Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, April 13, 2023 at 5:30 p.m.
City of Davis Community Chambers
23 Russell Blvd., Davis, CA 95616

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

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.

At the meeting, 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 VCE staff who will distribute the information to the Board members and other staff.

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

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

From a PC, Mac, iPad, iPhone, or Android device with high-speed internet.
(If your device does not have audio, please also join by phone.)
https://us02web.zoom.us/j/82070467892
Meeting ID: 820 7046 7892

b. By phone
One tap mobile:
+1-669-444-9171,, 82070467892# US
+1-669-900-9128,, 82070467892# US
Dial:
+1-669-444-9171 US
+1-669-900-9128 US
Meeting ID: 820 7046 7892

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

Board Members: Tom Stallard (Chair, City of Woodland), Gary Sandy (Vice Chair, Yolo County), Jesse Loren (City of Winters), Will Arnold (City of Davis), Mayra Vega (City of Woodland), Lucas Frerichs (Yolo County), Richard Casavecchia (City of Winters), Bapu Vaitla (City of Davis) // Alternate Board Members: Angel Barajas (Yolo County), Tania Garcia-Cadena (Woodland), Albert Vallecillo (Winters)

5:30 p.m. Call to Order

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

CONSENT AGENDA

3. **Approve February 9, 2023 Board meeting Minutes.**
4. **Receive 2023 Long Range Calendar.**
5. **Receive Legislative update provided by Pacific Policy Group.**
6. **Receive April 5, 2023 Regulatory update provided by Keyes & Fox.**
7. **Receive Community Advisory Committee February 23, 2023 meeting summary.**
8. **Receive quarterly SACOG – Electrify Yolo Project update.**
9. **Receive Enterprise Risk Management Report (Bi-Annual).**
10. **Authorize VCE to request extension to comply with the California Energy Commission's Market Informed Demand Automation Server (MIDAS) rates upload. (Action)**
11. **Approve amendments and task orders to the Sacramento Municipal Utilities District (SMUD) Master Service Agreement as follows:**
    a. **Amendment 1 to Master Services Agreement;**
    b. **Amendment 32 to Task Order 3 – reduce scope of Wholesale Energy Services (WES);**
    c. **Task Order 7 – Data Management and Customer Call Center Services;**
    d. **Task Order 8 - Consulting Services; and,**
    e. **Task Order 9 – Debt Collection Service. (Action)**

REGULAR AGENDA

12. **Discuss and approve the Amended and Restated Renewables Power Purchase Agreement with Gibson Renewables LLC. (Discussion/Action)**
13. **Receive and accept audited financial statements for Calendar Year 2022 presented by James Marta & Company. (Action)**
14. **Receive Treasury and Finance update. (Information)**
15. **Inflation Reduction Act (IRA): overview and items of interest to VCE Customers. (Information)**
16. **Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.
17. **Adjournment/Announcement:** The Board will adjourn to their next regular scheduled meeting of Thursday, May 11, 2023 at the City of Woodland Council Chambers located at 300 First Street, Woodland, CA 95695.

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

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

Verbal public participation during the meeting:

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

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

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

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 3

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk / Administrative Analyst

SUBJECT: Approval of Minutes from February 9, 2023 meeting

DATE: April 13, 2023

RECOMMENDATION

Receive, review and approve the attached February 9, 2023 meeting Minutes.

**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS REGULAR MEETING
THURSDAY, FEBRUARY 9, 2023**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular meeting scheduled for Thursday, February 9, 2023 at 5:30 p.m., to be held at City of Davis Community Chambers located at 23 Russell Blvd., Davis, California 95616. Chair Tom Stallard established that there was a quorum present and began the meeting at 5:30 p.m.

Board Members Present:	Tom Stallard, Jesse Loren, Will Arnold (departed at 6:38 p.m.), Lucas Frerichs, Richard Casavecchia, Bapu Vaitla, Mayra Vega
Members Absent:	Gary Sandy

Welcome and Board Clerk Administering the Oath of Office	Chair Stallard welcomed the Board and new members. The Board Clerk administered the Oath of Office to the following: Richard Casavecchia.
Public Comment – General and Consent	Chair Stallard opened the floor for public comment on general items and Consent agenda items. There were no written or verbal public comment. Chair Stallard thanked Jesse Loren for her service on the VCE Board serving as Chair in 2022.
Approval of Consent Agenda (Resolutions 2023-001 through 004)	Motion made by Director Frerichs to approve the consent agenda items, seconded by Director Vega. Motion passed with Director Sandy absent. The following items were: 4. authorized to continue remote public meetings as authorized by Assembly Bill 361; 5. approved January 19, 2023 special Board meeting Minutes; 6. received 2023 Long Range Calendar; 7. received financial updates December 31, 2022 (unaudited) financial statement; 8. received Legislative update provided by Pacific Policy Group; 9. received January 2023 Regulatory update dated February 1, 2023 provided by Keyes & Fox; 10. received Community Advisory Committee January 26, 2023 meeting summary; 11. received SACOG Grant – Electrify Yolo Project update;

12. received 2023 Power Charge Indifferent Adjustment (PCIA) and Rates update;
13. approved VCE Employee Handbook updates as Resolution 2023-001;
14. approved amendment to Polaris agreement regarding the AgFIT dynamic pricing pilot as Resolution 2023-002;
15. approved First Principles Advisory (FPA) agreement to provide portfolio modeling services to assess increased renewables as Resolution 2023-003; and,
16. approved VCE-Redwood Coast Energy Authority (RCEA) Resource Adequacy (RA) swap agreements to satisfy a portion of RCEA's mid-term reliability requirement as Resolution 2023-004.

Item 17: Receive Legislative and Regulatory updates. (Information)	Executive Officer Mitch Sears introduced Mark Fenstermaker of Pacific Policy Group, VCE's lobbyist consultant, and Sheridan Pauker of Keyes & Fox / EQ Research, VCE's regulatory consultant. Mr. Fenstermaker reviewed important legislative dates and deadlines; outlined changes in the Senate Energy, Utilities & Communications and Assembly Utilities & Energy; budget woes including a $22.5 billion deficit; proposed cuts to allocations for energy programs; reviewed funding opportunities to Clean Energy Reliability Investment Plans; and, reviewed budget optimism: strategic investments in the agricultural and water sectors that reduce both peak electricity consumption and water use. Ms. Pauker reviewed: compliance requirements and dockets; VCE's proposed expansion of AgFIT; incremental capacity procurement proposal in the Integrated Resource Planning (IRP) proposed decision; PCIA and Energy Resource Recovery Account (ERRA) rates updates; RPS Voluntary Allocation and Market Officer (VAMC) process; PG&E asset transfer application (transfer all non-nuclear to private to raise capital); Provider of Last Resort (POLR) staff proposal; and PG&E's Diablo Canyon closure (new) proceeding. The Board and Staff discussed why there are non-supporters of VCE's AgFIT program and the need for more education and conversations about the program and dynamic pricing. There were no verbal or written public comments.

Item 18: Receive and discuss Wholesale Energy Risk Management Policy proposed modifications. (Information/ Discussion)

Assistant General Manager and Director of Power Resources Gordon Samuel reviewed the Wholesale Energy Risk Management Program organizational structure and reminded those present that a large part of VCE's budget is used for purchasing energy. Mr. Samuel stated that Staff, with the assistance of The Energy Authority (TEA), are proposing to update VCE's enterprise risk management (ERM) policies (procurement plan, directives and delegations, wholesale energy risk management policy, including Amendment #1) into one comprehensive document. Mr. Samuel introduced Jaclyn Harr of TEA, VCE's procurement specialist. Ms. Harr reviewed: VCE's risk management program for energy procurement; factors that influence procurement decisions; value of energy procurement risk management; and, energy hedging schedule.

The Board and Staff discussed VCE's membership of the Enterprise Risk Oversight Committee (EROC) and energy transaction volume and capacity transaction value limits of "positions" (VCE Board and Executive Officer, EROC, and wholesale energy provider). There were no verbal or written public comments.

Item 19: Receive annual Strategic Plan update. (Information/ Discussion)

Mr. Sears introduced this item and provided an overview of the 3-Year Strategic Plan and key accomplishments in 2022. Mr. Sears reminded those present that the Plan runs through the end of 2023. In addition, based on the Board's feedback on the approach for extending the Strategic Plan beyond the end of 2023, Staff developed an action plan to adopt one-year "rolling" extensions each year. Mr. Sears reviewed the development process and timeline, which includes asking the Community Advisory Committee (CAC) to form a Task Group to provide feedback related to the development of a rolling Strategic Plan. Staff plans on returning to the CAC and the Board to present a final draft for Board adoption consideration by quarter 4 of 2023.

Will Arnold departed at 6:38 p.m.

There were no verbal or written public comments. The Board confirmed that they would like a rolling strategic plan developed.

Item 20: Board Member and Staff Announcements

Director Frerichs mentioned that it was that time of year to perform evaluations on VCE's Executive Director and Legal Counsel. He volunteered to serve on that committee.

Mr. Sears informed those present that he would be participating in CalCCA's Lobby Day on Wednesday, March 8th and invited Members to attend the Almond Festival held in Esparto scheduled for Sunday, February 26th. He announced that the Yolo County Planning Commission reviewed the Gibson project and that VCE's Electric Vehicle (EV) Rebate program monies have been distributed to several applicants.

Announcement and Adjournment	Chair Stallard announced that the Board has scheduled their next regular meeting for Thursday, March 9, 2023.
	Chair Stallard adjourned the regular Board meeting at 6:46 p.m.

Alisa M. Lembke
VCE Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 4

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Board and Community Advisory Committee 2023 Long-Range Calendar

DATE: April 13, 2023

Recommendation

Receive and file the 2023 Board and Community Advisory Committee long-range calendar listing proposed meeting topics.

VALLEY CLEAN ENERGY

2023 Meeting Dates and *Proposed* Topics
Board and Community Advisory Committee (CAC)
(Note: Meeting locations are subject to change)

MEETING DATE		TOPICS	ACTION
~~January 12, 2023~~ **Special Meeting scheduled for January 19, 2023 (3rd Thursday) (REMOTE)**	**Board**	• Oaths of Office for Board Members (Annual - new Members only) • Election of Officers for 2023 (Annual) • Brown Act / AB 2449 – New Legislation on Teleconferencing Meetings • 2022 Year End Review: Customer Care and Marketing • Support Legislation to extend sunset (BioMAT program) • Long-term Power Portfolio Update • Quarterly Customer Participation Update	• Action • Nominations • Discussion/Action • Information • Action • Information • Information
January 26, 2023 **(REMOTE)**	**Advisory Committee**	• Legislative Summary/Update (Pacific Policy Group) • 2023 Customer Rate update • Forecasting Customer Ag Energy using hydrological conditions (research results) presentation • Task Group Formation • Quarterly Customer Participation Update	• Information • Information • Information • Discussion/Action • Information
February 9, 2023 (IN PERSON)	**Board (Davis)**	• Legislative & Regulatory Updates • Update on 2023 PCIA and Rates • Update on SACOG Grant – Electrify Yolo • Strategic Plan Update (Annual) • Enterprise Risk Oversight Committee (EROC) proposed modifications	• Information • Information • Information • Information • Discussion/Action
February 23, 2023 **(Remote)**	**Advisory Committee**	• Strategic Plan update (Annual) • Update on 2023 PCIA and Rates	• Information/Discussion • Information
March 9, 2023 (IN PERSON)	**Board (Woodland)**	• Meeting cancelled due to lack of agenda items.	

March 23, 2023 (IN PERSON)	**Advisory Committee (Woodland)**	• Meeting cancelled due to lack of agenda items.	
April 13, 2023	**Board (Davis)**	• Update on SACOG Grant – Electrify Yolo • Calendar Year 2023 Audited Financial Statements (James Marta & Co.) • Receive Enterprise Risk Management Report (Bi-Annual • SMUD: Amendment(s) to update Agreement	• Information • Action • Information • Discussion/Action
April 27, 2023	**Advisory Committee (Davis)**	• Power Procurement / Renewable Portfolio Standard Update • Update on Customer Dividend and Programs Allocation	• Information • Information
May 11, 2023	**Board (Woodland)**	• Update on Customer Dividend and Programs Allocation	• Information
May 25, 2023	**Advisory Committee (Woodland)**	•	•
June 8, 2023	**Board (Davis)**	• Opt-Out Fees • Customer programs development	• Information • Discussion/Action
June 22, 2023	**Advisory Committee (Davis)**	• Update 3-Year Programs Plan • Review CAC Charge (Annual) • Power Portfolio Renewable Content (*placeholder*)	• Information/Discussion • Discussion • Information/Discussion
July 13, 2023	**Board (Woodland)**	• Re/Appointment of Members to Community Advisory Committee (Annual) • Status of SACOG Grant – Electrify Yolo • Quarterly Customer Participation Update • Power Portfolio Renewable Content (*placeholder*)	• Action • Discussion/Action • Information • Information/Discussion
July 27, 2023	**Advisory Committee (Woodland)**		
August 10, 2023	**Board (Davis)**		
August 24, 2023	**Advisory Committee (Davis)**	• Power Procurement / Renewable Portfolio Standard update • Mid-year 2023 rates update • Quarterly Customer Participation Update	• Information • Information

			• Information
September 14, 2023	**Board (Woodland)**	• Certification of Standard and UltraGreen Products / 2022 Power Content Label (Annual) • Enterprise Risk Management Report (Bi-Annual) • Mid-year 2023 Customer rates review	• Action • Information • Information/Discussion
September 28, 2023	**Advisory Committee (Woodland)**	• Legislative End of Session update • Update on Programs Plan and 2024 program concepts	• Information • Information/Discussion
October 12, 2023	**Board (Davis)**	• Update on SACOG Grant – Electrify Yolo • Update on 2024 draft Operating Budget • Quarterly Customer Participation Update • Strategic Plan update • Update on Programs Plan and 2024 program concepts • Status of SACOG Grant – Electrify Yolo	• Information • Information • Information • Information/Discussion • Discussion/Action • Information/Discussion
October 26, 2023	**Advisory Committee (Davis)**	• Update on Power Content Label Customer Mailer • Quarterly Customer Participation Update • Review CAC Task Group Year-end Reports • Draft 2024 Legislative Platform	• Information • Information • Discussion • Discussion/Action
November 9, 2023	**Board (Woodland)**	• 2024 Operating Budget Update • 2024 Legislative Platform	• Information/Discussion • Discussion/Action
~~November 23, 2023~~ **November 16, 2023** **(rescheduled to November 16th due to the Thanksgiving holiday on Nov. 23rd.)**	**Advisory Committee (Woodland)**	• GHG Free Attributes	• Information
December 14, 2023	**Board (Davis)**	• Approve 2024 Operating Budget (Annual) and 2024 Customer Rates • GHG Free Attributes • Receive CAC Year-end Task Group Reports • Election of Officers for 2024 (Annual)	• Discussion/Action • Action • Discussion • Nominations

December 28, 2023 **(reschedule?)**	**Advisory Committee (Davis)**	• 2024 CAC Task Group(s) formation (Annual) • Power Procurement / Renewable Portfolio Standard Update • Strategic Plan update • Election of Officers for 2024 (Annual)	• Discussion/Action • Information • Information/Discussion • Nominations
January 11, 2024	**Board (Woodland)**	• Oaths of Office for Board Members (Annual - new Members only) • Election of Officers for 2024 (Annual) • Strategic Plan update (Annual) • 2023 Year End Review: Customer Care and Marketing	• Action • Nominations • Information • Information
January 25, 2024	**Advisory Committee (Woodland)**	• Legislative Summary/Update (Pacific Policy Group) • 2024 Customer Rate update	• Information • Information

Notes:
1. CalCCA Annual Meeting scheduled for May 17 - 19, 2023 (San Diego).
2. Starting in March 2023 all meetings will be held in person.

CAC *PROPOSED* FUTURE TOPICS **Topics and Discussion dates may change as needed**	**ESTIMATED MEETING DATE(S)**
Self Generation Incentive Program (SGIP)	TBD
VCE Forecasting Overview (a “road map” what goes into forecasting)	Quarter 3
Net Energy Metering (NEM) 3.0 (Information/Discussion/Action - As needed)	
Agri-voltaics	
Improving Resiliency during Power Outages	
Legislative Items (as needed)	
Strategic Plan additional updates (as needed)	
Time of Use (TOU) / Bill Protection (as needed)	
SACOG Update (as needed)	

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

To:	Board of Directors
From:	Mark Fenstermaker, Pacific Policy Group
Subject:	Legislative Update – Pacific Policy Group
Date:	April 13, 2023

Staff, VCE's lobby services consultant at Pacific Policy Group, and the Community Advisory Committee's Legislative - Regulatory Task Group continue to meet and discuss legislative matters. Below is a summary of recent activities in the California Legislature and Administration.

Inundation and chaos, that is the best way to describe legislative activity for the months of March and April as the policy committees work to process and hear nearly 2700 bills. The various policy committees will meet weekly, many at the same time, in an effort to meet the policy committee deadline of April 28 for those bills that have a fiscal component, which is nearly all bills. There is no shortage of bills that propose to impact CCAs, from improving interconnection delays to authorizing local government boards to meet virtually in the same manner they did under the COVID pandemic, the LRTG, staff, and PPG are evaluating more than 30 pieces of legislation. While many of these legislative proposals merit examination, no issue is of greater importance to CCAs than the proposed budget trailer bill put forth by the Governor. It would authorize the Department of Water Resources (DWR) to act as a central procurement entity (CPE), enable the California Public Utilities Commission (CPUC) to enforce Integrated Resource Plans, and authorize the CPUC to assess greater penalties on load-serving entities that do not comply with resource adequacy procurement targets.

The Governor's proposal has been put forth as a budget trailer bill that is tied to and supported by a budget change proposal (BCP) that would provide funding to DWR to staff up to take on the CPE role and also the problematic provisions of the trailer bill. This same BCP also includes proposed funding for near-term reliability measures and a reference to AgFIT and has been the target source of funding for expanded AgFIT operations. Staff and PPG engaged in a number of conversations with CalCCA staff and lobbyists about advocacy strategies for expanded AgFIT funding and how to engage with the BCP but have ultimately decided to forego such advocacy as the need to oppose the problematic elements of the BCP are a higher priority. There is a possibility that the trailer bill actually transfers to a policy bill authored by a legislator, which would move it out of the budget process, which is the first priority of CalCCA as the budget process is much more opaque than the policy bill process. Staff and PPG continue to strategize on ways to advocate for expanded AgFIT funding and are currently considering lobbying for

AgFIT to be included in proposed climate bonds currently being pursued in both the Assembly, as AB 1567 (Garcia), and in the Senate, as SB 867 (Allen).

VCE staff, the LRTG and PPG are currently examining the following bills.

Interconnection Bills:
There 11 individual bill proposals seeking to address and/or resolve the problem of IOU interconnection delays, with some focused on delays of interconnecting homes or businesses and others focused on interconnection delays of developments or energy projects. Of the 11 bills, VCE is most closely looking at the following bills currently supported by CalCCA, although VCE will follow the other bills as well as they are amended and CalCCA becomes engaged.

SB 410 (Becker) – This bill, the Powering Up Californians Act, would require the PUC to establish a working group on or before March 1, 2024, to propose processes that would improve the ability of IOUs to be informed well in advance of needed increases in distribution system capacity for future housing developments, building electrification, electric vehicle charging infrastructure, and other activities that require increased distribution system capacity. The bill would require the PUC to establish, on or before September 30, 2024, reasonable average and maximum target interconnection time periods

AB 643 (Berman) - This bill would require the PUC, on or before June 1 of each year, to submit a report to the Legislature on timelines for the interconnection of customer-sited energy generation and storage resources. The bill would require the commission to consider the negligent exceedance, of an interconnection timeline by an IOU to be a failure to comply with a rule of the commission and subject to a penalty.

Brown Act Bills:
There are currently five distinct bills focused on allowing local government bodies to meet virtually without disclosing the location of board members and without making the virtual location available to the public. VCE is focusing on one of the bills proposed and sponsored by Peninsula Clean Energy a fellow CCA.

SB 537 (Becker) – This bill would define multijurisdictional bodies as those with appointed board members with representatives from more than one county, city, city and county, special district, or a joint powers entity.

Other Bills
Staff, the LRTG, and PPG are also considering multiple bills related to clean energy procurement, biomass facilities, and regionalization of the grid. Those bills include the following.

AB 538 (Holden) - This bill proposes to dissolve the CAISO board in an effort to allow the CAISO to explore creating a new western region independent system operator that would include the CAISO. This was attempted in 2016 and 2017 but failed due to opposition from the labor unions, TURN, and environmental groups opposed to allowing states such as Utah and Wyoming to join the CAISO.

AB 998 (Connolly) – This bill proposes to require the Energy Commission, on or before December 31, 2024, to issue a report on the utility-scale biomass combustion facilities still in operation as of January 1, 2024, and options to maximize the environmental benefits of these facilities.

AB 1538 (Muratsuchi) – This bill is sponsored by Clean Power Alliance and aims to create a program to incentivize, through payments load-serving entities to procure clean energy beyond their required RA targets.

SB 233 (Skinner) -This bill is sponsored by the Climate Center and proposes to task the Energy Commission, in consultation with the State Air Resources Board, to establish state goals to accelerate the use of vehicle-to-home, vehicle-to-building, and vehicle-to-grid uses in order to support emergency backup, electrical grid reliability, and electric vehicle grid integration.

SB 688 (Padilla) – This bill proposes to task the Energy Commission create a program that would award grants to UCs, CSUs, and community colleges to research and develop agrivoltaic systems and study the impacts of agrivoltaic systems on farms and on electricity generated from solar panels. The bill would also require the Energy Commission, in consultation with the Department of Food and Agriculture, to develop guidelines defining agrivoltaic systems.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

To: Board of Directors

From: Keyes & Fox, Regulatory Consultant

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: April 13, 2023

Please find attached Keyes & Fox's March 2023 Regulatory Memorandum dated April 5, 2023 an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated April 5, 2023.

Valley Clean Energy Alliance

Regulatory Monitoring Report

To:	Valley Clean Energy Alliance (VCE) Board of Directors
From:	Sheridan Pauker, Partner, Keyes & Fox LLP Tim Lindl, Partner, Keyes & Fox LLP Jason Hoyle, Principal Analyst, EQ Research, LLC
Subject:	Monthly Regulatory Update
Date:	April 5, 2023

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

IRP Rulemaking

Background: This proceeding governs the biennial Integrated Resource Plan (IRP) process, including load serving entity (LSE) procurement requirements, the establishment of a variety of state- and LSE-level load and procurement forecasts, greenhouse gas (GHG) reduction targets, and ongoing reliability obligations.

Recent Developments: On March 8, the CPUC sent an email notice advising stakeholders that it will restart the IRP inputs and assumptions (I&A) stakeholder process, including the release of a draft I&A document and informal stakeholder engagement, in Q2 of 2023. On March 9, PG&E submitted AL 6879-E Amendment to Mid-Term Reliability Contract approved in AL 6477-E. PG&E describes the contract amendment as necessary for it to continue to make progress to meet the June 1, 2024 incremental September Net Qualifying Capacity (NQC) procurement requirements mandated in D.21-06-035. On March 22, the CPUC issued Draft Comment Resolutions E-5262 and E-5263 on PG&E's AL 6825-E and AL 6861-E request for approval of mid-term reliability procurement. On March 27, the CPUC issued Draft Resolution E-5258 which would set January 1, 2025 as the earliest possible date for the expansion of Central Coast Community Energy and East Bay Community Energy CCAs.

Analysis: The upcoming IRP stakeholder process will provide the foundation for establishing the statewide and LSE-specific goals and targets for GHG and other emission reductions, resource procurement requirements, and other planning metrics for use in the 2024 IRP filings.

Next Steps: The IRP stakeholder process will re-start in Q2 2023.

Additional Information: Draft Resolution E-5258 (Mar. 27, 2023); Draft Comment Resolutions E-5262 and E-5263 (Mar. 22, 2023); PG&E's AL 6879-E (Mar. 9, 2023); D.23-02-040 on Procurement (Feb. 28, 2023); ALJ Ruling & Reliable and Clean Power Procurement Program: Staff Options Paper (Sep. 8, 2022); Docket No. R.20-05-003.

Demand Flexibility

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

Recent Developments: On March 1, the ALJ issued a Proposed Decision on consultant funding that would authorize up to $425,000 for third-party consultant services to the Commission's Energy Division relating to income-graduated fixed charge proposals in Track A of Phase 1 of this proceeding. On March 13, the CPUC provided notice that a revised version of the Fixed Charge Tool and that Energy Division Staff and E3 are available to support parties as they use the Fixed Charge Tool to prepare opening testimony. On March 17, in Track B of this proceeding, the ALJ issued a Proposed Decision that would adopt updated electric rate design principles for use in assessing the rate design proposals of PG&E, SDG&E, and SCE; and would also adopt demand flexibility design principles to guide the development of demand flexibility tariffs, systems, processes, and customer experiences of PG&E, SDG&E, and SCE. On March 23, the ALJ issued a Ruling providing additional guidance on Track A opening testimony fixed-charge proposals.

Analysis: The design of fixed charges on customer bills will impact the efficacy of dynamic rates' influence on the timing of energy use by customers, peak load levels, and the cost of procured power. The amount of fixed charges on customer bills also has implications for utility recovery of fixed costs, presents equity considerations for lower income customers, and can negatively impact the value of behind-the-meter renewable energy systems.

Next Steps: The Proposed Decision on consultant funding is scheduled to be heard at the **April 6** Commission meeting. The Proposed Decision on electric rate design principles may be heard as soon as the **April 27** Commission meeting. Concurrent opening testimony on Track A fixed-charge proposals is due **April 7** and reply testimony is due June 2. A workshop on expanding existing pilots, including AgFIT, and an opportunity for the filing of post-workshop comments is expected to be scheduled in 2023.

Additional Information: ALJ Ruling on opening testimony guidance (Mar. 23, 2023); Proposed Decision on electric rate design principles (Mar. 17, 2023); Proposed Decision on consultant funding (Mar. 1, 2023); CalCCA Reply Comments on Scoping Memo (Jan. 4, 2023); Phase 1 Scoping Memo and Ruling (Nov. 2, 2022); VCE and Polaris Ex Parte Notice (Oct. 10, 2022); OIR (Jul. 22, 2022); Docket No. R.22-07-005.

Provider of Last Resort Rulemaking

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

Recent Developments: On March 17, the ALJ issued an email Ruling granting the IOUs' request to re-schedule the Example Financial Security Requirement (FSR) Calculations Workshop and a two-week extension for filing opening comments and reply comments. The additional time was necessary to allow CalCCA to coordinate with the IOUs on development of FSR calculator proposals.

Analysis: The Staff Proposal includes topics such as financial monitoring of CCAs, cost recovery associated with customers returning to POLR service, and the LSE deregistration process related to procurement requirements. These topics present potential financial review and monitoring standards for VCE as well as potential new costs related to providing POLR financial security.

Next Steps: Opening comments on the Staff Proposal and example FSR calculations are now due **April 18**, and reply comments are due **May 5**. A proposed decision is expected in Q3-Q4 2023.

Additional Information: ALJ email Ruling (Mar. 17, 2023); ALJ Ruling and Staff Proposal (Jan. 6, 2023); PG&E Advice Letter 6758-E (Nov. 10, 2022); PG&E Advice Letter 6589-E-B and Disposition Letter (Jul. 7, 2022); Scoping Memo and Ruling (Sep. 16, 2021); OIR (Mar. 25, 2021); Docket No. R.21-03-011.

RPS Rulemaking

Background: This proceeding addresses ongoing Renewables Portfolio Standard (RPS) requirements, aspects of the new Voluntary Allocation/Market Offer (VAMO) process, and other tariffs for the purchase of renewable energy.

Recent Developments: On March 3, VCE submitted its Final 2017-2020 RPS Compliance Report and e-Tag Summary. On March 7, PG&E issued its 2023 PCIA RPS Long-Term Market Offer solicitation for sales of RPS-eligible energy and/or Renewable Energy Credits from facilities with power purchase agreements with delivery terms of greater than 10 years. On March 9, PG&E submitted AL 6880-E Correction to PG&E's Renewable Market Adjusting Tariff Program tariff to comply with Resolution E-5209. On March 24, PG&E submitted AL 6894-E requesting approval of two agreements for the sale of RPS-eligible products from PG&E's PCIA portfolio.

Analysis: D.22-11-021 makes resources made available through the now-open Market Offer solicitation process (i.e., those resources remaining after the Voluntary Allocation process). Recent changes make the Market Offer somewhat more favorable to LSEs by increasing access to long-term contracts and removing the requirement for 10% incremental slices, but still requires procurement of slices of the available IOU portfolio.

Next Steps: Bids in response to PG&E's 2023 PCIA RPS Long-Term Market Offer solicitation are due **April 11**. A Decision approving Final 2022 RPS Procurement Plans and a Ruling on 2023 RPS Procurement plans is expected in the next month or two.

Additional Information: PG&E's AL 6894-E (Mar. 24, 2023); PG&E AL 6880-E (Mar. 9, 2023); VCE's Final 2017-2020 RPS Compliance Report and e-Tag Summary (Mar. 3, 2023); VCE's Final 2022 RPS Procurement Plan (Jan. 18, 2023); D.22-11-021 (Nov. 18, 2022); Ruling identifying RPS Plan requirements (Apr. 11, 2022); Docket No. R.18-07-003.

RA Rulemaking (2023-2024)

Background: This proceeding considers resource adequacy (RA) requirements for LSEs and introduced the Central Procurement Entity (CPE) to ensure grid reliability and sufficient capacity. The proceeding is divided into an implementation track and a reform track.

Recent Developments: On March 10, PG&E submitted a Notice of Availability for its Draft Local and Statewide Load Impact Reports for Program Year 2022 Pursuant to Load Impact Protocols. On March 22, PG&E acting as the Central Procurement Entity issued its 2023 Central Procurement Entity Local Resource Adequacy Request for Offers & Commitments seeking to procure local resource adequacy or obtain self-shown commitments for Local RA. In 2023 PG&E as CPE is required to procure or obtain self-shown commitments for 100% of the CPUC's 2024 Local RA requirements, 100% of the CPUC's 2025 Local RA requirements, and 50% of the CPUC's 2026 Local RA requirements. On April 4, the ALJs issued Revisions to the Proposed Decision (issued March 3) on Phase 2 of the RA Reform Track that would adopt implementation details for the 24-hour slice-of-day framework, including compliance tools, resource counting rules for various resource types, and a methodology to translate the Planning Reserve Margin to the slice-of-day framework.

Analysis: The upcoming changes to resource adequacy will impact how resources are credited for contribution to resource adequacy, how resource adequacy is counted for specific resources, and provide additional tools for planning, tracking, and compliance filing. Specifically, new resource counting approaches for wind will be based in part on the location of the resource, solar and hybrid resources will be adjusted based on the exceedance methodology and account for efficiency losses in battery charging, and energy storage resources may be counted using a modified UCAP-light mechanism.

Next Steps: The Proposed Decision on Reform Track Phase 2 is scheduled to be heard at the **April 6** Commission meeting. LSEs' non-compensated self-shown RA commitments are due **April 18**, and competitive RA offers are due **April 26**. The CAISO draft 2024 Local Capacity Requirements report is expected in **April 2023**. A proposed decision on Implementation Track Phase 3 is expected in May.

Additional Information: Revision 1 Redline Proposed Decision on Phase 2 of the RA Reform Track (Apr. 4, 2023); ALJ Ruling (Feb. 24, 2023); ALJ Ruling (Feb. 15, 2023); Final Report of the Qualifying Capacity of Supply-Side Demand Response Working Group (corrected on Feb. 24, 2023) (Jan. 31, 2023); ALJ Ruling (Jan. 20, 2023); D.22-12-028 (Dec. 19, 2022); PG&E AL 6501-E and substitute sheets (Dec. 15, 2022); Notice of Availability for final Report on RA Reform Workshop Proposals (Nov. 15, 2022); PG&E Advice Letter 6706-E-A (disposition letter) (Nov. 4, 2022); Amended Scoping Memo and Ruling (Sep. 2, 2022); Docket No. R.21-10-002.

PG&E 2023 Phase 1 GRC

Background: Phase 1 General Rate Case (GRC) proceedings set PG&E's revenue requirement, including functionalizing costs into categories such as electric distribution or generation, and impact the costs recovered through rates from customers (e.g., bundled, unbundled, or both) for a set period (in this case, 2023-2026). Phase 2 GRC proceedings determine cost allocation among customer classes (e.g., Residential, Agricultural) and rate design issues. The proceeding is divided into two tracks. Track 1 addresses most matters, including PG&E's requested revenue requirement together with safety and environmental and social justice issues. Track 2 addresses the narrower matters of the reasonableness of the 2019-2021 actual costs recorded in the named memorandum accounts and balancing accounts and, to the extent relevant, safety and environmental and social justice.

Recent Developments: Draft Comment Resolution E-5252 on the Transmission Project Review Process effective January 1, 2024 was held over from the March 16 Commission meeting. On March 1, the CPUC issued Draft Comment Resolution E-5254 that would adopt procedural mechanisms for review and approval of IOU cost recovery requests under the Infrastructure Investment and Jobs Act and other federal grant programs.

Analysis: The Resolution on the Transmission Project Review (TPR) Process would establish a uniform review process for the IOUs' capital transmission projects. The TPR Process would allow the CCAs to receive more robust data on the IOUs' transmission projects and to inquire about, and provide feedback on, the IOUs' historical, current, and forecast transmission projects.

Next Steps: Both Draft Comment Resolution E-5252 and Draft Comment Resolution E-5254 are scheduled to be heard at the **April 6** Commission meeting. In Track 1, a proposed decision is expected in Q2 2023. The Track 2 schedule is currently held in abeyance per an email ruling issued December 13.

Additional Information: Draft Comment Resolution E-5254 (Mar. 1, 2023); D.23-01-005 (Appendix 1 - Settlement Agreement) (Jan. 17, 2023); Draft Comment Resolution E-5252 and data template (Dec. 13, 2022); PG&E's Amended Application (Mar. 10, 2022); PG&E Affordability Metrics Report (Feb. 23, 2022); PG&E Application (Jun. 30, 2021); Docket No. A.21-06-021.

PG&E 2019 ERRA Compliance

Background: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the prior year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries. Phase 1 of the proceeding was resolved with issuance of D.21-07-013. Phase 2 is ongoing and is addressing issues related to the 2019 Public Safety Power Shutoff (PSPS) events.

Recent Developments: The Proposed Decision (issued December 19) that would prohibit the Joint Utilities from adjusting future rates to collect any revenue shortfalls, recorded as undercollections in their respective balancing accounts, caused by PSPS events in 2019 – requiring utility shareholders to fund lost revenues from PSPS events was held over from the March 16 Commission meeting. The Proposed Decision would also adopt a methodology to calculate the estimated unrealized revenues the Joint Utilities incurred in 2019 or will incur during future PSPS events. On March 21, the CPUC issued D.23-03-017 extending the statutory deadline in this proceeding to June 1, 2023 to allow adequate time for the Commission to analyze and deliberate on the complex issues raised in comments to the Proposed Decision.

Analysis: This Proposed Decision would impose the costs of unrealized revenue resulting from PSPS events in 2019 on utility shareholders rather than ratepayers and establish an ongoing accounting methodology applicable to future PSPS events. The result would be lower costs for customers, greater incentives for utility management of infrastructure to prevent and avoid the need for PSPS events while maintaining service to customers, and resolution regarding the backlog of ERRA Compliance proceedings and associated cost recovery.

Next Steps: The Proposed Decision was held over at the March 16 Commission meeting and is now scheduled to be heard at the **April 6** Commission meeting.

Additional Information: D.23-03-017 extending statutory deadline (Mar. 21, 2023); Proposed Decision (Dec. 19, 2022); D.22-07-009 extending statutory deadline (Jul. 18, 2022); Ruling amending schedule (Apr. 6, 2022); Joint Case Management Statement (Feb. 25, 2022); D.21-07-013 resolving Phase 1 (Jul. 16, 2021); PG&E's Application and Testimony (Feb. 28, 2020); Docket No. A.20-02-009.

PG&E 2020 ERRA Compliance

Background: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the prior year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries. Phase 1 of this proceeding concluded in April 2022 with issuance of D.22-04-041 approving a settlement agreement. Phase 2 issues related to unrealized sales and revenues resulting from PG&E's Public Safety Power Shutoff (PSPS) events in 2020 has yet to begin.

Recent Developments: No recent developments in the past month.

Analysis: N/A

Next Steps: Phase 2 will not begin until after the Commission resolves issues related to the establishment of a common accounting methodology for PSPS events in Phase 2 of the 2019 ERRA Compliance proceeding (see above).

Additional Information: D.22-08-009 extending statutory deadline (Aug. 11, 2022); Scoping Memo and Ruling (Jun. 21, 2021); Application (Mar, 1, 2021); Docket No. A.21-03-008.

PG&E 2021 ERRA Compliance

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

Recent Developments: Opening testimony on unrealized PSPS sales and revenue in 2021 was filed on April 3.

Analysis: N/A

Next Steps: The target date for a Proposed Decision is Q3 2023. The parties will file reply testimony regarding unrealized PSPS sales and revenue in 2021 on **May 3**.

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

NEW PG&E 2022 ERRA Compliance

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

Recent Developments: On February 28, PG&E filed its 2022 ERRA Compliance Application.

Analysis: N/A

Next Steps: A procedural schedule has not yet been issued for this proceeding.

Additional Information: PG&E 2022 ERRA Compliance Application and Notice of Availability (Feb. 28, 2023); Docket No. A.23-02-018.

Microgrids

Background: This proceeding was opened to implement the requirements of SB 1339 (Stern, 2018), regarding the commercialization of microgrids for distribution customers of the large IOUs. The initial three tracks have concluded, and Track 4 and Track 5 address the establishment of a Microgrid Incentive Program, potential contributions that microgrids can make to mitigating capacity shortages in the near-term, the development of a multi-property microgrid framework, and examination of the value of resiliency from microgrids.

Recent Developments: On March 9, the CPUC issued a Disposition Letter accepting PG&E's AL 6623-E Remote Grids as Sole Standard Service Offering, effective as of January 12, 2023. On March 16, PG&E submitted Supplemental AL 6364-E-B on proposed modifications suspending the capacity reservation component for eligible microgrid technologies. On March 23, PG&E submitted AL 6892-E providing updates to its remote grid initiative tariff deviation customers. On March 28, the CPUC issued Draft Comment Resolution E-5261 (PG&E AL 6808-E) that would approve PG&E's plan to develop a Clean Substation Microgrid Pilot Project to mitigate transmission-level Public Safety Power Shutoffs at the Calistoga substation. On March 29, PG&E submitted AL 6898-E providing after-meeting reports on its semi-annual resiliency workshops. On April 4, the ALJ issued a Revised Proposed Decision that would adopt implementation rules for the Microgrid Incentive Program, authorize a total program budget of $200 million, require the IOUs to submit a final Microgrid Incentive Program Handbook within 90 days of a Final Decision, and require the joint IOUs to open their first application window within nine months of publishing the MIP Handbook. The initial Proposed Decision from February 9 was held over from the March 16 Commission meeting.

Analysis: The Microgrid Incentive Program will fund community microgrid projects, up to $3 million per project, for critical facilities (e.g., emergency services, healthcare, transportation, water, and wastewater facilities, among others) or facilities that provide important community resiliency services to support increased resilience to natural disasters, including earthquakes and wildfires, and other grid disruptions. As proposed, the program will also fund development and technical assistance for communities accepted into the program.

Next Steps: The Revised Proposed Decision is scheduled to be heard at the **April 6** Commission meeting. Comments on the Draft Comment Resolution E-5261 are due **April 17**, and the Resolution is scheduled to be heard at the April 27 Commission meeting. In Track 4, an ALJ Ruling providing an Energy Division Staff Proposal for a Microgrid Multi-Property Tariff was expected in October 2022 but has been delayed. In Track 5, a staff proposal on Definitions, Metrics, Tools, and Methods and Informing Grid Planning is expected in Q1 2023. An ALJ Ruling establishing 2023 scheduling & activities is expected in Q1 2023.

Additional Information: Revised Proposed Decision (Apr. 4, 2023); PG&E AL 6898-E (Mar. 29, 2023); Draft Comment Resolution E-5261 (Mar. 28, 2023); PG&E's AL 6892-E (Mar. 23, 2023); PG&E's AL 6364-E-B (Mar. 16, 2023); PG&E's AL 6623-E Disposition Letter (Mar. 9, 2023); Proposed Decision (Feb. 9, 2023); Suspension Notice of PG&E AL 6808-E (Feb. 8, 2023); ALJ Ruling Requesting Comments on attached Staff Proposal for Microgrid Incentive Program (Jul. 6, 2022); Scoping Memo (Dec. 17, 2021); Docket No. R.19-09-009.

PCIA Rulemaking

Background: The Power Charge Indifference Adjustment (PCIA) is a nonbypassable charge levied on electric bills of customers who have departed from IOU service, such as CCA customers, to compensate IOUs for resources procured on behalf of former customers prior to their departure. The new Voluntary Allocation/Market Offer process was authorized in D.21-05-030. Phase 2 issues related to PCIA data access and voluntary allocations in market-price benchmark (MPB) calculations were resolved in D.22-07-008. Currently, the proceeding is evaluating the calculation of the MPB charges.

Recent Developments: On March 3, the ALJ issued a Ruling requesting comments on the Supplemental GHG-Free Transactions Proposal that builds on the GHG-Free Staff Proposal from September 2022 and would allow IOUs to choose either GHG-Free allocations or MPB treatment for non-RPS-eligible, large hydropower resources in each year, and would modify certain aspects of the original GHG-Free Staff Proposal for clarity.

Analysis: N/A

Next Steps: A proposed decision on long-term RPS transactions and MPB calculations and GHG-free resources is expected in early 2023.

Additional Information: ALJ Ruling (Mar. 3, 2023); D.22-01-023 on Phase 2 (Jan. 27, 2021); D.18-09-013 Track 1 Decision approving PG&E Settlement Agreement (Sep. 20, 2018); Docket No. R.17-06-026.

Demand Response Programs (2023-2027)

Background: This proceeding addresses the IOUs' Demand Response (DR) Portfolio Applications required under D.17-12-003 for the years 2023-2027.

Recent Developments: On March 2, the ALJ issued a Ruling providing Emergency Load Reduction Program (ELRP) compensation and load reduction data for the 2022 summer season. The data for PG&E territory show a total of 177 hours of voluntary load reduction under the ELRP during which a total of 10,793 MWh were delivered from participants during ELRP events on 11 days. On March 3, the ALJ issued a Ruling requesting comments on Demand Response Auction Mechanism (DRAM) questions and providing an updated public version of the DRAM Evaluation Report (Updated Nexant Report).

Analysis: The ELRP and DRAM programs are both tools that provide an opportunity to reduce load during critical times of grid stress. The increased flexibility these programs provide offers the potential to engage customers directly in grid management, increasing resiliency and potentially reducing the need for additional peak power procurement.

Next Steps: Reply comments on Questions 1A and 1B of the DRAM Ruling are due **April 14**, and all other comments and opening testimony on the Demand Response Auction Mechanism are due **May 31**, opening briefs are due September 30, and a proposed decision is expected in January 2024. In Phase 2, supplemental and intervenor testimony is due between February 3 and May 5, opening briefs on Phase 2 are now due June 30, and a proposed decision is expected in October 2023 for the 2024-2027 DR Program.

Additional Information: ALJ Ruling on DRAM (Mar. 3, 2023); ALJ Ruling on ELRP (Mar. 2, 2023); Assigned Commissioner's Ruling (Jan. 27, 2023); D.23-01-006 (Jan. 13, 2023); Scoping Memo and Ruling (Dec. 19, 2022); Proposed Decision (Dec. 9, 2022); D.22-12-009 (Dec. 6, 2022); Ruling (Sep. 22, 2022); Assigned Commissioner's Scoping Memo and Ruling and DRAM Evaluation report (Jul. 5, 2022); Ruling consolidating Applications (May 25, 2022); PG&E Application (May 2, 2022); Docket No. A.22-05-002.

Transportation Electrification

Background: This rulemaking implements transportation electrification (TE) programs, tariffs, and policies. D.22-11-040 established a $1 billion rebate program for behind-the-meter EV charging equipment, focused on medium-duty/heavy-duty vehicles and disadvantaged communities and a $25 million pilot program for innovative, equity-focused TE programs administered by CCAs and community-based organizations.

Recent Developments: On March 15, VCE filed its Annual Vehicle-Grid Integration Report. On March 16, PG&E submitted AL 6883-E providing its near-term priority proposal for its Transportation Electrification Advisory Services. On April 3, PG&E submitted AL 6906-E providing its annual report on the performance of its commercial electric vehicle rate.

Analysis: N/A

Next Steps: The Program Administrator for the rebate program will be selected during the first quarter of 2023.

Additional Information: PG&E AL 6906-E (Apr. 3, 2023); PG&E AL 6883-E (Mar. 16, 2023); VCE's Annual Vehicle-Grid Integration Report (Mar. 15, 2023); D.22-11-040 (Nov. 21, 2022); Ruling entering Staff Proposal on Transportation Electrification Framework to record (Feb. 25, 2022); Docket No. R.18-12-006.

Commercial EV Real-Time Pricing Pilot

Background: This proceeding approved PG&E's proposed commercial EV rate pilot featuring day-ahead hourly real-time pricing. This pilot includes real-time pricing for both imports from and exports to the grid by commercial EVs.

Recent Developments: No recent developments this past month.

Analysis: N/A

Next Steps: Opt-in enrollment for the real-time pricing export compensation pilot begins October 1. The proceeding was previously closed but reopened to address PG&E's Petition.

Additional Information: PG&E AL 6850-E (Jan. 30, 2023); PG&E Petition for Modification (Nov. 14, 2022); D.22-10-024 (Export Compensation Settlement) (Oct. 26, 2022); PG&E Proposal (Mar. 24, 2022); Corrected MGCC Study (Mar. 17, 2022); Application & Testimony (Oct. 23, 2020); Docket No. A.20-10-011.

PG&E Asset Transfer

Background: This proceeding addresses PG&E's Application to transfer its non-nuclear generating assets to a new subsidiary, Pacific Generation, and sell up to 49.9% of its equity interest to third-party investors.

Recent Developments: On March 17, PG&E served Amended and Restated Testimony Chapter 4 to provide further detail regarding the anticipated intercompany agreements between PG&E and Pacific Generation. On March 30, an ALJ Ruling modified the procedural schedule granting a one-month extension for intervenors to serve direct testimony and extending other upcoming deadlines by one month.

Analysis: N/A

Next Steps: Intervenor direct testimony is due **June 16** and rebuttal testimony is due July 7. Evidentiary hearings are scheduled August 21-22, 24-25, and 28, and opening briefs are due September 18.

Additional Information: ALJ Ruling (Mar. 30, 2023); Scoping Memo and Ruling (Jan. 20, 2023); ALJ Ruling on prehearing conference (Nov. 15, 2022); PG&E Application (Sep. 28, 2022); Docket No. A.22-09-018.

Building Decarbonization

Background: This proceeding explores reduction of greenhouse gas (GHG) emissions associated with energy use in buildings. D.20-03-027 established the Building Initiative for Low-Emissions Development and the Technology and Equipment for Clean Heating program. D.21-11-002 adopted guiding principles for layering building decarbonization incentives, adopted incentives to help wildfire victims rebuild all-electric, and directed the IOUs to study bill impacts from electrification. D.22-09-026 eliminated gas line extension allowances and subsidies for all customers, in all classes by July 1.

Recent Developments: No recent developments in the past month.

Analysis: N/A

Next Steps: There is no current procedural schedule for this proceeding.

Additional Information: D.23-02-005 (Feb. 3, 2023); D.22-09-026 (Sep. 20, 2022); Scoping Memo (Mar. 22, 2022); D.21-11-002 (Appendices A-E) Decision on Building Decarb Phase II (Nov. 9, 2021); D.20-03-027 Establishing Building Decarbonization Pilot Programs (Apr. 6, 2020); OIR (Feb. 8, 2019); Docket No. R.19-01-011.

Utility Safety Culture Assessments

Background: This rulemaking will define safety culture concepts and determine how the safety culture of PG&E and other utilities in California will be assessed and evaluated. The CPUC's Office of Energy Infrastructure Safety will conduct annual wildfire safety-specific assessments of investor-owned utilities as required by AB 1054, and an independent third-party evaluator will conduct safety culture assessments every five years per SB 901. Currently, this proceeding is focused on developing the rules, policies, and procedures for these safety culture assessments.

Recent Developments: No recent developments this past month.

Analysis: N/A

Next Steps: A proposed decision on the Staff Proposal (Safety Culture Concept Paper attached to the September 13, 2022 Ruling) is expected in early 2023.

Additional Information: Draft Resolution SPD-3 (Sep. 16, 2022); ALJ Ruling (Sep. 13, 2022); Scoping Ruling with procedural schedule (April 28, 2022); Order Instituting Rulemaking (Oct. 7, 2021); Docket No. R.21-10-001.

Other Dockets

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

Docket	Name	Status
I.15-08-019	Investigation into PG&E Organization, Culture, and Governance	This proceeding was opened as part of an investigation into whether PG&E's organizational culture and governance prioritize safety, and currently serves to monitor the progress of PG&E in improving its safety culture. The Final Report from consultant NorthStar will be considered in a future decision.
A.20-06-011	PG&E Regionalization Plan	D.22-06-028 closed the proceeding. PG&E will continue to convene quarterly "town hall" meetings in each region and conduct broader meetings with the Regionalization Stakeholder Group. Town Hall Report Q4 (Feb. 10, 2023)
R.21-03-001	Wildfire Fund NBC (2022-2023) Rulemaking	On December 6, the CPUC issued D.22-12-007 adopting a 2023 Wildfire NBC of $5.30/MWh ($0.00530/kWh) effective as of January 1, 2023. The 2023 Wildfire NBC is $1.22/MWh, or 18.7%, less than the current 2022 Wildfire NBC of $6.52/MWh. This reduction is mostly due to the fund having completed recovery of all prior period under-collections.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO:	Board of Directors
FROM:	Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT:	Community Advisory Committee February 23, 2023 Meeting Summary
DATE:	April 13, 2023

This report summarizes the Community Advisory Committee's meeting held via Zoom webinar on Thursday, February 23, 2023. The CAC had no meeting in March 2023.

A. **Received Strategic Plan update and formed Strategic Plan Task Group.** VCE Staff Edward Burnham provided a summary of VCE's accomplishments and asked for the CAC's assistance to provide feedback related to the development of a rolling strategic plan. Several items were discussed: PCIA and forecasting; status of VCE's credit rating; the effects of VCE adopting several new policies on credit rating; and, whether or not a consultant would be assisting VCE develop a rolling strategic plan. The CAC formed a Strategic Plan Task Group (SPTG) to review, modify and expand core Strategic Plan goals and objectives. Staff were asked to notify all CAC Members that this task group was formed and to solicit others to participate. Staff asked the SPTG to prepare a draft Charge for the CAC to review at their next meeting.

B. **Reviewed draft 2023 CAC Customer Experience Task Group Charge.** CAC Member David Springer announced that the Task Group name has changed from Customer Experience to *Programs and Outreach Task Group* (POTG). In addition, he informed those present that CAC Member Keith Taylor will serve as chair and he would serve as co-chair. The CAC reviewed the draft Charge and made several suggested clarification revisions. The Charge was approved as amended (9-0-0).

C. **Received Inflation Reduction Act (IRA) overview and items of interest to VCE Customers.** VCE Staff Yvonne Hunter presented an overview of the Inflation Reduction Act (IRA) and provided highlights of the act that may be of interest to VCE Customers. Several items were discussed, such as: rebates for battery installations with solar; whether this information will be presented to the Board; commercial Electric Vehicle (EV) rebates and whether it applies to agricultural equipment; utilization of resources to "stack" rebates; the effects on resource adequacy (RA) should there be an increase in battery (solar) installations; and, other state rebate programs.

D. **Received and discussed 2023 Power Charge Indifference Adjustment (PCIA) and Rates update.** Staff and CAC members discussed impacts of PCIA (power charge indifference adjustment) on VCE's rates; building VCE reserves; rate options for Customers; Rate Adjustment policy; and, schedule of rate review by the Board.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 8

TO:	Board of Directors
FROM:	Mitch Sears, Executive Officer Rebecca Boyles, Director of Customer Care and Marketing
SUBJECT:	SACOG Grant - Electrify Yolo Update
DATE:	April 13, 2023

RECOMMENDATION

Informational item. The purpose of this report is to give an update on the status of the Electrify Yolo (SACOG grant) project.

BACKGROUND

In December 2018, the Sacramento Area Council of Governments (SACOG) authorized the award of a Green Region grant in the amount of $2,912,000, representing the regional "Electrify Yolo" project, with the purpose of installing publicly accessible electric vehicle (EV) charging stations. The City of Davis distributed funds to each entity once the Memoranda of Understanding (MOUs) were approved by each jurisdiction. All projects are to be finished by December 31, 2023.

The project goals include:

- 15-40 Level 2 chargers
- 2-5 DC Fast Chargers
- 2-10 Mobile Chargers
- Purchase or Lease of One or More Electric Vehicles

UPDATES

As shown in the attached progress reports each jurisdiction is making progress toward meeting its obligations under the grant. All MOUs were signed (Davis, VCE/Winters, Woodland, unincorporated Yolo County) as of April 2021, and some EV charger installation projects have begun, and some are finished.

VCE Staff is working with each jurisdiction to design banners to be hung at each charging station with logos of all project partners, as well as permanent aluminum signs. Temporary banners will inform members of the public that there will be EV chargers coming soon in that location and aim to increase the public's brand association with VCE and electric vehicles. Banners have been hung in Winters at the Community Center charging stations, as well as a permanent aluminum sign.

COVID-19 Pandemic Impacts:

Each jurisdiction experienced impacts related to the COVID-19 pandemic and the shelter-in-place order on Yolo County. Work was delayed as resources were shifted to emergency response and other high priority projects. With the movement of the State to rescind emergency orders and the re-opening of most of the jurisdictions, the project partners are once again moving forward with consultant, siting, procurement and installation efforts. However, due to significant delays with several of the projects, not all jurisdictions may complete their projects by December 31, 2023, and the group is considering asking SACOG for an extension of one year. An update will be provided in the next quarterly report.

Fund Expenditures:

PARTNERS	Funding available per MOU	Current Expenditure	Current Balance	Notes
VCE/WINTERS	$ 150,000.00	$ 79,500.00	$ 70,500.00	Payment to VCE for Winters expenditures provided by City of Davis 6/30/22
WOODLAND	$ 150,000.00	$ -	$ 150,000.00	No requests have been made by Woodland as of 1/25/23
YOLO	$ 700,000.00	$ 269,600.00	$ 430,400.00	Payment to Yolo County Provided by City of Davis 6/30/22
DAVIS	$ 1,912,000.00	$ 266,430.00	$ 1,645,570.00	Current cost for Contract for City of Davis and Frontier Energy as of 6/28/22
TOTAL	$ 2,912,000.00	$ 615,530.00	$ 2,296,470.00	

Partner Updates

City of Davis:

During the Fall of 2020, staff issued an RFP to solicit proposals for the City's EV Charging Station project. As a result of that competitive effort, and a thorough review of the proposals, staff recommended Frontier Energy, Inc. as the selected consultant to perform the analysis and design the City's portion of the EV Charging project. On June 1st, 2021, the City Council approved the Professional Services Agreement (PSA) with Frontier Energy, Inc. and also solidified funding within the City's budget to fund this effort. Five sites have been selected, and the City continues to work with PG&E to make improvements on the sites. Since the last report in January 2023, the City of Davis has not spent any additional funds but will be writing a Purchase Order shortly for the Pair Tree solar mobile charging stations for $132,400. Plans and bid documents are in progress for the 5 public charging sites, as well as additional chargers at two City facilities to charge fleet vehicles. Staff has also identified a potential fleet EV van to purchase as part of the grant requirement.

City of Winters:

The City of Winters is finished with one of two selected sites. Chargers at the Community Center were installed, are operational, and have permanent signage with the logos of the grant partners. The second site is in progress, and the site has power. City Staff posted this project on the city website for proposals, contacted four different contractors through email and phone and had just one response which was Ample Electric, with which it is currently working. The City has spent $79,500 of funds toward the project. All four Blink chargers have been received. The project consists of two separate locations for the charging stations: the Winters Community Center parking lot located at 201 Railroad Ave. has two Level 2 double chargers replacing existing chargers. The second location is the City parking lot at the corner of First St. and Abbey St. This location is a new parking lot that will have one level 2 double charger and one 50kw level 1 fast charger. The transformer for this project has been received. When dry weather allows, it will be installed with the chargers, completing the project.

City of Woodland:

The City of Woodland was apportioned $150,000 to install at minimum two Level 2 EV charging stations in Woodland that are accessible to the public. Site selection and feasibility studies are complete, with the site being City of Woodland public parking lot near 430-434 College St, Woodland CA 95695. PG&E has approved plans and is waiting on installment. Switch gear will arrive in August 2023. Chargers have been chosen and are awaiting orders. The City is currently on schedule unless the orders for the switch gear or chargers are delayed.

County of Yolo:

- 137 N. Cottonwood St. (Bauer Building) Woodland – 2-Dual Chargers. Construction/Installation completed in mid -February 2023. Chargers are activated and being utilized. This project is complete.
- 600 A St. Davis – 1-Dual Charger – Permitting complete. Construction/Installation scheduled for May 8-11 2023.
- 315 E. 14th St. Davis - 1-Dual Charger – this charger is in the permitting process with the City of Davis. The paving subcontractor identified a possible ADA issue in the parking lot. The County was presented with a pre-construction change order that will require County Board of Supervisor approval. Plan to take to Board in early May, then continue permitting with City of Davis.
- 25 N. Cottonwood St. (Gonzalez Building) – 2-Dual Chargers. Project on hold. A large Change Order will require additional approval. This project is on hold until other projects are complete or showing significant progress.
- New Project: the County is considering installing charging stations at the Knights Landing Community Park. Park construction is planned to be completed December 2023 and will include the charger installation.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Board of Directors

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

SUBJECT: Bi-annual Enterprise Risk Management Report

DATE: April 13, 2023

RECOMMENDATION
Accept the Bi-annual Enterprise Risk Management Report – March 2023.

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

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

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

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

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

Staff has used the consistent framework described in the ERM policy to identify various risks and related mitigations, and to ensure effective mitigation and communication across all levels of the organization. The attached ERM bi-annual report describes the activities that have taken place since March 2022 and the actions VCE is and will be taking to manage the top risks that have been identified.

Prior to this report, staff most recently presented the bi-annual update to the Board in September 2022 , describing progress on the ERM plan since inception. Bi-annual updates are provided in March and September of each year.

Note: staff will be completing a best practices review in Q2 2023 based on a framework developed by CalCCA (CCA trade association). This framework is intended demonstrate to state regulators that CCA's that belong to CalCCA adhere to energy industry best practices.

ATTACHMENT

1. Bi-annual Enterprise Risk Management Report – March 2023

Valley Clean Energy

Enterprise Risk Management Report

March 2023

Executive Summary

Introduction and Background

In 2018, the Valley Clean Energy (VCE) Board adopted an Enterprise Risk Management (ERM) framework. The objective was to provide the Board with insight into risks that could impact the ability to execute VCE's mission and build credibility and sustain confidence in VCE's governance. In addition, the framework and reports are designed to enhance the understanding of significant risks to VCE, develop the capacity for continuous monitoring, provide for periodic reporting of risks, and establish a platform for responding to changing risk circumstances. This report is the 1st of VCE's biannual risk reports for 2023; the prior ERM biannual Report was issued in September 2022.

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

ERM Philosophy

VCE's ERM philosophy includes the following principles:

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

ERM Approach

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

- Roles and responsibilities

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

Summary of Activities through March of 2023

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

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

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

Key Steps Taken Since the Last Biannual Update

Some actionable steps that VCE has taken since the last Board update in September 2022 include:

1. Have actively engaged from a regulatory and legislative standpoint, supporting regulatory statewide proceedings and settlements, meeting with key CPUC staff, and continuing progress on the annual VCE legislative platform.
2. Executed the three year Wholesale Energy Services (WES) agreement between VCE and The Energy Authority (TEA) in support of a stable and professionally managed portfolio.
3. Adopted a rate adjustment policy and launched VCE's additional customer rate option "Base Green", and adopted customer rates for 2023 to further stabilize VCE's financial standing and support establishing a credit rating.
4. Repaid the short-term $5M line of credit with the County of Yolo and retained the 2-year line of credit for $11M with River City Bank to help manage 2022-2023 cash flow requirements.
5. Successfully launched the AgFIT pilot program that provides growers with hourly dynamic rates and incentives for irrigation automation to better manage their energy costs and shift a small portion of VCE's peak load.

Key Risks

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

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

Key Priorities for Risk Management in 2023:

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

Risk Portfolio

Top 5 Risks for VCE:

1. Commodity procurement
2. Regulatory & Policy risk
3. Capital availability/cash flow
4. Resource Adequacy
5. Rate Structure

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

Table 1: Risk Description/Level

Risk	Description	Current Residual Risk	Target Residual Risk
PCIA	The PCIA rate for 2023 decreased by 84%. The continued high energy prices and forwards for 2023 and 2024 have normalized current forecasted impacts on bundled rates and PCIA for the near term.	🟢	🟢
Resource Adequacy	The supply of RA in the western US is tightening, and the regulatory framework is evolving. A combination of these two elements has resulted in an increased cost of RA and in some cases no available supply. Due to IOU interconnection delays, the Resurgence PV+S project will be partially delayed thus causing VCE to be short RA for Aug ’23.	🟠	🟡
Commodity Procurement	The 2023 market is experiencing fluctuations associated with commodity prices, including energy prices, resource adequacy, and other components of the energy portfolio.	🔴	🟡

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

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

🔴	High Risk
🟠	High/Moderate Risk
🟡	Low/Moderate Risk
🟢	Low Risk

Table 2: Summary of VCE top risk response plan

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

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

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

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

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

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

To:	Valley Clean Energy Board of Directors
From:	Mitch Sears, Executive Officer Rebecca Boyles, Director of Customer Care and Marketing Sierra Huffman, Program and Community Engagement Analyst
Subject:	MIDAS Upload Extension Request
Date:	April 6, 2023

RECOMMENDATION

Authorize Valley Clean Energy to request extension to comply with the California Energy Commission's Market Informed Demand Automation Server (MIDAS) rates upload.

BACKGROUND & ANALYSIS

In 2020, California Energy Commission (CEC) worked with the California Public Utilities Commission (CPUC), the California Independent System Operator (CAISO), investor-owned utilities, publicly owned utilities, community choice aggregators, and other stakeholders to identify the steps needed to increase statewide adoption of demand flexibility based rate options. The goal for demand flexibility is reducing peak load, as well as shifting load into periods of high renewable generation. This is a similar design VCE is piloting in its AgFIT program.

In August 2021, the CEC published the pilot Market Informed Demand Automation Server (MIDAS), a statewide database of time-dependent electricity rates, CAISO Flex Alerts, and marginal greenhouse gas emissions data. MIDAS was designed to be the principal tool supporting the CEC's load management standards or goal of increased demand flexibility. MIDAS, with the help of automation technology, will provide signals to shift or reduce load to electrical end uses in real-time. The CEC has required that the state's largest utilities and all large community choice aggregators (which includes VCE) populate the MIDAS database with time-dependent rates by July 1, 2023.

VCE, mirroring PG&E's preliminary analysis, has 36 time-dependent rates, including residential, non-residential, and agricultural. Factoring in rate modifiers which adjust the price of energy, the number of time-dependent rates jumps to between 1620 to 16200. If each rate is required to be uploaded on a daily basis on a 24-hour interval, VCE will need to upload somewhere between 38,880 to 380,000 price intervals into MIDAS every day going forward. To meet the minimum requirements, load serving entities like VCE would have to have advanced programming skills and in-house software to effectively populate and maintain rate information stored within the database. While supportive of the concept of dynamic rates and providing information to make them readily available, many questions about the current MIDAS approach remain regarding implementation feasibility and financial impacts to customers.

The MIDAS system is currently accessible and querying access is available to all users but it has not been populated with dynamic rate information.

<u>Extension Request</u>
Due to the unknowns described above, all three investor-owned utilities and all large community choice aggregators have agreed to file a joint extension request for the MIDAS rate upload. All parties agree that uploading existing time-dependent rates to the MIDAS database by July 1, 2023, as required by the regulation, would cause significant hardship and is neither technologically feasible nor cost-effective. Requirements for the MIDAS upload are still being developed by regulators and continue to change, factors are becoming more complex, demanding significant time and resources. VCE, as well as all parties involved need the requirements to be in a stable place with documentation before we can begin building systems and processes needed for uploading rates at the scale envisioned. The joint parties are asking to extend the deadline of July 1, 2023, to 12 months after finalization of a consensus-developed set of requirements.

RECOMMENDATION
Staff is recommending that the Board authorize Valley Clean Energy to request extension to comply with the California Energy Commission's Market Informed Demand Automation Server (MIDAS) rates upload. This may include participating in a joint request for an extension even as VCE continues to explore the application of flexible dynamic pricing through its AgFIT pilot program.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

To:	Board of Directors
From:	Mitch Sears, Executive Officer Edward Burnham, Finance and Operations Director
Subject:	Extension of the VCE/Sacramento Municipal Utilities District (SMUD) Master Services Agreement.
Date:	April 13, 2023

RECOMMENDATION

Authorize via Resolution the Executive Officer to execute the amendments, task orders, and any necessary documents related to a 5-year extension of VCE's Master Services Agreement with the Sacramento Municipal Utilities District (SMUD) through December 31, 2028.

Overview

The purpose of this staff report is to (1) authorize an of extension VCE's existing Master Services Agreement with SMUD for Call Center, Billing, Data, etc. services through December 31, 2028; (2) reduce Wholesale Energy Services (WES) to levels necessary for transition of these services to TEA; and (3) expand SMUD service to include collections.

BACKGROUND & ANALYSIS

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 (WES); 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).

In early 2022 SMUD informed VCE that it would not continue to offer WES services to its CCA clients but was interested in continuing other support services it provided to VCE and other CCA clients. At the September 8, 2022 Board meeting, staff informed the Board of the activities that would be occurring in the fourth quarter of 2022 related to the selection of a new WES provider for VCE. At its December 8, 2022 meeting, the Board approved the WES agreement with The Energy Authority (TEA), outlined in Board Item 18. VCE and SMUD are currently following the WES transition plan in order to have a seamless hand-off from SMUD to TEA for the WES portion of the SMUD contract. VCE and SMUD have agreed to maintain other essential services to VCE under the overall Agreement.

At its March 10, 2022 meeting, the Board approved the VCE Collections Policy (Item 14), that governs the customer engagement and collection of accounts receivable that are significantly overdue (3 months +). VCE staff are recommending Task order 9 to allow SMUD to provide debt collection services as required and outlined in VCE's collections policy for a smooth and coherent approach to our accounts receivables and customer support management. Based on staff research, these services are offered at market competitive rates due primarily to the fact that SMUD conducts these types of activities for its own customer base.

Master Service/Task Order Amendments

The recommended revisions/reductions/additions in the attached task orders and amendments are summarized below:

Master Services Agreement (MSA) - Amendment

- 5 Year extension of the MSA (December 31, 2023 to December 31, 2028), inclusive of the Task Orders for the below.

Task Order 3 Amendment 32 – Reduced Wholesale Energy Services

- Updated two sections for reduced support:
  - 1.5 Scheduling Coordinator Services
  - 1.8 Power Portfolio Purchase Service
- Updated pricing for the above two services to be at an hourly rate.
- Drawdown and close SMUD reserve account and lockbox requirements
- Removed several sections (note: replaced by new contract with TEA):
  - Load Forecast Models Development
  - Wholesale Power Procurement and Risk Policy and Reporting
  - Resource Portfolio Modeling and Power Supply Budget
  - Resource-Related Launch Filings/Registration/Agreements
  - Load and Resource Portfolio Operation Service
  - Wholesale Load and Resource Settlements and Verification
  - Market Risk Instruments Management
  - Update Portfolio Model and Report Power Supply Risk Metrics
  - CAISO Market Monitoring
  - Resource Portfolio Compliance Reporting
  - Enterprise Risk Management Program Support

Task Order 7 – Data Management and Customer Call Center Services (Replaces Task order 2)

- Updated deliverables and timeline for normalized operations.
- Updated contact center hours to reflect recent changes.
- Updated and consolidated the contact center section.
- Updated reporting table to include the list of current report provided.
- Removed/updated language for non-applicable sections and launch activity.
- Updated per meter and hourly rate pricing.

Task Order 8 - Consulting Services (Replaces Task order 4)

- Consolidated scope to focus on professional consulting services.
- Updated hourly rate pricing.

- Removed several sections (note: no longer needed due to transition to "in-house" staffing – SMUD consulting services still available as needed):
  - Dedicated Operational Staff
  - Professional Services
  - Non-Solicitation
  - Approval Process/Acceptance
  - Oversight of Dedicated Operational Staff
  - Employment-Related Obligations to Dedicated Operational Staff
  - Leave

<u>Task Order 9 - Debt Collection Services (NEW)</u>

- Accounts Receivable Data Analytics and Web Portal
- Customer Outreach
  - "Here to Help" initial contact letter
  - Customer Care Calls and Tracing
  - Validation Notices and Written Notifications
- Customer Segmentation
  - Up to 40 segments to deploy unique strategies for each segment.

Master Services Extension

Staff is recommending that the Master Services Agreement be extended for a term of five (5) years 2023-2028. This would provide certainty and stability for continued success with our customer support and billing activities. The costs associated with the recommended extension of the Master Services Agreement are within those currently budgeted and forecasted for provision of these services.

CONCLUSION

The support services provided by SMUD, including customer support and billing services, are extremely important for VCE's operations, customer retention and receivables management. If approved by the Board, the recommended collections services will be delivered by SMUD, a trusted, experienced provider of these types of services. The partnership VCE has established with SMUD during the initial term of the Master Services Agreement has been instrumental in VCE's current and future success. Staff is recommending Board approval of the attached amendments and task orders between VCE and SMUD.

<u>Attachments:</u>

1. Amendment 1 to Master Services Agreement
2. Amendment 32 to Task Order 3 - Wholesale Energy Services
3. Task Order 7 - Data Management and Customer Call Center Services
4. Task Order 8 - Consulting Services
5. Task Order 9 - Debt Collections Services
6. Resolution 2023-XXX

AMENDMENT 1 to the Master Services Agreement

This Amendment 1 to the Master Services Agreement is made by and between the Sacramento Municipal Utility District (SMUD) and Valley Clean Energy (VCE), on the date of last signature below ("Amendment 1"). SMUD and VCE are Parties to that certain Master Services Agreement, dated October 25, 2017 ("MSA").

<u>Recitals</u>

WHEREAS, the Parties entered into the MSA to facilitate implementation and operation of a Community Choice Aggregation (CCA) program for VCE pursuant to Public Utilities Code Section 366.2 et seq.;

WHEREAS, the original MSA expires on June 1, 2023 (5 years from the Launch Date), and pursuant to Section 4.2 of the MSA, VCE and SMUD have agreed to extend the term until December 31, 2028;

WHEREAS, under the original MSA, SMUD supported the launch and on-going operations of VCE's CCA program and VCE desires to continue with certain services from SMUD as provided in the Task Order(s).

NOW THEREFORE, the Parties agree to the terms of this Amendment 1 set forth below.

<u>Section 4.2 TERM, is amended as follows:</u>

Section 4.2 Term is struck in its entirety and replaced with the following:

"4.2.1 This MSA shall remain in effect through December 31, 2028, unless terminated in accordance with Section 4.3 (Termination) or as otherwise agreed in writing by the Parties. This MSA may be extended by mutual agreement of the Parties, for a maximum term of fifteen (15) years. Either Party may notify the other Party at least six (6) months prior to expiration indicating its desire to extend the term of the MSA, and the Parties shall meet and discuss whether an extension is mutually acceptable. At that time SMUD shall evaluate its fees and rates for potential changes in the compensation structure of the Task Order(s).

Additionally, each Task Order will have its own term, not to exceed the term of the MSA, which may be extended by mutual agreement of the Parties.

4.2.2 The Launch Date is June 1, 2018."

SIGNATURES

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

Valley Clean Energy

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Approved as to Form: ______________________________

Sacramento Municipal Utility District

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Approved as to Form: ______________________________

AMENDMENT 32 TO EXHIBIT A: SCOPE OF SERVICES Task Order 3 – Wholesale Energy Services

Wholesale Energy Services Extension

The Sacramento Municipal Utility District (SMUD) and Valley Clean Energy (VCE) agree to the following services, terms, and conditions described in this Amendment 32 to Task Order 3 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 32 to Task Order 3 conflict with any general provisions in the Agreement, Task Order 3, or any preceding Amendments to Task Order 3, the provisions of this Amendment 32 to Task Order 3 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 previous Amendment thereof.

The Effective Date of this Amendment 32 is June 1, 2023.

Section 1, SCOPE OF WORK,

VCE has hired a new Wholesale Energy Services vendor and SMUD will work to transition services to the new vendor. SMUD will continue to perform limited services from June 1, 2023 until December 31, 2023.

Subsections 1.1. Load Forecast Models Development, 1.2. Wholesale Power Procurement and Risk Policy and Reporting, 1.3. Resource Portfolio Modeling and Power Supply Budget, 1.4. Resource-Related Launch Filings/Registration/Agreements, 1.5. Scheduling Coordinator Services, 1.6. Load and Resource Portfolio Operation Service, 1.7. Wholesale Load and Resource Settlements and Verification, 1.8. Power Portfolio Purchase Service, 1.9. Market Risk Instruments Management, 1.10. Update Portfolio Model and Report Power Supply Risk Metrics, 1.11. CAISO Market Monitoring, 1.12. Resource Portfolio Compliance Reporting and 1.14. Enterprise Risk Management Program Support are replaced in their entirety with the following:

1.1. Wholesale Load and Resource Settlement Verification

SMUD will perform all wholesale settlement activities for VCE's Resource Adequacy (RA) contracts in SMUD's name. SMUD will dispute materially inaccurate settlements and work directly with the counterparty as necessary to resolve any invoice related discrepancy. Term energy hedge contracts, day-ahead contracts, PPAs, load, or other products are not included.

1.2. Power Portfolio Purchase Services

SMUD shall provide power portfolio purchase services to and on behalf of VCE, limited to RA transactions. Many of the transactions will be executed using existing "enabling" agreements that SMUD has with other parties trading energy in the western United

States.

1.2.1. SMUD will use its status and credit as an active market participant in western energy markets and the CAISO managed market, to execute specific transactions for the VCE power portfolio in SMUD's name. It is likely that transactions using SMUD's name may yield more and lower cost power proposals from suppliers than if the transactions are directly in VCE's name, because of SMUD's established history and credit position with western energy market trading partners. However, SMUD makes no warranty or guarantee that it will enter into lower cost transactions.

1.2.2. VCE will have full transparency and approval authority over, in accordance with the Policy, procurement efforts including the counterparties from whom SMUD receives bids on behalf of VCE and the ultimate prices paid by SMUD for the various components of VCE's power supply.

1.2.3. SMUD will coordinate with its counterparties to determine the units that should be shown in VCE’s monthly RA showings for these contracts. The unit information will be provided to VCE’s Scheduling Coordinator who will submit VCE’s comprehensive showing. SMUD will expect VCE’s Scheduling Coordinator to provide verification of proper showing to SMUD.

Add the following to section 1.13.3 Reserve Account:

1.13.3.4 SMUD will release $875,000 per month from the reserve account on September 20, October 20, and November 20, 2023, or when payment is received for the prior month. VCE will be able to withdraw $875,000 per month on September 20, October 20, and November 20, 2023, or when payment is received for the prior month. SMUD will release the remaining account balance and VCE will be able to withdraw the remaining account balance on December 20, 2023. VCE will be able to close the reserve account on December 20, 2023

SMUD will support all compliance activities and regulatory filings performed by VCE’s vendor that cover time periods where SMUD made the power purchases.

Section 3, TERM AND TERMINATION, is replaced in its entirety with the following:

3.1. Term of Task Order 3

Task Order 3 is effective on the Effective Date of this Amendment 32 and shall remain in effect until December 31st, 2023.

Section 4, COMPENSATION FOR SERVICES, 4.1. Wholesale Energy Services is replaced in its entirety with the following:

4.1. Services provided under 1.1. Wholesale Load and Resource Settlement Verification and 1.2. Power Portfolio Purchase Services will be billed at SMUD's Hourly Rates described in Section 4.3.

[Signature Page follows]

SIGNATURES

The Parties have executed this Amendment 32 to Task Order 3 on the dates indicated below.

Valley Clean Energy

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Approved as to Form: ______________________________

Sacramento Municipal Utility District

By: ______________________________

Name: **Brandy Bolden**

Title: **Chief Customer Officer**

Date: ______________________________

Approved as to Form: ______________________________

Task Order 7 - Data Management and Customer Call Center Services

SMUD and VCE agree to the following services, terms and conditions described in this Task Order. This Task Order 7 is for Data Management and Customer Call Center Services ("Task Order 7"), the provisions of which are subject to the terms and conditions of the Agreement between the Parties. If any provisions of this Task Order 7 conflict with any provisions in the Agreement, the provisions of this Task Order 7 shall take precedence.

The Effective Date of this Task Order 7 is June 1, 2023. Upon the Effective Date, this Task Order 7 replaces Task Order 2 in its entirety, and Task Order 2 is eliminated.

1. SCOPE OF WORK

SMUD will provide Data Management and Call Center Services to VCE for Program Operations. As outlined in detail below, the following services will be delivered to VCE. Additional or continued Data Management and Call Center Services can be provided at any time during the Term of the Agreement through a mutually agreed upon Task Order or Task Order Amendment, subject to Section 6 below.

1.1. Electronic Data Exchange Services

1.1.1. Coordinate with PG&E to maintain VCE's Community Choice Aggregation Program ("Program") within PG&E's territory including meetings and calls as needed to ensure timely set up, data transfer, and billing services.

1.1.2. Maintain electronic interfaces and communication protocols with PG&E to exchange a full set of EDI files (including 810, 814, 820, 867, and 997) and interval and load data files (Items 16 and 17). Unless otherwise determined, data from PG&E will be received by SMUD which will process and apply VCE rates and then generate EDI transaction files to be sent back to PG&E for billing and enrollment services.

1.1.3. Process CCASRs from/to PG&E which specify the changes to a customer's choice of service for customer enrollment, or customer initiated returns to bundled utility service (814 Electronic Data Interchange Files). Changes will be reflected in the CRM.

1.1.4. Obtain customer usage data from PG&E's Enterprise Secure File Transfer server to timely bill each customer according to PG&E requirements (867 Electronic Data Interchange Files). SMUD will work with PG&E to maintain protocols required to transfer said customer usage data.

1.1.5. Maintain and communicate the amount to be billed by PG&E for services provided by VCE (810 Electronic Data Interchange Files). SMUD will maintain a rate table of VCE rates and apply applicable rate tariffs to calculate the amount to be billed by PG&E for services provided by VCE. SMUD will work with PG&E to maintain the transactions required to transfer the billing amounts to PG&E via the 810 EDI files and requirements specified by PG&E.

1.1.6. Receive and maintain data related to payment transactions toward Program charges from PG&E after payment is received by PG&E from VCE customers (820 Electronic Data Interchange Files, and/or daily payment files). SMUD will work with PG&E to maintain the transactions required to transfer the payment transactions toward CCE charges from PG&E after payment is received from customers. SMUD will store this payment data as required by VCE.

1.1.7. Conduct integration testing and data validation with PG&E.

1.2. Customer Information System

1.2.1. SMUD wi11 provide and operate scalable and robust software systems to manage customer data via Customer Relationship Management (CRM) software, that will enable VCE and its customers to manage program enrollment options online through the Interactive Voice Response (IVR). SMUD will also ensure that the CRM is compatible with the billing engine and data repository for customers' electric usage data. Configure and maintain a cloud-based CRM solution that will store accurate information on all eligible accounts located in the Program service area. This data is to include each account's enrollment status (opt out, program enrollment), rate tariff election(s), payment history related to billed amount, collection status, on-site generating capacity, if applicable, and any correspondence with customer as well as other information that may become necessary to effectively administer Program services as mutually agreed to by the Parties from time to time. The software solution and system integration services will be provided by subcontractors to this Agreement.

1.2.2. Maintain VCE's on-line database so that in addition to SMUD, VCE has functional access to the online customer database. Administer role-based access to allow VCE, SMUD Call Center Representatives, and SMUD's team to view customer interactions, edit account notes and view other information fields as necessary.

1.2.3. Store customer email correspondence and make available to VCE staff upon request. Maintain an archive of such customer email correspondence for a minimum period of 24 months.

1.2.4. Obtain from PG&E and store historical usage data for all customers from the start of VCE' s Program for a period of no less than five years. SMUD will store the historical usage data in a cloud-based database. Data stored will be in line with the data provided by PG&E via EDI standards. Obtain from PG&E and store historical PG&E bills for all customers from the start of VCE's Program for a period of no less than five years. Viewing access will be available to appropriate VCE staff and an archive of billing records shall be maintained to support intuitive parsing and labeling as may be needed.

1.2.5. Maintain a record of customers' enrollments status. This includes customers who have been offered Program service but have elected to opt out, either before or after starting service. SMUD will provide status reports to VCE staff on a weekly basis or other frequency as may be requested by VCE. Call center representatives will have access to this information as needed to support customer service calls.

1.2.6. Maintain and communicate as needed records of Net Energy Metering credits and generation data for customers to be posted on bill and settled annually.

1.2.7. When requested by VCE, perform quarterly program reviews to assess appropriate customer charge level, as identified by DA Xref. SMUD will ensure that program charges can be applied to the relevant customer account based on DA Xref.

1.2.8. Maintain all customer data according to VCE's customer privacy policy and the requirements of relevant California Public Utilities Commission Decisions including D.12-08-045, including a daily backup process. SMUD will collect only the minimum Confidential information (CI) that is directly relevant and necessary to accomplish specific authorized purpose(s) and will retain CI for only as long as is necessary to fulfill the authorized purpose(s). CI that is no longer needed will be destroyed in accordance with the terms of the Agreement.

1.2.9. Maintain and adhere to a Data Management Security Breach Policy for VCE that is based on SMUD's existing policy and procedures related to data breaches.

1.3. Customer Call Center

1.3.1. SMUD will provide professional and dedicated staffing for a VCE customer call center, including the option for customers to access self-service through an interactive voice response system. The call center will provide services in both English and Spanish, and regular metrics will be provided to VCE in order to maintain and track h1gh levels of customer service.

1.3.2. Maintain a professional Interactive Voice Response (IVR) tool for the Program customer call center based on best practices from other CCE programs and from SMUD. The software solution and system integration services will be provided by subcontractors to this Agreement. Create and maintain professional IVR recordings (based on scripts received from VCE) for the Program customer call center; VCE may update recordings as business needs dictate. The IVR tool will include custom prompts and recordings to align with the VCE customer base and needs.

1.3.3. Track how many customers start and complete IVR self-service options without agent assistance and provide regular reports to show the success rate of completed transactions through the IVR platform, as well as other reports related to customer usage of the IVR platform.

1.3.4. Provide sufficient Customer Call Center staff during the Program Statutory Enrollment Period to process Program service enrollment and answer questions related to Program services, generation-related billing and other Program-related inquiries via phone or email.

1.3.5. Call Center staff will be available between the hours of 9:00AM to 5:00PM Pacific Standard Time, Monday through Friday, excluding VCE and PG&E holidays.

1.3.6. Provide sufficient Customer Call Center staff during enrollment and non-enrollment periods to process Program service enrollment and answer questions related to Program services, generation-related billing and other Program-related inquiries via phone or email.

- Parties may mutually agree to modify call center staffing hours based on an assessment of hourly call volumes.

1.3.7. Provide 60 second average speed of answer with an abandon rate of 3%.

1.3.8. Make available data manager experts to manage escalated calls between the hours of 9:00AM to 5:00PM Pacific Standard Time, Monday through Friday, excluding VCE and PG&E holidays.

1.3.9. Make available bi-lingual staff to help Spanish-speaking customers. SMUD will provide staff, and a third-party contractor (a subcontractor to this Agreement), to support translation services on an as-needed basis. The translation services will include Spanish, as well as many other different languages, and will be available during SMUD business hours of 9:00 A.M to 5:00 P.M., Monday through Friday (excluding holidays).

1.3.10. Answer 100% of voicemail messages within one (1) business day.

1.3.11. Provide an automated response to 100% of emails. 95% of emails receive a customized response within one (1) business day. 100% of emails receive a customized response within three (3) business days.

1.3.12. Provide callers with the estimated hold time, if applicable.

1.3.13. Record all inbound calls and make recordings available to VCE staff upon request. Maintain an archive of such recorded calls on a WFO Platform provided by SMUD for a minimum period of 24 months. The software solution and any system integration services required will be provided by subcontractors to this Agreement. Track Call Center contact quality with criteria including:

- Use of appropriate greetings and other call center scripts
- Courtesy and professionalism

- Capturing key customer data
- Providing customers with correct and relevant information
- First-contact resolution
- Accuracy in data entry and call coding
- Grammar and spelling in email communications

1.3.14. Provide dedicated Customer Service Representatives (CSRs) who will respond to 100% of VCE customer inquiries. SMUD will forward calls to VCE staff as may be required to serve customer needs. Receive calls from Program customers referred to VCE by PG&E and receive calls from Program customers choosing to contact VCE directly without referral from PG&E. SMUD will "warm transfer" the customer to PG&E or VCE as needed to serve the customer's needs.

1.3.15. Provide a toll-free number that will be placed on VCE's website and PG&E invoices allowing VCE customers to contact the call center.

1.3.16. Request and/or confirm current email, mailing address and phone number of customers and add to or update database during inbound calls.

1.3.17. Request permission (via live calls email request, or electronic form submittal) from customers to send electronic correspondence instead of printed mail.

1.3.18. Respond to phone inquiries from Program customers using a script developed and updated as often as quarterly by VCE. For questions not addressed within the script, refer inquiries back to PG&E or VCE.

1.3.19. Unless otherwise specified by VCE, SMUD will provide call center status reports during the first week of each month; weekly during the customer enrollment periods.

1.3.20. l.3.1S. As requested by VCE, host quarterly meetings with call center management and representatives to review call center metrics, deal with recurring customer concerns, and address any other issues that may arise.

1.4. Customer Enrollment Forms

1.4.1. Create and maintain user-friendly forms for the VCE Program website so that customers may change Program account status (opt-out or opt-in) or participate in available renewable energy product options.

1.4.2. Collaborate with VCE's website provider to integrate customer enrollment forms to provide an easy and intuitive experience for customers.

1.5. Billing Administration - PG&E "Bill Ready Option"

1.5.1. Deliver billing services to VCE by building efficient and automated processes that focus on data validation accuracy with quality assurance measures. However, the billing services are dependent on the accuracy of PG&E's data, and therefore, SMUD's quality assurance and data accuracy are subject to PG&E's data accuracy.

1.5.2. Maintain a table of Program rate schedules provided by VCE to ensure that all data are accurate and consistent in all VCE systems provided by SMUD.

1.5.3. Send Program service charges as a separate line item to PG&E for placement on monthly bill. This could include but is not limited to: non-electrical charges, special programs, collective billing, energy assistance programs, and net energy metering.

1.5.4. Apply PG&E account usage for each VCE customer against applicable rates to allow for customer billing. This includes but is not limited to line-item charges ranging from non-electric charges, special programs and contracts, collective billing, energy assistance programs and net energy metering.

1.5.5. Perform periodic review of application of Program service rates to PG&E accounts to ensure that the proper rates are applied to the accounts. This includes use of SMUD's quality assurance process and audits to ensure accuracy of data and rates.

1.5.6. Timely submit billing information for each customer to PG&E to meet PG&E's standard billing window.

1.5.7. Use commercially reasonable efforts along with SMUD's billing quality assurance measures to remedy billing errors for any customer(s) in a timely manner (no more than two billing cycles from date of discovery).

1.5.8. Assist with annual settlement processes for Net Energy Metering (or successor program) customers by identifying eligible customers, providing accrued charges and credits, and providing a corresponding mailing list to VCE's designated printer. SMUD will work with VCE to provide a monthly settlement option, if VCE so chooses for an additional fee to be mutually agreed.

1.5.9. Provide customer mailing list to VCE's designated printer for new move-in customer notices and opt out confirmation letters routinely within 30 days of enrollment or opt out.

1.5.10. As per VCE's Collections Policy, send a VCE-provided letter to customers with delinquent accounts stating that failure to pay will result in customer being returned to PG&E. If no payment is received from the customer after a certain amount of time, SMUD will issue a CCASR to return customer to PG&E. VCE shall identify the length of delinquency that triggers such notice, as well as the time period allowed to bring the account current.

1.6. Settlement Quality Meter Data (SQMD) Services

1.6.1. SMUD will obtain VCE load data from PG&E and ensure it complies with CAISO requirements for SQMD. SMUD will forward VCE load SQMD to the CAISO at the required frequency for load settlement purposes

1.7. Reporting

1.7.1. Assist VCE as needed in compiling various customer sales and usage statistics that may be necessary to facilitate VCE's completion of requisite external reporting activities. Such statistics will likely include annual retail sales for VCE customers, including year-end customer counts and retail electricity sales for each retail service option offered by VCE.

1.7.2. Subject to change by mutual agreement of the Parties, provide the following reports to VCE via the listed frequency and delivery method.

Reports	**Frequency**
Billing Operations & Data Management Report (enrollment activity move-in/move-out tracking, billing transactions)	Bi-Weekly
Contact Center Report (customer interactions through IVR, Web, CSR, Chat)	Weekly, Monthly
Customer Relationship Management (CRM) Reports (including custom reports and the ability to add email functionality) and Dashboard	Available 24/7
Net Energy Metering (NEM) True-up, Cash-out Report	Bi-Weekly
Accounting Reports (Daily Payment, Invoice Details, Rates Details, Aging, ERC Exempt	Daily, Weekly, Monthly, Quarterly

1.7.3. Ensure monthly status reports are provided during the first week of each month

1.7.4. Ensure weekly status reports arc provided during all enrollment periods.

2. APPROVAL PROCESS I ACCEPTANCE

Both Parties agree to perform tasks, reviews, and approvals in a timely manner.

3. TERM AND TERMJNATION

3.1. Term of Task Order 7

Task Order 7 is effective on the Effective Date of this Task Order and shall remain in effect until December 31, 2028.

3.2. Termination

This Task Order 7 may be terminated pursuant to Section 4 ("Term and Termination") of the Agreement. In the event that VCE chooses to terminate this Task Order 7 prior to the end of the five (5) year term, VCE shall pay SMUD a Termination Fee equal to fifty percent (50%) of the fee for services for the remaining portion of the five (5) year term, based on the SMUD rates then in effect as of the termination effective date. Such Termination Fee shall be due and payable thirty (30) calendar days after the date of invoice by SMUD to VCE.

3.3. Transition

VCE retains sole ownership of account, communication notes and letters, usage and billing information for customers of the Program. In the event of termination of the Agreement or this Task Order 7, subject to the terms of the Agreement, SMUD shall provide to VCE all such information and data requested by VCE as reasonably agreed to by the Parties at a transition fee not to exceed $200,000. SMUD will send requested data to VCE within 30 days after the Termination Date. SMUD will work with VCE to coordinate transfer to VCE, or a VCE contractor, the designated Call Center phone number. SMUD will coordinate with VCE or VCE contractor on how to seamlessly transition customers to web forms provided by another vendor. All other services will terminate upon the Termination Date.

4. COMPENSATION FOR SERVICES

5.1. Data Management and Call Center Services

Data Management and Call Center Services will be charged a fixed monthly fee per customer meter enrolled in Program service of $1.17. Monthly service fees are fixed through December 31, 2023 and are thereafter annually subject to escalation at U.S. Department of Commerce, Bureau of Labor Statistics, "Consumer Price Index-All Urban Consumers less food and energy" Series ID: CUUROOOOSAOLIE for the immediately prior 12-month period.

5.2. Hourly Rates

This Task Order 7 can be amended to include additional deliverables at the SMUD hourly billing rates in the schedule below. Hourly billing rates are fixed through December 31, 2023 and are thereafter annually subject to escalation at U.S. Department of Commerce, Bureau of Labor Statistics, "Consumer Price Index-All Urban Consumers less food and energy" Series ID: CUUROOOOSAOLIE for the immediately prior 12-month period.

Resource	Hourly Rate
SMUD CXO	$350.00
Director	$190.00
Manager/Analyst	$170.00
Administration	$150.00

6. PAYMENT TERMS

Fees incurred under this Task Order 7 will be invoiced monthly. For services under this Task Order 7, VCE shall pay all undisputed invoices within thirty (30) calendar days of date of the invoice.

7. TASK AMENDMENT

This Task Order 7 may only be amended or otherwise modified with the written agreement of the Parties and approved by each Party's governing body where required by law or policy. Any changes to the scope defined in Task Order 7 will be addressed through a task amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

SIGNATURES

The Parties have executed this Task Order 7 on the dates indicated below.

Valley Clean Energy

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Approved as to Form: ______________________________

Sacramento Municipal Utility District

By: ______________________________

Name: **Brandy Bolden**

Title: **Chief Customer Officer**

Date: ______________________________

Approved as to Form: ______________________________

Task Order 8 - Consulting Services

SMUD and VCE agree to the following services, terms and conditions described in this Task Order. This Task Order 8 is for Consulting Services ("Task Order 8"), the provisions of which are subject to the terms and conditions of the Agreement between the Parties. If any provisions of this Task Order 8 conflict with any provisions in the Agreement, the provisions of this Task Order 8 shall take precedence.

The Effective Date of this Task Order 8 is June 1, 2023. Upon the Effective Date, this Task Order 8 replaces Task Order 4 in its entirety, and Task Order 4 is eliminated.

1. SCOPE OF WORK

SMUD will provide professional consulting services as required by VCE during the term of this Task Order 8.

2. APPROVAL PROCESS ACCEPTANCE

Both Parties agree to perform tasks, reviews, and approvals in a timely manner.

3. TERM AND TERMJNATION

3.1. Term of Task Order 8

Task Order 8 is effective on the Effective Date of this Task Order and shall remain in effect until December 31, 2028.

3.2. Termination

This Task Order 8 may be terminated pursuant to Section 4 ("Term and Termination") of the Agreement. In the event that VCE chooses to terminate this Task Order 8 prior to December 31, 2023, VCE will pay SMUD for fees incurred to date. Such fees shall be due and payable (30) calendar days after the date of the invoice by SMUD to VCE.

4. COMPENSATION FOR SERVICES

4.1. Hourly Rates

Services performed under this Task Order 8 are based on a “time and material” compensation structure. SMUD shall receive compensation at Hourly Rate. Hourly Rates are fixed through December 31, 2023 and are thereafter annually subject to escalation at U.S. Department of Commerce, Bureau of Labor Statistics, "Consumer Price Index-All Urban Consumers less food and energy" Series ID: CUUROOOOSAOLIE for the immediately prior 12-month period.

Resource	Hourly Rate
SMUD CXO	$350.00
Director	$190.00
Manager/Analyst	$170.00
Administration	$150.00

5. PAYMENT TERMS

Fees incurred under this Task Order 8 will be invoiced monthly. For services under this Task Order 8, VCE shall pay all undisputed invoices within thirty (30) calendar days of date of the invoice.

6. TASK AMENDMENT

This Task Order 8 may only be amended or otherwise modified with the written agreement of the Parties and approved by each Party's governing body where required by law or policy. Any changes to the scope defined in Task Order 8 will be addressed through a task amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

SIGNATURES

The Parties have executed this Task Order 8 on the dates indicated below.

Valley Clean Energy

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Approved as to Form: ______________________________

Sacramento Municipal Utility District

By: ______________________________

Name: **Brandy Bolden**

Title: **Chief Customer Officer**

Date: ______________________________

Approved as to Form: ______________________________

Task Order 9 – Debt Collections Services

SMUD and VCE agree to the following services, terms and conditions described in this Task Order. This Task Order 9 is for Debt Collection Services ("Task Order 9"), the provisions of which are subject to the terms and conditions of the Agreement between the Parties. If any provisions of this Task Order 9 conflict with any provisions in the Agreement, the provisions of this Task Order 9 shall take precedence.

The Effective Date of this Task Order 9 is the date of last signature.

1. SCOPE OF WORK

SMUD will provide debt collection services as required by VCE during the term of this Task Order 9.

- Data Analytics
  - Profile customers based on customer type, past due amount, engagement history, available contact information, and more. If available, use program participation, assessor's data, rate history and other factors to understand debt drivers
  - Construct pre-collection profiles of likely-to-default customers, specifically identifying income-qualified customers eligible for income assistance, to aid in proactive communications
  - Gather or compile data files , for example, assessor's data or psychographic data, to help to build out customer database
- Here to Help Letter
  - Reach out to each customer to let them know that we are available to help
  - Encourage a call with one of our Energy Advisors who can educate about programs available to them to help lower their bills, from energy efficiency opportunities to low-income programs
  - Provide information about payment channels and programs to remove perceived barriers to payment
- Customer Care Calls
  - Encourage a conversation with our Energy Advisors who are adept at "save" techniques to significantly reduce opt-out rates, and explain energy bills, determine high bill root cause, and educate on energy usage management
  - Support 150 different languages through the call center
  - Record and monitor all calls for quality assurance and adherence to customer care protocols
  - Store and make all calls available for two years
  - Keep call center hours of 9am – 5pm Pacific Time
- Validation Notice
  - When initial attempts at communication have been unsuccessful in encouraging customers to pay, initiate a formal collections process
  - Send accounts a validation notice which informs customers of their balance, instructs them how to pay and clearly advises them of their rights as outlined by federal and state laws
- Segmentation
  - Group customers using over 40 data points
  - Employ a unique strategy for each customer segment
  - Re-segment after periodic evaluation

- Written Notifications
    - Distribute additional request letters and emails, with frequency based on segmentation and new available information and.
    - Assess communication strategies and modify as needed
    - Translate content into multiple languages
    - Verify phone number, hours of operations, addresses, formatting of client information and placement of Fair Debt Collection Practices Act (FDCPA) required verbiage
    - Include a settlement letter if authorized
    - As requested, send additional information such as receipt letter, debt validation letter, payment arrangement letter, pre-authorization payment reminder letter, etc.
    - Store letters in customer's account record
- Phone Calls
    - Where a valid phone number is available, initiate collection calls
    - In compliance with Regulation F, limit call attempts and dynamically determine best call times
    - Clearly communicate agent's name and agency
    - Ensure account authorization to speak with customer
    - Request identifying information such as address or birthdate to validate
    - Read a statement of rights to the customer
    - Communicate debt information and instruct customer on ways to exit the collections process
    - Request full payment, discusses potential financial resources and negotiate a payment plan if needed
    - Offer payment options via the IVR, online or through the mail
    - Initiate disputed debt process if applicable
    - Monitor calls for quality assurance
    - Store calls for five years
    - Note customer's account record with call data, follow up date, promise to pay, canceled payment, non sufficient funds, or other activity
    - Assign account manager for high value accounts
- Customer Tracing
    - Access several data providers to identify the best possible mailing address and phone number
    - Check online resources to locate quality customer contact information
    - Standardize addresses to meet USPS guidelines to improve mail delivery
    - Check that an account isn't part of a bankruptcy proceeding
    - Verify that the responsible party isn't deceased through an automated scrub
    - Monitor credit reports looking for changes that may indicate a renewed ability to pay
- Final Steps
    - Provide payment remittance through preferred channel
- Web Portal
    - Provide access to client portal with updated customer data, notes, and provide access to custom reports as well as standard reports such as Statement Report, Close and Return Report, Collection Effectiveness Report, Special Activity Report, and Client Payment and Reversals Report

2. APPROVAL PROCESS ACCEPTANCE

Both Parties agree to perform tasks, reviews, and approvals in a timely manner.

3. TERM AND TERMJNATION

3.1. Term of Task Order 9

Task Order 9 is effective on the Effective Date of this Task Order and shall remain in effect until December 31, 2028.

3.2. Termination

This Task Order 9 may be terminated pursuant to Section 4 ("Term and Termination") of the Agreement. In the event that VCE chooses to terminate this Task Order 9 prior to December 31, 2023, VCE will pay SMUD for fees incurred to date. Such fees shall be due and payable (30) calendar days after the date of the invoice by SMUD to VCE.

4. COMPENSATION FOR SERVICES

4.1. Hourly Rates

Services performed under this Task Order 9 are based on a “time and material” compensation structure.

SMUD shall receive compensation at Hourly Rate. Hourly Rates are fixed through December 31, 2023 and are thereafter annually subject to escalation at U.S. Department of Commerce, Bureau of Labor Statistics, "Consumer Price Index-All Urban Consumers less food and energy" Series ID: CUUROOOOSAOLIE for the immediately prior 12-month period.

Resource	Hourly Rate
SMUD CXO	$350.00
Director	$190.00
Manager/Analyst	$170.00
Administration	$150.00

Costs for marketing and outreach such as postage and vendor fees shall be pass through.
Debt collection fees shall be 10% of all payments realized.

5. PAYMENT TERMS

Fees incurred under this Task Order 9 will be invoiced monthly. For services under this Task Order 9, VCE shall pay all undisputed invoices within thirty (30) calendar days of date of the invoice.

6. TASK AMENDMENT

This Task Order 9 may only be amended or otherwise modified with the written agreement of the Parties and approved by each Party's governing body where required by law or policy. Any changes to the scope defined in Task Order 9 will be addressed through a task amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

SIGNATURES

The Parties have executed this Task Order 9 on the dates indicated below.

Valley Clean Energy

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Approved as to Form: ______________________________

Sacramento Municipal Utility District

By: ______________________________

Name: **Brandy Bolden**

Title: **Chief Customer Officer**

Date: ______________________________

Approved as to Form: ______________________________

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2023 - ___

A RESOLUTION OF VALLEY CLEAN ENERGY ALLIANCE APPROVING AMENDMENT 1 TO MASTER SERVICES AGREEMENT, AMENDMENT 32 TO TASK ORDER 3 – WHOLESALE ENERGY SERVICES, TASK ORDER 7 – DATA MANAGEMENT AND CUSTOMER CALL CENTER SERVICES, TASK ORDER 8 – CONSULTING SERVICES, AND TASK ORDER 9 – DEBT COLLECTION SERVICES, OF THE SACRAMENTO MUNICIPAL UTILITIES DISTRICT PROFESSIONAL SERVICES AGREEMENT AND AUTHORIZING THE EXECUTIVE OFFICER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE THE NECESSARY AMENDMENTS AND TASK ORDERS

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

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

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

WHEREAS, on October 12, 2017, the VCE Board approved the Master Professional Services Agreement and Task Order 1 (Technical and Analytical services) and Task Order 2 (Data Management and Call Center Services) to provide program launch and operational services consistent with the SMUD proposal and VCE Board direction, thereafter amendments have been made to Task Orders 1 and 2; and,

WHEREAS, in November 2017, the VCE Board approved Task Order 3 for Wholesale Energy services, thereafter several amendments have been made; and,

WHEREAS, in December 2017, the VCE Board approved Task Order 4 for Implementation and Operational Services, thereafter several amendments have been made; and,

WHEREAS, in May 2018, the VCE Board approved Task Order 5 for Long Term Procurement Services; and,

WHEREAS, in June 2019, the VCE Board approved Task Order 6 for Expansion to the City of Winters; and,

WHEREAS, the original Master Services Agreement (MSA) will expire June 1, 2023; and,

WHEREAS, Task Orders 1 (Technical and Analytical services), 5 (Long Term Procurement Services), and 6 (Expansion to the City of Winters) have expired; and,

WHEREAS, Task Order 2 (Data Management and Customer Call Center Services) and 4 (Implementation and Operational Services) will terminate on May 31, 2023; and,

WHEREAS, Task Order 3 (Wholesale Energy Services) is set to terminate on December 31, 2023; and,

WHEREAS, VCE has the need to continue selected services with SMUD and amend the MSA to extend the master services agreement to December 31, 2028; and,

WHEREAS, in anticipation of Task Order 3 (Wholesale Energy Services) expiring at the end of 2023, the VCE Board approved an agreement with The Energy Authority, Inc. (TEA) in December 2022 to provide portfolio management, scheduling coordinator, load forecasting, and credit support services, as a result, Task Order 3 needs to be amended to reflect a reduction in services being provided by SMUD while services are transitioned from SMUD to TEA; and,

WHEREAS, Task Order 7 – Data Management and Customer Call Center Services will replace Task Order 2 with an updated scope of work and to align with VCE’s fiscal calendar year ending December 31st; and,

WHEREAS, Task Order 8 – Consulting Services will replace Task Order 4 with an updated scope of work and to align with VCE’s fiscal calendar year ending December 31st; and,

WHEREAS, to assist VCE Staff in identifying past due accounts and income-qualified customers eligible for assistance; increasing communication to customers of available programs; and, implementing a collections process, Task Order 9 – Debt Collection Services outlines the scope of work.

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

1. Approving the following:
    - A. Amendment 1 to the Master Services Agreement (MSA) continuing selected services and extending term of MSA through December 31, 2028;
    - B. Amendment 32 to Task Order 3 (Wholesale Energy Services) reducing scope of work;
    - C. Task Order 7 (Data Management and Customer Call Center Services) outlining a new scope of work with an expiration date of December 31, 2028; and,

D. Task Order 8 (Consulting Services) outlining a new scope of work with an expiration date of December 31, 2028.

2. Authorize the Executive Officer in consultation with legal counsel to finalize and execute amendments and task orders.

PASSED, APPROVED AND ADOPTED, at a special meeting of the Valley Clean Energy Alliance, held on the ____ day of __________ 2023, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Tom Stallard, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

Attachments:
1. Amendment 1 to Master Service Agreement
2. Amendment 32 to Task Order 3 - Wholesale Energy Services
3. Task Order 7 - Data Management and Customer Call Center Services
4. Task Order 8 - Consulting Services
5. Task Order 9 - Debt Collections Services

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Board of Directors

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

SUBJECT: Receive and approve audited December 31, 2022 financial statements presented by James Marta & Company

DATE: April 13, 2023

RECOMMENDATIONS

1. Accept and approve the Draft Audited Financial Statements for the period of January 1, 2022, to December 31, 2022;
2. Accept the Draft Communication with Governance Letter; and
3. Accept the Draft Internal Control Letter

BACKGROUND & DISCUSSION

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

The Financial Statements include the following reports:

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

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

- Governance letter
- Internal Control Letter

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

AUDITOR'S FINDINGS

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

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

Attachments:

1. Audited Financial Statements for the period of January, 2022 to December 31, 2022
2. Communication with Governance Letter
3. Internal Control Letter

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022 AND

SIX MONTHS ENDED DECEMBER 31, 2021

DRAFT

VALLEY CLEAN ENERGY ALLIANCE

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DECEMBER 31, 2022

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Clean Energy Alliance
Davis, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valley Clean Energy Alliance (VCE), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the periods then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Valley Clean Energy Alliance as of the year ended December 31, 2022 and the six months ended December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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www.jpmcpa.com jmarta@jpmcpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Valley Clean Energy Alliance's (VCE) financial activities for the periods ended December 31, 2022 and December 31, 2021. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

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

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

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

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

Since its formation, Valley Clean Energy has operated with a fiscal accounting year ending on June 30, aligned with the Member Jurisdictions' Fiscal Year. Over the past two years, VCE has experienced high volatility in the energy sector and overall economy, primarily driven by the uncertainty during the COVID-19 pandemic and possible long-term recession. VCE has experienced other financial impacts compared to the adopted budgets driven by forces outside VCE's direct control, including the forward market pricing for energy costs, PG&E generation rate adjustments, and power charge indifference adjustments (PCIA). The VCE Board adopted the calendar year as its new financial year as the optimal timeline of financial milestones to reduce the risks of operating budget performance.

Financial Reporting

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

Contents of this Report

This report is divided into the following sections:

- Management's Discussion and Analysis, which provides an overview of operations.
- The Basic Financial Statements, which offer information on VCE's financial results.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

	December 31, 2022	December 31, 2021	% change from 2021 to 2022	June 30, 2021	% change from June 30, 2021 to December 31, 2021
Current assets	$ 20,172,977	$ 14,853,514	36%	$ 21,175,913	-30%
Noncurrent assets	3,961,586	3,561,158	11%	3,099,608	15%
Total Assets	24,134,563	18,414,672	31%	24,275,521	-24%
Current liabilities	8,542,745	8,728,436	-2%	11,531,607	-24%
Noncurrent liabilities	181,284	-	0%	-	0%
Total Liabilities	8,724,029	8,728,436	0%	11,531,607	-24%
Net Position					
Designated – Local Programs	224,500	224,500	0%	224,500	0%
Restricted	3,809,273	3,561,158	7%	3,099,608	15%
Unrestricted	11,376,761	5,900,578	93%	9,419,806	-37%
Total Net Position	$ 15,410,534	$ 9,686,236	59%	$ 12,743,914	-24%

Assets

Current assets ended December 31, 2022, at approximately 20.2 million, an increase of approximately $5.3 million compared to December 31, 2021. The primary contributor to the overall increase in current assets was an increase in accounts receivable and cash resulting from rate increases and the rebuilding of cash reserves. The VCE Board adopted a cost-based rate policy and automatic rate adjustment policy to continue to preserve and build cash reserves in preparation for obtaining our initial investment grade credit rating.

Current assets ended December 31, 2021, at approximately 14.9 million, a decrease of approximately $6.3 million compared to June 30, 2021. The primary contributor to the overall decrease in current assets was a decrease in cash utilized for rate stabilization. In response, the VCE Board adopted a cost-based rate policy and a temporary rate increase above PG&E in November 2021 to minimize the total decrease of cash due to the increased PG&E power charge indifference adjustment (PCIA) rates and rising in power costs experienced during the 2021 heat storm.

Overall, non-current assets increased approximately $400 K in December 31, 2022 due to an increase of in restricted cash for power purchase reserves.

Liabilities

Current liabilities at December 31, 2022, were comprised primarily of the accrued cost of electricity, accounts payable, other accrued liabilities, security deposits, and the current portion of long-term debt. Current liabilities decreased by $ 187K for the period ended December 31, 2022 due to extending our term loan agreement with River City Bank with a maturity in 2024.

Current liabilities at December 31, 2021, were comprised primarily of the accrued cost of electricity, accounts payable, other accrued liabilities, security deposits, and the current portion of long-term debt. Current liabilities decreased by $2.8 million to $8.7 million in the period ended December 31, 2021. The most significant contributor to the overall decrease in current liabilities was the decrease in power costs related to the change in accounting year ending period. Prior audited financial statements ending in June reflected an ending balance during the peak season. Current and future financial statements ending in December reflect an ending balance during off peak season.

Non-current liabilities increased $181K in the year ended December 31, 2022 related to the term loan described above in current liabilities.

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

	December 31, 2022 (Twelve Months)	December 31, 2021 (Six Months)	% change from 2021 to 2022	June 30, 2021	% change from June 30, 2021 to December 31, 2021
Operating revenues	$ 86,661,734	$ 29,357,623	195%	$ 54,656,880	-46%
Interest income	46,501	8,731	433%	50,285	-83%
Total Income	86,708,235	29,366,354	195%	54,707,165	-46%
Operating Expenses	80,897,469	32,401,487	150%	58,494,704	-45%
Interest and related expenses	86,468	22,545	284%	56,232	-60%
Total Expenses	80,983,937	32,424,032	150%	58,550,936	-45%
Change in Net Position	$ 5,724,298	$ (3,057,678)	287%	$ (3,843,771)	-20%

Operating Revenues

In the period ended December 31, 2021, VCE's operating revenues were approximately $4.4M below budgeted amount. The 2022 Budget incorporated revenues associated with extreme temperatures and drought conditions that did not fully materialize in the actuals for 2022. VCE's operating revenue is from the sale of electricity to its customer base.

In the period ended December 31, 2021, VCE's operating revenues were approximately $4.7M higher than budgeted, driven by the increased load required during the heatwave of 2021. Residential and agricultural customers were the primary customers requiring additional load. VCE's operating revenue is from the sale of electricity to its customer base.

Operating Expenses

In the period ended December 31, 2022, VCE's operating expenses were 11% over the budgeted operations. This increase was primarily due to a $7.4 million increase in the cost of electricity, driven by the increased energy power costs resulting from warmer weather than forecast during the winter months, heat storms in June and September, and natural gas prices driving short-term power market increases. VCE procures energy from various sources and focuses on purchasing at competitive prices and maintaining a balanced renewable power portfolio. The remaining operating expenses consist of contract services, staff compensation, and other general administrative expenses.

In the period ended December 31, 2021, VCE's operating expenses were 8% over the budgeted operations. This increase was primarily due to a $2.7 million increase in the cost of electricity, driven by the increased load noted above.

ECONOMIC OUTLOOK

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

VCE's Board adopted a rate policy in November 2021 to set customer rates to recover operating costs and build reserve funds and an automatic rate adjustment policy to address environmental and regulatory changes within a budget year. VCE has also adopted a base green product to maintain its competitiveness with PG&E by offering a least-cost option to it customers. VCE has recovered from COVID, began rebuilding cash reserves, and maintained its credit lines for liquidity in 2023. Longer-term, VCE continues to transition additional long-term fixed-price renewable PPA's that are scheduled to come online in 2023 and 2024. VCE customer rates, including PCIA costs, have reduced and are currently forecasted to stabilize for 2024.

REQUESTS FOR INFORMATION

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

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Unrestricted Cash	$ 3,850,610	$ 3,671,384
Accounts receivable, net of allowance	11,085,087	7,406,469
Accrued revenue	3,430,397	1,768,193
Prepaid expenses	-	9,192
Other current assets and deposits	1,806,883	1,998,276
Total Current Assets	20,172,977	14,853,514
Restricted assets:		
Cash in - debt service reserve fund	1,100,000	1,100,000
Cash in - power purchase reserve fund	2,709,273	2,461,158
Total Restricted assets	3,809,273	3,561,158
Noncurrent Assets		
Other noncurrent assets and deposits	152,313	-
Total Noncurrent Assets	152,313	-
TOTAL ASSETS	$ 24,134,563	$ 18,414,672
LIABILITIES		
Current Liabilities		
Accounts payable	$ 399,529	$ 445,042
Accrued cost of electricity	4,657,891	4,580,941
Accrued payroll	116,285	63,909
Interest payable	2,248	2,786
Due to member agencies	25,160	117,945
Other accrued liabilities	2,810,664	2,364,787
Line of credit	530,968	1,153,026
Total Current Liabilities	8,542,745	8,728,436
Noncurrent Liabilities		
Line of credit	181,284	-
Total Noncurrent Liabilities	181,284	-
TOTAL LIABILITIES	8,724,029	8,728,436
NET POSITION		
Net position		
Designated - local program reserves	224,500	224,500
Restricted	3,809,273	3,561,158
Unrestricted	11,376,761	5,900,578
TOTAL NET POSITION	$ 15,410,534	$ 9,686,236

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE SIX MONTHS ENDED DECEMBER 31, 2021

	2022 (Twelve Months)	2021 (Six Months)
OPERATING REVENUE		
Electricity sales, net	$ 85,322,760	$ 29,357,623
Other revenue	1,338,974	-
TOTAL OPERATING REVENUES	86,661,734	29,357,623
OPERATING EXPENSES		
Cost of electricity	75,130,283	30,138,826
Contractors	2,556,894	1,383,829
Staff compensation	1,282,519	537,689
Program expenses	1,168,019	-
General and administrative	759,754	341,143
TOTAL OPERATING EXPENSES	80,897,469	32,401,487
TOTAL OPERATING INCOME (LOSS)	5,764,265	(3,043,864)
NONOPERATING REVENUES (EXPENSES)		
Interest income	46,501	8,731
Interest and related expenses	(86,468)	(22,545)
TOTAL NONOPERATING REVENUES (EXPENSES)	(39,967)	(13,814)
CHANGE IN NET POSITION	5,724,298	(3,057,678)
Net position at beginning of period	9,686,236	12,743,914
Net position at end of period	$ 15,410,534	$ 9,686,236

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE SIX MONTHS ENDED DECEMBER 31, 2021

	2022 (Twelve Months)	2021 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 79,912,041	$ 31,149,236
Payments for security deposits with energy suppliers	(152,313)	-
Payments to purchase electricity	(74,983,435)	(32,255,458)
Payments for contract services, program expenses, general, and administration	(4,167,896)	(2,276,073)
Payments for staff compensation	(1,230,143)	(517,485)
Other cash payments	1,530,367	(11,393)
Net Cash Provided (Used) by Operating Activities	908,621	(3,911,173)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of debt	(440,774)	(197,661)
Interest and related expense	(87,007)	(23,019)
Net Cash Provided (Used) by Non-Capital Financing Activities	(527,781)	(220,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	46,501	8,731
Net Cash Provided (Used) by Investing Activities	46,501	8,731
NET CHANGE IN CASH AND CASH EQUIVALENTS	427,341	(4,123,122)
Cash and cash equivalents at beginning of period	7,232,542	11,355,664
Cash and cash equivalents at ending of period	$ 7,659,883	$ 7,232,542
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ 5,764,265	$ (3,043,864)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(3,678,618)	576,071
(Increase) decrease in net accrued revenue	(1,662,204)	1,167,098
(Increase) decrease in prepaid expense	9,192	5,951
(Increase) decrease in other assets and deposits	39,080	(11,393)
Increase (decrease) in accounts payable	(45,513)	45,276
Increase (decrease) in accrued payroll	52,376	20,204
Increase (decrease) in due to member agencies	(92,785)	(5,461)
Increase (decrease) in accrued cost of electricity	146,848	(2,116,632)
Increase (decrease) in other accrued liabilities	445,877	(596,867)
Increase (decrease) in user taxes and energy surcharges	(69,897)	48,444
Net Cash Provided by Operating Activities	$ 908,621	$ (3,911,173)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

CHANGE IN FISCAL YEAR END

In November 2021, VCE's Board of Directors approved a resolution to change the existing fiscal year of July 1^{st} to June 30^{th} to align with the calendar year of January 1^{st} to December 31^{st}. The financial statements presented in this report are not comparative due to this change in the reporting period. Advantages of the change to a calendar year include accounting for the peak revenue season, May through September, in the span of one reporting year. Additionally, VCE's power contracts are based on the calendar year time frame, as is VCE's regulatory compliance reporting.

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPOSITS

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

OPERATING AND NON-OPERATING REVENUE

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

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity costs include the cost of energy and ancillary services arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from VCE's participation in the California Independent System Operator's centralized market. The cost of electricity and ancillary services are recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2022, $5,131,217 was accrued as payable to SMUD, comprised of $5,131,217 in accrued electricity costs and $0 in accrued contractual services. As of December 31, 2021, $4,356,854 was accrued as payable to SMUD, comprised of $4,028,559 in accrued electricity costs and $328,295 in accrued contractual services

RENEWABLE ENERGY CREDITS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STAFFING COSTS

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

INCOME TAXES

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

ESTIMATES

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

RECLASSIFICATION

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

NET POSITION

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

The following are the components of VCE’s Net Position at December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
Designated - local program reserves	$ 224,500	$ 224,500
Restricted	3,809,273	3,561,158
Unrestricted	11,376,761	5,900,578
Totals	$ 15,410,534	$ 9,686,236

2. CASH AND CASH EQUIVALENTS

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

3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable were as follows:

	December 31, 2022	December 31, 2021
Accounts receivable from customers	$ 11,550,071	$ 9,342,777
Allowance for uncollectible accounts	(464,984)	(1,936,308)
Accounts receivable, net	$ 11,085,087	$ 7,406,469

The majority of account collections occur within the first few months following customer invoicing. VCE estimates that a portion of the billed accounts will not be collected. VCE records reserves for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statement of Revenues, Expenses and Changes in Net Position. Charges to reserve for uncollectible accounts for the year ended December 31, 2022 and six months ended 2021 were $846,600 and $353,400, respectively. Due to the COVID-19 pandemic, VCE could not to pursue collections due to state restrictions and expects to commence collections of remaining balances in 2023.

Accrued revenue presented in the Statements of Net Position represents revenue from customer electricity usage that has not been billed at the end of the period. Accrued revenue recognized for the period ended December 31, 2022 and 2021 was $3,430,397 and $1,768,193, respectively.

4. DEBT

LINE OF CREDIT AND TERM LOAN

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

LINE OF CREDIT AND TERM LOAN (CONTINUED)

At the October 10, 2019 Board meeting the Board authorized VCE to convert an existing $1,976,610 Credit Agreement balance to an amortizing 5-year term loan. VCE converted the Agreement to the loan and has paid the loan down to $712,252 and $1,153,026 as of December 31, 2022 and 2021, respectively.

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

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

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

Line of Credit

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

Term Loan

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

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

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

LINE OF CREDIT AND TERM LOAN (CONTINUED)

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

	Beginning	Addition	Payments	Ending
Six Months Ended December 31, 2021				
River City Bank - Loan	1,350,687	-	(197,661)	1,153,026
Total	$ 1,350,687	$ -	$ (197,661)	$ 1,153,026
Amounts due within one year				(1,153,026)
Amounts due after one year				$ -
Year Ended December 31, 2022				
River City Bank - Loan	1,153,026	-	(440,774)	712,252
Total	$ 1,153,026	$ -	$ (440,774)	$ 712,252
Amounts due within one year				(530,968)
Amounts due after one year				$ 181,284

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

5. DEFINED CONTRIBUTION RETIREMENT PLAN

VCE provides retirement benefits to eligible employees through a 401(a) discretionary defined contribution plan and 457(b) deferred compensation plan (Plans). The Plans are administered by International City Management Association Retirement Corporation (ICMA-RC). At December 31, 2022, VCE had 4 plan participants. VCE contributes 7% of covered payroll and up to an additional 3% of covered payroll as a match to employee tax deferred contributions (into the 457(b) deferred compensation plan) into the 401(a) discretionary defined contribution plan.

For the year ended December 31, 2022 and six months ended December 31, 2021, VCE contributed $64,716 and $30,072, respectively. The Plans' provisions and contribution requirements as they apply to VCE are established and may be amended by the Board of Directors.

6. OPERATING LEASE

In 2018, VCE entered into a nine-month lease for its office space with the City of Davis. The most recent lease agreement renewal with the City covers the twelve months ending January 2023. Rental expense under this lease was $19,200 and $7,951 for the year ending December 31, 2022 and six months ending December 31, 2021, respectively. The total for future minimum lease payments are shown below:

6. OPERATING LEASE (CONTINUED)

Year	Payments
2023	$ 16,560
2024	17,057
2025	17,569
2026	18,096
2027	18,638

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

7. RELATED PARTY TRANSACTIONS

VCE entered into a cooperative agreement with each respective member agency to provide management, legal, accounting and administrative services. The services billed from the Member Agencies to VCE outstanding for the year ending December 31, 2022 and six months ending December 31, 2021 totaled $25,160 and $117,945, respectively. The cooperative agreements provide for interest to be accrued on any outstanding balances at an average yield.

8. RISK MANAGEMENT

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

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

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

8. RISK MANAGEMENT (CONTINUED)

limit of $1,000 per occurrence. For the year ended December 31, 2022 and six months ended December 31, 2021, VCE contributed $14,668 and $9,206 for coverage, respectively. Audited financial statements are available from YCPARMIA their website www.ycparmia.org. Condensed information for YCPARMIA for the most recent available year end is as follows:

	YCPARMIA June 30, 2021	
Total Assets	$	25,629,982
Deferred Outflows of Resources	$	198,662
Total Liabilities	$	21,797,446
Deferred Inflows of Resources	$	430,929
Net Position	$	3,600,269
Total Revenues	$	14,444,472
Total Expenses	$	14,327,899
Change in Net Position	$	116,573

The June 30, 2021 were the most recent audited financial statements available at the time of the preparation of this report.

9. COMMITMENTS AND CONTINGENCIES

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

10. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its period ended December 31, 2022 through DATE, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Valley Clean Energy Alliance
Davis, California

We have audited the financial statements of Valley Clean Energy Alliance as of and for the year ended December 31, 2022 and the six months ended December 31, 2021, and have issued our report thereon dated DATE. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

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

Planned Scope and Timing of the Audit

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

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Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

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

Significant Accounting Estimates

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

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

Management's estimate of the accrued revenue is based on actual revenues earned but not yet billed for December 2022. We evaluated the key factors and assumptions used to develop the estimate of accrued revenue and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We have provided a listing of the misstatements identified by us as a result of our audit procedures and corrected by management which were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

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

As of June 30, 2022

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

GASB Statement No. 91, Conduit Debt Obligations
Effective for the fiscal year ending June 30, 2023

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, Omnibus 2020
Effective dates vary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports – *Effective for the fiscal year ending December 31, 2021*
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan – *Effective for the fiscal year ending December 31, 2021*
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits – *Effective for the fiscal year ending December 31, 2021*
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements – *Effective for the fiscal year ending December 31, 2021*

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition – *Effective for the government acquisitions occurring in reporting periods beginning after June 15, 2020*
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers – *Effective for the fiscal year ending December, 2021*
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature – *Effective for the fiscal year ending December 31, 2021*
- Terminology used to refer to derivative instruments. – *Effective for the fiscal year ending December 31, 2021*

GASB Statement No. 93, Replacement of Interbank Offered Rates
Effective for the fiscal year ending June 30, 2023

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

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

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

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

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

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

GASB Statement No. 96, Subscription-Based Information Technology Arrangements
Effective for the fiscal year ending June 30, 2024

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

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

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit

(OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Board of Directors
Valley Clean Energy Alliance

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Clean Energy Alliance, as of and for the year ended December 31, 2022 and the six months ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements, and have issued our report thereon dated DATE.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

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

Status of Prior Year Findings

2021-01 Closing Entries

Observation
During the course of our audit, we identified three adjustments that needed to be posted which were material to the overall financial statements. See Attachment II, entries numbered 1, 3, 4, and 7. The material portions of the entries were related to the proper recording of receivables and revenues at December 31, 2021. The auditor identified entries number 1, 3, and 4 during the course of the audit and discussed with management, who approved them for posting into the general ledger. Based on differences we identified in cash, management researched and identified entry number 7 at the end of our audit. Since these adjustments were not identified by Valley Clean Energy Alliance as part of their standard closing procedures, they may indicate a deficiency in the internal control process over financial reporting.

Recommendation
We recommend that management set up a process in place for the timely review and approval of the cash, accounts receivable, and revenue reconciliations. This will help to identify and correct any possible errors and inconsistencies in a timely manner.

Management Response
Management agrees with the entries as discussed with the auditors. Coming out of the previous audit (FY2020-21), management identified areas for process improvements to specifically identify, address, and prevent findings such as those included in the entries in future reporting periods. Management notes that due to the unique and one-time shortened 6-month time-period for the current audit that is associated with VCE's transition to a fiscal year aligned with the calendar year, the improvements noted above have not yet been fully implemented. Management has also discussed and agreed with its partners engaged in the process to address the improvements needed. Management expects the process improvements to be included in the March accounting close period. They will be maintained from that point forward.

Status: Not an issue during the current year audit

ATTACHMENT II: ADJUSTING JOURNAL ENTRIES

Adjusting Journal Entries

Adjusting Journal Entries JE # 1			
Auditor entry to agree Equity to PY audit for AJEs not posted by client and for rounding variance.			
13710-0000	BILLED REVENUES	178,329	
22210-0000	ACCOUNTS PAYABLE	84,195	
45370-0000	BANKING FEES	1	
26310-0000	RETAINED EARNINGS - UNRESERVED		84,195
26310-0000	RETAINED EARNINGS - UNRESERVED		178,329
26310-0000	RETAINED EARNINGS - UNRESERVED		1
Total		**262,525**	**262,525**

Adjusting Journal Entries JE # 2			
PBC entry to correct Prepaids and Accrued Cost of Electricity balances at year-end.			
23040-0000	ACCRUED COST OF ELECTRICITY	870,000	
41510-0000	POWER PURCHASES	6,038	
14520-0000	RESERVE ADEQUACY		876,038
Total		**876,038**	**876,038**

Adjusting Journal Entries JE # 3			
Auditor entry to agree Billed Revenues to AR Aging.			
13710-0000	BILLED REVENUES	260,934	
30120-0000	COMMERCIAL & INDUSTRIAL SALES		260,934
Total		**260,934**	**260,934**

Adjusting Journal Entries JE # 4			
Auditor entry to adjust NEM receivables and payables to Aging report.			
30110-0000	RESIDENTIAL SALES	104,658	
30120-0000	COMMERCIAL & INDUSTRIAL SALES	156,988	
13725-0000	NEM RECEIVABLE		162,609
23020-0000	NEM CREDITS		99,037
Total		**261,646**	**261,646**

Adjusting Journal Entries JE # 7			
PBC entry to correct Lockbox and ICS cash accouts.			
13120-0000	CASH - LOCKBOX	300,000	
30110-0000	RESIDENTIAL SALES	191,176	
30120-0000	COMMERCIAL & INDUSTRIAL SALES	127,450	
13120-0000	CASH - LOCKBOX		318,626
13150-0000	CASH - ICS MM		300,000
Total		**618,626**	**618,626**

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 14

TO:	Board of Directors
FROM:	Chad Rinde, VCE Treasurer Edward Burnham, Finance and Operations Director
SUBJECT:	Treasury and Finance Update
DATE:	April 13, 2023

RECOMMENDATIONS

1. Receive Treasury and Finance Update
2. Ratify the County of Yolo Investment Policy for the calendar year 2023 as the Investment policy applicable to VCE.

OVERVIEW

The purpose of this staff report is to (1) ratify the County of Yolo Investment Policy for 2023, (2) receive an update on recent banking sector events and risk assessment, and (3) receive a preliminary timeline for the establishment of VCE's initial credit rating.

As detailed in the body of this report, VCE maintains a disciplined approach to assessing risks resulting from external challenges and continues to bolster its financial strength in preparation for its initial investment credit rating.

BACKGROUND

The Joint Powers Agreement between the County of Yolo, City of Davis, City of Woodland, and City of Winters specifies that the County of Yolo Chief Financial Officer will be the Treasurer and Auditor of Valley Clean Energy (VCE).

The Board has the discretion to appoint someone else qualified to perform these functions; however, at the formation of the Joint Powers Agency, it was determined that this arrangement provided additional oversight and a check and balance that was important as the agency matured. It also provided access to the experience of the County in serving special districts as the County Chief Financial Officer is the Treasurer and the Auditor for various other special districts such as rural Fire Districts, YCPARMIA, and others as required by law or voluntarily in JPA agreements.

The role of the Treasurer is three-fold and focuses on:

- Banking and Cash Management – Day to day transactions are ordinarily approved according to the delegation of authority provided to executive staff of VCE. However, the Treasurer retains the authority to select the banking institutions to be used and collaborate with staff in order to perform cash flow management to ensure that investing or financing occurs as needed.

- Investing – The Treasurer is responsible to invest funds in accordance with law and according to the agency's investment policy.
- Financing – The Treasurer participates as a key team member in financing decisions in accordance with policies on borrowing, debt and obligations. VCE's Debt policy was adopted to perform financings to comply with SB1029 (requires public agencies seeking financing to have a debt policy), which became effective in 2018.

ANALYSIS

As part of the VCE investment approach, the Treasurer collaborates with the Director of Finance and Internal Operations to update cash flow forecasts to determine VCE's capacity to invest funds. This includes looking to VCE's investment policy, which requires that funds invested are: first safe; second liquid to meet agency needs; and third to seek yields on investment (Att. A – County of Yolo Investment Policy).

In determining the ability to invest, the Treasurer reviewed VCE's existing agreements within the River City Bank Revolving Line of Credit (RLOC) Agreement which state:

> *Section 10.4 Exclusive Deposit Relationship.* Borrower shall maintain all of Borrower's deposit accounts exclusively with Lender. If this covenant is not satisfied, as determined by Lender, it will not constitute an Event of Default, but the Applicable Rate on all outstanding Notes will immediately increase by an additional 2.00 percentage margin. This margin shall continue to apply to each succeeding interest rate change that may apply thereafter so long as this covenant is not satisfied.
>
> *Section 10.11. Investments, Acquisitions, Loans Advances and Guarantees.* Borrower shall not directly or indirectly, make, retain or have any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances (other than for travel advances and other similar cash advances made to employees in the ordinary course of business) to any other Person, or acquire any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligations or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other person.

In short, these restrictions effectively require VCE's deposits to be placed with River City Bank and therefore, investment options are presently limited to those offered by River City Bank. River City Bank does, however, offer a money market account that allows for deposits to earn interest. Valley Clean Energy has opened a Money Market Account with RCB that provides same-day liquidity and generally pegs its interest rate to that of the Local Agency Investment Fund (LAIF) at the state level, (paid 1.250% annual interest rate for the month as of February 17, 2023 (Attachment B / Attachment C)), though the interest rate can be adjusted at the option of RCB at any time to reflect changing market conditions. This option is appropriate for VCE, considering the agency is still growing its cash position and has limited funds to invest. VCE staff meet regularly with River City Bank to explore options to ensure short-term yields on the account are rising in accordance with the present interest rate environment

Consistent with VCE's current approach, staff is recommending Board ratification of the Yolo County Investment Policy as VCE's Investment Policy for 2023.

Banking Environment and Risk Assessment

In early March 2023, Silvergate Bank, Silicon Valley Bank, and Signature Bank failed from financial distress due to significant market over-exposure to the technology sector or cryptocurrency. By March 16, the banking industry experienced large interbank flows of funds to shore up bank balance sheets, draws on federal reserve emergency liquidity tools, and many analysts were reporting on a U.S. banking crisis. Many banks had invested their reserves in U.S. Treasury securities, which had historically paid low interest rates. As the Federal Reserve began rapidly raising rates in 2022 to combat inflation, bond prices declined, which decreased the market value of bank capital reserves. When banks with high exposures to these sectors experienced rapid and significant customer withdraws of funds, this led to these banks being required to sell the bonds at steep losses as yields on new bonds were much higher which ultimately contributed significantly to the previously mentioned bank failures.

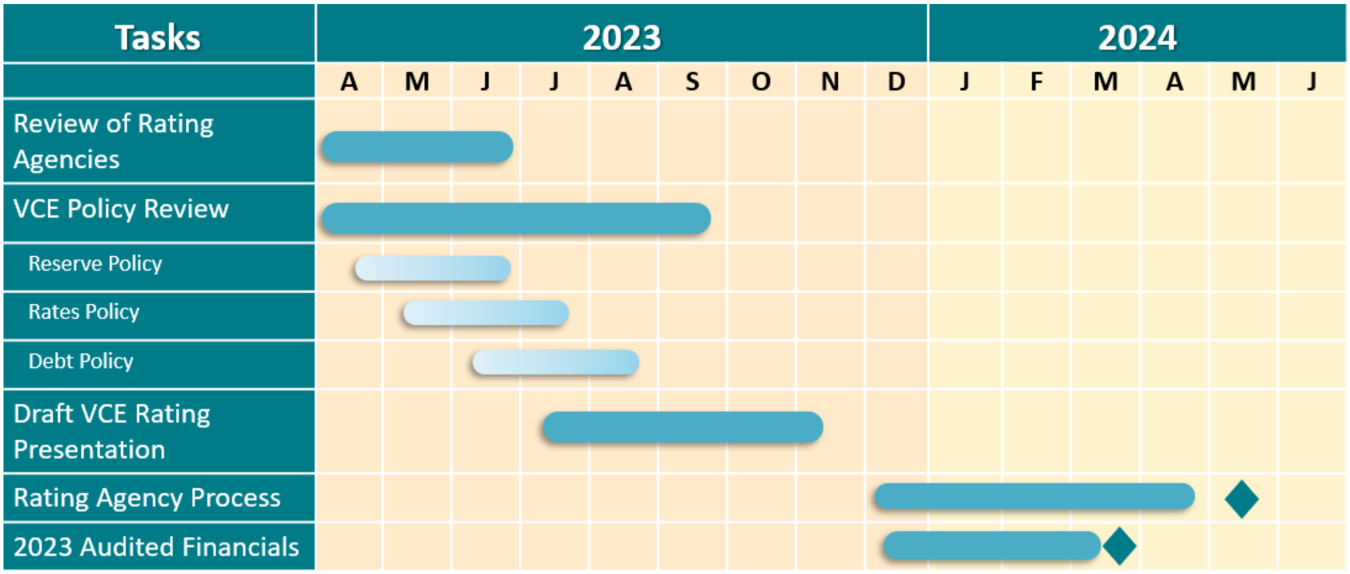
In response to banking failures, the Federal Reserve Board of Governors, Federal Deposit Insurance Corporation, and the United States Department of the Treasury announced that extraordinary measures would be taken to ensure all deposits were honored to stabilize the banking sector. The Federal Reserve separately announced the creation of the Bank Term Funding Program (BTFP). This program offers up to one year loans to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral.

VCE staff and the VCE Treasurer have discussed the associated risks and impacts resulting from the recent banking crisis and determined that no action is necessary at this time. This assessment included examining the strength of the current banking partner of VCE and looking at the banking and investment products utilized. VCE funds are limited to permitted investments (as described above) pursuant to the California Government Code (including Section 53601 et. seq.) or deposit funds for safekeeping in state or national banks, savings association, credit unions, or federal insured industrial loan companies (as described in Section 53635.2). Local agencies also have additional protections for their funds on deposit (excluding investment funds) in that they are required to be collateralized in accordance with Government Code 53630-53686. This requires banks or credit unions to set aside sufficient collateral to cover balances on deposit in the event of a bank failure and these balances are monitored by the California Department of Financial Protection and Innovation.

Initial Investment Grade Credit Rating - Timeline

Beginning in January 2020, the Board directed staff to develop a multi-year strategic plan to establish goals and guide VCE's activities over three years 2021 - 2023. On October 8, 2020, the Board adopted VCE's Three-Year Strategic Plan (Plan) for 2021-2023, which can be found here. The Plan included Goal 1 – Financial Strength and set objective 1.2 to "achieve an investment grade credit rating by the end of 2024", emphasizing the importance of VCE's financial health and independence. As part of the 2023 budget, the Board approved funding to begin the process of working toward an investment grade credit rating for VCE. The VCE Treasurer participated alongside the VCE executive team in the review of firm leading up to the selection of PFM as the financial advisor for VCE. VCE and it's Financial Advisor, PFM, will begin to establish VCE's initial investment grade credit rating based on the preliminary timeline outlined below.

VCE Initial Credit Rating
Preliminary Timeline



An investment grade credit rating will reduce risks in power purchase agreement negotiations, banking institution lines of credit, CPUC provider of last resort financial requirements (POLR), and overall capital costs for VCE.

CONCLUSION

Based on the information provided in this report, VCE staff plan to continue to utilize the River City Bank MMA and ICS accounts where excess funds exist to invest funds as options are extremely limited while VCE maintains the Revolving Line of Credit Agreement. VCE will continue to monitor and evaluate investment options, monitor and assess financial risks, and commence the initial credit rating process for 2024.

Staff requests that the VCE Board ratify the County of Yolo Investment Policy for 2023 as the applicable investment policy for VCE.

Attachments:

Attachment A – County of Yolo Investment Policy 2021
Attachment B – River City Materials on Public Money Market Account
Attachment C – River City Materials on Public Fund ICS Account

County of Yolo Administrative Policies and Procedures Manual

TITLE: Investment Policy

Department: Financial Services

TYPE: POLICY **DATE:** December 6, 2022

A. PURPOSE

This document is known as the annual investment policy and represents the policies of the Board of Supervisors of the County of Yolo related to the investment of funds under the control of the Chief Financial Officer. The office of the Auditor-Controller and the Treasurer-Tax Collector have been consolidated. All statutory duties, responsibilities, and budgets of the Auditor-Controller and Treasurer-Tax Collector are consolidated into the office known as the Chief Financial Officer as per Yolo County code section 2-5.113 effective January 5, 2015.

The Department of Financial Services was established to consolidate and perform all functions of the offices of the Auditor, Controller, Tax Collector, and Treasurer, and any other county-wide fiscal functions directed by the board as per county code sec. 2-5.2001.

This policy is prepared annually by the Chief Financial Officer in accordance with the California Government Code and prudent asset management principles. Pursuant to Government Code sections 27133 and 53646 this policy has been reviewed by the Financial Oversight Committee and approved by the Board of Supervisors at a public meeting.

B. APPLICABILITY

This policy will cover the period of January 1, 2023 through December 31, 2023.

This policy applies to the cash management and investment activities performed by County personnel and officials for any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool. The terms "County" and "county treasury pool" are used interchangeably and include all such funds so invested.

The investment of bond proceeds will be governed by the provisions of relevant bond and related legal documents.

The investment of endowment funds will be governed by the underlying laws, regulations, and specific governmental approvals under those laws pursuant to which the endowments were created. Endowment fund investments will primarily focus on the preservation of principal and use of investment income for operational purpose.

The investment of the Section 115 Trusts related to OPEB and Pension will be invested in compliance with the County Policies on “Accounting, Funding and Recovery of OPEB Costs” and the “Pension Funding Policy” and legal documents associated with the Section 115 Trusts.

C. **STANDARD OF CARE**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard which states that “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

This standard shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

D. **PUBLIC TRUST**

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the County's ability to govern effectively.

E. **OBJECTIVES**

The primary objectives, in descending priority order, of the investment activities of the County shall be:

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

2. **Liquidity**. The investment portfolio shall be maintained in such a manner as to provide sufficient liquidity to meet the operating requirements of any of the participants.

3. **Return on Investment.** The investment portfolio of the County shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and liquidity considerations.

F. **DELEGATION OF AUTHORITY**

Subject to Section 53607 the authority of the Board of Supervisors to invest or to reinvest funds of the pooled investments, or to sell or exchange securities so purchased, may be delegated for a one-year period by ordinance in accordance with Government Code Sections 27000.1 and 27000.3.

The Board of Supervisors has designated the Chief Financial Officer as its agent authorized to make investment decisions after considering the strategy proposed by the investment advisor.

G. <u>ETHICS AND CONFLICT OF INTEREST</u>

Individuals performing the investment function and members of the Financial Oversight Committee (FOC) shall maintain the highest standards of conduct.

<u>County Officers and employees</u> involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. These individuals should follow the Code of Ethics for Procurement approved by the Board of Supervisors and comply with all relevant provisions of the Political Reform Act, especially the requirements of Chapter 7 – Conflict of Interest and Chapter 9.5 – Ethics. The key requirements are listed below:

1. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could affect their ability to make impartial decisions.

2. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

3. Officers and employees shall not accept gifts or gratuities with a value exceeding $500 in any one year from any bank, broker, dealer, or any other person, firm, or organization who conducts business with the Department of Financial Services.

4. No person with investment decision-making authority in the County Administrator's office or the Department of Financial Services may serve on the board of directors or any committee appointed by the board or the credit committee or supervisory committee of a state or federal credit union which is a depository for County funds.

The Financial Oversight Committee Charter includes the following requirements for <u>members</u> of the committee:

1. A member shall disclose to the committee at a regular meeting any activities that directly or indirectly raised money for a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the committee. For purposes of this subsection, raising money includes soliciting, receiving, or controlling campaign funds of a candidate, but not the member's individual campaign contributions or non-financial support. This section does not apply to a member raising money for his or her own campaign.

2. A member shall disclose to the Committee at a regular meeting any contributions, in the previous three years or during the period that the employee is a member of the committee, by an employer to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury.

3. A member cannot secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, financial services firms, financial institutions, and municipal advisors with whom the County is doing business during the member's Financial Oversight Committee membership period or for one year after leaving the Financial Oversight Committee. This subsection only applies to employment or soliciting employment, and not other relationships with such companies with whom the County is doing business.

4. A member shall disclose to the Committee any honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons who conduct business with the Department of Financial Services while a member of the Committee. All members shall also comply with the requirements of the Political Reform Act or any other law or regulation regarding to receipt and disclosure of financial benefits and conflicts.

H. INTERNAL CONTROLS

Internal control procedures shall be established and maintained by the Department of Financial Services that provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, misuse, or mismanagement. The internal controls shall be reviewed as part of the regular annual independent audit. The controls and procedures shall be designed to prevent employee error, misrepresentations by third parties, and imprudent or illegal actions by employees or officers of the County.

I. CASH MANAGEMENT

In determining the amount that can be invested County personnel shall take into account the liquidity needs of the County and the agencies in the Treasury pool, and shall take reasonable steps to ensure that cash flow requirements of the County and pool participants are met for the next six months, barring unforeseen actions from the State Controller or other funding sources, such as deferral of cash payments.

County personnel shall maintain separate accounting for cash funds and monitor aggregate cash balances of the County and each agency in the Treasury pool, and shall notify the County Administrator or agency management of unhealthy trends in aggregate cash balances. Unhealthy trends may include but are not limited to deferral of cash payments from State, Federal grantors, or other funding sources, significant declines in available aggregate cash balances, or near-deficit aggregate balances. Agencies that are so notified are expected to take immediate action to cure any deficit and improve cash balances. Continuing deficits shall be reported to the Board of Supervisors for further action.

The Chief Financial Officer shall provide quarterly reports on total cash flows and balances of the Treasury Pool to the Financial Oversight Committee.

J. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

The County may secure the services of an Investment Advisor. Precautionary contractual language with such an adviser shall include: delivery versus payment methods, third-party custody arrangements, prohibitions against self-dealings, independent audits, and other appropriate internal control measures as deemed necessary by the Chief Financial Officer.

The County or the County's Investment Advisor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment transaction purposes, and it shall be the policy of the County to purchase securities only from those authorized institutions or firms. Authorized brokers/dealers must either (i) be classified as Reporting Dealers affiliated with the New York Federal Reserve Bank as Primary Dealers or (ii) be registered to conduct business in the State of California and be licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code.

No broker/dealer shall be selected which has within any consecutive 48-month period made a political contribution to any member of the Board of Supervisors or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

K. PERMITTED INVESTMENT INSTRUMENTS

1. United States Treasury Obligations. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. Federal Agency Obligations. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

3. California Municipal Obligations. Obligations of the State of California, this local agency or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state, this local agency or any local agency or by a department, board, agency or authority of the state or any local agency that is rated in a rating category of “A” long term or “A-1” short term, the equivalent or higher by a nationally recognized statistical rating organization (NRSRO). Any investment in obligations of this local agency shall be in a ratio proportionate to the County’s share of the pooled investments.

4. Other 49 State Municipal Securities. Registered treasury notes or bonds issued by any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state that is rated in a rating category of “A” long term or “A-1” short term, the equivalent or higher by a NRSRO.

5. Repurchase Agreements. Agreements to be used solely as short-term investments not to exceed 90 days.

   The County may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

   The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described above in (K)(1) and (K)(2), will be acceptable collateral.

   All securities underlying Repurchase Agreements must be delivered to the County's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102 percent of the total dollar value of the money invested by the County for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly.

   Market value must be calculated each time there is a substitution of collateral.

   The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

   The County will have properly executed a Public Securities Association (PSA) agreement with each counter party with which it enters into Repurchase Agreements.

6. Banker's Acceptances. Issued by domestic or foreign banks, the short-term paper of which is rated in the highest category by a nationally recognized statistical rating organization (NRSRO).

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the County's investment portfolio.

7. Commercial Paper. Of prime quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions shown in either paragraph (A) or paragraph (B):

   a. The entity meets the following criteria:

      i. Is organized and operating in the United States as a general corporation.
      ii. Has total assets in excess of five hundred million dollars ($500,000,000).
      iii. Has debt other than commercial paper, if any, that is rated in a rating category of “A”, the equivalent or higher by a nationally recognized statistical-rating organization (NRSRO).

   b. The entity meets the following criteria:

      i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
      ii. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
      iii. Has commercial paper that is rated in a rating category “A-1", the equivalent or higher by a nationally recognized statistical-rating organization (NRSRO).

   Purchases of eligible commercial paper may not exceed 270 days maturity. No more than 40 percent of the County’s investment portfolio may be invested in eligible commercial paper.

8. Medium-Term Corporate Notes. Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A", the equivalent or higher by a nationally recognized statistical rating organization (NRSRO) and shall have a maximum remaining maturity of five years or less. Purchase of medium-term corporate notes may not exceed 30 percent of the County's investment portfolio.

9. Non-Negotiable Certificates of Deposit. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53651, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The County, at its discretion and by majority vote of the Board of Supervisors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance. Alternatively, the County may invest in deposits, including certificates of deposit, at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit as provided for in Government Code section 53635.8.

10. Negotiable Certificates of Deposit. Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a federally-licensed or a state-licensed branch of a foreign bank that is rated in a rating category of “A” long-term or “A-1 short-term, the equivalent or higher by a nationally recognized statistical rating organization (NRSRO). Purchases of all negotiable certificates of deposit may not exceed 30 percent of the County's investment portfolio.

11. Local Government Investment Pools. (Either state-administered or through joint powers statutes and other intergovernmental agreement legislation.) Investments may be maximized to the level allowed by the State and should be reviewed periodically. Investment objectives, limitations, and controls of each pool must be consistent with this policy.

12. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the largest nationally recognized statistical rating organizations or (2) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of $500,000,000. Money Market Funds shall not exceed 20 percent of the investment portfolio of the County as recorded at purchase price on date of purchase.

13. Asset-Backed Securities. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. Eligible securities must be rated, by a nationally recognized statistical rating organization, as "AAA", and have a maximum remaining maturity of five years or less. No more than 20 percent of the County’s investment portfolio may be invested in this type of security.

14. Reverse Repurchase Agreements. Reverse repurchase agreements shall be used primarily as a cash flow management tool and subject to all the following conditions

    a. The security to be sold using a reverse repurchase agreement has been owned and fully paid for by the County for a minimum of 30 days prior to sale.

    b. The total of all reverse repurchase agreements on investments owned by the County does not exceed 20 percent of the base value of the portfolio. The base value of the County's portfolio for this section is defined as that dollar amount obtained by totaling all cash balances placed in the portfolio by all participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

    c. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

    d. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

e. Investments in reverse repurchase agreements or similar investments in which the County sells securities prior to purchase with a simultaneous agreement to repurchase the security shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency. A significant banking relationship is defined by any of the following activities of a bank:

i. Involvement in the creation, sale, purchase, or retirement of the County's bonds, warrants, notes, or other evidence of indebtedness.
ii. Financing of the County's activities.
iii. Acceptance of the County's securities or funds as deposits.

15. Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA”, the equivalent or higher by a NRSRO. Purchases of these securities shall not exceed 30 percent of the County’s portfolio.

The Chief Financial Officer may make permitted investments (as described above) pursuant to the California Government Code (including Section 53601 et. seq.) or deposit funds for safekeeping in state or national banks, savings association, credit unions, or federal insured industrial loan companies (as described in Section 53635.2). For purposes of compliance with this policy, an investment’s term or remaining maturity shall be measured from the settlement date to final maturity. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment.

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. Should a security owned by the County be downgraded below “A” the Investment Advisor shall immediately notify the Chief Financial Officer who will report to the Board of Supervisors, at their next regularly scheduled meeting, the circumstances of the downgrade and any action taken or recommended.

L. INELIGIBLE INVESTMENTS

The County shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

Effective January 1, 2021, the County may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The County may hold these instruments until their maturity dates. Securities described in this paragraph shall remain in effect only until January 1, 2026, and as of that date is repealed.

Any other security not specifically permitted by Section K is prohibited.

M. MAXIMUM MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the County to meet all projected obligations.

Where this policy does not specify a limitation on the term or remaining maturity at the time of the investment, or unless authorized by the Board of Supervisors no less than three months prior to the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement as authorized by this policy that at the time of the investment has a term remaining to maturity in excess of five years.

The Board of Supervisors has specifically approved investment maturities beyond five years for certain three long-term portfolios: Yolo County Landfill Closure Trust Fund, the Yolo County Cache Creek Maintenance and Remediation Fund, and the Demeter Endowment (funds deallocated from the Ceres Tobacco Endowment Fund).

N. DIVERSIFICATION & PERCENTAGE LIMITATIONS

The County shall limit the County's investments in any one issuer to no more than 5 percent of the County's total investments at the time of purchase, except for U.S. Treasuries, Federal Agencies, Supranationals, repurchase and reverse repurchase agreements, and pooled investments such as local government investment pools, LAIF, and money market funds

All percentage limitations apply at the time of the investment (purchase date).

O. REPORTING REQUIREMENTS

The Chief Financial Officer shall render a quarterly investment report to the Board of Supervisors that includes, at a minimum, the following information for each investment:

- Type of investment instrument (e.g., U.S. Treasury note, Federal Agency note)
- Issuer name (e.g., General Electric Capital Corp.)
- Credit quality
- Purchase date
- Maturity date
- Par value
- Purchase price
- Current market value and the source of the valuation
- Current amortized or book value
- Accrued interest
- Original yield to maturity
- Overall portfolio yield based on cost
- New investment transactions

The quarterly report shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the County's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement explaining the ability of the County to meet its cash flows requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be available within 45 days following the end of the quarter and submitted to the Board of Supervisors at the earliest reasonable opportunity, with copies published and available to all pool participants.

P. **ANNUAL REVIEW OF INVESTMENT POLICY**

The Chief Financial Officer shall annually prepare an investment policy that will be reviewed by the County Financial Oversight Committee and submitted to the Board of Supervisors for approval in a public meeting. Any change to the investment policy shall be reviewed and approved by the Board in a public meeting.

Q. **SAFEKEEPING AND CUSTODY**

All securities, whether negotiable, bearer, registered or non-registered shall be delivered either by book entry or physical delivery to the County's third-party custodian.

Monthly safekeeping statements are received from custodians where securities are held. Authorized personnel, other than the person handling daily investments, shall review the statements to confirm that investment transactions have settled and been delivered to the County's third-party custodian.

R. **APPORTIONMENT OF EARNINGS AND COSTS**

The manner of calculating and apportioning the cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds is as follows:

Investment earnings shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. Earnings are computed on an accrual basis and the effective date that earnings are deposited into each fund is the first day of the following quarter (January 1, April 1, July 1, and October 1).

Direct and Administrative (including indirect) costs associated with investing, depositing, banking, auditing, reporting, safekeeping, or otherwise handling or managing funds shall be netted against any moneys received pursuant to state mandated reimbursements and deducted from the gross investment earnings in the quarter received.

S. **CRITERIA FOR CONSIDERING REQUEST TO WITHDRAW FUNDS**

Withdrawal of funds from County Treasurer Pool may occur pursuant to Government Code Section 27136 and approval of the Board of Supervisors.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investment in the County Pool will be based on the following criteria:

- Size of withdrawal
- Size of remaining balances of:
  - Pool
  - Agency
- Current market conditions
- Duration of withdrawal
- Effect on predicted cash flows
- A determination if there will be sufficient balances remaining to cover costs

- Proof that adequate information has been supplied in order to make a proper finding that other pool participants will not be adversely affected.

The Chief Financial Officer reserves the right to mark a fund balance to market value prior to allowing a withdrawal if it is deemed necessary to be equitable to the remaining funds.

T. TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS

All entities qualifying under California Government Code Section 27133 (g) may deposit funds for investment purposes providing all of the following has been accomplished: (1) the agency's administrative body has requested the privilege, (2) has agreed to terms and conditions of an investment agreement as prescribed by the County's Board of Supervisors, (3) has by resolution identified the authorized officer acting on behalf of the agency; and (4) the Chief Financial Officer has prescribed the appropriate accounting procedures.

U. AUDIT

1. Annual Compliance Audit - The Financial Oversight Committee is not designated a Treasury Oversight Committee however the FOC may cause an annual audit pursuant to Government Code section 27134 at its discretion which may include issues relating to the structure of the investment portfolio and risk. The costs of complying with this article shall be County charges and may be included with those charges enumerated under Section 27013.

2. Quarterly Review and Annual Financial Audit – The Chief Financial Officer shall cause quarterly reviews to be made of the Treasury Division records relative to the type and amount of assets in the treasury, pursuant to Government Code sections 26920 - 26923. The Chief Financial Officer shall also cause an annual financial audit to be made of the Treasury Division's records as of June 30. In addition to an opinion on the statement of assets held in the treasury this audit shall include a review of the adequacy of internal controls.

The annual compliance audit and the annual financial audit may be combined.

The Chief Financial Officer shall report audits that contain significant audit findings to the Audit Subcommittee of the Board of Supervisors immediately and to the full Board at the earliest reasonable opportunity. Copies of the audit reports shall be provided to the Financial Oversight Committee.

All audit recommendations shall be addressed timely and in a manner acceptable to the Board of Supervisors' Audit Subcommittee.

RiverCityBank

Public Fund Money Market

Product Information and Disclosure

Accurate as of: 2/17/2023

Your interest rate may change. At our discretion, we may change the interest rate on your account at any time.

Tier	Interest Rate
$5,000 and Over	1.250%

Basic Terms and Conditions	
Minimum Deposit to Open Account	**$5,000**
Maintenance Fee	**$10** per statement cycle
How to Avoid the Maintenance Fee	**$0** maintenance fee when you maintain an average daily balance of **$5,000.00** during each statement cycle. The average daily balance is calculated by adding the principal in the account for each day of the period and dividing that figure by the number of days in the period.
Interest Compounding and Crediting Frequency	Interest will be compounded every day. Interest will be credited to your account every month.
Effect of Closing an Account	If you close your account before interest is credited, you will not receive the accrued interest.
Minimum Balance to Obtain the Disclosed Interest Rate	**$5,000.00** minimum daily balance
Balance Computation Method	We use the daily balance method to calculate interest on your account. This method applies a daily periodic rate to the principal in the account each day.
Accrual of Interest on Noncash Deposits	Interest begins to accrue no later than the business day we receive credit for the deposit of noncash items (for example checks).
Transaction Limitations	**$15** Excessive Withdrawal Fee will be charged for each preauthorized/automatic withdrawal or transfer to another account or third party in excess of 6 per calendar month. This limit does not apply to withdrawals or transfers made in person at a branch or ATM.
Refer to the Deposit Account Agreement, and Schedule of Miscellaneous Fees and Service Charges for additional information.	

ICS INSURED CASH SWEEP

Safety. Return. Freedom.

Through ICS®, the Insured Cash Sweep® service, many government depositors can access multi-million-dollar FDIC insurance on funds placed into money market deposit accounts.

Through ICS, you can:

Enjoy peace of mind
ICS funds are eligible for multi-million-dollar FDIC insurance that's backed by the full faith and credit of the United States government.

Earn interest
Put excess cash balances to work in savings accounts (money market deposit accounts).

Save time
By providing access to FDIC insurance through a single bank relationship, ICS can help your organization to comply with investment policy mandates and avoid the hassles associated with ongoing collateral-tracking.

Access funds
Enjoy daily liquidity in your transaction account at our bank; replenish the transaction account by withdrawing ICS funds up to six times per month.

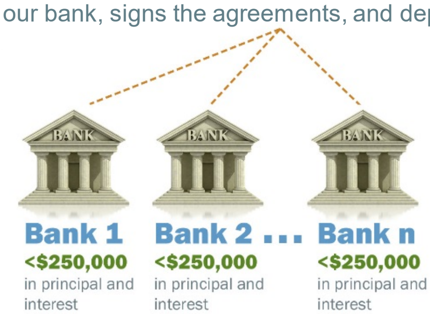
Support your community
Feel good knowing that the full amount of your funds placed through ICS can stay local to support lending opportunities that build a stronger community.*

Simply put, with ICS, you can have it all.

How does ICS work?

Work directly with just us—an institution you already know and trust—to access coverage from many, receive just one regular statement, and know that your confidential information remains protected.

Your organization has or sets up a transaction account with our bank, signs the agreements, and deposits funds.



Deposits are sent to money market deposit accounts at other member institutions in amounts under the standard FDIC insurance maximum of $250,000.*

River City Bank

Member FDIC

* When deposited funds are exchanged on a dollar-for-dollar basis with other banks in the ICS Network, we can use the full amount of a deposit placed through ICS for local lending, satisfying some depositors' local investment goals or mandates. In certain states, and with a depositor's consent, we may choose to receive fee income instead of deposits from other banks. Under these circumstances, deposited funds would not be available for local lending.

Placement of funds through the ICS service is subject to the terms, conditions, and disclosures in the service agreements, including the Deposit Placement Agreement ("DPA"). Limits and customer eligibility criteria apply. In the ICS savings option, program withdrawals are limited to six per month. Although funds are placed at destination banks in amounts that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA"), a depositor's balances at the relationship institution that places the funds may exceed the SMDIA (e.g., before ICS settlement for a deposit or after ICS settlement for a withdrawal) or be ineligible for FDIC insurance (if the relationship institution is not a bank). As stated in the DPA, the depositor is responsible for making any necessary arrangements to protect such balances consistent with applicable law. If the depositor is subject to restrictions on placement of its funds, the depositor is responsible for determining whether its use of ICS satisfies those restrictions. ICS and Insured Cash Sweep are registered service marks of Promontory Interfinancial Network, LLC. 0818

Using ICS® for Public Funds

In the State of California

CALIFORNIA GOVERNMENT CODE
Title 5. Local Agencies
Division 2. Cities, Counties, and Other Agencies
Part 1. Powers and Duties Common to Cities, Counties, and Other Agencies
Chapter 4. Financial Affairs
Article 1. Investment of Surplus

53600. As used in this article, "**local agency**" means **county, city, city and county**, including a chartered city or county, **school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.**

SECTION 53601.8 Excerpt [As amended, effective January 1, 2020
[SECTION 53635.8 is similar to Section 53601.8]

Notwithstanding any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:
(a) The local agency shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the “selected” depository institution.
(b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
(c) The selected depository institution shall request that the local agency inform it of depository institutions at which the local agency has other deposits, and the selected depository institution shall provide that information to the private sector entity.
(d) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring all of the following:
(1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
(2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.
(3) At the time of the local agency’s investment with a selected depository institution and no less than monthly thereafter, the private sector entity shall ensure that the local agency is provided with an inventory of all depository institutions in which deposits have been placed on the local agency’s behalf, that are within the private sector entity’s network.
(4) Within its network, the private sector entity shall ensure that it does not place additional deposits from a particular local agency with any depository institution identified pursuant to subdivision (c) as holding that local agency’s deposits if those additional deposits would result in that local agency’s total amount on deposit at that depository institution exceeding the Federal Deposit Insurance Corporation or the National Credit Union Administration insurance limit.
(e) If a selected depository uses two or more private sector entities to assist in the placement of a local agency’s deposits, the selected depository shall ensure that it does not place additional deposits from a particular local agency with a depository institution if those additional deposits would result in that local agency’s total amount on deposit at that depository institution exceeding the Federal Deposit Insurance Corporation or the National Credit Union Administration insurance limit.
(f) The selected depository institution shall serve as a custodian for each such deposit.
(g) On the same date that the local agency’s funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).
(h) Notwithstanding subdivisions (a) to (g), inclusive, a credit union shall not act as a selected depository institution under this section unless both of the following conditions are satisfied:
(1) The credit union offers federal depository insurance through the National Credit Union Administration.
(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
(i) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
(j) The deposits placed pursuant to this section shall be subject to Section 53638 and shall not, in total, exceed 50 percent of the agency’s funds that may be invested for this purpose.
(k) This section shall remain in effect until January 1, 2026, and as of that date is repealed.
(Amended (as amended by Stats. 2015, Ch. 181, Sec. 1) by Stats. 2019, Ch. 619, Sec. 1. (AB 945) Effective January 1, 2020. Repealed as of January 1, 2026, by its own provisions. See later operative version, as amended by Sec. 3 of Stats. 2019, Ch. 619.)