



**Regular Meeting of the Community Advisory Committee (CAC)
of Valley Clean Energy Alliance
Thursday, April 24, 2025 at 5:00 p.m.
City of Davis Conference Room
(inside Community Chambers building)
23 Russell Blvd., Davis, California 95616**

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

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

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

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

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

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/84933822385>

Meeting ID: 849 3382 2385

By phone:

One tap mobile:

+1-669-900-9128,, 84933822385# US

+1-669-444-9171,, 84933822385# US



Dial:

+1-669-900-9128 US

+1-669-444-9171 US

Meeting ID: 849 3382 2385

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

Committee Members: Rahul Athalye (Chair), Keith Taylor (Vice Chair), Mark Aulman, David Springer, Lorenzo Kristov, Cynthia Rodriguez, Jennifer Rindahl, Diccon Westworth, Danielle Ballard, Ari Halberstadt

5:00 P.M. CALL TO ORDER

- 1. Welcome**
- 2. Public Comment:** This item is reserved for persons wishing to address the CAC 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 Regular 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 CAC 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 the information below under **PUBLIC PARTICIPATION** at the conclusion of this agenda about how to provide your public comment.
- 3. Brief Task Group and VCE Staff Reports(≈ 15 minutes)** - Representatives of VCE staff and active Task Groups will provide verbal updates on on-going Staff and Task Group work. Task Group recommendations requiring Committee attention require a regular agenda item. Summaries of written reports received by the Committee in advance of the meeting will receive a time allocation of up to ten minutes. Otherwise, the time allocation will be five minutes, including questions and answers. The Committee may decide to allocate additional time at the end of the regular agenda.
 - a. Task Group Reports**
 - b. Staff Report**

CONSENT AGENDA (≈ 5 minutes)

- 4. Approval of March 27, 2025 Meeting Minutes.**
- 5. Receive Customer Participation Update (1st Quarter 2025).**
- 6. Receive updated VCE Load Management Standards Plan.**
- 7. Review and approve draft Bioenergy and Strategic Plan 2025 Task Group Charges.**



REGULAR AGENDA

8. **Strategic Plan update – discussion and timeline roadmap. (Information/Discussion) (≈ 20 minutes)**
9. **2024 Net Margin discussion and receive feedback from CAC. (Discussion/Action) (≈ 20 minutes)**
10. **Receive additional information, discuss and seek recommendation from the CAC to the Board on Senate Bill 540 (Becker) Pathways Initiative and Regional Organization. (Information/Discussion/Action) (≈ 40 minutes)**
11. **Receive 2025 Long Range Calendar. (Information) (≈ 5 minutes)**
12. **Advisory Committee Member and Announcements. (≈ 5 minutes)** Action items and reports from members of the Advisory Committee, including announcements, reports on meetings, and information which would be of interest to the Committee or the public.
13. **Announcement and Adjournment.** The CAC has scheduled a meeting for Thursday, May 22, 2025 at the *Rise Community Service Center facility, Community Room, located at 17317 Fremont Street, Esparto, California 95627*. Thereafter a VCE Strategic Plan Workshop will be held.

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

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

Verbal public participation during the meeting:

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



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

Public records that relate to any item on the agenda for a regular or special CAC meeting are available for public review on the VCE website. Records that are distributed to the CAC 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 CAC. 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/cac-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
COMMUNITY ADVISORY COMMITTEE**

Staff Report - Item 4

TO: Community Advisory Committee

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: CAC March 27, 2025 Meeting Minutes

DATE: April 24, 2025

Recommendation

Receive, review and approve the attached March 27, 2025 meeting Minutes.

Attachment: March 27, 2025 CAC meeting Minutes



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE MEETING
Thursday, March 27, 2025 at 5:00 p.m.
City of Woodland Council Chambers
300 First Street, Woodland, California 95695**

Chair Athalye established that there was a quorum present and opened the Community Advisory Committee of Valley Clean Energy Alliance in a meeting on Thursday, March 27, 2025 beginning at 5:02 p.m., held at the City of Woodland Council Chambers, located at 300 First Street, Woodland, California 95695.

Welcome and Roll Call

Committee Members Present: Mark Aulman, Lorenzo Kristov, David Springer, Diccon Westworth, Ari Halberstadt, Cynthia Rodriguez (arrived at 5:11 p.m.)

Committee Members Absent: Rahul Athalye, Keith Taylor, Jennifer Rindahl, Danielle Ballard

Welcome Mark Aulman welcomed everyone and reminded those present that VCE is seeking candidates to fill the unincorporated Yolo County CAC seat.

Public Comment / Introduction There were no verbal or written public comments on items not on the agenda and on the Consent Agenda.

Brief VCE staff Report **Staff Report:** VCE Staff Gordon announced that the Board did not have a meeting in March. He announced that VCE will be participating at several events coming up: Winters Youth Day at the end of April, the California Honey Festival on the first weekend of May, and Celebrate Davis mid-May. If anyone would like to volunteer to please send an email to VCE Chief Customer Officer Rebecca Kuczynski. VCE Chief Financial Officer Edward Burnham announced that VCE completed its Prepay clean energy project revenue bond, recognizing an estimated \$3 Million annual reduction in cost of VCE's long-term renewable energy contracts, which is approximately \$35 Million savings over the 10 year period.

Agenda Mark Aulman announced that since there was no quorum of CAC members at this time, the Agenda items will be moved around, focusing on information items first until a quorum has been achieved. Mr. Aulman moved on to the 2025 Long Range Calendar item then will move to the Senate Bill 540 information item.



**Item 7 4: Receive
2025 Long Range
Calendar.
(Information)**

It was noted that Senate Bill (SB) 540 was scheduled for the CAC's upcoming April 24, 2025 meeting wherein Staff will seek a recommendation from the CAC to the Board. Thereafter, the CAC's recommendation would be provided to the Board at their May 8th meeting. There were no written or verbal public comments.

**Item 6 5: Receive a
background
briefing and
discuss Senate Bill
540 (Becker)
Pathways Initiative
and Regional
Organization.
(Information /
Discussion)**

VCE Chief Executive Officer Mitch Sears introduced this item. (Cynthia Rodriquez arrived at 5:11 p.m.)

Staff presented a briefing of Senate Bill (SB) 540. CAC Member Lorenzo Kristov provided a background on Western markets, legislative bill elements, and provided his own personal thoughts and questions.

Staff and CAC discussed: Western markets, background of pathways initiative, structure and key elements, key protections for California, key points of supporters and opponents to the legislative bill, and the next steps. Staff asked that questions be directed via email to VCE Staff only. There were no written public comments.

Verbal public comment: Chirstine Shewmaker informed those present that she is glad that the CAC is discussing this bill twice, then to the Board for their discussion prior to taking a position on this legislative bill. She quickly reviewed the questions that she had about the bill.

This was an information agenda item and no action was taken. Staff informed those present that Legislative & Regulatory Task Group continue to discuss this bill and it is the goal of Staff to bring this topic back to the CAC at their April 24, 2025 meeting for further discussion.

Consent Items

A quorum of CAC Members was present. Diccon Westworth made a motion to approve the Consent agenda item, seconded by Cynthia Rodriquez. Motion passed with Athalye, Taylor, Rindahl, and Ballard absent. Item 6 - February 27, 2025 Meeting Minutes were approved.

**Item 5 7: Approval
of Legislative &
Regulatory and
Programs &
Outreach Task
Group Charges.
(Discussion/Action)**

There were no slides for this item. Staff is seeking the CAC's review, input and approval of the draft Legislative & Regulatory and Programs & Outreach Task Group Charges. There were no comments from the CAC Members. There were no written or verbal public comments.



Lorenzo Kristov made a motion to approve the Legislative & Regulatory and Programs & Outreach Task Group Charges, seconded by David Springer. Motion passed with Athalye, Taylor, Rindahl, and Ballard absent.

**Item 8: Advisory
Committee
Member and Staff
Announcements.**

There were no announcements by the CAC members or VCE Staff.

**Adjournment to
Next Meeting**

The CAC's next scheduled meeting is Thursday, April 24, 2025 at the City of Davis Conference Room (inside Community Chambers building), located at 23 Russell Boulevard, Davis, California 95616. The meeting was adjourned at 6:36 p.m.

Alisa M. Lembke
Board Clerk/Administrative Analyst

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report – Item 5

TO: Community Advisory Committee

FROM: Rebecca Boyles, Director of Customer Care & Marketing

SUBJECT: Receive Quarterly Customer Participation Update (Information)

DATE: April 24, 2025

RECOMMENDATION

Receive the quarterly [Customer Participation update](#) reflecting the time period of January 1, 2025 through March 31, 2025 (Quarter 1 2025) provided to the VCE Board of Directors at their April 10, 2025 meeting.

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report – Item 6

TO: Community Advisory Committee

FROM: Sierra Huffman, Program & Community Engagement Analyst
Rebecca Kuczynski, Chief Customer Officer
Mitch Sears, Chief Executive Officer

SUBJECT: Receive Revised VCE Load Management Standards (LMS) Plan

DATE: April 24, 2025

RECOMMENDATION

Receive the [revised VCE Load Management Standards \(LMS\) Plan](#) approved by the VCE Board of Directors at their April 10, 2025 meeting.

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report - Item 7

TO: Community Advisory Committee

FROM: Gordon Samuel, Chief Operating Officer
Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Review 2025 CAC Bioenergy and Strategic Plan Task Groups draft "Charges"

DATE: April 24, 2025

RECOMMENDATION

Approve the draft 1) Bioenergy and 2) Strategic Plan Task Group Charges.

BACKGROUND

At the CAC's February 27, 2025 meeting, Task Groups for 2025 were formed and at the March 27, 2025 meeting, the CAC Members approved the Legislative & Regulatory and Programs & Outreach Task Group Charges.

CAC Members have volunteered to continue to serve and serve on the Task Groups as follows:

1. Bioenergy
 - A. Members: Mark Aulman, Danielle Ballard, Diccon Westworth
2. Strategic Plan
 - B. Members: Lorenzo Kristov, Rahul Athalye, Danielle Ballard

This staff report transmits the draft Charges from the Bioenergy and Strategic Plan for the CAC's approval.

Attachments:

1. Bioenergy Task Group draft charge
2. Strategic Plan Task Group draft charge

**VALLEY CLEAN ENERGY
COMMUNITY ADVISORY COMMITTEE**

2025 BIOENERGY TASK GROUP CHARGE

Members: Danielle Ballard
Diccon Westworth
Mark Aulman

Staff Lead: Gordon Samuel

Charge:

Based on what was learned by the task group in 2024, the 2025 BioEnergy Task Group will initially remain on “stand-by” in the event further study of these technologies is warranted. Initial investigation identified a very small number of actual projects in development within the near-term planning horizon. This has reduced the urgency for VCE to develop a formal position.

The task group may develop and collaborate with VCE staff on a request for information (RFI) for bioenergy electricity generation which may be applicable to Valley Clean Energy. This RFI may offer some insight as to the viability of actual projects, locally as well as within California. Information resulting from the RFI may help shape VCE’s position and ultimately result in a recommendation to the VCE board. The RFI may address the following:

1. Identify bioenergy-based power generation technologies and resources which are currently available, or which may be available in the future to Valley Clean Energy.
2. Evaluate technologies, including but not limited to the following considerations:
 - a. Fuel sources (e.g. feedstocks)
 - b. VCE baseload benefits
 - c. Overall air emission impacts
 - d. Other extrinsic benefits
 - e. Other extrinsic liabilities
 - f. VCE reputational and brand-related issues
 - g. Yolo county specific impacts
3. Provide summaries and updates at monthly CAC meetings on Bioenergy Task Group activities, including recommendations as appropriate.

**VALLEY CLEAN ENERGY
COMMUNITY ADVISORY COMMITTEE**

2025 STRATEGIC PLAN TASK GROUP CHARGE

2025 Members: Danielle Ballard (Chair)
Lorenzo Kristov
Rahul Athalye
Ari Halberstadt

Staff Lead: Edward Burnham

2025 Charge:

The CAC Strategic Plan Task Group will assist VCE Staff with the planning and development of a Major Update focusing on VCE achieving better energy outcomes for its customers and communities by guiding the organization's actions. The original 3-year (2021-2023) Strategic Plan was approved by the Board on October 8, 2020; on July 13, 2023, the Board adopted Strategic Plan Guidelines for a comprehensive alignment "rolling" approach; and, on September 14, 2023, the Board approved the 2021-2023 strategic plan *minor* update and extension of the plan through the end of 2025.

Specifically, the Task Group will:

- (1) conduct a more detailed comprehensive review/update, including review of VCE's Vision/Mission and existing goals and objectives,
- (2) participate with Staff conducting workshops at various levels of the organization, including community stakeholder engagement to obtain input to be incorporated into the Major Update,
- (3) focus on incorporating changing legislative, regulatory, customer, economic, and other requirements into the Major Update,
- (4) identify changes in the overall CCA environment (economics, policy, technology, etc.) and describe their relevance for VCE,
- (5) provide summaries and updates at monthly CAC meetings on Task Group activities.

**VALLEY CLEAN ENERGY
COMMUNITY ADVISORY COMMITTEE**

Staff Report – Item 8

TO: Community Advisory Committee

FROM: Mitch Sears, Chief Executive Officer
Edward Burnham, Chief Financial Officer

SUBJECT: VCE Strategic Plan Update

DATE: April 24, 2025

RECOMMENDATION

For your Information only.

OVERVIEW /BACKGROUND

At the January 23, 2025, CAC Meeting, Staff provided a Strategic Plan (Plan) process update which can be found [here](#). The CAC has formed the Strategic Plan Task Group which began reviewing and providing feedback on the Plan last week as part of the update process. The purpose of this agenda item is to provide the CAC with a check-in on preliminary work completed to date and an opportunity to provide high-level feedback at an early stage of Plan development. To this end, attachments to this report provide the CAC with: (1) a preliminary redline staff mark-up of the current VCE Strategic Plan (Attachment 1); (2) preliminary working draft mark-up from the Task meeting (Attachment 2, highlighted text); and (3) an updated Plan development timeline (Attachment 3). The attached preliminary draft Plan and Task Group language should both be considered working drafts subject to revision.

As a reminder, Major Updates to the Strategic Plan are intended to:

- Identify changes in the overall CCA environment (economics, policy, technology, etc.) and describe their relevance for VCE
- Review key organizational fundamentals (Mission, Vision, and Strategic Plan Goals)
- Incorporate long-term adjustments based on strategic and customer requirements

CONCLUSION

This draft Plan development progress update provides the CAC with a check-in on preliminary work completed to date and an opportunity to provide high-level feedback at an early stage of Plan development. Future meetings of the CAC will include Strategic Plan update workshops focused on

specific goal areas (e.g. portfolio). The updated Plan is anticipated to be adopted by the Board by the end of 2025.

ATTACHMENTS

1. Strategic Plan Draft Updates – Staff
2. Strategic Plan Draft Updates – Strategic Plan Task Group
3. Draft Strategic Plan Timeline



Valley Clean Energy Strategic Plan

Last Approved update by VCE Board August 16,2023
2026-2029 Major Update (Draft)

VCE MISSION

Deliver cost-competitive affordable clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions.

VCE VISION

Valley Clean Energy Alliance (VCE) is a joint-powers authority working to implement a state- authorized Community Choice Energy (CCE) program. Participating VCE governments include the City of Davis, the City of Woodland, the City of Winters, and County of Yolo. The purpose of VCE is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the residential, commercial, governmental, agricultural and industrial users in the VCE territory. PG&E continues to deliver the electricity procured by VCE and performs billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions have the choice not to participate in the VCE program.

Near-Term⁺ Vision (Launch)

The near-term vision ~~was essential for the launch of~~ ~~for~~ VCE ~~is~~ to provide electricity users with greater choice over the sources ~~and~~ prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price differentials;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCE energy programs and mitigation of future energy costs and risks.

Long -Term Vision

The ~~future-long-term~~ vision for VCE is to continuously improve the electricity choices available to VCE customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future;
- Saving money for ratepayers on their energy bills; and
- Remaining open to the participation of additional jurisdictions.

~~1~~ Launch Phase and First Year

STRATEGIC PLAN

The VCE Strategic Plan is focused on achieving better energy outcomes for its customers and communities by guiding the organization's actions. The Plan and ~~major~~minor update map a route to VCE's goals and allows for course correction as new information and learning occurs. The energy sector in California is in a transformational period and VCE allows local energy priorities and needs to be heard and ultimately acted upon. This plan helps VCE build a strong foundation from which to identify and guide strategic actions, being mindful of the longer-term aspirations of the Agency. The Plan is designed to be reviewed periodically to ensure that VCE remains on track and course corrects if necessary.

METHODOLOGY AND ORGANIZATION

VCE's initial strategic plan was based on the experience of the Agency's first two years in operation as well as current energy market conditions. The original Plan incorporated a strengths/weaknesses/opportunities/threats (SWOT) analysis which was completed in 2019, and detailed feedback from the Board of Directors, Community Advisory Committee (CAC) members and VCE staff. This 2025 Plan update continues to cover six topical categories which are most relevant to VCE's operations. Within each category, the Plan specifies a set of aspirational goals and follows with strategies to achieve or make progress toward those goals during the planning period of 2026-2026. Subsequent, Strategic Plan major updates will occur every four years.

Strategic Plan Update Schedule

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

VCE's STRATEGIC GOALS

A) FINANCIAL STRENGTH

A successful CCA program requires disciplined financial strategies and policies. VCE is committed to managing its financial resources responsibly and setting a standard of transparency and accountability, ensuring efficiency and strong stewardship of the agency's financial resources. At VCE, our commitment to financial and operational excellence will ensure that all processes and operations are clearly defined and efficiently designed to align people, systems, and policies to maximize productivity and improve efficiency. Adhering to these policies and actively examining and assessing risk will help earn a high credit rating and a healthy position from which to deliver customer and community value.

Goal 1: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.

- 1.1. Objective: ~~Maintain consistently healthy~~Develop a cash model to maintain reserves policies to fund VCE's mission, vision, and goals.
- 1.2. Objective: ~~Achieve an~~Maintain investment-grade credit rating ~~by end of 2028~~.
- 1.3. Objective: Commit to fiscal efficiencies to build a program foundation from which to deliver customer and community value.
- 1.4. ~~Objective: Manage customer rates to optimize VCE's financial goals while maintaining rate~~ affordability and competitiveness with PG&E ~~and lowering customer costs~~.
- 1.5 Objective: Develop a long range financial model for financial health and rate stability.
- 1.6 Objective: Develop a long term cash reserve and community investment strategy for reserve management.

B) PROCUREMENT AND POWER SUPPLY

Navigating the world of wholesale power markets and state-mandated power mix and reliability requirements while fulfilling our commitment to sourcing low/no-carbon electricity requires a constant search for the right resources to meet sustainability and value proposition goals. The threat of losing load, either to Direct Access or the investor-owned utility (IOU) presents ~~new~~ challenges and opportunities to enhance product offerings to meet VCE's decarbonization goals and our customers' own environmental goals while considering financial and risk impacts. VCE is committed to providing carbon free electricity through a balanced approach that considers cost, risk, long-term value and best fit in meeting community goals while exceeding California's RPS mandates.

Goal 2: Manage power supply resources to consistently exceed California's Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% renewable by 2030.

- 2.1 Objective: Continue to identify and pursue cost effective local renewable energy and storage resources.
- 2.2 Objective: Through strategic procurement ~~Acquire~~ sufficient carbon neutral and bundled energy and renewable resources including storage and other resource adequacy products to achieve VCE's greenhouse gas reduction targets and regulatory requirements.
- ~~2.3 Objective: Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.~~
- ~~2.4 Objective: Identify and pursue cost effective, local distributed energy (e.g., behind the meter rooftop solar+storage) resources to help meet reliability needs.~~
- ~~2.2 Objective: Study and present options for achieving a 100% carbon neutral resource portfolio as well as 100% carbon free resource portfolio (carbon free hour by hour) by 2030.²~~
- 2.3⁶ Objective: Optimize the hedging strategy to mitigate risk in accordance with the energy risk guidelines and procurement plan.

² Carbon neutral electricity is net zero carbon electricity that may include the use of carbon credits and/or higher production of carbon free electricity that averages out to provide a carbon free portfolio over a period of time whereas carbon free hour by hour means all electricity consumed by VCE customers will be from carbon free and/or renewable resources.

C) CUSTOMERS AND COMMUNITY

VCE is a customer- and community-focused organization. We will use all available channels and platforms to cultivate relationships with, and bring customer value to, all segments of the communities we serve – including those that have been historically underserved/under-resourced. These channels include leveraging existing outlets established by our member agencies, partnering with commercial customers to enhance their community presence, and re-engaging with those who have opted out. Partnerships with commercial and agricultural customers are particularly important to building VCE's brand in a region rooted in food production and innovation. Communicating our competitive rates and product and service benefits in clear and accessible ways will strengthen customer loyalty and enhance our financial standing, enabling us to better serve our communities while ensuring rate affordability.

Goal 3: Prioritize enhancing and marketing VCE's community benefits, and increase customer satisfaction and retention.

- 3.1 Objective: Develop and implement engagement strategies to increase awareness of, and participation in, local control of VCE's energy supply and programs with a particular focus on engaging disadvantaged and historically marginalized communities.
- 3.2 Objective: Develop and implement programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.
- 3.3 Objective: Design and implement a strategy to more effectively engage local business and agricultural customers.
- 3.4 Objective: Build awareness and trust of the VCE brand through direct engagement with customers, communities and organizations in VCE's service territory.
- 3.5 Objective: Develop and implement customer programs and initiatives that prioritize decarbonization, community resiliency, rate affordability, and customer savings.
- 3.6 Objective: Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.
- ~~3.7 Objective: Develop and implement customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.~~
- ~~3.8 Objective: Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.~~
- ~~3.9 Objective: Integrate and address the concerns and priorities of emerging and historically marginalized communities in the design and implementation of VCE's services and programs.~~

D) DECARBONIZATION AND GRID INNOVATION

One of the key factors driving the formation of VCE was to address climate change and improve local resiliency. We will play a vital role in this decades-long endeavor, with the ongoing support of our community and our Board. In addition to providing carbon-free electricity, we are reinvesting in our region and expanding our toolset for furthering emissions reductions and energy resiliency by launching decarbonization and grid innovation programs. These programs represent the next stage in VCE's maturity and are the mechanism by which VCE will further engage our communities to achieve our mission. We will leverage partnerships, prioritize innovation and use data science to manage and influence carbon-free energy use. We will embody the entrepreneurial and innovative spirit of the community in which we live and work, the spirit of Yolo County, to bend the carbon curve downwards and improve the lives of our community members while maintaining rate affordability.

Goal 4. Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.

- 4.1 Objective: Working with a variety of local, regional and state partners, develop a grid innovation roadmap for VCE's service territory that supports community energy resilience and reliability.
- 4.2 Objective: Develop a VCE decarbonization roadmap to guide near and long-term program decisions and offerings.
- 4.3 Objective: Increase participation in VCE's UltraGreen 100% renewable product.
- 4.4. Objective: Identify external funding sources to support decarbonization and grid-related programs and initiatives.
- 4.5 Objective: Identify and pursue cost effective, local distributed energy (e.g., behind the meter opportunities) resources to help meet reliability needs.

E) STATEWIDE ISSUES: REGULATORY AND LEGISLATIVE AFFAIRS

The regulatory and legislative processes wield critical influence over VCE's ability to serve our customers and fulfill our core goals and mission. Working with CalCCA and other operating CCAs, VCE will actively engage with the regulatory and legislative communities in order to advance a positive narrative on the value of CCA, manage operational risk, protect the interests of our customers, enhance our ability to mitigate greenhouse gas emissions, and help build a regulatory framework that supports innovation and customer choice in an equitable and cost-effective manner while preserving reliability and universal access.

Goal 5. Strongly advocate for public policies that support VCE's Vision/Mission.

- 5.1 Objective: Work with CalCCA and other partners to proactively engage State regulators, legislators, and other State authorities in developing policy that furthers VCE's mission and facilitates our contributions to decarbonization, grid reliability, energy resiliency, affordability, local programs and social equity.
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VCE's Strategic Plan is a living document that will be revisited and updated regularly. At a minimum, staff will review and update the Plan on an annual basis, including goals, objectives and metrics. In addition, staff will establish an implementation timeline and appropriate reporting format to use in reporting performance against the Plan's goals and objectives to VCE leadership and Board. The reports, commencing in 2021, will show metrics, status and mitigations where appropriate. Consolidated summary reporting on the status of all high-priority enterprise goals and objectives will be reported out as follows:

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Valley Clean Energy Strategic Plan

Last Approved update by VCE Board August 16,2023
2026-2029 Major Update (Draft)

VCE MISSION

Deliver cost-competitive affordable clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions.

VCE VISION

Valley Clean Energy Alliance (VCE) is a joint-powers authority working to implement a state- authorized Community Choice Energy (CCE) program. Participating VCE governments include the City of Davis, the City of Woodland, the City of Winters, and County of Yolo. The purpose of VCE is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the residential, commercial, governmental, agricultural and industrial users in the VCE territory. PG&E continues to deliver the electricity procured by VCE and performs billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions have the choice not to participate in the VCE program.

Near-Term⁺ Vision (Launch)

The near-term vision ~~was essential for the launch of~~ ~~for~~ VCE ~~is~~ to provide electricity users with greater choice over the sources ~~and~~ prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price differentials;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCE energy programs and mitigation of future energy costs and risks.

Long -Term Vision

The ~~future-long-term~~ vision for VCE is to continuously improve the electricity choices available to VCE -customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future;
- Saving money for ratepayers on their energy bills; and
- Remaining open to the participation of additional jurisdictions.

¹ ~~Launch Phase and First Year~~

STRATEGIC PLAN

The VCE Strategic Plan is focused on achieving better energy outcomes for its customers, ~~and~~ communities ~~and~~ member jurisdictions by guiding the organization's actions. The Plan and ~~major~~minor update map a route to VCE's goals and allows for course correction as new information and learning occurs. The energy sector in California is in a transformational period and VCE allows local energy priorities and needs to be heard and ultimately acted upon. This plan helps VCE build a strong foundation from which to identify and guide strategic actions, being mindful of the longer-term aspirations of the Agency. The Plan is designed to be reviewed periodically to ensure that VCE remains on track and course corrects if necessary.

As VCE drafts this major strategic plan update, climate scientists are pointing to likely 3-degree C global warming, with severe impacts occurring more rapidly than was anticipated just a few years ago. At the same time, electricity customers in IOU service areas are experiencing an energy affordability crisis, driven mainly by IOU escalating delivery charges. This plan therefore increases VCE's emphasis on climate resilience (ensuring continuous electric service during heat extremes and utility grid outages) and affordability (engaging with our CCA allies to focus state policy makers on measures to reduce major cost drivers, rather than cutting needed services like low-income bill relief and energy efficiency).

METHODOLOGY AND ORGANIZATION

VCE's initial strategic plan was based on the experience of the Agency's first two years in operation as well as current energy market conditions. The original Plan incorporated a strengths/weaknesses/opportunities/threats (SWOT) analysis which was completed in 2019, and detailed feedback from the Board of Directors, Community Advisory Committee (CAC) members and VCE staff. This 2025 Plan update continues to cover six topical categories which are most relevant to VCE's operations. Within each category, the Plan specifies a set of aspirational goals and follows with strategies to achieve or make progress toward those goals during the planning period of 2026-2026. Subsequent, Strategic Plan major updates will occur every four years.

Strategic Plan Update Schedule

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

VCE's STRATEGIC GOALS

A) FINANCIAL STRENGTH

A successful CCA program requires disciplined financial strategies and policies. VCE is committed to managing its financial resources responsibly and setting a standard of transparency and accountability, ensuring efficiency and strong stewardship of the agency's financial resources. At VCE, our commitment to financial and operational excellence will ensure that all processes and operations are clearly defined and efficiently designed to align people, systems, and policies to maximize productivity and improve efficiency. Adhering to these policies and actively examining and assessing risk will help earn a high credit rating and a healthy position from which to deliver customer and community value.

Goal 1: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.

- 1.1. Objective: ~~Maintain consistently healthy~~ Develop a cash model to maintain reserves policies to fund VCE's mission, vision, and goals.
- 1.2. Objective: ~~Achieve an~~ Maintain investment-grade credit rating ~~by end of 2028~~.
- 1.3. Objective: Commit to fiscal efficiencies to build a program foundation from which to deliver customer and community value.
- 1.4. -Objective: Manage customer rates to optimize VCE's financial goals while maintaining rate affordability and competitiveness with PG&E ~~and lowering customer costs~~.
- 1.5. Objective: Develop a long range financial model for financial health and rate stability.
- 1.6. Objective: Develop a long term cash reserve and community investment strategy for reserve management.

B) PROCUREMENT AND POWER SUPPLY

Navigating the world of wholesale power markets and state-mandated power mix and reliability requirements while fulfilling our commitment to sourcing low/no-carbon electricity requires a constant search for the right resources to meet sustainability and value proposition goals. The threat of losing load, either to Direct Access or the investor-owned utility (IOU) presents ~~new~~ challenges and opportunities to enhance product offerings to meet VCE's decarbonization goals and our customers' own environmental goals while considering financial and risk impacts. VCE is committed to providing carbon free electricity through a balanced approach that considers cost, risk, long-term value and best fit in meeting community goals while exceeding California's RPS mandates.

Goal 2: Manage power supply resources to consistently exceed California's Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% renewable by 2030.

- 2.1 Objective: Continue to identify and pursue cost effective local renewable energy and storage resources.
- 2.2 Objective: Through strategic procurement Acquire sufficient carbon neutral and bundled energy and renewable resources including storage and other resource adequacy products to achieve VCE's greenhouse gas reduction targets and regulatory requirements.
- ~~2.3 Objective: Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.~~
- 2.3 Objective: Identify and pursue cost effective, local distributed energy (e.g., behind the meter rooftop solar+storage) resources to help meet reliability needs. Identify and pursue cost-effective, local distributed energy resources, including both front-of-meter solar+storage resources for VCE's renewable energy supply portfolio, as well as behind-the-meter solar+storage aggregations (VPPs) to help reduce RA requirements.
- 2.4 Evaluate and pursue opportunities for shared investment and procurement strategies with other CCAs.
- ~~2.2 Objective: Study and present options for achieving a 100% carbon neutral resource portfolio as well as 100% carbon free resource portfolio (carbon free hour by hour) by 2030.²~~
- 2.6 Objective: Optimize the hedging strategy to mitigate risk in accordance with the energy risk guidelines and procurement plan.

C) CUSTOMERS AND COMMUNITY

VCE is a customer- and community-focused organization. We will use all available channels and platforms to cultivate relationships with, and bring customer value to, all segments of the communities we serve – including those that have been historically underserved/under-resourced. These channels include leveraging existing outlets established by our member agencies, partnering with commercial customers to enhance their community presence, and re-engaging with those who have opted out. Partnerships with commercial and agricultural customers are particularly important to building VCE's brand in a region rooted in food production and innovation. Communicating our competitive rates and product and service benefits in clear and accessible ways will strengthen customer loyalty and enhance our financial standing, enabling us to better serve our communities while ensuring rate affordability.

Goal 3: Prioritize enhancing and marketing VCE's community benefits, and increase customer satisfaction and retention.

- 3.1 Objective: Develop and implement engagement strategies to increase awareness of, and participation in, local control of VCE's energy supply and programs with a particular focus on engaging disadvantaged and historically marginalized communities.
- 3.2 Objective: Develop and implement programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.
- 3.3 Objective: Design and implement a strategy to more effectively engage local business and agricultural customers.
- 3.4 Objective: Build awareness and trust of the VCE brand through direct engagement with customers, communities and organizations in VCE's service territory.
- 3.5 Objective: Develop and implement customer programs and initiatives that prioritize decarbonization, community resiliency, rate affordability, and customer savings.
- 3.6 Objective: Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.

² Carbon neutral electricity is net zero carbon electricity that may include the use of carbon credits and/or higher production of carbon free electricity that averages out to provide a carbon free portfolio over a period of time whereas carbon free hour by hour means all electricity consumed by VCE customers will be from carbon free and/or renewable resources.

- ~~3.7 Objective: Develop and implement customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.~~
- ~~3.8 Objective: Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.~~
- ~~3.9 Objective: Integrate and address the concerns and priorities of emerging and historically marginalized communities in the design and implementation of VCE's services and programs.~~

D) DECARBONIZATION AND GRID INNOVATION

One of the key factors driving the formation of VCE was to address climate change and improve local resiliency. We will play a vital role in this decades-long endeavor, with the ongoing support of our community and our Board. In addition to providing carbon-free electricity, we are reinvesting in our region and expanding our toolset for furthering emissions reductions and energy resiliency by launching decarbonization and grid innovation programs. These programs represent the next stage in VCE's maturity and are the mechanism by which VCE will further engage our communities to achieve our mission. We will leverage partnerships, prioritize innovation and use data science to manage and influence carbon-free energy use. We will embody the entrepreneurial and innovative spirit of the community in which we live and work, the spirit of Yolo County, to bend the carbon curve downwards and improve the lives of our community members while maintaining rate affordability.

Goal 4. Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.

- 4.1 Objective: Working with a variety of local, regional and state partners, to develop strategies and initiatives to pressure state policy makers to remove barriers to technical feasibility and economic viability of local solar+storage resources, both FOM and BTM, a grid innovation roadmap for VCE's service territory that supports community energy resilience and reliability.
- 4.2 Objective: Work with member jurisdictions (e.g., city and school district planning staff) to help plan and implement local energy resilience, decarbonization and electrification initiatives powered by local supply resources. Develop a VCE decarbonization roadmap to guide near and long-term program decisions and offerings.
- 4.3 Objective: Increase participation in VCE's UltraGreen 100% renewable product.
- 4.4 Objective: Identify external funding sources to support decarbonization, community energy resilience and grid-related programs and initiatives.
- 4.5 Objective: Identify and pursue cost effective, local distributed energy (e.g., behind the meter opportunities) resources to help meet reliability needs.

E) STATEWIDE ISSUES: REGULATORY AND LEGISLATIVE AFFAIRS

The regulatory and legislative processes wield critical influence over VCE's ability to serve our customers and fulfill our core goals and mission. Working with CalCCA and other operating CCAs, VCE will actively engage with the regulatory and legislative communities in order to advance a positive narrative on the value of CCA, manage operational risk, protect the interests of our customers, enhance our ability to mitigate greenhouse gas emissions, and help build a regulatory framework that supports innovation and customer choice in an equitable and cost-effective manner while preserving reliability and universal access.

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- 5.1 [Work with a variety of local, regional and state partners, to develop strategies and initiatives to pressure state policy makers to remove barriers to technical feasibility and economic viability of local solar+storage resources, both FOM and BTM.](#)
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Strategic Plan 2026-2029

MAJOR UPDATE TIMELINE

Brief Survey Issued May 1st – Points allocation for customer priorities

MAY 22ND
ESPARTO
COMMUNITY
CENTER - RISE

CAC

Goals Outreach

- 1) Financial Strength / Rates
- 2) Procurement & Power Supply



April 24

May 22

June 26

July 24

August 28

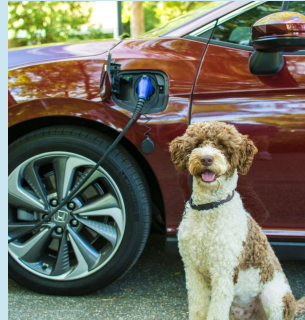
September 11

October 9

JULY 24TH
CITY OF
WOODLAND
CHAMBERS

CAC

Review of Preliminary Draft Strategic Plan recommendation & Survey Plan (Possibly more in depth)



SEPTEMBER 11TH
CITY OF
WOODLAND
CHAMBERS

Board

Workshop Review of CAC Strategic Plan Recommendation & Survey Results



CAC

Introduction of Strategic Plan Rough Draft & Timeline



CAC

Goals Outreach

- 1) Customers and Community
- 2) Decarbonization and Grid innovation

JUNE 26TH
CITY OF DAVIS
CHAMBERS



CAC

Review of Preliminary Survey Results & Strategic Plan Recommendation

AUGUST 28TH
CITY OF
WOODLAND
CHAMBERS



Board

Recommended Strategic Plan Adoption

OCTOBER 9TH
CITY OF DAVIS
CHAMBERS

VALLEY CLEAN ENERGY ALLIANCE COMMUNITY ADVISORY COMMITTEE

Staff Report – Item 9

TO: Community Advisory Committee

FROM: Edward Burnham, Chief Financial Officer

SUBJECT: Allocation of 2024 Net Margin

DATE: April 24, 2025

RECOMMENDATION

1. Informational – Discussion and Feedback

OVERVIEW

This staff report presents the various options the Board has in determining how to allocate the estimated net margin for 2024. Staff is presenting this information to the Community Advisory Committee (CAC) for discussion and feedback. VCE's audit of the 2024 fiscal year has been completed and financial statements were presented to the Board at their April 10, 2025 meeting. Taking into account VCE's Dividend Program **guidelines**, as well as available and forecast cash reserves, Staff is considering various options outlined below for VCE's 2024 net margin of \$26.4 million:

- Minimum required allocation of \$245,000 to the Local Programs Reserve (LPR)
- Minimum required allocation of \$8,986,000 to Operational Reserves
- Minimum required allocation of \$11,517,000 to Rate Stabilization Reserves
- Discretionary Allocation (After Cash Reserves) of \$5,283,000

BACKGROUND AND ANALYSIS

The Board adopted the VCE Rate Structure & Dividend Program Guidelines on June 17, 2019, to guide the allocation of the audited net margin for each year. The Board updated the original guidelines in December 2024 increasing the operational reserves minimums and adding a Rate Stabilization Reserve. The Dividend Program with net margin allocation guidelines can be found [here](#) and the Financial Reserves Policy can be found [here](#).

Key aspects of the Dividend Program are:

- Every year, the audited Net Margin (Less Principal Debt Payments) is to be allocated amongst Cash Reserves, Local Programs Reserve, and Customer Dividends, at the Board's discretion
- Require a minimum 5% net margin before considering if any dividends are paid

Based on the estimated 2024 Financial Statements, the conditions above have been met. Staff will present the final recommendation of the allocation of net margin to the Board on June 12,

2025. As noted when the Board adopted the Dividend Program Guidelines, a 5% minimum net margin is in the lower range of typical net margin goals for the utility sector and most other industries.

Dividend Program Formula

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

- Net margin up to 5% is to be allocated as follows:
 - At least 5% (of the 5%) goes to LPR for program implementation
 - The balance goes to cash reserves
- Net margin above 5% is to be allocated as follows:
 - At least 75% to cash reserves – Operational and Stabilization
 - Remainder allocated amongst customer dividends and LPR

Below is a summary of VCE's Allocation for 2024:

Table 1 - VCE Dividend Program Allocation - 2024

Description		2024 Financials (\$1,000s)		Avg. Days Cash (\$1,000s)	
Electricity Sales		97,979		197	
Operating Expense		71,948			
Operating Margin		26,031			
Principal Debt Payments		-			
Adjusted Net Margin less principal Debt Payments		26,031			
Adjusted Net Margin Percentage		26.57%			
Allocation Amount <=5%		4,899			
Allocation Amount > 5%		21,132			
2025 Beginning Reserves Balance		26,395		134	
Allocation of Net Margin up to 5%	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash	
Operating Reserves Allocation	95%	4,654	24	158	Minimum
Local Programs Allocation	5%	245	1	0	Minimum
Allocation of Net Margin above 5%	Percentage	Allocation Amount			
Allocation to Operating Reserves	21%	4,332	22	180	Minimum
Allocation to Rate Stabilization Reserves	55%	11,517	58	58	Minimum

Based on the customer dividend program formula above, VCE minimum allocations result in \$245,000 to LPR, \$0 to dividends, and the balance to operational and rate stabilization reserves. The estimated discretionary allocation amount for 2024 is \$5,283,000.

Discretionary Allocation Considerations

A range of scenarios exist for the allotment of discretionary allocations – three within that range are presented in the tables below. Based on the current and forecasted cash reserves for 2024 and 2025, Staff is considering a recommendation of Scenario 1 to allocate a majority of the discretionary allocation to customer dividends and programs. VCE will meet the minimum reserve targets with the 2024 allocation and continue to contribute additional reserves in 2025. All scenarios described later in this report provide for additional program funds, dividend funds in the form of additional rate discounts, and reach reserve targets of 180+ days of cash on hand for VCE to obtain its initial investment grade credit rating in 2025. Staff is considering the

allocation of reserve funds to be held for future discounts at our current levels as current forecasts are expecting increases in PCIA rates and decreases in PG&E rates.

Staff considered the following key factors related to this preliminary recommendation.

- Power Costs - Staff anticipates ongoing power cost increases and regulatory pressures related to changing resource adequacy requirements (increased costs = decreased days cash on hand)
- VCE's current 180-day cash reserve target is a minimum for investment grade credit rating.
- VCE's current 60-day rate stabilization reserve target is a minimum for rate variability.

Staff considered the following allocation scenarios. Note: the "25%" starting amount in each scenario is the remaining amount of the total net margin above 5% after 75% has been allocated to cash reserves per the Dividend Program guidelines (see Dividend Program Formula above). For example, in Scenario 1, zero percent would be allocated to "Operating Reserves" because the 180-day cash reserve target has already been met.

Scenario 1:

	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash	
Discretionary Allocation (After Cash Reserves)	25%	5,283	27	0	Maximum
Allocation to Operating Reserves	0%	-	0	180	
Allocation to Rate Stabilization Reserves	7%	370	2	60	
Local Programs (Targeted 2025/26 Spend)	25%	1,321	7		
Customer Dividends (Targeted 2025/26 Spend)	68%	3,592	18		

Scenario 2:

	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash	
Discretionary Allocation (After Cash Reserves)	25%	5,283	27	0	Maximum
Operating Reserves Allocation	0%	-	0	180	
Allocation to Rate Stabilization Reserves	15%	792	4	62	
Local Programs (Targeted 2025/26 Spend)	25%	1,321	7		
Customer Dividends (Targeted 2025/26 Spend)	60%	3,170	16		

Scenario 3:

	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash	
Discretionary Allocation (After Cash Reserves)	25%	5,283	27	0	Maximum
Operating Reserves Allocation	25%	1,321	7	187	
Allocation to Rate Stabilization Reserves	25%	1,321	7	65	
Local Programs (Targeted 2025/26 Spend)	25%	1,321	7		
Customer Dividends (Targeted 2025/26 Spend)	25%	1,321	7		

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

CONCLUSION

Staff believe that these scenarios represent a disciplined and financially prudent approach to building reserves and preserving long-term rate relief. The longer-term outlook (2025+) shows increased power cost stability due to VCE's fixed price long-term renewable power purchase contracts and VCE's recent prepay transaction savings. However, current forecasts from analysts show significant changes in PCIA (increasing) and PG&E rates (decreasing) due to regulatory changes in market price benchmarks. Staff is seeking feedback from the CAC to inform its recommendation on the allocation of the 2024 net margin that is anticipated to be taken to the Board in June.

**VALLEY CLEAN ENERGY
COMMUNITY ADVISORY COMMITTEE**

Staff Report - Item 10

TO: Community Advisory Committee

FROM: Mitch Sears, Executive Officer
Yvonne Hunter, Legislative and Project Specialist

SUBJECT: SB 540 (Becker). Regional Organization. West-wide Governance Pathways Initiative

DATE: April 24, 2025

RECOMMENDATION

Staff recommends that VCE support SB 540 for the reasons described on page 10 of this staff report (page 43 of the packet).

BACKGROUND

At its March 27, 2025 meeting, the Community Advisory Committee (CAC) received a briefing about SB 540 and the West-Wide Governance Pathways Initiative. The CAC engaged in a lengthy discussion and raised numerous questions for staff to analyze and report on at the April 24th CAC meeting. The CAC's Legislative and Regulatory Task Group (LRTG) met four times to discuss Pathways and SB 540 with the goal of arriving at a recommendation to the full CEC on whether and if so, what position VCE should take on SB 540.

The March 27th CAC [Staff Report](#) and [slides](#) for the overview of western energy markets presented by CAC member and retired California Independent System Operator (CAISO) staff person Lorenzo Kristov are available for review.

Staff Report Overview

As a follow up to the March 27th CAC discussion, this staff report includes the following sections:

- A brief summary of the Pathways Initiative and SB 540
- A brief summary of staff's analysis of key questions posed by CAC members
- The LRTG recommendation
- Staff's recommendation
- Attachment 1: A list of questions posed by CAC members during/after the March 27th meeting and by the public with accompanying staff analysis.

ANALYSIS

The West-Wide Governance Pathways Initiative

Initiated in July 2023, a letter from regulators from five western states, including California, stressed the desire to find common ground in seeking the benefits of an expanded regional energy market.

Representatives and key stakeholders from those states participated in an extended effort to shape an approach to an expanded regional energy market. The resulting report, "[West-Wide Governance Initiative. Launch Committee: Step 2 Final Proposal. November 15, 2024](#)" lays out in detail the parameters of such a regional approach.

Expanding Western Energy Markets

The key goal of the Pathways Initiative is to capture the benefits of an expanded number of states/entities participating in the soon-to-be operational Extended Day Ahead Market (EDAM), a day ahead energy market which includes states within and outside the CAISO balancing authority. This day-ahead market would work in tandem with CAISO's existing real-time Western Energy Imbalance Market (WEIM).

California's Governor-appointed CAISO Board of Governors, however, has proved to be an impediment in attracting broader interest across the West in an expanded EDAM. Several key Western balancing authorities have declined to participate in EDAM unless the CAISO's markets come under independent governance. Thus, the Pathways Initiative worked to find an alternative for regional energy markets. The result is the proposal to form an independent regional authority for energy markets.

Why is SB 540 Needed and What it Does and Does Not Do

To participate in the proposed Regional Organization (RO), California needs SB 540 because CAISO was created statutorily and changes to its authority require legislation. Other states may also need enabling legislation or public utilities approval to participate. But, specific legislation is needed for CAISO and California to join the RO. It is important to note that all of the CAISO's other responsibilities, such as transmission planning, remain with CAISO.

CAC Committee Member Lorenzo Kristov described succinctly what SB 540 "*actually does*" as follows:

"Does NOT establish any new functionality in western markets that is not already operational in WEIM (11 years, \$6.6 B benefits) or scheduled for EDAM in Spring 2026. These two embody the full functionality of the CAISO real-time and day-ahead markets.

The crucial matter SB 540 addresses is to make WEIM & EDAM more attractive to western participants, to try to achieve as large a footprint as possible (i.e., current WEIM footprint) to yield the greatest benefits.

The main attraction SB 540 offers western parties is that the future Regional Organization (RO) would have sole authority to propose market rule changes to FERC. Today that authority is shared between CAISO Board & independent WEM Governing Body. For some large western parties that could be pivotal in their decision to join or not.

SB 540 does NOT commit California to join the RO. It grants legislative authority and specifies a process for the CAISO Board to decide whether to join later, once a detailed RO proposal is fleshed out (by a multi-stakeholder "Pathways" working group) that meets the 12 requirements specified in SB 540.

The RO, if it goes forward, would only assume the CAISO market functions, i.e., design and operation of the DA & RT markets, and would leave other core CAISO functions under authority of CAISO Board: (a) transmission grid operation & “balancing authority” responsibility; and (b) transmission planning & cost allocation.” [emphasis included in original text]

The bill also includes provisions to address risk. Specifically, the legislation authorizes CAISO and California utilities to participate in energy markets governed by the RO only when CAISO demonstrates that twelve statutory requirements¹ are met, including the following:

- Confirming that California regulatory agencies and CAISO retain control over Renewables Portfolio Standard and other procurement requirements, climate policy, transmission planning, CAISO’s interconnection queue, and resource adequacy requirements
- Providing a procedure for withdrawal from the RO if it no longer benefits California
- Maintaining the capability for CAISO to operate its own market if California decides to withdraw from the RO
- Ensuring the RO makes decisions in an open process
- Making funding available for consumer advocates to engage in the process

In evaluating the benefits, costs and options related to creating a Regional Organization (RO) to manage energy markets formerly handled by the CAISO, the Pathways Initiative built on the modeling and analyses by [The Brattle Group](#), “Preliminary Day-Ahead Markets Impacts Study: Impact of Market Footprints on California Customers”,² under a contract with the California Energy Commission.

In general, the Brattle Group study found:

“... that expansion of day-ahead markets in the WECC creates net benefits for California customers under all scenarios analyzed, with benefits ranging from approximately \$100 million/year to almost \$800 million/year depending on the market footprint that emerges in the region.”³ The report also found a wider EDAM footprint and related expanded energy markets would result in improved grid reliability, reduced curtailment, lower greenhouse gas emissions and lower energy costs.

As noted in the March 27th CAC staff report, those supporting SB 540 cite the information in this study and the protections included in the legislation outlined above that reduce the risks faced by participants, including California.

As also outlined in the March CAC staff report, those in opposition to SB 540 point to the speculative nature of the benefits and the risks associated with ceding California’s control of regional markets to an independent RO.

¹ See SB 540 section 345.6(a)

² The link provides a presentation by the Brattle Group to the California Energy Commission about the study’s results.

³ [Brattle Group website summary of study findings](#).

Opponents express concern about the potential impacts on: (1) California's energy and climate change policies, (2) interference by FERC into California energy and climate change policies and (3) the potential for more coal used for electricity generation in California. They also point to the potential prioritization of centralized energy production and long-term transmission over local distributed energy resources (DERs).

Key issues related to both the support and oppose positions are addressed in the section below that outlines key questions raised by the CAC and others. As noted, a more comprehensive list of questions and analysis is provided in Attachment 1.

Questions and Analysis – Key Questions Raised by the CAC and Others

1. What exactly is SB 540 (and Pathways) doing that does not already exist?

Pathways aims to expand participation across the West in the day-ahead and real-time energy markets currently managed by the California Independent System Operator (CAISO). It aims to support this expansion by creating a governance framework independent of any single state (i.e., California) and overseen by a new regional organization (RO). This change recognizes that governance independence has long been a barrier to regionalization. The California-dominated CAISO has long been a stumbling block to expanding EDAM.

2. Why Is SB 540 Needed?

Since the CAISO authority and governing board was created by statute, changing the role of CAISO to separate its market function requires legislation; hence, the need for SB 540. To participate in the new RO, other states may need authorizing resolutions from their regulatory bodies, legislation or nothing.

3. What About Governance? SB 540 Does Not Spell Out the RO's Governance Structure.

While it is true that SB 540 does not specifically spell out the new RO's governance structure, it does lay out the criteria of the "governance documents" that must be adopted in order for the CAISO to approve California's participation. Those criteria are examined and described in detail in the Pathways Final Report and are discussed in more detail in question 5 in Attachment 1.

SB 540 states:

"Section 345.6. (1) The independent regional organization is a nonprofit corporation whose governance documents include a corporate obligation to respect the authority of each state that has a load-serving entity or balancing authority participating in the market to set its own procurement, environmental, reliability, and other public interest policies." [emphasis added]

4. How Are California's Interests Protected in SB 540?

SB 540 includes specific provisions to protect California's energy and climate policies.

In addition to Section 345.6 (1) above, section 345.6 (e) of SB 540 states:

“(e) (1) This section does not change any requirement related to the California Renewables Portfolio Standard Program as provided in Article 16 (commencing with Section 399.11).

(2) This section does not change the policy of the state to reach specified targets by specified dates for supplying eligible renewable energy resources and zero-carbon resources as provided in subdivision (a) of Section 454.53.”

5. What If California Decides It Wishes to Leave the RO?

If California decides that the benefits it anticipated from the RO do not materialize or other problems occur, one of the twelve requirements that the CAISO must find satisfactory in the RO’s corporate governance documents is the ability of California to leave the RO.

Section 345.6(a)(12) states:

“(12) The independent regional organization provides a procedure for unilateral withdrawal by any participant with reasonable prior notice and without any further approvals.”

6. How Were the Benefits of the RO Calculated?

The benefits attributed to the RO come from the Brattle Group study. It evaluated several different scenarios related to the size of the possibly expanded EDAM footprint, as well as a scenario of a so-called “split-market” where some states, utilities, and/or energy entities do not join the RO and instead leave EDAM (and join the emerging Markets+ program from the Southwest Power Pool, headquartered in Arkansas). As seen from the chart below from the Brattle Group, benefits are the result of the potential cost savings, enhanced grid reliability, and reduced air pollution that could result from implementing SB 540. How these potential savings and reliability enhancements translate into individual customer benefits is difficult to calculate. Also, potential savings are related to generation costs and do not relate to distribution and transmission costs.

Market Dynamics and Expected Outcomes



Larger and More Diverse Pool Transmission and Generation Resources	<ul style="list-style-type: none"> • Shift from less efficient to more efficient resources, leading to production cost savings for customers. Customer Cost Savings ↑ • Emissions potentially decline due to shift to more efficient generation. Potential Environmental Benefit ↔ • Better management of extreme weather events and unexpected grid challenges (e.g., outages). Reliability Benefit ↑ • Reduced sale of short-term transmission service, as transmission is “donated” to the market (offset by EDAM TRR Settlement). Customer Cost Increase ↓
Reduced Curtailment of Wind and Solar due to Increased Resource and Load Diversity	<ul style="list-style-type: none"> • Lower emissions due to avoided curtailed energy displacing fossil generation. Environmental Benefit ↑ • Lower power costs for customers due to zero variable cost energy displacing higher variable cost energy. Customer Cost Savings ↑ • Better investment environment for renewable projects. Customer Cost Savings ↑
Increased Trading between Market Members	<ul style="list-style-type: none"> • Reduced bilateral trading as markets trades become more profitable, lost bilateral trading margins. Customer Cost Increase ↓ • Increased market congestion and transfer revenues. Customer Cost Savings ↑

Brattle Group Report, Page 4

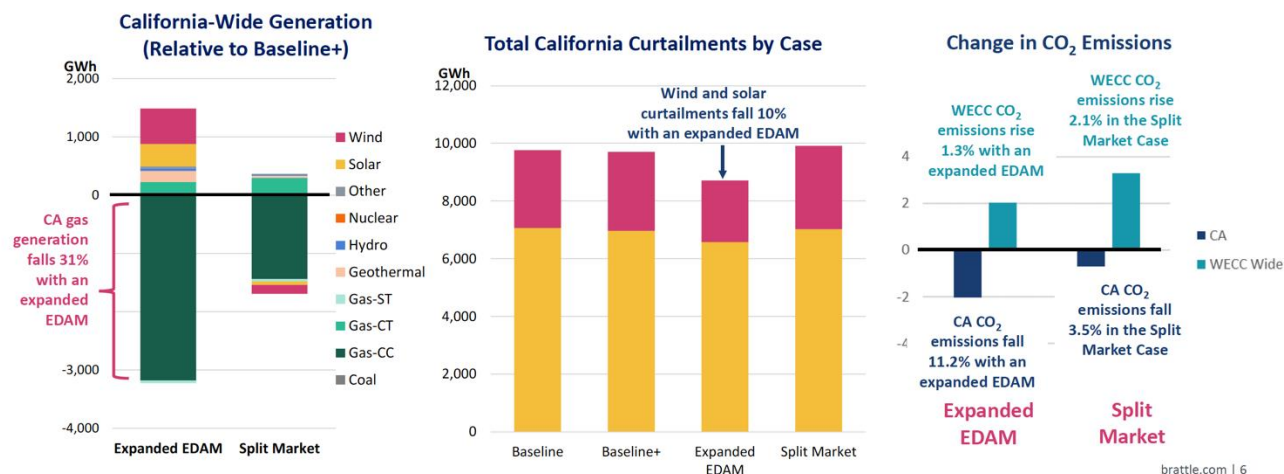
7. What about GHG emissions and a new RO?

The Brattle Group study identified several impacts on GHG emissions in California and the West based on the size of the RO and whether some states and/or entities leave EDAM and the RO and join the SPP Markets+ program (the split-market scenario). The analysis shows that if California does nothing, causing the "Split Market" to form, GHG emissions will be higher in California and the West than they would under a successful “Expanded EDAM” case enabled by SB 540.

These impacts are summarized in the chart below.

GHG Emissions Impacts

The expansion of EDAM reduces gas generation and the curtailment of wind and solar in California, resulting in lower GHG emissions in the state.



Brattle Group Report, Page 6

8. Will SB 540 lead to a new Regional Transmission Organization?

Some have expressed concern that SB 540 and the new RO will lead to a new Regional Transmission Organization (RTO), similar to what was proposed in past, failed legislation. While the new RO may decide to offer additional ancillary services including formation of an RTO in the future, participation by individual members will be voluntary. And, California participation in an RTO would require legislative authorization.

9. Will the new RO expand FERC's authority in California?

Today, FERC regulates the CAISO-managed wholesale energy markets, including EIM and EDAM, and transmission grid. This will not change if SB 540 becomes law. Pathways and SB 540 shifts governance of the EIM and EDAM energy markets to a new FERC-regulated entity: the regional organization (RO). The key jurisdictional change is replacing the California Governor's unilateral right over CAISO board appointments with a regional board selection process. SB 540 and the RO does not increase or expand FERC's authority in California.

10. Will SB 540 Result in More Coal Generated Electricity Entering California?

No. It is illegal for California load serving entities to contract for coal-generated electricity. This will not change if SB 540 becomes law and California subsequently joins the RO.

11. Will SB 540 affect VCE or the State’s ability to implement and deploy distributed energy resources (DERs)?

Not directly. SB 540 does not address DERs so neither it or the RO will affect a CCA’s or any other Load Serving Entity’s ability to implement and deploy DERs. As noted, SB 540 addresses large central point utility scale generation which continues to focus planning and resources on these types of facilities. This focus can indirectly impact deployment of DERs if sufficient policy and financial support are not also provided to DER efforts.

SUPPORTERS AND OPPONENTS

As of the writing of this Staff Report, a complete list of supporters and opponents is not available. SB 540 will be heard in the Senate Energy and Utilities Committee on April 21st. The Senate Committee staff analysis will include a comprehensive list of supporters and opponents. When that analysis is available VCE staff will share it with the CAC and post an updated Staff Report, including identifying where in the Senate Committee analysis the list of supporters and opponents may be found.

RECOMMENDATIONS

Three options are available to VCE for a position on SB 540: No position, support or oppose.

Leg/Reg Task Group Recommendation

The LRTG discussed SB 540 and the Pathways Initiative over multiple meetings. At its April 11th meeting, the three members of the Task Group present considered the question, “Should VCE take a position on SB 540, and if so, what position?” It agreed to make a recommendation to the CAC only if the Task Group was unanimous on what the recommendation should be. Otherwise, it would report to the CAC that no consensus was reached.

The LRTG reached no consensus on what position to recommend to the CAC on SB 540. Task Group members will have an opportunity to provide individual comments to the CAC at the April 24th meeting.

Staff Recommendation

In deciding on a recommendation, staff considered the potential pros and cons of SB 540, the available data and analyses of a new RO, split-market vs. the status quo, the arguments of the supporters and opponents of SB 540, as well as how a new RO might impact VCE, its operations and mission. In evaluating these items, staff considered the following principles and includes brief responses to each.

1. Preserve the local autonomy and authority of CCAs to set rates, decide on resource portfolios, procure local resources, and implement programs to meet their unique community needs.
 - a. The RO does not change the autonomy or authority of CCA’s to set rates, choose portfolios, make procurement decisions, or establish programs based on local need. [SB 540 section 345.6(a)(1)]

2. Preserve California's authority to establish and implement renewable energy standards, greenhouse gas reduction goals, zero-carbon based goals and distributed energy resources (DERs).
 - a. The RO does not change the authority of California to establish and implement renewable energy standards, greenhouse gas reduction goals, zero-carbon based goals and distributed energy resources (DERs).
[SB 540 sections 345.6(a)(1), 345.6(e)(1) and 345.6(e)(2) and Pathways Report pages 56 and 61]
3. Ensure a structure that is transparent and permits stakeholder engagement.
 - a. The RO provides an open decision-making structure and process.
[SB 540 sections 345.6(a)(4) and 345.6(a)(5) and Pathways Report pages 59 and 62].
The RO provides a structure for and permits stakeholder participation in its decision making process
[SB 540 section 345.6(a)(5) and Pathways Report Chapter 4, Public Interest, pages 64-71].
4. Includes a process for California to withdraw from the regional organization with appropriate notice.
 - a. The RO establishes a process for California to withdraw from the regional organization within a reasonable timeframe.
[SB 540 section 345.6(a)(12)]
5. How does a new RO impact VCE?
 - a. Generally, the establishment of an RO that may facilitate wider participation in EDAM is anticipated to have limited direct impact on VCE. With the appropriate risk limiting provisions incorporated into the design, the RO may allow VCE to avoid some curtailment of solar resources that lack storage and expand energy resources available for VCE to transact with. Overall, there appears to be limited risk and somewhat expanded energy market opportunities for VCE. In addition, enhanced grid stability and reliability may indirectly impact VCE customers.

Staff recognizes that some of the arguments of the supporters and opponents may be speculative. For example, the impacts of the Brattle Group report are the result of computer modeling which necessarily incorporate assumptions on the ultimate size of the EDAM market. These model runs show the sensitivity of the ultimate market footprint to those assumptions (e.g. potential monetary benefits ranging from \$100M to \$800M per year depending on the EDAM footprint). On balance, staff believes that the variability of the model run outcomes is addressed by the protections incorporated into the design of the Regional Organization (e.g. unilateral withdrawal provisions).

Staff also acknowledges the speculative arguments of the opponents of SB 540 and agrees that it is important for the concept of an RO and expanded market footprint to be scrutinized. Based on the responses to questions raised by the opponents and discussed in Attachment 1, staff believes the primary concerns are accounted for in the design of the RO and provisions that maintain the ability of

VCE and the State to exercise independence if necessary (e.g. VCE procurement autonomy, State withdrawal provisions).

What is less clear is the cumulative impact that forming an RO will have on the growth and widespread deployment of distributed energy resources (DER's). Staff believes that these localized deployments are an important part of the future of the electricity sector and warrant attention in system planning where they show cost-effectiveness and co-benefits accrued to the grid and local reliability.

After consideration, staff recommends that VCE support SB 540 for the following reasons:

- A regional organization for energy markets that has the largest footprint will benefit California more than the status quo or a split-market, especially given that without a governance structure that is not dominated by California, many states may not choose to join EDAM or leave it and may instead join the South West Power Pool Markets+ regional market.
- Based on the best available information, California and VCE and its customers are most likely to benefit from the larger RO through cost efficiencies, more opportunities to trade energy surpluses, enhanced grid reliability (especially during extreme heat events), and reduced greenhouse gas emissions.
- VCE may benefit from decreases in curtailment of renewable electricity sold to the grid (i.e., what happens periodically at the Aqua Marine Solar Facility which is under contract to VCE).
- The provisions in SB 540 (and the governance structure included in the Pathways Initiative) protect California energy and climate policies, as well as VCE's rate-setting and procurement policies and practices.
- SB 540 includes clear and unambiguous language that would permit California to leave the RO if it wishes to do so.
- SB 540 does not prevent planning for or deploying DER's.

ATTACHMENT 1

QUESTIONS RAISED BY CAC MEMBERS AND THE PUBLIC AT MARCH 27 CAC MEETING AND STAFF ANALYSIS AND COMMENTS

INTRODUCTION

During and after the March 27 CAC meeting, questions about SB 540 were raised and discussed. Staff was asked to provide additional information and analysis for the CAC's April 24 meeting. This document summarizes the main questions and provides analysis and comments. Some duplicate or similar questions have been combined to streamline the analysis.

1. What does SB 540 propose to do that does not already exist through WEIM (Western Energy Imbalance Markets) and the soon to be active EDAM (Extended Day Ahead Markets)?

Expanding the existing western energy markets to include as large a footprint as possible (EDAM and an expanded EDAM) has been limited due to California's dominance through its management of the CAISO. Many states are reluctant to join an expanded EDAM or are considering leaving EDAM because of this. Thus, SB 540 proposes a new, independent RO to manage the western energy markets currently administered by the CAISO, thus alleviating this concern.


2. Why the urgency for SB 540?

Proponents of SB 540 observe that time is of the essence. If a new independent RO is not created, the newly emerging Southwest Power Pool (SPP Markets+) will make it difficult for the CAISO to expand EDAM or retain EDAM members and it may also lose participants from WEIM. It is expected that if SB 540 is enacted, the new RO will be up and running around 2028.

3. Please explain more about the financial and other benefits of the Regional Organization proposed by Pathways and SB 540 and how they were determined.

Studies commissioned by the California Energy Commission from the [Brattle Group](#) and [Stanford Climate & Energy Policy Program](#) highlight the potential cost savings, enhanced grid reliability, and reduced air pollution that could result from implementing SB 540 as seen in the chart below.

Market Dynamics and Expected Outcomes



Larger and More Diverse Pool Transmission and Generation Resources	<ul style="list-style-type: none"> Shift from less efficient to more efficient resources, leading to production cost savings for customers. Customer Cost Savings ↑ Emissions potentially decline due to shift to more efficient generation. Potential Environmental Benefit ↔ Better management of extreme weather events and unexpected grid challenges (e.g., outages). Reliability Benefit ↑ Reduced sale of short-term transmission service, as transmission is “donated” to the market (offset by EDAM TRR Settlement). Customer Cost Increase ↓
Reduced Curtailment of Wind and Solar due to Increased Resource and Load Diversity	<ul style="list-style-type: none"> Lower emissions due to avoided curtailed energy displacing fossil generation. Environmental Benefit ↑ Lower power costs for customers due to zero variable cost energy displacing higher variable cost energy. Customer Cost Savings ↑ Better investment environment for renewable projects. Customer Cost Savings ↑
Increased Trading between Market Members	<ul style="list-style-type: none"> Reduced bilateral trading as markets trades become more profitable, lost bilateral trading margins. Customer Cost Increase ↓ Increased market congestion and transfer revenues. Customer Cost Savings ↑

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In addition, CalCCA observes the following about potential benefits and cost savings.

- **Enhanced Reliability.** Geographic and weather diversity in a broader regional market allows participants to draw on a much wider resource pool during unexpected or extreme events. The increased EDAM footprint could expand California’s supply cushion by 25,000 MW, with most of this availability falling during the 10 tightest hours on the system.
- **Cost Savings.** California could achieve up to \$800 million annually in lower net total system costs compared to baseline assumptions due to:
 - *More efficient dispatch.* Pooling resources across a larger geographic area can lead to more efficient energy production and distribution, producing cost savings for consumers.
 - *Renewable energy integration.* Today, consumers may pay twice for energy when excess renewable contracts are curtailed on the CAISO system: they must pay for both the curtailed energy and the energy they consume. Regionalization provides a broader market for California’s solar and wind resources, reducing curtailment of existing resources and lowering customer costs.
- **Environmental Benefits.** By optimizing the use of renewable resources across the region, regionalization, as envisioned by Pathways, reduces reliance on California’s gas resource fleet by up to 31% relative to baseline assumptions, thereby reducing greenhouse gas emissions and offering other environmental co-benefits. Collaborative efforts can enhance the effectiveness of environmental policies across state lines.

4. Will regionalizing energy markets undermine California's achievement of key policy?

No. The crucial elements of reliability and climate policies will remain in the hands of California legislators and regulators. Resource adequacy, resource procurement, the Renewable Portfolio Standard, carbon reduction programs, retail rates, programs, and other functions will remain squarely within California's control.

SB 540 includes twelve specific requirements to be satisfied before the CAISO can approve California entry into an RO. It includes the following provisions that protect California's interests.

- "Section 345.6. (1) The independent regional organization is a nonprofit corporation whose governance documents include a corporate obligation to respect the authority of each state that has a load-serving entity or balancing authority participating in the market to set its own procurement, environmental, reliability, and other public interest policies. *[emphasis added]*
- Section 345.6 (e).
"(e) (1) This section does not change any requirement related to the California Renewables Portfolio Standard Program as provided in Article 16 (commencing with Section 399.11).
(2) This section does not change the policy of the state to reach specified targets by specified dates for supplying eligible renewable energy resources and zero-carbon resources as provided in subdivision (a) of Section 454.53.

5. SB 540 does not define "governance" of the RO. How can we be sure the governance structure will be appropriate?

While it is true that SB 540 does not specifically spell out the new RO's governance structure, it does lay out the requirements in the "governance documents" that must be adopted in order for the CAISO to approve California's participation. Those criteria are examined and described in detail in the Pathways Final Report as noted below.

SB 540 states:

"Section 345.6. (1) The independent regional organization is a nonprofit corporation whose governance documents include a corporate obligation to respect the authority of each state that has a load-serving entity or balancing authority participating in the market to set its own procurement, environmental, reliability, and other public interest policies." *[emphasis added]*

The Pathways final report includes lengthy sections related to formation of the RO (pages 46-54) and governance (pages 56-63), including the corporate document. The report summarizes its recommendation for setting up the RO as follows.

"Summary of Recommendations

Setting up the RO involves three primary decisions: the form of incorporation, the state of incorporation, and the location of its principal place of business. The Launch Committee recommends incorporating the RO as a 501(c)(3) nonprofit corporation. Nearly all regional organizations are structured as nonprofits, either under 501(c)(3) or 501(c)(4), and using a 501(c)(3) will preserve the option for tax-exempt financing if needed in the future. The Launch Committee

also recommends incorporating the RO in Delaware, a neutral choice for the West that offers flexibility, ease of incorporation, and the most robust legal framework for corporations, along with an expertly trained judiciary. Additionally, several existing regional organizations are incorporated in Delaware. Finally, the Launch Committee anticipates that the RO will choose its principal place of business as Folsom, CA, due to the expected close interactions with CAISO during Step 2.0 and any structure beyond Step 2 that does not require full separation. However, RO Board meetings and SRC meetings should rotate among the market-participating states.” (page 46)

Relative to Governance, the report states:

“In addition to creating a durable structure for the RO as detailed in the section above, its governance is an equally key foundational aspect of creating a robust, independent body centered around protections for consumers, ensuring affordability and reliability in market design and operations, as well as respecting state, local, and federal policies across the entire West.” (page 56). What follows is a lengthy and detailed set of recommendations to guide the RO’s governance, development of corporate documents, board of directors, etc.

It is worthwhile to include key sections in the Pathways final proposal related to corporate documents.

“Corporate Documents

The RO’s foundational documents will include language centering on protecting the public interest. The RO will be a stand-alone corporate entity fully separate from CAISO and its governing structures and the governing structures of any individual state. To implement this Proposal, the Formation Committee will develop Articles of Incorporation, bylaws, and any other official policies and procedures (collectively the “Corporate Documents”) that become the foundational rules and procedures the RO will use to govern the WEIM, EDAM, and any other new program in the energy markets. The purposes and processes set forth in the Corporate Documents are enforceable under state corporation law and would be referenced in provisions of the tariff filed at FERC.

The stated corporate purposes would define what “public interest” means for the RO by incorporating principles and standards found in state and federal laws applicable to existing ISOs/RTOs. Language such as a commitment to expand public benefits by attracting new participants, as well as requirements to respect individual state and local generation preferences should be included. For example, the CAISO Articles state “the specific purpose of this corporation is to ensure efficient use and reliable operation of the electric transmission grid[.]” The Launch Committee recommends that the recent amendment to the WEM Governing Body charter that clarifies that the Governing Body must preserve and enhance the benefits to customers that arise from participating in the energy markets as well as requiring the body to “respect state authority to set procurement, environmental, reliability, and other public interest policies” be included in the RO Corporate Documents. Additionally, the RO Corporate Documents should include a commitment to just and reasonable electricity rates for consumers as a result of RO participation by seeking efficient dispatch and appropriately disciplined price formation. The RO should

incorporate these standards and purposes, with the addition of other relevant protections, into the Corporate Documents.

The Corporate Documents also set forth the standards and processes to govern the operation and decision-making of the RO designed to protect the public interest.” (pages 61-62)

6. How Are California’s Interests Protected in SB 540?

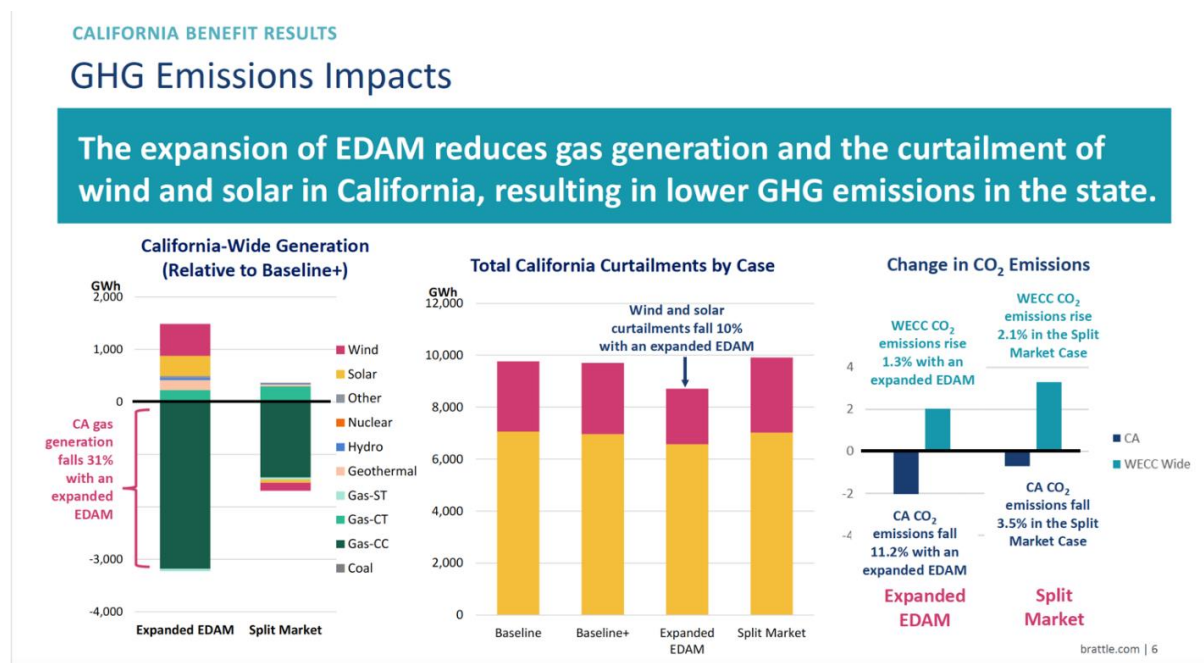
See answer to question 4.

7. What happens if California does not join the RO?

If California does not join the RO, then the existing CAISO managed regional markets (i.e. EDAM) will remain. However, if California does not join, it is likely that many existing EDAM members will move to the emerging SPP Markets+ and no new RO will be viable or exist.

8. What are the GHG emission impacts of the proposed RO? Does who joins the RO impact the GHG emissions?

The Brattle Group study identified several impacts on GHG emissions in California and the west based on the size of the RO and whether some states leave EDAM and the RO and join the SPP (the split-market scenario). The analysis shows that if California does nothing, causing the "Split Market" to form, GHG emissions will be higher in California and the West than they would under a successful “Expanded EDAM” case enabled by SB 540. So, yes, the size of the RO potentially impacts the GHG emissions. The Brattle Group estimates, for example, reduced GHG emissions with the RO by reducing reliance on California’s natural gas.



Brattle Report, page 6

9. What about FERC's influence or impact on a new RO? Is this something to be concerned about, given the new federal Administration?

No. Today, FERC already regulates the CAISO-managed wholesale energy markets, including EIM and EDAM, and transmission grid. Pathways and SB 540 shifts governance of the EIM and EDAM energy markets to a new FERC-regulated entity: the regional organization (RO). The key jurisdictional change is replacing the California Governor's unilateral right over CAISO board appointments with a regional board selection process. SB 540 and the RO does not increase FERC's authority. This is not to say that the new federal Administration may attempt to impact California's energy and climate policies through other means.

10. What happens if California decides it no longer wishes to be a member of the RO? Please explain the opt-out "rip-cord" provision.

The so-called rip-cord provision of the RO and SB 540 is straightforward. One of the twelve requirements that the CAISO must find are satisfied before authorizing California to join the RO states: "Section 345.6(a)(12). The independent regional organization provides a procedure for unilateral withdrawal by any participant with reasonable prior notice and without any further approvals."

The RO corporate documents and governing procedures will include procedures for any participant to leave the RO. The Pathways final report includes a discussion about options and existing models to adapt for the RO rip-cord option.

11. Will California and the west have more coal generated electricity with the RO?

No. It is already illegal for LSE's in California to procure coal generated electricity. Some have asked about PacificCorp's support of SB 540. PacificCorp, a part of Berkshire Hathaway, is a large energy company in the west and the largest grid owner/operator in the west. PacificCorp serves customers in Oregon, Washington, California, Utah, Idaho and Wyoming. In California, it is the utility provider for the cities of Crescent City, Dunsmuir, Mount Shasta and Yreka. Its generation portfolio includes hydro, wind, natural gas, coal, solar and geothermal resources. PacificCorp has already expressed interest in joining the EDAM so whether or not a new RO is formed, PacificCorp will have a presence in the west through its membership in EDAM.

12. Why was SB 540 amended on March 24 to add the word "voluntary?"

The March 24 amendments to SB 540 added the word "voluntary" to section 345.6 (a) about participating in the RO in order to clarify that California participation is indeed voluntary. Some opponents were arguing that once SB 540 is enacted, California is committed to joining the RO. This is not correct.

13. What about the impacts on DER (distributed energy resources) from a new RO?

Advancing DER and creating a new RO are not mutually exclusive. And, since SB 540 is about governance, it does not impact DER policy in California. However, some have expressed concern that SB 540 and the new RO will favor large utility scale renewable projects rather than smaller, more localized DER projects. Unfortunately, there are many factors limiting the meaningful advancement of

DER projects. Interestingly, many distributed energy companies support SB 540. VCE will still be free to pursue DER projects as it has done in the past.

14. If California joins the RO, does this mean the next step is a Regional Transmission Organization?

No. The concept for the RO, as laid out in the Pathways report, includes an option for the RO to add additional market services for participating stakeholders who want them. For example, utilities in other states may wish to join together to form a collective Balancing Authority under the RO. But, no entity would be required to participate in any offering they do not want. For California, participating in services beyond the WEIM and EDAM (that are included in SB 540) would require additional changes in California law.

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report – Item 11

TO: Community Advisory Committee

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Review of 2025 Long Range Calendar meeting topics

DATE: April 24, 2025

Please find attached the 2025 Board and Community Advisory Committee (CAC) Long Range Calendar. Please note that it has some added information (coding) to each item for Staff purposes only.

At any time, if you have an item that you would like added, including future topics, please send an email to Chief Operating Officer Gordon Samuel, Board Clerk Alisa Lembke, CAC Chair and/or Vice Chair for consideration.

Due to the holidays in November and December 2025, the CAC's meeting dates have been moved to the 3rd Thursday and are as follows:

- November 20, 2025 (3rd Thursday) – Woodland
- December 18, 2025 (3rd Thursday) – Davis

Attachment:

1. 2025 Board and CAC Long Range Calendar

VALLEY CLEAN ENERGY
2025 Meeting Dates and Proposed Topics
Board and Community Advisory Committee (CAC)
(Note: Meeting locations and Topics are subject to change)

MEETING DATE		TOPICS	ACTION
January 9, 2025 (Cancelled)	Board (Woodland)	<ul style="list-style-type: none"> This meeting was cancelled. 	
January 23, 2025 NO QUORUM, ITEMS MOVED TO FEBRUARY 27, 2025 MEETING	Advisory Committee (Woodland)	<ul style="list-style-type: none"> 2025 CAC Task Group (s) formation (Annual) (R) Customer Participation Update (4th Quarter 2024) (O) 2024 Year in review: Customer Care & Marketing (Placeholder) (R) Strategic Plan (O) 	<ul style="list-style-type: none"> Discussion/Action Discuss/Action Information Discussion/Action
February 13, 2025	Board (Davis)	<ul style="list-style-type: none"> Oaths of Office for Board Members (Annual - new Members only) (R) Election of Officers for 2025 (Annual) (R) Customer Participation Update (4th Quarter 2024) (O) Receive CAC Year-end Task Group Reports (O) 2024 Year-end review: Customer Care & Marketing (O) Update to VCE Employee Handbook (Placeholder) (R) (historically Jan.) Prepay (Placeholder) (O) Annual Strategic Plan Report (R) (historically Jan.) 	<ul style="list-style-type: none"> Action Nominations Information Information Information Action Action Information/Discussion Discussion/Action
February 27, 2025	Advisory Committee (Davis)	<ul style="list-style-type: none"> 2025 CAC Task Group (s) formation (Annual) (R) Customer Participation Update (4th Quarter 2024) (O) 2024 Year-end review: Customer Care & Marketing (Placeholder) (R) Strategic Plan (O) 	<ul style="list-style-type: none"> Discussion/Action Information Information Discussion/Action
March 13, 2025	Board (Woodland)	<ul style="list-style-type: none"> This meeting was cancelled. 	
March 27, 2025	Advisory Committee (Woodland)	<ul style="list-style-type: none"> Approval of 2025 CAC Task Group "Charges" (R) (historically in Jan.) Senate Bill 540 (Pathways Initiative & Regional Organization) 	<ul style="list-style-type: none"> Action Information/Discussion

April 10, 2025	Board (Davis)	<ul style="list-style-type: none"> • Receive Enterprise Risk Management Report (Bi-Annual) (R) • Customer Participation update (1st Quarter 2025) (O) • Calendar Year 2024 Audited Financial Statements (James Marta & Co.) (placeholder) (R) • Load Management Standards Update (O) • Power Charge Indifference Adjustment (PCIA) / Rates Workshop (placeholder) (O) • VCE Grant activity update (O) 	<ul style="list-style-type: none"> • Information • Information • Action • Information • Information • Information
April 24, 2025	Advisory Committee (Davis)	<ul style="list-style-type: none"> • Load Management Standards Update (O) • 2024 Net Margin Allocation (R) • Senate Bill 540 (Pathways Initiative & Regional Organization) • Customer Participation update (1st Quarter 2025) (O) • Introduction to Strategic Plan Major Update Roadmap/Timeline 	<ul style="list-style-type: none"> • Information • Discussion/Action • Discussion/Action • Information • Information
April 28 - 30, 2025	CalCCA Annual Conference (Irvine)	VCE Staff and some Board and CAC members attending	
May 8, 2025	Board (Woodland)	<ul style="list-style-type: none"> • Recap of CalCCA April 2025 Annual Conference (O) 	<ul style="list-style-type: none"> • Information
May 22, 2025	Advisory Committee / Strategic Plan Workshop (Esparto)	<ul style="list-style-type: none"> • Strategic Plan Workshop: Focus: Financial Strength/Rates and Procurement & Power Supply 	<ul style="list-style-type: none"> • Information/Discussion
June 12, 2025	Board (Davis)	<ul style="list-style-type: none"> • Re/Appointment of Members to Community Advisory Committee (Annual) (R) • Mid-Year 2025 Financial Update (R) • 2024 Net Margin Allocation (R) • Legislative update provided by Pacific Policy Group (O) • Summer Preparedness outlook (O) / Power Procurement Projects update (placeholder) (O) 	<ul style="list-style-type: none"> • Action • Information • Discussion/Action • Information • Information
June 26, 2025	Advisory Committee / Strategic Plan Workshop (Davis)	<ul style="list-style-type: none"> • Power Portfolio Update (O) • Summer Preparedness outlook (O) / Power Procurement Projects update (placeholder) (O) • Strategic Plan Workshop: Focus: Customers & Community and Decarbonization and Grid Innovation 	<ul style="list-style-type: none"> • Information • Information • Information/Discussion

*No meeting unless an urgent matter needs to be addressed

July 10, 2025	Board Woodland	<ul style="list-style-type: none"> Customer Participation Update (2nd Quarter 2025) (O) 	<ul style="list-style-type: none"> Information
July 24, 2025	Advisory Committee (Woodland)	<ul style="list-style-type: none"> Review preliminary draft Strategic Plan Major Update and Survey Plan (O) 	<ul style="list-style-type: none"> Information/Discussion/Action
August 14, 2025	Board (Davis)	<ul style="list-style-type: none"> Tentatively NO MEETING* 	
August 28, 2025	Advisory Committee (Davis)	<ul style="list-style-type: none"> Customer Participation Update (2nd Quarter 2025) (O) Outreach and Marketing Plan update (O) (placeholder) Review preliminary Strategic Plan Survey Results and Strategic Plan Recommendation (O) (placeholder) 	<ul style="list-style-type: none"> Information Information Information/Discussion/Action
September 11, 2025	Board (Woodland)	<ul style="list-style-type: none"> Certification of 2024 Power Content Label (Annual) (placeholder) (R) Outreach and Marketing Plan update (O) (placeholder) Strategic Plan Major Update Workshop and Survey Results (O) 	<ul style="list-style-type: none"> Action Information Information/Discussion/Action
September 25, 2025	Advisory Committee (Woodland)	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
October 9, 2025	Board (Davis)	<ul style="list-style-type: none"> Enterprise Risk Management Update (Annual) (R) Customer Participation Update (3rd Quarter 2025) (O) Progress Update on Programs Plan and 2026 program concepts (O) Legislative End of Session Update (O) Adoption of Strategic Plan Major Update (O) 	<ul style="list-style-type: none"> Discussion/Action Information Information Discussion/Action Information Discussion/Action
October 23, 2025	Advisory Committee (Davis)	<ul style="list-style-type: none"> 2024 Power Content Label Outreach (placeholder) (O) Customer Participation Update (3rd Quarter 2025) (O) Legislative End of Session Update (O) GHG Free Attributes (R) Integrated Resource Plan (R) 	<ul style="list-style-type: none"> Information Information Information Discussion/Action Discussion/Action
November 13, 2025	Board (Woodland)	<ul style="list-style-type: none"> 2026 Preliminary Operating Budget (R) GHG Free Attributes (R) Integrated Resource Plan (R) Contract Renewals (R) Adoption of Strategic Plan Major Update (placeholder) (O) 	<ul style="list-style-type: none"> Information/Discussion Discussion/Action Discussion/Action Discussion/Action Discussion/Action

*No meeting unless an urgent matter needs to be addressed

November 27, 2025 November 20, 2025 (rescheduled to November 20 due to Thanksgiving holiday on Nov. 27 th)	Advisory Committee (Woodland)	<ul style="list-style-type: none"> Review CAC Draft 2025 Task Group Year-end Reports (R) Draft 2026 Legislative & Regulatory Platform (R) 	<ul style="list-style-type: none"> Discussion/Action Discussion/Action
December 11, 2025	Board (Davis)	<ul style="list-style-type: none"> Approve 2026 Operating Budget (Annual) and 2026 Customer Rates (R) Receive VCE Grant/Program Annual Report (R) 2026 Legislative & Regulatory Platform (R) Contract Renewals (R) 	<ul style="list-style-type: none"> Discussion/Action Information Discussion/Action Discussion/Action
December 25, 2025 December 18, 2025 (rescheduled to December 18 due to Christmas holiday on Dec. 25 th)	Advisory Committee (Davis)	<ul style="list-style-type: none"> Approve 2025 Task Group Year-end Reports (R) Power Portfolio Update (R) Election of Officers for 2026 (Annual) (R) 	<ul style="list-style-type: none"> Discussion/Action Information Nominations
January 8, 2026	Board (Woodland)	<ul style="list-style-type: none"> Oaths of Office for Board Members (Annual - new Members only) (R) Election of Officers for 2026 (Annual) (R) Customer Participation Update (4th Quarter 2025) (O) 2025 Year in review: Customer Care & Marketing (R) Receive 2025 Task Group Year-end Reports (R) 	<ul style="list-style-type: none"> Action Nominations Information Information Information
January 22, 2026	Advisory Committee (Woodland)	<ul style="list-style-type: none"> Rates/Budget 2026 Update (O) Customer Participation Update (4th Quarter 2025) (O) 2026 CAC Task Group(s) formation (Annual) (R) 	<ul style="list-style-type: none"> Information Information Discuss/Action

PLEASE NOTE: April 28-30, 2025: CalCCA Annual Conference in Irvine, California

CAC PROPOSED FUTURE TOPICS Topics and Discussion dates may change as needed	<u>ESTIMATED</u> MEETING DATE(S)

*No meeting unless an urgent matter needs to be addressed