



**Special Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, October 10, 2019 at 3:00 p.m.
City of Woodland Council Chambers
300 1st Street, Woodland, CA 95695**

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

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

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

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

3:00 p.m. Call to Order

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

CLOSED SESSION

- 4. Conference with Legal Counsel – Existing Litigation (3 p.m. – 4 p.m. These are time estimates only.)**
(Paragraph (1) of subdivision (d) of Section 54956.9)
Name of Case: In re PG&E Corporation, Debtor; Chapter 11; US Bankruptcy Court, Northern District of California San Francisco Division, Case No. 19-30088(DM) and Case No. 19-30089(DM)

CONSENT AGENDA

5. **Approval of September 6, 2019 Special Meeting – Closed Session and September 12, 2019 regular Board Meeting Minutes.**
6. **Receive 2019 Long Range Calendar.**
7. **Receive Financial Updates – August 31, 2019 (unaudited) financial statements.**
8. **Receive October 2, 2019 Regulatory Update provided by Keyes & Fox.**
9. **Receive Legislative Update.**
10. **Receive October 3, 2019 Customer Enrollment Update and Monthly Call Center Report as of September 22, 2019.**
11. **Receive Community Advisory Committee’s September 26, 2019 Meeting Summary.**
12. **Acceptance of City of Winters Membership in Valley Clean Energy and approve new membership provisions for the City of Winters.**

REGULAR AGENDA

13. **Receive and approve audited financial statements for the period of July 1, 2018 to June 30, 2019 presented by James Marta & Company.**
14. **Approval of River City Bank renewal terms for the existing Revolving Line of Credit and debt restructuring proposal.**
15. **Update on Legacy Net Energy Metering (NEM) customer enrollment in 2020 and approval of amendments to the Valley Clean Energy NEM policy to simplify new member enrollment and participation.**
16. **Status update and potential next steps on the potential acquisition of PG&E’s local electricity distribution system.**
17. **Board Member and Staff Announcements:** Action items and reports from member of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

The next VCEA Board meeting is scheduled for Thursday, November 14, 2019 at 5:30 p.m. at the City of Woodland Council Chambers, 2nd Floor, 300 1st Street, Woodland, CA 95695.

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

TO: Valley Clean Energy Alliance Board of Directors
FROM: Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT: Approval of Minutes from September 6, 2019 and September 12, 2019 Board Meetings
DATE: October 10, 2019

RECOMMENDATION

Receive, review and approve the attached Minutes from the September 6, 2019 Special – Closed Session meeting and September 12, 2019 regular Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS SPECIAL MEETING
FRIDAY, SEPTEMBER 6, 2019**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their special meeting for Friday, September 6, 2019 at 8:30 a.m. at the City of Davis Community Chambers, front conference room, located at 23 Russell Boulevard, Davis, California 95616. Chairperson Tom Stallard established that there was a quorum present and began the meeting at 8:32 a.m.

Board Members Present: Tom Stallard, Lucas Frerichs, Don Saylor, Dan Carson

Members Absent: Gary Sandy, Angel Barajas

Approval of Agenda Director Frerichs made a motion to approve the September 6, 2019 Special Board meeting (closed session) Agenda, seconded by Director Carson. Motion passed unanimously with Directors Sandy and Barajas absent.

Public Comment Chairperson Stallard opened the floor for public comment. There being none, he adjourned the meeting into closed session.

CLOSED SESSION: Conference with Legal Counsel – Anticipated Litigation The Board returned from closed session. Chairperson Stallard reported that the Board had no reportable action out of closed session.

Adjournment Chairperson Stallard adjourned the meeting to the next regular meeting scheduled for Thursday, September 12, 2019 at 5:30 p.m. at the City of Woodland Council Chambers, located at 300 1st Street, Woodland.

Meeting was adjourned at 10:01a.m.

Alisa M. Lembke
VCEA Board Secretary



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING
THURSDAY, SEPTEMBER 12, 2019**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their meeting scheduled for Thursday, September 12, 2019 at 5:30 p.m. at the City of Woodland Council Chambers located at 300 1st Street, Woodland, California 95695. Chairperson Tom Stallard established that there was a quorum present and began the meeting at 5:34 p.m.

Board Members Present: Tom Stallard (*), Gary Sandy, Don Saylor, Dan Carson and Lucas Frerichs

Members Absent: Angel Barajas

Public Comment Chairperson Stallard opened the floor for public comment. There being no public comments, he moved into Closed Session.

CLOSED SESSION: The Board adjourned their meeting to go into Closed Session at 5:36 p.m. The Board returned to their regular Agenda at 6:14 p.m. Chairperson Stallard reported that the Board had no reportable action out of closed session. Chairperson Stallard then moved on to the Consent Agenda.

Conference with Legal Counsel – Anticipated Litigation

Approval of Consent Agenda / Resolution 2019-011 and Resolution 2019-012 Chairperson Stallard moved item 18 on the regular agenda to follow items 19 and 20.

Director Saylor made a motion to approve the Consent Agenda, Items 5 through 15, seconded by Director Frerichs. Motion passed unanimously with Angel Barajas absent. The following consent items were approved:

5. Draft July 11, 2019 Regular Board Meeting Minutes.
6. Receipt of 2019 Long Range Calendar.
7. Receipt of Financial Updates – June 30, 2019 (unaudited) and July 31, 2019 (unaudited) financial statements.
8. Receipt of September 6, 2019 Regulatory Update provided by Keyes & Fox.
9. Receipt of Legislative Update.
10. Receipt of August 29, 2019 Customer Enrollment Update and Monthly Call Center Report as of August 18, 2019.
11. Receipt of Community Advisory Committee’s July 25, 2019 and August 22, 2019 Meeting Summaries.
12. Receipt of Amendment #13 to Task Orders 2, 3 and 4 of the Sacramento Municipal Utility District Professional Services Agreement updating the billable rates for Fiscal Year 2019/2020;
13. Receipt of the Valley Clean Energy Triennial Data Privacy Audit report – 2018;



14. Accepted and attested the accuracy of Valley Clean Energy’s 2018 Power Content Label for the Ultra Green product for 2018 based on staff’s review.
15. First Amendment to the Valley Clean Energy Alliance JPA to create associate membership status (**Resolution 2019-011**) and inviting Cities of Winters and West Sacramento as associate members (**Resolution 2019-012**).

Residential Time of Use (RTOU) Rates and First Year Bill Protection

Interim General Manager Mitch Sears introduced Jim Parks, Director of Marketing and Customer Outreach. Mr. Parks provided a brief review of PG&E’s proposed RTOU rates program, then introduced Ms. Jenna Olsen of PG&E, who was available to answer questions. He thanked Ms. Olsen and Jessica Chancellor of PG&E for all of their assistance on this subject. Mr. Parks reviewed numerous slides. Several Directors asked questions, which were answered by VCE Staff and Ms. Olsen. Director Sandy acknowledged the Community Advisory Committee’s (CAC) recommendations to adopt PG&E’s RTOU rates program and first year bill protection, including acknowledging that VCE can change the rates at any time.

Director Carson made a motion to:

1. adopt PG&E’s residential time of use (RTOU) rates.
2. adopt first year bill protection for new RTOU customers.

Motion seconded by Director Sandy. Motion passed by the following vote:

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

River City Bank Credit Agreement and Debt Restructure Analysis (Informational)

Mr. Sears introduced Lisa Limcaco, Director of Finance and Internal Operations. Ms. Limcaco reviewed several slides. Several questions were asked by Board Members and answered by Ms. Limcaco. Various comments were made, such as: potential future VCE rate changes, debt to agencies (Davis, Yolo and Woodland), sharing the benefits with customers via a dividend, credit rating as a CCA, building the programming of VCE to distinguish from the IOUs, and stressing outreach to customers. Mr. Sears informed those present that he consulted with Eric May, VCE’s co-legal counsel, as the Interim General Manager, he has the authority to decide to pay off the Agency loans; therefore, he will be moving forward to do so. Chairperson Stallard asked if there was public comment on this item. There being no public comment, he moved on to the next item.

Approval of Delegation for Procuring 2021 Price Hedging Energy / Resolution 2019-013

VCE Staff Gary Lawson reviewed several slides. A few questions were asked by the Directors and answered by Mr. Lawson.

Director Frerichs made a motion to approve a resolution titled “a Resolution of the Valley Clean Energy Alliance delegating procurement authority to VCEA Staff and SMUD for energy procurement of forecast hedging energy needs for



2021 and authorize Interim General Manager to approve procurement strategy for hit procurement”, seconded by Director Carson. Motion passed by the following vote:

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

Long Term
Renewable
Solicitation update
(Informational)

VCE Staff Gary Lawson reviewed several slides. He informed those present that letters of intent have been executed with two (2) developers for a combined 222 MW of solar capacity. Purchase Power Agreement (PPA) negotiation has started and is ongoing with developers. A Board Member asked about future local development solicitations. Mr. Lawson suggested that a solicitation be prepared and advertised after the first quarter of 2020; thereafter, see how the results would work into the plan.

Receive status
update on Potential
Acquisition of
Local Electricity
Distribution
System
(Informational)

Mr. Sears provided a brief overview on the potential acquisition of PG&E’s local electricity distribution system. Mr. Sears outlined the steps that are being taken which are in line with Board’s direction to staff. Mr. Sears reviewed three (3) major phases.

*Chairperson Stallard left the meeting at 7:15 p.m.

Mr. Sears addressed a Board Member question about the expertise of the consultants being used. He reviewed with those present the credentials of the consultants. A Board Member had made the comment that the cities of Winters and West Sacramento are being invited to join VCE. The existing Board has experience and knowledge that should be shared with the new Board Members as they are added.

Board Member and
Staff
Announcements

Mr. Sears informed those present that he, Board Member Gary Sandy (Yolo County Supervisor), and Mr. Parks made a presentation to Winters City Council at their meeting a few weeks ago. Mr. Sears is scheduled to return to the Winters City Council on Tuesday, October 1st. The plan is to start serving Winters customers in January 2021. Mr. Parks is working on community outreach efforts with an event for VCE to attend the Winters Carnitas Festival on Saturday, September 28th.

Vice Chair Sandy reminded those present that an e-mail was sent out to the Board and Community Advisory Committee looking for volunteers to assist Staff at several upcoming outreach events. If interested, please send an e-mail to VCE Secretary Alisa Lembke.



Adjournment

Chairperson Stallard adjourned the meeting at 7:26 p.m. to the next meeting scheduled for Thursday, October 10, 2019 at 5:30 p.m. at the City of Davis Community Chambers, located at 23 Russell Blvd., Davis, California.

Meeting was adjourned at 7:26 p.m.

Alisa M. Lembke
VCEA Board Secretary

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

Staff Report - Item 6

TO: VCEA Board
FROM: Alisa Lembke, Board Clerk/Administrative Analyst
SUBJECT: Board and Community Advisory Committee Long-Range 2019 Calendar
DATE: October 10, 2019

Recommendation

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

VALLEY CLEAN ENERGY

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

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

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

July 25, 2019	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Residential Time of Use Rate Classes Local Resource and Program Development Information related to 2020 Integrated Resource Plan Update Rates and Services Task Group List of Priority Tasks 	<ul style="list-style-type: none"> Discussion Information/Discussion Discussion Information/Discussion
August 8, 2019 Cancelled due to a lack of quorum	Board DAVIS		
August 22, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> Residential Time of Use Rate Classes – Finalize Report and Recommendation Local Resource Development Revised Procurement Guide – Review 	<ul style="list-style-type: none"> Action: Finalize Discussion Discussion
September 12, 2019	Board WOODLAND	<ul style="list-style-type: none"> Residential Time of Use Rate Classes Report Discussion on River City Bank Revolving Line of Credit Revision to JPA to add Associate Member verbiage 	<ul style="list-style-type: none"> Information/Discussion Discussion Action
September 26, 2019	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Committee Evaluation of Calendar Year End Reschedule November/December CAC meetings Local Renewable Solicitation Update of VCE IRP Process Regulatory/Legislative Close of Session Recap 	<ul style="list-style-type: none"> Discussion Discussion Action Discussion Informational
October 10, 2019 Special Meeting – 3 p.m.	Board DAVIS	<ul style="list-style-type: none"> Approval of FY18/19 Audited Financial Statements (James Marta & Co.) River City Bank Revolving Line of Credit City of Winters Request to Join VCE JPA Net Energy Metering 	<ul style="list-style-type: none"> Action Discussion/Action Action Discussion/Action
October 24, 2019	Advisory Committee DAVIS	<ul style="list-style-type: none"> Committee Evaluation of Calendar Year End (Draft Report) Revised Procurement Guide- Review Draft Recommendation Update on Integrated Resource Plan Process 	<ul style="list-style-type: none"> Discussion Discussion Informational
November 14, 2019	Board WOODLAND	<ul style="list-style-type: none"> Update on Integrated Resource Plan Process City of Winters membership Approval of revised Implementation Plan 	<ul style="list-style-type: none"> Informational Informational Action

November 28, 2019 Thanksgiving Holiday – need to reschedule	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Finalize Recommendation to Board • Revised Procurement Guide – Review Draft Recommendation 	<ul style="list-style-type: none"> • Discussion • Action: Recommendation to Board • Action
December 12, 2019	Board DAVIS	<ul style="list-style-type: none"> • Election of Officers for 2020 • 	<ul style="list-style-type: none"> • Nominations
December 26, 2019 Need to reschedule	Advisory Committee DAVIS	<ul style="list-style-type: none"> • Election of Officers for 2020 • Finalization of Committee Calendar Year End Report 	<ul style="list-style-type: none"> • Nominations • Approve Report
January 9, 2020	Board WOODLAND	<ul style="list-style-type: none"> • Receive CAC Calendar Year End Report • Approve Revised Procurement Guide 	<ul style="list-style-type: none"> • Receive Report • Action
January 23, 2020	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Review and Discuss Task Groups 	<ul style="list-style-type: none"> • Discuss/Action

Integrated Resource Plan Schedule:

February 2020: Draft IRP ready / CAC and Public Review

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

April 2020: VCE Board adoption of IRP

May 1, 2020: Filing of IRP due to CPUC

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, outgoing Finance and Operations Director, VCEA
George Vaughn, incoming Finance and Operations Director, VCEA
Mitch Sears, Interim General Manager, VCEA

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

DATE: October 10, 2019

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of August 1, 2019 to August 31, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2019.

BACKGROUND & DISCUSSION:

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

The Financial Statements include the following reports:

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

In addition, staff is reporting the Actual vs. Budget variances year to date ending August 31, 2019.

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

In the Statement of Net Position, VCEA as of August 31, 2019 has a total of \$9,103,363 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$735,457 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2019 \$358,030 and \$958,639 respectively for a grand total of \$1,316,669. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of \$1,522,433 over

a 24-month period. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in June 2019 and repayment of the deferred amount of \$556,188 over a 12-month period. The outstanding line of credit balance with River City Bank at August 31, 2019 totaled \$1,976,610. At August 31, 2019, VCE's net position is \$9,702,177.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$7,086,863 of revenue (net of allowance for doubtful accounts) of which \$7,174,555 was billed in August and (\$2,039) represent estimated unbilled revenue. The cost of the electricity for the August revenue totaled \$5,388,621. For August, VCEA's gross margin is approximately 23.96% and operating income totaled \$1,304,578. The year-to-date change in net position was \$2,373,344.

In the Statement of Cash Flows, VCEA cash flows from operations was \$798,777 due to August cash receipts of revenues exceeding the monthly operating expenses.

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

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

Electric Revenue - (\$1,064,945) and (7%) - actual electric revenues are down from budget due to the July and August budget included the increase in PG&E rates effective July 1, 2019, however due to a billing issue the the rate changes for July will be included in the September billings.

SMUD Operating Services - (\$69,793) and (88%) – variance is mainly due to SMUD not having billed for the IRP update and NEM roll-in analysis included in the budget.

Attachments:

- 1) Financial Statements (Unaudited) August 1, 2019 to August 31, 2019 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending August 31, 2019



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2019

PREPARED ON SEPTEMBER 26, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AUGUST 31, 2019
(UNAUDITED)

	AUGUST 31, 2019
ASSETS	
Cash and cash equivalents	\$ 9,103,363
Accounts receivable, net of allowance	6,784,349
Accrued revenue	3,958,961
Prepaid expenses	13,247
Inventory - Renewable Energy Credits	318,039
Other current assets and deposits	2,540
Total current assets	20,180,499
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	735,457
Total restricted assets	1,835,457
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	100,000
TOTAL ASSETS	\$ 22,115,956
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 591,810
Accrued payroll	3,298
Interest payable	110,750
Due to member agencies	358,030
Accrued cost of electricity	6,112,901
Other accrued liabilities	1,186,461
Security deposits - energy supplies	515,640
User taxes and energy surcharges	58,279
Line of credit	1,976,610
Total current liabilities	10,913,779
Noncurrent liabilities	
Loans from member agencies	1,500,000
Total noncurrent liabilities	1,500,000
TOTAL LIABILITIES	\$ 12,413,779
NET POSITION	
Restricted	
Local Programs Reserve	\$ 97,022
Unrestricted	
Total net position	9,605,155
TOTAL NET POSITION	\$ 9,702,177

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

	FOR THE PERIOD ENDING AUGUST 31, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 7,086,863	\$ 13,565,803
TOTAL OPERATING REVENUES	<u>7,086,863</u>	<u>13,565,803</u>
OPERATING EXPENSES		
Cost of electricity	5,388,621	10,414,584
Contract services	275,272	534,860
Staff compensation	86,450	171,429
General, administration, and other	31,942	64,205
TOTAL OPERATING EXPENSES	<u>5,782,285</u>	<u>11,185,078</u>
TOTAL OPERATING INCOME (LOSS)	1,304,578	2,380,725
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,357	9,581
Interest and related expenses	(8,334)	(16,962)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>23</u>	<u>(7,381)</u>
CHANGE IN NET POSITION	1,304,601	2,373,344
Net position at beginning of period	8,397,576	7,328,833
Net position at end of period	<u>\$ 9,702,177</u>	<u>\$ 9,702,177</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING AUGUST 31, 2019</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,015,431	\$ 12,114,310
Receipts for security deposits with energy suppliers	515,640	515,640
Payments to purchase electricity	(4,924,876)	(9,623,210)
Payments for contract services, general, and administration	(720,574)	(557,098)
Payments for staff compensation	(86,844)	(171,920)
Net cash provided (used) by operating activities	<u>798,777</u>	<u>2,277,722</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interest and related expenses	(9,282)	(18,524)
Net cash provided (used) by non-capital financing activities	<u>(9,282)</u>	<u>(18,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	8,357	9,581
Net cash provided (used) by investing activities	<u>8,357</u>	<u>9,581</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	797,852	2,268,779
Cash and cash equivalents at beginning of period	10,140,968	8,670,041
Cash and cash equivalents at end of period	<u>\$ 10,938,820</u>	<u>\$ 10,938,820</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 9,103,363	\$ 9,103,363
Restricted assets	1,835,457	1,835,457
Cash and cash equivalents at end of period	<u>\$ 10,938,820</u>	<u>\$ 10,938,820</u>

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

	<u>FOR THE PERIOD ENDING AUGUST 31, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,304,578	\$ 2,380,725
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(1,048,178)	(1,789,076)
(Increase) decrease in accrued revenue	(2,045)	336,752
(Increase) decrease in prepaid expenses	9,496	(13,247)
(Increase) decrease in inventory - renewable energy credits	(211,959)	(110,871)
Increase (decrease) in accounts payable	(54,204)	5,690
Increase (decrease) in accrued payroll	(394)	(491)
Increase (decrease) in due to member agencies	(26,190)	(52,279)
Increase (decrease) in accrued cost of electricity	675,704	902,245
Increase (decrease) in other accrued liabilities	(342,462)	101,803
Increase (decrease) security deposits with energy suppliers	515,640	515,640
Increase (decrease) in user taxes and energy surcharges	(21,209)	831
Net cash provided (used) by operating activities	\$ 798,777	\$ 2,277,722

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 8-31-2019
FOR THE YEAR TO DATE ENDING June 30, 2020

Description	8/31/2019	8/31/2019	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 13,565,802	\$ 14,630,747	\$ (1,064,945)	-7%
Interest Revenues	9,581	13,886	(4,305)	-31%
Purchased Power	10,414,583	10,192,805	221,778	2%
Labor & Benefits	171,429	196,486	(25,057)	-13%
Salaries & Wages/Benefits	58,675	101,469	(42,794)	-42%
Contract Labor	107,928	92,917	15,011	16%
Human Resources & Payroll	4,826	2,100	2,726	130%
Office Supplies & Other Expenses	20,536	21,315	(779)	-4%
Technology Costs	1,969	1,544	425	28%
Office Supplies	167	204	(37)	-18%
Travel	240	800	(560)	-70%
CalCCA Dues	18,160	18,167	(7)	0%
Memberships	-	600	(600)	-100%
Contractual Services	534,860	553,399	(18,539)	-3%
Don Dame	9,724	3,000	6,724	224%
SMUD - Credit Support	133,708	137,963	(4,255)	-3%
SMUD - Wholesale Energy Services	94,012	94,024	(12)	0%
SMUD - Call Center	110,969	111,024	(55)	0%
SMUD - Operating Services	9,207	79,000	(69,793)	-88%
Legal	30,985	28,000	2,985	11%
Regulatory Counsel	47,593	30,880	16,713	54%
Joint Regulatory	5,170	5,000	170	3%
Legislative	5,000	10,000	(5,000)	-50%
Accounting Services	-	4,000	(4,000)	-100%
Audit Fees	30,250	13,500	16,750	124%
Marketing Collateral	58,242	37,008	21,234	57%
Rents & Leases	2,883	2,884	(1)	0%
Hunt Boyer Mansion	2,883	2,884	(1)	0%
Other A&G	39,629	51,285	(11,656)	-23%
PG&E Data Fees	38,695	38,858	(163)	0%
Community Engagement Activities & Sponsorships	-	1,000	(1,000)	-100%
Insurance	934	1,226	(293)	-24%
New Member Expenses	-	10,000	(10,000)	-100%
Banking Fees	-	200	(200)	-100%
Miscellaneous Operating Expenses	1,155	1,022	133	13%
Contingency	-	41,320	(41,320)	-100%
TOTAL OPERATING EXPENSES	\$ 11,185,076	\$ 11,060,515	\$ 124,560	1%
Interest Expense - Munis	-	9,201	(9,201)	-100%
Interest on RCB loan	13,872	14,527	(655)	-5%
Interest Expense - SMUD	3,090	3,301	(210)	-6%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 2,373,344	\$ 3,557,089	\$ (1,183,745)	-33%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: October 10, 2019

Please find attached Keyes & Fox's September 2019 Regulatory Memorandum dated October 2, 2019, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated October 2, 2019

Valley Clean Energy Alliance

Regulatory Monitoring Report

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

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

Subject: Regulatory Update

Date: October 2, 2019

Summary

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

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

- **PCIA Rulemaking:** The ALJ issued a Ruling denying a motion for evidentiary hearings on billing determinants (issue 11) and issued a PD in Phase 2 of this proceeding that would refine the method, data, and process requirements for the forecast and true up of the Market Price Benchmarks to be used in determining the PCIA. Parties filed comments and reply comments on the PD.
- **Resource Adequacy Rulemaking:** The CPUC issued a PD that would clarify RA import rules, on which parties subsequently filed comments and reply comments. PG&E filed a Petition for Modification of D.19-02-022 seeking alternate compliance procedures associated with the disaggregation of the "PG&E Other" local RA area into six separate local RA zones. The Commission denied a PFM filed by the Alliance for Retail Energy Markets regarding the PG&E Other disaggregation.
- **Integrated Resource Planning Rulemaking:** The ALJ issued a PD that would impose a new, near-term additional 2500 MW procurement requirement on LSEs in SCE's territory and new, standing data requests on all LSEs
. The CPUC issued a Ruling requesting comments on a Staff Proposal modifying and clarifying LSE IRP filing requirements for the 2020 IRP cycle.
- **Investigation into PG&E Violations Related to Wildfires:** The ALJ issued a Ruling directing parties to file briefs and reply briefs in response to a series of specific questions and a separate ruling granting various deadline extensions in the docket..
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The ALJ issued a PD that would approve a non-bypassable charge to fund the Wildfire Fund. The Bankruptcy Court granted PG&E’s request to participate in the Wildfire Fund. SCE and SDG&E provided their required initial contributions to the Wildfire Fund.

- **2018 Rate Design Window:** The ALJ granted an extension of time to submit opening and reply briefs, and parties filed opening briefs.
- **Renewables Portfolio Standard Rulemaking:** The CPUC approved D.19-09-043 adopting modeling requirements for Effective Load Carrying Capability values, to be used for the RPS bid ranking and selection. The CPUC issued D.19-09-007 on 2018 RPS Procurement Plans filed by six new CCAs, not including VCE.
- **Utility Wildfire Mitigation Plans Rulemaking:** The CPUC held a 3-day workshop on evaluation metrics, developing a common WMP template, data and datasets for future analytical efforts, the process for future WMP filings, and utility outreach to customers in different languages. Batjer issued a Scoping Ruling for Phase 2 of the CPUC's consideration of utility WMPs.
- **Investigation into PG&E's Organization, Culture and Governance:** No updates this month.
- **PG&E's 2020 ERRR Forecast:** Parties filed testimony and evidentiary hearings were held.
- **PG&E's Phase 1 GRC:** Evidentiary hearings began on September 23, 2019.
- **PG&E's 2018 ERRR Compliance:** No updates this month.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month.
- **Other Regulatory Developments:**
 - **Investigation of PG&E Bankruptcy Plan:** The CPUC adopted an [Order Instituting Investigation \(L.19-09-016\)](#) to consider the ratemaking and other implications of PG&E's proposed plan to resolve its pending Chapter 11 bankruptcy proceeding.
 - **Direct Access Rulemaking (SB 237):** The CPUC issued a [Ruling](#) kicking off Phase 2 of its implementation of expansion of direct access under SB 237.
 - **Microgrid Rulemaking (SB 1339):** The CPUC issued an Order Instituting Rulemaking establishing a proceeding to implement the requirements of SB 1339 of 2018, which requires the CPUC to take a number of actions to facilitate the commercialization of microgrids for distribution customers of the large IOUs.
 - **Joint ESP Letter Requesting Data Warehouse:** Several ESPs complained about numerous, duplicative and burdensome reporting requirements for LSEs and recommended establishment of a joint CPUC-CEC data warehouse for information such as LSE RA capacity and contract data to streamline and simplify the reporting burden on LSEs.
- **New: Glossary of Acronyms**

PCIA Rulemaking

On September 3, 2019, the ALJ issued a Ruling denying a motion for evidentiary hearings on billing determinants (issue 11) by Protect Our Communities. On September 6, 2019, the ALJ issued a PD in Phase 2 of this proceeding that would refine the method, data, and process requirements for the forecast and true up of the Market Price Benchmarks to be used in determining the PCIA. Parties filed comments and reply comments, respectively, on the PD on September 26, 2019 and October 1, 2019.

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

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

- **Details:** The PD would impact the PCIA VCE's customers will pay next year (2020), which would be implemented in this year's November Update. With respect to valuing RPS and RA products, the PD adopts the value of forecasted retained and sold and actual retained and sold RPS and RA products, as recommended by CalCCA and PG&E through the Working Group 1 process. However, it would also adopt PG&E's approach to the quantity of both forecasted and actual unsold RA. The quantity of actual unsold RPS would be anything not sold or used for compliance. The value of both forecasted and actual unsold RA and RPS would be valued at \$0. In addition, the PD would establish the process and principles for how the Market Price Benchmark will be calculated, to be implemented as early as the 2022 year. Finally, it would adopt the Working Group 1 data collection templates, allow staff to ask LSEs quarterly for the data via the templates or supplement data requests, and give staff flexibility to modify the templates if needed.

Working Group 3 filed its Second Progress Report.

- **Analysis:** PG&E's implementation of the PCIA trigger mechanism via AL 5624-E would mean that some customer classes could pay an increase that is slightly more than 0.5 cent per kWh and some customer classes could pay slightly less than the 0.5 cent per kWh increase. Phase 2 of this proceeding will further affect the PCIA paid by VCE's customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.
- **Next Steps:** The PD will be heard, at the earliest, at the CPUC's October 10, 2019, Business Meeting. A separate PD is anticipated to be issued later in Fall 2019 on other Working Group 1 issues. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed. If the PD is approved, changes will be implemented in this year's November Update in PG&E's ERRRA Forecast proceeding.
- **Additional Information:** [Proposed Decision](#) (September 6, 2019); [Ruling](#) denying Protect Our Communities' request for evidentiary hearing (September 3, 2019); [AL 5624-E](#) establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019). [Working Group One Report](#) on Brown Power, RPS and RA True-Up (May 31, 2019); [Phase 2 Scoping Memo and Ruling](#) (February 1, 2019); [D.18-10-019](#) Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. [R.17-06-026](#).

RA Rulemaking

On September 6, 2019, the CPUC issued a PD that would clarify RA import rules ("RA Import PD"), on which parties filed comments and reply comments, respectively, on September 26, 2019, and October 1, 2019. On September 11, 2019, PG&E filed a Petition for Modification ("PG&E PFM") of D.19-02-022 seeking changes to RA compliance requirements associated with the disaggregation of the "PG&E Other" local RA area, comprising Fresno, Humboldt, Kern, North Coast/North Bay, Sierra, and Stockton, into six separate local RA zones, and parties filed comments on September 19, 2019. On September 26, the Commission approved D.19-09-044, denying a PFM filed by the Alliance for Retail Energy Markets (AReM) regarding the PG&E Other disaggregation. On September 30, parties filed opening comments on the Track 2 settlement agreement. On October 1, 2019, the Commission issued D.19-09-054, which extends the statutory deadline for the proceeding to March 28, 2020.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed.

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

In Track 3, D.19-06-026 adopted CAISO's recommended 2020-2022 Local Capacity Requirements and CAISO's 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a "Binding Load Forecast" process such that an LSE's initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE's implementation to new customers. **Details:** The RA Import PD follows a July 2019 Ruling requesting party comments on the use of imports to meet RA requirements, which expressed concern about the reliance on unspecified RA imports (i.e., not tied to a specific unit) and the possibility that some of those imports will not provide firm energy delivery. The PD clarifies several aspects of the existing import rules referring to "firm" energy and transmission.

- With respect to firm energy, the RA Import PD would find that RA contracts must provide for firm energy delivery during the availability assessment hour window of 4 - 9 p.m., and firm energy does not include energy that is only available when called on in the CAISO's day-ahead or residual unit commitment processes. It also would find that any imports should be reflected in the maximum cumulative capacity (MCC) buckets, which function as limits on certain types of resources according to system needs.
- With respect to the issue of firm transmission, the RA Import PD would find that prior decisions adequately address the issue, restating that firm transmission capacity refers to a resource that cannot be curtailed for economic reasons, or have its access to transmission bumped by a higher priority claim to the same transmission capability.
- In order to implement the new firm energy import requirements, the RA Import PD would direct LSEs to file documentation with their annual and monthly RA compliance filings for review by the Energy Division. The Energy Division would also review whether the resources ultimately delivered energy to the CAISO.

In the PG&E PFM, PG&E argues that the establishment of the separate RA zones for the PG&E Other Zone, which was adopted in D.19-02-022, is likely to create considerable RA compliance issues for affected LSEs. In doing so, it notes that the CPUC's recent RA Market Report showed significant LSE deficiencies for the 2019 RA compliance year for the PG&E Other Zone, indicating

a lack of depth in the local RA market that will only be exacerbated further by splitting the zone into six separate zones. PG&E attributes the shallow market to research findings indicating that a substantial portion of local capacity is owned or under contract by municipal utilities that are not subject to the disaggregated requirements or owned and under contract by entities that do not service load in PG&E's territory. In either case, the resources may not be available for LSEs that do have locally disaggregated RA compliance obligations, despite their good faith efforts to acquire adequate capacity. PG&E therefore requests that D.19-02-022 be modified to establish an alternative compliance option to an after-the-fact penalty waiver. PG&E's proposed alternative compliance option has several requirements:

- A demonstration that an LSE solicited bids for capacity in good faith on reasonable terms.
- A demonstration that despite commercially reasonable efforts, the solicitation: (a) produced no bids, (b) produced no bids below an amount of \$51/kW-year, or \$73/kW-year for bundled capacity and energy products, or (c) received bids below these thresholds but the bids were accompanied by unreasonable terms and conditions.
- An LSE that meets the above requirements would also have to show that it procured sufficient capacity to meet its collective requirement for the PG&E Other zone (i.e., the sum across the six zones resulting from disaggregation).

The August 27 PD denying AREM's PFM, which was supported by Cal-CCA, in which it requested that the CPUC modify a determination the CPUC made to disaggregate one local area (the "PG&E Other" area) into six separate local areas (D.19-02-022), was approved as [D.19-09-044](#) on September 26. The Findings of Fact in the Decision stated that the issues raised by AREM were already considered prior to D. 19-02-022. AREM contended that the disaggregation creates complexities and potential harm to LSEs with RA contracts executed prior to the effective date of the decision because those purchases may not match the new disaggregated local requirements and some RA contracts do not specify individual facilities (i.e., an LSE may not even know in which new local area a contract may qualify). The PFM therefore requested a series of modifications to ensure that existing contracts can be fully utilized for RA compliance for the duration of the contract term. The Decision clarifies that D.19-02-022 does require LSEs to meet the local RA requirement for the now-disaggregated PG&E Other area beginning in the 2020 RA compliance year. In denying the PFM, the Decision asserts that the CPUC was aware of the existing multi-year local RA contracts raised in AREM's petition and considered the potential effect of its decision on existing contracts.

- **Analysis:** This proceeding affects VCE's Local RA compliance obligations beginning in 2020, for the first time requiring procurement over a three-year period instead of an annual period. The settlement agreement, if approved by the CPUC, would resolve central buyer issues other than the identity of the central buyer. Moving to a central procurement entity as proposed in the settlement agreement would impact VCE's RA procurement and compliance, including eliminating the need for monthly RA showings and associated penalties and/or waiver requests from individual LSEs. VCE could choose to procure its share of RA or allow that to be done by the central buyer and pay for its share of such procurement. The disaggregation of the PG&E Other Zone is likely to complicate VCE's RA procurement efforts, so if the PG&E PFM is approved by the CPUC, it could provide alternative compliance options to VCE and additional flexibility
- **Next Steps:** The RA Import PD may be adopted, at earliest, at the CPUC's October 10, 2019, meeting. Reply comments on the Settlement Agreement are due October 14, 2019. A final decision regarding the central buyer is anticipated for Q4 2019.
- **Additional Information:** [D.19-09-044](#) denying AREM PFM (September 26, 2019); [D.19-09-054](#) extending statutory deadline (September 26, 2019); [PG&E PFM](#) regarding PG&E Other disaggregation (September 11, 2019); [RA Import PD](#) (September 6, 2019); [Ruling](#) issuing RA State of the Market (September 3, 2019); [Joint Motion](#) to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); [D.19-06-026](#) adopting local and flexible capacity requirements (July 5, 2019); Docket No. [R.17-09-020](#).

Integrated Resource Planning (IRP) Rulemaking

On September 12, 2019, the ALJ issued a PD that would impose a new, additional 2500 MW procurement requirement on LSEs in SCE's territory and new, standing data requests on all LSEs. On September 20, 2019, the CPUC issued a Ruling requesting comments on a Staff Proposal modifying and clarifying LSE IRP filing requirements for the 2020 IRP cycle.

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

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

A June 2019 Ruling kicked off the procurement track and prioritized procurement by resource type/attribute, as follows: (1) near to medium-term integration and reliability (high priority, defined later as needed in 2019-2024); (2) renewables (medium priority); and (3) long-term reliability (low priority).

- **Details:** The PD implements aspects of the June 2019 Ruling. It does not set an incremental system RA procurement requirement for VCE, as it would only apply to LSEs serving load in the SCE transmission area, but it would establish a new, standing data request that would apply to all LSEs.
 - The reliability procurement authorized by the PD, if adopted, has two tranches. For the first tranche, the PD *recommends* that the state Water Resources Control Board (Water Board) extend the retirement deadline for at least 2,500 MW, and up to 3,750 MW, of once-through cooling (OTC) units slated to retire by December 31, 2020, by up to three years. For the second tranche, the PD requires an incremental procurement of 2,500 MW of system level RA by LSEs serving load in the SCE transmission zone beyond the baseline included in the PSP for 2022. This procurement is to take place on an all-source basis for both existing and new resources, though with a requirement that at least 60% of resources be on-line by August 1, 2021, 80% by August 1, 2022, and 100% by August 1, 2023. SCE must present its proposed contracts in a Tier 3 advice letter and all LSEs must collectively provide a progress report by February 15, 2020.
 - The PD would also impose a new, standing data request requirement on all LSEs on May 1 and October 1 of every year beginning in 2020 detailing contract and resource information, so that the Commission can conduct reliability analyses.

The Ruling requests comments on a Staff Proposal which proposes a timeline for the development of the 2020 filing requirements, including the associated templates and standard inputs to the process. The major milestones include informal posting of IRP templates in October 2019, the issuance of a PD adopting Reference System Plan (RSP) in December 2019, IEPR load forecast adoption in January 2020, the 2019 RSP and filing requirements Decision and a Ruling adopting LSE GHG benchmarks and load assignments in February 2020, and LSE IRP filings on May 1, 2020. The Staff Proposal would also require all LSEs to file only conforming portfolios that reflect 2019 RSP inputs and assumptions and assigned GHG benchmarks. Furthermore, it would require all LSEs to use the assigned IEPR load forecast, including load modifiers, except that LSEs with load shapes significantly different than the CAISO system shape may propose different load shapes as long as the assigned energy volumes are unchanged. Finally, it would add new filing requirements per D.19-04-040, including on hydro generation risk management, resource shuffling, and Diablo Canyon replacement.

- **Analysis:** The procurement track of this proceeding could potentially diminish VCE's authority and control over its resource procurement decisions, although the scope of centralized procurement is

now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action.

In addition to this procurement track, this proceeding is focused on addressing other issues that relevant to VCE's 2020 IRP filing. CalCCA members are divided regarding whether the new 2,500 MW procurement requirement under the PD should apply to all LSEs statewide or solely LSEs in SCE's service territory. The new standing data requests that would be required by the PD will be data-heavy and similar to the data request VCE responded to on August 16, 2019 in this docket. VCE will be required to disclose additional contractual and development status of its resource choices in its 2020 IRP filing, as well a section describing its plans to address the retirement of the Diablo Canyon Generation Plant and the characteristics of its energy output, including flexible baseload and/or firm low-emission energy.

- **Next Steps:** Comments on the PD are due October 2, replies are due October 7, and the PD may be adopted, at earliest, at the CPUC's October 24 meeting. Comments and reply comments, respectively, on the Ruling are due October 14, 2019, and October 25, 2019.
- **Additional Information:** [Ruling](#) requesting comments on Staff Proposal (September 20, 2019); [Proposed Decision](#) requiring procurement for SCE-located LSEs (September 12, 2019); [Ruling](#) (June 20, 2019); [D.19-04-040](#) on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. [R.16-02-007](#).

Investigation into PG&E Violations Related to Wildfires

On September 6, 2019, the ALJ issued a Ruling ("September 6 Ruling") directing parties to file briefs and reply briefs in response to a series of specific questions. On September 26, 2019, the ALJ granted the CPUC Safety Enforcement Division's request for an extension of time to respond to the scoping memo and ruling via an e-mail ruling.

- **Background:** The CPUC opened this formal investigation to determine whether PG&E violated any laws, rules, or other applicable requirements pertaining to the maintenance and operation of electric facilities involved in igniting fires in its service territory in 2017. The CPUC's Safety and Enforcement Division (SED) issued a Fire Report on June 13, 2019 that found deficiencies in PG&E's vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E's electrical facilities ignited all but one of the 15 fires addressed in this investigation. This investigation addresses 15 of the 17 fire incidents from the October 2017 Fire Siege investigated by SED and will determine whether PG&E's practices have been unsafe and in violation of the law. This investigation orders PG&E to take immediate corrective actions to come into compliance with CPUC requirements. The scope of the proceeding will include violations of law by PG&E with respect to the 2017 wildfires, and possibly also the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires.
- **Details:** The September 6 Ruling specified specific issues for parties to address in their briefs. For example, parties must provide briefs on interpretations of General Order (GO) Rules 31.1, 35 and 38 on electrical system design, vegetation management and clearances of wires from other wires, respectively. Additionally, parties are required to provide briefs on whether the proposed schedule allows for adequate due process to fully consider the Lobo, McCourtney, and 2018 Camp Fires. The September 26 Ruling extends various deadlines in this proceeding.
- **Analysis:** This investigation could result in sanctions against PG&E and require additional corrective actions to mitigate future wildfire risk, potentially impacting the quality of service experienced by VCE customers and costs paid by VCE and other distribution customers. Monetary penalties would ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can emerge from bankruptcy within the time frame provided in AB 1054 (i.e. June 30, 2020).

- **Next Steps:** Intervenor responses to the joint party status report are due October 3, 2019. A status conference will be held October 4, 2019. If permitted by Cal FIRE, SED will provide additional information regarding the Lobo Fire, McCourtney Fire, and Camp Fire at the status conference. Opening and reply briefs, respectively, are now due October 14, 2019, and October 28, 2019. SED's response to PG&E's Attachment B report is now due October 30, 2019. . There will be no hearings.
- **Additional Information:** [Ruling](#) directing briefs (September 6, 2019); [Scoping Memo and Ruling](#) (August 23, 2019); [Order Instituting Investigation](#) (June 27, 2019); Docket No. [1.19-06-015](#).

Wildfire Fund Non-Bypassable Charge (AB 1054)

On August 26, 2019, the Bankruptcy Court granted PG&E's request to participate in the Wildfire Fund. On September 11, 2019, SCE and SDG&E, respectively, notified the CPUC that they had provided their required initial contributions to the Wildfire Fund in the amounts of \$2.3625 billion and \$322.5 million. On September 24, 2019, the ALJ issued a PD that would approve the imposition of a non-bypassable charge to fund the Wildfire Fund.

- **Background:** This rulemaking implements AB 1054 and will consider extending a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding is limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would otherwise expire by the end of 2021. The proceeding examined whether it is reasonable to impose the Wildfire Fund non-bypassable charge on PG&E customers if PG&E is deemed ineligible to participate in the Wildfire Fund.
- **Details:** Whereas SCE and SDG&E made their initial contributions to the Wildfire Fund, Liberty CalPeco and Bear Valley Electric Service notified parties and the CPUC of their intent not to participate in the Wildfire Fund. PG&E's initial contribution to the Wildfire Fund is not due until it exits the insolvency proceeding.

The PD would approve the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund, and will expire at the end of 2035. The PD also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs would total \$902.4 million, allocated at \$404.6 million for PG&E, \$408.2 million for SCE, and \$89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The revenue requirement for a given year will not be updated for over- or under-collections from prior periods through the initial duration of the authorization through 2035.

The Wildfire Fund NBC will be collected on a \$/kWh basis, with the revenue requirement allocated based on each class's share of energy sales. Residential CARE and medical baseline customers are exempt. Large IOU continuous direct access customers and all customers exempt from paying the DWR Bond Charge are exempt. Net metering customers will pay the charge based on net usage over a year, while NEM Successor Tariff customers will pay the charge based on net usage within a metered interval (i.e., one hour for residential customers and 15 minutes for non-residential customers). The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets (i.e., full repayment achieved), which may take place as early as the second half of 2020. For the 2020 charge, the DWR is requested to propose a charge in July 2020 (or earlier) for party comment and a proposed decision. The process for updating the charge for future years will be considered in future decisions. The PD also adopts a rate agreement between DWR and the CPUC.

- **Analysis:** This proceeding is likely to establish a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E's territory will be subject to the charge will be determined only after its

Bankruptcy proceeding is complete. The PD would leave the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.

- **Next Steps:** Oral Argument is scheduled for October 10, 2019. Comments on the PD are due October 14, 2019, replies are due October 21, 2019, and the PD will be heard, at its earliest, at the CPUC's October 24, 2019, Business Meeting.
- **Additional Information:** [Proposed Decision](#) approving non-bypassable charges (September 23, 2019); [Scoping Memo and Ruling](#) (August 14, 2019); [Order Instituting Rulemaking](#) (August 2, 2019); Docket No. [R.19-07-017](#). See also [AB 1054](#).

2018 Rate Design Window

On September 6, 2019, the ALJ granted an extension of time to submit opening and reply briefs. Parties filed concurrent opening briefs on September 23, 2019.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I](#) Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 [Phase IIA](#) Decision addressed PG&E's restructuring of the CARE discounts into a single line item percentage discount to the customer's total bill. The July 2019 [Phase IIB](#) Decision made determinations regarding PG&E's rate design under its default TOU roll out beginning in October 2020 and established a process for a CCA wishing to have its customers defaulted to TOU generation rates. The proceeding is now focused on [Phase III](#), which considers the IOUs' proposals for fixed charges and/or minimum bills.
- **Details:** N/A.
- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates. CCAs are not obligated to default their customers to TOU generation rates, but regardless of whether a CCA offers TOU generation rates, CCA customers will be subject to default TOU distribution rates.
- **Next Steps:** Phase III reply briefs are due October 14, 2019, with a Proposed Decision expected in Q1 2020. PG&E's Phase 2 rate case is anticipated to be filed on November 22, 2019.
- **Additional Information:** [D.19-07-004](#) in Phase IIB (July 19, 2019); PG&E Phase III [Revised Testimony](#) on fixed charges (April 12, 2019, and March 29, 2019); [D.18-12-004](#) on Phase IIA Issues (December 21, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

RPS Rulemaking

Comments and reply comments, respectively, on the ELCC PD were filed September 12, 2019, and September 17, 2019. On September 18, 2019, the CPUC issued D.19-09-007 on 2018 RPS Procurement Plans filed by six new CCAs, not including VCE. On September 26, 2019, the CPUC approved D.19-09-043, adopting modeling requirements for the ELCC.

- **Background:** This proceeding addresses ongoing or remaining RPS issues not addressed in the previous RPS rulemaking proceeding. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019.

- **Details:** D.19-09-007 addresses the RPS Procurement Plans filed by new CCAs that have all been approved to begin operation but are not expected to serve load until 2020. The decision accepts the 2018 plans (filed in April and May 2019) as final but identifies a series of deficiencies in the plans and directs the CCAs to update their draft 2019 plans to address these deficiencies.

The ELCC Decision (D.19-09-043) requires IOUs to use the Strategic Energy Risk Valuation Model (SERVM) to determine marginal ELCC values and conduct an annual loss of load expectation (LOLE) study, which calculates the expected number of days annually for which the available generation capacity is insufficient to serve the demand at least once per day. For the 2020 procurement cycle, IOUs will model the resource portfolio from the 2017-2018 IRP's Preferred System Plan with a study year of 2022, 2026, and 2030. The Decision directs the IOUs to conduct a joint ELCC study utilizing the adopted modeling requirements for use in RPS procurement in 2020 and to continue to update the joint ELCC study annually. PG&E, SCE and SDG&E must jointly file their ELCC study results with their final 2019 RPS Procurement Plans, and the IOUs must update the modeling annually in their RPS Procurement Plans or file a Tier 2 Advice Letter by April 30 of each year.

- **Analysis:** D.19-09-007, as well as recent D.19-08-007 on RPS enforcement actions for two ESPs, reinforce the CPUC's increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance. D.19-09-043 impacts utilities' valuation of various renewable and renewable-paired storage resources for their RPS procurements and directs IOUs to analyze 4-hour duration batteries in ELCC studies.

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

- **Next Steps:** According to the updated scoping ruling, a PD and decision on 2019 RPS Procurement Plans is anticipated for Q4 2019.
- **Additional Information:** [D.19-09-043](#) on ELCC modeling (September 26, 2019); [D.19-09-007](#) on new CCAs' 2018 RPS Procurement Plans (September 18, 2019); [D.19-08-007](#) on RPS enforcement actions (August 7, 2019); [D.19-06-023](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [PG&E Final, Conforming 2018 RPS Procurement Plan](#) (March 15, 2019); [D.19-02-007](#) (February 28, 2019); [Scoping Ruling](#) (November 9, 2018); Docket No. [R.18-07-003](#).

Utility Wildfire Mitigation Plans Rulemaking

On September 17-19, 2019, the CPUC held a 3-day workshop on evaluation metrics, developing a common WMP template, data and datasets for future analytical efforts, the process for future WMP filings, and utility outreach to customers in different languages. On September 18, 2019, Commissioner Batjer issued a Scoping Ruling for Phase 2 of the CPUC's consideration of utility WMPs.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018). PG&E's Wildfire Mitigation Plan, approved with modifications in June 2019 (D.19-05-037), provided an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The CPUC's separate 2019 Guidance Decision (D.19-05-036), addressing issues that are common to all of the Wildfire Mitigation Plans, ordered all IOUs to collect data and file reports on this year's Wildfire Mitigation Plans, initiated a process to establish metrics to evaluate the Wildfire Mitigation Plans, and established a process for 2020 Wildfire Mitigation Plans.
- **Details:** The Scoping Ruling establishes a scope for Phase 2 of this proceeding, as follows:

- Development of metrics for evaluating the effectiveness of WMP mitigation work at reducing catastrophic wildfire risk, including data collection and reporting.
- The process, selection, and tasks for an independent evaluator.
- 2019 WMP implementation and progress, including information on delays, challenges, and problems.
- Developing enforcement mechanisms.
- Whether and how to expand utility outreach to customers to additional languages beyond those specified in the Phase 1 decision.
- PG&E's second amended WMP, which was submitted too late for consideration in Phase 1. For reference, the June 2019 Ruling stated that PG&E's second amended WMP presented two key questions: (a) impacts of proposed delays in many deadlines specified in the initial plan, and (b) whether PG&E's proposals to use "objective" factors rather than subjective judgment in determining trees to remove could result in the utility ignoring the opinions of certified arborists or result in the unnecessary removal of healthy trees.
- Consideration of statutory changes made by 2019 AB 1054 and AB 111 to the WMP process.
- **Analysis:** PG&E's Wildfire Mitigation Plan established its management approach to preventing wildfires in the future and included provisions impacting the quality of service experienced by VCE customers (e.g., PG&E's procedures for de-energizing electrical lines) and costs paid by VCE customers (e.g., PG&E's expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers). While wildfire plans can influence the approach and investments made by utilities like PG&E to mitigate the risk of catastrophic wildfires, cost recovery issues are generally outside the scope and will be separately addressed through utility GRCs.
- **Next Steps:** The Scoping Ruling anticipates a Ruling on October 9, 2019, seeking comments on workshop topics, with comments and motions for evidentiary hearings due October 30, 2019, and replies to comments and responses to hearing motions due November 13, 2019. If a hearing is ordered, testimony is due December 3, 2019, and the hearing starts December 9, 2019.
- **Additional Information:** [Scoping Ruling on Phase 2](#) (September 18, 2019); [AL 5555-E](#) establishing Wildfire Plan Memorandum Account (August 8, 2019); [Ruling](#) launching Phase 2 of proceeding (June 14, 2019); [D.19-05-037](#) PG&E-specific decision on 2019 Wildfire Mitigation Plan (June 4, 2019); [D.19-05-036](#) Guidance Decision on 2019 Wildfire Mitigation Plans (June 3, 2019); [PG&E Second Amendment to Wildfire Mitigation Plan](#) (April 25, 2019); [PG&E Wildfire Mitigation Plan](#) (February 6, 2019); [Order Instituting Rulemaking](#) (October 25, 2018); Docket No. [R.18-10-007](#).

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

No updates this month.

- **Background:** On December 21, 2019, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E's organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

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

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

PG&E's 2020 ERRA Forecast

On September 10, 2019, parties filed testimony. Evidentiary hearings were held September 30, 2019, through October 2, 2019.

- **Background:** ERRA forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates.

In its July Supplement, PG&E said it would reflect its proposed application of the PCIA rate cap or a CPUC approved PCIA rate cap in the PCIA rates presented as part of PG&E's November Update. PG&E's July Supplement showed an increase in several of its forecasted costs compared to initial filing, as follows:

- Increasing the 2020 ERRA revenue requirement from \$2.908 billion to \$3.184 billion.
 - Increasing the PCIA from \$2.549 billion to \$2.996 billion.
 - Increasing the Competition Transition Charge (CTC) from \$62.2 million to \$81.5 million.
 - Increasing the Cost Allocation Mechanism from \$147.4 million to \$147.8 million.
 - Maintaining the Tree Mortality Non-Bypassable Charge at \$92.6 million.
 - Maintaining the utility-owned generation revenue requirement forecast at \$2.368 billion.
- **Details:** N/A.
 - **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. The PCIA revenue requirement detailed above is now shared between bundled and unbundled customers. PG&E's requested increase in the PCIA revenue requirement for unbundled customers only for this year is approximately \$650 million, an increase of over two-thirds of the final revenue requirement for unbundled customers from last year.
 - **Next Steps:** Opening and reply briefs, respectively, are due October 21, 2019, and October 31, 2019. In November 2019, PG&E will update its 2020 ERRA Forecast revenue requirements, forecasted end of year balancing account balances, and electric sales forecast, after which parties will have 10 days to file comments. A proposed decision is anticipated by December 2, 2019, with comments and reply comments, respectively, due 10 and 15 days thereafter, followed by a final decision on December 19, 2019.
 - **Additional Information:** [Scoping Memo and Ruling](#) (August 22, 2019); [Application](#) (June 3, 2019); [Testimony](#) available on PG&E's regulatory webpage (June 3, 2019); Docket No. [A.19-06-001](#).

PG&E Phase I GRC

Evidentiary hearings began on September 23, 2019.

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

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

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

- Details:** N/A.
- Analysis:** PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE's rates relative to PG&E's.
- Next Steps:** A proposed GRC Phase 1 decision is targeted for Q1 2020. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase 2 proceeding, which PG&E plans to file by November 22, 2019.
- Additional Information:** [Ruling](#) setting public participation hearings (May 7, 2019); [Scoping Memo and Ruling](#) (March 8, 2019); [Joint CCAs' Protest](#) (January 17, 2019); [Application](#) and [PG&E GRC Website](#) (December 13, 2018); Docket No. [A.18-12-009](#).

PG&E's 2018 ERRA Compliance

No updates this month. In August 2019, the evidentiary hearing was canceled and PG&E, Public Advocates Office, and the Joint CCAs (EBCE, PCE, and SVCE) gave notice of a settlement conference, held on August 29, 2019.

- **Background:** ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRA balancing account. In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources, as well as that it managed its utility-owned generation (UOG) facilities reasonably. PG&E also requested recovery of \$4.7 million for Diablo Canyon seismic study costs.
- **Details:** N/A.
- **Analysis:** This proceeding will address whether PG&E correctly calculated and accounted for the actual costs it incurred in 2018 and whether it managed its portfolio of contracts and UOG in a reasonable manner.
- **Next Steps:** Parties have reached a settlement in this proceeding. A Proposed Decision was scheduled for Q1 2020 but may come sooner.
- **Additional Information:** [Scoping Memo and Ruling](#) (June 3, 2019); [Notice of Prehearing Conference](#) (April 17, 2019); [Response](#) of EBCE and PCE (April 5, 2019); [Resolution](#) categorizing proceeding as ratesetting (March 14, 2019); [PG&E Application](#) (February 28, 2019); Docket No. [A.19-02-018](#).

Wildfire Cost Recovery Methodology Rulemaking

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

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

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

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

- **Details:** N/A.

- **Analysis:** This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.
- **Next Steps:** The only matter remaining to be resolved in this proceeding is PG&E's application for rehearing. This proceeding is otherwise closed.
- **Additional Information:** [PG&E Application for Rehearing](#) (August 7, 2019) [D.19-06-027](#) (adopted June 27, 2019); [Assigned Commissioner's Ruling](#) releasing Staff Proposal (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); Docket No. [R.19-01-006](#). See also [SB 901](#), enacted September 21, 2018.

Other Regulatory Developments

- **Investigation of PG&E Bankruptcy Plan:** On September 26, 2019, the CPUC adopted an [Order Instituting Investigation](#) ([I.19-09-016](#)) to consider the ratemaking and other implications of PG&E's proposed plan to resolve its pending Chapter 11 bankruptcy proceeding. The case will address regulatory review and approval of the plan, in particular the questions surrounding whether the plan meets the requirements AB 1054 imposes for PG&E to participate in the newly established Wildfire Fund, which is encumbered by a June 30, 2020, deadline.
- **Direct Access Rulemaking (SB 237):** On September 20, 2019, the CPUC issued a [Ruling](#) kicking off Phase 2 of its implementation of expansion of direct access under SB 237, which addresses the SB 237 requirement that the CPUC develop recommendations on re-opening direct access fully to all interested non-residential customers. The recommendations will be based on an Energy Division study. Parties, including CalCCA, filed comments on the Ruling on September 30, 2019, with reply comments due October 7, 2019.
- **Microgrid Rulemaking (SB 1339):** On September 19, 2019 the CPUC issued an Order Instituting Rulemaking (OIR) establishing a proceeding to implement the requirements of 2018 SB 1339, which requires the CPUC, in consultation with the CAISO and CEC, to take a number of actions to facilitate the commercialization of microgrids for distribution customers of the large IOUs. The proceeding may include all microgrid policy framework issues, though a number of more specific areas for action are expressly described. Comments on the OIR are due October 21, 2019, and replies are due November 5, 2019. A prehearing is expected to take place in Q4 2019, followed by a Scoping Ruling in Q1 2020, party comments and proposals in Q3 2020, and ultimately a PD in Q4 2020.
- **Joint ESP Letter to Commission:** On September 27, 2019, several LSEs (the Regents of the University of California; Just Energy Solutions Inc.; Shell Energy North America (US), L.P.; Pilot Power Group, Inc.; Tiger Natural Gas, Inc.; and 3 Phases Renewables) sent a letter to new CPUC President Batjer regarding several "new, burdensome and duplicative" reporting obligations on LSEs the Commission has imposed in the past few years. The letter states that the CPUC and CEC now require more than forty (40) reports by LSEs in addition to responding to an increasing number of data requests. The letter suggests the establishment of a joint CPUC-CEC data warehouse for data (e.g. RA capacity, procurement contract data) to avoid the burdensome and duplicative requests.

Glossary of Acronyms

ALJ	Administrative Law Judge
CAISO	California Independent System Operator
CARB	California Air Resources Board
CEC	California Energy Commission
CPUC	California Public Utilities Commission
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
IEPR	Integrated Energy Policy Report
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
LSE	Load-Serving Entity
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
RA	Resource Adequacy
RDW	Rate Design Window
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
WMP	Wildfire Mitigation Plan

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: October 10, 2019

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

Please find attached PPG’s status bill report on the end of the 2019 Legislative Session.

Attachment: Pacific Policy Group: End of 2019 Legislative Session Bill Report

Valley Clean Energy End of 2019 Legislative Session Bill Report

Prepared by Pacific Policy Group

Priority Legislation

AB 56 (Garcia, Eduardo D) Electricity: procurement by the California Alternative Energy and Advanced Transportation Financing Authority.

Status: Held in Senate Energy, Utilities and Communications Committee and is considered a 2-year bill.

Position: Oppose – VCE submitted oppose letter

Summary: Would require the Public Utilities Commission to empower the California Alternative Energy and Advanced Transportation Financing Authority to undertake backstop procurement of electricity that would otherwise be performed by an electrical corporation to meet the state resource adequacy, integrated resource planning, and renewable portfolio standard goals not satisfied by retail sellers or load-serving entities. The bill would authorize the authority to undertake backstop procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. The bill would require the commission to periodically review the need for, and the benefits of, continuing to empower the authority to undertake backstop procurement responsibilities.

Position: Oppose

Notes: VCE, working with CalCCA, engaged in the stakeholder process on AB 56 in an attempt to have the bill amended to focus on residual Resource Adequacy. After AB 56 passed the Assembly, it was clear that the amendments VCE and CalCCA sought would not be incorporated into the bill and VCE submitted an oppose position letter on June 6, 2019. VCE lobbied against the bill as it was being considered in the Senate Energy, Utilities and Communications Committee, efforts that proved successful as the bill was held in committee.

AB 1054 (Holden D) Public utilities: wildfires and employee protection.

Status: Signed by Governor Newsom on July 12, 2019.

Position: None

Summary: Would establish the California Wildfire Safety Advisory Board consisting of 7 members appointed by the Governor, Speaker of the Assembly, and Senate Committee on Rules, as provided, who would serve 4-year staggered terms. The bill would require the board, among other actions, to advise and make recommendations related to wildfire safety to the Wildfire Safety Division or, on and after July 1, 2021, the Office of Energy Infrastructure Safety, as established pursuant to AB 111 or SB 111 of the 2019–20 Regular Session.

Notes: AB 1054 was the main energy bill of 2019 as it created the Wildfire Fund, which creates a pathway for Investor Owned Utilities to pay into and then access funds to pay

for wildfire damages. The bill also contains language that changes the definition of “change of control” of an IOU from to include municipalization efforts, which now must undergo a detailed analysis and approval by the PUC that adds additional barriers to municipalization efforts. VCE met with the Governor’s Office seeking a remedy to this new language as it will likely hinder VCE’s ability to municipalize.

AB 1362 (O'Donnell D) Electricity: load-serving entities: rate and program information.

Status: Signed by Governor Newsom on October 2, 2019.

Position: Neutral

Summary: Would require the Public Utilities commission to post, in a consolidated location on its internet website, residential electric rate tariffs and programs of electrical corporations, electric service providers, and community choice aggregators to enable customers and local governments to compare rates, services, environmental attributes, and other offerings. The bill would require this information to also be available and easily accessible on those electricity providers' internet websites. The bill would require each of those electricity providers to make available to the commission all information about its residential electric rate tariffs and programs.

Notes: VCE, through CalCCA, opposed the original language of AB 1362 as it sought to mandate CCA’s to comply with the code of conduct which applies to utilities who have shareholders that can assume costs for lobbying and marketing. The bill also sought to require the PUC to shall ensure that local government entities have full access to accurate information on the short- and long-term costs, benefits, and risks associated with implementation of a community choice aggregation program, including through communications with an IOU. Lobbying by VCE, CalCCA and other individual CCAs as the bill was being considered by the Assembly Utilities & Energy Committee convinced the committee to remove these problematic requirements. Once this language was amended out of the bill, CalCCA and VCE went neutral on the bill.

AB 1584 (Quirk D) Electricity: cost allocation.

Status: Signed by Governor Newsom on October 2, 2019.

Position: Neutral

Summary: Would require the Public Utilities Commission to develop and use methodologies for allocating electrical system integration resource procurement needs to each load-serving entity based on the contribution of that entity's load and resource portfolio to the electrical system conditions that created the need for the procurement. The bill would require the commission to develop and use methodologies for determining any costs resulting from a failure of a load-serving entity to satisfy its allocation of those procurement needs.

Notes: VCE, through CalCCA, opposed the original language of AB 1584 as it sought to impose new costs on LSEs for the integration of resources. CCAs worked with the author and with the Assembly Utilities & Energy Committee to amend the bill to clarify that the bill does not require procurement of a specific resource and other clarifying language that removed CCA opposition.

SB 155 (Bradford D) California Renewables Portfolio Standard Program: integrated resource plans.

Status: Signed by Governor Newsom on October 2, 2019.

Position: Neutral – VCE had submitted an oppose letter

Summary: Current law requires the Public Utilities Commission to direct each retail seller to prepare and submit an annual report to the commission that includes specified information on the retail seller’s compliance with requirements related to eligible renewable energy resource procurement. This bill would require the commission to review each annual compliance report filed by a retail seller, to notify a retail seller if the commission has determined, based upon its review, that the retail seller may be at risk of not satisfying the renewable procurement requirements for the then-current or future compliance period, and to provide recommendations in that circumstance regarding satisfying those requirements.

Notes: VCE submitted an oppose position letter on June 6, 2019, as did CalCCA and many other individual CCAs as the bill created confusion about the authority of the PUC to enforce procurement obligations of a CCA under an Integrated Resource Plan.

Amendments made on August 12 addressed VCE's concerns, and, accordingly, VCE submitted a letter on August 28 to remove VCE's opposition.

SB 350 (Hertzberg D) Electricity: resource adequacy: multiyear centralized resource adequacy mechanism.

Status: Held in Assembly Utilities & Energy Committee at the request of the author and is considered a 2-year bill.

Position: None

Summary: Would authorize the Public Utilities Commission to consider a multiyear centralized resource adequacy mechanism, among other options, to most efficiently and equitably meet specified resource adequacy objectives.

Notes: Senator Hertzberg was working with Assemblymember E. Garcia on how to create a central entity to procure RA. Neither VCE nor CalCCA opposed SB 350 as AB 56 was the main bill attempting to create this new policy. When AB 56 (Garcia) was held in Senate Energy, Utilities, and Conveyance Committee, Senator Hertzberg made SB 350 a 2-year bill.

SB 520 (Hertzberg D) Electrical service: provider of last resort.

Status: Signed by Governor Newsom on October 2, 2019.

Position: CalCCA Oppose

Summary: The Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Under current law, a public utility has a duty to serve, including furnishing and maintaining adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons and the public. This bill would provide that the electrical corporation is the provider of last resort, as defined, in its service territory unless provided otherwise in a service territory boundary agreement approved by the commission pursuant to existing law or unless the commission

designates a load-serving entity, as defined, other than the electrical corporation to serve as the provider of last resort for all or a portion of that service territory pursuant to a joint application of the electrical corporation and the load-serving entity.

Notes: VCE, through CalCCA, remains opposed to SB 350 as the bill creates a situation in which only the IOUs will be Provider of Last Resort (POLR). VCE lobbied against the manner in which the bill proposes to allocate POLR costs and also the requirement that should a CCA want to be POLR that the CCA would have to first get the approval of the IOU who is currently POLR for the CCAs service territory and then jointly the CCA and IOU would apply to the PUC for the CCA to be designated as POLR. These arguments however did not convince legislators, even CCA friendly legislators, to vote against SB 350.

SB 550 (Hill D) Public utilities: merger, acquisition, or control of electrical or gas corporations.

Status: Signed by Governor Newsom on October 2, 2019.

Position: Neutral

Summary: Existing law prohibits a public utility, other than certain common carriers, from selling, leasing, assigning, mortgaging, or otherwise disposing of, or encumbering its assets that are necessary or useful in the performance of its duties to the public by any means with any other public utility, unless the public utility has secured an order from the commission to do so for a qualified transaction above \$5,000,000 or an approval from the commission through the filing of an advice letter for a qualified transaction at or below \$5,000,000. This bill would eliminate the requirement that the above-described transactions be with another public utility to be subject to those conditions on approval.

Notes: This bill is amending PUC Section 854, the same section that AB 1054 amended to require municipalization efforts to be reviewed by the PUC. VCE and other jurisdictions looking to municipalize met with Senator Hill to discuss the impacts of the “change of control” language in AB 1054 and see if a solution could be found. SB 550 was amended to have municipalization efforts once again to be reviewed by the PUC as had been done previously (PU Code Section 851), but with the addition to review that the transaction is fair and reasonable to affected public utility employees.

Monitored Legislation

AB 235 (Mayes R) Electrical corporations: wildfire victim recovery bonds.

Status: This bill never received a hearing and is considered a 2-year bill.

Position: Monitor

Summary: Would, under specific circumstances, authorize the Public Utilities Commission, upon application by an electrical corporation, to issue financing orders to support the issuance of wildfire victim recovery bonds by an electrical corporation or other financing entity to finance wildfire recovery costs, as provided. The bill would authorize the California Infrastructure and Economic Development Bank to act as a financing entity for these purposes, for wildfire victim recovery bonds totaling not more than \$20,000,000,000 at any one time. This bill contains other related provisions.

Notes: AB 235 is PG&E's legislative attempt to securitize its wildfire liabilities through the issuance of tax-exempt Wildfire Victim Recovery Bonds. AB 235 was one of the most talked about bills at the end of session despite never being scheduled for a committee hearing. The bill was put into print on September 6 so that it could be discussed and worked on during the fall interim and it is anticipated that PG&E will try to move the legislation during the 2020 session.

AB 1144 (Friedman D) Self-generation incentive program: community energy storage systems: high fire threat districts.

Status: Signed by Governor Newsom on October 2, 2019.

Position: Monitor

Summary: Current law requires the Public Utilities Commission to require the administration, until January 1, 2026, of a self-generation incentive program to increase the development of distributed generation resources and energy storage technologies. Current law authorizes the commission, in administering the program, to adjust the amount of rebates and evaluate other public policy interests, including, but not limited to, ratepayers, energy efficiency, peak load reduction, load management, and environmental interests. This bill would require the commission, in administering the self-generation incentive program, to allocate at least 10% of the annual collection for the program in the 2020 calendar year for the installation of energy storage and other distributed energy resources for customers that operate critical facilities or critical infrastructure serving communities in high fire threat districts to support resiliency during a deenergization event.

Notes: AB 1144 is one of several bills related to public safety power shutoffs (PSPS) and microgrids. This bill will provide a portion of Self-Generation Incentive Program (SGIP) funds for storage projects at critical facilities such as hospitals or fire stations in high fire threat districts to provide resiliency during a PSPS event. Responding to PSPS events and building resiliency to PSPS and disaster events that interrupt power supply will be an ongoing topic in the Legislature.

SB 560 (McGuire D) Wildfire mitigation plans: deenergizing of electrical lines: notifications: mobile telephony service providers.

Status: Signed by Governor Newsom on October 2, 2019.

Position: Monitor

Summary: Would require that the procedures for notifying a customer who may be impacted by the deenergizing of electrical lines by a local publicly owned electric utility, an electrical cooperative, or an electrical corporation direct notification to all public safety offices, critical first responders, health care facilities, and operators of telecommunications infrastructure with premises within the footprint of potential deenergization for a given event. The bill would require each electrical corporation to also include protocols for the deenergization of the electrical corporation's transmission infrastructure in the wildfire mitigation plan, for instances when the deenergization may impact customers who, and entities that, are dependent upon the infrastructure.

Notes: SB 560 was completely amended once the bill was in the Assembly to address the notification of customers of an IOU or Publicly Owned Utility (POU) PSPS event. The

bill expands the customers who are to be notified to include all public safety offices, critical first responders, health care facilities, and operators of telecommunications infrastructure.

SB 774 (Stern D) Electricity: microgrids.

Status: This bill stalled in the Assembly Utilities & Energy Committee and is considered a 2-year bill.

Position: Monitor

Summary: Would require each electrical corporation to collaborate with the Office of Emergency Services, and local governments and other interested parties in its service territory, to identify locations where sources of back-up electricity may provide increased electrical distribution grid resiliency. The bill would authorize electrical corporations to file applications with the commission to invest in, and deploy, microgrids to increase that resiliency, and would prohibit the PUC from approving microgrid applications that use a cost-recovery mechanism that recovers costs from all of an electrical corporation's ratepayers unless certain requirements are met.

Notes: SB 774 attempted to further policies that increase the market viability for microgrid deployment. The bill in print was known to not be a viable solution and Senator Stern held many stakeholder meetings, including with CCAs, to find a workable policy but one could not ultimately be reached. Microgrids and other distributed energy resource policies to provide solutions to PSPS events were negotiated until the final week of the legislative session but a final policy proposal never came to fruition. Microgrids and other PSPS solutions will continue to be worked on in the 2020 legislative session.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

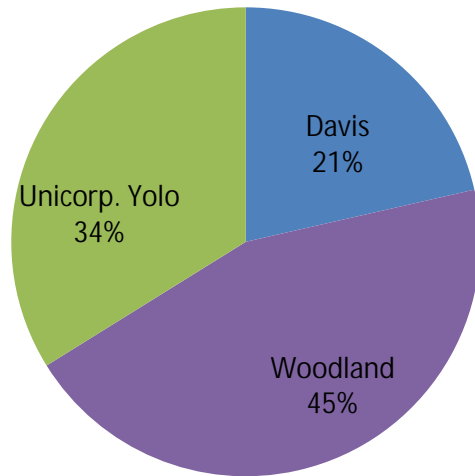
TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Customer Enrollment Update and Call Center Report (Information)
DATE: October 10, 2019

RECOMMENDATION

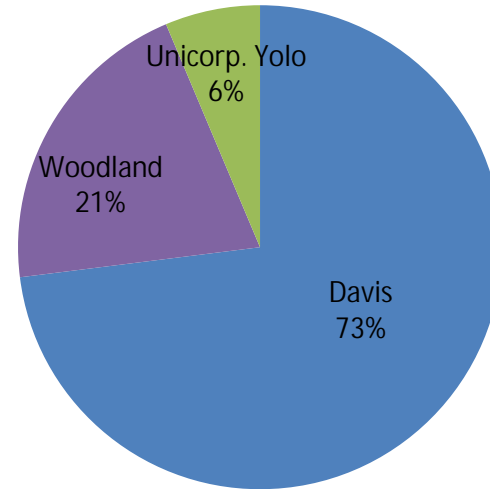
Receive and review the attached Customer Enrollment update as of October 3, 2019 and the monthly Call Center report as of September 22, 2019.

Enrollment Update

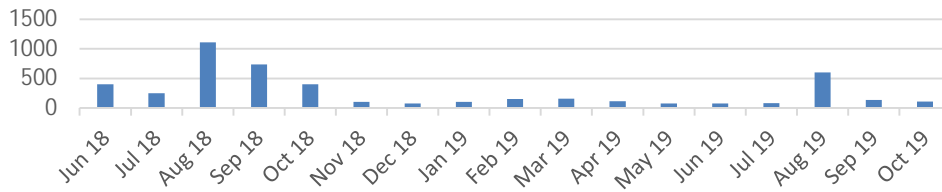
5,782 Opt Outs
8.9% of customers



126 Opt Ups



Monthly Opt Outs



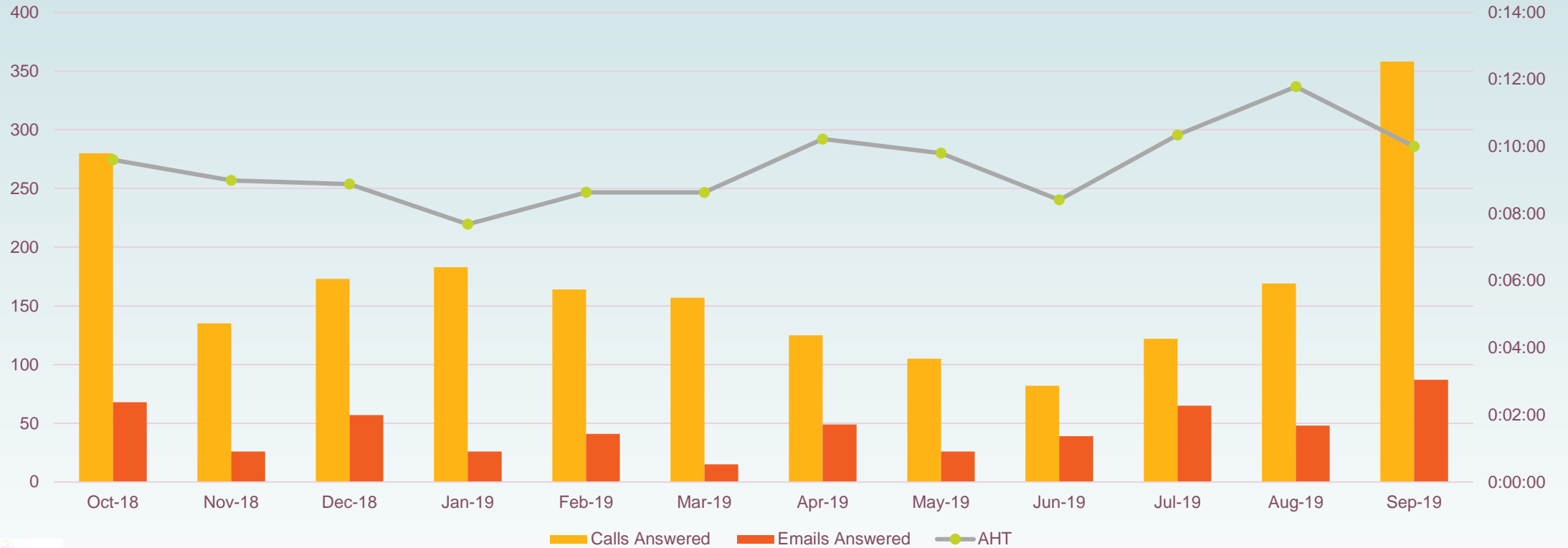
	Eligible	Opt-Out	% Opt Out
Residential	56,500	4,989	8.8%
Non-Residential	8,500	793	9.3%
Total	65,000	5,782	8.9%

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



Monthly Call Center Report

Monthly VCE Volume & AHT
(Rolling 12 Months)



VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Transmittal of Community Advisory Committee Report – September 26, 2019 meeting

DATE: October 10, 2019

This report transmits the Community Advisory Committee’s Summary Report regarding its September 26, 2019 meeting.

Attachment

1. September 26, 2019 CAC Summary Report

**Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of September 26th CAC Meeting**

- Leg/Reg Task Group Report
 - Y. Hunter briefly introduced and gave out printed update
 - Mark Fenstermaker of Pacific Policy Group (PPG), VCE's lobbyist consultant, talked about this legislative session
 - i. Overall this leg session much different than past few due to new governor with less experience with legislature and less clear climate objectives.
 - ii. Highlighted defeat of AB 56 relating to RA, but noted it may be back next year.
 - iii. Also mentioned CalCCAs continuing opposition to SB 520 relating to Provider of Last Resort (POLR). It is on the Governor's desk

- CAC Year End Report
 - Discussed a year end review – having input from Staff and Board on what they thought was positive and negative.
 - Also discussed importance of CAC sometimes having their own items they prioritize or they think community would prioritize. This is important for balance
 - Mentioned that other CACs may be able to give input here, especially those with demographics more like ours.
 - Will plan a further discussion and invite at least one Board member.

- Procurement Planning – Discussion and Update- Led by G. Larson from SMUD
 - 2020/2021 short term power procurement activities including portfolio targets
 - i. Good progress with 2 proposed contracts could lead to 47% renewables in 2021 and 77% renewables in 2022
 - ii. Delivery risk of long term contracts means may have to consider buying short term PCC1 or PCC2 for 2021 (N.B – due to AB 1110 PCC2 now considered to have GHG emissions of a natural gas plant.
 - Local renewable solicitation
 - i. The 1 % of our power that comes from Indian Valley (qualified small hydro) is considered local by VCEA definition
 - ii. Will do “open: solicitation for local projects due to a longer time frame. Hoping to fill the last 15% after 2023 with small local.
 - iii. Important to consider storage as we go forward especially in local projects.

- Integrated Resource Plan (IRP) and Strategic Plan - O. Bystrom SMUD
 - Presented slides on the IRP, updated the timeline for the IRP and mentioned that CPUC had given filing requirements,
 - Timing for stakeholder meeting probably will be early December
 - Gave a few updates on regulatory developments including that behind the meter solar PV is to be modeled as a grid resource - this has potential implications for RA

- Rates and Services Task Group Update – Electrification, Energy Efficiency and EV Program
 - G. Braun introduced this update. This task was chosen for the Rates and Services TG because it has the possibility of being up and running soon.

- VCE Intern Tessa Tobar presented a slide deck on why electrification in general and the prioritization of transportation. She then went into details on EV possibilities. The next step is a program plan.
- Discussed need for outreach in Woodland especially on EV events at Farmers Markets, etc., Possibility for VCEA to collaborate with Woodland Sustainability Committee who is beginning to look at that as well.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: City of Winters Membership in VCEA

Date: October 10, 2019

RECOMMENDATIONS:

1. Accept the City of Winters request to join; and,
2. Approve new membership requirements for the City of Winters as outlined in this report.

BACKGROUND & DISCUSSION:

In September 2018, VCE Board offered membership to the Cities of Winters and West Sacramento to join VCE. In October 2018, the Winters City Council received a presentation from VCE representatives. The Winters City Council asked City Staff to continue to investigate the opportunity. In July 2019, the Winters City Staff submitted a request for load data from PG&E for VCE's analysis of the financial impacts of Winters participation in VCE. On September 3, 2019, the City Council received an updated presentation from VCE Board and staff members then directed City Staff to proceed with the membership process.

On October 1, 2019 the City of Winters adopted Resolution 2019-40 (see attached) requesting membership in Valley Clean Energy Alliance.

Staff is recommending the following terms for Winters' membership in VCEA:

- 1) City of Winters adopt a resolution to execute the Joint Exercise of Powers Agreement of VCEA (scheduled for consideration by the Winters City Council on October 15, 2019);
- 2) City of Winters adopt a CCE Ordinance authorizing participation and enrollment of municipal, commercial, agricultural and residential electrical accounts within the city limits (scheduled for consideration by the Winters City Council on October 15, 2019);
- 3) City of Winters is requested to continue its public outreach efforts and work in coordination with VCEA Staff with public outreach activities, which may include community events and workshops, informational weblinks and articles about CCE and VCEA on its city website or newsletter;
- 4) Appoint two City of Winters Council members and one alternate member to serve on the VCEA Board of Directors;
- 5) Appoint three community (City of Winters) members to serve on the VCEA Community Advisory Committee.

Note: Per the Board adopted new membership policy, the City of Winters has paid a \$25,000 membership fee to off-set costs associated with the load data request from PG&E,

load analysis, and Implementation Plan amendments. Per the policy, this fee is refundable upon enrollment of Winters customers in VCE.

Existing Member Jurisdiction Approvals

In accordance with the Joint Powers Agreement (JPA), a 45 days notice is to be provided to each VCE agency before any new members can join the JPA. The purpose of this notice period is to allow the existing VCE members to comment on the new membership. However, as listed below, each VCE member agency approved the inclusion of Winters and waived their respective 45 day notice requirement for the City of Winters' to join VCE:

- City of Woodland – Council Meeting held on September 17, 2019
- Yolo County – Board of Supervisors meeting held on September 24, 2019
- City of Davis – Council meeting held on September 24, 2019

Next Steps

If the recommended actions are approved by the VCE Board, the City of Winters would conduct its first reading of its CCA ordinance on October 15th, followed by the second reading on November 5th. At the VCE Board meeting scheduled for December 12th, the Board would: (1) finalize approval of the City of Winters as a new JPA member; (2) seat two Winters Council Representatives on the VCE Board; and (3) the new board would adopt the amended Implementation Plan. The amended Implementation Plan would be submitted by VCE to the California Public Utilities Commission for certification. Winters residential and non-residential electricity customers would be scheduled to begin service with VCE in January of 2021 (the earliest date allowed under State regulations).

Attachment

1. City of Winters Resolution 2019-40 Requesting Membership in VCEA

RESOLUTION NO. 2019-40

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WINTERS
REQUESTING MEMBERSHIP IN THE VALLEY CLEAN ENERGY ALLIANCE**

WHEREAS, Community Choice Energy ("CCE") — also called Community Choice Aggregation — enables local governments to procure and/or develop power on behalf of their public facilities, residents, and businesses with the aim of increasing local choice in energy supply while providing electricity with high renewable energy content at rates that are competitive with those of the incumbent investor-owned utility; and

WHEREAS, the City of Davis, the City of Woodland and Yolo County have developed a CCE program in accordance with the provisions of Public Utilities Code section 366.2 and established a joint powers agency ("JPA"), named Valley Clean Energy Alliance ("VCEA"), pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code to administer the CCE program; and

WHEREAS, any other city or county may request membership in the VCEA JPA and participation in the CCE program by submitting a resolution adopted by its City Council or Board of Supervisors to the VCEA Board, which shall review the request and vote to approve or disapprove the request, establish any conditions under which the city or county may become a member of VCEA, and notify the existing member agencies of the request and the date that the request will be on the VCEA Board's agenda for action to allow them the opportunity to provide input to the VCEA Board's decision; and

WHEREAS, the City Council recognizes the potential benefits of VCEA participation to the Winters community and that participation presents no risk for utility customers because under Public Utilities Code section 366.2, customers have the right to opt-out of the CCE program and continue to receive service from the incumbent utility if they choose to do so; and

WHEREAS, the City Council wishes to request membership in VCEA, with the understanding that if the VCEA Board approves of Winters' membership, the City Council will be required to complete additional actions in order to join, which include adopting an ordinance pursuant to Public Utilities Code section 366.2, adopting a resolution to execute the Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance, and making financial commitments to cover Winters' share of initial costs of the CCE program launch as specified by the VCEA Board.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Winters hereby requests that the VCEA Board approve Winters' request to become a member of VCEA pursuant to Section 2.4 of the VCEA Joint Exercise of Powers Agreement.

PASSED AND ADOPTED by the City Council of the City of Winters on this 1st day of October 2019, by the following vote:

AYES: Council Members Loren, Neu, Mayor Pro Tem Cowan, Mayor Biasi

NOES: None

ABSTAIN: None

ABSENT: Council Member Anderson



Bill Biasi, MAYOR
City of Winters

ATTEST:



Tracy Jensen, City Clerk

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA (outgoing)
George Vaughn, Finance and Operations Director, VCEA (incoming)
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Receive and approve audited June 30, 2019 financial statements presented by James Marta & Company

DATE: October 10, 2019

RECOMMENDATIONS:

1. Accept and approve the Audited Financial Statements for the period of July 1, 2018 to June 30, 2019;
2. Accept the Communication with Governance Letter; and
3. Accept the Internal Control Letter

BACKGROUND & DISCUSSION:

The attached financial statements were audited by VCE's Independent Auditor, James Marta & Company. The Financial Statements include the following reports:

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

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

- Governance letter
- Internal Control Letter

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

AUDITOR'S FINDINGS:

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

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

Attachments:

- 1) Audited Financial Statements for the period of July 1, 2018 to June 30, 2019
- 2) Communication with Governance Letter
- 3) Internal Control Letter



VALLEY CLEAN ENERGY

**VALLEY CLEAN ENERGY ALLIANCE
FINANCIAL STATEMENTS**

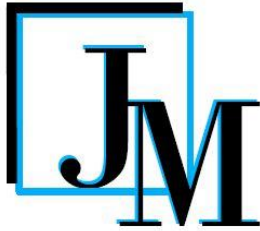
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

VALLEY CLEAN ENERGY ALLIANCE

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Statement of Cash Flows	9
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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Clean Energy Alliance
Davis, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Valley Clean Energy Alliance (VCE), as of and for the period ended June 30, 2019, and the related notes to the financial statements, which collectively comprise VCE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valley Clean Energy Alliance as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

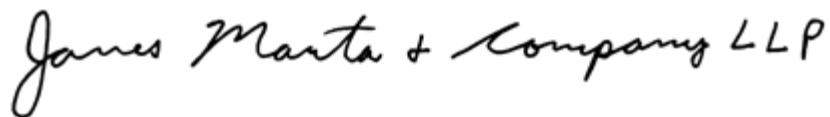
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019 on our consideration of the VCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VCE's internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 3, 2019

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

The Management's Discussion and Analysis provides an overview of Valley Clean Energy Alliance's (VCE) financial activities for the periods ended June 30, 2019 and January 1, 2017 (inception) to June 30, 2018. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

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

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

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

In June 2018, VCE began providing service to approximately 56,000 customer accounts as part of its initial enrollment phase. In January 2020, VCE will phase in approximately 7,000 Net Energy Metering (NEM) customers through 2020.

Financial Reporting

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

Contents of this Report

This report is divided into the following sections:

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

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table is a summary of VCE's assets, liabilities, and net position as of June 30:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 16,372,294	\$ 4,232,676
Noncurrent assets	<u>1,855,745</u>	<u>1,700,000</u>
Total assets	<u>18,228,039</u>	<u>5,932,676</u>
Current liabilities	9,505,607	5,856,528
Noncurrent liabilities	<u>1,500,000</u>	<u>1,500,000</u>
Total liabilities	<u>\$ 11,005,607</u>	<u>\$ 7,356,528</u>
Net position		
Restricted	86,463	-
Unrestricted (deficit)	<u>7,135,969</u>	<u>(1,423,852)</u>
Total Net Position	<u>\$ 7,222,432</u>	<u>\$ (1,423,853)</u>

VCE launched June 1, 2018 and the 2018 financial statements reflect the first month of power operations and pre-launch expenditures since inception.

Assets

Current assets ended 2019 at approximately 16.3 million, an increase of approximately \$12.1 million as compared to 2018. A significant contributor to the overall increase in current assets was an increase in cash of approximately \$6.0 million. Net accounts receivable increased \$4.9 million and accrued revenue increased approximately \$1.5 million in 2019, primarily due to fiscal year 2019 was the first full year that VCE provided electricity to customers. Since service to customers began, VCE has operated at a surplus which has resulted in the growth of all categories of current assets. Accrued revenue differs from accounts receivable in that it is the result of electricity use by VCE customers before invoicing to those customers has occurred.

Overall, noncurrent assets increased approximately \$0.1 million in 2019 as a result of offsetting changes. A decrease of \$0.5 million in a regulatory deposit offset by an increase approximately \$0.6 million in restricted cash for power purchase reserve.

Liabilities

Current liabilities comprised primarily of accrued cost of electricity, due to member agencies, other accrued liabilities and the revolving line of credit. Current liabilities of approximately \$9.5 million at the end of 2019 increased by \$3.6 million. The most significant contributor to the overall increase in current liabilities was an increase in accrued cost of electricity of approximately \$2.4 million. The other current liability categories increased in 2019 primarily due to fiscal year 2019 was the first full year of operations.

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

As part of the formation of VCE and to fund pre-launch expenses, the agency borrowed \$500,000 from each of the member agencies. The outstanding balance of \$1,500,000 in 2019 is unchanged from the previous year.

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

	2019	2018
Operating revenues	\$ 51,035,167	\$ 2,820,188
Interest income	37,944	16,403
Total income	51,073,111	2,836,591
Operating expenses	42,224,269	4,198,887
Interest and related expenses	202,557	61,556
Total expenses	42,426,826	4,260,443
Change in net position	\$ 8,646,285	\$ (1,423,852)

Operating Revenues

As fiscal year 2019 represents VCE full year of operations since its launch June 1, 2018, the VCE's operating revenues grew by \$48.2 million, reaching \$51.0 million, as a result of VCE serving approximately 56,000 customers throughout fiscal year 2019. As VCE launched in June 2018, revenues for fiscal year 2018 does not constitute an entire full month of revenues as customers rolled onto VCE as their billing cycle ended with PG&E in June. All of VCE's operating revenue is from the sale of electricity to its customer base, which mostly consists of residential, commercial, industrial and agricultural customers.

Operating Expenses

Operating expenses increased \$38.0 million over the prior year primarily due to significantly increased energy purchases for the entire VCE retail customer base for the entire year compared to only 1 month in fiscal year 2018. VCE procures energy from a variety of sources and focuses on purchasing at competitive costs and maintaining a balanced renewable power portfolio. The remaining operating expenses consist of contract services, staff compensation and other general administrative expenses.

ECONOMIC OUTLOOK

VCE will continue to focus on limiting customer opt outs by keeping rates competitive, increasing brand recognition and providing a superior customer experience. VCE will complete long-term power purchase agreements to assist in stabilizing renewable power costs going forward and help VCE accomplish its mission of providing cost competitive renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers. In addition, over the next several years VCE will seek to position itself financially and operationally to apply for an investment grade credit rating by one or more credit rating agencies. An investment grade credit rating would further demonstrate VCE's financial standing and allow for increased execution around its mission.

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

REQUESTS FOR INFORMATION

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

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF NET POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,914,296	\$ 963,388
Accounts receivable, net of allowance	4,952,577	5,621
Accrued revenue	4,295,713	2,824,540
Inventory - renewable energy credits	207,168	436,587
Deposits	2,540	2,540
Total current assets	<u>16,372,294</u>	<u>4,232,676</u>
Restricted assets:		
Debt service reserve fund	1,100,000	1,100,000
Power purchase reserve fund	655,745	-
Total restricted assets	<u>1,755,745</u>	<u>1,100,000</u>
Noncurrent assets:		
Other noncurrent assets and deposits	100,000	600,000
Total noncurrent assets	<u>100,000</u>	<u>600,000</u>
Total assets	<u>18,228,039</u>	<u>5,932,676</u>
LIABILITIES		
Current liabilities:		
Accounts payable	670,305	137,475
Accrued cost of electricity	5,058,656	2,673,938
Accrued payroll	3,789	1,624
Interest payable	112,312	61,556
Due to member agencies	410,309	534,639
Other accrued liabilities	1,273,626	847,296
Revolving line of credit	1,976,610	1,600,000
Total current liabilities	<u>9,505,607</u>	<u>5,856,528</u>
Noncurrent liabilities		
Loans from member agencies	1,500,000	1,500,000
Total noncurrent liabilities	<u>1,500,000</u>	<u>1,500,000</u>
Total liabilities	<u>11,005,607</u>	<u>7,356,528</u>
NET POSITION		
Restricted - Local Programs Reserve	\$ 86,463	\$ -
Unrestricted	7,135,969	(1,423,852)
Total net position	<u>\$ 7,222,432</u>	<u>\$ (1,423,852)</u>

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENES, EXPENSES AND CHANGES IN NET POSITION

FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUE		
Electricity sales, net	\$ 51,035,167	\$ 2,820,188
OPERATING EXPENSES		
Cost of electricity	38,539,605	2,237,352
Contract services	2,309,962	1,848,165
Staff compensation	981,805	17,922
General, administration, and other	392,897	95,448
Total operating expenses	42,224,269	4,198,887
Operating income (loss)	8,810,898	(1,378,699)
NONOPERATING REVENUES (EXPENSES)		
Interest income	37,943	16,403
Interest and related expenses	(202,557)	(61,556)
Total nonoperating revenues (expenses)	(164,614)	(45,153)
CHANGE IN NET POSITION	8,646,284	(1,423,852)
Net position at beginning of period	(1,423,852)	-
Net position at end of period	\$ 7,222,432	\$ (1,423,852)

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 44,728,189	\$ 29
Payments for security deposits with energy suppliers	500,000	(600,000)
Payments to purchase electricity	(35,773,468)	(434,206)
Payments for contract services, general and administrative	(2,238,396)	(16,298)
Payments for staff compensation	(872,425)	(2,540)
Net cash provided (used) by operating activities	6,343,900	(1,053,015)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies	-	1,500,000
Draw of revolving line of credit	4,376,610	1,600,000
Payments on revolving line of credit	(4,000,000)	-
Interest and related expense	(151,801)	-
Net cash provided (used) by non-capital financing activities	224,809	3,100,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	37,944	16,403
Net cash provided (used) by investing activities	37,944	16,403
Net change in cash and cash equivalents	6,606,653	2,063,388
Cash and cash equivalents at beginning of year	2,063,388	-
Cash and cash equivalents at end of year	\$ 8,670,041	\$ 2,063,388
Cash and cash equivalents included in:		
Cash and cash equivalents	6,914,296	963,388
Restricted assets	1,755,745	1,100,000
Cash and cash equivalents at end of year	\$ 8,670,041	\$ 2,063,388
Noncash Non-Capital Financing Activities:		
Draw on revolving line of credit for debt service reserve fund	\$ -	\$ 1,100,000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	2019	Inception through June 30, 2018
Operating Income (Loss)	\$ 8,810,898	\$ (1,378,699)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(4,946,956)	(5,671)
(Increase) decrease in accrued revenue	(1,471,173)	(2,824,490)
(Increase) decrease in inventory - renewable energy credits	229,419	(436,587)
(Increase) decrease in other assets and deposits	500,000	(602,540)
Increase (decrease) in accounts payable	532,830	137,475
Increase (decrease) in accrued payroll	2,165	1,624
Increase (decrease) in due to member agencies	(124,330)	534,639
Increase (decrease) in accrued cost of electricity	2,384,717	2,673,938
Increase (decrease) in other accrued liabilities	426,330	847,296
Net cash provided (used) by operating activities	\$ 6,343,900	\$ (1,053,015)

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

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

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

DEPOSITS

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

OPERATING AND NON-OPERATING REVENUE

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

VALLEY CLEAN ENERGY ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2019 AND 2018

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity costs include the cost of energy and ancillary services arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from VCE's participation in the California Independent System Operator's centralized market. The cost of electricity and ancillary services are recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position. As of June 30, 2019 and 2018, \$1,084,658 and \$837,294, respectively, was accrued as payable to SMUD.

RENEWABLE ENERGY CREDITS

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, VCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). VCE obtains Certificates with the intent to retire them, and does not sell or build surpluses of Certificates. An expense is recognized at the point that the cost of the RPS eligible energy is billed by the supplier. VCE is in compliance with external mandates and self-imposed benchmarks. As of June 30, 2019 and 2018, \$207,168 and \$436,587, respectively, of these certificates were included in inventory as they had yet to be utilized at year end.

STAFFING COSTS

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

INCOME TAXES

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

ESTIMATES

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

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2019 AND 2018

RECLASSIFICATION

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

2. CASH AND CASH EQUIVALENTS

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

3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Accounts receivable from customers	\$ 5,426,377	\$ 5,671
Allowance for uncollectible accounts	(473,800)	(50)
Accounts receivable, net	<u>\$ 4,952,777</u>	<u>\$ 5,621</u>

The majority of account collections occur within the first few months following customer invoicing. VCE estimates that a portion of the billed accounts will not be collected. VCE records reserves for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statement of Revenues, Expenses and Changes in Net Position. Charges to reserve for uncollectible accounts for the years ended June 30, 2019 and 2018 were \$473,800 and \$50, respectively.

Accrued revenue presented in the Statements of Net Position represents revenue from customer electricity usage that has not been billed at the end of the period. Accrued revenue recognized for the periods ended June 30, 2019 and 2018 was \$4,295,713 and \$2,824,850, respectively.

4. DEBT

LOANS PAYABLE

As part of the formation of VCE, the agency borrowed \$500,000 from Yolo County, City of Davis and City of Woodland (the Member Agencies). The member agency loans are subordinate to the RCB line of credit. Each loan is governed by a cooperative agreement between the respective member agency and VCE. As of June 30, 2019 and 2018, the outstanding loans totaled \$1,500,000. The cooperative agreement provides for interest to be accrued monthly on the outstanding balance at the average yield of the member agency. The average yield is Local Agency Investment Fund (LAIF) rate plus 1%. The LAIF rate at June 30, 2019 and 2018 was 2.57% and 1.90%, respectively. The accrued interest on the Member Agencies loans as of June 30, 2019 and 2018 totaled \$98,595 and \$43,575.

VALLEY CLEAN ENERGY ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2019 AND 2018

LINE OF CREDIT

In May 2018, VCE entered into a non-revolving, \$11,000,000 Credit Agreement (Agreement) with RCB for the purpose of providing working capital to fund power purchases during seasonal differences in cash flow and reserves as needed to support power purchases. RCB requires collateral for the line of credit of \$1.1 million which is reported as restricted cash. Interest accrues on the outstanding balance and is payable each month and computed at One-Month LIBOR plus 1.75% per annum, subject to a floor of 1.75% per annum. The Agreement expired on May 15, 2019 with an option to extend the line for another six months. VCE extended the line of credit and the Agreement will expire on November 15, 2019. At the expiration of the Agreement, any outstanding balance can be converted to an amortizing term loan which matures up to five years from conversion date. The Agreement contains various covenants that include requirements to maintain certain financial ratios, stipulated funding of debt service reserves, and various other requirements including the subordination of the member agency loans. As of June 30, 2019 and 2018, \$1,976,610 and \$1,600,000 of the line of credit had been drawn, leaving \$9,023,390 and \$9,400,000 million still available, respectively.

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

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

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

	<u>Beginning</u>	<u>Addition</u>	<u>Payments</u>	<u>Ending</u>
Period Ended June 30, 2018				
River City Bank - Line of Credit	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000
Member Agencies	-	1,500,000	-	1,500,000
Total	<u>\$ -</u>	<u>\$ 3,100,000</u>	<u>\$ -</u>	<u>3,100,000</u>
Amounts due within one year				<u>(1,600,000)</u>
Amounts due after one year				<u>\$ 1,500,000</u>
Year Ended June 30, 2019				
River City Bank - Line of Credit	\$ 1,600,000	\$ 4,376,610	\$ (4,000,000)	\$ 1,976,610
Member Agencies	1,500,000	-	-	1,500,000
Total	<u>\$ 3,100,000</u>	<u>\$ 4,376,610</u>	<u>\$ (4,000,000)</u>	<u>3,476,610</u>
Amounts due within one year				<u>(1,976,610)</u>
Amounts due after one year				<u>\$ 1,500,000</u>

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2019 AND 2018

5. DEFINED CONTRIBUTION RETIREMENT PLAN

VCE provides retirement benefits to eligible employees through a 401(a) discretionary defined contribution plan and 457(b) deferred compensation plan (Plans). The Plans are administered by International City Management Association Retirement Corporation (ICMA-RC). At June 30, 2019, VCE had 1 plan participant. VCE contributes 7% of covered payroll and up to an additional 3% of covered payroll as a match to employee tax deferred contributions (into the 457(b) deferred compensation plan) into the 401(a) discretionary defined contribution plan.

VCE contributed \$4,969 for the year ended June 30, 2019, the first year the Plans were effective. The Plans' provisions and contribution requirements as they apply to VCE are established and may be amended by the Board of Directors.

6. OPERATING LEASE

In 2018, VCE entered into a nine-month lease for its office space with the City of Davis expiring January 2019. VCE renewed the lease for an additional 12-months expiring January 2020. Rental expense under this lease was \$17,081 and \$3,220 for the period ending June 30, 2019 and 2018, respectively. The total for future minimum lease payments is \$8,700 for fiscal year ended June 30, 2019.

7. RELATED PARTY TRANSACTIONS

VCE entered into a cooperative agreement with each respective member agency to provide management, legal, accounting and administrative services. The services billed from the Member Agencies to VCE outstanding for the periods ending June 30, 2019 and 2018 totaled \$410,309 and \$534,639, respectively. In March 2019, VCE began repaying the member agencies for the current year expenditures and repay the outstanding balance at June 30, 2018 over 12 months. The cooperative agreements provide for interest to be accrued on any outstanding balances at an average yield. The accrued interest on the member agencies outstanding balance at June 30, 2019 and 2018 totaled \$6,831 and \$9,115, respectively.

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
PERIODS ENDED JUNE 30, 2019 AND 2018

8. RISK MANAGEMENT

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

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

VCE is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability and workers' compensation. Once VCE's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA) provide coverage for amounts in excess of YCPARMIA's limits. YCPARMIA provides workers' compensation insurance coverage up to statutory limits, above VCE's self-insurance limit of \$1,000 per occurrence, and general and auto liability coverage of \$40,000,000, above VCE's self-insurance limit of \$1,000 per occurrence. For the period ended June 30, 2019 and 2018, VCE contributed \$5,324 and \$1,667 for coverage, respectively. Audited financial statements are available from YCPARMIA their website www.ycparmia.org.

9. COMMITMENTS AND CONTINGENCIES

On October 25, 2017, VCE entered into an agreement with SMUD to provide on-going professional services, including, but not limited to: wholesale energy services, customer and data services, billing administration and reporting. As of June 30, 2019, VCE had outstanding non-cancelable commitments to SMUD for professional services to be performed estimated to be \$6.7 million.

10. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2019 through October 3, 2019, the date the financial statements were issued. Management is not aware of any subsequent events other than the issuance of refunding bonds described below that would require recognition or disclosure in the accompanying financial statements.



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

Board of Directors
Valley Clean Energy Alliance
Davis, California

We have audited the financial statements of Valley Clean Energy Alliance as of and for the year ended June 30, 2019, and have issued our report thereon dated October 3, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 29, 2018 our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our findings regarding internal controls and other matters noted during our audit in a separate letter to you dated October 3, 2019.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Valley Clean Energy Alliance is included in Note 1 to the financial statements. They have adopted the initial selection of accounting policies on January 1, 2017 and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

Management's estimate of the accrued revenue is based on actual revenues earned but not yet billed for June 2019. We evaluated the key factors and assumptions used to develop the estimate of accrued revenue and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. We did not identify any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached journal entry listing presents adjustments and reclassifications that we identified as a result of our audit procedures, were brought to the attention of, and corrected by, management.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 3, 2019.

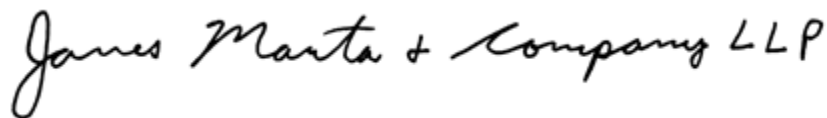
Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 3, 2019



MANAGEMENT REPRESENTATION LETTER

October 3, 2019

James Marta & Company LLP
Certified Public Accountants
Sacramento, CA 95825

This representation letter is provided in connection with your audit of the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Net Position and the statement of cash flows of Valley Clean Energy Alliance as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Valley Clean Energy Alliance in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 3, 2019:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 29, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment 1.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.


- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

Information Provided

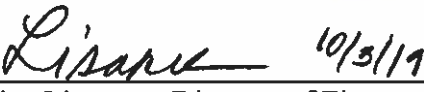
- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

- Valley Clean Energy Alliance has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Valley Clean Energy Alliance is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Valley Clean Energy Alliance has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



Mitch Sears, Executive Director *Interim General Manager*



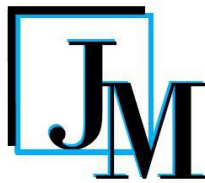
Lisa Limcaco, Director of Finance and Internal Operations

Adjusting Journal Entries

Adjusting Journal Entries JE # 2			
PBC AJE To remove balance that was deemed uncollectable at year end			
23020-0000	NEM CREDITS	20,480	
30120-0000	COMMERCIAL & INDUSTRIAL SALES	126,881	
13710-0000	BILLED REVENUES		42,696
22210-0000	ACCOUNTS PAYABLE		84,185
30125-0000	NEM CREDITS - C&I		20,480
Total		147,361.00	147,361.00

Proposed Journal Entries

Proposed Journal Entries JE # 1			
PJE to reclassify unearned revenues			
13710-0000	BILLED REVENUES	16,905.00	
22210-0000	ACCOUNTS PAYABLE		16,905.00
Total		16,905.00	16,905.00



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Valley Clean Energy Alliance
Davis, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Clean Energy Alliance as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements, and have issued our report thereon dated October 3, 2019.

Internal Control over Financial Reporting

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

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

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

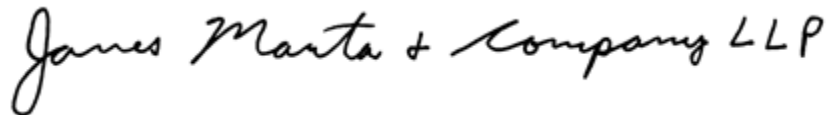
James Marta & Company LLP
Certified Public Accountants

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 3, 2019

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCE (outgoing)
George Vaughn, Finance and Operations Director, VCE (incoming)
Mitch Sears, Interim General Manager, VCE

SUBJECT: Approval of River City Bank Renewal Terms for the Existing Revolving Line of Credit (RLOC) and Debt restructure

DATE: October 10, 2019

RECOMMENDATIONS:

1. Approve the conversion of the current \$1,976,610 Revolving Line of Credit (RLOC) balance to an amortizing 5-year term loan.
2. Adopt a resolution:
 - a. Approving the River City Bank renewal terms for the existing RLOC;
 - b. Authorizing the VCE Interim General Manager, in consultation with VCE Legal Counsel, to negotiate the Credit Agreement with River City Bank based on the renewal terms. The final Credit Agreement will be submitted to the Board for final approval at the November 14, 2019 board meeting.

BACKGROUND:

At the December 14, 2017 Board meeting, the Board adopted a resolution to select River City Bank as the credit and banking services vendor for VCE and authorized the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCE credit facilities. On March 7, 2018, the Interim General Manager executed a term sheet for up to \$11,000,000 in total credit facilities for VCE with River City Bank.

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

Since August 2018, VCE has not drawn on the RLOC and the outstanding balance of the RLOC is currently \$1,976,610. VCE is in compliance with all its financial covenants stipulated in the Credit

Agreement. At the expiration (including extension) of the RLOC, any outstanding balance can be converted to an amortizing Term Loan which matures up to 5 years from conversion date.

At the September 12, 2019 Board Meeting, staff provided an update of the River City Bank credit agreement and debt restructure. The Board gave staff direction to repay the initial \$500,000 loaned by each member to VCE plus interest.

Staff now seeks Board approval on its recommendation for debt restructure with the existing RLOC balance.

DISCUSSION:

Bank update

Based on VCE's current financial position and the Board approved FYE June 30, 2020 budget, River City Bank has agreed to the following:

1. Terminate the Subordination Agreements with the member jurisdictions on the initial \$500,000 loaned by each member to VCE.
2. Renewal of the existing RLOC with the following major terms of the agreement (see attached term sheet for additional details):
 - Up to \$11,000,000 available credit for energy purchases on the RLOC (reduced by any amounts that have been converted to a Term loan on the existing RLOC)
 - One-year term from execution of agreement
 - Ability to issue Letters of Credit. In the event of a Letter of Credit draw, bank will disburse the funds from the RLOC and Borrower must repay bank within 3 days
 - Monthly interest payments due on outstanding RLOC balance at a variable rate of interest equal to the One (1) Month LIBOR plus 1.75%, subject to a floor rate of 1.75%
 - Interest rate on the Term Loan option is fixed for the Term at the three (3) year US Treasury note yield plus 2.00%
 - Loan fee of 0.25% of the Loan Amount, payable upon loan closing

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

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

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

Analysis

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

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

Assumptions:

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

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

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

The only financial impact on VCE’s net margin is the interest expense VCE would incur under option 2 due to conversion of the RLOC to a Term loan and repayment over 5 years. The Term loan interest rate

¹ VCE staff, in a separate Board staff report for this October 10, 2019 meeting, is recommending Board approval to change the Net Energy Metering (NEM) policy. If approved, the changes would result in an approximately \$2.0 to \$4.0 million one-year lag on cash collection of net revenues from NEM customers. This would in turn result in a one-year delay in achieving 90-day cash reserves. It will push the time to reach the Board’s goal to achieve a 90 days cash reserve to:

- July 2022 for Option 1
- July 2021 for Option 2

based on the current 3-year Treasury rates would be locked in for the 5-year term at approximately 3.50%. The total estimated interest payments over the 5-year term would be approximately \$173,000.

The largest impact on VCE's financial position between the two options is on the unrestricted cash. The \$1,976,610 repayment of the RLOC by November 2019 reduces VCE's unrestricted cash and delays VCE's ability to obtain a 90-day cash reserve. Under option 1, VCE is projected to obtain 90-day cash reserves around July 2022 compared to option 2 VCE is projected to obtain 90-day cash reserves around July 2021.

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

Option 1:

- Debt free as of November 2019
- \$11 M RLOC available for power purchases
- Provide a 2% dividend to customers in 2020 and 1% in 2021
- Obtain 90-day cash reserves by July 2022 (see Footnote 1)
- Unrestricted cash at 6/30/2021 - \$8,819 M (reduced by \$2M from table due to Footnote 1)
- Net Position at 6/30/2021 - \$20,044 M

Option 2:

- \$1,976,610 - 5 Year Term Loan with an ~ 3.5% fixed interest rate
- \$11 M RLOC – of which ~\$9.1 M (reduced by outstanding Term loan balance) available for power purchases
- Provide a 2% dividend to customers in 2020 and 1% in 2021
- Obtain 90-day cash reserves by July 2021 (see Footnote 1)
- Unrestricted cash at 6/30/2021 - \$10,110 M (reduced by \$2M from table due to Footnote 1)
- Net Position at 6/30/2021 - \$19,951 M

Based on the above summary, staff recommends that VCE select option 2 for its debt restructure of its existing RLOC balance. The benefits of this recommendation center around increased financial flexibility to navigate a variety of uncertainties and upcoming goals, including:

- Negotiate Long-term Renewable Power purchase agreements which may require specific debt/cash covenants
- Achieve 90-days cash reserves more quickly than if the RLOC is fully paid off now
- Increased ability to pay customer dividends earlier
- Enhanced ability to manage cash flow and cost of NEM annual billings in year one as described in the revised NEM policy (if adopted)
- Maintain greater financial flexibility to address potential impacts associated with ongoing uncertainty of PG&E's Power Charge Indifference Adjustment (PCIA) and electric generation rates
- Improve VCE's ability to obtain credit rating targets sooner due to higher cash reserves

Staff believes the termination of the RCB's subordination agreements with the member jurisdictions, conversion of the RLOC balance to a 5-year term loan, and renewal of the RLOC provides VCE the optimum flexibility and minimization of risk.

CONCLUSION:

Based on the River City Bank update and debt structure analysis, staff recommends the following:

1. Convert the existing \$1,976,610 RLOC balance to a 5-year term loan
2. Adopt a resolution that approves the River City Bank renewal terms for the existing RLOC and authorizes the VCE Interim General Manager, in consultation with VCE Legal Counsel, to negotiate the Credit Agreement with River City Bank based on the renewal terms. The final Credit Agreement will be submitted to the Board for final approval at the November 14, 2019 Board meeting.

Attachment:

1. River City Bank's Term Sheet for renewal of the existing RLOC



10/3/2019

Valley Clean Energy Alliance
Attn: Mitch Sears, Interim General Manager
23 Russell Boulevard
Davis, CA 95616

Re: Renewal Terms for the Existing Revolving Line of Credit for Valley Clean Energy Alliance.

Dear Mitch,

River City Bank (“Bank”) is pleased to provide this term sheet for a revolving line of credit (“RLOC”), as outlined below.

Borrower: Valley Clean Energy Alliance

Loan Type: Commercial Revolving Line of Credit (“RLOC”), with option to convert outstanding advances to an amortizing Term Loan at Expiration.

Purpose: To provide working capital and credit enhancements required for energy purchases in the form of Letters of Credit.

Loan Amount: \$11,000,000 (Note: in the event VCE elects to term out the current ~\$2,000,000 balance owed under the existing line of credit, the subject RLOC Loan Amount will be reduced by a like amount).

Collateral: Perfected security interest in 1st lien position in each of the following:

- Debt Service Reserve Account in which Borrower will be required to maintain an amount of \$1,100,000, which represents 10% of the Loan Amount.
- A security agreement that covers right of set off to all of Borrower’s deposit accounts (not otherwise encumbered by liens).

No junior liens will be permitted on any Collateral.

Expiration/Maturity: One year Expiration. Any outstanding balance on the RLOC at Expiration can be converted to an amortizing term loan which matures in up to 5 years from the conversion date. As such, the Maturity Date will be up to six years from the date of RLOC origination.

Letters of Credit issued under the RLOC will have a maximum term of one year from the date of issuance, with annual auto renewal options available.

Borrower will provide cash collateral equal to 110% of any outstanding Letters of Credit in the event that any are outstanding at the time of RLOC Expiration.

Interest Rate: Floating at the one (1) Month LIBOR plus 1.75%, subject to a floor rate of 1.75%. Bank calculates interest on an actual/360 day basis.

For the Term Loan option, fixed for the Term at the three (3) year US Treasury note yield plus 2.00%, based on the US Treasury note yield existing as of the close of normal market trading hours per www.treasury.gov on the date that the outstanding balance converts to a Term Loan. Bank calculates interest on an actual/360 day basis.

Repayment: **RLOC:** Interest only payments due monthly, with all outstanding principal and interest due at maturity.

Term Loan: Up to 60 equal monthly principal and interest payments, on a fully amortizing basis.

Letters of Credit: In the event of a Letter of Credit draw by a beneficiary, Bank will disperse funds from the RLOC, and Borrower must repay Bank in full within 3 days.

Letter of Credit Fees:

Issuance Fee	2.00% p.a., minimum \$400
Documentation Fee (at issuance)	\$250 flat
Amendment Fee to increase or extend	2.00% p.a., min. \$400

**Note, Letter of Credit fees are subject to change in accordance with market rates.*

Loan Fee: 0.25% of the Loan Amount, payable upon loan closing.

Non-Utilization Fee: 0.15% of the average annual unused amount of the RLOC commitment, payable upon loan maturity.

Documentation Fee & Legal costs: \$500, payable upon loan closing, plus actual legal costs charged by Bank's outside legal counsel (estimated at ~\$2,500 based on limited negotiations and changes from existing loan documents).

Bank reserves the right to increase the Documentation Fee if Borrower requires extensive negotiation of standard loan documents.

Costs & Expenses: Borrower to pay all out-of-pocket costs and expenses, such as third-party search and order fees and any applicable legal fees (collectively, the "Costs & Expenses").

Needs List: In addition to the conditions set forth in this letter, additional conditions precedent to closing will be those which are usual and customary for transactions of this nature, including but not limited to Bank's receipt, review and satisfaction with all documents, reports, leases, financial statements, guarantor information, and other information reasonably requested by Bank. Subsequent to Bank's receipt of this signed term

sheet and Deposit, Bank will prepare a needs list summarizing such items.

Additional Requirements

• Financial Covenants.

- **Positive Change in Net Position.** Borrower to achieve a positive change in net position greater than or equal to \$1.00, measured quarterly.
- **Debt Service Coverage Ratio (For Term out Option Only).** Borrower to maintain a minimum Debt Service Coverage Ratio ("DSCR") not at any time less than 1.25x, measured annually at fiscal year-end.

DSCR is calculated as EBIDA at fiscal year-end divided by Debt Service for the calculated period. "EBIDA" is hereby defined as net position plus depreciation, amortization, and interest expense, for the calculated period. Debt Service is defined as interest expense during the calculated period plus scheduled principal payments during the calculated period.

- **Unrestricted Tangible Net Position.** Borrower to maintain a minimum effective tangible net position of at least \$13,000,000, measured annually at fiscal year-end (beginning with the fiscal year ending 6/30/20).

Unrestricted Tangible Net Position is defined as total assets less temporary and permanently restricted assets, less intangible assets, less total liabilities.

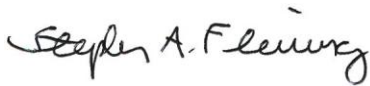
- **Total Liabilities to Tangible Unrestricted Net Position.** Borrower to maintain a maximum Total Liabilities divided by Tangible Unrestricted Net Position not at any time greater than 2.00X, measured Quarterly.
- **Deposit Relationship.** Borrower must maintain all of its deposit accounts exclusively with Bank, with automatic monthly loan payments deducted from the account. Failure to adhere to this requirement will result in a 2.00% increase to the Interest Rate so long as this covenant is not satisfied.
- **No Additional Indebtedness.** Aside from obligations arising in the ordinary course of business which are not delinquent, Borrower shall not incur additional indebtedness in excess of \$500,000 (provided that such debt be subordinated to Bank) without the prior written consent of Bank.
- **Ongoing Reporting.** During the Term, Borrower will be required to provide:
 - Within 180 days after the close of each annual accounting period, audited financial statements inclusive of a balance sheet, year-to-date income statement, and cash flows for the period then ended, prepared in accordance with GAAP and in a form acceptable to Bank.
 - Within 45 days after the close of each month end, unaudited financial statements inclusive of a balance sheet and year-to-date income statement of Borrower for the period then ended, prepared in accordance with GAAP and in a form acceptable to Bank.

Bank reserves the right to terminate this proposal at any time and this proposal may not be transferred or assigned without prior written consent of Bank.

Please be advised that this letter does not constitute a binding commitment or impose any obligation on Bank, but only reflects proposed terms of a transaction which may become acceptable to the parties. Notwithstanding any other language of agreement that may appear elsewhere in this nonbinding letter of

intent, it is expressly understood and agreed that this letter does not and shall not constitute a binding agreement between the parties in any manner, except with respect to: Costs & Expenses. The undertakings and obligations of Bank with respect to the loan will be subject to, among other things: (i) credit analysis and approval in accordance with Bank's underwriting standards; (ii) the preparation, execution and delivery of mutually acceptable loan documentation containing such terms and conditions as are customary for similar credit facilities; (iii) the accuracy of all representations made and information furnished by Borrower to Bank, and (iv) the absence of any information or other matter being disclosed after the date hereof that is inconsistent in a material and adverse manner with any information or other material disclosed to Bank.

Thank you for considering River City Bank for your financing needs. If you would like us to move forward on the basis proposed, please sign and date the term sheet below:



Sincerely,
Stephen Fleming
President & CEO



Rosa Cucicea
VP & Clean Energy Division Manager

ACKNOWLEDGED AND ACCEPTED BY

Borrower hereby acknowledges and agrees to the presented loan structure, including to any proposed joint borrowing and/or guaranteeing structure.

Valley Clean Energy Alliance

x
By: Mitch Sears
Its: Interim General Manager

Date

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2019- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE (VCEA) APPROVING RIVER CITY BANK RENEWAL TERMS FOR THE EXISTING REVOLVING LINE OF CREDIT AND AUTHORIZING THE VCEA INTERIM GENERAL MANAGER, IN CONSULTATION WITH VCEA LEGAL COUNSEL, TO NEGOTIATE THE CREDIT AGREEMENT WITH RIVER CITY BANK BASED ON THE RENEWAL TERMS SET FORTH HEREIN

WHEREAS, Valley Clean Energy Alliance (“VCEA”), is a public agency formed in January 2017 under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq., between the County of Yolo and the City of Davis to provide Community Choice Energy (CCE) programs within the member agencies, and in June 2017, the City of Woodland also joined VCEA adding to the overall VCEA service territory;

WHEREAS, VCEA initially received loans from each member agency of \$500,000, together with co-operative agreements for member agencies to provide contracted staff and supplies during the implementation period, which will continue to June 2018 when VCEA will begin providing CCE programs; and

WHEREAS, VCEA solicited competitive bids for banking and credit services and selected River City Bank to lend VCEA up to \$11 million as a revolving line of credit to fund power purchases as part of administrating CCE programs, which has a term of 12-months at variable rates with an option to extend another 6 months and is convertible to a five-year term loan with a fixed interest rate; and

WHEREAS, on May 10, 2018, the VCEA Board approved the Credit Agreement between VCEA, as borrower, and the River City Bank, as lender; and

WHEREAS, the \$11 million revolving line of credit expires on May 15, 2019 and VCEA has an option to extend the line of credit for another 6 months, extending the term to November 15, 2019; and

WHEREAS, VCE extended the revolving line of credit for another 6 months, extending the term to November 15, 2019; and

WHEREAS, VCEA outstanding balance on the revolving line of credit on October 11, 2019 is \$1,976,610; and

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

1. Approval of the River City Bank renewal terms for the existing revolving line of credit consistent with October 3, 2019 Term sheet (Exhibit A).
2. The VCEA Interim General Manager, in consultation with VCEA Legal Counsel, is hereby authorized to negotiate the Credit Agreement with River City Bank based on the renewal terms for the existing revolving line of credit consistent with the October 3, 2019 Term sheet (Exhibit A). The final Credit Agreement will be submitted to the Board for final approval.

ADOPTED, this _____ day of _____ 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Tom Stallard, VCEA Chair

Alisa M. Lembke, VCEA Board Secretary

EXHIBIT A - River City Bank Term Sheet – October 3, 2019

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: VCE Board of Directors

FROM: Mitch Sears, Interim General Manager
Jim Parks, Director of Customer Care and Marketing
George Vaughn, Director of Finance and Internal Operations

SUBJECT: Net Energy Metering Enrollment Update and Proposed Policy Changes

DATE: October 10, 2019

RECOMMENDATION

1. Approve changes to the VCE Net Energy Metering policy (Action).

BACKGROUND

Following Net Energy Metering (NEM) customer enrollment postponements due to policy refinement and regulatory factors, on June 17, 2019 the VCE Board approved enrollment of NEM customers who installed solar systems prior to VCE's launch. New enrollments will begin in January 2020. Customers that installed solar systems after VCE's program launch in June 2018, are already enrolled.

ANALYSIS

Staff has identified an opportunity to refine and simplify the NEM policy to make it easier for customers to understand and more efficient for VCE to administer. Specifically, the existing policy places residential NEM customers with annual VCE balances exceeding \$500 on monthly billing. The policy further states that business NEM customers "may" be placed on monthly billing if their annual VCE balance exceeds \$5,000.

This policy structure was established to address a first-year cash flow concern for VCE associated with the typical NEM customer annual "true-up" payment structure. In essence, VCE would be required to "float" the NEM customer payments in the first year until each settles their account at their annual "true-up" date. This float amount was a concern in the first year of VCE existence since VCE had not yet had the chance to build significant reserves and there was such a high number of NEM customers in its service territory. After a year of operations and less volatile regulatory impacts on its financial standing, staff believes that the first-year cash flow concern is now manageable. As the table below shows, there is a comfortable buffer in VCE's reserves even after accounting for the first-year float of NEM customers who are on an annual "true-up" payment schedule. Notes: (1) VCE retains an \$11 million dollar line of credit

with River City Bank which provides financial flexibility if needed, and (2) NEM customers who are on “pay as you go” monthly payment schedules will maintain that status as they enroll in VCE which lowers the first year float issue for VCE.

	Conservative Assumptions		Best-Case Assumptions	
	July 2020	July 2021	July 2020	July 2021
Projected Unrestricted Cash Reserves under Existing NEM Policy	\$ 11.34	\$ 12.11	\$ 11.34	\$ 12.11
Short-Term Cash Flow Affect of Additional Annual Residential Customers	\$ (0.38)	\$ (0.75)	\$ (0.38)	\$ (0.75)
Additional Annual Non-Residential Customers	\$ (1.57)	\$ (3.13)	\$ (0.59)	\$ (1.17)
Short-Term Cash Flow Affect from Interest Expense	\$ (0.08)	\$ (0.16)	\$ (0.04)	\$ (0.08)
Projected Unrestricted Cash Reserves with new NEM Policy	\$ 9.32	\$ 8.07	\$ 10.34	\$ 10.11
Cumulative Short-Term Cash Flow Affect of new NEM Policy	\$ 2.02	\$ 4.04	\$ 1.00	\$ 2.00
*Additional access to cash via Revolving Line of Credit	\$ 9.02	\$ 9.02	\$ 9.02	\$ 9.02

Using the most conservative assumptions, which assumes that we can convert very few annual non-residential customers to monthly billing, we have a short-term cash flow affect of \$2.02 million and \$4.04 million cumulatively as of July 2020 and July 2021, respectively. This leaves \$9.32 million and \$8.07 million in unrestricted cash in July 2020 and July 2021, respectively.

Using best case assumptions, which assumes that we convert the majority of large non-residential annual customers to monthly billing, we have a short-term cash flow affect of \$1.00 million and \$2.00 million cumulatively as of July 2020 and July 2021, respectively. This leaves \$10.34 million and \$10.11 million in unrestricted cash in July 2020 and July 2021, respectively.

In both cases, we also have approximately \$9.02 million in available revolving line of credit to draw upon if needed.

Based on this analysis, Staff is recommending a revision of the existing NEM policy to eliminate the payment thresholds that would determine whether NEM customers would be on an annual or monthly “true-up” schedule. This will simplify VCE’s administration of the NEM program and result in a better customer experience since there would be little change from their existing situation as a PG&E NEM customer.

REVISIONS TO APPROVED NEM POLICY

The approved NEM policy with proposed redline changes is attached to this staff report. In summary, staff recommends:

Replacing the first 8 policy statements from the Existing policy:

1. Residential and Business NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle unless their annual balance exceeds \$500.
2. Residential NEM customers with solar systems installed prior to June 2018 with annual balances exceeding \$500 will be transitioned to monthly billing with a February true-up date.
3. Residential customers with solar systems installed prior to June 2018 that have been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than \$500 per year for a consecutive two-year period.
4. Non-residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle, unless their annual balance exceeds \$5,000.
5. Non-residential NEM customers with annual balances exceeding \$5,000 may be transitioned to monthly billing with a February true-up.
6. NEM customers may choose a monthly billing cycle with February true-up in lieu of an annual billing and true-up cycle.
7. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
8. The transition from PG&E to VCE will occur on the customer's true-up date in 2020.

With the following 5 statements:

1. Residential and Business NEM customers with solar systems installed prior to June 2018 will be placed on their existing PG&E billing cycle, either annual or monthly.
2. Residential and Business NEM customers on monthly billing cycles will have a true-up date in February.
3. NEM customers may choose a monthly billing cycle with February true-up in lieu of annual billing.
4. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
5. The transition from PG&E to VCE will occur on the customer's true-up month in 2020.

ATTACHMENTS

1. Redline NEM Policy

NET ENERGY METERING POLICY

Adopted ~~October 10, 2019~~ September 13, 2018

~~Revised June 17, 2019~~

1. Residential and Business NEM customers with solar systems installed prior to June 2018 ~~will be placed on their existing PG&E billing cycle, either annual or monthly. may retain their existing PG&E annual billing cycle unless their annual balance exceeds \$500.~~
- ~~2.~~ Residential and Business NEM customers on monthly billing cycles will have a true-up date in February. ~~with solar systems installed prior to June 2018 with annual balances exceeding \$500 will be transitioned to monthly billing with a February true-up date.~~
- ~~3.2.~~ Residential customers with solar systems installed prior to June 2018 that have ~~been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than \$500 per year for a consecutive two-year period.~~
- ~~4.~~ Non-residential NEM customers with solar systems installed prior to June 2018 ~~may retain their existing PG&E annual billing cycle, unless their annual balance exceeds \$5,000.~~
- ~~5.3.~~ Non-residential NEM customers with annual balances exceeding \$5,000 ~~may be transitioned to monthly billing with a February true-up.~~
- ~~6.4.~~ NEM customers may choose a monthly billing cycle with February true-up in lieu of ~~an annual billing, and true-up cycle.~~
- ~~7.5.~~ NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
- ~~8.6.~~ The transition from PG&E to VCE will occur on the customer's true-up ~~month~~ date in 2020.
- ~~9.7.~~ NEM customers with less than \$100 in wholesale credits will have the credit balance roll over to the next billing cycle (with no loss of credits). NEM customers with a wholesale credit balance exceeding \$100 on their annual true-up date will be cashed-out, unless they choose to roll over the balance or donate the funds.
- ~~10.8.~~ NEM customers that generate excess energy on a monthly basis will receive the retail value plus a \$0.01/kWh credit for the excess generation, without additional ~~€~~ compensation for participation in renewable programs.

~~11.9.~~ Customers on time-of-use (TOU) rate schedules will receive a \$0.01/kWh credit for net excess generation on a monthly basis.

~~12.10.~~ NEM customers that generate excess energy on an annual basis will receive the wholesale value of net surplus generation, plus a \$0.01/kWh adder.

~~13.11.~~ NEM customers may opt-out of VCE's NEM program and return to PG&E at their discretion.

~~14.12.~~ Residential customers adding solar systems beginning June 1, 2018 will be placed on monthly billing with an annual true-up date in February.

~~15.13.~~ Non-residential customers adding solar systems beginning June 1, 2018 may be placed on monthly billing with an annual true-up in February.