directors present; provided, however, that (i) notwithstanding the foregoing, any two (2) Directors present at the meeting, each appointed from a

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different member agency, may demand that the vote be determined on the basis of both voting shares and by the affirmative vote of Directors, and if any two (2) Directors makes such a demand, then approval shall require the affirmative vote of both at least two-thirds of Directors present and the affirmative vote of Directors having at least two-thirds of the voting shares present, as determined by Section 3.7.1; (ii) but, Directors from at least two (2) Parties must vote against a matter for the vote to fail; and (iii) for votes to involuntarily terminate a Party under Section 6.2, the Director(s) for the Party subject to involuntary termination may not vote, and the number of Directors constituting two-thirds of all Directors, and the weighted vote of each Party shall be recalculated as if the Party subject to possible termination were not a Party.

- (b) Seventy-Five Percent Special Voting Requirements for Eminent Domain and Contributions or Pledge of Assets.
 - (i) A decision to exercise the power of eminent domain on behalf of VCEA to acquire any property interest other than an easement, right-of-way, or temporary construction easement shall require a vote of at least 75% of all Directors present and voting and a vote of at least two-thirds of all the members of the Board of Directors .
 - (ii) The imposition on any Party of any obligation to make contributions or pledge assets as a condition of continued participation in the CCE Program shall require a vote of at least 75% of all Directors present and voting and the approval of the governing boards of the Parties who are being asked to make such contribution or pledge.
 - (iii) Notwithstanding the foregoing, any two (2) Directors present at the meeting, each appointed by a different member agency, may demand that a vote under subsections (i) or (ii) be determined on the basis of voting shares and by the affirmative vote of Directors, and if any two (2) Directors makes such a demand, then approval shall require both the affirmative vote of at least 75% of Directors present and the affirmative vote of Directors having at least 75% of the voting shares present, as determined by Section 3.7.1, but Directors from at least two (2) Parties must vote against a matter for the vote to fail. For purposes of this section, “imposition on any Party of any obligation to make

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contributions or pledge assets as a condition of continued participation in the CCE Program” does not include any obligations of a withdrawing or terminated party imposed under Section 6.3.

- 3.8 Meetings and Special Meetings of the Board. The Board shall hold at least six (6) regular meetings per year, but the Board may provide for the holding of regular meetings at more frequent intervals. The date, hour and place of each regular meeting shall be fixed by resolution or ordinance of the Board. Regular meetings may be adjourned to another meeting time. Special and Emergency Meetings of the Board may be called in accordance with the provisions of California Government Code Sections 54956 and 54956.5. Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law. All meetings shall be conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code Sections 54950 et seq.).
- 3.9 Selection of Board Officers.
- 3.9.1 Chair and Vice Chair. The Directors shall select, from among themselves, a Chair, who shall be the presiding officer of all Board meetings, and a Vice Chair, who shall serve in the absence of the Chair. The Chair and vice Chair shall serve at the pleasure of the Board. There shall be no limit on the number of terms held by either the Chair or Vice Chair. The office of either the Chair or Vice Chair shall be declared vacant and a new selection shall be made if:
- (a) the person serving dies, resigns, or the Party that the person represents removes the person as its representative on the Board or
 - (b) the Party that he or she represents withdraws from VCEA pursuant to the provisions of this Agreement.
- 3.9.2 Secretary. The Board shall appoint a Secretary, who need not be a member of the Board, who shall be responsible for keeping the minutes of all meetings of the Board and all other official records of VCEA.
- 3.9.3 Treasurer and Auditor. The Treasurer shall function as the combined offices of Treasurer and Auditor pursuant to Government code section 6505.6 and shall strictly comply with the statutes related to the duties and responsibilities specified in Section 65.5 of the Act. The Treasurer for VCEA shall be the depository and have custody of all money of VCEA from whatever source and shall draw all warrants and pay demands against VCEA as approved by the Board. The Treasurer shall cause an independent audit(s) of the finances of VCEA to be made by a certified public accountant, or public accountant, in compliance with Section 6505

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of the Act. The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time. The duties and obligations of the Treasurer are further specified in Article 5. The Treasurer shall serve at the pleasure of the Board.

- 3.10 Administrative Services Provider. The Board may appoint one or more administrative services providers to serve as VCEA's agent for planning, implementing, operating and administering the CCE Program, and any other program approved by the Board, in accordance with the provisions of an Administrative Services Agreement. The appointed administrative services provider may be one of the Parties. One or more of the Parties may agree to provide all or a portion of the services in the manner set forth in an Administrative Services Agreement. Employees of the member agencies utilized to perform such services shall remain employees of the member agency and subject to the employing member agency's control and supervision. An Administrative Services Agreement shall set forth the terms and conditions by which the appointed administrative services provider shall perform or cause to be performed all or enumerated tasks necessary for planning, implementing, operating and administering the CCE Program and other approved programs. The Administrative Services Agreement shall set forth the term of the Agreement, the services to be provided, and the circumstances under which the Administrative Services Agreement may be terminated by VCEA. This section shall not in any way be construed to limit the discretion of VCEA to hire its own employees to administer the CCE Program or any other program.

ARTICLE 4: IMPLEMENTATION ACTION AND VCEA DOCUMENTS

- 4.1 Preliminary Implementation of the CCE Program.
- 4.1.1 Enabling Ordinance. To be eligible to participate in the CCE Program, each Party must adopt an ordinance in accordance with Public Utilities Code Section 366.2(c)(12) for the purpose of specifying that the Party intends to implement a CCE Program by and through its participation in VCEA.
- 4.1.2 Implementation Plan. VCEA shall cause to be prepared an Implementation Plan meeting the requirements of Public Utilities Code Section 366.2 and any applicable Public Utilities Commission regulations as soon after the Effective Date as reasonably practicable. The Implementation Plan shall not be filed with the Public Utilities Commission until it is approved by the Board in the manner provided by Section 3.7.3.

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- 4.1.3 Termination of CCE Program. Nothing contained in this Article or this Agreement shall be construed to limit the discretion of VCEA to terminate the implementation or operation of the CCE Program at any time in accordance with any applicable requirements of state law.
- 4.2 VCEA Documents. The Parties acknowledge and agree that the affairs of VCEA will be implemented through various documents duly adopted by the Board through Board resolution. The Parties agree to abide by and comply with the terms and conditions of all such documents that may be adopted by the Board, subject to the Parties' right to withdraw from VCEA as described in Article 6.

ARTICLE 5: FINANCIAL PROVISIONS

- 5.1 Fiscal Year. VCEA's fiscal year shall be 12 months commencing July 1 and ending June 30. The fiscal year may be changed by Board resolution.
- 5.2 Depository.
- 5.2.1 All funds of VCEA shall be held in separate accounts in the name of VCEA and not commingled with funds of any Party or any other person or entity.
- 5.2.2 All funds of VCEA shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year. The books and records of VCEA shall be open to inspection by the Parties at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of VCEA, which shall be conducted in accordance with the requirements of Section 6505 of the Act.
- 5.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.
- 5.3 Budget and Recovery of Costs.
- 5.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of VCEA shall be approved by the Board in accordance with the Operating Rules and Regulations.

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- 5.3.2 Funding of Initial Costs. The County of Yolo and the City of Davis have funded certain activities necessary to implement the CCE Program. If the CCE Program becomes operational, these Initial Costs paid by the County and the City shall be included in the customer charges for electric services as provided by Section 5.3.3 to the extent recovery of such costs is permitted by law, and the County and the City shall be reimbursed from the payment of such charges by customers of VCEA. Prior to such reimbursement, the County and the City shall provide such documentation of costs paid as the Board may request. VCEA may establish a reasonable time period over which such costs are recovered. In the event that the CCE Program does not become operational, Yolo and Davis shall not be entitled to any reimbursement of the Initial Costs that have paid from VCEA or any Party. If any of the initial member agency assists in funding initial costs, that initial member shall also be entitled to reimbursement pursuant to this section.
- 5.3.3 CCE Program Costs. The Parties desire that all costs incurred by VCEA that are directly or indirectly attributable to the provision of electric, conservation, efficiency, incentives, financing, or other services provided under the CCE Program, including but not limited to the establishment and maintenance of various reserves and performance funds and administrative, accounting, legal, consulting, and other similar costs, shall be recovered through charges to CCE customers receiving such electric services, or from revenues from grants or other third-party sources.
- 5.3.4 Employee Retirement and Post-retirement benefits. Should the Board determine to provide a defined benefits retirement benefit to VCEA employees (such as PERS) or other post-retirements benefits that would be within an Other Post-Retirement Benefits (OPEB) obligation to VCEA employees, prior to providing such benefit(s) to any employee, the Board shall (1) obtain a third party independent actuarial report on the long term costs of the benefit or benefits, (2) adopt a funding plan for the payment of both current and long-term costs that provides for the payment of all such costs on a current, pay-as-you-go, basis and eliminates any known or reasonably anticipated unfunded liability associated with the benefit(s) and (3) notice all member agencies of the pending consideration of the benefit(s) together with the actuarial report and funding plan, for at least sixty (60) days and obtain the unanimous consent, by resolution, of all the Directors present and voting on the resolution. .

ARTICLE 6: WITHDRAWAL AND TERMINATION

6.1 Withdrawal.

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- 6.1.1 Right to Withdraw. A Party may withdraw its participation in the CCE Program, effective as of the beginning of VCEA's fiscal year, by giving no less than 6 months advance written notice of its election to do so, which notice shall be given to VCEA and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board.
- 6.1.2 Right to Withdraw After Amendment. Notwithstanding Section 6.1.1, a Party may withdraw its membership in VCEA following an amendment to this Agreement adopted by the Board which the Party's Director(s) voted against provided such notice is given in writing within thirty (30) days following the date of the vote. Withdrawal of a Party shall require an affirmative vote of the Party's governing board and shall not be subject to the six month advance notice provided in Section 6.1.1. In the event of such withdrawal, the Party shall be subject to the provisions of Section 6.3.
- 6.1.3 The Right to Withdraw Prior to Program Launch. After receiving bids from power suppliers, VCEA shall provide to the Parties the report from the electrical utility consultant retained by VCEA that compares the total estimated electrical rates that VCEA will be charging to customers as well as the estimated greenhouse gas emissions rate and the amount of estimated renewable energy used with that of the incumbent utility. If the report provides that VCEA is unable to provide total electrical rates, as part of its baseline offering, to the customers that are equal to or lower than the incumbent utility or to provide power in a manner that has a lower greenhouse gas emissions rate or uses less renewable energy than the incumbent utility, a Party may immediately withdraw its membership in VCEA without any financial obligation, as long as the Party provides written notice of its intent to withdraw to VCEA Board no more than fifteen (15) days after receiving the report. Any withdrawing Party shall not be entitled to any return of funds provided to VCEA, provided, however, that if, after the program is launched there an unobligated and unused funds, the withdrawing member shall be refunded its pro rata share of the unobligated and unused funds.
- 6.1.4 Continuing Financial Obligation; Further Assurances. Except as provided by Section 6.1.3, a Party that withdraws its participation in the CCE Program may be subject to certain continuing financial obligations, as described in Section 6.3. Each withdrawing Party and VCEA shall execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Party from participation in the CCE Program.

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- 6.2 Involuntary Termination of a Party. Participation of a Party in the CCE Program may be terminated for material non-compliance with provisions of this Agreement or any other agreement relating to the Party's participation in the CCE Program upon a vote of Board members as provided in Section 3.7.5. Prior to any vote to terminate participation with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement or other agreement that the Party has allegedly violated. The Party subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote regarding termination. A Party that has had its participation in the CCE Program terminated may be subject to certain continuing liabilities, as described in Section 6.3.
- 6.3 Continuing Financial Obligations; Refund. Except as provided by Section 6.1.3, upon a withdrawal or involuntary termination of a Party, the Party shall remain responsible for any claims, demands, damages, or other financial obligations arising from the Party membership or participation in the CCE Program through the date of its withdrawal or involuntary termination, it being agreed that the Party shall not be responsible for any financial obligations arising after the date of the Party's withdrawal or involuntary termination. Claims, demands, damages, or other financial obligations for which a withdrawing or terminated Party may remain liable include, but are not limited to, losses from the resale of power contracted for by VCEA to serve the Party's load and any unfunded liabilities such as unfunded retirement contributions or costs and any unfunded post-retirement benefits. With respect to such financial obligations, upon notice by a Party that it wishes to withdraw from the CCE Program, VCEA shall notify the Party of the minimum waiting period under which the Party would have no costs for withdrawal if the Party agrees to stay in the CCE Program for such period. The waiting period will be set to the minimum duration such that there are no costs transferred to remaining ratepayers. If the Party elects to withdraw before the end of the minimum waiting period, the charge for withdrawal shall be set at a dollar amount that would offset actual costs to the remaining ratepayers, and may not include punitive charges that exceed actual costs. In addition, such Party shall also be responsible for any costs or obligations associated with the Party's participation in any program in accordance with the provisions of any agreements relating to such program provided such costs or obligations were incurred prior to the withdrawal of the Party. VCEA may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with VCEA, as reasonably determined by VCEA and approved by a vote of the Board of Directors, to cover the Party's financial obligations for the costs described above. Any amount of the Party's funds held on deposit with VCEA above that which is

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required to pay any financial obligations shall be returned to the Party. If there is a disagreement related to the charge(s) for withdrawal or exiting, the Parties shall attempt to settle the amount through mediation or other dispute resolution process as authorized by section 7.1. If the dispute is not resolved, the Parties may agree in writing to proceed to arbitration, or any party may seek judicial review. The liability of any Party under this section 6.3 is subject and subordinate to the provisions of Section 2.2, and nothing in this section 6.3 shall reduce, impair, or eliminate any immunity from liability provided by Section 2.2.

- 6.4 Mutual Termination. This Agreement may be terminated by mutual agreement of all the Parties; provided, however, the foregoing shall not be construed as limiting the rights of a Party to withdraw its participation in the CCE Program, as described in Section 6.1.
- 6.5 Disposition of Property upon Termination of VCEA. Upon termination of this Agreement, any surplus money or assets in possession of VCEA for use under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred under this Agreement and under any program documents, shall be returned to the then-existing Parties in proportion to the contributions made by each.

ARTICLE 7: MISCELLANEOUS PROVISIONS

- 7.1 Dispute Resolution. The Parties and VCEA shall make reasonable efforts to informally settle all disputes arising out of or in connection with this Agreement. Should such informal efforts to settle a dispute, after reasonable efforts, fail, the dispute shall be mediated in accordance with policies and procedures established by the Board.
- 7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of VCEA shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. VCEA shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Sections 995 et seq. Nothing in this section shall be construed to limit the defenses and immunities available under the law, to the Parties, VCEA, or its Directors, officers, or employees.
- 7.3 Indemnification of Parties. VCEA shall acquire such insurance coverage as is necessary to protect the interests of VCEA, the Parties, and the public. VCEA shall defend, indemnify, and hold harmless the Parties and each of their respective Board or Council members, officers, agents and employees, from any and all

June 13, 2017

claims, losses, damages, costs, injuries, and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of VCEA under this Agreement.

- 7.4 Amendment of this Agreement. This Agreement may not be amended except by a written amendment approved by a vote of Board members as provided in Section 3.7.5. VCEA shall provide written notice to all Parties of amendments to this Agreement, including the effective date of such amendments, at least 30 days prior to the date upon which the Board votes on such amendments.
- 7.5 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties may not be assigned or delegated without the advance written consent of all of the other Parties, and any attempt to assign or delegate such rights or duties in contravention of this Section 7.5 shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties. This Section 7.5 does not prohibit a Party from entering into an independent agreement with another agency, person, or entity regarding the financing of that Party's contributions to VCEA, or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of VCEA or the Parties under this Agreement.
- 7.6 Severability. If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, it is hereby agreed by the Parties, that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provision shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.
- 7.7 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.
- 7.8 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Parties, each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.
- 7.9 Parties to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with

Approval of Woodland as member of JPA –

June 13, 2017

return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of VCEA or Party, as the case may be, or such other person designated in writing by VCEA or Party. Notices given to one Party shall be copied to all other Parties. Notices given to VCEA shall be copied to all Parties.

CITY:

CITY OF DAVIS, a California municipal corporation

By: _____
Robb Davis, Mayor

ATTEST:

By: _____
Zoe Mirabile, City Clerk

APPROVED AS TO FORM:

By: _____
Harriet A. Steiner, City Attorney

COUNTY:

COUNTY OF YOLO

By: _____
Jim Provenza, Chair
Board of Supervisors

ATTEST:

Julie Dachtler, Deputy Clerk
Board of Supervisors

By: _____
Deputy (Seal)

APPROVED AS TO FORM:

Philip Pogledich, County Counsel

By: _____
Eric May, Senior Deputy County Counsel

**EXHIBIT A
DEFINITIONS**

“Act” means the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 *et seq.*)

“Administrative Services Agreement” means an agreement or agreements entered into after the Effective Date by VCEA with an entity that will perform tasks necessary for planning, implementing, operating and/or administering the CCE Program, or any portion of the CCE Program or any other energy programs adopted by VCEA.

“Agreement” means this Joint Powers Agreement.

“Alliance” or “Authority” or “VCEA” means the Valley Clean Energy Alliance.

“Annual Energy Use” has the meaning given in Section 3.7.1.

“Board” means the Board of Directors of VCEA.

“CCE” or “Community Choice Energy” or “CCA” or “Community Choice Aggregation” means an electric service option available to cities and counties pursuant to Public Utilities Code Section 366.2.

“CCE Program” or “CCA Program” means VCEA’s program relating to CCE that is principally described in Sections 2.3, 2.4, and 4.1.

“Director” means a member of the Board of Directors representing a Party.

“Effective Date” means October 25, 2016 or when initial members of VCEA, including but not limited to the County of Yolo and the City of Davis execute this Agreement, whichever occurs later, as further described in Section 2.1.

“Implementation Plan” means the plan generally described in Section 4.1.2 of this Agreement that is required under Public Utilities Code Section 366.2 to be filed with the California Public Utilities Commission for the purpose of describing a proposed CCE Program.

“Initial Costs” means all costs incurred by the County, the City and/or VCEA relating to the establishment and initial operation of VCEA, such as the hiring of an Executive Officer and any administrative staff, and any required accounting, administrative, technical, or legal services in support of VCEA’s initial activities or in support of the negotiation, preparation, and approval of one or more Administrative Services Agreements.

“Operating Rules and Regulations” means the rules, regulations, policies, bylaws and procedures governing the operation of VCEA.

Exhibit A

“Parties” or “Members” means, collectively, the County, the City of Davis and any city or county which executes this Agreement.

“Party”, “Member” or “Member Agency” means a signatory to this Agreement.

“Total Annual Energy” has the meaning given in Section 3.7.1.

“VCEA Document(s)” means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions, and activities of VCEA, including but not limited to the Operating Rules and Regulations, the annual budget, and plans and policies.

**EXHIBIT B
LIST OF PARTIES**

Parties: County of Yolo
City of Davis
City of Woodland

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Approved [October 25, 2016][June 13, 2017]
JOINT EXERCISE OF POWERS AGREEMENT RELATING TO AND CREATING THE VALLEY CLEAN ENERGY ALLIANCE
(6/8/2017)
82499.04003\29016479.18

EXHIBIT C
ANNUAL ENERGY USE / VOTING SHARES

Unincorporated Yolo County	318,300,165 KWh
Davis	284,129,391 KWh
Woodland	351,904,519 KWh

EXHIBIT D
VOTING SHARES 6/13/17

Unincorporated Yolo County	318,300,165 KWh	33.353117 votes
Davis	284,129,391 KWh	29.772529 votes
Woodland	<u>351,904,519 KWh</u>	<u>36.874353 votes</u>
Total	954,334,075 KWh	

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Approved [October 25, 2016]
JOINT EXERCISE OF POWERS AGREEMENT RELATING TO AND CREATING THE VALLEY CLEAN ENERGY ALLIANCE
(6/8/2017)
82499.04003\29016479.18

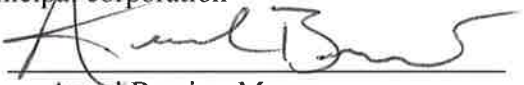
EXHIBIT E
SIGNATURE PAGE(S)

Woodland membership – effective 6/13/2017


Approved by the City of Woodland And VCEA

CITY:

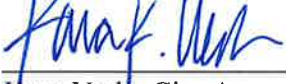
CITY OF WOODLAND, a California
municipal corporation

By: 
Angel Barajas, Mayor

ATTEST:

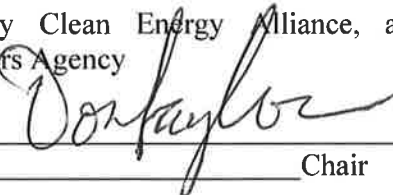
By: 
Ana Gonzalez, City Clerk

APPROVED AS TO FORM:

By: 
Kara Ueda, City Attorney

VCEA:

Valley Clean Energy Alliance, a Joint
Powers Agency

By: 
Chair

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 16

TO: Board of Directors

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

SUBJECT: Adoption of Residential Time of Use Rates and First Year Bill Protection

DATE: September 12, 2019

STAFF RECOMMENDATION

Adopt the PG&E Residential Time of Use rates in VCE service area and provide first-year bill protection to new RTOU customers.

BACKGROUND

PG&E is required by the CPUC to implement residential time of use (RTOU) rates as the default rate for eligible residential customers. Adoption of the new rate is optional for Community Choice Aggregators (CCAs).

PG&E has been working closely with CCAs to ensure a smooth transition across PG&E service territory. Currently 7 of the 12 CCAs in PG&E service territory have approved the transition to RTOU rates. The list includes East Bay Community Energy, Sonoma Clean Power, Silicon Valley Clean Energy, Redwood Coast Energy Authority, Peninsula Clean Energy, King City Community Power, and Monterey Bay Community Power. Other CCAs have staff recommendations to approve the rates but have not received final approval from their respective boards.

RTOU pilot studies were performed with two CCAs, MCE and Sonoma Clean Energy, along with studies completed by PG&E. The results showed that RTOU rates helped reduce electrical loads during peak periods. In hot climates (Yolo County), the load reduction averaged 5.2%. SMUD performed a similar study in 2012-2013 and showed similar results of 5.9% peak load reduction due to RTOU.

The RTOU rates will be phased in over a 13-month period beginning October 2020. If the VCE Board of Directors approves the adoption of the RTOU rates, they will go into effect in February 2021. Eligible customers on the E1 rate will be defaulted to the new rate but will have the option to choose to stay with the E1 rate. A rate analysis will be provided to customers 90 days prior to implementation that provides information on their different rate options, including the default RTOU rate and their existing rate. Approximately 20,000 VCE customers are eligible for the rate, or 47% of E1 customers.

RTOU information was first presented to the VCE Board at the March 2019 meeting. A follow-up presentation was provided by PG&E at the May board meeting. The CAC also had several

presentations and worked with VCE and PG&E staff over the course of several months to gather information and answer questions. A public workshop was held on August 23 and the public response was generally positive. Following the workshop, the CAC met and approved a recommendation to the VCE board to approve the RTOU rates and provide first-year bill protection.

STAFF RECOMMENDATIONS

Adoption of the PG&E RTOU rate and first year bill protection.

Staff believes that the following key factors support this recommendation:

- TOU rates are proven to reduce electrical loads during peak periods. This provides multiple benefits including:
 - Reduce impacts of overloading on the grid during peak periods.
 - Reduce the cost of purchased power during peak periods.
 - Reduce the use of expensive, GHG emitting peak power plants during peak periods.
 - Provide customers with higher levels of control over their electricity bills.

Note: Staff believes it is also helpful if VCE mirrors PG&E rates in this instance so that customers can easily compare VCE and PG&E rates.
- Bill protection:
 - PG&E will offer bill protection.
 - If VCE does not offer bill protection, the likelihood of customers opting out may increase.
- Minimal fiscal impact on VCE.

These recommendations in no way change VCE's ability to set rates at any time.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 17

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Update of River City Bank Credit Agreement and Debt restructure analysis

DATE: September 12, 2019

BACKGROUND:

At the December 14, 2017 Board 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 \$11,000,000 in total credit facilities for VCE with River City Bank.

At the May 10, 2018 Board meeting, the Board approved the Credit Agreement with River City Bank and authorize the Board Chair to approve and execute the Credit Agreement. The availability of the Revolving Line of Credit (RLOC), expires 1 year from execution of agreement (May 15, 2018) with an option to extend the line for another 6 months for a total of 18 months. At the April 11, 2019 Board meeting, the Board approved the extension of the line of credit for another 6 months expiring November 15, 2019.

Since August 2018, VCE has not drawn on the RLOC and the outstanding balance of the RLOC is currently \$1,976,610. VCE is in compliance with all its financial covenants stipulated in the Credit Agreement. At the expiration (including extension) of the RLOC, any outstanding balance can be converted to an amortizing Term Loan which matures up to 5 years from conversion date.

DISCUSSION:

Bank update

Staff has been in discussions with River City Bank regarding renewal of the Revolving Line of Credit at November 15, 2019. Based on VCE's current financial position and the Board approved FYE June 30, 2020 budget, River City Bank has agreed to terminate the Subordination Agreements with the member jurisdictions on the initial \$500,000 loaned by each member to VCE. In addition, River City Bank is currently working on credit approval for the renewal of the \$11 million RLOC which will be brought to the Board at the October 11, 2019 Board meeting.

Current Financial Position & Budget (Amounts in 000's)

	Actual	Budget
	6/30/2019	6/30/2020
Revenues	\$ 51,035	\$ 55,708
Power Costs	38,540	41,575
Gross Margin	12,495	14,133
Other Expenses	3,849	4,844
Net Margin	\$ 8,646	\$ 9,289
Net Margin %	15.42%	15.35%
Cash:		
Unrestricted	\$ 6,914	\$ 13,519
Restricted	1,756	2,641
Total cash	\$ 8,670	\$ 16,160
Debt:		
Member Loans	\$ 1,500	\$ 1,500
RLOC	1,977	1,779
Total Debt	\$ 3,477	\$ 3,279
Net Position	\$ 7,222	\$ 16,450

When preparing the budget for FYE June 30, 2020, we assumed the conversion of the RLOC to a Term loan with a repayment over 5 years and the member loans being repaid after the repayment of the Term loan starting in 2024.

Analysis

Since River City Bank has terminated the subordination agreements with the member jurisdictions, staff analyzed two different debt repayment options that VCE may explore for the next year and the impacts on VCE's financial position for FYE 2019/2020 and FYE 2020/2021. The following is a summary of the two options:

	Option 1	Option 2
Repay Member Loans	Yes	Yes
Repay RLOC	Yes	No
Convert to Term Loan (5yr Repayment)	No	Yes
Dividend Rate FY 2020	2%	2%
Dividend Rate FY 2021	1%	1%

Assumptions:

- Convert RLOC to Term Loan at current outstanding balance of \$1,976,610
- Dividends accrued and paid in accordance with VCE's dividend program approved in June 2019
- Smaller dividend in FYE 2021 due to projected increase in RA costs resulting in a lower Net Margin

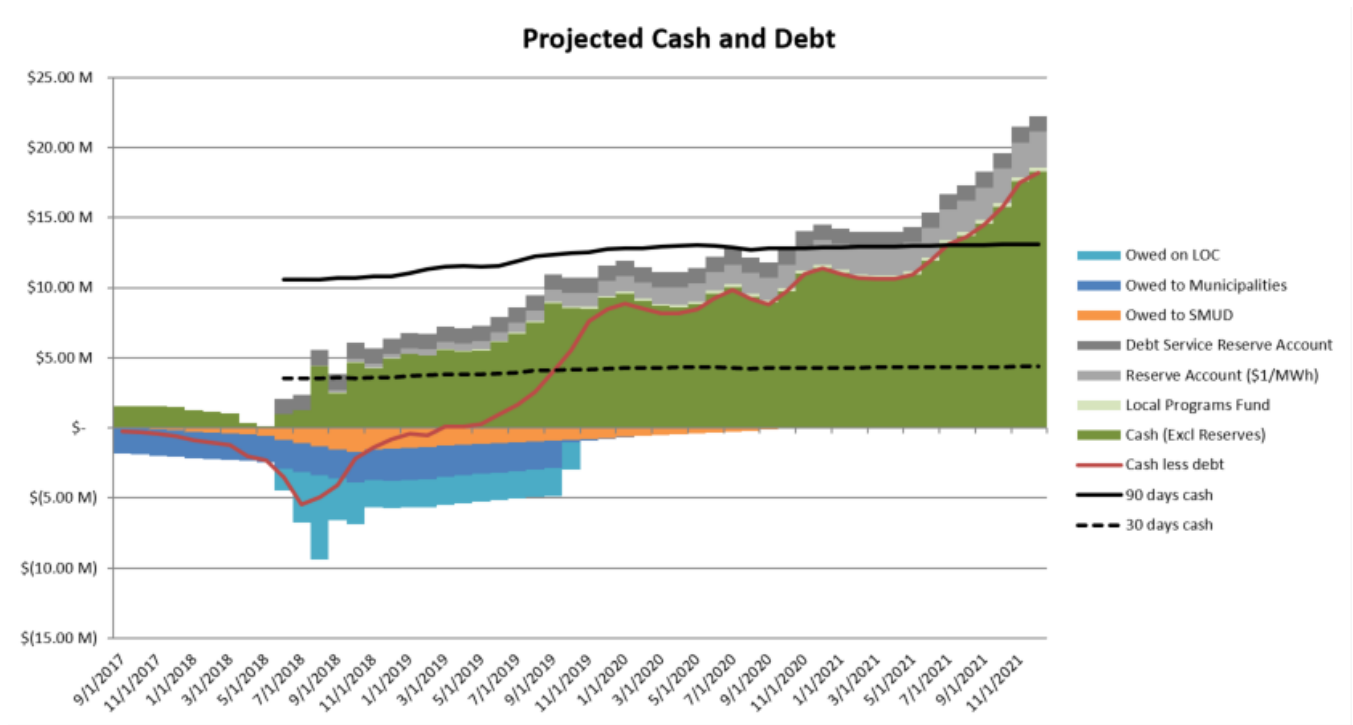
The following is a summary of the financial impacts of the two options on VCE's financial position (amounts in 000's):

	6/30/2020		6/30/2020		6/30/2021		6/30/2021
	Option 1		Option 2		Option 1		Option 2
Revenues	\$ 54,594		\$ 54,594		\$ 56,271		\$ 56,271
Power Costs	41,392		41,392		47,246		47,246
Gross Margin	13,202		13,202		9,025		9,025
Other Expenses	4,783		4,821		4,648		4,703
Net Margin	\$ 8,419		\$ 8,381		\$ 4,377		\$ 4,322
Net Margin %	15.42%		15.35%		7.78%		7.68%
Cash:							
Unrestricted	\$ 9,603		\$ 11,344		\$ 10,819		\$ 12,110
Restricted	2,636		2,636		3,450		3,450
Total cash	\$ 12,239		\$ 13,980		\$ 14,269		\$ 15,560
Debt:							
Member Loans	\$ -		\$ -		\$ -		\$ -
RLOC	-		1,779		-		1,384
Total Debt	\$ -		\$ 1,779		\$ -		\$ 1,384
Net Position	\$ 15,667		\$ 15,629		\$ 20,044		\$ 19,951

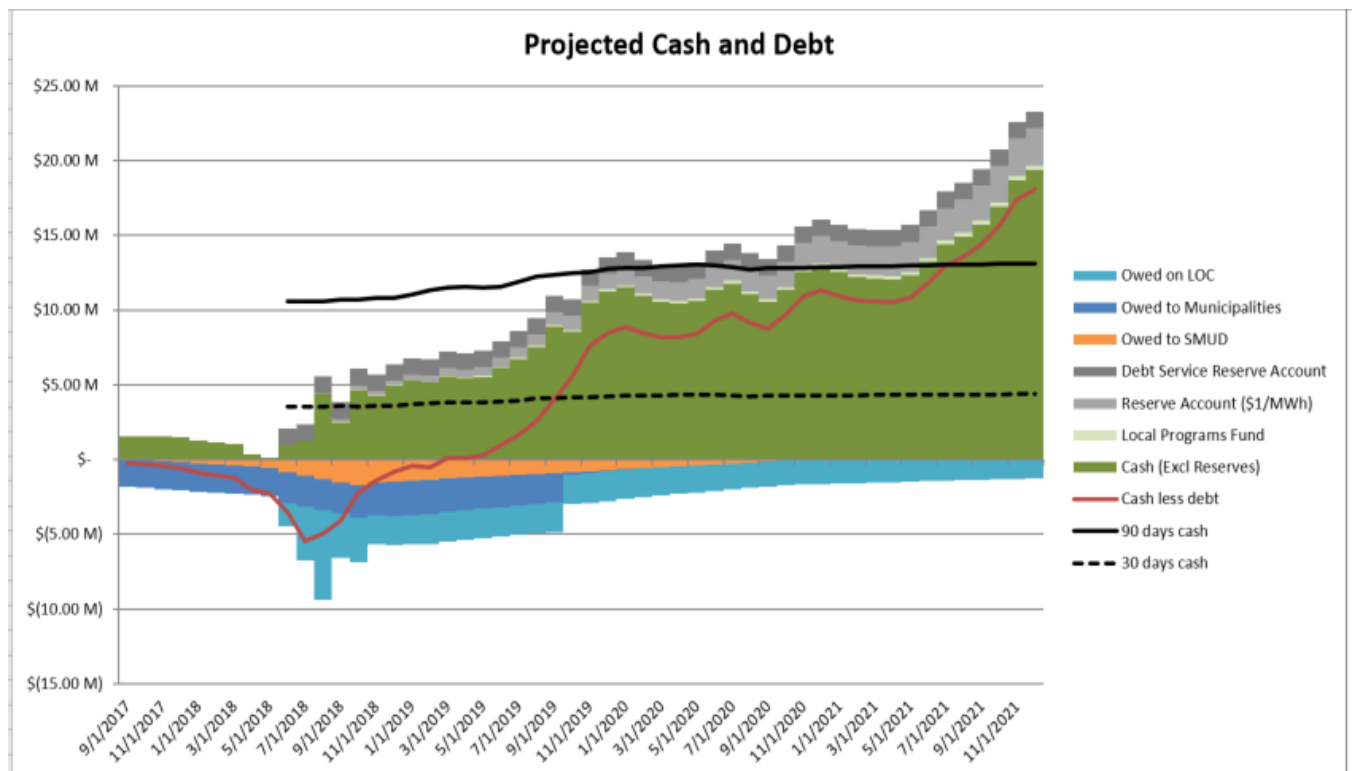
The only financial impact on VCE's net margin is the interest expense VCE would incur under option 2 due to conversion of the RLOC to a Term loan and repayment over 5 years. The Term loan interest rate based on the current 3-year Treasury rates would be locked in for the 5-year term at approximately 3.50%.

The largest impact on VCE's financial position between the two options is on the unrestricted cash. The \$1,976,610 repayment of the RLOC by November 2019 reduces VCE's unrestricted cash and delays VCE's ability to obtain a 90 cash reserve (90 day cash reserve target approved by VCE Board in 2017). As noted in the graphs below, under option 1 VCE is projected to obtain 90 cash reserves around July 2021 compared to option 2 VCE is projected to obtain 90 cash reserves around July 2020.

VCE's Projected Cash and Debt based on Option 1:



VCE's Projected Cash and Debt based on Option 2:



The following is a summary of the financial impacts of both options:

Option 1:

- Debt free as of November 2019
- \$11 M RLOC available for power purchases
- Provide a 2% dividend to customers in 2020 and 1% in 2021
- Obtain 90-day cash reserves by July 2021
- Unrestricted cash at 6/30/2021 - \$10,819
- Net Position at 6/30/2021 - \$20,044

Option 2:

- \$1,976,610 - 5 Year Term Loan with an ~ 3.5% fixed interest rate
- \$11 M RLOC – of which ~\$9.1 M (reduced by outstanding Term loan balance) available for power purchases
- Provide a 2% dividend to customers in 2020 and 1% in 2021
- Obtain 90-day cash reserves by July 2020
- Unrestricted cash at 6/30/2021 - \$12,110
- Net Position at 6/30/2021 - \$19,951

Conclusion

No action requested of the Board at this time. Staff believes the termination of the RCB's subordination agreements with the member jurisdictions and renewal of the RLOC provides VCE the flexibility to determine its repayment of debt in the current fiscal year. Based on Board feedback and direction, staff will return with a final recommendation on repayment of VCE's current debt structure.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 19

TO: Valley Clean Energy Alliance Board

FROM: Mitch Sears, Interim General Manager
Gary Lawson, Sacramento Municipal Utility District (SMUD)

SUBJECT: Delegation for Procuring 2021 Price Hedging Energy

DATE: September 12, 2019

RECOMMENDATION

Staff recommends the Board adopt a resolution that:

- (1) Authorizes SMUD to procure up to 100% of the forecast hedging energy needs for 2021;
- (2) Authorizes the General Manager to approve the actual procurement strategy employed for this procurement.

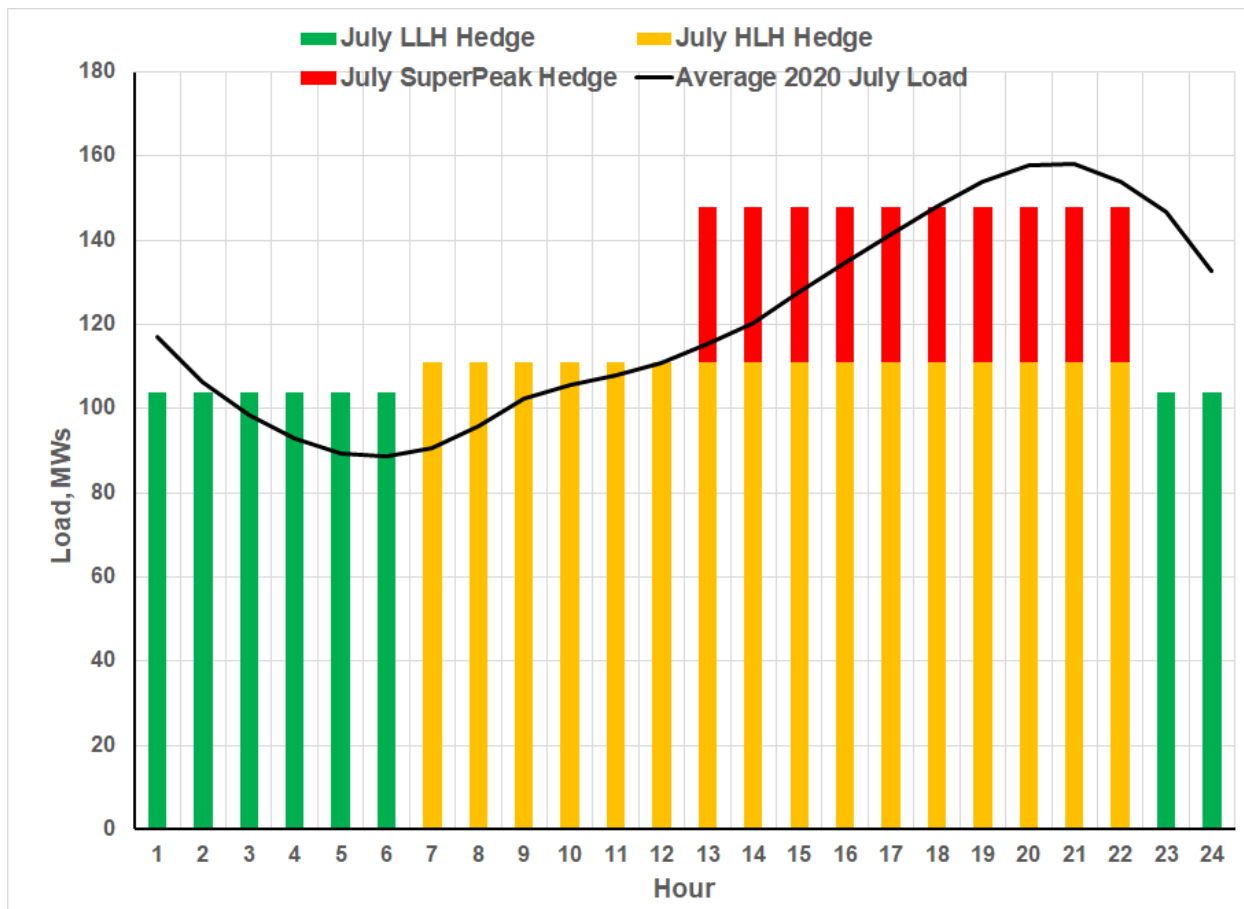
BACKGROUND AND ANALYSIS

SMUD, as VCE's Wholesale Energy Services provider, procures "forward" energy contracts in order to fix the cost of market energy to be supplied VCE by the California Independent System Operator (CAISO). Under these hedging contracts VCE will pay a supplier a fixed price for monthly blocks of energy, sized to match as closely as possible VCE's forecast load. The supplier then essentially pays the positive difference and gets paid the negative difference between the actual market price for energy and the contract's fixed price. By doing so, the supplier thereby takes the risk in market price fluctuations, and VCE's market energy costs for these volumes is fixed.

At its January 23, 2019 meeting, the Board delegated to SMUD the authority to procure price hedging energy for VCE's expected 2020 needs, with no delegation to procure hedging energy beyond 2020. SMUD has almost completed the 2020 price hedging procurements for VCE.

Figure 1 below, using actual July 2020 hedges and forecast load, shows how the hedge products are layered in underneath VCE loads.

Figure 1. July 2020 Hedging Energy



RECENT ENERGY FORWARD MARKET PRICE TRENDS

After having risen significantly last Fall and Winter, power market forward prices have been dropping. Figures 2 and 3 below show the changes in the monthly forward prices for power for delivery in 2019, 2020, and 2021, for heavy load hours (HLH) and light load hours (LLH), respectively, starting in Fall of 2017 when power supply models were first developed for VCE.

The color gradations represent time, with the lighter colored curves representing pricing farther back in time, and the darker colored curves represent pricing more recent in time.

The charts indicate that forward prices are at or near the lows of their trading history shown.

Figure 2. Heavy Load Hour Forward Price Trends

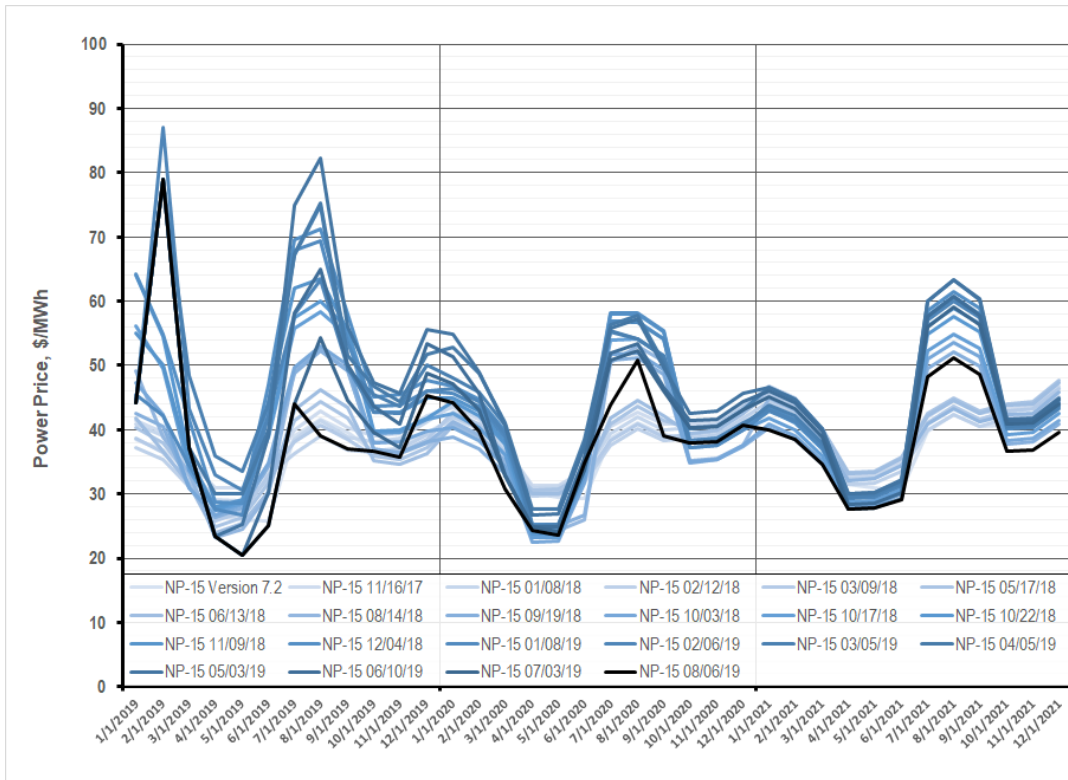
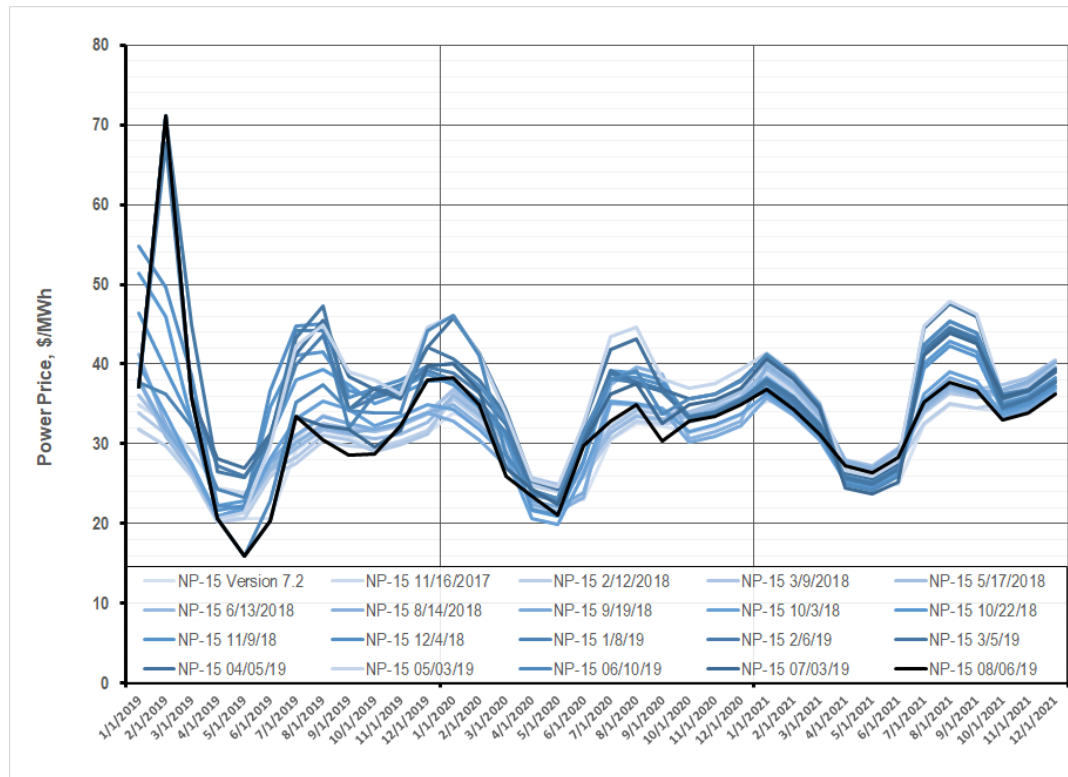


Figure 3. Light Load Hour Forward Price Trends



RECOMMENDATION

Because of the dropping of forward prices for 2021 staff is recommending that the Board approve proceeding with procurement of 2021 hedging energy. Power Prices have dropped significantly since the July 11, 2019 presentation to the Board of the Q2 Power Procurement Update to the extent that 2021 Market Energy costs are projected to be over \$4 million lower than projected in July.

Table 1 below shows the current power budget comparison for 2021.

Table 1. 2021 VCE Power Supply Cost Forecast/Comparison

2021 Power Supply Cost	Baseline Forecast	Current Forecast	Net Savings (Costs)
Market Energy	\$ 35,560,603	\$ 31,452,515	\$ 4,108,088
CAISO Variable Fees	\$ 141,690	\$ 141,690	\$ -
REC Costs	\$ (1,072,185)	\$ 900,996	\$ (1,973,180)
Resource Adequacy Cost	\$ 9,584,707	\$ 12,340,652	\$ (2,755,944)
CAISO GMC Cost	\$ 355,511	\$ 355,511	\$ -
Market Services Charge	\$ 75,627	\$ 75,627	\$ -
System Operations Charge	\$ 267,884	\$ 267,884	\$ -
SCID Fee	\$ 12,000	\$ 12,000	\$ -
Carbon Free Premium	\$ 1,351,843	\$ 1,493,722	\$ (141,879)
2021 Total Power Cost	\$ 45,922,170	\$ 46,685,085	\$ (762,915)

At its August 29, 2019 monthly meeting, the VCE Enterprise Risk Oversight Committee (EROC) reviewed the market information presented here and delegated to SMUD (within the existing delegated authority of the EROC) to proceed with procuring up to 50% of the 2021 hedging energy need.

The EROC recommended seeking the Board's delegation to procure up to 100% of the 2021 hedging Energy needs to take advantage of the current low forward pricing.

REQUESTED ACTION

Staff requests the Board adopt a resolution that:

- (1) Replaces the August 29, 2019 EROC delegation, and Authorizes SMUD to procure up to 100% of the forecast hedging energy needs;
- (2) Authorizes the General Manager to approve the actual procurement strategy employed for this procurement.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2019- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE DELEGATING PROCUREMENT AUTHORITY TO VCEA STAFF AND SMUD FOR ENERGY PROCUREMENT OF FORECAST HEDGING ENERGY NEEDS FOR 2021 AND AUTHORIZE INTERIM GENERAL MANAGER TO APPROVE PROCUREMENT STRATEGY FOR THIS PROCUREMENT

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”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, in order to achieve its strategic goals, VCE has established procurement policies and goals and on January 18, 2018 the Board approved VCE’s Procurement Guide which provided the roadmap for implementation and established the procurement plan for 2018 and 2019 power portfolio, along with delegations to Sacramento Municipal Utilities District (“SMUD”) to execute on this plan;

WHEREAS, on January 23, 2019, the Board adopted via Resolution 2019-002 a revised Procurement Guide and delegated authority to VCEA Staff and SMUD to procure energy for calendar years 2020, 2021 and 2022, including the procurement of price hedging energy for VCE’s expected 2020 needs with no delegation to procure hedging energy beyond 2020, consistent with the procurement policy and guide;

WHEREAS, SMUD has almost completed the 2020 price hedging procurements for VCE and the forward prices for 2021 are dropping.

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

1. Authorize the replacement of the August 29, 2019 EROC delegation and authorize SMUD to procure up to 100% of the forecast hedging energy needs for 2021; and,
2. Authorize the Interim General Manager to approve the actual procurement strategy employed for this procurement.

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

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom Stallard, VCE Chair

Alisa M. Lembke, VCE Board Secretary