Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, May 13, 2021 at 5:00 p.m.
Via Video/Teleconference

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

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

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

Join meeting via Zoom:

a. **From a PC, Mac, iPad, iPhone, or Android device with high-speed internet. (If your device does not have audio, please also join by phone.)**
   https://us02web.zoom.us/j/84297639317
   Meeting ID: 842 9763 9317

b. **By phone**
   One tap mobile:
   +1-669-900-9128,, 84297639317# US
   +1-346-248-7799,, 84297639317# US

   Dial:
   +1-669-900-9128 US
   +1-346-248-7799 US
   Meeting ID: #842 9763 9317

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

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

5:00 p.m. Call to Order

1. **Welcome**

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

CONSENT AGENDA

4. **Approve April 8, 2021 Board meeting Minutes.**
5. **Receive 2021 Long Range Calendar.**
6. **Receive Financial Update – March 31, 2021 (unaudited) financial statement.**
7. **Receive Legislative update.**
8. **Receive May 5, 2021 Regulatory update provided by Keyes & Fox.**
9. **Receive May 5, 2021 Customer Enrollment update.**
10. **Receive Community Advisory Committee April 22, 2021 meeting summary.**
11. **Ratify Amendment 22 to Task Order 2 to Sacramento Municipal Utility District Professional Services Agreement authorizing the implementation of the Net Energy Meter Donation program web form. (Action)**
12. **Ratify Amendment 23 to Task Order 2 to Sacramento Municipal Utility District Professional Services Agreement authorizing the CARE, FERA and Arrearage Management Plan bill assistance outbound call campaign. (Action)**
13. **Update on SACOG Grant – Electrify Yolo.**
14. **Authorize Interim General Manager to execute the letter from Sacramento Municipal Utility District (SMUD) authorizing SMUD to sell Resource Adequacy to the Central Procurement Entity and VCE assume the PG&E default risk.**

REGULAR AGENDA

15. **Discuss policy strategies to plan for incorporation of long-term renewable contracts into VCE's power portfolio and to address fiscal year 2021/22 Power Charge Indifference Adjustment (PCIA) and Resource Adequacy (RA) cost impacts. (Discussion)**
16. **Update on COVID-19 related impacts to load forecast and budget. (Informational)**
17. **Fiscal Year 2021/2022 draft Operating Budget update. (Informational/Discussion)**
18. **Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

CLOSED SESSION

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

19. **A. Appointment of VCEA General Counsel**
    Pursuant to Government Code Section 54957

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

20. **Reconvene in open session to report from Closed Session, if needed. It is anticipated that the Board will have nothing to report out.**

21. **Adjournment:** The Board has scheduled a meeting for Thursday, June 10, 2021 at 5:00 p.m. to be held via video/teleconference.

PUBLIC PARTICIPATION INSTRUCTIONS FOR VALLEY CLEAN ENERGY BOARD OF DIRECTORS MEETING ON THURSDAY, MAY 13, 2021 AT 5:00 P.M.:

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

Public participation via e-mail: If you have anything that you wish to be distributed to the Board and included in the official record, please e-mail it to VCE staff at Meetings@ValleyCleanEnergy.org. If information is received by 3:00 p.m. on the day of the Board meeting it will be e-mailed to the Board members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting.

Verbal public participation during the meeting: If participating during the meeting, there are two (2) ways for the public to provide verbal comments:

1) 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".
2) If you are attending by phone only, you will need to press *9 to raise your hand. When called upon, please 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 Comments: If you wish to make a public comment at this meeting, please e-mail your public comment to Meetings@ValleyCleanEnergy.org or notifying the host as described above. Written public comments that do not exceed 300 words will be read by the VCE Board Clerk, or other assigned VCE staff, to the Committee and the public during the meeting subject to the usual time limit for public comments [two (2) minutes]. General written public comments will be read during Item 3, Public Comment. Written public comment on individual agenda items should include the item number in the "Subject" line for the e-mail and the Clerk will read the comment during the item. Items read cannot exceed 300 words or approximately two (2) minutes in length. All written comments received will be posted to the VCE website. E-mail comments received after the item is called will be distributed to the Board and posted on the VCE website so long as they are received by the end of the meeting.

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

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk / Administrative Analyst

SUBJECT: Approval of Minutes from April 8, 2021 Board Meeting

DATE: May 13, 2021

RECOMMENDATION

Receive, review and approve the attached April 8, 2021 Board meeting Minutes.

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS REGULAR AND SPECIAL MEETINGS
THURSDAY, APRIL 8, 2021

The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular and Special meetings scheduled for Thursday, April 8, 2021 at 4:00 p.m., to be held via Zoom webinar. Chair Dan Carson announced that the Special meeting will be held concurrently with the regular meeting. Chair Carson established that there was a quorum present and began the regular and Special meetings at 4:02 p.m.

Board Members Present:	Dan Carson, Jesse Loren, Don Saylor, Lucas Frerichs, Wade Cowan, Gary Sandy, Mayra Vega
Members Absent:	Tom Stallard

Welcome and Approval of Regular and Special Meeting Agenda	Motion made by Director Saylor to approve the April 8, 2021 regular Board meeting agenda, seconded by Director Loren. Motion passed with Tom Stallard absent. Motion made by Director Loren to approve the April 8, 2021 special Board meeting agenda, seconded by Director Cowan. Motion passed with Tom Stallard absent.
Public Comment – General and Consent	Chair Carson opened the floor for public comment for items not listed on the agenda and items listed on the Consent Agenda. Verbal public comment was provided by Christine Shewmaker, Community Advisory Committee Chair: On behalf of Vice Chair Cynthia Rodriguez, the CAC and herself, she would like to reissue an invitation to the Board to attend any of the CAC meetings. She noted that Dr. Olof Bystrom from SMUD will be presenting at their April 22nd meeting, on SMUD's 2030 zero carbon plan. The invitation to the Board is to attend any of the meetings. There were no written public comments.
Approval of Consent Agenda / Resolutions 2021-	Chair Carson informed those present that the two meeting agenda are combined now with an additional Consent item – update to the CC Power JPA membership resolution, which becomes item 15 and the remaining

VALLEY CLEAN ENERGY

007 through 2021-010

regular agenda renumbered accordingly. Motion made by Director Loren to approve the consent agenda as amended, seconded by Director Frerichs. Motion passed with Tom Stallard absent.

The following items were approved, ratified, and/or received:
4. March 11, 2021 Board meeting Minutes;
5. 2021 Long Range Calendar;
6. Financial update – February 28, 2021 (unaudited) financial statement;
7. Legislative update;
8. April 1, 2021 Regulatory update provided by Keyes & Fox;
9. March 31, 2021 Customer Enrollment Update;
10. Community Advisory Committee March 25, 2021 meeting summary;
11. Amendment 3 to Pacific Policy Group lobbyist consultant agreement extending the agreement to June 30, 2022 at a not to exceed amount of $60,000 as Resolution 2021-007;
12. Extension of agreement with Donald Dame for consulting services to expire on June 30, 2022;
13. Amendment to Resolution 2020-022 to modify time for regular Board meetings as Resolution 2021-008;
14. First Amendment to the Westlands Solar Park Power Purchase Agreement modifying Force Majeure and Liability Provisions as Resolution 2021-009; and,
15. Revised and updated Resolution 2021-006 joining California Community Power Agency Joint Powers Authority to facilitate joint procurement of energy products with other Community Choice Aggregators and Agencies as Resolution 2021-010.

Chair Carson pointed out that on Item 5 – Long Range Calendar, he made mention that the August meeting is a placeholder for a meeting if needed, but that currently the Board plans not to meet in August.

Item ~~15~~ 16: Introduction of Fiscal Year 2021/2022 preliminary draft Operating Budget. (Discussion)

VCE Interim General Manager Mitch Sears introduced this item. VCE Staff Edward Burnham reviewed slides providing an overview of the fiscal year 2019/2020 (FY21/22) draft operating budget, update and forecast of the current budget year, draft fiscal year 2021/2022 operating budget, preliminary energy and other expenses, and other budget considerations.

Board members asked questions and discussed several items, such as load forecast – residential and non-residential, reserve monies, personnel retirement costs, outreach and marketing budget, potential costs that could affect the budget, and possible mitigation measures.

There are no written or verbal public comments.

Item 17: Board Member and Staff Announcements	Director Frerichs asked if VCE Staff will be responding to a letter to the Davis Enterprise editor about VCE. Mr. Sears commented that staff was aware of the letter. Staff conferred with Chair Carson and submitting a response may not be warranted; however, a brief response can be prepared. Mr. Sears informed those present that VCE is on LAFCO's April 22nd agenda for review of operations. He does not anticipate any issues. He informed those present that the City of Stockton completed and released their Feasibility Study. VCE has been providing informal support to the City of Stockton and have offered to take their load numbers and run through our model to look at it fiscally. The model will give them data points for consideration in determining whether to run their own CCA or join another CCA. VCE staff have been participating in CPUC, CAISO and Energy Commission conversations regarding heat storms and the possibility of expanding VCE's Peak Day Pricing program with the goal to engage VCE large customers in participating in the program. Mr. Sears informed those present that a request for proposal for general (legal) counsel has been advertised and distributed to numerous firms. Staff will be working with the Board Subcommittee to get a short list of candidates, then prospective firms to the Board at their May meeting for discussion and selection. The next Board meeting is scheduled for May 13, 2021 at 5 p.m. via video / teleconference.
Adjournment	Chair Carson adjourned the meeting at 4:57 p.m.

Alisa M. Lembke
VCEA Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 5

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Board and Community Advisory Committee 2021 Long-Range Calendar

DATE: May 13, 2021

Recommendation

Receive and file the 2021 Board and Community Advisory Committee long-range calendar listing proposed meeting topics.

VALLEY CLEAN ENERGY

2021 Meeting Dates and ***Proposed*** Topics – Board and Community Advisory Committee

MEETING DATE		TOPICS	ACTION
~~January 14, 2021~~ Special Meeting January 21, 2021	**Board** ~~WOODLAND~~	• Oaths of Office for Board Members (Annual if new Members) • Approve Updated CAC Charge (Annual) • Approve 2021 Procurement Plan • Treasurer Function / Investment • GHG Free Attributes • Power Purchase Agreement • Arrearage Management Plan	• Action • Action • Action • Action • Action • Action • Action
January 28, 2021	**Advisory Committee** ~~WOODLAND~~	• Formation of 2021 Task Groups (Annual) • Quarterly Power Procurement / Renewable Portfolio Standard Update • Quarterly Strategic Plan update • New Building Electrification • 2021 Marketing Outreach Plan • CA Community Power Agency Joint Powers Authority	• Discussion/Action • Informational • Informational • Informational/Discussion • Action: Recommendation to Board • Action: Recommendation to Board
February 11, 2021	**Board** ~~DAVIS~~	• Update on SACOG Grant – Electrify Yolo • 2021 Marketing Outreach Plan • CA Community Power Agency Joint Powers Authority • Update on January 2021 Rates • Update on Time of Use (TOU) roll out	• Informational • Action • Discussion/Action • Informational • Informational
February 25, 2021	**Advisory Committee** ~~DAVIS~~	• Update on SACOG Grant – Electrify Yolo • 2021 Task Groups – Tasks/Charge (Annual) • New Building Electrification • Legislative Bills • Update on Time of Use (TOU) roll out	• Informational • Discussion/Action • Discussion/Action • Discussion/Action • Informational

March 11, 2021	**Board** ~~WOODLAND~~	• New Building Electrification • Legislative Bills	• Discussion/Action • Action
March 25, 2021	**Advisory Committee** ~~WOODLAND~~	• Draft Programs Plan	• Discussion
April 8, 2021	**Board** ~~DAVIS~~	• Preliminary FY21/22 Operating Budget (Annual)	• Informational/Discussion
April 22, 2021	**Advisory Committee** ~~DAVIS~~	• 2021 and 2022 Power Content Update • Quarterly Strategic Plan update • SMUD 2030 Zero Carbon Plan - presentation • AB 992 (Social Media)/Brown Act - Best Best Krieger presentation • Update on SACOG Grant – Electrify Yolo	• Informational • Informational • Informational • Informational/Discussion • Informational
May 13, 2021	**Board** ~~WINTERS~~	• Update on FY21/22 draft Operating Budget • Update on SACOG Grant – Electrify Yolo • Amendments 22 and 23 to SMUD Agreement Task Order 2 • Execution of Letter Re: SMUD, Resource Adequacy to the Central Procurement District	• Informational • Informational • Action • Action
May 27, 2021	**Advisory Committee** ~~WOODLAND~~	• Net Energy Metering (NEM) 3.0 and NEM Policy Update • Briefing on preliminary FY21/22 Operating Budget • Power Planning 2022 / Renewable Content • Draft 3-Year Programs Plan (placeholder) • Portfolio Content Discussion	• Informational • Informational • Discussion/Action • Action: Recommendation to the Board • Discussion
June 10, 2021	**Board** ~~DAVIS~~	• Final Approval of FY21/22 Operating Budget (Annual) • Receive Enterprise Risk Management Report (Bi-annual) • Extension of Waiver of Opt-Out Fees for one more year (Annual) • Re/Appointment of Members to Community Advisory Committee (Annual) • Net Energy Metering (NEM) 3.0 and NEM Policy Update • Draft 3-Year Programs Plan (placeholder)	• Approval • Informational • Action • Action • Discussion/Action • Discussion/Action

June 24, 2021	**Advisory Committee** ~~DAVIS~~	• Prioritizing types of energy (placeholder)	• Discussion/Action • Information
July 8, 2021	**Board** ~~WOODLAND~~	• SMUD CPI Increase Amendment (Annual) • River City Bank Line of Credit	• Action • Action
July 22, 2021	**Advisory Committee** ~~WOODLAND~~	• Quarterly Power Procurement / Renewable Portfolio Standard Update • Quarterly Strategic Plan update • Legislative Bills Update	• Informational • Informational • Informational
August 12, 2021	**Board** ~~DAVIS~~	**Currently, this meeting is cancelled, but will remain on the long range calendar should the need arise to hold a meeting.**	
August 26, 2021	**Advisory Committee** ~~DAVIS~~	• Update on SACOG Grant – Electrify Yolo	• Informational
September 9, 2021	**Board** ~~WOODLAND~~	• Update on SACOG Grant – Electrify Yolo • Approval of FY20/21 Audited Financial Statements (James Marta & Co.) (Annual) • River City Bank Revolving Line of Credit	• Informational • Action • Action
September 23, 2021	**Advisory Committee** ~~WOODLAND~~		
October 14, 2021	**Board** ~~WINTERS~~	• Financial Load Forecast (Annual) • FY2020/2021 Allocation of Net Margin (Annual) • Receive Update on 3 year Strategic Plan (adopted Oct. 2020) • Certification of Standard and UltraGreen Products (Annual)	• Informational • Action • Informational • Action
October 28, 2021	**Advisory Committee** ~~DAVIS~~	• Receive Financial Load Forecast and Allocation of Net Margin information • Update on Power Content Label Customer Mailer • Committee Evaluation of Calendar Year End (Annual) • Quarterly Power Procurement / Renewable Portfolio Standard Update	• Informational • Informational • Discussion • Informational

		• Quarterly Strategic Plan update	• Informational
November 11, 2021 Veterans' Day – Holiday – need to reschedule	**Board** ~~WOODLAND~~	• Certification of Power Content Label (Annual) • Update on SACOG Grant – Electrify Yolo	• Action • Informational
November 18, 2021 (3rd Thursday of the month due to Thanksgiving holiday)	**Advisory Committee** ~~WOODLAND~~	• Committee Evaluation of Calendar Year End (Annual) • Review Revised Procurement Guide (Annual) • Update on SACOG Grant – Electrify Yolo • Revise CAC Charge (tentative) (Annual)	• Discussion/Action • Action: Recommendation to Board • Informational • Discussion
December 9, 2021	**Board** ~~DAVIS~~	• Receive Enterprise Risk Management Report (Bi-annual) • Approve Revised Procurement Guide (Annual) • Receive CAC 2021 Calendar Year End Report (Annual) • Election of Officers for 2022 (Annual)	• Informational • Action • Receive • Nominations
December 16, 2021 (3rd Thursday of the month due to Christmas holiday)	**Advisory Committee** ~~DAVIS~~	• 2022 CAC Task Group(s) formation (Annual) • Election of Officers for 2022 (Annual) • Revise CAC Charge (tentative) (Annual)	• Discussion • Nominations • Discussion
January 13, 2022	**Board** ~~WOODLAND~~	• Oaths of Office for Board Members (Annual if new Members) • Approve Updated CAC Charge (tentative) (Annual)	• Action • Action
January 27, 2022	**Advisory Committee** ~~WOODLAND~~	• Quarterly Power Procurement / Renewable Portfolio Standard Update • Quarterly Strategic Plan update	• Informational • Informational

Note: CalCCA Annual Meeting 11/29, 11/30 and 12/1 (**tentative**) San Jose

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Edward Burnham, Finance and Operations Director

SUBJECT: Financial Update – March 31, 2021 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending March 31, 2021

DATE: May 13, 2021

RECOMMENDATION:
Accept the following Financial Statements (unaudited) for the period of March 1, 2021 to March 31, 2021 (with comparative year to date information) and Actual vs. Budget year to date ending March 31, 2021.

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

The Financial Statements include the following reports:

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

In addition, staff is reporting the Actual vs. Budget variances year to date ending March 31, 2021.

<u>Financial Statements for the period March 1, 2021 – March 31, 2021</u>
In the Statement of Net Position, VCEA as of March 31, 2021 has a total of $13,653,912 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $1,670,781 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of March 31, 2021 $57,586. VCEA member obligations are incurred monthly due to staffing, accounting and legal services.

The term loan with River City Bank includes a current portion of $395,322 and a long-term portion of $1,054,195 as of March 31, 2021, for a total of $1,449,517. On March 31, 2021, VCE's net position is $15,383,772.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $3,077,453 of revenue (net of allowance for doubtful accounts) of which $2,959,799 was billed in March and ($1,452,158) represent estimated unbilled revenue. The cost of the electricity for the March revenue totaled $3,261,036. For March, VCEA's gross margin is approximately (5.97%) and operating loss totaled ($551,881). The year-to-date change in net position was ($1,203,912).

In the Statement of Cash Flows, VCEA cash flows from operations was 424,899 due to March cash receipts of revenues being higher than the monthly cash operating expenses.

<u>Actual vs. Budget Variances for the year to date ending March 31, 2021</u>
Below are the financial statement line items with variances >$50,000 and 5%:

- Electric Revenue - $5,287,299 and 14% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts have not been as severe as anticipated and the weather has been warmer than forecast.

- Interest Revenue – ($55,000) and (57%) – variance is due to unfavorable year-to-date than planned due to the Federal Reserve reductions in interest rates resulting from COVID-19 to prevent long-term recessionary conditions.

- Purchased Power - $4,070,126 and 11% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts have not been as severe as anticipated and the weather has been warmer than forecast.

- Legal General Counsel – ($86,057) and (78%) – favorable variance to budget due to services lower than planned from member agencies and no major cases requiring general counsel.

- New Member Expenses – (54,500) and (100%) favorable variance to budget related to no new member territories being added this year. Winters onboarding expenses are included in marketing and outreach.

- Contingency – ($173,970) and (100%) – favorable variance to budget is due to not having a need yet to utilize the contingency funds set aside in the budget.

Attachments:
1) Financial Statements (Unaudited) March 1, 2021 to March 31, 2021 (with comparative year to date information.)
2) Actual vs. Budget for year to date ending March 31, 2021

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2021

PREPARED ON APRIL 27, 2021

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
MARCH 31, 2021
(UNAUDITED)

ASSETS		
Current assets:		
Cash and cash equivalents	$	13,653,912
Accounts receivable, net of allowance		3,482,907
Accrued revenue		1,452,158
Prepaid expenses		1,875
Other current assets and deposits		6,883
Total current assets		18,597,735
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,670,781
Total restricted assets		2,770,781
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	$	21,468,516
LIABILITIES		
Current liabilities:		
Accounts payable	$	446,124
Accrued payroll		32,731
Interest payable		3,357
Due to member agencies		57,586
Accrued cost of electricity		3,284,246
Other accrued liabilities		(1,489,258)
Security deposits - energy supplies		2,258,640
User taxes and energy surcharges		41,801
Current Portion of LT Debt		395,322
Total current liabilities		5,030,549
Noncurrent liabilities		
Term Loan- RCB		1,054,195
Total noncurrent liabilities		1,054,195
TOTAL LIABILITIES	$	6,084,744
NET POSITION		
Restricted		
Local Programs Reserve		224,500
Restricted		2,770,781
Unrestricted		12,388,491
TOTAL NET POSITION	$	15,383,772

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF MARCH 1, 2021 TO MARCH 31, 2021
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MARCH 31, 2021	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 3,077,453	$ 42,524,354
TOTAL OPERATING REVENUES	3,077,453	42,524,354
OPERATING EXPENSES		
Cost of electricity	3,261,036	40,455,235
Contract services	243,122	2,012,513
Staff compensation	86,548	880,459
General, administration, and other	37,397	378,739
TOTAL OPERATING EXPENSES	3,628,103	43,726,946
TOTAL OPERATING INCOME (LOSS)	(550,650)	(1,202,592)
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,885	42,086
Interest and related expenses	(4,116)	(43,406)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,231)	(1,320)
CHANGE IN NET POSITION	(551,881)	(1,203,912)
Net position at beginning of period	15,935,653	16,587,684
Net position at end of period	$ 15,383,772	$ 15,383,772

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

		FOR THE PERIOD ENDING MARCH 31, 2021		YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING				
Operating Income (Loss)	$	(550,650)	$	(1,202,592)
(Increase) decrease in net accounts receivable		668,792.00		2,477,304
(Increase) decrease in accrued revenue		10,743		1,521,037
(Increase) decrease in prepaid expenses		10,011		(1,250)
(Increase) decrease in inventory - renewable energy credi		-		-
(Increase) decrease in other assets and deposits		-		(4,343)
Increase (decrease) in accounts payable		(32,561)		(196,276)
Increase (decrease) in accrued payroll		2,655		20,927
Increase (decrease) in due to member agencies		21,773		(58,880)
Increase (decrease) in accrued cost of electricity		452,019		(1,307,181)
Increase (decrease) in other accrued liabilities		(163,114)		(2,065,702)
Increase (decrease)security deposits with energy supplier		-		1,743,000
Increase (decrease) in user taxes and energy surcharges		5,231		(18,470)
Net cash provided (used) by operating activities	$	424,899	$	907,574

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MARCH 31, 2021	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	$ (550,650)	$ (1,202,592)
(Increase) decrease in net accounts receivable	668,792.00	2,477,304
(Increase) decrease in accrued revenue	10,743	1,521,037
(Increase) decrease in prepaid expenses	10,011	(1,250)
(Increase) decrease in inventory - renewable energy credi	-	-
(Increase) decrease in other assets and deposits	-	(4,343)
Increase (decrease) in accounts payable	(32,561)	(196,276)
Increase (decrease) in accrued payroll	2,655	20,927
Increase (decrease) in due to member agencies	21,773	(58,880)
Increase (decrease) in accrued cost of electricity	452,019	(1,307,181)
Increase (decrease) in other accrued liabilities	(163,114)	(2,065,702)
Increase (decrease)security deposits with energy supplier	-	1,743,000
Increase (decrease) in user taxes and energy surcharges	5,231	(18,470)
Net cash provided (used) by operating activities	$ 424,899	$ 907,574

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 03-31-2021

GL#	Description	3/31/2021 YTD FY2021 Actuals	3/31/2021 YTD FY2021 Budget	YTD Variance	% over/-under
301.00	Electric Revenue	$ 42,524,354	$ 37,237,055	$ 5,287,299	14%
311.00	Interest Revenues	42,086	97,085	(55,000)	-57%
415.00	Purchased Power	40,455,230	36,385,104	4,070,126	11%
	Labor & Benefits	857,126	854,257	2,869	0%
451.10	Salaries & Wages/Benefits	611,514	643,440	(31,926)	-5%
451.20	Contract Labor	161,095	114,507	46,588	41%
453.41	Human Resources & Payroll	84,516	96,309	(11,793)	-12%
	Office Supplies & Other Expenses	117,499	110,121	7,377	7%
452.10	Technology Costs	27,807	16,122	11,686	72%
452.15	Office Supplies	1,440	1,728	(288)	-17%
452.25	Travel	-	4,572	(4,572)	-100%
452.30	CalCCA Dues	86,347	86,350	(3)	0%
452.35	Memberships	1,905	1,350	555	41%
	Contractual Services	2,041,815	2,211,552	(169,737)	-8%
453.10	LEAN Energy	13,320	18,000	(4,680)	-26%
453.15	Don Dame	2,815	7,500	(4,685)	-62%
453.20	SMUD - Credit Support	453,013	428,725	24,288	6%
453.21	SMUD - Wholesale Energy Services	431,748	432,416	(668)	0%
453.22	SMUD - Call Center	565,470	561,807	3,663	1%
453.23	SMUD - Operating Services	131,679	170,455	(38,776)	-23%
	Legal PG&E Bankruptcy	-	18,450	(18,450)	-100%
	Legal General Counsel	24,643	110,700	(86,057)	-78%
453.36	Regulatory Counsel	158,708	142,434	16,274	11%
453.37	Joint CCA Regulatory counsel	16,305	23,063	(6,758)	-29%
453.38	Legislative Support	45,000	46,125	(1,125)	-2%
453.40	Accounting Services	17,245	18,450	(1,205)	-7%
453.42	Audit Fees	43,100	59,963	(16,863)	-28%
453.60	PG&E Acquisition Consulting	849	-	849	100%
459.05	Marketing Outreach	137,921	173,465	(35,544)	-20%
	Rents & Leases	12,172	13,141	(969)	-7%
457.10	Hunt Boyer Mansion	15,314	13,141	2,173	17%
	Other A&G	240,933	285,616	(44,683)	-16%
459.10	PG&E Data Fees	218,788	209,324	9,464	5%
459.15	Community Engagement Activities & Sponsorships	2,359	4,613	(2,254)	-49%
459.20	Insurance	4,796	5,657	(860)	-15%
459.08	New Member Expenses	-	54,500	(54,500)	-100%
459.70	Banking Fees	14,990	923	14,067	1525%
	Program Costs	-	10,600	(10,600)	-100%
463.00	Miscellaneous Operating Expenses	2,495	4,714	(2,219)	-47%
463.99	Contingency	-	173,970	(173,970)	-100%
	TOTAL OPERATING EXPENSES	$ 43,727,269	$ 40,038,475	$ 3,688,795	9%
481.10	Interest on RCB loan	42,651	43,726	(1,075)	-2%
482.10	Interest Expense - SMUD	431	646	(215)	-33%
	NET INCOME	$ (1,203,912)	$ (2,748,706)	$ 1,544,794	-56%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: May 13, 2021

Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Legislative - Regulatory Task Group on several legislative bills. Below is a summary:

The first house policy committee deadline has come and gone and now the focus for legislation shifts to the Appropriations process and then passing the floor of the house of origin. The Appropriations deadline is May 21, and the House of Origin deadline is June 4, and a clearer picture of what legislation has legs this session will emerge by the VCE board meeting in June.

Even with the activity of Appropriations and House of Origin deadlines, Legislation will take a backseat to the budget process over the coming weeks. Governor Newsom is set to release his May Revise around May 15 and the Legislature will then have a month to send its budget proposal to the Governor by the June 15 deadline. The state is currently in an enviable budget situation, having more money than it quite knows what to do with. Better than expected tax revenues combined with federal stimulus dollars have created an opportunity for the state to fund many of its priorities and needs coming out of the pandemic.

The decisions made on the budget and with legislation will be scrutinized against the recall effort against Governor Newsom, which has officially qualified for a November vote. Going forward, the recall will loom large over the Capitol.

VCE's current legislative efforts are concentrated on the following two bills, both of which made significant progress in the month of April:

1. SB 612 (Portantino). Electrical Corporations. Allocation of Legacy Resources.
Summary: This bill adds new sections to the Public Utilities Code that are designed to ensure fair and equal access to the benefits of legacy resources held in IOU portfolios and management of these resources to maximize value for all customers.

Specifically, the bill will:

1) Provide IOU, CCA, and direct access customers equal right to receive legacy resource products that were procured on their behalf in proportion to their load share if they pay the full cost of those products.
2) Require the CPUC to recognize the value of GHG-free energy and any new products in assigning cost responsibility for above-market legacy resources, in the same way value is recognized for renewable energy and other products.

SB 612 passed the Senate Energy, Utilities, and Communications (SEUC) Committee VCE has taken a support position on this bill and is working on generating additional support from VCE member jurisdictions and local constituencies who may be able to influence VCE's with support from all 11 of the Democratic committee members. Two of the Republican members (Sen. Borgeas & Sen. Dahle) abstained while Sen. Grove casted the single "no" vote. Passing the SEUC committee did not come without compromise, as committee amendments had to be taken to secure passage. These amendments removed some of the prescriptiveness of the bill to enable the CPUC to develop the details on proportional allocation and maximizing the value of the resource. It is unclear if PG&E and So Cal Edison will continue to oppose the bill, but it is likely. The bill has been referred to the Senate Appropriations Committee, which is chaired by Senator Portantino, the author of SB 612.

Additional Information
- VCE Position: Support
- CalCCA Position: Sponsor
- Next hearing: The bill has been referred to Senate Appropriations.
- Bill language: SB 612

2. AB 843 (Aguiar-Curry). California Renewable Portfolio Standard Program: Renewable Feed-in-Tariff.
Summary: This bill authorizes CCAs to voluntarily bring contracts to the CPUC for bioenergy projects procured via the BioMAT feed-in-tariff. The bill would clarify that CCAs are eligible to retain the renewable portfolio standard and resource adequacy benefits of the energy procured under this section.

The BioMAT program was established by SB 1122 (2012, Rubio) and requires the three large IOUs to collectively procure by 2025 250MW of bioenergy across the following three categories (PG&E amounts shown):

1. Category 1: Biogas from wastewater treatment, municipal organic waste diversion, food processing, and co-digestion.
   - 30.5MW for PG&E | 28MW remaining
2. Category 2: Dairy and other agricultural bioenergy.
   - 33.5MW for PG&E | 13.4MW remaining
3. Category 3: Sustainable forest management byproducts bioenergy.
   - 47MW for PG&E | 36MW remaining

The bill will not affect the total amount of megawatts needing to be procured.

AB 843 successfully passed the Assembly Utilities & Energy Committee with unanimous support from the 15 committee members. Amendments from the committee were put into the bill to address concerns from the Coalition of California Utility Employees and PG&E to ensure the CPUC has proper oversight of CCA contracts entered into under the BioMAT program. The bill is now on the Assembly Appropriations Suspense File as the CPUC provided an estimated cost impact of $800,000 annually to establish and administer the new CCA-specific aspect of the BioMAT program. The fate of bills on the Suspense File is really in the hands of the Appropriations Chair, in this case that is Lorena Gonzalez (D – San Diego) who has not been a vocal CCA supporter to date.

Additional Information

- VCE Position: Support
- CalCCA Position: Support
- The bill is being co-sponsored by MCE and Pioneer Community Choice Energy.
- Next hearing: Assembly Appropriations Committee Suspense Hearing, a date has not yet been set for this hearing.
- Bill language: AB 843

There are numerous bills that have been introduced and starting to be vetted through various policy committees. Aside from the two bills mentioned above, staff wanted to highlight the following bills to the Board.

Measure	Summary	Calendar	VCE Position	CalCCA Position
AB 64 (Quirk)	AB 64 would require the PUC and CEC to develop a strategy, by January 1, 2024, that achieves (1) a target of 5 gigawatthours of operational long-term backup electricity, as specified, by December 31, 2030, and (2) a target of at least an additional 5 gigawatthours of operational long-term backup electricity in each subsequent year through 2045. The bill would require the PUC, by January 1, 2024, to submit the strategy developed in a report to the Legislature, and by January 1 of each 4th year thereafter, through January 1, 2044, would require the PUC to submit a report to the Legislature detailing the progress made toward achieving the targets of the long-term backup electricity supply strategy.	Held in Asm. U&E – this bill is dead	None	None
AB 339 (Lee)	Current law requires all meetings, as defined, of a house of the	Assembly Appropriations	Developing Position	None

	Legislature or a committee thereof to be open and public and requires all persons to be permitted to attend the meetings, except as specified. This bill would require all meetings, including gatherings using teleconference technology, to include an opportunity for all persons to attend via a call-in option or an internet-based service option that provides closed captioning services and requires both a call-in and an internet-based service option to be provided to the public.			
AB 361 (R. Rivas)	Would authorize a local agency to use teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act when a legislative body of a local agency holds a meeting for the purpose of declaring or ratifying a local emergency, during a declared state or local emergency, as those terms are defined, when state or local health officials have imposed or recommended measures to promote social distancing, and during a declared local emergency provided the legislative body makes certain determinations by majority vote.	Asm. Local Gov. 5/5/21	Developing Position	None
AB 427 (Bauer-Kahan)	Establishes rules that allow demand response program and resources procured by an LSE to meet the LSE's resource adequacy requirements regardless of whether the program is integrated into the CAISO market. Additionally, the bill adopts a baseline methodology that treats energy storage charging as load in baseline calculations for DR programs and allows BTM solar + storage participating in a DR program to deliver electricity to the grid to provide RA. Lastly, the bill directs the CPUC to establish a capacity valuation methodology for storage and solar + storage BTM resources and that it applies to DR	Asm. Appropriations Passed Asm. U&E	Watch	Watch

	resources coupled with solar + storage.			
AB 1088 (Mayes)	This bill would establish the California Procurement Authority (CPA) as a state-level central procurement entity for the electric sector, including as a provider of last resort (POLR) for load-serving entities (LSEs) that opt out of the procurement function. The CPA would also fill any resource adequacy (RA) and integrated resource planning (IRP) procurement gaps and serve as an LSE for customers not served by another LSE. There is a lot in this bill and if the bill sounds familiar, that's because it is very similar to a bill sponsored by CalCCA in 2020 however this bill adds POLR provisions. The bill is sponsored by San Diego Gas & Electric and is meant to create a pathway for them to exit the retail side of their business.	Held in Asm. U&E – this bill is dead	Developing Position	Support if Amended
AB 1161 (E. Garcia)	Officially, AB 1161 aims to fast-track the deployment and procurement of new zero carbon energy resources to fulfill 100% of state agency needs by 2030, in addition to LSE procurement. Officially, AB 1161 also seeks to assist in balancing the grid, increasing reliability, and facilitating integration of other renewables with these new investments. There is concern that AB 1161 is actually seeking to create a pathway for long duration pumped storage to be built in and near Joshua Tree National Park. AB 1161 seeks to accomplish the official and unofficial goas by: Accelerating the SB 100 zero carbon electricity target for state agencies from 2045 to 2030, requiring the California Department of Water Resources (DWR) to enter into PPAs for the development of new zero	Held in Asm. U&E – this bill is dead	Developing Position	Oppose Unless Amended

	GHG resources to satisfy the accelerated target for all state agencies, coordinating available state incentives and financing assistance to lower the cost of electricity from state-procured resources, permitting state agencies to remain with existing LSEs (including CCA and no new obligations or costs would be assigned to existing LSEs), and funding net above-market costs of long-term contracts from sources other than utility rates including the general fund. Rather than directly serving the state agency load, the bill would require the DWR to invest in new projects in an amount equivalent to the load, and then re-sell the RA attributes and energy (but not RECs) back into the wholesale markets. LSEs would not include the state agency load in their Power Source Disclosure label or in their RPS requirements.			
SB 67 (Becker)	The bill would establish the California 24/7 Clean Energy Standard Program, which would require that 85% of retail sales annually and at least 60% of retail sales within certain subperiods by December 31, 2030, and 90% of retail sales annually and at least 75% of retail sales within certain subperiods by December 31, 2035, be supplied by eligible clean energy resources, as defined.	Held in Sen. EUC – this bill is dead	Developing Position	None
SB 99 (Dodd)	Would set forth guiding principles for plan development, including equitable access to reliable energy, as provided, and integration with other existing local planning documents. The bill would require a plan to, among other things, ensure that a reliable electricity supply is maintained at critical facilities and identify areas most likely to experience a loss of electrical service. This bill contains other related provisions.	Sen. Appropriations Suspense File	Support	None

SB 204 (Dodd)	Places the Base Interruptible Program (BIP) into statute. The BIP is an emergency electricity demand response program established by a proceeding many years ago. The program is regulated by the PUC and used as a last line of defense against rolling blackouts. While the bill places the program in statute, it only makes reference to the IOUs offering and administering the program even though an existing decision allows CCAs to offer and administer the program to their customers.	Sen. Appropriations Suspense File		Watch

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: May 13, 2021

Please find attached Keyes & Fox's April 2021 Regulatory Memorandum dated May 5, 2021, 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 May 5, 2021.

KEYES&FOX LLP

Valley Clean Energy Alliance

Regulatory Monitoring Report

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

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

Subject: Regulatory Update

Date: May 5, 2021

Summary

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

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

- **PCIA Rulemaking:** On April 5, 2021, the ALJ issued a Proposed Decision in Phase 2. Parties filed comments and replies in response to the PD on April 26, 2021, and May 3, 2021. On May 5, 2021, Energy Division staff facilitated a workshop on the Prepayment Frameworks pursuant to D.20-08-004. The CPUC also issued D.21-03-051 at the end of March, granting a petition for modification filed by the IOUs of D.18-10-019 that was unopposed by CalCCA or other parties.
- **Provider of Last Resort Rulemaking:** Parties submitted comments in response to the CPUC's Order Instituting Rulemaking opening this proceeding to address issues regarding the provider of last resort.
- **2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking:** A prehearing conference was held April 26, 2021.
- **PG&E's 2020 ERRA Compliance:** A group of CCAs and the Public Advocates Office filed Protests of PG&E's 2020 ERRA Compliance application, and a prehearing conference was held on April 29, 2021.
- **IRP Rulemaking:** The ALJ issued a Ruling setting August 1, 2021, as the compliance filing deadline for LSEs to provide updated information on their required procurement to avoid backstop procurement. Parties also filed reply comments in response to the February 22, 2021 ALJ Ruling that provided the results of staff's analysis on mid-term reliability and proposed a new 7,500 MW by 2025 procurement mandate that would be allocated across LSEs.
- **Ensuring Summer 2021 Reliability:** A workshop on Non-IOU CPP Programs and Alternative Load Shedding Programs was held. Following the workshop, President Batjer requested via a staff email to the service list to hear from the CCAs on what load shed programs they are intending to have in place this summer to help the CPUC better understand this summer's load shed capabilities. Several parties filed applications for rehearing of D.21-03-056, challenging the

CPUC's approval of the use of diesel backup generation in demand response programs, among other determinations. The ALJ and Assigned Commissioner issued a Ruling stating that the CPUC anticipates that a proposed order may be brought to the CPUC for a vote soon to modify D.21-03-056 to clarify certain identified inconsistencies. OhmConnect subsequently requested the opportunity to file comments in response to this ruling prior to the CPUC voting on changes.

- **RPS Rulemaking:** The ALJs issued a Ruling denying as premature the Joint IOUs' request for an extension to the filing deadline for Retail Sellers' draft 2021 RPS Procurement Plans. Subsequently, EBCE also requested a one-month extension, which is currently pending. The ALJs separately issued a Ruling requesting information from parties regarding several outstanding petitions to modify D.12-05-035 and D.13-05-034, which adopted and modified the Renewable Market Adjusting Tariff (ReMAT) Program. The ALJ clarified the questions in the Ruling and extended the deadlines for filing comments and replies on the ReMAT program through subsequent Ruling. The CPUC also issued Draft Resolution E-5143, which would modify the RPS citation rules and penalty amounts for non-compliance.
- **RA Rulemaking (2021-2022):** The ALJ issued a Ruling modifying the Track 4 schedule with respect to the Flexible Capacity Needs Assessment. CAISO issued its Draft 2022 Flexible Capacity Needs Assessment on April 21, 2021. The CPUC announced that Energy Division Staff will host an exploratory workshop on May 25, 2021, to discuss ideas for advanced DER and flexible load management. The IOUs held workshops on their 2021 Load Impact Protocol Final Reports and a separate workshop was held on third-party Load Impact Protocols Final Reports. Parties filed comments in response to Energy Division's Demand Response Proposal. Finally, CAISO filed its 2022 Final Local Capacity Technical Study Report on April 30, 2021.
- **PG&E's Phase 2 GRC:** PG&E filed motions requesting approval of settlements reached on revenue allocation, agricultural rate design, commercial and industrial rate design, and the economic development rate. The CPUC held an evidentiary hearing on non-RTP issues throughout April.
- **PG&E Regionalization Plan**: Parties filed comments and replies on PG&E's updated regionalization plan. The ALJ also provided notice of a May 18, 2021 status conference.
- **PG&E's 2019 ERRA Compliance:** No updates this month. On March 25, 2021, PG&E filed a Motion to reopen the record of the proceeding to correct a table in PG&E's testimony, which the Joint CCA parties did not oppose.
- **Direct Access Rulemaking**: No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access for nonresidential customers.
- **RA Rulemaking (2019-2020):** No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month. On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.

PCIA Rulemaking

On March 26, 2021, the CPUC issued D.21-03-051, granting a petition for modification filed by the IOUs of D.18-10-019 that was unopposed by CalCCA or other parties. On April 5, 2021, the ALJ issued a

Proposed Decision in Phase 2. Parties filed comments and replies in response to the PD on April 26, 2021, and May 3, 2021. On May 5, 2021, Energy Division staff facilitated a workshop on the Prepayment Frameworks pursuant to D.20-08-004.

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

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

  D.20-08-004, in response to the recommendations of Working Group 2, (1) adopted the consensus framework of PCIA prepayment agreements; (2) adopted the consensus guiding principles, except for one principle regarding partial payments; (3) adopted evaluation criteria for prepayment agreements; (4) did not adopt any proposed prepayment concepts; and (5) clarified that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two.

- **Details**: The PD would (1) remove the cap and trigger for PCIA rate increases, (2) authorize new Voluntary Allocation, Market Offer, and Request for Information processes for RPS contracts subject to the PCIA, (3) approve a process for increasing transparency of IOU RA resources, and (4) authorize SCE to continue to apply the approach to greenhouse-gas free resources approved in Resolution E-5095 through December 31, 2023.

  Voluntary Allocations of RPS resources would include the following features: (a) LSEs may elect to take a short-term allocation, a long-term allocation, or may choose to decline all or a portion of their allocation; (b) each election will be made in 10% increments of the LSE's forecasted annual load share; (c) LSEs electing to accept allocations will be required to pay the applicable year's market price benchmark for attributes received and may be required to meet certain credit or collateral requirements, netting agreements or other commercial arrangements; (d) long-term allocations will last through the end of the term of the longest contract in the PCIA vintage, with the exclusion of evergreen contracts and utility-owned generation resources, and once accepted, the LSE may not decline its long-term allocation election in future years; (e) an LSE's long-term allocation election must be set at a fixed percentage of its forecasted, vintaged, annual load share, with the LSE's forecasted vintaged, annual load shares and the RPS energy deliveries changing from year to year based on the updated forecasts of vintaged, annual loads and the actual RPS energy volumes realized in each year of the allocation term; and (f) LSEs must not be able to resell Voluntary Allocation shares of RPS energy.

  The Market Offers of RPS resources must include the following features: (a) the Market Offer must offer for sale all PCIA -eligible RPS energy remaining after a Voluntary Allocation; (b) the Market Offer process must be based upon existing processes, rules, oversight requirements, and reporting requirements for REC solicitations previously approved in the CPUC's RPS proceeding; and (c) the Market Offer process should include rules for utility participation in solicitations they administer.

  D.21-03-051 granted a Petition for Modification filed by the IOUs modify D.17-08-026 and adopting their proposed updates to Appendix A, the PCIA Workpaper Template. The adopted updates remove the application of line losses to the capacity volumes and utilize energy volumes measured at the generator meter instead of the customer meter for the PCIA calculation. CalCCA did not oppose the changes.

- **Analysis**: The PD would eliminate the cap-and-trigger framework for PCIA changes, with the IOUs directed to address projected 2021 year-end PCIA cap undercollection account balances in their 2022 ERRA forecast applications. Further, the PD denies certain proposals for Working Group 3. Importantly, the current PCIA calculation does not fully value certain of the IOUs' portfolio attributes, but the PD would reject the allocation of these valuable PCIA attributes to CCAs as proposed by Working Group 3. Requiring unbundled customers to pay for attributes they do not receive violates the prohibition in §365.2 of the California Public Utilities Code against cost shifting between bundled and unbundled customers. The PD would also largely allow the IOUs to avoid any consequences for failing to optimize their above-market portfolios, including an IOU decision to simply decline all offers to buy out current above-market contracts. The PD also fails to take on meaningful reform to the problematic ERRA forecast proceeding timelines and transparency issues, opting to delay ruling on those issues until a later decision. CalCCA, the Joint CCAs (SCP, MCE, SVCE and PCE), and the San Diego CCAs all filed comments pushing back on these issues.

- **Next Steps**: The CPUC is scheduled to vote on the PD at it May 6, 2021, meeting.
- **Additional Information**: Proposed Decision (April 5, 2021); D.21-03-051 granting petition to modify D.17-08-026 (March 26, 2021); Amended Scoping Memo and Ruling (December 16, 2020); CalCCA/DACC/AReM Protest of PG&E AL 5973-E (November 2, 2020); PG&E AL 5973-E (October 12, 2020); CalCCA/DACC Response to Joint IOU AL on D.20-03-019 (September 21, 2020); Joint IOUs PFM of D.18-10-019 (August 7, 2020); D.20-08-004 on Working Group 2 PCIA Prepayment (August 6, 2020); D.20-06-032 denying PFM of D.18-07-009 (July 3, 2020); D.20-03-019 on departing load forecast and presentation of the PCIA (April 6, 2020); Ruling modifying procedural schedule for working group 3 (January 22, 2020); D.20-01-030 denying rehearing of D.18-10-019 as modified (January 21, 2020); D.19-10-001 (October 17, 2019); Phase 2 Scoping Memo and Ruling (February 1, 2019); D.18-10-019 Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); D.18-09-013 Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. R.17-06-026.

Provider of Last Resort Rulemaking

On April 26, 2021, parties submitted comments in response to the CPUC's Order Instituting Rulemaking opening this proceeding to address issues regarding the provider of last resort (POLR).

- **Background**: A POLR is the utility or other entity that has the obligation to serve all customers (e.g., PG&E is currently the POLR in VCE's territory). In 2019 the Legislature passed SB 520, which defined POLR for the first time in statute, confirmed that each IOU is the POLR in its service territory, and directed the Commission to establish a framework to allow other entities to apply and become the POLR for a specific area (a "Designated POLR"). This rulemaking will implement SB 520. It provides for a two-phased rulemaking so that the POLR requirements for the current POLRs can be established prior to addressing a framework for a Designated POLR. Phase 1 will focus on the issues necessary for a comprehensive framework for the existing POLRs (IOUs). It 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 set rules that allow a different entity (i.e., a CCA, ESP, or a third-party) to be designated as POLR, including setting the requirements and application process. Emergent issues and cross-over issues will be considered in both phases depending on the circumstances.
- **Details**: CalCCA's opening comments provided the following recommendations:
    - The POLR should provide service for a short duration (three – six months) from short term procurement with costs allocated to those that receive POLR service.
    - Existing structures (e.g., Financial Security Requirements, Transitional Bundled Service, System RA Waiver for the POLR in limited circumstances, etc.) can be used directly while others can be expanded or adjusted for the purpose of addressing POLR needs (e.g., Load Transfer and CCA implementation time frames and processes).
    - CPUC should examine ways in which retail providers could voluntarily take on customer service from defaulting LSEs in a "next to last provider" arrangement which could obviate or reduce the need for a POLR.

- CPUC should ensure that rules regarding procurement are imposed equitably on all LSEs such that the requirements are stable and transparent in a manner that LSEs can procure as necessary to comply with requirements while providing reliable, affordable, and environmentally sound resources in a manner that minimizes the risk of LSE default.

- **Analysis**: This proceeding could impact VCE in several ways. First, in establishing rules for existing POLRs, it will address POLR service requirements, cost allocation, and cost recovery issues should a CCA or other LSE discontinue supplying customers resulting in the need for the POLR to step in to serve those customers. Second, in setting the requirements and application process for another entity to be designated as the POLR, it could create a pathway for a CCA or other retail provider to elect to become a POLR for its service area. The preliminary questions (Appendix B to the OIR) suggest these issues will include examining topics such as CCA financial security requirements, portfolio risk and hedging, CCA deregistration, CCA mergers, and CCA insolvency.
- **Next Steps**: Reply comments are due on May 10, 2021. A scoping memo and ruling is anticipated thereafter.
- **Additional Information**: Order Instituting Rulemaking (March 25, 2021); Docket No. R.21-03-011.

2022-2023 Wildfire Fund Nonbypassable Charge Rulemaking

A prehearing conference was held April 26, 2021.

- **Background**: This rulemaking continues to implement AB 1054, which extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The CPUC issued D.20-12-024 in December 2020 that continues the Wildfire Non-Bypassable Charge (NBC) amount of $0.00580/kWh for January 1, 2021, through December 31, 2021. The NBC amount of 2022 and 2023 will be established in this proceeding.
- **Details**: This rulemaking will determine the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amount.
- **Analysis**: VCE customers will pay the 2022 and 2023 Wildfire Fund Non-Bypassable Charge amounts established in this proceeding.
- **Next Steps**: The issuance of the scoping memo and ruling is listed anticipated soon. A proposed decision is expected in November, with the final decision in December.
- **Additional Information**: Order Instituting Rulemaking (March 10, 2021); Docket No. R.21-03-001.

PG&E 2020 ERRA Compliance

On April 19, 2021, a group of CCAs and the Public Advocates Office filed Protests of PG&E's 2020 ERRA Compliance application. A prehearing conference was held on April 29, 2021.

- **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 preceding year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
- **Details**: PG&E is requesting that the CPUC find it complied with its Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, resource adequacy sales, and least-cost dispatch of electric generation resources for the 2020 calendar year. It also seeks a CPUC finding that it managed its utility-owned generation (UOG) facilities reasonably, although it recommends that

CPUC review of outages at Diablo Canyon Power Plant related to the Unit 2 main generator be delayed to the 2021 ERRA Compliance review. Of significance to the PCIA, PG&E is requesting the CPUC find that entries in its Portfolio Allocation Balancing Account (PABA), which trues up the above-market forecast of generation resources recovered through the PCIA with actual recorded costs and revenues, are accurate.

PG&E's procurement costs recorded across the portfolio were $158.8 million higher than forecasted, allegedly due to higher-than-forecast RPS-eligible contracts, as offset by higher than forecast retained RPS and retained RA, as well as lower than forecast fuel costs for UOG facilities. Activity recorded in the PABA includes the following categories: Revenues from Customers, RPS Activity, RA Activity, Adopted UOG Revenue Requirements, CAISO Related Charges and Revenues, Fuel Costs, Contract Costs, GHG Costs, and Miscellaneous Costs. PG&E has redacted as confidential its 2020 actual and forecast costs for these categories, so it is unclear from the public filing what the magnitude is regarding the difference between actual and forecast costs for each category.

- **Analysis**: This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2020. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Both issues could impact the level of the PCIA in 2022.
- **Next Steps**: A scoping memo and ruling is anticipated to be issued next.
- **Additional Information**: Application (March 1, 2021); Docket No. A.21-03-008.

IRP Rulemaking

On April 9, 2021, the ALJ issued a Ruling setting August 1, 2021, as the compliance filing deadline for LSEs to provide updated information on their required procurement to avoid backstop procurement. Also on April 9, 2021, parties filed reply comments in response to the February 22, 2021 ALJ Ruling that provided the results of staff's analysis on mid-term reliability and proposed a new 7,500 MW by 2025 procurement mandate that would be allocated across LSEs.

- **Background**: On September 1, 2020, LSEs including VCE filed their 2020 IRPs, which included updates on each LSE's progress towards completing additional system RA procurement ordered for the 2021-2023 years under D.19-11-016.

  The September 24 Scoping Memo and Ruling clarifies that the issues planned to be resolved in this proceeding are organized into the following tracks:

  - General IRP oversight issues: This track will consider moving from a two-year to a three-year IRP cycle, IRP filing requirements, and interagency work implementing SB 100.
  - Procurement track: The CPUC is examining LSE plans to replace Diablo Canyon capacity and has conducted an overall assessment and gap analysis to inform a procurement order that could direct LSEs to procure additional capacity (see February 22 Ruling described below). Other issues to be addressed in this track include (1) evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal, and other resources with long development lead times; (2) local reliability needs; and (3) analysis of the need for specific natural gas plants in local areas. Additional procurement requirements may also be considered.
  - Preferred System Portfolio Development: The CPUC will aggregate LSE portfolios, analyze the aggregate portfolio, and adopt a PSP.
  - TPP: *Completed*. D.21-02-028 transmitted portfolios to the CAISO for use in its TPP analysis.
  - Reference System Portfolio Development: To the extent that a new round of RSP analysis is conducted for the next IRP cycle, this proceeding will be the venue for

developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle.

D.20-12-044 established a backstop procurement process that would apply to LSEs that did not opt-out of self-procuring their capacity obligations under D.19-11-016. It requires LSEs to file bi-annual (due February 1 and August 1) updates on their procurement progress relative to the contractual and procurement milestones defined in the decision. After review of the compliance filings, CPUC Staff will bring a Resolution before the Commission specifying the amount of backstop procurement required for a particular IOU on behalf of each LSE for each procurement tranche (2021, 2022, and 2023).

The February 22, 2021, Ruling presents the results of analysis by CPUC staff of the need for electric system reliability resources out to 2026, taking into consideration both the reliability issues experienced in August 2020 as well as the forthcoming retirement of Diablo Canyon. The Ruling proposes mandating that LSEs procure an additional 7,500 MW of effective capacity by 2025. Of that total, at least 1,000 MW would be required to come from geothermal resources and 1,000 MW would be required to come from long-duration storage (defined as providing 8 hours of storage or more). The Ruling would allocate individual LSE procurement requirements by calculating each LSE's load and resource balance for each year through 2026 to determine their resource shortfall, if any, and then apportioning their responsibility for the overall procurement need based on that shortfall relative to that of the other LSEs (as reported in the LSE's 2020 IRP, which is based on an LSE's existing resources and those in development as of June 30, 2020). All LSEs would be required to procure their share of additional resources (i.e., <u>there is no option for LSEs to opt-out and have the IOUs procure on their behalf</u>, for example), and there would be a noncompliance penalty set at the cost of new entry, plus the LSE would be responsible for the costs of backstop procurement. For compliance purposes, eligible resources would be those that are contracted and approved by VCE's board after June 30, 2020. A compliant resource may not also be used to satisfy an LSE's procurement obligation under D.19-11-016.

- **Details**: Under prior CPUC decisions, LSEs had been anticipating a May 1, 2021, deadline to file updated procurement data. The April 9, 2021 Ruling extends that deadline for 2021 until August 1. However, LSE that becomes aware of a material change to its procurement status affecting its ability to meet the August 1, 2021 procurement targets of D.19-11-016, should notify CPUC staff informally as soon as practical after becoming aware of the change, and should make a formal compliance filing in this docket describing the change.

  In comments filed in response to the February 22 Ruling, CalCCA argued for a procurement mandate of 7,090 MW of incremental resources with a firm commitment to end reliance on simple "stack analyses" and to return to a more rigorous analysis of resource needs for the future. It also advocated for the adoption of a peak share allocation methodology for the ordered procurement, or alternatively, a contract position methodology that allocates PCIA portfolio resources to all LSEs whose customers pay the costs of these resources through the PCIA. It urged the CPUC to reject the proposal for technology mandates, including the geothermal and long-duration storage requirements and, instead, direct procurement based on the resource characteristics needed to achieve reliability. It also recommended maximizing the flexibility within the procurement order to rely on demand response and behind-the-meter resources for compliance and developing a calculator to quantify the value of behind-the-meter resources used for compliance.

- **Analysis**: The February 2021 Ruling's proposal for a new 7,500 MW by 2025 procurement mandate could impose a new procurement obligation and associated compliance obligations on VCE, including procurement of long-duration storage and geothermal resources. CalCCA pushed back on some of the specifics of the proposed new procurement mandate, including the geothermal and long-duration storage carve-outs and the methodology employed by the CPUC to determine the overall resource need, although it did not oppose the new resource procurement mandate generally. For the Ruling to take effect, it will need to first be issued through a proposed decision, after which parties will have the opportunity to provide additional comments, and then adopted by the CPUC through the issuance of a final decision.

- **Next Steps**: The schedule is as follows:

- General IRP oversight issues: A Proposed Decision on moving from two-year to three-year IRP cycle is anticipated to be issued soon.
- Procurement track: A proposed decision regarding the February 22 Ruling that proposed a 7,500 MW by 2025 procurement mandate is anticipated to be issued soon.
- Preferred System Portfolio Development: A ruling proposing PSP, procurement, and the 2022-23 TPP portfolio is anticipated in Q2 2021, followed by a proposed decision in Q3 2021.

- **Additional Information**: Ruling Setting August 1, 2021 Procurement Compliance Deadline (April 9, 2021); Ruling on staff reliability analysis and 7,500 MW by 2025 procurement mandate (February 22, 2021); D.21-02-028 recommending portfolios for CAISO's 2021-2022 TPP (February 17, 2021); D.20-12-044 establishing a backstop procurement process (December 22, 2020); Ruling requesting comments on IRP evaluation (December 8, 2020); Ruling providing Staff Proposal on resource procurement framework (November 19, 2020); Email Ruling requesting comments on individual LSE IRPs (October 9, 2020); Scoping Memo and Ruling (September 24, 2020); Resolution E-5080 (August 7, 2020); Ruling on IRP cycle and schedule (June 15, 2020); Ruling on backstop procurement and cost allocation mechanisms (June 5, 2020); Order Instituting Rulemaking (May 14, 2020); Docket No. R.20-05-003.

Ensuring Summer 2021 Reliability

On April 6, 2021, a Workshop on Non-IOU CPP Programs and Alternative Load Shedding Programs was held. Following the workshop, President Batjer requested via an email from staff to the service list to hear from the CCAs on what load shed programs they are intending to have in place this summer to help the CPUC better understand this summer's load shed capabilities. On April 26, 2021, CAlifornians for Renewable Energy; Protect Our Communities Foundation; and California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club filed applications for rehearing of D.21-03-056, challenging the CPUC's approval of the use of diesel backup generation in demand response programs, among other determinations. On April 27, 2021, the ALJ and Assigned Commissioner issued a Ruling stating that the CPUC anticipates that a proposed order may be brought to the CPUC for a vote soon to modify D.21-03-056 to clarify certain identified inconsistencies. OhmConnect subsequently requested the opportunity to file comments in response to this ruling prior to the CPUC voting on changes.

- **Background**: CAISO experienced rolling blackouts (Stage 3 Emergency) on August 14, 2020 and August 15, 2020 when a heatwave struck the Western U.S. and there was insufficient available supply to meet high demand. The OIR was issued to ensure reliable electric service in the event that an extreme heat storm occurs in the summer of 2021.

  The Scoping Memo and Ruling identified two primary issues as in scope: how to (1) increase energy supply and (2) decrease demand during the peak demand and net demand peak hours in the event that a heat storm similar to the August 2020 storm occurs in the summer of 2021.

  VCE's opening testimony provided its proposal for an Agricultural AutoDR Demand Flexibility Pilot, which could made available to customers on irrigation pumping tariffs.

  D.21-03-056 institutes modifications to the planning reserve margin (PRM), effectively increasing the PRM beginning summer 2021 from 15% to 17.5%. For 2021, this results in a minimum target of incremental procurement of 450 MW for PG&E, 450 MW for SCE, and 100 MW for SDG&E. The net costs associated with this incremental procurement would be shared by all customers (including CCA customers) in each IOU's service territory. It also authorizes the IOUs to implement a Flex Alert paid media campaign program to encourage ratepayers to voluntarily reduce demand during moments of a stressed grid and adopts modifications and expansions to the Critical Peak Pricing (CPP) program, to be in place for the summer of 2021. D.21-03-056 also establishes an Emergency Load Reduction Program (ELRP) to provide emergency load reduction and serve as an insurance policy against the need for future rotating outages. The initial duration of the ELRP pilot program would be five years, 2021-2025. After-the-fact pay-for-performance would be made at a prefixed energy-only ELRP Compensation Rate ($1,000/MWh for up to an annual 60-hour limit) applied to incremental load reduction. For PG&E, the budget caps are $3.9 million for administration and $28.6 million for customer compensation.

- **Details**: The Ruling addresses a provision of D.21-03-056 that had eliminated the "day-of" trigger option, keeping only the "day-ahead" trigger under the emergency load reduction program (ELRP). The purpose of ELRP is to allow the large electric IOUs and CAISO to access additional load reduction during times of high grid stress and emergencies involving inadequate market resources, with the goal of avoiding rotating outages while minimizing costs to ratepayers. There are two distinct groups of customers eligible for ELRP participation: (1) non-residential customers and aggregators not participating in DR programs ("Group A"), and (2) market-integrated proxy DR resources ("Group B"). The Ruling states the CPUC is now envisioning modifying that decision by directing the inclusion of a day-of trigger for Group A participants in the ELRP. The Attachment to the ruling outlines the potential modifications that might be introduced in a proposed order.
- **Analysis**: The Ruling would resolve an inconsistency in D.21-03-056 by directing the inclusion of a day-of trigger for Group A participants in the ELRP. D.21-03-056 did not address VCE's proposed Agricultural AutoDR Demand Flexibility Pilot, but the proceeding was kept open to consider proposals for summer 2022 and it included revised language on CCA and IOU coordination to encourage CCA customer participation in load shedding programs.
- **Next Steps**: TBD.
- **Additional Information**: Ruling Noticing Future Order Clarifying D.21-03-056 (April 27, 2021); Californians for Renewable Energy Application for Rehearing of D.21-03-056 (April 26, 2021); Protect Our Communities Foundation Application for Rehearing of D.21-03-056 (April 26, 2021); California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club's Application for Rehearing of D.21-03-056 (April 26, 2021); D.21-03-056 (March 25, 2021); CAlifornians for Renewable Energy Application for Rehearing of D.21-02-028 (March 19, 2021); Protect Our Communities Foundation Application for Rehearing of D.21-02-028 (March 19, 2021); California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club Application for Rehearing of D.21-02-028 (March 12, 2021); D.21-02-028 directing IOUs to seek additional capacity for summer 2021 (February 17, 2021); PG&E AL 6089-E and AL 6088-E on summer 2021 capacity procurement (February 16, 2021) Assigned Commissioner's Ruling directing IOU contracts for additional capacity (December 28, 2020); Scoping Memo and Ruling (December 21, 2020); ALJ Ruling and Staff Proposal (December 18, 2020); Order Instituting Rulemaking (November 20, 2020); Docket No. R.20-11-003.

RPS Rulemaking

On April 15, 2021, the ALJs issued a Ruling denying as premature the Joint IOUs' request for an extension of the June 1, 2021 deadline for Retail Sellers to file their draft 2021 RPS Procurement Plans. On May 3, 2021, EBCE also requested a one-month extension for LSEs to file draft 2021 RPS Procurement Plans, citing different reasons that used by the Joint IOUs; this request is currently pending. On April 22, 2021, the ALJs issued a Ruling requesting information from parties regarding several outstanding petitions to modify D.12-05-035 and D.13-05-034 which adopted and modified the Renewable Market Adjusting Tariff (ReMAT) Program. The ALJs clarified the questions in the Ruling and extended the deadlines for filing comments and replies through an April 30, 2021 Ruling. On April 23, 2021, the CPUC issued Draft Resolution E-5143, which would modify the RPS citation rules and penalty amounts for non-compliance.

- **Background**: This proceeding addresses ongoing RPS issues. VCE submitted its Final 2020 RPS Procurement Plan on February 19, 2021, and its 2019 RPS Compliance Report on August 3, 2020.

Staff's Proposed Framework for integrating RPS Procurement Plan requirements into the IRP proceeding uses a two-phased approach that makes a relatively minor change to RPS reporting in the current IRP cycle, while fully integrating all elements of RPS Procurement Plans into the next IRP cycle, proposed to commence in the 2023 calendar year (instead of 2022, under the current two-year cycle, although the issue of a two-year versus three-year cycle is not discussed).

D.21-01-005, issued in January 2021, praised VCE's draft 2020 RPS Procurement Plan, pointing to it as a "best example" or "best practice" in seven sections of the Plan for other LSEs to emulate in their updates. D.21-01-005 also identified several areas for VCE and most other LSEs to update or modify in its Final 2020 RPS Procurement Plan, which VCE completed through its February 19, 2021 submission.

- **Details**: The April 22 Ruling requests responses to a series of questions, including whether other retail sellers, such as CCAs, should be eligible to participate in the ReMAT program. It also requests information as to whether modifications are needed to allow renewable systems paired with storage to be eligible under ReMAT. For reference, a Joint Petition for Modification of D.13-05-034, filed by PG&E, SCE, and SDG&E in February 2021, is currently pending in an old RPS Rulemaking (R.11-05-005).

  Draft Resolution E-5143 would authorize the CPUC staff to penalize retail sellers for non-compliance with mandatory RPS filing deadlines and reporting requirements, including draft RPS Procurement Plans. The Draft Resolution pointed to a large number of CCA and ESP draft RPS Procurement Plans that have contained deficiencies in recent years as an impetus for this change to the citation program. Draft Resolution E-5143 also describes the process for challenging a penalty under the RPS Citation Program and details the applicable penalties for specified violations.

- **Analysis**: If the Joint Petition for Modification is granted, VCE customers would have to pay for ReMAT contracts that PG&E enters into through the non-bypassable Public Policy Program charge, whereas currently only bundled PG&E customers pay these costs. The Ruling is also requesting information on possible ReMAT program changes, such as whether CCAs should be eligible to participate.

  EBCE's pending extension request could impact the deadline for VCE to file its Draft 2021 RPS Procurement Plan.

- **Next Steps**: The Energy Division is hosting a webinar on May 7, 2021, to answer questions from parties on the revised RPS Procurement Plan templates. Comments on Draft Resolution E-5143 are due May 17, 2021. The 2021 RPS Procurement Plan is due June 1, 2021, and the 2020 RPS Compliance Report is due August 1, 2021. Comments on the draft 2021 RPS Procurement Plans are due July 1, 2021, reply comments are due July 11, 2021, and motions to update draft 2021 RPS Procurement Plans are due July 15, 2021. Responses to the April 22 Ruling on the ReMAT program are due June 9, 2021, and replies are due June 23, 2021. A PD aligning RPS and IRP filings is anticipated to be issued soon, followed by an opportunity for comments and reply comments

- **Additional Information**: Draft Resolution E-5143 on RPS Citation Program (April 23, 2021); Ruling on ReMAT program (April 22, 2021); Ruling establishing issues and schedule for 2021 RPS Procurement Plans (March 30, 2021); Joint Petition for Modification of D.13-05-034 (February 11, 2021); D.21-01-005 directing retail sellers to file final 2020 RPS Procurement Plans (January 20, 2021); Order Granting Rehearing of D.17-08-021 (November 23, 2020); D.20-10-005 resuming and modifying the ReMAT program (October 16, 2020); D.20-09-022 on new CCA 2019 RPS Procurement Plans (approved at CPUC's September 24, 2020 meeting); Ruling on Staff proposal aligning RPS/IRP filings (September 18, 2020); D.20-08-043 resuming and modifying the BioMAT program (September 1, 2020); VCE Motion to Update its 2020 RPS Procurement Plan (August 12, 2020); Assigned Commissioner Ruling (ACR) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); D.20-02-040 correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); Ruling on RPS confidentiality and transparency issues (February 27, 2020); D.19-12-042 on 2019 RPS Procurement Plans

(December 30, 2019); D.19-06-023 on implementing SB 100 (May 22, 2019); D.19-02-007 (February 28, 2019); Scoping Ruling (November 9, 2018); Docket No. R.18-07-003.

RA Rulemaking (2021-2022)

On April 5, 2021, the ALJ issued a Ruling modifying the Track 4 schedule with respect to the Flexible Capacity Needs Assessment. On April 21, 2021, CAISO issued its Draft 2022 Flexible Capacity Needs Assessment. On April 26, 2021, the CPUC announced that Energy Division Staff will host an exploratory workshop on May 25, 2021, to discuss ideas for advanced DER and flexible load management. On April 29-30, 2021, the IOUs held workshops on their 2021 Load Impact Protocol Final Reports. On April 29, 2021, parties filed comments in response to Energy Division's Demand Response Proposal. On April 30, 2021, CAISO filed its 2022 Final Local Capacity Technical Study Report. On May 3, 2021, a workshop was held on third-party Load Impact Protocols Final Reports.

- **Background**: This proceeding is divided into 4 tracks. The first two tracks have concluded, and the proceeding is now focused on Track 3B.1, 3B.2, and Track 4 issues, described in more detail below. Track 3B.1 is considering incentives for LSEs that are deficient in year-ahead RA filings, refinements to the MCC buckets adopted in D.20-06-031, and other time-sensitive issues. Track 3B.2 includes examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements. Track 4 is considering the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

  D.20-12-006 addressed the issues of the financial credit mechanism and competitive neutrality rules for the CPEs. It approved CalCCA's proposed "Option 2," with modifications, which allows the CPE to evaluate the shown resource alongside bid resources to assess the effectiveness of the portfolio. The financial credit mechanism will apply only to new preferred or energy storage resources (i.e., non-fossil-based resources) with a contract executed on or after June 17, 2020. It also adopted PG&E's competitive neutrality proposal for PG&E's service territory. Finally, D.20-12-006 found that the Local Capacity Requirements Working Group should continue to discuss recommendations and develop solutions for consideration in CAISO's 2022 LCR process.

- **Details**: The April 19 Ruling attaches Energy Division's proposal on issues relating to Proposed Revision Request 1280 and DR in a supply-side context. If adopted by the CPUC, the proposals would modify the treatment of DR beginning in 2022 and set up a stakeholder group to make recommendations on additional changes that would apply beginning in the 2023 RA compliance year. The CPUC will consider this proposal for the upcoming RA proposed decision, to be issued in late May 2021. Among their recommendations, Energy Division Staff recommends that the CPUC request that the CEC develop recommendations for a comprehensive and consistent measurement and verification strategy, including a new capacity counting methodology for DR addressing both ex-post and ex-ante load impacts for implementation in RA compliance year 2023, whereas for RA compliance year 2022, ED would apply an administratively-set 5% derate adjustment to the QCs determined for DR resources in the 2021 LIP evaluation process. Finally, Staff is proposing several revisions to the Planning Reserve Margin adder for DR.

  The May 25, 2021, exploratory workshop will feature ED Demand Response and Retail Rates Staff jointly previewing a proposal for a comprehensive roadmap to facilitate widespread flexible demand management, while minimizing the cost of service, that addresses: (1) communication of rates to customers and third-party service providers, while accommodating different rate designs from IOUs & CCAs; (2) opt-in dynamic rate based on real-time, locational marginal cost of electricity; (3) rate reforms (opt-in) related to generation and distribution capacity cost recovery and compensation for DER exports; and (4) options for customers to manage & optimize energy consumption and bills, such as subscription and transactive features.

- **Analysis**: Regulatory developments under consideration in this proceeding could have a significant impact on VCE's capacity procurement obligations and RA compliance filing requirements. The April 19 Ruling attaching Energy Division's proposal would impact how DR is counted for RA compliance purposes beginning in 2022, among other changes. A broad array of other changes to the RA construct are also under consideration, including the consideration of hourly capacity requirements in light of the increasing deployment of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should *cap* use-limited and preferred resources such as wind and solar; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; and Marginal ELCC counting conventions for solar (including removal of RA value for solar-only resources for projects with CODs after December 31, 2020 that are not under contract as of the date of the Track 4 decision), wind and hybrid resources. The resolution of these issues could impact the extent to which VCE is permitted to rely on use-limited resources such as solar and wind to meet its RA obligations, the amount of RA that is credited to these types of resources, and what penalties (and waivers) would apply should there be a deficiency in meeting an RA requirement.

- **Next Steps**: Comments on the 2022 Final Local Capacity Technical Study Report are due May 7, 2021, and replies are due May 11, 2021. CAISO files its final 2022 Flexible Capacity Needs Assessment on May 14, 2021, with comments on the report due May 18, 2021. The exploratory workshop on ED's proposal for a comprehensive roadmap to facilitate widespread flexible demand management will be held May 25, 2021. A proposed decision on Tracks 3B.1, 3B.2, and 4 is anticipated to be issued on May 21, 2021, with a separate proposed decision to be issued thereafter regarding the 2022 Flexible Capacity Needs Assessment.
- **Additional Information**: 2022 Final Local Capacity Technical Study Report (April 30, 2021); Draft 2022 Flexible Capacity Needs Assessment (April 22, 2021); Ruling providing Energy Division's demand response proposal (April 19, 2021); 2019 Resource Adequacy Report (March 19, 2021); Ruling providing Energy Division's Track 3B.2 proposal (March 17, 2021); Ruling providing Energy Division's Track 4 proposal (February 1, 2021); Scoping Memo and Ruling for Track 3B and Track 4 (December 11, 2020); D.20-12-006 on Track 3.A issues (December 4, 2020); Amended Scoping Memo on Track 3 (July 7, 2020); D.20-06-031 on local and flexible RA requirements and RA program refinements (June 30, 2020); Scoping Memo and Ruling (January 22, 2020); Order Instituting Rulemaking (November 13, 2019); Docket No. R.19-11-009.

PG&E's Phase 2 GRC

On April 8, 2021, PG&E filed motions requesting approval of settlements reached on revenue allocation, agricultural rate design, commercial and industrial rate design, and the economic development rate. The CPUC held an evidentiary hearing on non-RTP issues April 8-22, 2021.

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

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

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

The Residential Rate Design Supplemental Settlement Agreement resolves all residential rate design issues in the proceeding, including:

- The PCIA will be identified for bundled customers as a flat rate (not differentiated by season or TOU period).
- PG&E's proposal for tiered rate levels for Schedule E-1 should be approved.
- PG&E's proposal to keep the Schedule E-TOU-C (*i.e.,* default residential TOU rate) peak versus off-peak price differentials at their current levels until 12 months after the last cohort of PG&E's customers are migrated to default TOU rates should be approved, and future changes over the following three years are specified in the Settlement Agreement.
- PG&E's Schedule E-ELEC should be approved, with the fixed charge set at $15 per customer per month. Since this new E-ELEC rate requires structural changes to PG&E's billing system, PG&E anticipates that it would take at least twelve months after a final decision is issued in this proceeding before it could be programmed, tested, and implemented.
- PG&E will host two workshops to discuss the collection of key information regarding customers who engage in electrification efforts, and the data collected will be provided to interested stakeholders and the Commission as part of a formal Measurement and Evaluation (M&E) study.

- **Details**: The **Revenue Allocation Supplemental Settlement Agreement** resolves all of the inter-class revenue allocation issues. Regarding bundled PCIA allocation, the parties agreed to remove PCIA at present rates before allocation and reallocate to the classes in proportion to the adopted generation allocation. The settling parties also agreed to keep in Distribution the revenues for DR programs and EV programs. The settling parties agreed to move Energy Efficiency Incentives revenues from Distribution to Public Purpose Programs and allocate them by the Equal Percentage of Total Revenue method.

  The **Agricultural Rate Design Supplemental Settlement Agreement** resolves the agricultural rate design issues in this proceeding, except for the issue of a proposed bill credit for PSPS events. The settling parties agreed to the rate designs proposed by PG&E in its opening testimony, for default Schedules AG-A1, AG-A2, AG-B, and AG-C and opt-in Schedules AG-FA, AG-FB, and AG-FC, as well as the demand charge rate limiter for Schedule AG-C, the elimination of the monthly TOU meter charge, maintaining the status quo for the Optimal Billing Period Program, and Peak Day Pricing provisions. Additionally, settling parties agreed to create new optional rate Schedules AG-A3 and AG-B2 that reduce the summer off-peak energy charges below the electric bundled system average rate. The settling parties agreed that the following four issues should not be decided in this case: A new 10-year legacy TOU period, a springtime rate or balancing account adjustment, daily demand charges, and an account or demand aggregation program.

  In the **Economic Development Rate (EDR) Supplemental Settlement Agreement** settling parties reached a settlement agreement to continue the EDR program with program-related rate reductions. PG&E's EDR rate reduces both the transmission, distribution, and the generation portions of customer bills. The settlement would provide that the EDR discount should be set in a way that enables CCAs to offer comparable rates, and PG&E and Joint CCAs agreed to a collaborative process to identify and vet EDR applicants that will make it easier for CCAs to provide a generation rate reduction to CCA customers who qualify for PG&E's EDR. The rate reductions for EDR will be separated between generation and distribution amounts, with the deduction to the generation portion specified in the settlement agreement being substantially less than under the current allocation.

  The **Commercial and Industrial Rate Design Supplemental Agreement** resolves Commercial and Industrial rate design issues, apart from the issue of CPUC action on the design of PG&E's transmission rates. The settling parties agreed that PG&E should set bundled PCIA initially equal to the most recent vintage PCIA, but use the adopted allocation for generation to set going forward PCIA rates. PG&E would set SOP rates to recover at least the PCIA. The tariff presentation of the PCIA for bundled generation rates would be modified as set forth in PG&E's rebuttal testimony, which proposed alternative tariff language in response to Joint CCAs' proposals.

- **Analysis**: This proceeding will not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 decision in the PCIA rulemaking, though the JCCAs recommend in testimony that more transparency be reflected in utility tariffs. However, it will affect the allocation of PG&E's revenue requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it could increase the cost VCE pays to PG&E for various services, to the extent VCE uses these services.
- **Next Steps**: Intervenor responsive testimony regarding RTP issues is due May 28, 2021, and rebuttal testimony is due July 30, 2021. The evidentiary hearing on RTP issues will occur in September 2021. Opening and reply briefs, respectively, on non-RTP issues are due May 20, 2021, and June 10, 2021. A CPUC decision on non-RTP issues is anticipated for October 2021, and a decision on RTP issues is anticipated in May 2022.
- **Additional Information**: Motion to adopt Commercial and Industrial Rate Design Supplemental Agreement (April 13, 2021); Motion to adopt Revenue Allocation Supplemental Settlement Agreement (April 8, 2021); Motion to adopt Agricultural Rate Design Supplemental Settlement Agreement (April 8, 2021); Motion to adopt Economic Development Rate (EDR) Supplemental Settlement Agreement (April 8, 2021); Motion to adopt residential rate design settlement (March 29, 2021); Notice of Virtual Evidentiary Hearing (March 25, 2021); Scoping Memo and Ruling (February 16, 2021); Ruling bifurcating RTP issues into separate track (February 2, 2021); PG&E Status Report (December 18, 2020); D.20-09-021 on EUS budget (September 28, 2020); Ruling extending procedural schedule (July 13, 2020); Exhibit (PG&E-5) (May 15, 2020); Scoping Memo and Ruling (February 10, 2020); Application, Exhibit (PG&E-1): Overview and Policy, Exhibit (PG&E-2): Cost of Service, Exhibit (PG&E-3): Revenue Allocation, Rate Design and Rate Programs, and Exhibit (PG&E-4): Appendices (November 22, 2019); Docket No. A.19-11-019.

PG&E Regionalization Plan

Parties filed comments on PG&E's updated regionalization plan on April 2, 2021, and reply comments on April 9, 2021. On April 30, 2021, the ALJ provided notice of a May 18, 2021 status conference.

- **Background**: PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. PG&E proposes to divide its service area into five new regions. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region. The new regions would include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel.

  In August, parties filed protests and responses to PG&E's application. Of note, South San Joaquin Irrigation District filed a Protest arguing that PG&E's regionalization effort should not create a moratorium or interfere with municipalization efforts. In addition, five CCAs filed responses or protests to PG&E's application, with MCE and EBCE filing protests and City of San Jose, City and County of San Francisco, and Pioneer Community Energy filing responses. CCA responses/protests sought more information on the implications of regionalization on CCA customers, CCA operations, and CCA-PG&E coordination; PG&E's overarching purpose, goals, and metrics to judge success of regionalization; the delineation between centralized and decentralized functions in PG&E's application; and budgets and cost recovery related to regionalization, among other issues. CCAs also identified various concerns specific to their CCAs (e.g., EBCE's and MCE's service areas would both be split across two PG&E regions; SJCE expressed concern with its service area being assigned to the Central Coast region; Pioneer expressed concern that it would be the only CCA in its region, which would be the only region not to be "anchored" by an urban area).

- **Details**: PG&E submitted its updated regionalization proposal on February 26, 2021. In response to feedback, PG&E modified its five regions (renamed North Coast, North Valley & Sierra, Bay Area, South Bay & Central Coast, and Central Valley), including moving Yolo County from Region 1 to Region 2 (North Valley & Sierra), where it would be grouped with the following counties: Colusa, El Dorado, Glenn, Lassen, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Solano, Sutter, Tehama, and Yuba. PG&E also provided more information on the new leadership positions that it is creating and its "Lean Operating System" implementation. Currently, PG&E is in Phase 1 of 3 of its regionalization plan, which is focused on refining regional boundaries, establishing roles and governance for regional leadership, and recruiting and hiring for those positions. In Phase 2 (second half of 2021 through 2022), PG&E will establish and implement the regional boundaries and provide the resources and staffing to support it. In Phase 3 (2023 and after), PG&E will continue to reassess, refine and collaborate with other functional groups to improve efficiencies, safety, reliability and customer service.
- **Analysis**: The implications of PG&E's regionalization plan on CCA operations, customers, and costs are largely unclear based on the information presented in PG&E's application and updated application. PG&E's regionalization plan could impact PG&E's responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers. It could also impact municipalization efforts, although this issue has not been explicitly addressed and remains unclear at this time. As part of Region 2, VCE would be grouped with several northern counties in central and eastern California.
- **Next Steps**: A status conference is scheduled for May 18, 2021. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information**: Notice of status conference (April 30, 2021); PG&E Updated Regionalization Proposal (February 26, 2021); Ruling modifying procedural schedule (December 23, 2020); Scoping Memo and Ruling (October 2, 2020); Application (June 30, 2020); A.20-06-011.

PG&E's 2019 ERRA Compliance

No updates this month. On March 25, 2021, PG&E filed a Motion to reopen the record of the proceeding to correct a table in PG&E's testimony, which the Joint CCA parties did not oppose.

- **Background**: ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about $4.0 million for Diablo Canyon seismic study costs.

The Joint CCAs' testimony identified $175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest. The Joint CCAs argue this amount should be credited back to customers. PG&E's rebuttal testimony stated it will make all but $33.6 million of those adjustments as part of its August 2020 accounting close.

On October 22, 2020, PG&E, Joint CCAs, and Cal Advocates filed a Joint Motion to Adopt Settlement Agreement. The Settlement Agreement resolves all but two of the disputed issues in Phase I of the proceeding. PG&E agreed with certain accounting errors identified by the Joint CCAs. PG&E also committed to provide additional, specific information requested by the Joint CCAs simultaneous with its ERRA Compliance applications and simplify the presentation of that information, resolving the Joint CCAs concern with transparency of the PG&E data supporting entries to the ERRA, PABA and related balancing accounts. PG&E and the Joint CCAs agreed to engage in discussions about the approach to Resource Adequacy solicitations governed by Appendix S of PG&E's 2014 Bundled Procurement Plan. Finally, PG&E agreed to rebill all commercial and industrial CCA customers assigned an incorrect vintage.

- **Details**: Parties are currently awaiting the issuance of a proposed decision.
- **Analysis**: This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Efforts from the Joint CCAs to date will reduce the level of the PCIA for VCE's customers in 2021 and/or 2022. The two remaining issues not covered by the Settlement Agreement are (1) the request in PG&E's rebuttal testimony to reverse the $92.9 million adjustment it made in response to D.20-02-047 to its PABA regarding the amount of RPS energy the utility retained to serve its bundled customers in 2019; and (2) the utility's decision not to re-vintage four RPS contracts renegotiated during 2019.
- **Next Steps**: A proposed decision is anticipated to be issued soon. The schedule for Phase II of this proceeding has not been issued yet.
- **Additional Information**: PG&E Motion to update table (March 25, 2021); Joint Motion to Adopt Settlement Agreement (October 22, 2020); Ruling modifying extending deadline for briefs and reply briefs (October 12, 2020); Amended Scoping Memo and Ruling (August 14, 2020); Scoping Memo and Ruling (June 19, 2020); PG&E's Application and Testimony (February 28, 2020); Docket No. A.20-02-009.

Direct Access Rulemaking

No updates this month. On October 16, 2020, and October 26, 2020, respectively, parties filed comments and replies in response to the ALJ Ruling providing a Staff Report and recommendation to the Legislature regarding a potential additional expansion of direct access (DA) for nonresidential customers.

- **Background**: In Phase 1 of this proceeding, the CPUC allocated the additional 4,000 GWh of direct access load required by SB 237 (2018, Hertzberg) among the three IOU territories with implementation to begin January 1, 2021.

  In Phase 2, the CPUC is addressing the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details**: The September 28, 2020 Ruling attached a Staff Report constituting the draft CPUC recommendations to the Legislature required by SB 237. The Staff Report recommends that the Legislature:

- Not make a determination as to whether to further expand DA until at least 2024, after the conclusion of the 2021-24 RPS compliance period and the fulfillment of procurement ordered by D.19-11-016.
- Condition any further DA expansion on the performance of Energy Service Providers (ESPs) with respect to IRP, RPS and RA requirements through 2024.
- Make any further DA expansion in increments of 10% of nonresidential load per year, conditioned on ESP ongoing compliance with IRP, RPS and RA requirements.
- "[C]onsider the CPUC's authority in allowing CCAs to recover the costs of investments that are stranded because of unforeseen load departure to address these potential impacts."
- "Amend P.U. Code Section 949.25 to provide the CPUC with the authority to revoke ESP licenses and CCA registration for repeated non-compliance with [RA], RPS or IRP requirements."

CalCCA's comments argued that the CPUC should add a condition for reopening DA that will foster attainment of state goals and ensure competitive neutrality for all LSEs. CalCCA recommended establishing a Phase 3, Track 1 process for further development of DA reopening conditions, including competitively neutral switching rules, rules governing CCA stranded cost recovery, clear compliance metrics, and ESP transparency measures. Furthermore, CalCCA recommended establishing a Phase 3, Track 2 to be implemented following the issuance of 2021-2024 Renewable Portfolio Standard (RPS) compliance reports to assess readiness for DA reopening.

ESPs argued against delaying a Legislative determination on further DA reopening, for a faster pace of DA reopening, and that access to additional load should depend on the compliance of each ESP, rather than compliance of all ESPs. Both DA advocates and IOUs opposed stranded asset recovery by CCAs.

- **Analysis**: This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals and will result in cost-shifting to both bundled and CCA customers. The Staff report recognizes this concern and recommends that if DA is further expanded, the Legislature consider permitting CCAs to recover stranded costs from departing DA customers. The Staff report also recommends the Legislature amend the statute to allow the CPUC to revoke both ESP licenses and CCA registration for repeated non-compliance of RA, RPS, or IRP requirements.
- **Next Steps**: A proposed decision is anticipated to be issued next.
- **Additional Information**: Ruling and Staff Report (September 28, 2020); Amended Scoping Memo and Ruling adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. R.19-03-009; *see also* SB 237.

RA Rulemaking (2019-2020)

No updates this month. Two applications for rehearing remain the only outstanding items to be addressed in this proceeding, which is now closed.

- **Background**: This proceeding had three tracks, which have now concluded. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program. D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

In Track 2, the CPUC previously adopted multi-year Local RA requirements and initially declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019).

The second Track 2 Decision, D.20-06-002, adopted implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA. Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. D.20-06-002 also established a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences.

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

On October 30, 2019, CalCCA filed a PFM of D.19-06-026, seeking the creation of an RA waiver process in 2020 for system and flexible RA obligations.

Details: The only two remaining items to be addressed in this proceeding are two applications for rehearing filed by Western Power Trading Forum (WPTF). First, on July 17, 2020, WPTF filed an Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. It requested rehearing and reconsideration of the rejected settlement agreement between WPTF, CalCCA, and other parties, arguing that D.20-06-002 will discourage the procurement of local resources by individual LSEs, discriminates against natural gas resources while increasing the need for CAISO backstop procurement, may undermine reliability by making it more difficult to integrate renewables with the larger western grid, and creates a "sale for resale" procurement construct that could place it under FERC's jurisdiction as a wholesale, rather than a retail, transaction.

Second, on August 5, 2020, WPTF filed an Application for Rehearing of D.20-06-028 with respect to the self-scheduling requirements for non-resource specific RA imports.

- **Analysis**: D.20-06-002 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year will impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework. Eventually, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual

LSEs, but it also eliminates VCE's autonomy with regard to local RA procurement and places it in the hands of PG&E.

The Track 1 Decision on RA imports most directly impacted LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- **Next Steps**: The only issues remaining to be addressed in this proceeding are WPTF's Applications for Rehearing. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009.
- **Additional Information**: D.20-09-003 denying PFMs filed by PG&E, CalCCA, and Joint Parties (September 16, 2020); WPTF's Application for Rehearing of D.20-06-028 (August 5, 2020); WPTF's Application for Rehearing of D.20-06-002 (July 17, 2020); D.20-06-028 on Track 1 RA Imports (approved June 25, 2020); D.20-06-002 establishing a central procurement mechanisms for local RA (June 17, 2020); D.20-03-016 granting limited rehearing of D.19-10-021 (March 12, 2020); D.20-01-004 on qualifying capacity value of hybrid resources (January 17, 2020); D.19-12-064 granting motion for stay of D.19-10-021 (December 23, 2019); D.19-10-021 affirming RA import rules (October 17, 2019); D.19-06-026 adopting local and flexible capacity requirements (July 5, 2019); Docket No. R.17-09-020.

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

No updates this month. On November 24, 2020, CPUC President sent a letter to PG&E indicating that she has directed CPUC staff to conduct fact-finding to determine whether to recommend that PG&E be placed into the enhanced oversight and enforcement process.

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

  A July 2020 ALJ Ruling described the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observed that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. Party comments did not explicitly raise the issue of CCA proposals to purchase PG&E electric distribution assets.

  The September 4 Ruling filed in the PG&E Safety Culture proceeding (I.15-08-019) and PG&E Bankruptcy proceeding (I.19-09-016) determined that I.15-08-019 will remain open as a vehicle to monitor the progress of PG&E in improving its safety culture, and to address any relevant issues that arise, with the consultant NorthStar continuing in its monitoring role of PG&E. The Ruling declined to close the proceeding but also declined to move forward with CCAs' consideration of whether PG&E's holding company structure should be revoked and whether PG&E should be a "wires-only company," as well as developing a plan for service if PG&E's CPCN is revoked in the future.
- **Details**: In her November 2020 letter to PG&E, President Batjer pointed to a "pattern of vegetation and asset management deficiencies that implicate PG&E's ability to provide safe, reliable service to customers," and stated the "Wildfire Safety Division Staff has identified a volume and rate of defects in PG&E's vegetation management that is notably higher than those observed for the other utilities."

- **Analysis**: CPUC President Batjer's letter indicates the CPUC is currently investigating whether to move PG&E into its newly created enhanced oversight and enforcement process. This six-step process could ultimately result in a revocation of PG&E's certificate of public convenience and necessity if it fails to take sufficient corrective actions.
- **Next Steps**: The proceeding remains open, but there is no procedural schedule at this time.
- **Additional Information**: Letter from President Batjer to PG&E (November 24, 2020); Ruling updating case status (September 4, 2020); Ruling on case status (July 15, 2020); Ruling on proposals to improve PG&E safety culture (June 18, 2019); D.19-06-008 directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); Scoping Memo (December 21, 2018); Docket No. I.15-08-019.

Wildfire Cost Recovery Methodology Rulemaking

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

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

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

  PG&E's application for rehearing challenges the CPUC's prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E's rationale is that SB 901 requires the CPUC to determine that the stress test methodology to be applied to all IOUs. Several parties filed responses to PG&E's application for rehearing disagreeing with PG&E.
- **Details**: N/A.
- **Analysis**: This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.
- **Next Steps**: The only matter remaining to be resolved in this proceeding is PG&E's application for rehearing. This proceeding is otherwise closed.
- **Additional Information**: PG&E Application for Rehearing (August 7, 2019); D.19-06-027 (July 8, 2019); Assigned Commissioner's Ruling releasing Staff Proposal (April 5, 2019); Scoping Memo and Ruling (March 29, 2019); Order Instituting Rulemaking (January 18, 2019); Docket No. R.19-01-006. *See also* SB 901, enacted September 21, 2018.

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up
ALJ	Administrative Law Judge
BioMAT	Bioenergy Market Adjusting Tariff
BTM	Behind the Meter
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism
CARB	California Air Resources Board
CEC	California Energy Commission
CPE	Central Procurement Entity
CPUC	California Public Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
CTC	Competition Transition Charge
DA	Direct Access
DWR	California Department of Water Resources
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
EUS	Essential Usage Study
GRC	General Rate Case
IEPR	Integrated Energy Policy Report
IFOM	In Front of the Meter
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
ITC	Investment Tax Credit
LSE	Load-Serving Entity
MCC	Maximum Cumulative Capacity
OII	Order Instituting Investigation
OIR	Order Instituting Rulemaking
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
POLR	Provider of Last Resort
PSPS	Public Safety Power Shutoff
PUBA	PCIA Undercollection Balancing Account

PURPA	Public Utility Regulatory Policies Act of 1978 (federal)
QC	Qualifying Capacity
QF	Qualifying Facility under PURPA
RA	Resource Adequacy
RDW	Rate Design Window
ReMAT	Renewable Market Adjusting Tariff
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TOU	Time of Use
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan
WSD	Wildfire Safety Division (CPUC)

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Board of Directors

FROM: Rebecca Boyles, Director of Customer Care & Marketing

SUBJECT: Customer Enrollment Update (Information)

DATE: May 13, 2021

RECOMMENDATION

Receive and review the attached Customer Enrollment update as of May 5, 2021.

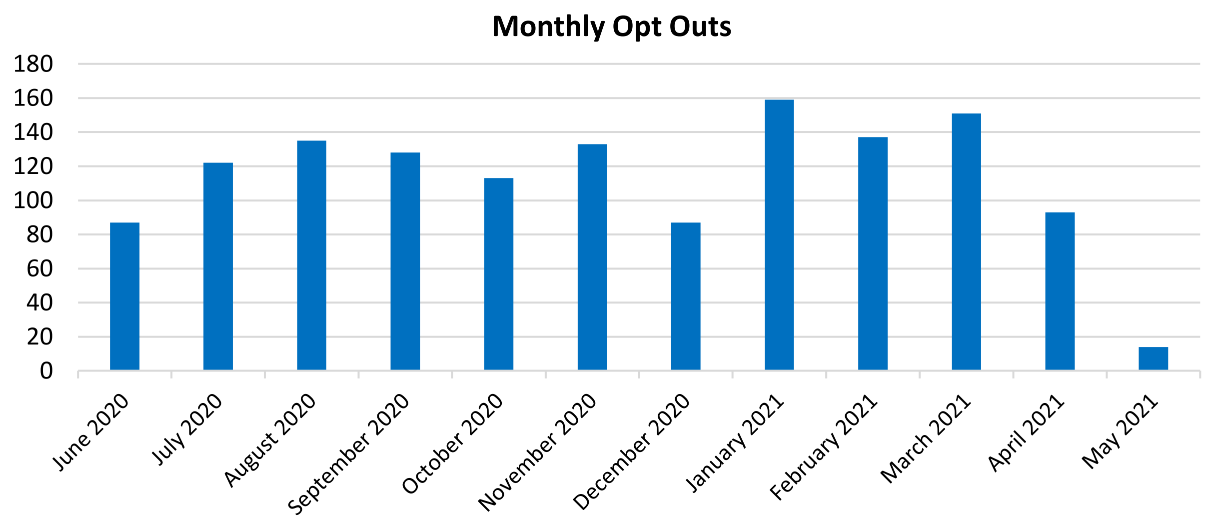
Item 9 - Enrollment Update

	Davis	Woodland	Winters	Yolo Co	Total	Residential	Commercial	Industrial	Ag	NEM	Non-NEM
VCEA customers	27,826	20,748	2,324	10,767	61,665	53,530	6,134	6	1,907	10,021	51,644
Eligible customers	29,131	23,724	2,529	12,258	67,642	58,688	6,683	6	2,161	10,911	56,731
Participation Rate	96%	87%	92%	88%	91%	91%	92%	100%	88%	92%	91%

There are currently 301 Winters customers not included in this table. NEM will enroll throughout 2021.

% of Load Opted Out

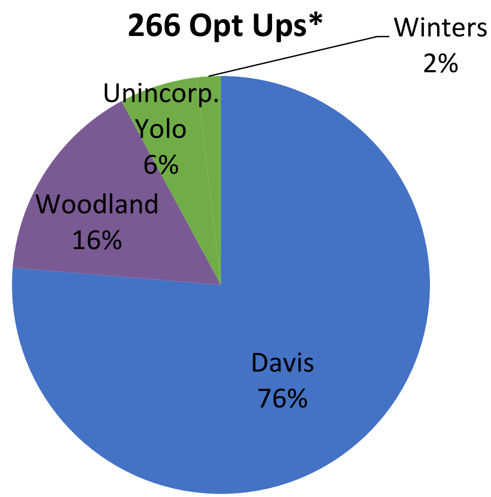
Residential	Commercial	Industrial	Ag	Total
9%	9%	0%	12%	9%

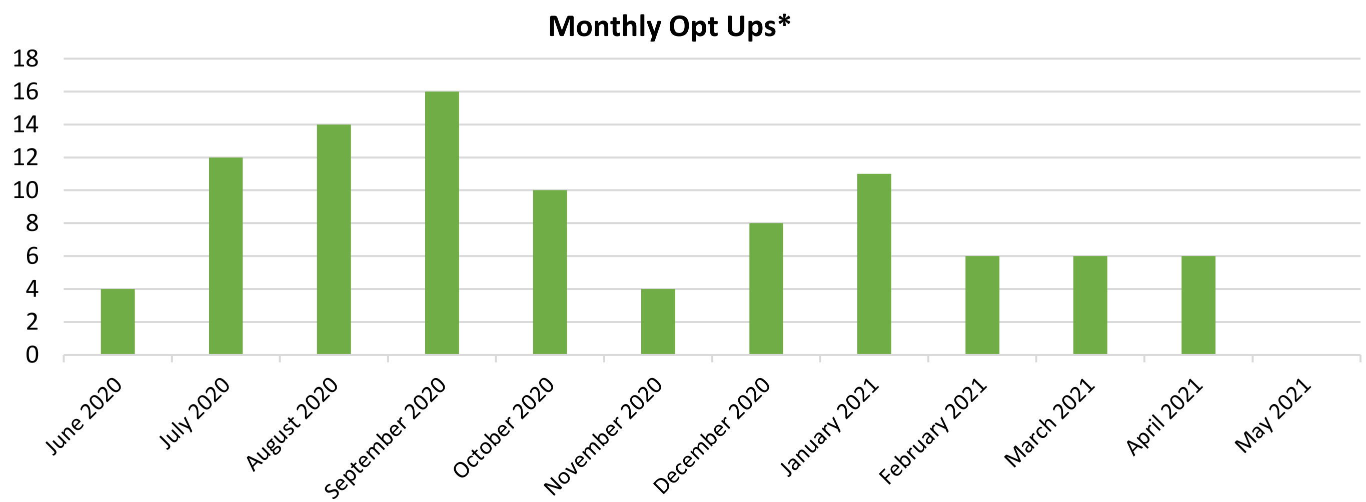


Status Date: 5/5/21

VALLEY CLEAN ENERGY

Item 9 - Enrollment Update

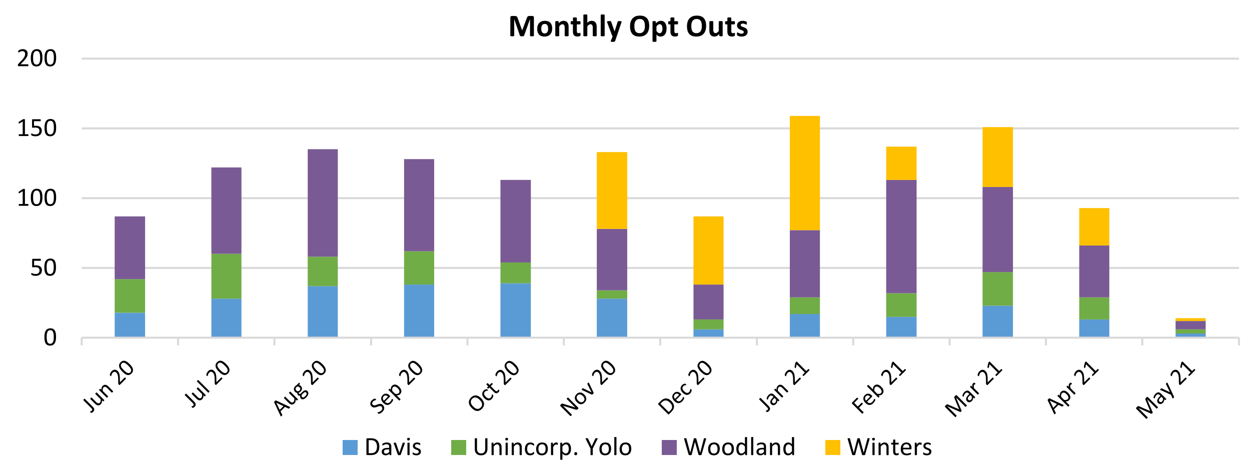


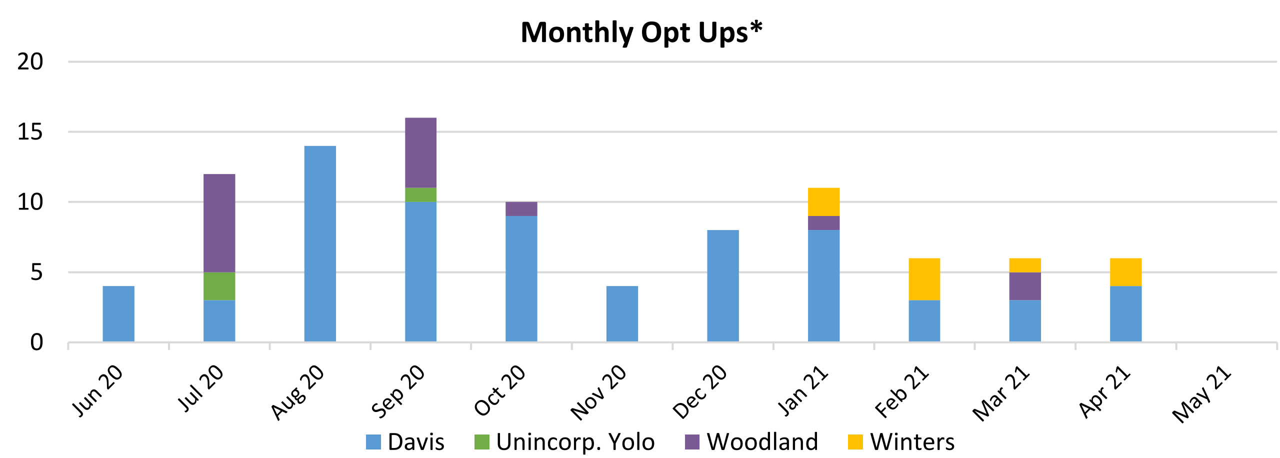


* The numbers in the pie chart represent opt ups for customers who are currently enrolled. The numbers in the bar graph represent opt up actions taken regardless of current enrollment status.

Status Date: 5/5/21

Item 9 - Enrollment Update



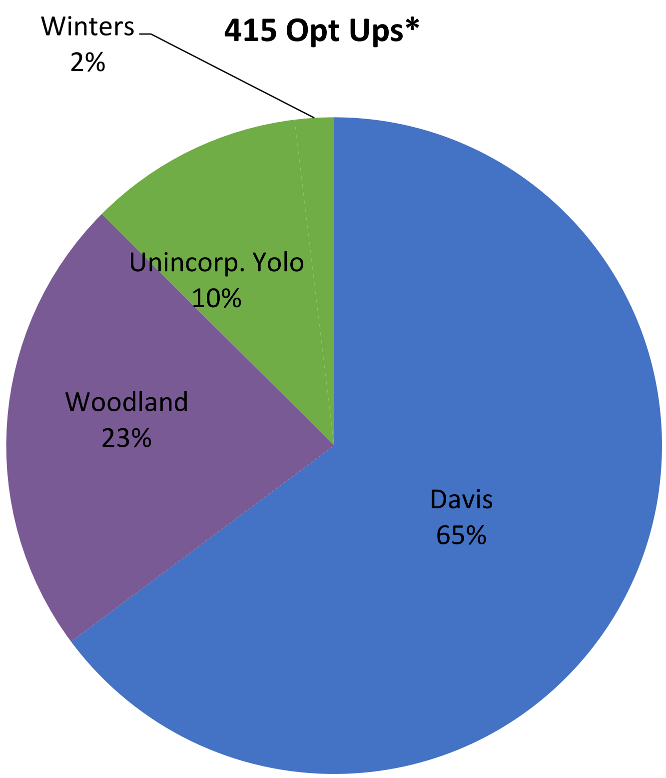


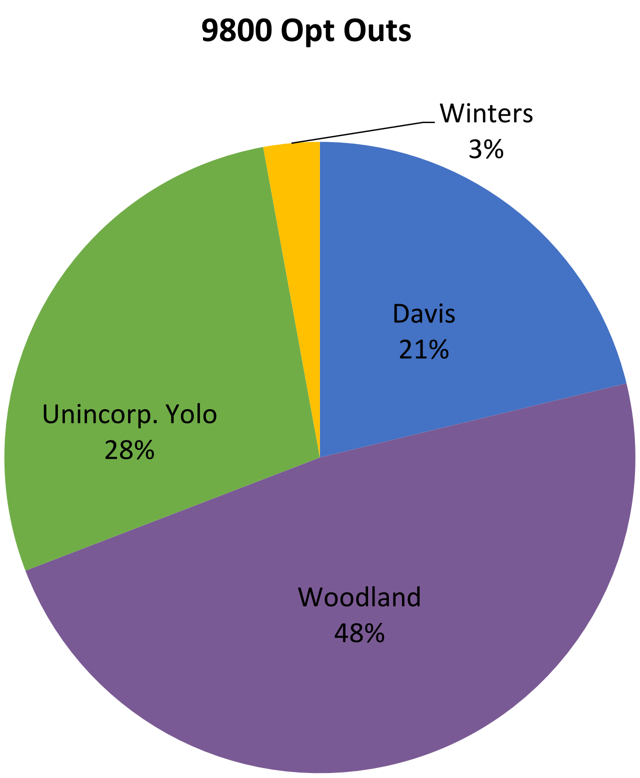
* These numbers represent all opt up actions ever taken regardless of current customer enrollment status.

Status Date: 5/5/21

VALLEY CLEAN ENERGY

Item 9 - Enrollment Update





* These numbers represent all opt up actions ever taken regardless of current customer enrollment status.

Status Date: 5/5/21

VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO:	Board of Directors
FROM:	Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT:	Community Advisory Committee April 22, 2021 Meeting Summary
DATE:	May 13, 2021

This report summarizes the Community Advisory Committee's meeting held via Zoom webinar on Thursday, April 22, 2020 at 5 p.m.

A. **Received presentation from VCE general counsel on AB 992 and Brown Act (Information):** Harriet Steiner of Best Best Krieger provided an overview of Assembly Bill 992 (2020 Mullin Open meetings: local agencies: social media) and the Brown Act focusing on social media communications.

B. **Received presentation from SMUD on its 2030 Zero Carbon Plan (Information/Discussion):** Dr. Olof Bystrom of SMUD presented an overview of SMUD's 2030 Zero Carbon Plan, including their goal of zero greenhouse gas emissions for energy supply by 2030. Dr. Bystrom reviewed their flexible pathway to a firm commitment to zero carbon, research plan for new large-scale technologies, the expansion of existing technology, proven clean tech investment overview, distributed energy resource (DER), new business models, 12 month action plan, and outreach and engagement efforts. He emphasized that the plan is for "the electricity to be 100% carbon free 100% of the time." The CAC members asked questions and briefly discussed certain aspects of SMUD's plan.

C. **2020 and 2021 Power Content update (Information):** VCE Staff Gordon Samuel updated the CAC on 2020 targets and actuals, a summary of 2020 renewable resources, targets for 2021 and a summary of VCE's evolving portfolio.

D. **Strategic Plan update (Information):** VCE Staff Edward Burnham provided an update of Strategic Plan goals, objectives and metrics. For each of the six main goals key developments were noted.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

To: Board of Directors

From: Mitch Sears, Interim General Manager
Rebecca Boyles, Director of Customer Care and Marketing

Subject: Amendment 22 Task Order 2 of the SMUD Professional Services Agreement

Date: May 13, 2021

RECOMMENDATION
Ratify via resolution approval of Amendment 22 to Task Order 2 of the Sacramento Municipal Utilities District (SMUD) Professional Service Agreement authorizing the implementation of the Net Energy Meter Donation program web format at a cost of $8,500.

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

A Net Energy Metering Donation (NEM) Pilot Program (see attached) was adopted by the Board in June 2020. This program offers eligible NEM customers the opportunity to donate their surplus solar generation credits to charities/community based organizations (CBOs). Eligible customers have been given an opportunity to donate their NEM credits to CBOs or to receive a check from VCE.

To date, we have enrolled all legacy NEM customers, and continue to enroll NEM customers residing in the City of Winters on a monthly basis. There was a need for an easy and accessible way for customers to donate their NEM credit online. Amendment 22 to SMUD Task Order 2 implements a NEM Donation Program webform for customers to access through VCE's website. This form will streamline the NEM Donation Program process operationally, and will provide template architecture for webforms in the future such as customer program intake forms. This will make implementation of future webforms easier, incurring only nominal expense after this initial development.

Amendment 22 to SMUD agreement Task Order 2 (Data Management and Customer Call Center Services) authorizes the implementation of the Net Energy Meter Donation program webform at a cost of $8,500.

Financial Impact: The cost for SMUD to implement the webform is $8,500, though some future financial impact to VCE will be mitigated by creating the basic webform infrastructure. . This cost has been budgeted in the FY2020/2021 operating budget.

CONCLUSION
Staff is requesting the VCE Board to ratify via resolution Amendment 22 to Task Order 2 (Data Management and Customer Call Center Services).

Attachments:
1. NEM Donation Program adopted June 2020
2. Signed Amendment 22 to Task Order 2 (Data Management and Customer Call Center Services)
3. Resolution ratifying approval of Amendment 22 to Task Order 2 to the VCE-SMUD Professional Services Agreement

AMENDMENT 22 TO EXHIBIT A: Scope of Services

A.4 Task Order 2 – Data Management and Customer Call Center Services

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 22 to Exhibit A, Task Order No. 2 (Amendment 22), 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 22 conflict with any general provisions in the Agreement or Task Order 2, the provisions of this Amendment 22 shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Amendment 22 is the date of last signature below.

1. **<u>Section 1, SCOPE OF WORK, is amended to add Section 1.12 below:</u>**

"1.12 NEM DONATION PROGRAM WEB FORM

1.12.1 Scope of Work

VCE has created a program that allows customers to donate their annual NEM true-up to a local charity, rather than receiving a check or bill credit. This enhancement will create a secure web form where customers can submit their NEM true-up preference and a field in the Customer Relationship Management (CRM) system where the preference will be stored.

To implement the NEM Donation Program web form scope, SMUD will:

- Create a web form for customers to submit their true-up preference.
    - The form will include customer Account Number, the DA Xrefs in the Account, and a picklist for true-up preference (e.g., donate to Charity A, donate to Charity B, bill credit, or customer check).
    - The customer will be validated to confirm the Account Number submitted is a valid VCE customer.
    - The form will show the current selection of the NEM true-up preference for each NEM DA Xref. The customer will be able to change the preference and resubmit at any time.
- Create a field in CRM, linked at the DA Xref level, where the data will be stored upon submission through the web form.
    - The true-up preference change will be effective from the day of submission.
    - Effective start date and end date will be maintained in the database for each preference selection.

The scope for this enhancement includes the following assumptions.

- Automatic NEM cash-outs are not in scope.
- Auto-generated reports are not scope, but VCE can self-serve through the Salesforce reporting function.
- SMUD will add the true-up preference field to the NEM cash-out list supplied to VCE each month.
- Customer notification regarding program availability is not in scope, but VCE can access Salesforce email functionality to notify up to 5,000 customers per day.
- The web form will be linked in the VCE website.

1.12.2 Deliverables and Due Dates

The schedule for the NEM Donation Program web form is estimated to be four (4) weeks, and includes the following milestones and due dates:

	Milestone	**Responsible Party**	**Due Date**
1	Task Order Amendment executed	VCE	April 19, 2021
2	Begin testing with website vendor and VCE	SMUD	May 10, 2021
3	Configuration and testing complete	SMUD	May 17, 2021

1.12.3 Schedule

It is estimated that the Scope of Services for this task will be completed four (4) weeks from the Amendment execution date of this Amendment 22.”

Section 4, COMPENSATION FOR SERVICES is amended to add Section 4.8, *NEM Donation Program web form,* as follows:

“The fixed fee for the Implementation of the NEM Donation Program web form is $8,500.”

Section 5, PAYMENT TERMS, is amended to add the following:

“SMUD will invoice the fixed fee for the NEM Donation Program web form upon completion, and payment will be due net thirty (30) days from date of the invoice.”

[Signature Page follows]

SIGNATURES

The Parties have executed this Amendment 22, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: ______________________

Name: **Mitch Sears**

Title: **Interim General Manager**

Date: **April 19, 2021**

Approved as to Form: **n/a**

Sacramento Municipal Utility District

By: ______________________

Name: Tracy Carlson

Title: Interim Chief Customer Officer

Date: 4/21/2021

Approved as to Form: Andrew Medlf

Pilot NEM Donation Program

(adopted by Board June 11, 2020)

Background

Most solar net energy metered (NEM) customers pay their electricity bill once per year. This is called an annual true-up. Depending on a customer's annual solar production at true-up, a customer may owe money, or if they generate excess energy, VCE may owe them money.

When a customer's true-up credit balance exceeds $100, VCE pays the customer for the outstanding balance, zeroing out the account. For credit balances less than $100, the balance rolls over as a credit on the customer's bill.

Description

VCE would like to pilot a program that offers eligible NEM customers the opportunity to donate their NEM credits to charities/community based organizations (CBOs). Eligible customers will be notified via website, email and/or regular mail and will be given the opportunity to donate their NEM credits to CBOs or to receive a check from VCE. A reply sheet and postage paid envelope will be included in the letter to facilitate an easy response, or customers may respond electronically through email or the VCE website (when this functionality is enabled).

If a customer selects to donate their NEM credits to a selected CBO, the CBO will be provided with the customer's name, address, and amount of donation so a charitable donation receipt can be sent.

Benefits

- Provides funding to local charities/CBOs
- Provides a tax deduction to the donor
- Creates community good will towards VCE
- Reduces the number of checks VCE must write

Potential Donations

After the first year of VCE operation, there were 5 customers with credit balances exceeding $100. The total amount of credits exceeding $100 was $5,986.

During the second year of VCE service, there were 64 customers with credit balances exceeding $100. The total credit balance for those customers was $21,924.

The number of NEM customers with outstanding credit balances is expected to grow dramatically as VCE adds over 6,000 new NEM customers in 2020—customers who were previously full-service PG&E customers. Additional customers will continue to be added through new installations in existing buildings as well as new construction.

Charities/CBOs

Customers can choose between two or three CBOs, to be determined. The intent is to keep the number of CBOs limited in order to reduce administrative effort and increase the amount allocated to each CBO.

Selected CBOs will come from one or both of the following categories:

1. **Mission Alignment with VCE** - The selected CBOs will have missions that directly align with VCE's mission and vision. This would include CBOs that focus on energy efficiency, renewable energy, energy storage and/or demand response.

2. **Provide Services to the Community** - This includes CBOs that provide services to the communities we serve such as provision of food, low income housing, family services, bill pay, counseling, etc.

The CBOs will be selected based on input from the CAC and VCE Board. The selected CBOs will be reviewed to ensure they meet our requirements. An annual review of the program and CBOs will be performed and new CBOs may be selected.

Mechanics

VCE will send a letter or email to all NEM customers. With regular mail, a postage paid envelope and return form will be included.

Customers will have the following options:

1. Allow the credit to roll over to offset future energy bills.
2. Receive payment from VCE for the full credit amount.
3. Donate the credit to charity. If yes, select one of the chosen CBOs.

Customers that choose the donation option will be notified that VCE will provide the CBO with their name and address so the CBO can send a donation receipt.

Customers who do not return the form will automatically be enrolled in Option 2 and will receive a check for outstanding solar credits if the total amount exceeds $100 (per VCE NEM policy). Credits under $100 will stay on the customer account as a credit against future bills.

Considerations

- Tracking - VCE must keep track of the donors and provide donor information to selected CBOs
- Payments to CBOs - VCE will need to pay CBOs on a regular basis
- Verification – VCE will need to ensure the CBO sends tax-deductible receipts to donors

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Board of Directors

From: Mitch Sears, Interim General Manager
Rebecca Boyles, Director of Customer Care and Marketing

Subject: Amendment 23 Task Order 2 of the SMUD Professional Services Agreement

Date: May 13, 2021

RECOMMENDATION
Ratify approval via resolution of Amendment 23 to Task Order 2 of the Sacramento Municipal Utilities District (SMUD) Professional Service Agreement authorizing the bill payment assistance outbound call campaign at a cost of $1,500.

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

Many VCE customers have gone into arrears during the COVID-19 crisis, and debt owed to VCE has increased. Customers are experiencing stress about arrearages while they may be eligible for programs that could help them to pay their bills or reduce their debt. Not all VCE customers that qualify for CARE and FERA income-based discount programs are enrolled in the programs (or aware of them), thereby missing the opportunity for assistance. Additionally, VCE is participating in the Arrearage Management Plan, which allows eligible customers to forgive debt after a series of 12 on-time payments, but many customers may not be aware of the assistance.

SMUD has initiated a similar outbound call campaign with East Bay Community Energy, so the Customer Care team is experienced in handling these potentially delicate conversations, and in helping customers to get the resources to sign up for discount programs when appropriate. This initial VCE outbound call campaign will focus on contacting 200 customers in arrears with VCE, providing education and resources on the CARE/FERA and AMP programs. The agreement also allows for a one-question programs survey, gathering feedback about which customer programs would be most helpful to customers in arrears.

Amendment 23 to SMUD agreement Task Order 2 (Data Management and Customer Call Center Services) authorizes the implementation of the bill assistance outbound call campaign at a cost of $1,500.

Financial Impact: The cost for SMUD to implement the initial outbound call campaign for 200 customer is $1,500. Some of the financial impact to VCE may be mitigated by increased payments and a future reduction in arrearages. This cost has been budgeted in the FY2020/2021 operating budget.

CONCLUSION
Staff is requesting the VCE Board to ratify via resolution Amendment 23 to Task Order 2 (Data Management and Customer Call Center Services).

Attachments:
1. Signed Amendment 23 to Task Order 2 (Data Management and Customer Call Center Services)
2. Resolution ratifying the approval of Amendment 23 to Task Order 2 to the VCE-SMUD Professional Services Agreement

AMENDMENT 23 TO EXHIBIT A: Scope of Services

A.4 Task Order 2 – Data Management and Customer Call Center Services

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 23 to Exhibit A, Task Order No. 2 (Amendment 23), 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 23 conflict with any general provisions in the Agreement or Task Order 2, the provisions of this Amendment 23 shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Amendment 23 is the date of last signature below.

1. **<u>Section 1, SCOPE OF WORK, is amended to add Section 1.13 below:</u>**

"1.13 OUTBOUND CALL CAMPAIGN

1.13.1 Scope of Work

VCE customers may have the opportunity to qualify for CARE and FERA programs to help with bill assistance. Customers may be unaware of programs and changes in eligibility and as a result may be missing out on the opportunity of receiving financial assistance with their energy bills.

SMUD will launch an outbound call campaign to make potentially eligible VCE customers aware of these programs. The campaign will include:

- Development of a target customer list, with a focus on enrolled residential customers with past due balances of $500 or more
- Up to 3 outbound call attempts to each customer (or until customer is reached, whichever comes first)
    - Education about CARE/FERA programs, https://valleycleanenergy.org/financial-assistance/, PG&E website information for online enrollment, warm hand off to PG&E CARE/FERA CSR whenever possible
    - Arrearage Management Plan (AMP) education
    - Brief program survey
- Providing the following detailed data to VCE within two weeks of campaign completion
    - How many customers were reached
    - How many were transferred to PG&E
    - How many were given the PG&E website

- How many customers took an action per PG&E's 4013 report (CARE/FERA; AMP; payment plan)
- Customer feedback as received
- Program survey results

Further monitoring of customer action per the 4013 report is outside the scope of this Task Order amendment.

1.13.2 Deliverables and Due Dates

The schedule for the outbound call campaign is estimated to be four (4) weeks, and includes the following milestones and due dates:

	Milestone	Responsible Party	Due Date
1	Task Order Amendment executed	VCE	April 12, 2021
2	Target customer list complete	SMUD	April 19, 2021
3	Outbound calls complete	SMUD	May 3, 2021
4	Summary data provided to VCE	SMUD	May 10, 2021

1.13.3 Schedule

It is estimated that the Scope of Services in this task will be completed in four (4) weeks from the Amendment execution due date of this Amendment 23."

Section 4, COMPENSATION FOR SERVICES is amended to add Section 4.9, *Outbound Call Campaign,* as follows:

"The fixed fee for the Outbound Call Campaign is $750 per 100 customers. VCE has authorized calls to 200 customers, resulting in a total fee of $1500."

Section 5, PAYMENT TERMS, is amended to add the following:

"SMUD will invoice the fixed fee for the Outbound Call Campaign upon completion, and payment will be due net thirty (30) days from date of the invoice."

[Signature Page follows]

SIGNATURES

The Parties have executed this Amendment 23, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By:

Name: **Mitch Sears**

Title: **Interim General Manager**

Date: **April 19, 2021**

Approved as to Form: **n/a**

Sacramento Municipal Utility District

By:

Name: Tracy Carlson

Title: Interim Chief Customer Officer

Date: 4/20/20201

Approved as to Form: Andrew Meditz

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2021 - ___

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE RATIFYING THE INTERIM GENERAL MANAGER'S APPROVAL AND EXECUTION OF AMENDMENT 23 TO TASK ORDER 2 TO THE SACRAMENTO MUNICIPAL UTILITIES DISTRICT PROFESSIONAL SERVICES AGREEMENT

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;

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;

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;

WHEREAS, in October 2018, Amendment 4 to Task Order 2 updating VCE's base program from "LightGreen" to "Standard Green" was approved;

WHEREAS, in April 2019, Amendment 10 to Task Order 2 adding detail to SMUD's invoicing methodologies in the Compensation for Services section updating was approved;

WHEREAS, in June 2019, Amendments 11 and 12 to Task Order 2 implementing the Annual Dividend program and second Net Energy Metering (NEM) True-Up Policy was approved;

WHEREAS, in August 2019, Amendment 13 to Task Order 2 updating data management and customer call center service rate was approved;

WHEREAS, in May 2020, Amendment 16 to Task Order 2 authorizing the configuration of VCE's billing system to enable vintage year specific rates was approved;

WHEREAS, in July 2020, the Board received a signed copy by VCE's Interim General Manager of Amendment 18 to Task Orders 2, 3 and 4 increasing the billable hourly rates by 2.0% effective July 1, 2020;

WHEREAS, in October 2020, the Board approved Amendment 20 to Task Order authorizing SMUD to implement the 2019 California Energy Commission Power Content Label email scope of work;

WHEREAS, VCE customers may be unaware of programs and changes in eligibility to qualify for the California Alternate Rates for Energy Program (CARE), Family Electric Rate Assistance Program (FERA), and/or Arrearage Management Plan (AMP), said AMP was adopted by the Board in January 2021; and,

WHEREAS, there is an urgency to implement this outbound call campaign to customers in billing arrears, Interim General Manager signed Amendment 23 to Task Order 2 authorizing SMUD to implement the call campaign at a cost of $1,500 to outreach 200 customers in arrears with VCE.

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

1. ratify the Interim General Manager's approval and execution of Amendment 23 to Task Order 2 (Data Management and Call Center Services).

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _______________, 2021, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Dan Carson, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

EXHIBIT A: Amendment 23 to Master Professional Services Agreement Task Order 2

EXHIBIT A

AMENDMENT 23 TO TASK ORDER 2 (DATA MANAGEMENT AND CALL CENTER SERVICES)

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 13

TO:	Board of Directors
FROM:	Mitch Sears, Interim General Manager Rebecca Boyles, Director of Customer Care and Marketing
SUBJECT:	Electrify Yolo Update
DATE:	May 13, 2021

REQUESTED ACTION

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. Originally, only VCE and the City of Davis were involved, and Woodland, Winters and unincorporated Yolo County joined the project prior to submitting the grant application in August 2018. 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.

UPDATE

EV charger installations have been subject to some delays, including impacts from the COVID-19 pandemic. All MOUs were signed (Davis, VCE/Winters, Woodland, unincorporated Yolo County) as of April 2021, and some EV charger installation projects have begun. The City of Winters is furthest along, with two chargers to be installed in July/August 2021. Seven sites are under assessment for installation by Chargepoint in unincorporated Yolo County. We expect updates from Woodland and Davis by the end of Q2 2021.

Staff is working with each jurisdiction to design banners to be hung at each charging station with logos of all project partners. These 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.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Board of Directors

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

SUBJECT: Resource Adequacy Sale to Central Procurement Entity (PG&E)

DATE: May 13, 2021

RECOMMENDATION

Authorize the Interim General Manager to execute the letter from Sacramento Municipal Utility District (SMUD) authorizing SMUD to sell Resource Adequacy to the Central Procurement Entity and VCE assumes the PG&E default risk.

BACKGROUND

The California Public Utility Commission (CPUC) issued D.20-06-002 on June 11, 2020 in the Resource Adequacy (RA) rulemaking (R.17-09-020). The CPUC action adopted implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas. The action also identified PG&E and SCE as the central procurement entities (CPEs) for their respective distribution service areas and adopted a hybrid central procurement framework.

The Decision rejected a settlement agreement between CalCCA and seven other parties that would have (1) created a *residual* central buyer structure (i.e., it would have let CCAs continue to procure their local RA and only shortfalls between what they procured and what was actually needed would then be procured by a CPE, allowing CCAs to retain their autonomy over local RA procurement) and (2) multi-year requirements for system and flexible RA.

Under the decision, if a load serving entity (LSE) procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources (i.e., it discourages a CCA from procuring local RA since it does not get full credit for it for RA compliance purposes). A competitive solicitation (RFO) process will be used by the CPEs (IOUs) to procure RA products. (PG&E recently issued notice of this solicitation.) Costs incurred by the CPE will be allocated ex post based on load share.

Prior to PG&E being assigned the role of the Central Procurement Entity for Local RA, each LSE was mandated to procure Local RA on a 3 year rolling basis. This means VCE has procured its Local RA obligation through 2023. Now that the CPE has taken over the Local RA procurement obligation on behalf of all LSE's in their territory, VCE will have excess RA positions in 2023. Because all LSE's will no longer have to satisfy the local RA obligation except PG&E, VCE will have no option but to sell its local RA positions to PG&E in order to recover its costs. VCE could choose not to sell to PG&E and hold onto its local RA positions, but would not receive compensation in any form for having excess capacity beyond its system RA obligation. In addition to this, VCE will still have to pay its load-based share of costs for what the CPE/PG&E procures on behalf of all LSE's in its footprint.

ISSUE

VCE and SMUD entered into a master professional services agreement in October 2017. Under this agreement SMUD provides wholesale energy services to VCE including the transaction of RA products. SMUD's internal credit risk policy currently prohibits sales to PG&E as a result of PG&E's current financial condition from the bankruptcy filing. As such, a waiver approved by the SMUD's board is necessary for SMUD to move forward with any sales to PG&E on behalf of VCE. In order to receive approval for the waiver, SMUD needs VCE's written consent and approval that it is accepting the risk and permitting SMUD to sell to PG&E on its behalf.

VCE's General Counsel has reviewed the attached SMUD letter and has found no legal risk associated with VCE signing the letter.

RECOMMENDATION

Based on the limited options related to the existing 2023 Local RA position, staff believes that VCE is better served authorizing SMUD to sell the excess 2023 Local RA to the CPE and have VCE assume the risk in the event of a PG&E default.

In summary, the staff recommendation to the Board is:

1. The Interim General Manager is authorized to execute the letter from Sacramento Municipal Utility District (SMUD) authorizing SMUD to sell Resource Adequacy to the Central Procurement Entity and VCE assumes the PG&E default risk.

ATTACHMENT

Resource Adequacy Sale to Central Procurement Entity letter

April 21, 2021

Mitch Sears
General Manager
604 2nd Street
Davis, CA 95616

Via email: mitch.sears@valleycleanenergy.org

RE: RESOURCE ADEQUACY SALE TO CENTRAL PROCUREMENT ENTITY

Dear Mr. Sears,

Valley Clean Energy (VCE) and the Sacramento Municipal Utility District (SMUD) are parties to the Master Professional Services Agreement, dated October 25, 2017 (Agreement). Under the Agreement, SMUD provides Wholesale Energy Services to support VCE as a community choice aggregation program.

The purpose of this letter is to confirm in writing VCE's instruction for SMUD to sell local Resource Adequacy (RA) to the new Central Procurement Entity, Pacific Gas & Electric (PG&E). SMUD has procured on behalf of VCE local RA for year 2023. Later this year, PG&E intends to issue a solicitation as the Central Procurement Entity and VCE has instructed SMUD to bid the 2023 local RA to sell to PG&E. However, due to PG&E's low credit rating, SMUD must first obtain approval from its Board of Directors to enter into such a transaction with PG&E. SMUD intends to bring this issue to its Board of Directors for approval before the solicitation opens, and SMUD's agreement to bid the local RA is conditioned on SMUD's Board of Directors authorizing the sale.

In addition, this letter confirms our agreement that VCE assumes the default risk in the event PG&E declares bankruptcy or is otherwise unable to perform its obligations as the Central Procurement Entity. The Agreement does not contemplate that SMUD would assume this default risk and this letter confirms this understanding.

Please sign below to acknowledge your agreement with the above, effective upon the date of last signature.

Sincerely,

Russell Mills
Director of Risk Management & Treasurer

Sacramento Municipal Utility District -

Signature: ____________________
Russell Mills

Title:

Date:

Valley Clean Energy

Signature: ______________________
Mitch Sears

Title:

Date:

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Board of Directors

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

SUBJECT: Power Content Policy Strategy Adjustments for Calendar Year 2022

DATE: May 13, 2021

RECOMMENDATION
Informational – no action requested.

OVERVIEW
The purpose of this agenda item and report is to gather feedback from the Board on two related power procurement policy issues. The Board feedback will inform development of a recommendation on these policies and will be incorporated into the final draft FY 2021-2022 budget which will be presented to the Board in June. The two policy issues are:

1. Should VCE extend the Power Content Policy strategy adjustments approved by the Board last June? The policy strategy adjustments approved by the Board last June reduced procurement of short-term renewable resources (RECs) for one year and were put in place to partially mitigate financial impacts of rising Power Charge Indifference Adjustment (PCIA) and Resource Adequacy (RA) costs in fiscal year 2020-2021.

If yes;

2. What Renewable Portfolio Standard (RPS) target should VCE consider for the current RPS compliance period (2021 – 2024)? The minimum compliance requirement is an average of 40% renewable portfolio content over the compliance period while VCE's internal target has been 42% since launch. Staff has modeled a 42% average in this report for Board consideration.

Note: The Community Advisory Committee will also be considering these topics at their May 27th meeting.

BACKGROUND AND DISCUSSION
In June 2020, the VCE Board adopted policy adjustments to scale back VCE's near-term acquisition of renewable and GHG-free power content. This policy was adopted by the Board to address: (1) the objective of aligning VCE's short and long-term power procurement efforts,

(2) the increasing/unpredictable PCIA, and (3) volatility in RA power pricing which have created uncertainty for CCA programs across the State. The policy adjustments partially mitigated the negative financial impacts that an increasing and volatile PCIA and more costly RA market have on VCE. The policy adjustments placed VCE in a better position to maintain competitive rates and clean power content for its customers while meeting its baseline compliance obligations.

Fiscal Impacts

The procurement policy adjustments performed as expected, saving an estimated $2.25M in the current fiscal year (FY 2020-2021). The drivers of the need for this policy (listed above) have not diminished, therefore staff has incorporated the policy adjustment savings into the budget forecasts over the past year and in the draft FY 2021-2022 budget.

As noted above, staff will be making a formal recommendation on the policy adjustment extension next month as part of the FY 2021-2022 budget adoption. If the policy adjustments are not extended and VCE maintains its 42% RPS procurement approach for 2022, the power costs in the draft FY 2021-2022 budget will increase by approximately $1.5M; this is less than the savings from the current fiscal year since VCE's long-term PPAs will begin providing lower cost renewable energy in FY 2021-2022, displacing a portion of the higher cost short-term renewable energy credits (RECs) that would otherwise be procured by VCE.

Power Content Policy Strategy Adjustments for 2021

Board approval of the policy resulted in a 2021 power content target of 10% renewable, 10% large hydro for a combined 20% carbon free. Staff and SMUD have procured to these adopted targets for 2021. Below is the current outlook for 2021.

Table 1 – 2021 RPS/GHG Free Power Outlook

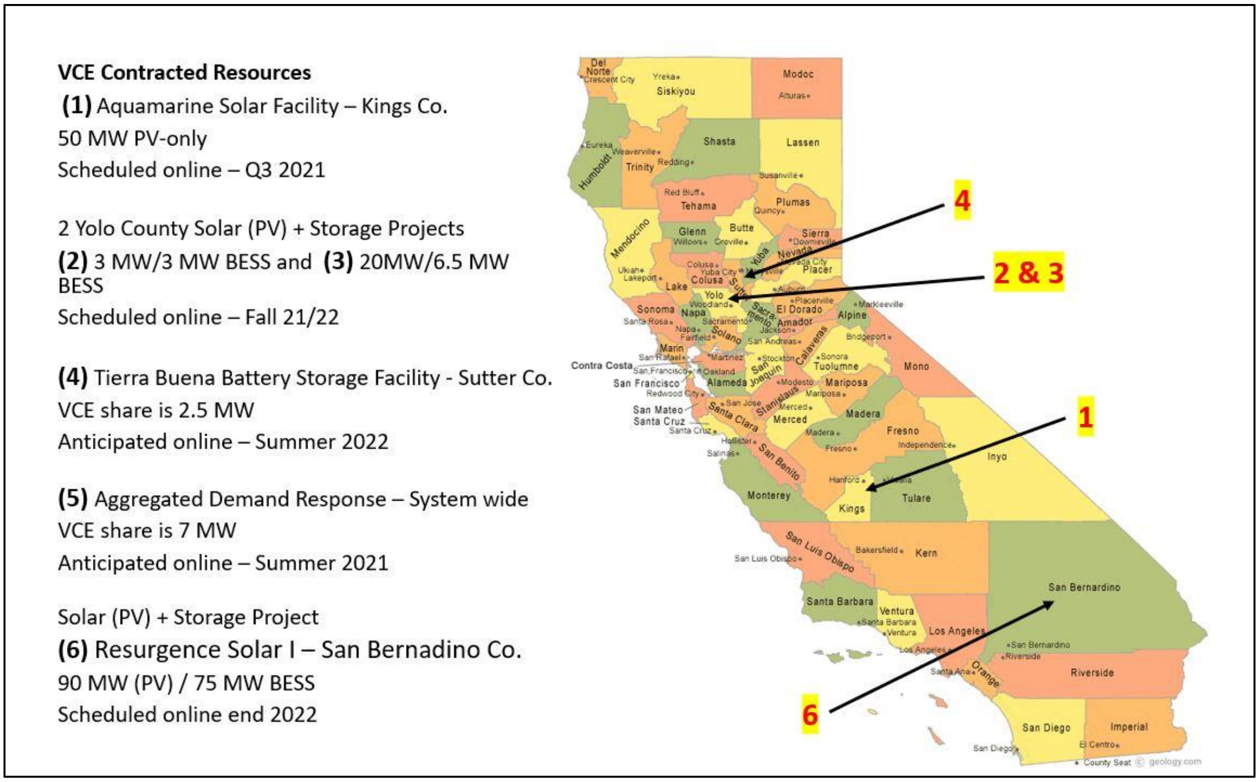
VCEA Retail Load	**719,098**	
Renewable Supply	**77,458**	**11%**
Aquamarine Solar	23,028	
Indian Valley	1,500	
Putah Creek Energy Farm	930	
Short Term RECs	52,000	
Large Hydro	**79,427**	**11%**
Hydro Contract	29,427	
PG&E Allocation Estimate	50,000	
System Power	**562,213**	**78%**

Note: over the period discussed in this report, VCE does not plan to contract for additional large hydro (GHG-free) other than the allocations received from PG&E (approx. 5-10%).

Contracted Resources

As the Board is aware, VCE has been active in negotiating long term PPAs and managing the exact date on which power begins to serve VCE's customers can fluctuate. VCE has entered into six agreements (four provide energy and RA capacity and two provide RA capacity only) and the online dates range from the 3rd quarter of 2021 through the end of 2022, totaling over 450,000 MWhs (approximately 60% of VCE's demand). The on-line timing of these projects is important since they factor into VCEs short-term procurement strategy. For reference, Figure 1 below shows general information on these projects and anticipated on-line dates.

Figure 1 – VCE Contracted Resources



Power Content Policy Strategy – Alignment with RPS Compliance Requirements

All California Load Serving Entities (LSEs), including VCE, are required to meet minimum levels of renewable content in their respective portfolios. This Renewables Portfolio Standard (RPS) is measured as an average percentage over a 4-year compliance period. The current compliance period runs from 2021 through the end of 2024 and requires an average of 40% renewable content. Because VCE's larger long-term PPAs will come on-line half-way through the current compliance period, it allows for procurement of a lower amount of relatively expensive short-term renewable resources (RECs) in the first half of the compliance period.

In approving the power content policy strategy last June, VCE opted to reduce the amount of short-term RECs purchased in 2021 which resulted in the cost savings outlined earlier in this report. If this fiscal mitigation strategy were to be adopted for 2022, this would require VCE to be well above the state renewable standard in years 2023 and 2024 in order to meet the targets for this compliance period ('21-'24). Chart 1 below illustrates implementation of the strategy combined with VCEs signed long-term PPA's coming on-line over this period. This is the 42% average strategy achieving approximately 20% renewable in 2022, and approximately 70% in years 2023 and 2024.

Policy Options

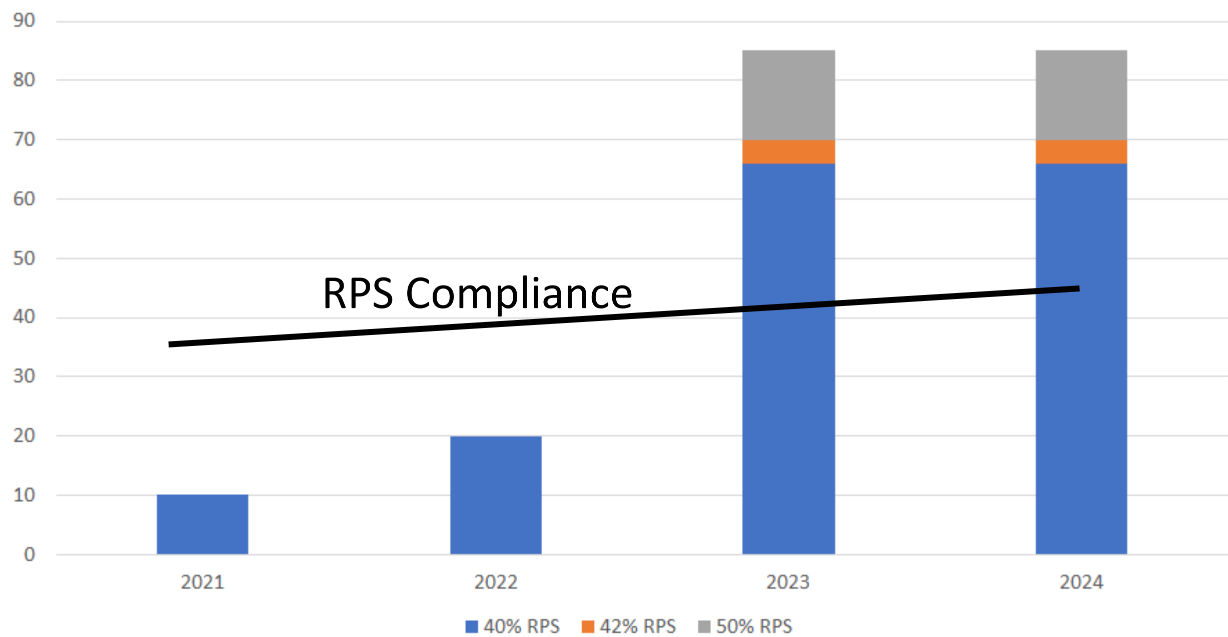
Under the strategy outlined above and shown in Chart 1, VCE would average 42% renewable content over the 21'-24' compliance period. If the Board opted to increase its renewable content target to 50%, VCE would exceed the State requirements by 10% with costs rising approximately $3.86M over the four-year compliance period. Staff is seeking feedback from the Board on the following policy options which will in turn be incorporated into the draft FY 2021-2022 budget that will be before the Board in June.

1. Should VCE extend the Power Content Policy strategy adjustments approved by the Board last June?

If yes;

2. What Renewable Portfolio Standard (RPS) target should VCE consider for the current RPS compliance period (2021 – 2024)? 40%, 42%, or 50%

Chart 1 – VCE 2021-2024 RPS Compliance Strategy –% Avg RPS Option



CONCLUSION

Staff is recommending that the Board consider the power procurement policy strategy for the efficient incorporation of long-term renewable contracts into VCE's portfolio and to address fiscal year 2021/2022 PCIA and RA cost impacts. Board feedback at this meeting on the policy strategy options will help inform staff's recommendation on the power procurement policy strategy and the final draft 2021-2022 FY budget scheduled for consideration at the Board's June meeting.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 17

TO:	Board of Directors
FROM:	Mitch Sears, Interim General Manager Edward Burnham, Director of Finance & Internal Operations
SUBJECT:	Fiscal Year 2021-2022 Draft Operating Budget Update
DATE:	May 13, 2021

RECOMMENDATION
Informational – no action requested.

OVERVIEW
This update is the second of three budget discussions leading to Board consideration of the final FY 2022 budget in June. The purpose of this staff report is to provide updates on: (1) budget impacts associated with the annual electricity demand forecast recently completed by SMUD, (2) current fiscal year 2021 actuals, and (3) an overview of key factors influencing the draft 2022 Budget. After gathering Board feedback, staff will return with a recommended 2022 Budget for consideration at the June 10th Board meeting.

As detailed in the body of this report, FY 2021 is anticipated to be approximately $1.0M net more favorable than the approved budget and the updated estimate for the upcoming FY 2022 is approximately $0.6M net less favorable than the financial forecast presented to the Board during the October 2020 mid-year budget update. When considered together, the changes in the forecasts for the two fiscal years roughly balance each other out leaving VCE in a financial position in line with forecasts dating back to early 2020.

BACKGROUND
Over the past 16 months the energy sector and overall economy have been highly volatile. In May 2020 staff, in conjunction with SMUD, presented mid-year load and budget updates in an attempt to forecast COVID-19 related impacts on VCE's load and revenue. Due to the unprecedented circumstances surrounding the pandemic, staff, SMUD, and the Board acknowledged at the time that these forecasts were approximations and subject to adjustment. In June 2020 the Board adopted a budget for fiscal year 2021 based in part on those forecasts.

In addition, as part of the budget analysis last June, staff presented a forecast for FY 2022 and scheduled a mid-year Board update in the Fall to track/report actual customer load demand and revenue during the pandemic. The June 2020 forecasted net deficit for FY 2022 was approximately $6.0M; the follow up mid-year update in October 2020 showed a net $7.1M deficit. Note: this deficit includes the Board approved policy adjustments in June 2020 that partially off-set short-term financial losses by deferring purchase of renewable energy credits in 2021. This policy adjustment topic is addressed in more detail in the report for agenda item 15 of this May 13th Board meeting.

The primary drivers for the increased deficit between the May 2020 forecast and the October 2020 forecast were:

- A hot summer in 2020 driving higher than expected load demand and the need to purchase relatively expensive power on the short-term market to meet the increased demand.
- Increasing Resource Adequacy costs and forward market prices for energy.

As detailed in the analysis section below, the net result is that VCE's deficits across the current fiscal year (2021) and the coming fiscal year (2022), are roughly equal to those forecast last June.

ANALYSIS

This report updates information provided to the Board last month. The sections below provide updates on: (1) budget impacts associated with the annual electricity demand forecast recently completed by SMUD, (2) current fiscal year 2021 actuals, and (3) an overview of key factors influencing the draft 2022 Budget.

1. Annual Electricity Demand Forecast Update – FY 2022 Budget Impacts

Each April, SMUD conducts an annual electricity demand forecast for VCE. This demand forecast was completed several weeks ago and staff is currently incorporating the results into the draft budget for FY 2022. In summary, the update showed a projected 0.5% increase in demand for FY 2022. The major contributing factor to this load increase is that SMUD no longer anticipates a lasting recession from COVID which results in higher forecasted demand for FY 2022. As with past demand forecasts, SMUD uses the most recent available data, normalized weather impacts, and customer growth.

In tracking load demand, staff and SMUD will continue to monitor:

- Load shape changes related to the transition of customers to Time of Use (TOU) rates
- Load changes as COVID related impacts moderate over time
- Data availability from PG&E that can reduce the accuracy of VCE's forecast

Since launching in 2018, the overall financial impact of the load forecast updates have been relatively minor. Revenue increases generally balance out the additional power costs associated with serving a higher load. The additional forecasted load for FY 2022 has resulted in approximately $250K in additional power costs that have been incorporated into the draft FY 2022 Budget shown in Attachment 1.

2. Current Operating Budget Update - FY 2021

As presented to the Board last month, actual revenue and cost information is replacing forecast numbers as the current fiscal year nears a close. Due to more favorable actuals through March

2021 than forecasted in October 2020, the current fiscal year net income grew by approximately $1.0M. This net positive is due mainly to the following combination of factors:

Negative Impacts:

- Lower interest earnings than forecast due to Federal Reserve rate setting measures during COVID-19.

Positive Impacts:

- Revenue increases from higher than forecasted customer usage. Note: This increase was partially offset by increased costs for relatively expensive short-term energy purchases to serve this additional load during COVID-19.
- Continued lower actual to budgeted expenditures related to marketing, new member agency on-boarding, legal support and contingency.
- Continued contract labor and SMUD support expenditures lower than budgeted due to a transition to in-house staffing.

Based on the best available load and revenue information, staff anticipates that this slightly favorable budget trend should continue through the remainder of the current fiscal year and is expected to provide a small offset of the net negative impacts forecast for FY 2022.

Table 1 below shows the comparison of fiscal year forecasts, including the FY 2021 difference between the October 2020 mid-year forecast and the current May 2021 forecast.

3. FY 2022 Draft Budget

The FY 2022 Draft Budget shown in Attachment 1 includes a forecasted operating budget of $56.94M with a net income loss of $7.70M. As shown in the forecast comparison in Table 1 below, this loss is approximately $0.6M greater than the October 2020 mid-year forecast. The increased net loss is due primarily to the following major factors that are outside of VCE's direct control:

- Average market power prices have increased by approximately 7% since adoption of the current fiscal year budget in June 2020.
- Time of Use (TOU) rate transitions for non-residential customers are lower than anticipated due to the methodology applied by PG&E. This has resulted in lower revenue from the customers who have remained on non-TOU rates. Staff is working with PG&E on this issue and expects a formal response from PG&E during the month of May. If confirmed, 100% transition of these non-residential customers will be completed by PG&E resulting in an increase of revenue of approximately $0.3M for the fiscal year. Since resolution of this issue is uncertain, staff is not including it in the current draft of the FY 2022 budget.

Table 1 – Fiscal Year Forecasts Comparison Table

May-20 Forecast	FY2020	FY2021	FY2022
Revenue	$ 55,249	$ 49,467	$ 49,400
Power Cost	$ 41,538	$ 47,695	$ 50,335
Other Expenses	$ 4,346	$ 4,611	$ 4,992
Net Income	$ 9,365	$ (2,839)	$ (5,927)
Oct-20 Forecast	FY2020	FY2021	FY2022
Revenue	$ 55,249	$ 53,038	$ 51,159
Power Cost	$ 41,538	$ 50,630	$ 53,288
Other Expenses	$ 4,346	$ 4,671	$ 4,990
Net Income	$ 9,365	$ (2,263)	$ (7,119)
May-21 Forecast	FY2020	FY2021	FY2022
Revenue	$ -	$ 54,926	$ 49,218
Power Cost	$ -	$ 51,740	$ 52,095
Other Expenses	$ -	$ 4,470	$ 4,827
Net Income	$ -	$ (1,284)	$ (7,703)
Difference Oct-20 vs May-21		FY2021	FY2022
Revenue	$ -	$ 1,888	$ (1,941)
Power Cost	$ -	$ 1,110	$ (1,193)
Other Expenses	$ -	$ (201)	$ (163)
Net Income	$ -	$ 979	$ (584)

Table 1 also shows that the net losses of the forecasts across the two fiscal years are roughly equal. The October 2020 forecast net income loss for FY 2021 plus FY 2022 is $9.38M; the current May 2021 forecast loss for the two fiscal years is $8.99M. Though clearly not desirable and making draws on VCE's cash reserves necessary to maintain competitive rates, these losses are in line with forecasts dating back to early 2020 and have been incorporated into VCE's financial planning.

Overall, the FY2022 financial outlook has not changed significantly since the Board approved the current fiscal year budget in June 2020. VCE still anticipates the following dynamics, which were also present when the last budget was approved:

- Power costs close to, or exceeding, revenue – making it difficult to cover operating costs without experiencing negative net income
- Continued significant revenue erosion from PCIA
- Continued significant power cost increase due largely to increased Resource Adequacy (RA) costs
- Cash reserves being utilized to stabilize customer rates until it nears a zero balance by the end of FY2022 (these numbers do not reflect any borrowing from the line of credit)

The expectation is that various regulatory, legislative and/or market factors will lead to a greater normalization of PCIA and RA power costs in 2023 and beyond, but margins will be very low or negative until that occurs.

Some potentially helpful interventions may include:

- Reduced and more stable power costs as VCE long-term power purchase agreements (PPA's) start coming on-line in 2021, 2022, and 2023.
- PCIA costs normalizing due to regulatory/legislative decisions (e.g. SB 612/PCIA Settlement Agreement)

For purposes of strategic cash flow decisions, staff believes that VCE should not rely on positive outcomes from these interventions for the next several years and that the organization should continue to make financial decisions through a lens of prudency.

<u>Other Operating Revenues & Expenses</u> – As shown in the draft Budget in Attachment 1, Other revenues are $83K lower compared to last month's draft due to lower anticipated interest earnings as Federal Reserve rates are expected to remain low through calendar year 2022. In response, staff has reduced the budget contingency in the current FY 2022 draft budget from 5% to 3% for a savings of $87K. Staff feels this is an appropriate reduction in the budget contingency since it has not been utilized significantly since launch of operations in 2018 except for expenditures related to the PG&E bankruptcy last fiscal year.

<u>Other Considerations</u> – Staff continues to evaluate possible mitigation options to reduce and/or defer costs to strengthen financial sustainability. One of the options includes extending the power procurement approach used for calendar year 2021 into calendar 2022 to reduce power costs. This option will be presented to the Board at this same May 13th Board meeting (see Board meeting packet agenda item 15 for associated staff report).

CONCLUSION

Staff has prepared the updated draft FY 2022 operating budget based on the best available information through April 2021. Staff will return with a final recommended FY 2022 Budget in June.

<u>ATTACHMENTS</u>

1. Draft operating FY 2021-2022 budget summary updated table
2. Draft operating FY 2021-2022 budget summary comparison table

VALLEY CLEAN ENERGY
DRAFT OPERATING BUDGET SUMMARY UPDATE

	APPROVED BUDGET FY 2020-21	ACTUAL YTD March 31 (9 MO) + FORECAST (3 MO) FY 2020-21	DRAFT BUDGET UPDATE FY 2021-2022
Energy - Megawatt Hours	**717,987**	**753,546**	**773,652**
OPERATING REVENUE	**$ 49,638**	**$ 54,926**	**$ 49,218**
OPERATING EXPENSES:			
Cost of Electricity	47,670	51,740	52,095
Contract Services	2,723	2,594	2,559
Outreach & Marketing	241	224	241
Programs	12	2	135
Staffing	1,132	1,135	1,164
General, Administration and other	772	544	742
TOTAL OPERATING EXPENSES	**52,550**	**56,238**	**56,937**
TOTAL OPERATING INCOME	**(2,912)**	**(1,313)**	**(7,718)**
NONOPERATING REVENUES (EXPENSES)			
Interest income	135	80	56
Interest expense	(57)	(52)	(42)
TOTAL NONOPERATING REV/(EXPENSES)	**78**	**28**	**15**
NET MARGIN	**$ (2,834)**	**$ (1,284)**	**$ (7,703)**
NET MARGIN %	**-5.7%**	**-2.3%**	**-15.7%**

VALLEY CLEAN ENERGY
DRAFT OPERATING BUDGET SUMMARY UPDATE
2021-2022 - COMPARISON APRIL VS MAY

	PRELIMINARY DRAFT BUDGET FY 2021-2022	DRAFT BUDGET UPDATE FY 2021-2022	PRELIMINARY VARIANCE FY 2021-2022
Energy - Megawatt Hours	**769,935**	**773,652**	**3,717**
OPERATING REVENUE	**$ 49,047**	**$ 49,218**	**$ 171**
OPERATING EXPENSES:			
Cost of Electricity	51,082	52,095	1,013
Contract Services	2,559	2,559	-
Outreach & Marketing	241	241	-
Programs	135	135	-
Staffing	1,164	1,164	-
General, Administration and other	829	742	(87)
TOTAL OPERATING EXPENSES	**56,011**	**56,937**	**926**
TOTAL OPERATING INCOME	**(6,964)**	**(7,718)**	**(754)**
NONOPERATING REVENUES (EXPENSES)			
Interest income	139	56	(83)
Interest expense	(42)	(42)	-
TOTAL NONOPERATING REV/(EXPENSES)	**97**	**15**	**(83)**
NET MARGIN	**$ (6,866)**	**$ (7,703)**	**$ (837)**
NET MARGIN %	**-14.0%**	**-15.7%**	