

**Meeting of the Board of Directors of the
Valley Clean Energy Alliance (VCEA)
November 16, 2017
5:30 PM**

Yolo County Board of Supervisors Chambers
625 Court 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 Mitch Sears, VCEA Interim General Manager, at least 2 working days before the meeting at (530) 757-5610 or msears@cityofdavis.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.

Board Members:

Angel Barajas (City of Woodland), Duane Chamberlain (Yolo County), Robb Davis (City of Davis) Lucas Frerichs (Vice Chair/City of Davis) Don Saylor (Chair/Yolo County), Tom Stallard (City of Woodland)

5:30 PM 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.

CONSENT AGENDA

- 4. Approval of Minutes from October 12, 2017 Board Meeting**
- 5. Approval of Consultant Contract Extensions for LEAN Energy and Don Dame to continue to provide launch support services to VCEA**
- 6. Authorization for VCEA staff to Negotiate a Banking and Credit Services Agreement for Board Consideration and Action at a Future Board Meeting**
- 7. Regulatory and Legislative Update**
- 8. Long Range Calendar**

REGULAR AGENDA

9. **Approval of Task Order 3 of SMUD Services Agreement related to the provision of Wholesale Energy Services (Action)**
10. **Approval of VCEA Strategic Marketing and Communications Plan (Action)**
11. **Approval of Amended VCEA Implementation Budget for Fiscal Year 2017/18 and Fiscal Management Update (Action)**
12. **Initial Consideration of the Draft VCEA Organizational Staffing Plan (Discussion)**
13. **Review of Wholesale Power Procurement and Risk Management Policy (Discussion)**
14. **Review of Updated Load Forecast and Procurement Approach (Informational)**
15. **Approval of VCEA Vision Statement (Action)**
16. **Community Advisory Committee Report (Discussion)**
17. **Board Member and Staff Announcements**

Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members at 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.

18. Adjournment (Approximately 7:30pm)

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. Until VCEA has offices, the Board has designated the Department of Community Development and Sustainability at the City of Davis located at 23 Russell Blvd, Davis, CA for the purpose of making those public records available for inspection. The documents are also available on the City of Davis website located at: <http://cityofdavis.org/city-hall/commissions-and-committees/valley-clean-energy-alliance>.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Approval of Minutes from October 12, 2017 Board Meeting
DATE: November 16, 2017

RECOMMENDATION

Receive, review and approve the attached draft minutes from October 12, 2017 Board Meeting

DRAFT MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING
October 12, 2017

The Board of Directors of the Valley Clean Energy Alliance met in regular session beginning at 5:30 p.m. in the City of Davis Community Chambers, 23 Russell Boulevard, Davis CA 95616.

Board Members Present: Angel Barajas, Duane Chamberlain, Skip Davies (Alternate), Robb Davis, Lucas Frerichs, Don Saylor

Board Members Absent: Tom Stallard

Approval of Agenda L. Frerichs moved, seconded by A. Barajas, to approve the agenda. Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
NOES: None
ABSENT: Stallard

Public Comment None

Approval of Consent Agenda Approval of:

- Minutes from September 20, 2017 Meeting
- Regulatory and Legislative Update
- Long Range Calendar

A. Barajas moved, seconded by L. Frerichs, to approve the consent agenda. Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
NOES: None
ABSENT: Stallard

Approve Resolution Adopting the Valley Clean Energy Alliance Implementation Plan and Statement of Intent Mitch Sears, Interim General Manager Staff Recommendation: Adopt resolution approving VCEA's Implementation Plan and Statement of Intent and authorize its submission to the California Public Utilities Commission (CPUC).

Gary Lawson, Manager, Energy Commodity Products, SMUD
The purpose of the Implementation Plan is to communicate to the CPUC how VCEA plans to achieve launch. The model inputs used in developing the plan are still preliminary. CCAs reserve the right to change assumptions and inputs as they move thru the planning and launch process.

Key Policy Elements

1. Initial resource mix/default product. Recommending 35% renewable and 75% carbon free power which exceeds PG&E levels and CA RPS mandate.
2. Competitive rates. Offer generation rates at parity or lower than PG&E; for purposes of I-Plan, assuming 1% lower inclusive of PCIA fee.

Board questions and staff responses are summarized as follows:

1. Is a discount of 1% attainable? Is that where we want to be? Would we prefer a higher differential?
2. If, in the future, the VCEA board wanted to offer rates with a more significant discount, could we do so?
3. What were the initial assumptions we were sharing with the community about the default product mix?
4. On page 20, what is the difference between retail services accounts and customer counts?
5. Are we correct in assuming that the doubling in the customer load forecast from 2018 and 2019 is due to the fact that in 2018, as launch is scheduled for June, we are only providing ½ a year of service?
6. On page 23, section 6.6.3, we all agree that we would like to avoid using unbundled RECS except in extenuating circumstances. Can you explain what “volume metric risk” would be and why that might result in us using unbundled RECs?
7. If we offer a 4-5% discount, it appears we can generate a 10% reserve.
8. How often can VCEA assess the discount?
9. When will the VCEA Board be considering rate-setting and reserve policies?
10. Is this Implementation Plan typical in terms of size, scope and level of detail?
11. Is it possible to include local power generation at the launch?
12. Is June 1 still an attainable goal for launch?
13. Does this plan achieve market desirability?
14. Are SMUD rates lower the PG&E rates?
15. Will VCEA customers still have to pay for transmission and distribution charges?

Staff Response

1. Yes, the 1% rate discount is attainable, but it is not a recommendation per se. This rate discount provides a sufficient cushion to build operating reserves. As a new enterprise, VCEA will want to establish credit and financial health. As the discount increases, it puts VCEA closer to not achieving reasonable operating reserves.
2. Yes. The VCEA board reserves the right to offer more significantly discounted rates in the future. Obviously, moving forward it is

- politically easier to increase, rather than decrease, the discount.
3. In the feasibility study, we were looking at a 50% renewable mix. In the financial model, we found some of the feasibility study's preliminary assumptions perhaps were a little aggressive. In reviewing the load forecast, the capacity of VCEA's load would be significantly greater than once assumed, so there is an increased resource cost to supply that capacity. In addition, the load PCIA assumption was low compared to what it is currently. This portfolio and rate discount are more fiscally conservative.
 4. A customer may have several accounts at different rates. For example a residential account for their home and a commercial account for the business. It is also possible to have multiple meters on one account.
 5. Correct. The financial picture for 2018 is significantly different as VCEA is only providing service for half of that year.
 6. The primary volume metric risk is load. When we are procuring renewables we are forecasting the required load. Loads can vary for a variety of reasons – one could be opt outs, the other might be temperature. A very hot summer will increase load. When we procure PCC 1 & 2 resources, those are done on contracts looking forward. If we under forecast what our load needs actually are, we might have to procure more renewables to meet the 35% renewable commitment and in that case, unless we have contracted ahead for that we are stuck at the end of the year. The only way to meet that 35% may be to procure some renewable attributes after the fact, which would be PCC 3 renewables. One way to avoid this would be to over-procure renewables, but there is a financial cost associated with that risk.
 7. Possibly. It is important to keep in mind that these forecasts are preliminary. After the implementation plan is submitted, better data will be available.
 8. The board can decide how often to assess rates.
 9. Rate-setting and reserve policies are on the long range calendar for discussion in November and December. After we submit the implementation plan, we will have better access to data for modeling. Moving forward, VCEA can assess the rate discount every time VCEA changes rates.
 10. Yes, this Implementation Plan is typical in terms of size, scope and level of detail.
 11. The current language in the plan does allow for local power generation. The challenge is that local power generators are already under existing contracts. It generally takes 2-3 years to start new local power generation projects, but staff can investigate what is available locally.
 12. Yes, June 2018 is still attainable for launch.
 13. Yes, this plan does achieve market desirability.
 14. PG&E rates are considerably higher than SMUD. If you look by rate class SMUD's rates can be as much as 30% lower.
 15. Yes, all charges related to transmission and distribution will stay the

same. The only thing that changes is the generation.

Board Requests

- Request to include a reference to Yolo County's Climate Action Plan history in the plan.
- Investigate if local power generation projects might be utilized for launch.

Public hearing opened pursuant to Section 366.2 of the Public Utilities Code

Gerry Braun, VCEA Advisory Committee, Chair

The VCEA Community Advisory Committee met on 9/27/2017 and heard a briefing on the Implementation Plan. Committee members offered general feedback at that time. The committee:

- Recognizes that the plan is a compliance plan that contains general intentions and does not bind VCEA to a specific path moving forward.
- Is pleased with the avoidance of unbundled REC's.
- Understands that non-renewable clean energy is a shrinking resource base and going 100% is not sustainable.
- Appreciates that the plan does not create unreasonable public expectations
- Encourages the board to proceed with a philosophy of under-promising and over-delivering.

Dan Carson, City of Davis Finance and Budget Commission

The board must ensure that VCEA can deliver on promises and ensure the long-term integrity of the new agency. If possible, it would be beneficial for to increase the rate discount differential. VCEA might look at other CCA programs launch processes and consider:

- Was their success linked with both lower rated and cleaner energy?
- Were both components highlighted in their pre-launch marketing?

Gerry Braun, VCEA Advisory Committee, Chair

Encourages VCEA to consider the possibility of a creating a third energy product composed of local renewable power. Many people in the Davis community have been waiting for community solar. Many people who have solar installed on their homes would like to fulfill their remaining energy needs with solar from VCEA.

Public hearing closed pursuant to Section 366.2 of the Public Utilities Code

Board Comments

- References to the creation of local power supplies and local energy programs within the service territory are referenced in several locations within the Implementation Plan.
- By moving forward with two rates VCEA does not preclude the potential addition of a third rate in the future.
- Adding a third rate would not necessitate amendment of the Implementation Plan.
- Board looks forward to conversation regarding rates and operational reserve policies.

A. Barajas moved, seconded by L. Frerichs to approve the resolution.
Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
NOES: None
ABSENT: Stallard

Approve Services Agreement with the Sacramento Municipal Utility District to provide VCEA Program Launch and Operational Services

Recommendation

1. Approve the SMUD as the service provider for VCEA program launch and operations.
2. Adopt a resolution authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to finalize a services agreement with SMUD, in substantial conformance with the Master Professional Services Agreement, for signature by the VCEA Board Chair.

Background

In July 2017, the board directed staff to conduct a comparative analysis of the RFP Responses and SMUD's proposal. Analysis concluded that the SMUD's proposal was mission aligned, cost competitive and offered significant operational advantages to VCEA. At the August 31, 2017 meeting, the board directed staff to negotiate a contract with SMUD

Terms & Structure of Agreement

VCEA's contract with SMUD will contain a Master Service Agreement and four task orders for each service element. The service elements are:

- 1) Technical and Energy Services
- 2) Data Management/Call Center
- 3) Wholesale Energy Services
- 4) Administrative & Staffing Support

The terms of the agreement are comprised of: Implementation (phase 1) plus 5 years (phase 2) with option to terminate some task orders partially or fully at the end of year 3; and with two 5-year extensions possible.

Master Service Agreement contains overarching legal agreements including

- Joint indemnification
- Flexibility to Re-Open Agreement
- Term and Extensions
- Termination and transition provisions
- Data/information ownership

Task Orders include:

- Scope of work for each service element
- Contract deliverables
- Fees/estimated budget for each task area
- Timing of delivery
- Term and termination

Tonight, VCEA board is considering the Master Services Agreement, Task Order 1 (Technical and Energy Services) & Task Order 2 (Data Management/Call Center).

At the November board meeting, Task Order 3 (Wholesale Energy Services) & Task Order 4 (Administrative & Staffing Support) will be brought back for board approval.

Financial Considerations:

- SMUD's fees are commensurate with fees paid by operational CCAs for similar services
- SMUD is deferring payment until October 2018; 2% interest on deferred payments began accruing on October 1, 2017
- Termination fees for withdrawal after year 3: o Task Order 1 – N/A; scope will be complete o Task Order 2 – 50% of remaining fee for the remaining portion of the 5-year term

Task Order	Scope	Cost/Year	Terms/Notes
TO-1 Technical and Energy Services	1.1 Implementation Plan 1.2 ProForma Financial Model 1.3 Operating Budget 1.4 Financing/Accounting Support 1.5 Rate analysis, Design, Rate Setting 1.6 Regulatory Filings 1.7 Initial Integrated Resource Plan	Not to exceed \$92,000 for term of TO plus travel and expenses (phase 1)	TO-1 will complete 3 months after launch. Additional services can be provided on hourly basis
TO - 2 Data Mgmt/ Call Center	1.1 Electronic Data Exchange Svcs 1.2 Customer Information System 1.3 Customer Call Center 1.4 Customer Enrollment Forms 1.5 Billing Administration 1.6 Settlement Quality Meter Data 1.7 Reporting	2018 - \$451,647 (7 months) 2019 - \$782,964 2020 - \$791,796 2021 - \$800,736 2022 - \$809,784 TOTAL ===== \$3,636,927	Fees for this TO are charged monthly @ rate of \$1.00/account (64,521 – 67,482 accounts)
TO - 3	Pending	Pending	
TO - 4	Pending	Pending	

Board questions and staff responses are summarized below:

1. We are projecting an increase of about 3,000 accounts. What underlies that assumption?
2. How will it work for VCEA to defer payment?
3. Is this material available to the public?
4. Task Order 2 will involve significant engagement with our VCEA customers. What part of the agreement will help us understand if our customers are being well-served?
5. How is Task Order 2 structured to allow us to take corrective action?
6. Has anyone made an estimate of how many FTE would be needed for VCEA to cover these tasks in-house?
7. When will in-house staffing be coming to the board for discussion?

Staff Responses

1. This projection is based on the residential increase expected via SACOG, along with an assumed opt out rate of 10%.
2. VCEA will not have cash flow until after launch. VCEA will be receiving invoices regularly, but SMUD will not be paid until October 2018. A 2% interest on deferred payments will begin accruing on October 1, 2017. There are termination fees for withdrawal after year 3.
3. Yes, material it is posted on the VCEA website and it is available tonight in hard-copy.
4. SMUD will provide regular reports with metrics on customer satisfaction.
5. SMUD will review metrics on a regular basis, and customers can always be transferred from the call center to VCEA staff.
6. No. All CCAs outsource the call center function. Staffing needs for a CCA can vary widely depending on the scope of what the CCA

attempts to accomplish.

- 7. We anticipate the discussion of staffing will be held with the board in December or January.

Public Comment
None

Mitch Sears, Interim General Manager
Many thanks to SMUD staff, individual Advisory Committee members, the board sub-committee and Eric May for all of the work in creating these agreements.

S. Davies moved, seconded by R. Davis to approve the resolution. Motion passed by the following vote:

- AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
- NOES: None
- ABSENT: Stallard

VCEA Program Outreach

Rae Quigley, Circlepoint
The Strategic Marketing & Communications Plan outlines the scope of the proposed strategies for encouraging VCEA customer attention and awareness. Tonight’s goal is to gather board feedback. Circlepoint will then work with the advisory committee to gather additional input. A finalized plan will return for board approval at the November meeting.

Public Comment
None

Board Feedback

- Page 5: “for yolo, by yolo” we may want to expand our geography in the future
- Page 6: messaging component. Some messaging are better than others.
- Page 12: Add Yolo Realtors, Yocha dehe Wintun Nation,
- Page 15: Timeline for social media starting in November in 2017, can we move that up sooner?
- Play with term Yolo “You only live once. Make it green”

L. Frerichs moved, seconded by A. Barajas to approve the Option 2 logo. Motion passed by the following vote:

- AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
- NOES: None
- ABSENT: Stallard

Community

Gerry Braun, Chair of Community Advisory Committee (CAC)

Advisory
Committee
Report

- At our last meeting the committee:
 - approved a draft vision statement for VCEA, which we plan to bring forward at your next meeting
 - reviewed SMUD rate models and Circlepoint's product models
 - began developing the CAC work plan
 - created task groups:
 - Launch Phase Outreach
 - Launch Phase
 - Regulatory
 - Public Forums
 - Thank you to Mitch for the time he has devoted to the committee, and to Christine Shewmaker & Marsha Baird for their leadership

Board Member
and Staff
Announcements

Mitch Sears, Interim General Manager

Last week, I attended the CalCCA Conference. This excellent, day-long program featured a panel on energy procurement, as well as a re-cap of recent regulatory & legislative efforts. CCA's are becoming more effectively organized and local officials have an important role to play in that advocacy. In his closing remarks, Geoff Syphers, CEO of Sonoma Clean Power, raised the idea that CCAs are more than just "clean and green" and challenged the attendees to consider what additional services CCAs can offer. He urged attendees to consider CCAs as an opportunity to communicate differently and challenged other operational CCA's to allocate resources to help disadvantaged communities fund feasibility studies. Sonoma Clean Power committed to allocate \$100,000.

VCEA will join CalCCA as a full member after our Implementation Plan is submitted.

Meeting was adjourned at 7:07 p.m.

Emily Henderson
Administrative Assistant

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

To: Valley Clean Energy Alliance Board of Directors
From: Mitch Sears, Interim General Manager, VCEA
Subject: Implementation and Operational Service Support – Contract Extensions
Date: November 16, 2017

RECOMMENDATIONS

1. Authorize the Interim General Manager, in consultation with VCEA Legal Counsel, to extend VCEA's existing contract with LEAN Energy in an amount not to exceed \$50,000.
2. Authorize the Interim General Manager, in consultation with VCEA Legal Counsel, to extend VCEA's existing contract with Don Dame, public utility expert, in an amount not to exceed \$10,000.

BACKGROUND & DISCUSSION

The VCEA Board has previously approved consultant support contracts with LEAN Energy and Don Dame to provide support for the launch of VCEA. As outlined below, together these consultants provide different and complimentary subject matter expertise in the launch and power procurement activities for emerging CCA programs across the State, including VCEA.

Staff considers these to be critical support services for the successful launch of VCEA, especially given the unique circumstances associated with being the first CCA to launch with a public utility as a technical services and operations partner.

LEAN Energy

In September 2016 the City of Davis entered into a contract with LEAN Energy to provide support services for the formation of a local CCA program. LEAN provides similar services to multiple CCA programs in California which has enabled VCEA to benefit from the experiences of other programs.

The City maintained its contract with LEAN Energy during the VCEA JPA formation stage with the understanding that the contract would be transferred to VCEA once the JPA was established. This transfer was approved by the VCEA Board in April 2017 with approximately \$38,000 remaining on the original \$75,000 contract. The original contract amount has been

utilized during the last seven months with LEAN's support work focused on the comparative analysis of service options and contract negotiations with SMUD. Approximately \$4,000 remains on the original contract.

The recommended extension is estimated to take LEAN's contract through the June 1, 2018 program launch and will focus on finalizing the SMUD contract and advising on pre-program launch activities. All other provisions of the contract remain unchanged.

Don Dame

In July, the Board authorized staff to enter into a services contract with Don Dame, an independent consultant with deep experience in public utility management and utility scale energy procurement. He is playing a key role in the analysis of the SMUD contract and is applying his subject matter expertise in electricity industry organizational design and energy procurement. As the contract with SMUD is finalized in late 2017 and initial energy procurement activities conclude in spring of 2018, staff anticipates that the need for his services will wind down. As a time and materials not to exceed contract, VCEA has the ability to exercise cost control and utilize his expertise in an efficient manner. The recommended extension is estimated to take his contract through the June 1, 2018 program launch and will focus on finalizing the SMUD contract and advising on energy procurement issues. All other provisions of the contract remain unchanged.

Approximately \$1,000 remains on the original \$15,000 contract.

CONCLUSION

The two contract extensions provide consistency in consulting services for VCEA through the launch phase and carry forward existing rates and other contract provisions. Together these consultants provide different and complimentary expertise needed by VCEA to successfully launch the program.

FISCAL IMPACT

The costs associated with the two contract extensions are accounted for in the Amended VCEA FY 2017/18 Budget set for consideration by the Board at the November 16, 2017 meeting. Costs for the two contract extensions are:

- LEAN Energy – not to exceed, time and materials based \$50,000 contract extension.
- Don Dame - not to exceed, time and materials based \$10,000 contract extension.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

FROM: Chad Rinde, Assistant Chief Financial Officer, Yolo County
Mitch Sears, Interim General Manager, VCEA
Shawn Marshall, LEAN Energy US

SUBJECT: VCEA Banking Services Request for Proposal

DATE: November 17, 2017

RECOMMENDATION

Authorize Interim General Manager, in consultation with legal counsel and VCEA staff, to negotiate with respondents to the Banking Services RFP and direct staff to bring back the contract with the most responsive vendor for VCEA Board of Director approval.

BACKGROUND & DISCUSSION

At the Board's direction, staff released an RFP for banking and credit services that closed on April 27, 2017. Three responsive proposals were received and an initial evaluation panel was formed in order to evaluate the respondents.

As a reminder, the following key components were included in the RFP issued earlier in 2017:

- 1) Requesting a line of credit (LOC) for up to approximately \$7 million which uses the estimated amount in the CCE technical study and incorporates anticipated costs associated with Woodland participating and contingency funds; this LOC will cover additional pre-revenue costs, credit for power contracts, and working capital for early operations;
- 2) Stated preference to do business with a bank that has headquarter and/or branch operations within Yolo County;
- 3) Credit terms are requested with and without guaranty requirements; it is likely that a guaranty will be required for at least the pre-revenue portion of credit drawn down;
- 4) Lender is asked to provide capitalization limits and must be a member of the Federal Reserve System or Federal Deposit Insurance Corporation; and,
- 5) Credit and banking services may be awarded to a single or multiple financial institutions depending on operational and credit capacity and terms offered.

An evaluation panel was formed consisting of County and City Staffs and Finance Representatives as well as a Consultant Representative. Initial evaluations are substantially completed, and two respondents were determined to meet the technical qualifications required. The third respondent did not demonstrate its experience and understanding of Community Choice Aggregation programs and the organizations overall level of capitalization was a risk noted by the evaluation panel.

The process was envisioned originally that the evaluation panel would perform interviews with the finalists to make a recommendation to the VCEA Board. During the process, there were some uncertainties that arose with the addition of the City of Woodland to the agency and some uncertainty with the potential contract with SMUD for energy and other administrative services – including financial provisions that might affect the scope of banking services required by VCEA.

Now that SMUD and VCEA have been working to finalize a contract, additional clarity has been achieved on the banking and credit services needs of VCEA. VCEA will still require operational banking services (depository, disbursement, and payroll services), but will also require financing and working capital. The working capital needs via a line of credit, loan or other credit facility is currently estimated to be \$8 million but may still fluctuate slightly as additional financial modeling is completed between VCEA and SMUD.

Due to putting the RFP and vendor selection on hold, the respondents to the RFP will need to resubmit their cost proposals to reflect current market and interest rates due to the six month lapse between their April, 2017 response and today. In order to now move forward and continue to work toward a prompt selection of a banking and credit services provider, VCEA staff are asking for authorization for the Interim General Manager to receive the update cost proposals and negotiate a contract with the most responsive vendor to the RFP. The negotiated contract would be brought back to the VCEA board for approval at a subsequent board meeting for final authorization.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager, VCEA
Shawn Marshall, LEAN Energy US

Subject: Regulatory & Legislative Update

Date: November 16, 2017

RECOMMENDATION

Receive regulatory and legislative updates and provide feedback/ direction as desired.

BACKGROUND & DISCUSSION

Participation in CCA regulatory and legislative affairs is a critical aspect of VCEA's long-term planning, operations, and risk management strategy that will grow in importance as VCEA draws closer to CPUC certification and program launch. At present, LEAN Energy is providing regulatory monitoring and reporting on key regulatory issues affecting emergent CCAs. Cal-CCA, a statewide trade association of which VCEA is now a full member, participates in regulatory proceedings and also provides coordinated legislative support in Sacramento.

Regulatory Proceedings/Priorities: Attached please find LEAN's most recent regulatory report (dated November 7, 2017) which provides a summary overview and several links to supporting documents regarding key regulatory issues currently before the CPUC.

Of particular note this past month was a CPUC-sponsored workshop on California Customer Choice held on October 31 at the State Capitol. The workshop was informal (meaning no action was taken) and is part of the Commission's focus on CA's evolving regulatory framework and electric market choice models from around the US and world. VCEA interim General Manager, Mitch Sears, attended the meeting and provided public comment. VCEA Community Advisory Committee Chair A link to workshop notes is included in the LEAN regulatory report.

Legislative Report

No legislative activity to report this month.

The Community Advisory Committee has formed a subcommittee to monitor legislative and regulatory activity. Staff is beginning to work with the subcommittee to identify how it can provide the greatest value to VCEA.

Attachment

1. LEAN Energy US Oct/November Regulatory Report



To: LEAN Energy Clients:
Coachella Valley Association of Governments
East Bay Community Energy
Monterey Bay Community Power
Redwood Coast Energy Authority
Valley Clean Energy Alliance
Western Riverside Council of Governments

From: Shawn Marshall, Executive Director, LEAN Energy US

Date: November 7, 2017

Subject: Regulatory Update #16, October/November 2017

Each month, LEAN focuses on regulatory activities likely to have broad impact on the Community Choice Aggregation (CCA) community and emergent CCA programs. This memo provides an update on key developments at the California Public Utilities Commission (CPUC) and California Energy Commission (CEC) in the past month.¹

CUSTOMER CHOICE WORKSHOP – OCTOBER 31

On May 19, the CPUC and CEC jointly held an en banc hearing on retail competition issues (see [Rough Notes](#)), with post-hearing comments being filed by a number of parties, including [CalCCA](#) (See all [Comments](#).)

On October 31, the CPUC held another workshop on customer choice, this time at the State Capitol ([Notice](#).) (See [Rough Notes](#).)

Next Steps:

- November 13: Comments due in response to October 31 [Post Workshop Questions](#).

CPUC REGULATORY CASE DEVELOPMENTS

Power Charge Indifference Adjustment (PCIA) Rulemaking Proceeding And Related Matters

To Do:

LEAN is monitoring developments in the [PCIA Rulemaking Proceeding](#).

Background:

¹ This monthly memo is designed to provide LEAN’s clients with a current snapshot of key regulatory activities related to CCA in order to help them make informed decisions about whether and how to engage in regulatory processes during their program formation and early operations. This monthly report is not a comprehensive inventory of regulatory and statutory requirements impacting operational CCAs. Regulatory and statutory compliance requires a more comprehensive inventory than the subset of activities described herein, and must be tailored to the specific circumstances of each CCA program.

As previously reported, the topics for consideration in the PCIA rulemaking include:

- Improving the transparency of the existing PCIA process;
- Revising the current PCIA methodology to increase stability and certainty;
- Reviewing specific issues related to inputs and calculations for the current PCIA methodology;
- Considering alternatives to the PCIA;
- SB 350 considerations on the treatment of bundled retail customers and departing load customers;
- Status of PCIA exemptions for California Alternate Rate for Energy (CARE) and Medical Baseline (MB) customers.

On July 31, twenty-four parties, including [CalCCA](#), filed opening comments on the PCIA OIR. (See [summary](#).) On August 31, the CPUC held a prehearing conference (PHC). (See [PHC Statements Summary](#); [PCIA PHC Transcript](#).) On September 25, a [Scoping Memo](#) was issued establishing two Tracks of the PCIA Rulemaking proceeding. Track 1 will address exemptions from the PCIA for customers participating in the CARE and MB programs, while Track 2 will consider alternatives to the current PCIA methodology, with initial emphasis placed on how to get proper access to PCIA data through a protective order.

Related Activity:

On a related note, several CCAs, along with the IOUs, filed a [Petition for Modification](#) of D.06-07-030 on April 5 to direct the IOUs to include a common PCIA calculation workpaper template in ERRA Forecast applications. On August 24, the CPUC approved the [decision](#) granting the petition.

In the [Consolidated ERRA Proceeding](#), the CPUC is considering whether to end the PCIA for pre-2009 vintage customers and how to dispose of PG&E's negative PCIA balance. CCA interests are seeking to ensure that any positive treatment for pre-2009 vintages also applies to CCA-related vintages.

Recent Activity:

On October 18, PG&E sent a [letter](#) recommending pausing the implementation of new CCA programs pending the replacement or reformation of the PCIA. SCE sent a similar letter on September 19. (See [SCE Letter](#).)

On October 23, a [Joint Report](#) was submitted describing the areas of consensus and remaining open issues resulting from the meet and confer process (which addressed availability of procurement data).

- See [Slide Deck](#), which provides an overview of the Joint Utilities proposal on PCIA data access
- See [Proposal](#) of CalCCA on data availability issues and [proposed changes](#) to nondisclosure agreement

On October 24, the CPUC held Workshop 1 "Review of Current Methodology." (See [Workshop Notice](#) and [Presentation](#).)

Next Steps:

- November 6: CalCCA's ex parte meeting with assigned Commissioner Peterman's advisor. (See [Notice](#))
- November 21: Joint Motion of Track 1 Parties regarding prior testimony (See [Email Ruling](#))
- December 1: Status report from parties on next steps and evidentiary hearings
- December 8: Opening brief on PCIA exemptions for CARE and MB programs (Reply briefs: January 12)

Integrated Resource Planning (IRP)

To Do:

LEAN is monitoring [this proceeding](#) and considering forming a working group to address CCA IRP issues.

Background:

This rulemaking proceeding is addressing the new IRP requirements associated with SB 350, as well as long-term procurement planning (LTPP) policies.

On May 16, the Energy Division issued [their proposal](#) on the IRP planning process. As previously reported, it appears that the Energy Division is proposing a prescriptive approach with respect to the IRP process, with significant requirements on Community Choice Aggregators serving 700 GWh or more per year in electric load. Community Choice Aggregators serving less than 700 GWh per year will likely be subjected to far fewer requirements. The following are summaries of parties' [opening comments](#), submitted on June 28, and [reply comments](#), submitted on July 12.

On September 19, a [Ruling](#) was issued distributing a proposed Reference System Plan (See [Summary](#) of Ruling). On September 25-26, a workshop took place providing preliminary feedback on the Proposed Reference System Plan of the IRP process (See [Agenda and Presentation](#), and [Summary](#).)

Recent Activity:

On October 10, a [Ruling](#) granted motions of CCA parties for official notice of future load growth among operational CCA programs. The Ruling takes notice that certain government actions have occurred regarding state's offshore wind resources, but does not take notice for purposes of reliance on any underlying facts associated with those actions. On October 26, parties submitted opening comments on the the Proposed Reference System Plan ([CalCCA comments](#)).

Next Steps:

- As confirmed in September 19 Ruling:
 - November 2: All-party Meeting with Commissioners (See [Agenda](#).) (See [Presentation Material](#).)
 - November 9: Reply Comments on Proposed Reference System Plan
 - End of 2017: Proposed Decision on Reference System Plan and IRP filing guidance for LSEs
 - Second Quarter 2018: IRP filings by individual LSEs

CCA Bond Requirements

To Do:

LEAN will continue to monitor [this proceeding](#).

Background:

This rulemaking proceeding was originally opened in 2003 to implement the CCA enabling statute (Assembly Bill (AB) 117). However, this rulemaking proceeding is now simply focused on the methodology for setting the CCA Bond, which is intended to cover the costs of involuntary re-entry fees of CCA customers to bundled IOU service. Opening testimony was submitted on July 28. (See [CalCCA Testimony](#) and [CalCCA Appendices to Testimony](#); [Marin Clean Energy \(MCE\) Opening Testimony](#) and [MCE Appendices](#); [Joint Utilities Testimony](#)).

The Joint IOUs served [rebuttal testimony](#) on August 25. CalCCA also served [rebuttal testimony](#) on August 25. On September 18, [CalCCA](#) and [Joint IOUs](#) provided comments noting that evidentiary hearings are necessary.

Recent Activity:

Evidentiary hearings took place October 11-12. ([October 11 Transcript](#)) ([October 12 Transcript](#)).

Next Steps:

- November 6: Post-hearing Opening Brief
- November 20: Post-hearing Reply Brief

PG&E 2018 Energy Resource Recovery Account (ERRA) Proceeding / SCE 2018 ERRA Proceeding**To Do:**

LEAN will continue to monitor the [PG&E ERRA Proceeding](#) and the [SCE ERRA Proceeding](#).

Background:

The annual ERRA proceeding is the proceeding in which the PCIA is generally addressed.

PG&E ERRA

- On June 1, PG&E submitted its [ERRA Testimony](#) for approval of its forecast 2018 ERRA revenue requirement. On August 4, a [Scoping Memo and Ruling](#) stated that the PCIA rulemaking, not ERRA proceedings, is the proper forum to discuss policy issues, such as changing existing methods of calculation that are applicable to all IOUs.
- On August 28, Sonoma Clean Power (SCP) submitted [Testimony](#) arguing for a reduction in PG&E's PCIA for various reasons. On September 18, SCP agreed to withdraw portions of its Testimony that were the subject of a Motion to Strike from PG&E, and PG&E, in return, agreed to withdraw Chapter 3 of its rebuttal testimony. (See SCP [Revised Testimony](#) and [PG&E Revised Rebuttal Testimony](#).) Evidentiary hearings took place on September 20.

SCE ERRA

- On May 1, SCE submitted its [Testimony](#) for approval of its forecast 2018 ERRA revenue requirement. The California Choice Energy Authority (Cal Choice) is actively participating in this proceeding on behalf of Lancaster and other southern California cities. On August 24, the active parties in the proceeding, including Cal Choice, filed a [Stipulation](#) on issues to be addressed in the proceeding regarding SCE's proposed PCIA, with particular focus on the lack of meaningful oversight of SCE's PCIA calculation (and resulting errors that can occur).
- On September 22, Cal Choice filed its [Opening Brief](#) and SCE filed its [Opening Brief](#).

Recent Activity:**PG&E**

- On October 2, the Joint CCAs submitted an [Opening Brief](#), which noted the lack of evidentiary support, the improper inclusion of fuel costs that benefit bundled customers, and the reliance on stale data in PG&E's application. PG&E submitted a [Reply Brief](#), requesting rejection of the CCA recommendations.
- Also on October 2, PG&E submitted its [Opening Brief](#) requesting Commission approval of its forecasted revenue requirements, 2018 electric sales and peak load forecasts, GHG-related cost recovery and allowance revenue return proposals, and 2018 rate proposals. The Joint CCAs submitted a [Reply Brief](#), which cites PG&E's failure to follow Commission directives when calculating the PCIA.

SCE

- On October 13, Cal Choice filed its [Reply Brief](#) and SCE filed its [Reply Brief](#).

Next Steps:

PG&E

- November 2: PG&E Updated Testimony
 - November 6: Comments on PG&E November Update
- A Proposed Decision is expected in early-mid November

SCE

- November 10: SCE Updated Testimony
 - November 16: Comments on SCE's November Updates

Renewables Portfolio Standard (RPS)-Procurement Plans

To Do:

LEAN will continue to monitor [this proceeding](#).

Background:

This rulemaking proceeding addresses ongoing oversight of the RPS program, including review of procurement plans and reporting on RPS progress. The following CCA-related RPS Procurement Plans were submitted on July 21:

- [Apple Valley Choice Energy](#)
- [Lancaster Choice Energy](#)
- [Silicon Valley Clean Energy \("SVCE"\)](#)
- [MCE](#)
- [Peninsula Clean Energy \("PCE"\)](#)
- [Pico Rivera Innovative Municipal Energy](#)
- [Redwood Coast Energy Authority](#)
- [Sonoma Clean Power Authority \("SCPA"\)](#)

Comments on the RPS Procurement Plans were filed on August 18. The following is a summary of the comments, with certain parties arguing that CCA programs are not investing in new, long-term renewable projects. (See [Summary of Comments](#).) On September 22, [Apple Choice Energy](#), [Pico Rivera Innovative Municipal Energy](#), [SVCE](#) and [Lancaster Choice Energy](#) submitted Updated 2017 RPS Procurements Plans.

Recent Activity:

On November 1, several CCAs submitted supplemental compliance documents.

Next Steps:

- The ALJ is expected to release a Proposed Decision on RPS Procurement Plans in Q4 2017

PG&E's Diablo Canyon Power Plant Closure

To Do:

LEAN will continue to monitor [this proceeding](#).

Background:

On June 20, 2016, PG&E and other parties distributed a [Joint Proposal](#) governing the closure of Diablo Canyon and replacement of Diablo Canyon with a greenhouse gas (GHG) free portfolio of energy efficiency, renewables, and energy storage that includes a 55 percent RPS commitment by 2031. On January 1, Joint Intervenors submitted [Joint Opening Testimony](#). With the filing of reply briefs on June 16 ([Joint Opponents, PG&E](#), and [City and County of San Francisco](#)), this proceeding is now submitted for the issuance of a proposed decision.

On August 31, PG&E submitted an [Ex Parte Notice](#) on August 31, describing withdrawal of its Tranche 2 and 3 proposals, but continuing to seek approval of energy efficiency proposals (Tranche 1) and other key elements, including employee retention and Community Impact Mitigation Program settlement.

Recent Activity:

None.

Next Steps:

- November 8: Joint Opponents Ex Parte Meeting with Commissioner Guzman Aceves' office
- November 28: Final Oral Arguments (See [ALJ Ruling](#))
- TBD: Issuance of Proposed Decision

SDG&E's Request to Establish a Marketing Affiliate (Advice Letter 2822-E) (CCA Code of Conduct)

To Do:

No change since last month. LEAN will continue to monitor activity related to this matter.

Background:

On January 27, SDG&E filed a revised compliance plan, [Advice Letter 3035](#), for its Independent Marketing Division (IMD). On February 16th, LEAN joined with other parties in [protesting](#) this latest advice letter. On April 6, the Energy Division issued a [Disposition Letter](#) approving AL 3035. On April 17, the CalCCA sent a [letter](#) to the Commission requesting full Commission review of the Disposition Letter, and reiterating an earlier request for an Order to Show Cause regarding lobbying activity that SDG&E/Sempra conducted before the Advice Letter was approved. CalCCA's request, however, does not suspend the effectiveness of the Energy Division's approval. CPUC staff indicated in a teleconference on July 24 that no formal action will be taken on the Order to Show Cause.

On a matter related to the CCA Code of Conduct, Cal Choice submitted a [Letter](#) to assigned Commissioners on September 25. The letter expressed concern for SCE's conduct in forming a coalition related to the PCIA. On September 28, SCE submitted a [Response](#).

Recent Activity:

- September 29: California Energy Markets published an [article](#) regarding the IOU coalitions for CCA messaging
- October 4: an informal renewal of request for Commission resolution was submitted

Next Steps:

- The CPUC’s Energy Division will prepare a draft resolution addressing CalCCA’s request for full Commission review of the disposition letter
- Separately, the CPUC’s Legal Division is preparing a decision responding to SDG&E’s application for rehearing of Resolution E-4874, which determined that SDG&E’s IMD is also subject to the CPUC’s affiliate transaction rules

Tree Mortality Nonbypassable Charge (NBC)

To Do:

LEAN will continue monitoring [this proceeding](#).

Background:

On November 14, 2016, the IOUs filed their proposal to establish a Tree Mortality NBC ([Testimony](#).) CalCCA filed a [Protest](#). On July 14, 2017 CalCCA filed a [motion](#) arguing that parties should be allowed to argue for different cost recovery treatment for costs that have been statutorily authorized, on the one hand, versus costs that have simply been authorized by the Commission.

Recent Activity:

The CPUC Energy Division is working to schedule a workshop in December to consider alternative cost recovery approaches to be presented by CalCCA.

Next Steps:

- December: Energy Division workshop on possible alternative cost recovery approaches.
- A Scoping Memo will be issued defining the scope of issues and procedural schedule

Proposed CCA Fee Reductions - PG&E General Rate Case (GRC) Phase 2

To Do:

LEAN is continuing to monitor [this proceeding](#).

Background:

PG&E’s Phase 2 Application is used to, among other things, consider new rate proposals. PG&E has proposed significant reductions on CCA fees: Meter Data Management Fee (going from \$7.67 to \$0.14 per meter/month charge) and the Billing Service Fee (going from either \$0.44 or \$1.14, depending on whether it is bill-ready or rate-ready, to \$0.21 per service agreement/billing cycle).

SCE has also proposed significant reductions in its CCA service fees. (See SCE [Testimony](#) on CCA Service Fees). On September 14, a [Decision](#) adopting the Lancaster/SCE settlement was issued. Reduced CCA fees will be effective in mid-October.

Recent Activity:

- October 9: PG&E filed a [Motion](#) for adoption of a settlement agreement on reduced CCA service fees.

- October 17: a telephonic PHC was held (See [Email Ruling](#) with summary).

Next Steps:

- November 8: Comments are due on PG&E motion for adoption of CCA service fee modifications

Default TOU and ME&O-Residential Rate Rulemaking

To Do:

LEAN will continue to monitor developments in [this proceeding](#).

Background:

On April 14, SCE filed an [Application and Testimony](#) to approve its Default TOU rates for residential customers. Under SCE's proposal, a limited number of customers would be put on TOU rates starting in the fourth quarter of 2018. On August 24, the CPUC issued a [Decision](#) dismissing SCE's application and directing that SCE refile its proposal consistent with the timeline for the other IOUs (by January 1, 2018). SCE indicated that it will likely request in the new application to defer default of all customers until 2021 (after the fourth quarter of 2020), in order to allow for implementation of SCE's billing system changes.

On June 28, a [Draft Resolution](#) was issued on PG&E's Pilot Residential Rate TOU program. MCE and SCPA are the only CCAs participating in PG&E's Pilot TOU program; all other CCAs are excluded from participation. On July 31, MCE and SCPA submitted [comments](#) on the Draft Resolution, expressing concern about PG&E's lack of progress in providing a comparable bill-calculator for CCA customers. On August 10, a [Final Resolution](#) approved PG&E's Pilot Residential Rate TOU program. The resolution clarified that PG&E may recover costs necessary to provide CCA customers with rate comparisons for the default pilot entirely through distribution rates. However, the resolution declined to provide any direction regarding the appropriate method or cost recovery for creating a long term rate comparison tool solution for CCA customers.

Recent Activity:

On September 26, the CPUC submitted [Draft Resolution E-4882](#) addressing PG&E's ME&O on Residential Default TOU Rates. On October 30, [CCA parties](#) (MCE, SCP and SVCE) submitted a response to the Draft Resolution, arguing that CCA representatives should be involved in marketing material. The Draft Resolution is scheduled to be addressed at the November 9 CPUC Voting Meeting.

Next Steps:

- The IOUs are required to file applications for default TOU programs by January 1, 2018, for implementation in 2019.

CEC REGULATORY CASE DEVELOPMENTS

Implementation of AB 1110 – Power Source Disclosure

To Do:

LEAN is monitoring developments in this [CEC Proceeding](#). (See [OIR](#).)

Background:

This proceeding considers modifications to the Power Source Disclosure Program. Retail sellers, which includes CCAs, will be required to disclose both GHG emissions intensity of their respective electricity portfolios offered to customers and the CEC's calculation of GHG emissions intensity associated with all statewide sales. Retail sellers will also annually report other information to verify procurement claims and environmental claims made for the previous year. The CEC is required to adopt program guidelines by January 1, 2018. On June 27, CEC staff issued the [AB 1110 Implementation Proposal](#). Numerous parties have submitted comments on the proposal. On September 18, PCE submitted a fairly detailed set of [Comments](#).

Recent Activity: None.

Next Steps:

- Development of revised implementation proposal.

CPUC/CEC – JOINT ACTIVITY

Environmental Justice (EJ) and Disadvantaged Communities (DAC) Issues

To Do:

LEAN will monitor any CPUC or CEC developments that result from the *En Banc* hearing and the current DAC Advisory Group Proposal.

Background:

Senate Bill (SB) 350 requires the CPUC to help improve air quality and economic conditions in communities identified as “disadvantaged.” Additionally, SB 350 requires that the CPUC and the CEC create a DAC Advisory Group (DACAG), which will assist the two Commissions in understanding how energy programs impact these areas and could be improved. The CPUC held an *en banc* hearing on July 6. Notes from the *en banc* are available [here](#). On July 31, the CPUC and the CEC provided notice of their [proposal](#) to establish the DACAG. (See [summary](#).) MCE filed [comments](#) on this proposal, arguing that CCAs and their representatives are uniquely positioned to communicate with and represent the DACs they serve, and therefore, that the DACAG should have at least one CCA community representative. Feedback on the proposal was accepted until August 15. The CPUC and the Energy Commission will now consider public input, draft a charter for the Advisory Group, and begin to prepare the application for public distribution.

Recent Activity:

On November 1, the CPUC released a [Draft Resolution](#) and a [Solicitation Letter](#) proposing to establish and charter for the DACAG. LEAN is still reviewing this material and will provide additional information in the next report.

Next Steps:

- December 14: Possible CPUC approval of Resolution on DACAG charter.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager, VCEA

SUBJECT: Long Range Calendar

DATE: November 16, 2017

RECOMMENDATION

Receive the attached long-range calendar

Valley Clean Energy Alliance
Board of Directors Long Range Meeting Calendar (11/16/17)

Regular meetings 2nd Thursday of the month – 5:30pm

Regular Meeting/Location	Topics	Actions
Jan 17, 2017 - County Offices	<ul style="list-style-type: none"> • Appoint Advisory Committee • Review Critical Path Timeline • Review Draft Advisory Committee Conflict of Interest Policy • Adoption of start-up budget • Authorize Baking Services RFP release • Adoption of Regular Meeting Schedule 	<ul style="list-style-type: none"> • Approve • Review • Review • Approve • Approve • Approve
Feb 14, 2017 - Davis City Hall	<ul style="list-style-type: none"> • Revised launch date • Advisory Committee Conflict of Interest Policy 	<ul style="list-style-type: none"> • Approve • Approve
Mar 14, 2017 - County Offices	NO MEETING	
April 11, 2017 - Davis City Hall	<ul style="list-style-type: none"> • LEAN contract Transfer • Energy 101 Study Session • CAC Appointments 	<ul style="list-style-type: none"> • Approve • Informational • Approve
May 9, 2017 - County Offices	<ul style="list-style-type: none"> • City of Woodland Membership Request 	<ul style="list-style-type: none"> • Review
June 13, 2017 - Davis City Hall	<ul style="list-style-type: none"> • City of Woodland Membership Request - Approval • CAC Appointments - Woodland 	<ul style="list-style-type: none"> • Approve • Approve
July 25, 2017 - County Offices	<ul style="list-style-type: none"> • Interim GM • Coop Agreement – City of Woodland • Service provider options direction • Selection of Outreach/Marketing Service Vendor • Implementation Plan - Key Elements 	<ul style="list-style-type: none"> • Approve • Approve • Approve • Review • Review
Aug 31, 2017 - Davis City Hall	<ul style="list-style-type: none"> • Consideration of service provider options 	<ul style="list-style-type: none"> • Approve
Sept 20, 2017 - County Offices	<ul style="list-style-type: none"> • Draft Implementation Plan • Draft Logo and Outreach Plan 	<ul style="list-style-type: none"> • Review • Review
Oct 12, 2017 - Davis City Hall	<ul style="list-style-type: none"> • Draft Implementation Plan • SMUD Services Contract • Program Branding - Logo • Draft Outreach Plan 	<ul style="list-style-type: none"> • Approve • Approve • Approve • Review
Nov 16, 2017 - County Offices	<ul style="list-style-type: none"> • Load Forecasts/Procurement Approach • Introduction - Energy Trading and Risk Policies • Outreach Plan • Wholesale Energy Risk and Trading Policies 	<ul style="list-style-type: none"> • Approve • Review • Approve • Approve

Regular Meeting/Location	Topics	Actions
Nov 27 – ADVISORY COMMITTEE - Davis	•	•
Dec 4 – ADVISORY COMMITTEE - Davis	•	•
Dec 14, 2017 - Davis City Hall	<ul style="list-style-type: none"> • Discuss Power Mix Targets • Financials/Adopt Reserve Policy – Review • Target Rates for FY 2018-2019 – Approve • Energy Trading and Risk Mgmt Policies – Approve • Discussion re: VCEA Bylaws or Policies 	<ul style="list-style-type: none"> • Approve • Review • Approve • Approve • Review
Jan 11, 2018 – County Offices	<ul style="list-style-type: none"> • Review remaining Agency policies 	<ul style="list-style-type: none"> • Review
Jan 29 – ADVISORY COMMITTEE – Woodland	•	•
Feb 8, 2018 – Davis City Hall	<ul style="list-style-type: none"> • Approve final power mix • Approve remaining Agency policies 	<ul style="list-style-type: none"> • Approve • Approve
Feb 26 – ADVISORY COMMITTEE- Davis	•	•
Mar 8, 2018 – County Offices	<ul style="list-style-type: none"> • Approve FY 2018-2019 Budget • Final Rate Approval 	<ul style="list-style-type: none"> • Approve • Approve
April 2– ADVISORY COMMITTEE – Woodland	•	•
Apr 12, 2018 – Davis City Hall		
April 30– ADVISORY COMMITTEE- Davis		
May 10, 2018 – County Offices		
June 4– ADVISORY COMMITTEE – Woodland		
June 14, 2018 – Davis City Hall		

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager, VCEA
Shawn Marshall, LEAN Energy US
Don Dame, Energy Consultant

Subject: Professional Services Agreement for Implementation and Operational Services:
Task Order 3 – Wholesale Energy Services

Date: November 16, 2017

RECOMMENDATION

Adopt a resolution authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to finalize Professional Services Agreement Task Order 3 with SMUD for Wholesale Energy Services, in substantial conformance with the attached Task Order 3, for signature by the VCEA Board Chair.

BACKGROUND AND ANALYSIS

On October 12, 2017 the VCEA Board approved a Professional Services Agreement with the Sacramento Municipal Utility District (SMUD) to provide launch and operational services for VCEA. The action include the approval of Task Order 1 for technical and energy services, and Task Order 2 for data management/ call center services. The current recommended action would approve Task Order 3 for wholesale energy services. In summary, this Task Order provides the following services to VCEA:

- Load forecast model development
- Wholesale power procurement and risk policy and reporting
- Resource portfolio modeling and power supply budget
- Program launch filings
- Scheduling coordinator service
- Wholesale load and resource settlements and verification
- Power portfolio purchase service
- Market risk instruments management
- CAISO market monitoring
- Resource portfolio compliance reporting
- Energy procurement credit support service

If approved, Task Order 3 will be added as an attachment to the Professional Services Agreement between VCEA and SMUD.

VCEA staff, legal counsel, and consultants have negotiated the attached draft Task Order 3 with SMUD's executive and legal team. Additional feedback on the draft Task Order was provided by a subcommittee of the VCEA Community Advisory Committee which helped shape the final draft Agreement.

The draft Task Order 3 is structured and timed to run with the overall Professional Services Agreement. The overall cost to VCEA for the services contained in Task Order 3 is within the price of services included in the SMUD proposal which were detailed in the Comparative Analysis considered by the VCEA Board at its August 31, 2017 meeting. As detailed more fully in the previous staff report, the costs under the SMUD Agreement are competitive with and comparable to similar CCA program launch and operational services which have been and are being provided to existing California CCA programs.

CONCLUSION

Staff is recommending the VCEA Board pass the attached resolution authorizing the Board Chair, in consultation with VCEA staff and Legal Counsel, to approve and sign Task Orders 3, in substantially the same form as attached. Staff believes that the overall Agreement and Task Orders provide a reasonable and stable foundation for the successful launch and operations of VCEA.

Attachments:

1. Resolution Approving VCEA-SMUD Master Services Agreement Task Order 3
 - o Resolution Exhibit A – Form Master Services Agreement Task Order 3

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2017- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING PROFESSIONAL SERVICES AGREEMENT FOR IMPLEMENTATION AND OPERATIONAL SERVICES TASK ORDER 3 – WHOLESALE ENERGY SERVICES

WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

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

WHEREAS, on September 21, 2017, the SMUD Board of Directors authorized its CEO to enter into a contract with VCEA to provide CCA support services; and

WHEREAS, On October 12, 2017 the VCEA Board approved the Master Professional Services Agreement and Task Order 1 and Task Order 2 to provide program launch and operational services consistent with the SMUD proposal and VCEA Board direction; and

WHEREAS, VCEA and SMUD staff negotiated the attached draft Task Order 3 to provide Wholesale Energy Services to VCEA.

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

1. VCEA Interim General Manager, in consultation with VCEA Legal Counsel, is hereby directed to finalize Task Order 3 for Wholesale Energy Services, in substantial conformance with the attached Task Order 3, for signature by the VCEA Board Chair under the following terms:
 - a. Scope. Any significant changes to the scope, budget, schedule, or length of contract will be brought back to the VCEA Board for consideration.

2. The Chair of the Board is hereby authorized to approve and execute on behalf of VCEA Task Order 3 in substantial conformance with the attached Task Order 3 under the terms set forth in this Resolution.

ADOPTED, this _____ day of _____, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Don Saylor, Chair

Secretary

Approved as to form:

Interim VCEA Counsel

EXHIBIT A - Form Master Professional Services Agreement Task Order 3 between VCEA and SMUD

EXHIBIT A

Form Master Professional Services Agreement Task Order 3 between VCEA and SMUD

Task Order 3 Wholesale Energy Services

SMUD and VCEA agree to the following services, terms and conditions as described in this Task Order. This Task Order 3 is for Wholesale Energy Services (“Task Order 3”), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Task Order 3 conflict with any general provisions in the Agreement, the provisions of this Task Order 3 shall take precedence.

The Effective Date of this Task Order 3 is the date of last signature below.

1. SCOPE OF WORK

SMUD will provide Wholesale Energy Services to VCEA for Phase I: Program Development and Launch, and Phase II: Program Operations. As outlined in detail below, the following services will be delivered to VCEA. Additional or continued Wholesale Energy Services can be provided at any time during the Term of the Agreement through a mutually agreed upon Task Order or Task Order Amendment, subject to Section 6 below.

1.1. Load Forecast Models Development

SMUD will develop two load forecast models for VCEA. A long-term (10 year) load forecast model will be developed to forecast both total energy usage and peak demand by customer load class out into future years, to use for planning and budgeting. The initial forecast will be performed during Phase I: Program Development and Launch, with annual updates performed during Phase II: Program Operations. A short-term load forecast model will also be developed for daily load forecasting activities associated with scheduling of resources and load.

- 1.1.1. SMUD will evaluate actual historical PG&E customer data for interval loads and rate class information as the basis for creating a VCEA specific forecast of loads expected from the transfer (opt in) of PG&E customers to VCEA’s program.
- 1.1.2. SMUD will work with VCEA to develop assumptions about the number of customers expected within each rate class based upon the number of customers expected to be enrolled in VCEA’s Program (as opposed to customers choosing to opt out).
- 1.1.3. Historic or modeled loads will be adjusted for factors impacting changes in expected customer loads. These factors can include: changes in population, economic health and employment per household, usage due to the impacts of energy efficiency and electricity demand and use caused by major shifts in customer end use, such as increased penetration of electric vehicles. This will

form the basis of the retail load forecast for purposes of projecting expected VCEA revenues.

- 1.1.4. The wholesale load forecast will be developed from the retail load forecast by applying and adjusting for transmission and distribution loss factors as appropriate.
- 1.1.5. SMUD will develop a short term forecast model to use for wholesale scheduling of loads and resources. The model will take key weather variables, weekday type, season, and other relevant variable as inputs to forecast daily VCEA load by hour.
- 1.1.6. SMUD will provide the long-term load forecast results in an Excel-based template with charts to visualize the load data.

Deliverable(s): Long-Term (10 year) Load Forecast

Timing: November 2017

1.2. Wholesale Power Procurement and Risk Policy and Reporting

SMUD will work with VCEA to develop a Wholesale Power Procurement and Risk Policy (“Policy”). Energy commodity price volatility risk can be significant without adequate hedging practices to help control that risk. VCEA’s adoption of a Policy will guide SMUD in the Power Portfolio Purchase Service and Market Risk Instruments Management tasks.

- 1.2.1. Work with VCEA to develop a Policy for adoption by the VCEA Board. Upon mutual agreement, this policy shall be included as Appendix B to this Task Order 3.
- 1.2.2. Develop a Power Supply Risk Model based on the Policy developed in 1.2.1 to assess and monitor VCEA’s exposure to price volatility risk including developing appropriate risk exposure metrics.
- 1.2.3. Set up reporting structures and tools to use for monthly risk reporting to VCEA. Such reporting mechanisms are to include any deviations from adopted risk policies together with suggested remediation measures if deemed necessary by either SMUD or VCEA.

Deliverable(s): Wholesale Power Procurement and Risk Policy

Timing: December 2017 (review and Board Approval)

1.3. Resource Portfolio Modeling and Power Supply Budget

SMUD will model the proposed resource mix in an optimization production cost dispatch simulation model in order to assess the estimated cost impacts of the resource mix on overall

power supply portfolio cost. The model output will form the basis for the power supply budget and input into the financial model to determine VCEA target revenue requirements.

- 1.3.1. Develop a detailed resource model using an optimization dispatch simulation model for evaluating power supply options.
- 1.3.2. Obtain indicative pricing offers from suppliers and other relevant sources to inform the modeling.
- 1.3.3. Assess the impact of different hedging strategies to estimate and manage volumetric, price, and locational risks on power supply cost.
- 1.3.4. Provide an assessment to VCEA of the potential benefits and burdens of alternative hedging approaches. Consistent with typical utility practice, the results of the assessment may be expressed as a portfolio risk certainty of 95% confidence level based on past price and volume volatility.
- 1.3.5. Produce a VCEA power supply budget based on the resource portfolio modeling.
- 1.3.6. Work with VCEA to determine power content targets beyond RPS reporting requirements.

1.4. Resource-Related Launch Filings/Registrations/Agreements

SMUD will assist VCEA by managing all of the necessary pre-launch filings required to run wholesale energy services. The filings include, but are not limited to:

- 1.4.1. CAISO Market Participant Filings
- 1.4.2. SQMD Data Plan Filing with CAISO
- 1.4.3. California Air Resources Board registration
- 1.4.4. CAISO agreements, registration and deposits
- 1.4.5. WREGIS registration
- 1.4.6. Develop and file Initial Integrated Resource Plan
- 1.4.7. CITSS registration
- 1.4.8. Develop and file Resource Adequacy Plans
- 1.4.9. CAISO Scheduling Coordinator filings
- 1.4.10. VCEA OATI registration

Deliverable(s): Resource-Related Launch Filings/Registrations/Agreements Submitted

Timing: May 2018

1.5. Scheduling Coordinator Service

SMUD will use its existing relationship as a registered Scheduling Coordinator with the CAISO to act as VCEA's Scheduling Coordinator. This includes maintaining the appropriate credit facilities with the CAISO to include VCEA transactions with other transactions already managed

by SMUD. SMUD will serve as Scheduling Coordinator for both the VCEA wholesale load and the VCEA resource portfolio. This service includes:

- 1.5.1. Maintaining CAISO Scheduling Coordinator certification.
- 1.5.2. Directing CAISO Day-ahead (DA) and Real-time (RT) market activities.
- 1.5.3. Coordinating VCEA load and resource portfolio as a balanced wholesale energy market plan.
- 1.5.4. Verifying market awards for DA and RT load schedules.
- 1.5.5. Coordinating e-tagging for power imports and exports.
- 1.5.6. Submitting forward market Inter-Scheduling Coordinator Trades transactions for energy supply purchases from contracting parties serving as their own Scheduling Coordinator.
- 1.5.7. Performing Scheduling Coordinator roles and responsibilities as indicated in CAISO Tariff Section 4.5.
- 1.5.8. Communicating wholesale market activities with CAISO and counterparties.

1.6. Load and Resource Portfolio Operation Service

SMUD will provide additional support services for managing the scheduling of wholesale load and power supply resources. These services include:

- 1.6.1. Coordinating with supplying generating power plant operators on outages to adequately factor outages into the VCEA wholesale scheduling needs.
- 1.6.2. Communicating relevant outage information to the CAISO for those generating plants for which SMUD serves as scheduling coordinator.
- 1.6.3. Updating the wholesale load forecast model on a semi-annual basis to account for the number and type of customers added to (or leaving) VCEA's service, and updated information on how VCEA loads may be impacted by climate conditions and other key variables.
- 1.6.4. Coordinating resource activities resulting from material changes to resource portfolio plans.
- 1.6.5. Congestion Revenue Rights (CRRs). SMUD will coordinate on behalf of VCEA in the relevant CAISO processes for allocation of CRRs, to acquire a CRR portfolio for VCEA to maximize VCEA's expected CRR revenues in view of VCEA's planned energy procurement portfolio.

1.7. Wholesale Load and Resource Settlements and Verification

SMUD will perform all wholesale settlement activities for VCEA, including calculating shadow settlements for all VCEA load and power supplies. This will ensure that complex CAISO invoices are validated. Additionally, SMUD will flag any invoice that appears unusual and which

may be a potential candidate for dispute with the counterparty (whether the CAISO or any other counterparty that supplies load and/or resources to VCEA). SMUD will dispute materially inaccurate settlements and work directly with the counterparty as necessary to resolve any invoice related discrepancy.

1.7.1. WREGIS Coordination and Submittals

- 1.7.1.1. Make all WREGIS filings and submittals required for renewable resources supplying renewable energy for VCEA's power supply.
- 1.7.1.2. Coordinate REC transfers into VCEA's WREGIS account for renewable power purchases in the power supply portfolio.
- 1.7.1.3. Register any VCEA feed-in-tariff (FIT) project into VCEA's WREGIS account as VCEA generators.
- 1.7.1.4. As a key part of WREGIS settlement activities, SMUD will manage and coordinate Qualified Reporting Entity (QRE) services for collection, verification, and reporting of renewable resource meter data to WREGIS as appropriate. Many renewable power project owners directly contract for QRE services for their projects, and in such instances SMUD would not separately provide QRE services.
- 1.7.1.5. For VCEA FIT projects, SMUD will perform or contract for QRE services for those projects. As the CAISO Scheduling Coordinator for VCEA FIT projects, SMUD will have access to the CAISO verified meter data through the Market Results Interface – Settlements (MRIS) system, and can pull meter data from that system for reporting to WREGIS. Alternatively, SMUD will obtain data from PG&E and VCEA FIT project meter data, in accordance with the applicable PG&E meter servicing agreement.
- 1.7.1.6. SMUD will upload data to WREGIS on a monthly basis, as required in accordance with WREGIS procedures, for the creation of Renewable Energy Certificates (RECs) for VCEA power supply, and will use data on the VCEA FIT projects for power purchase settlement purposes.

1.7.2. Settlement Quality Meter Data (SQMD) for VCEA Wholesale Load Settlement

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

1.8. Power Portfolio Purchase Service

SMUD shall provide power portfolio purchase services to and on behalf of VCEA. Many of the transactions will be executed using existing “enabling” agreements that SMUD has with

many parties trading energy in the western United States. SMUD will use its status as an existing CAISO Market Participant to execute CAISO trades on VCEA's behalf. The types of products that SMUD will procure using these existing agreements include but are not limited to: power, ancillary services, resource adequacy capacity, renewable energy (PCC-1 and PCC-2, and as VCEA may determine, PCC-3 to the extent required to manage volumetric risk), carbon allowances, carbon offsets and financial swaps (for power cost hedging) if determined to be appropriate for VCEA

1.8.1. SMUD will use its status and credit as an active market participant in western energy markets and the CAISO managed market, to execute specific transactions for the VCEA power portfolio in SMUD's name. It is likely that transactions using SMUD's name will yield more and lower cost power proposals from suppliers than if the transactions are directly in VCEA's name, because of SMUD's established history and credit position with western energy market trading partners.

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

Deliverable(s): Power Agreements Executed

Timing: March 2018

1.9. Market Risk Instruments Management

Following the Policy established in Task 1.2, SMUD will manage hedging of the power supply portfolio (such as Congestion Revenue Rights (CRRs), in addition to any applicable fixed price power supply agreements) which will be part of the VCEA power supply. SMUD will coordinate the use of hedging instruments with VCEA so that any hedging instrument is procured with VCEA's approval or prior authorization.

1.10. Update Portfolio Model and Report Power Supply Risk Metrics

SMUD will update the power supply portfolio model on a monthly basis to reflect changing conditions so that the power supply budget and power supply risk metrics can be updated. SMUD will report this in accordance with the Policy. As part of this process SMUD may recommend changes to the then current Policy.

1.11. CAISO Market Monitoring

SMUD will follow CAISO market trends, issues and rules changes, participate in CAISO stakeholder meetings (in person or remotely), and provide a summary to VCEA of any issues or rule changes that SMUD reasonably believes may impact VCEA's operations.

1.12. Resource Portfolio Compliance Reporting

SMUD will manage all wholesale load and resource portfolio compliance reporting. This is expected to include, but is not limited to:

- 1.12.1. Power Content Label Reporting
- 1.12.2. RPS Compliance Reporting
- 1.12.3. Annual Emission Performance Standard Attestations
- 1.12.4. Annual SSP filings
- 1.12.5. CEC Integrated Energy Policy Report
- 1.12.6. Biennial Storage Progress Report
- 1.12.7. California Air Resources Board (CARB) Compliance Reporting
- 1.12.8. CEC filings and reports

1.13. Credit Support Service

SMUD will provide Credit Support Services to facilitate transactions associated with VCEA's power supply. To implement the power supply for VCEA's customers, with the exception of long-term power purchase agreements executed in VCEA's name, procurement will be in SMUD's name. Provision of Credit Support Services is contingent upon certain facilities being established and maintained. Establishment of the Lock Box Pledge Account and Reserve Account are conditions precedent for SMUD to provide Credit Support Services.

1.13.1. Operating Funds

Prior to the Launch Date, VCEA will establish a Board approved policy for the accumulation of operating funds and prioritizing payments, sufficient to i) fund payments to SMUD for billed power purchases for prior month(s) and current month activity for power purchases; ii) monthly VCEA administrative overhead; iii) payments for services fees to SMUD; iv) amounts owed to VCEA direct counterparties for energy purchases; and v) deposit funds into the Reserve Account. VCEA shall not make prepayments to any third party prior to meeting Reserve Account funding requirements.

1.13.2. Lock Box Pledge Account

VCEA shall set up a Lock Box Pledge Account and establish the related revenue deposit arrangements. However, SMUD will not immediately require VCEA to have PG&E deposit revenue payments directed to the Lock Box Pledge Account. As long as VCEA pays for power supply charges according to the payment timelines in this Task Order 3, SMUD will not call for PG&E to deposit revenues into the Lock Box Pledge Account. If at any time VCEA has not timely paid the billed monthly power supply charge payments in full, then SMUD may exercise its right to have PG&E revenues directed to the Lock

Box Pledge Account, and SMUD's priority rights on such Lock Box funds will be enforced.

- 1.13.2.1. Bank Requirements for Lock Box Pledge Account. The Lock Box Pledge Account shall be set up and held at a commercial bank regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency ("OCC") (the "VCEA Bank") and mutually agreed by the Parties. In addition, at all times the VCEA Bank shall have assets of at least \$500 million.
- 1.13.2.2. Lock Box Control and Priority. VCEA shall execute and deliver a deposit account control agreement, substantially in the form attached hereto as Appendix "C" (the "Lock Box Control Agreement"). VCEA hereby grants a present and continuing first priority security interest in and lien upon any funds which may be deposited by PG&E from payments by VCEA customers into the Lock Box Pledge Account as funding for ongoing energy purchases made by SMUD on behalf of VCEA and any fees owed to SMUD for SMUD services. VCEA agrees that the priority of disbursement of funds from the Lock Box Pledge Account is such that no disbursement of funds shall be made prior to sufficient funding of the electronic withdrawals (i.e., direct debit or ACH payment) by SMUD for billed power purchases (i.e. for weekly CAISO transactions and monthly bilateral transactions) for prior month(s) activity and the current month estimated transactions ("Power Payments"). Payments shall be applied to oldest aged invoices first. On a monthly basis, VCEA shall not make payments or pre-payments to any third party prior to paying SMUD for Power Payments and other services.
- 1.13.2.3. Revenue Deposit Agreement. VCEA, SMUD and PG&E shall execute a Revenue Deposit Agreement establishing that SMUD has the right to direct PG&E to deposit all revenue into the Lock Box Pledge Account should VCEA fail to pay undisputed SMUD invoiced power supply charges in a timely manner, triggering the Lock Box Control and Priority deposit provisions.

1.13.3. Reserve Account

VCEA will establish a Reserve Account at a bank, meeting financial strength requirements acceptable to SMUD in accordance with the Reserve Account Control Agreement for the purpose of security for the Power Supply purchase commitments made by SMUD on VCEA's behalf ("Reserve Account"). SMUD will require that VCEA fund the Reserve Account in the amount of \$1.00 for each MWh of wholesale energy procured in SMUD's name and delivered to VCEA, the first of such Reserve Account deposits

beginning when power payments to SMUD commence. The Reserve Account funding shall accumulate at this rate for the term of this Task Order 3. VCEA may request a call on Reserve Account monies for purposes other than specified by the Reserve Account Control Agreement; however SMUD has sole discretion to deny or to accept such request and may add specific conditions to any such use of funds.

- 1.13.3.1. Bank Requirements for Reserve Account. The Reserve Account shall be set up and held at a commercial bank regulated by the Federal Deposit Insurance Corporation (“FDIC”) and the Office of the Comptroller of the Currency (“OCC”) (the “VCEA Bank”). In addition, at all times the VCEA Bank shall have assets of at least \$500 million.
- 1.13.3.2. Reserve Account Control and Priority. VCEA shall execute and deliver a deposit account control agreement, substantially in the form attached hereto as the “Reserve Account Control Agreement” (Appendix D). VCEA hereby grants a present and continuing first priority security interest in and lien upon any funds which will be deposited by VCEA into the Reserve Account as required by the Task Order 3. The Reserve Account Control Agreement shall limit the use of funds in such Reserve Account (i) to support counterparty or CAISO requests for collateral, (ii) for reimbursement in the event of a third party default, (iii) in the event the Lock Box Account is not sufficiently funded to pay for monthly Transactions; (iv) SMUD’s request for collateral in the event of a material adverse change in VCEA’s financial condition; or (v) for other purpose as mutually agreed by the Parties in writing.
- 1.13.3.3. Reserve Account Funding. Procedurally, the reserve requirement shall be funded by VCEA on a monthly basis from CCA revenue available after payment of the prior month’s billed and owed obligations for (i) PG&E power related fees, if any; (ii) SMUD power purchases and related charges, including SMUD obligations to CAISO; (iii) monthly VCEA administrative overhead (based on annual budgeted amounts related to CCA activities);(iv) payment of service fees to SMUD; and (v) amounts owed to direct VCEA counterparties for energy purchases. VCEA shall not make pre-payments to any third party, including direct VCEA counterparties prior to funding the monthly reserve requirement.

1.14. Enterprise Risk Management Program Support

SMUD will work with VCEA to develop an Enterprise Risk Management Program to reduce the chance of loss, identify and take advantage of opportunities, and create greater financial stability for the CCA.

- 1.14.1. Work with VCEA to define risk governance structures and accountability for adoption by the VCEA Board. This will include the facilitation of discussions to establish corporate risk policies, working procedures, escalation processes, and development of a risk organizational chart.
- 1.14.2. Facilitate development of a target reserve policy.
- 1.14.3. Perform an enterprise-wide risk assessment to identify key organizational risks. This includes the facilitation of stakeholder meetings and risk surveys to identify and assess current risks, document current controls and provide recommended risk responses. SMUD will work with VCEA to identify new and emerging risks impacting VCEA's strategic objectives and develop guidelines to empower management and staff to make risk decisions within Board established risk and tolerance levels.
- 1.14.4. Develop risk tools including an enterprise-wide risk-scoring guide that rates risks on likelihood, impact and velocity, both before and after consideration of organizational controls. In addition, SMUD will develop risk assessment templates and risk response guidelines.
- 1.14.5. Develop standardized risk reporting for VCEA Board and stakeholders. This includes bi-annual reporting on the Enterprise Risk Portfolio and quarterly reporting on the Commodity Risk, highlighting performance, exposure, and trajectory.

Deliverable(s): Enterprise Risk Management Policy

Timing: March 2018

2. APPROVAL PROCESS / ACCEPTANCE

Both parties agree to perform tasks, reviews, and any necessary approvals in a timely manner in order to maintain agreed upon timelines as set forth in the Deliverables Schedule (Appendix A) to this Task Order. SMUD will provide deliverables to VCEA's Chief Executive Officer and/or other designated staff for review by VCEA. Deliverables that may require VCEA Board approval will be identified and sufficient time will be allocated in the project schedule to review and attain such approval.

3. TERM AND TERMINATION

3.1. Term of Task Order 3

This Task Order 3 is effective on the Effective Date of this Task Order and shall remain in effect for a period of five (5) years from the Launch Date, currently scheduled for June 1, 2018.

The commencement of services hereunder consists of two phases:

- Phase I: Program Development and Launch will commence on the Effective Date of the Agreement and will generally be completed on the Phase II: Program Operations commencement date.
- Phase II: Program Operations will commence on the delivery date for power (“Launch Date”) of June 1, 2018 or a date mutually agreed to by the Parties. SMUD will provide all services on a time schedule as necessary to meet the Launch Date.

The expiration of this Task Order 3 shall not affect the term of the Agreement.

3.2. Transition

In the event of termination of the Agreement or this Task Order 3, subject to the terms of the Agreement, SMUD shall provide to VCEA all such information and data requested by VCEA as kept in the ordinary course of business, and prepared or collected by SMUD for VCEA Task Order 3 services. SMUD will work with VCEA to confirm the transfer of licenses required to be held as part of the procurement and reporting of Wholesale Energy Services.

4. COMPENSATION FOR SERVICES

4.1. Wholesale Energy Services

Wholesale Energy Services will be charged at a fixed monthly service fee of \$46,000. The first invoice will be for services starting on the Effective Date of the Agreement and continue through Phase II: Program Operations. Monthly service fees are fixed through June 30, 2019 and are thereafter subject to annual escalation at U.S. Department of Commerce, Bureau of Labor Statistics, “Consumer Price Index-All Urban Consumers less food and energy” Series ID: CUUR0000SA0LIE(12 month period immediately prior).

4.2. Credit Support Service

Credit Support Services will be charged at a fixed monthly fee of \$0.80 per megawatt hour multiplied by wholesale load supplied less the energy supplied in such month from contracts VCEA has executed in its own name, starting on the Launch Date or a date mutually agreed to by the Parties.

4.3. Hourly Rate

This Task Order 3 can be amended to include additional deliverables at the hourly billing rates listed below. Hourly billing rates are fixed through June 30, 2019 and are subject to annual escalation at U.S. Department of Commerce, Bureau of Labor Statistics, “Consumer Price Index- All Urban Consumers less food and energy” Series ID: CUUR0000SAOLIE(12 month period immediately prior)..

Resources	Hourly Rate
SMUD CEO/VP	\$250.00
Principal	\$190.00
Senior Analyst/Specialist	\$150.00
Analyst/Specialist	\$100.00
Administrative	\$80.00

4.4. VCEA Energy Products Cost

VCEA obligations to pay SMUD for Energy Products on behalf of VCEA are separate from any fees owed to SMUD for SMUD Services. Energy Product costs will be passed through to VCEA without mark up. In the month following power delivery, SMUD will invoice VCEA on the 10th of the month. Payment from VCEA will be required on the 19th of the month, or nine (9) calendar days after VCEA receives SMUD’s invoice, whichever is later. SMUD will pay the Energy Product obligation on the 20th of the month.

Notwithstanding VCEA’s right to dispute invoices under Section 8.4 of the Agreement, VCEA shall remit payment for the entire Energy Products cost invoiced even if VCEA disputes a portion (or all) of the Energy Products costs. Accordingly, for avoidance of doubt, VCEA shall not withhold payment for Energy Product costs invoiced to VCEA for the portion that VCEA disputes.

5. PAYMENT TERMS

Fees incurred under this Task Order 3 will be invoiced monthly. Payment for these fees (exclusive of: registration fees and deposits associated with resource-related launch filings/registrations/agreements identified in Section 1.4; and, Energy Products costs addressed in Section 4.4) will be deferred until October 1, 2018, as described in the Agreement.

6. TASK ORDER 3 AMENDMENT

This Task Order 3 may be amended or otherwise modified by the Parties, as provided in the Agreement.

It is mutually understood that business requirements, resources, and dates may change subject to the applicable terms of Task Order 3. Any changes to the scope defined in Task Order 3 will be addressed through a task amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

7. POTENTIAL CONFLICTS

7.1. NON-DISCRIMINATORY TRADES

VCEA recognizes that there may be periods when VCEA, SMUD, and other CCA entities to which SMUD may be providing Wholesale Energy Services are competing for the same or similar Energy Products. Decisions by SMUD to transact for VCEA will be made on a non-discriminatory basis and will be based on the same methods and procedures used to transact on behalf of SMUD or other clients that hold agreements similar to this Task Order 3.

- 7.1.1. Pooling of Trades. Where possible, SMUD will pool the total requirement of VCEA, SMUD, and other CCAs into a single bid or auction for Energy Products. Energy Product volumes and the associated costs will be allocated pro-rata to each of the entities (SMUD, and/or VCEA, and/or other CCAs) participating in the pooled bid or auction so that each entity will incur the same unit transaction cost.
- 7.1.2. Non-Pooled Trades. There may be periods where SMUD does not pool the Energy Product requirement between VCEA, SMUD, and other CCAs into a single bid or auction for Energy Products, which may include times when VCEA specifically requests a separate bid or auction for Energy Products, or when VCEA, SMUD, or other CCAs have set different bid or auction limits and/or requirements for requested Energy Products. For such separate bids or auctions, SMUD will maintain strategy confidentiality for the auctions/bids between VCEA and other CCAs.
- 7.1.3. In the event VCEA seeks more information regarding the consistency and or objectivity associated with any pooled or non-pooled trades undertaken by SMUD on behalf of VCEA, VCEA shall submit a written request to SMUD for further explanation within 15 business days of VCEA's first learning of such activities or trades. SMUD shall then have 15 business days to provide a written response to VCEA identifying and explaining the specifics of the particular event, the parties involved, and the estimated cost or operational impacts on VCEA. If after receiving such SMUD response VCEA believes SMUD's action might have discriminated

against VCEA in a material manner, VCEA shall have the right to initiate a dispute pursuant to Section 13 of the Agreement.

7.2. NON-EXCLUSIVE RELATIONSHIP

VCEA hereby expressly acknowledges that SMUD may provide the same or similar services as contemplated under this Task Order 3 to other CCA entities. VCEA specifically acknowledges that SMUD is not precluded from representing or performing similar or related services for other persons, companies or organizations.

7.2.1. In performing such activities, SMUD will, subject to the terms and conditions set forth in this Task Order 3, be entitled to enter into matching purchase and or sale transactions with VCEA and other transaction counterparties from or to which SMUD may purchase or sell Energy Products. (any such transactions will be identified and reported).

7.2.1.1. Unless otherwise mutually agreed to by the Parties, any transactions between SMUD and VCEA under a matching transaction shall be on the same cost and delivery terms and conditions (except for billing and payment, which shall be pursuant to this Task Order 3) as the terms and conditions of the applicable matching transaction. SMUD shall resell matching transactions at the same price as SMUD paid for the transaction and VCEA shall pay to SMUD the corresponding amount payable by SMUD to the transaction counterparty and any amounts payable to any third party related entities, including but not limited to transmission service charges, transmission loss payments costs, CAISO fees and assessments and the like incurred by SMUD.

7.2.1.2. Notwithstanding any other provision of this Task Order or the Agreement, if the transaction counterparty is another SMUD client for which SMUD is providing similar wholesale energy services, the price of the transaction shall be set at market prices utilizing published indices as applicable to the transaction and where available.

7.2.2. VCEA acknowledges that SMUD owns certain power generation resources and has established, or may establish, contractual relationships with third party power generators or producers for its own load-serving purposes. VCEA further acknowledges that SMUD purchases and sells Energy Products in its normal course of business for its own load-serving purposes. Notwithstanding the existence of such arrangements, VCEA and SMUD both represent that that the existence of such

arrangements for SMUD's load serving purposes does not in and of itself create a conflict of interest.

7.2.3. The Parties specifically recognize and accept that there may be purchases and sales of Energy Products between and among SMUD clients, including VCEA, and that such transactions are the normal course of business in providing wholesale services, and that such transactions do not create any conflict of interest for SMUD in carrying out its obligations to VCEA pursuant to this Task Order 3.

7.3. EXCLUSIONS

7.3.1. Notwithstanding any terms of the Agreement or Task Order 3 to the contrary, in no event is SMUD obligated to enter into, or to provide any services respecting any transaction that is regulated as a "swap" pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

7.3.2. SMUD shall not be liable to VCEA for the failure of any counterparty, including but not limited to any transaction counterparties (i.e. when SMUD is trading as principal in the transaction), to pay or perform on its obligations. In the event of such failure by transaction counterparty, SMUD shall pursue any action against such defaulting entity at the direction of VCEA, at VCEA's sole cost and expense.

7.3.3. Under no circumstances shall SMUD be liable to VCEA for the failure of CAISO to pay, or for assessments made by the CAISO for VCEA, unless failure to pay or assessments result from SMUD's breach of this Task Order 3, subject in all cases to the limitations contained in the Agreement.

7.3.4. Unless otherwise mutually agreed to by the Parties in writing, SMUD shall have no obligation to enter into transactions on behalf of VCEA utilizing SMUD's trading agreements that extend beyond the current termination date of this Task Order 3, which termination date shall be the last day of the current initial term, or the renewal term if applicable. If the term of this Agreement is terminated early due to an event of default other than bankruptcy, then for existing transactions, SMUD and VCEA will continue to operate under the terms of the Agreement with regard to such transactions until such time as the individual transactions terminate or are fully settled. Nothing in this Task Order or Agreement shall prevent SMUD and VCEA from agreeing to settle any such transaction prior to the previously agreed settlement date of the transaction.

7.3.5. SMUD will make all reasonable efforts consistent with Prudent Utility Practice to meet VCEA's Policy and VCEA's bid offers, but the Parties recognize that market, power system or other conditions may from time to time be such that deviations from VCEA's Policy and or bid offers may occur. SMUD shall report within three (3) business days any such deviations to VCEA together with an explanation of how and why such deviations occurred and the estimated cost impacts on VCEA's power cost.

8. DEFINITIONS

Volumetric Risk: Risk associated with MWh volume changes as compared to expected volumes. Examples include budget load forecast as compared to actual as well as day ahead load forecast as compared to actual. These differences may create the need for short term buys or sells into the market at unhedged prices. This risk can be difficult to manage a priori as load deviations are typically weather driven and present themselves in the short-term / real-time operations window.

Price Risk: Risk associated with market price volatility for that portion of expected load that is not firmly priced. It is possible to fix prices for much if not all of a portfolio on a forward-looking basis. However, price volatility and volumetric changes will inevitably occur on a short-term basis.

Locational Risk: Risk associated with locational differences between where a generator places energy onto the grid and the place where a load serving entity pulls energy off the grid. In the CAISO, this is reflected as the Losses and Congestion components of published prices at each node. This risk can be managed with products in the market, however, volumetric risk remains on a short-term basis.

Energy Products: Means all commodities and commodity related products, both physical delivery and financial instruments, related to meeting the wholesale energy, regulatory, hedging, and or risk management needs of VCEA. The types of products include, but are not limited to: Energy; Capacity; Resource Adequacy; Local Capacity; System Capacity; Ancillary Services; Environmental Attributes (including but not limited to RECs, Carbon Allowances, and other required environmental attributes); Forwards; Futures; Swaps; Options; Congestion Revenue Rights; and other energy and commodity related products as needed.

9. SIGNATURES

The Parties have executed this Task Order 3 and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: _____

Name: _____

Title: _____

Date: _____

Approved as to form: _____

Sacramento Municipal Utility District

By: _____

Name: _____

Title: _____

Date: _____

Approved as to form: _____

APPENDIX A: DELIVERABLES SCHEDULE

#	Deliverable	Timing
1	Long-Term (10 year) Load Forecast	November 2017
2	Wholesale Power Procurement and Risk Policy	December 2017 (review and Board Approval)
3	Resource-Related Launch Filings/Registrations/Agreements Submitted	May 2018
4	Power Agreements Executed	March 2018
5	Enterprise Risk Management Policy	March 2018

APPENDIX B: WHOLESALE POWER PROCUREMENT AND RISK POLICY

To be developed after Task Order 3 execution.

Amendments

This Appendix B may be amended by mutual agreement of the Parties. Any amendment to this Appendix B shall be reflected in the version history below.

Version History

VERSION	CHANGE	DATE
1.0	Post-Execution Version	XXXXXX

APPENDIX C: LOCK BOX CONTROL AGREEMENT

LOCK BOX CONTROL AGREEMENT

Date: The ___ day of _____, 201__

Debtor: Valley Clean Energy Alliance

(“VCEA”)

Secured Party: Sacramento Municipal Utility District

(“SMUD”)

Notice Addresses are for both VCEA and SMUD are as stated in Appendix 1, of the Professional Services Agreement between the Parties.

Depository
Institution: _____

Address:
Attention: _____

1. Definitions. In this Agreement:

- (a) “Article 9” means Article 9 of the Uniform Commercial Code.
- (b) “Control” means control of a deposit account, as defined in Article 9.
- (c) “Debtor” means each and all of the persons or entities shown above as Debtor. All agreements of the Debtor in this Agreement are joint,

several, and joint and several.

(d) “Depository Institution” means the Depository Institution shown above.

(e) “Secured Party” means the Secured Party shown above.

(f) “Security” is defined in Article 8 of the Uniform Commercial Code.

2. **Agreement of the Parties.** The VCEA, SMUD and the Depository Institution agree to all of the provisions in this Agreement.

3. **Security Interest.** VCEA has given SMUD a first priority security interest in, and has pledged and assigned to SMUD, the following property (the “Collateral”):

All of VCEA’s existing and future accounts with the Depository Institution identified below, and all amendments, extensions, renewals and replacements of the accounts (all called the “Account”), and all existing and future amounts in the Account, and all existing and future interest and other earnings on the Account, and all proceeds.

Account number(s)_____with the Depository Institution, and all amendments, extensions, renewals and replacements of the account(s) (all called the “Account”), and all existing and future amounts in the Account, and all existing and future interest and other earnings on the Account, and all proceeds.

The security interest, pledge and assignment are called the “Security Interest.” VCEA and SMUD notify the Depository Institution of the Security Interest, and the Depository Institution agrees that it has been notified of the Security Interest.

4. **Control.** If the Collateral is one or more deposit accounts under Article 9, by signing this Agreement VCEA, SMUD, and the Depository Institution are giving SMUD Control over the Collateral, and are perfecting the Security Interest in the Collateral by Control. Whether or not the Collateral is a deposit account under Article 9, the Depository Institution will comply with all instructions and other directions originated by SMUD. This means that the Depository Institution will comply with all orders, notices, requests and other instructions of SMUD relating

to the Collateral, including but not limited to orders, notices, requests and other instructions to withdraw or transfer any Collateral, and to pay or transfer any Collateral to SMUD in the manner provided herein. The Depository Institution will promptly mark its records to register SMUD's Security Interest in the Collateral. SMUD and VCEA agree that the Collateral will be dispersed as follows: 1) SMUD will retain all monies due and payable to SMUD 2) SMUD will fund the Reserve Account, and 3) SMUD will retain \$275,000, which will be applied as a credit toward the current month's services 4) the remaining Collateral will be transferred back to VCEA's operating account.

5. **Rights of VCEA and Others.** Until the Depository Institution receives SMUD's notice that VCEA's rights in the Account are suspended (the "Shifting Control Notice"), the Depository Institution will comply with all notices, requests and other instructions from VCEA for disposition of funds in the Account. This includes but is not limited to orders, notices, requests or instructions to withdraw or transfer any of the Collateral, and to pay or transfer any of the Collateral to VCEA or any other person or entity, but not to redeem or terminate the Account. After the delivery by SMUD of the Shifting Control Notice to the Depository Institution, unless SMUD agrees in writing: (a) the Depository Institution will not permit VCEA or any other person or entity except SMUD to withdraw or transfer any of the

Collateral, and (b) the Depository Institution will not comply with any order, notice, request or other instruction from VCEA or any other person or entity except SMUD relating to any of the Collateral, and (c) the Depository Institution will not pay or transfer any of the Collateral to VCEA or any other person or entity except SMUD, or to any other account except the Account. At all times after the Depository Institution receives the Shifting Control Notice, unless SMUD agrees or unless SMUD withdraws the Shifting Control Notice, the Depository Institution will not honor any check or other item drawn by VCEA on the Account or any other withdrawal or transfer by VCEA from the Account, except to SMUD. The form of Shifting Control Notice is attached hereto as Schedule A.

6. **Representations and Agreements.** VCEA and the Depository Institution represent to SMUD, and agree that:

(a) No person or entity except SMUD has Control over any of the Collateral. Neither VCEA nor the Depository Institution has entered into any acknowledgment or agreement (including but not limited to any control agreement, pledged account agreement, blocked account agreement, or other acknowledgment or agreement) that gives any person or entity except SMUD (or acknowledges) Control over any of the Collateral or any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. Neither VCEA nor the Depository Institution will permit any person or entity except SMUD to have Control over any of the Collateral or any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. Neither VCEA nor the Depository Institution will enter into any acknowledgment or agreement (including but not limited to any control agreement, pledged account agreement, blocked account agreement, or other acknowledgment or agreement) that gives any person or entity except SMUD (or acknowledges) Control over any of the Collateral or any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. Unless SMUD otherwise requests or agrees in writing, VCEA is and will remain the sole account holder of the Account.

(b) No person or entity (except VCEA, SMUD, and the Depository Institution) has made a claim against any of the Collateral, or claims any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. VCEA and the Depository Institution will immediately notify SMUD if any person or entity (other than VCEA, the Seemed Party, or the Depository Institution) makes a claim against any of the Collateral, or claims any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral.

- (c) The Depository Institution has not issued, and will not issue, any Security for any of the Collateral, and the Depository Institution has not given, and will not give, any Security for any of the Collateral to VCEA or any other person or entity.
 - (d) The Depository Institution agrees that all of the Depository Institution's existing and future security interests, pledges, assignments, liens, claims, rights or setoff and recoupment, and other right, title and interest in any of the Collateral are and will remain fully subordinate to the Security Interest. The Depository Institution will not assert or enforce any of the Depository Institution's existing or future security interests, pledges, assignments, liens, claims, rights of setoff or recoupment, or other right, title or interest in any of the Collateral. But the Depository Institution may charge the Account for the Depository Institution's standard account fees for the Account, and for any checks and other items that are deposited in the Account and returned to the Depository Institution unpaid. SMUD is not personally liable to the Depository Institution for any fees, return checks, or other return items.
 - (e) The Depository Institution is a bank, as defined in Article 9. The State of _____ is the Depository Institution's jurisdiction for purposes of Article 9.
 - (f) VCEA hereby instructs Depository Institution, and Depository Institution hereby agrees, to furnish to SMUD statements of the Account as well as online access to enable SMUD to monitor activity in the Account, all as customarily provided to customers of Depository Institution at the times such statements and access are normally provided to customers of Depository Institution, through the normal method of transmission, at VCEA's expense. Additionally, VCEA hereby instructs Depository Institution, and Depository Institution agrees, to make available to SMUD and VCEA copies of all daily debit and credit advices of the Account and any other item reasonably requested by SMUD. If Depository Institution receives any notice of a claim of a third party in respect of the Account or legal process of any kind relating to VCEA, Depository Institution shall make a reasonable effort to give notice to SMUD and VCEA of such legal process.
7. **Rights of Depository Institution.** The Depository Institution does not have to pay uncollected funds. The Depository institution does not have to make funds available before it is required to do so under federal law. The Depository Institution is entitled to comply with all applicable laws, regulations, rules, court

orders, and other legal process.

8. **Tax Reporting.** Until SMUD notifies the Depository Institution to use a different name and number, the Depository Institution will make all reports relating to the Collateral to all federal, state and focal tax authorities under the name and tax identification number of VCEA.

9. **Waiver, Changes, and Cancellation.** Nothing in this Agreement can be waived, changed, or cancelled, except by a writing executed by VCEA, SMUD, and the Depository Institution, and except that this Agreement may be cancelled by a writing signed by SMUD and sent to the Depository Institution in which SMUD releases the Depository Institution from any further obligation to comply with instructions and other directions originated by SMUD with respect to all of the Collateral. Except under the previous sentence, nothing in this Agreement will be affected by any act or omission by any person or entity.

10. **Notices.** All notices, orders, requests, and other instructions and communications to any party under this Agreement will be delivered, mailed, emailed or faxed to such party's address [,email address] or fax number stated above, or to the other address or fax number that such party may designate in a written notice that complies with this sentence.

11. **Successors.** This Agreement binds and benefits the parties and each of heirs, representatives, successors and assigns.

12. **Specific Performance.** This Agreement may be enforced in an action for specific performance.

13. **Governing Law.** This Agreement is governed by the laws of the state specified in Section 6(e) above.

14. **Counterparts.** This Agreement may be signed in counterparts, and all counterparts together are the same Agreement. Executed as of the date first above written.

Valley Clean Energy Authority

By: _____
Title: _____

Sacramento Municipal Utility
District

By: Arlen Orchard
Title: CEO and General
Manager

Depository Institution

By: _____
Title: _____

9.1. **Schedule A**

SHIFTING CONTROL NOTICE

To: [Depository Institution]
[Address]

9.2.Re: Depository Account Control Agreement dated _____ by and Valley Clean Energy Authority, Sacramento Municipal Utility District and [Depository Institution]

Ladies and Gentlemen:

This constitutes a Shifting Control Notice as referred to in Section 5 of the above referenced agreement.

Sacramento Municipal Utility District

By:

Date:

APPENDIX D: RESERVE ACCOUNT CONTROL AGREEMENT

**RESERVE ACCOUNT CONTROL
AGREEMENT**

Date: The ___ day of _____, 201__

Debtor: Valley Clean Energy Alliance

Address:

Fax No.: _____

Secured Party: Sacramento Municipal Utility District

Address:

Depository Institution: _____

Address: Attention: _____

Fax No.: _____

1. Definitions. In this Agreement:

- (a) “Article 9” means Article 9 of the Uniform Commercial Code.
- (b) “Control” means control of a deposit account, as defined in Article 9.
- (c) “Debtor” means each and all of the persons or entities shown above as Debtor. All agreements of VCEA in this Agreement are joint, several, and joint and several.
- (d) “Depository Institution” means the Depository Institution shown above.
- (e) “Secured Party” means Secured Party shown above.

(f) “Security” is defined in Article 8 of the Uniform Commercial Code.

2. **Agreement of the Parties.** VCEA, SMUD and the Depository Institution agree to all of the provisions in this Agreement.
3. **Security Interest.** VCEA has given SMUD a first priority security interest in, and has pledged and assigned to SMUD, the following property (the “Collateral”):

All of VCEA’s existing and future accounts with the Depository Institution identified below, and all amendments, extensions, renewals and replacements of the accounts (all called the “Account”), and all existing and future amounts in the Account, and all existing and future interest and other earnings on the Account, and all proceeds.

Account number(s) _____ with the Depository Institution, and all amendments, extensions, renewals and replacements of the account(s) (all called the “Account”), and all existing and future amounts in the Account, and all existing and future interest and other earnings on the Account, and all proceeds.

The security interest, pledge and assignment are called the “Security Interest.” VCEA and SMUD notify the Depository Institution of the Security Interest, and the Depository Institution agrees that it has been notified of the Security Interest.

4. **Control.** If the Collateral is one or more deposit accounts under Article 9, by signing this Agreement VCEA, SMUD, and the Depository Institution are giving SMUD Control over the Collateral, and are perfecting the Security Interest in the Collateral by Control. Whether or not the Collateral is a deposit account under Article 9, the Depository Institution will comply with all instructions and other directions originated by SMUD directing disposition of the funds in the Account without any further consent by VCEA. This means that the Depository Institution will comply with all orders, notices, requests and other instructions of SMUD relating to the Collateral, including but not limited to orders, notices, requests and other instructions to withdraw or transfer any Collateral, and to pay or transfer any Collateral to SMUD or any other person or entity. The Depository Institution will promptly mark its records to register SMUD’s Security Interest in the Collateral.
5. **Rights of VCEA and Others.** The Depository Institution will comply with all notices, requests and other instructions from SMUD for disposition of funds in the Account. This includes but is not limited to orders, notices, requests or

instructions to withdraw or transfer any of the Collateral, and to pay or transfer any of the Collateral to any other person or entity. Unless SMUD agrees in writing: (a) the Depository Institution will not permit VCEA or any other person or entity except SMUD to withdraw or transfer any of the Collateral, and (b) the Depository Institution will not comply with any order, notice, request or other instruction from VCEA or any other person or entity except SMUD relating to any of the Collateral, and (c) the Depository Institution will not pay or transfer any of the Collateral to VCEA or any other person or entity except SMUD, or to any other account except the Account. The Depository Institution will not honor any check or other item drawn by VCEA on the Account or any other withdrawal or transfer by VCEA from the Account, except to SMUD.

6. **Representations and Agreements.** VCEA and the Depository Institution represent to SMUD, and agree that:

- (a) No person or entity except SMUD has Control over any of the Collateral. Neither VCEA nor the Depository Institution has entered into any acknowledgment or agreement (including but not limited to any control agreement, pledged account agreement, blocked account agreement, or other acknowledgment or agreement) that gives any person or entity except SMUD (or acknowledges) Control over any of the Collateral or any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. Neither VCEA nor the Depository Institution will permit any person or entity except SMUD to have Control over any of the Collateral or any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. Neither VCEA nor the Depository Institution will enter into any acknowledgment or agreement (including but not limited to any control agreement, pledged account agreement, blocked account agreement, or other acknowledgment or agreement) that gives any person or entity except SMUD (or acknowledges) Control over any of the Collateral or any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. Unless SMUD otherwise requests or agrees in writing, VCEA is and will remain the sole account holder of the Account.
- (b) No person or entity (except VCEA, SMUD, and the Depository Institution) has made a claim against any of the Collateral, or claims any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral. VCEA and the Depository Institution will immediately notify SMUD if any person or entity (other than VCEA, the Seemed Party, or the Depository Institution) makes a claim against any of the Collateral, or claims any security interest, pledge, assignment, other interest, lien or other right or title in any of the Collateral.

- (c) The Depository Institution has not issued, and will not issue, any Security for any of the Collateral, and the Depository Institution has not given, and will not give, any Security for any of the Collateral to VCEA or any other person or entity.
- (d) The Depository Institution agrees that all of the Depository Institution's existing and future security interests, pledges, assignments, liens, claims, rights or setoff and recoupment, and other right, title and interest in any of the Collateral are and will remain fully subordinate to the Security Interest. The Depository Institution will not assert or enforce any of the Depository Institution's existing or future security interests, pledges, assignments, liens, claims, rights of setoff or recoupment, or other right, title or interest in any of the Collateral. But the Depository Institution may charge the Account for the Depository Institution's standard account fees for the Account, and for any checks and other items that are deposited in the Account and returned to the Depository Institution unpaid. SMUD is not personally liable to the Depository Institution for any fees, return checks, or other return items.
- (e) The Depository Institution is a bank, as defined in Article 9. The State of _____ is the Depository Institution's jurisdiction for purposes of Article 9.
- (f) VCEA hereby instructs Depository Institution, and Depository Institution hereby agrees, to furnish to SMUD statements of the Account as well as online access to enable SMUD to monitor activity in the Account, all as customarily provided to customers of Depository Institution at the times such statements and access are normally provided to customers of Depository Institution, through the normal method of transmission, at VCEA's expense. Additionally, VCEA hereby instructs Depository Institution, and Depository Institution agrees, to make available to SMUD and VCEA copies of all daily debit and credit advices of the Account and any other item reasonably requested by SMUD. If Depository Institution receives any notice of a claim of a third party in respect of the Account or legal process of any kind relating to VCEA, Depository Institution shall make a reasonable effort to give notice to SMUD and VCEA of such legal process.

7. **Rights of Depository Institution.** The Depository Institution does not have to pay uncollected funds. The Depository institution does not have to make funds available before it is required to do so under federal law. The Depository Institution is entitled to comply with all applicable laws, regulations, rules, court orders, and other legal process.

8. **Tax Reporting.** Until SMUD notifies the Depository Institution to use a

different name and number, the Depository Institution will make all reports relating to the Collateral to all federal, state and focal tax authorities under the name and tax identification number of VCEA.

9. **Waiver, Changes, and Cancellation.** Nothing in this Agreement can be waived, changed, or cancelled, except by a writing executed by VCEA, SMUD, and the Depository Institution, and except that this Agreement may be cancelled by a writing signed by SMUD and sent to the Depository Institution in which SMUD releases the Depository Institution from any

further obligation to comply with instructions and other directions originated by SMUD with respect to all of the Collateral. Except under the previous sentence, nothing in this Agreement will be affected by any act or omission by any person or entity.

10. **Notices.** All notices, orders, requests, and other instructions and communications to any party under this Agreement will be delivered, mailed, emailed or faxed to such party's address [,email address], or to the other address that such party may designate in a written notice that complies with this sentence.
11. **Successors.** This Agreement binds and benefits the parties and each of heirs, representatives, successors and assigns.
12. **Specific Performance.** This Agreement may be enforced in an action for specific performance.
13. **Governing Law.** This Agreement is governed by the laws of the state specified in Section 6(e) above.
14. **Counterparts.** This Agreement may be signed in counterparts, and all counterparts together are the same Agreement. Executed as of the date first above written.

Valley Clean Energy Alliance

By: _____
Title: _____

Sacramento Municipal Utility
District

By: Arlen Orchard
CEO and General Manager

Depository Institution

By: __ Title:

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item - 10

TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Adoption of VCEA Strategic Marketing and Communications Plan
DATE: November 16, 2017

Recommendation

Approve VCEA Strategic Marketing and Communications Plan.

Background and Analysis

The VCEA Strategic Marketing and Communications Plan is designed to serve as a roadmap for the implementation of a marketing program that provides Yolo County residents, businesses, stakeholders, elected officials, and the general public with information about the operations and services provided by VCEA. The plan defines objectives, goals, issues and challenges, target audiences, messaging, communications channels, program timeline, and measurements of success. The primary goals of the Plan are to: (1) educate and inform the general public in Yolo County about VCEA, (2) establish household recognition and trustworthiness for the VCEA brand within the county, and (3) minimize opt-outs while maximizing "opt-ups". The core objectives of the Plan focus on building program awareness and establishment of public outreach to achieve the Plan goals.

On September 20th VCEA Board meeting Circlepoint presented an outline of the Plan. The Board provided initial feedback and directed the VCEA Community Advisory Committee (CAC) to review the Plan. On October 12th, the Board received a draft of the Plan. A Subcommittee of the CAC reviewed and provided comments on the draft Plan. Staff and Circlepoint worked with the CAC Subcommittee to address the comments. On November 6th the CAC Subcommittee provided a report to the full Committee, recommending approval of the Plan with revisions. The CAC voted unanimously to recommend adoption of the Plan.

The recommended final draft Plan is attached.

Attachments

1. Draft VCEA Strategic Marketing and Communications Plan

Valley Clean Energy Strategic Marketing and Communications Plan

ATTACHMENT 1

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Introduction

Valley Clean Energy (VCE) is the Community Choice Energy (CCE) program that will serve as the default electricity service provider to all participating residents, businesses, and agricultural customers in Woodland, Davis, and unincorporated Yolo County. As a community governed power supplier, VCE will empower residents and businesses with a choice in selecting who sources their electricity and what percentage of that power will come from clean sources. VCE has hired Circlepoint, in collaboration with InterEthnica, to develop, launch, and manage a marketing, advertising, and communications campaign that will educate, inform, and raise awareness for the VCE brand and its services for residents and businesses within VCE’s service area.

The following Strategic Marketing and Communications Plan (plan) will serve as a roadmap for the implementation of a marketing program that provides service area residents, businesses, stakeholders, elected officials, and the general public with information about the operations and services provided by VCE. The plan defines objectives, goals, issues and challenges, target audiences, messaging, communications channels, program timeline, and measurements of success.

The plan is intended to be a living document that will be assessed and refined as the campaign is implemented. The plan will also grow and mature alongside the VCE brand to fit the evolving needs of its constituents.

Goals and Objectives

The primary goal of the plan is to educate and inform the general public within the service area about VCE and establish household recognition and trustworthiness for the VCE brand in an effort to establish a successful program with minimal opt-outs.

The core objectives of the plan focus on building brand awareness and established public outreach, so that the brand is recognized by and viewed positively by county residents. VCE participation and consumption of its sub-products means the local community is investing in clean energy, which will help reduce greenhouse gas (GHG) emissions and dependence on exhaustible energy sources. Additionally, establishment of a successful CCE program will allow VCE to reinvest back into the local communities, which benefits the economy.

Specific goals and measurements for this plan include:

1. Provide clear, accurate, and easily accessible program information
2. Establish the brand as a trustworthy source with recognition within the service area, especially among agricultural customers
3. Deliver clear and transparent messaging regarding electricity rates
4. Maintain an opt-out rate below 8% for the default energy product
5. Maximize the number of opt-ups
6. Strengthen brand awareness of the program prior to launch, including its sub-products
7. Promote personal and community ownership of renewable resources

Key Issues and Challenges

CCE programs create customer choice where none existed before. As such, it is expected that there will be challenges with promoting the VCE program. Key anticipated barriers to program

participation include:

1. **Undefined Costs and Rates Prior to Launch:** A program without final product rates can be more difficult to market versus a program with set rates. While estimated rates provide customers with an idea of energy costs, set rates are more advantageous and transparent, especially since rates may only be slightly cheaper or in-line with PG&E at the launch of the program.
2. **Lack of Brand Recognition:** VCE is a new program with little to no brand recognition within the area it will serve. Establishing the VCE brand, and casting the brand in a positive light, will be a key challenge leading up to the launch of the program.

Circlepoint's work with other operational CCEs has shown that additional concerns for many electricity customers include:

- **Trust**—"What's a government agency doing in the electricity business?" Focusing on the aspect of not-for-profit and community control has proven to be key to developing trust and surmounting initial suspicion.
- **Cost**—"How much more will it cost me to buy greener electricity?" Looking issues of cost directly in the eye, even when it's not necessarily to the program's advantage (as may sometimes be the case) is always the best policy. Ultimately, honesty about these issues will earn trust in the brand.
- **Value**—"I know that renewable electricity is better than fossil-fuel-based electricity, but if it costs more I'm not sure it's worth it to me." Addressing bigger-picture issues of the *true* cost of fossil fuels, while retaining relevance to the everyday concerns of people, requires a balanced strategic approach to communication.

This Plan addresses these key issues and other barriers to participation by establishing an overall outreach strategy implemented through specific outreach actions.

Brand Creation

Creating a Brand for Customer Understanding

Circlepoint will develop a fully-realized brand, including a logo, which will help to visually tell the VCE story. This brand creation will result in messaging that goes beyond education to convey benefits and create a brand experience that builds trust and shows that choice is, indeed, a benefit to the consumer. Additionally, the brand will connect VCE with the customers that it serves. Branding efforts will ensure that the look and feel of all VCE collateral remain consistent throughout the entirety of the program. This is especially critical during the pre-launch phase.

Naming Electricity Products (sub-branding)

The creation of sub-brands will establish the different products available through VCE and help further distinguish each product as a unique entity within the overarching VCE brand. The names will be based on the overarching brand personality that has been established for VCE, while suggesting appropriate “levels” to customers. While the product options and details have yet to be established, the naming options will be consist with a default product and a premium product. They will fit within the brand family in a logical and meaningful way, offering not just identifiers but a convenient shorthand for marketing communication.

All of the currently operational CCEs in the state of California have sub-brands for their product offerings, which fit both logically and visually within the overarching umbrella of their main brands. The product branding process will include the distillation of a few key, well-considered sub-brand options along with graphic representations for each that fit with the overall brand and program goals.

Target Audiences

The cities of Woodland, Davis, and unincorporated Yolo County have a diverse population with a variety of cultural backgrounds, ages, education and income levels. In order to establish effective communications, it is essential to define target audiences to help inform key messaging. The diverse population creates a variety of motivations for potential VCE customers, ranging from economic impact to environmental sustainability. In many cases, different groups share basic concerns, but each may have its own specific perspective. The Plan maps out the diversity of target audiences:

1. General Residential Customers/PG&E customers
2. Commercial/industrial/business, with focus on agricultural audiences
3. Multicultural audiences
4. Advocates, champions, and early adopters
5. Seniors
6. Solar customers
7. Low income residents
8. City and county chambers of commerce
9. Unincorporated areas and neighborhood groups
10. Elected officials

For more information about the target audiences, their unique motivations, and the preliminary tailored messages, see the Messaging Framework in section 6 of this document.

Agricultural Communications and Outreach

Agricultural and rural customer communications and outreach will be critical to the success of VCE. The agricultural audience is seen as a large customer class with specific needs that are unique to the VCE service area. Establishing trustworthiness is of particular importance to this group. We anticipate that the single most important message that this audience will be interested in is cost. For those seeking to reduce their costs, Circlepoint will provide information on rates that clearly conveys that rates meet the goal of cost competitiveness (or better), than those offered by the incumbent utility provider.

By recognizing VCE services may not be especially suitable for certain ag businesses, tailored materials will communicate about the potential concerns of and potential barriers for this audience, while emphasizing the benefits that align with their unique needs and motivations. Another key point to emphasize with this audience is that VCE will be a better, more reliable partner. As a complement to the messages around program costs and reliability, messaging will highlight the local control aspect of CCE.

Circlepoint will make a special effort to reach agricultural audiences throughout program launch by reaching them where they are and through their preferred channels. The team will work with the VCE Advisory Committee and VCE staff to identify trusted partners, such as the Yolo County Farm Bureau, in order to reach this customer group effectively. The team will also get input from other industry organizations such as cattlemen's associations, organic farmers and small farm operations. Input from all of these sources will inform the best approach to engaging these customers, and the draft messaging. These trusted sources will also help identify members of the local ag community who may become brand champions. These champions may be interested in being featured in our advertising campaign and help us increase brand awareness through word of mouth.

Circlepoint will also develop custom collateral like an agricultural customer toolkit that is tailored to the key concerns and interests of this important customer group. The toolkit will emphasize program cost savings, local control, and local benefits and will serve as a tool to help develop brand champions who can help spread the word about VCE. The toolkit will also include tailored information about enrollment, cost and rates, potential savings data, and FAQs.

Multicultural Communications and Outreach

VCE is committed to providing support and resources for customers for whom English might be a second language. Due to the diversity of the service area's population, all messaging, notices, advertising, and marketing must be multilingual. In Yolo County, the population aged 5 and older who speak a language other than English at home is 64,337 persons, which represents 35% of the population.. This rate is less than the state rate of 43%. Of these languages other than English spoken at home, Spanish represents nearly 60% in the VCE service territory. Knowing that there is a large percentage of the population who prefer Spanish-language, collateral that includes pertinent information about VCE services will be developed to

include Spanish language to maximize efficiency and amplify customer education.

Circlepoint and InterEthnica will work together to develop tailored marketing and outreach materials for target audiences of all ethnic and socioeconomic backgrounds. The team will create culturally appropriate messaging in-language that will resonate with each audience, building authenticity and trust.

For non-English speakers, Circlepoint will produce materials translated in multiple languages. Materials will include clear graphics, for audiences who may have limited reading abilities in their own language. Informational materials for multi-cultural communications and outreach will also include English, because many of the county's non-English speakers, as well as those persons that are Limited English Proficient (LEP), demonstrate a measurable understanding and familiarity with English. Therefore, the inclusion of English on all materials gives the LEP and bilingual residents the ability to cross-reference information in two languages. This approach is especially valuable to bilingual persons for two reasons:

1. Bilingual persons born in the U.S. who use their first language primarily at home are often accustomed to using English outside of the home.
2. Many non-English speakers do not trust the quality of translated text and feel reassured when they cross-reference information with written English text that they may understand just as well.

In addition to in-language advertising strategies, Circlepoint will employ grassroots engagement tactics to reach multicultural populations within the service area, such as partnering with religious and social-service institutions to reach these audiences through trusted channels. The team will distribute materials through community-based organizations and in public locations where audiences may turn to services such as check cashing locations, laundromats, and grocery stores,

The Yolo County Housing Authority could be a potential partner for materials distribution as the work with low income and affordable housing agencies. Because audiences already seek the help and resources of the agency, this partnership would be a key authority to distribute messaging and inform about VCE.

The team will also engage the various ethnic chambers of commerce to frame participation in VCE as the new status quo for sustainable businesses. This will provide an opportunity to request that businesses promote the program on their websites, social channels, and other communications platforms.

Call Center scripting and training will also be developed to support VCE's bi-lingual objectives.

In addition, the selected SMUD Call Center services support non-English speaking customers (multi-lingual).

Messaging

Overall Messaging Options:

1. Cleaner energy at competitive prices.
2. We have the power. Independent, local energy.
3. Our community. Our power. Our choice.
4. Rates you can depend on.
5. The grass is greener when the energy is cleaner.
6. See more green when you switch to clean.

The draft messages listed below touch on the topics that the specific audiences care about. These messages speak to their motivations and what will resonate. The messaging framework below will help to inform future collateral development, advertising, and other outreach materials.

Messaging Framework		
Audience	Key Motivations	Preliminary Sub-messages
General Audience/Customers at large/PG&E customers	<ul style="list-style-type: none"> ● Environmental health ● Reliability ● Cost ● Choice ● Local control ● Not for Profit 	<ul style="list-style-type: none"> ● Valley Clean Energy is bringing cleaner energy at competitive rates to residents and businesses in Woodland, Davis, and unincorporated Yolo County. ● VCE provides an alternative to PG&E and gives our member communities a choice in how much of our electricity comes from renewable sources. ● VCE offers clean, affordable energy you can count on. ● Choosing VCE means cleaner energy at competitive rates provided by a local not for profit committed to returning value to our communities. ● Investing in clean energy is an investment in our community's future.

		<ul style="list-style-type: none"> • The choices we make now impact future generations. Choose clean, renewable energy for a healthier Yolo County.
Agricultural and rural customers/ unincorporated areas and neighborhood groups	<ul style="list-style-type: none"> • Cost • Reliability • Environmental health • Choice • Local control • Better partner 	<ul style="list-style-type: none"> • With the support of agricultural leaders like you, we can work together to help make the cities of Woodland, Davis, and unincorporated areas of Yolo County a better place for the industry to thrive. Valley Clean Energy will provide locally controlled, clean electricity at competitive rates and will be the official electricity provider for all energy customers in Woodland, Davis, and unincorporated areas of Yolo County. • Cleaner energy is more affordable than you think. Valley Clean Energy offers clean, affordable energy you can count on. • Valley Clean Energy is a better partner for local agriculture. Community energy means cost competitive, stable rates. • Valley Clean Energy is good for our community and the economy by bringing you a local choice for your clean power.
Champions	<ul style="list-style-type: none"> • Leading by example • Environmental health 	<ul style="list-style-type: none"> • Thanks for helping lead the charge against climate change! Your help will bring clean energy to our communities and will help create local, renewable jobs! • Help our community exceed our clean energy goals. • Choosing VCE's 100% renewable energy option is an easy way to contribute to greenhouse gas reduction and a more sustainable Yolo County. With this option, 100% of your electricity supply will

		<p>be sourced from clean, not-for-profit energy.</p> <ul style="list-style-type: none"> Interested in helping us get the word out about Valley Clean Energy? Become a VCE champion!
Seniors	<ul style="list-style-type: none"> Impact on future generations Leading by example Trust Cost 	<ul style="list-style-type: none"> Valley Clean Energy offers clean, affordable local energy you can count on. It's time we had a choice. Clean energy is coming to your neighborhood. Make a difference for future generations. Choose local sustainable energy.
Solar customers	<ul style="list-style-type: none"> Cost Choice Maintenance 	<ul style="list-style-type: none"> Harness your solar power for additional savings. Valley Clean Energy's net energy metering program allows customers with rooftop solar panels on their home or business get the full retail value of the electricity their system generates. When your panels produce more electricity than you use, you receive a credit on your bill. If you need additional electricity when the skies are gray, Valley Clean Energy is here for you with affordable, reliable clean energy We know you care about the environment. Valley Clean Energy provides cleaner energy at competitive prices.
Low income residents	<ul style="list-style-type: none"> Cost Retention of CARE/FERA programs Stable rates Health (Low-income communities traditionally have 	<ul style="list-style-type: none"> You don't have to pay more for clean energy. If you're enrolled in any of PG&E's discount programs, you will continue to get your discounts with Valley Clean Energy. There's no need to reapply for: California Alternative Rates for Energy (CARE), Federal Electric Rate Assistance (FERA),

	larger numbers of people suffering from asthma)	<p>Medical Baseline Allowance (MBA) and the Low Income Home Energy Assistance Program (LIHEAP). You'll continue to receive these rate discounts once you're automatically enrolled, with the added benefit of receiving cleaner electricity at even lower rates.</p> <ul style="list-style-type: none"> • Make the local choice for clean energy without the extra cost. Valley Clean Energy offers clean, affordable local energy you can count on, and your cost savings contributes to your local economy.
Commercial/industrial/business /chambers of commerce	<ul style="list-style-type: none"> • Cost • Local focus • Reducing pollution • Reputation among socially conscious customer groups 	<ul style="list-style-type: none"> • Valley Clean Energy offers a local choice for cost competitive, clean energy your business can rely on. • Valley Clean Energy is good for business. Your company will benefit from competitive rates, while helping your business meet sustainability goals. You'll also be helping stimulates the health of the local economy and environment. • Your community is counting on you. Power your business with clean energy from Valley Clean Energy. When you support clean, local energy, you support economic growth in our communities. Earnings will help fund local economic development with green energy projects and energy efficiency programs.
Elected officials	<ul style="list-style-type: none"> • Serving constituents needs/desires • Local focus • Impact on future generations • Cost • Meeting climate 	<ul style="list-style-type: none"> • Valley Clean Energy is the most efficient route to reduced GHGs and meeting our communities' climate action goals. When you support clean, local energy, you support economic growth in your County. • A cleaner future is a greener

	goals set by CA governor	<p>future. Valley Clean Energy offers clean, local energy for sustainable growth in your County. The choices we make now impact future generations. Choose clean energy for a healthier tomorrow..</p> <ul style="list-style-type: none"> • Clean energy is the future. Support Valley Clean Energy to help lead your county into a bright economic future.
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Communication Channels

Messaging and public outreach are only effective when the target audiences receive the messages that are intended for them. Today, market segmentation means a diverse audience receives messages from a variety of mediums, through a range of channels. In order to maximize reach, Circlepoint will employ a wide variety of communications channels to raise awareness and enhance brand recognition for VCE. Leveraging existing communications channels and other resources help to maximize efficiency.

The Plan outlines the following communications channels:

Media	Materials	Implementation
Program Collateral	<ul style="list-style-type: none"> • Business toolkit • Agricultural toolkit • Senior Buddy training guide • Animated video • Factsheets • Brochures • Poster • Flyers • Banner • Window cling • FAQs • PowerPoint template • Customer enrollment notices 	<ul style="list-style-type: none"> • Distribute collateral at tabling during community events and through community organizations. • Print collateral will be created in a bilingual format. • Distribute noticing by mail, per the requirements outlined in the outreach and communications plan. Distribute/post posters and postcards in public locations, such as libraries, City/County facilities, senior centers, and veteran centers • Develop tailored marketing and outreach materials for non-English speaking customers

Website	<ul style="list-style-type: none"> ● Translations ● Rates pages ● Rates calculator ● Media page ● Opt-in/out content ● Sign-up forms ● Enrollment maps ● Partner website badge 	<ul style="list-style-type: none"> ● Employ bilingual site in English and Spanish ● Conduct website audit ● Implement site enhancements including social media integration, rate calculator, and a progress tracker ● Include testimonials from opinion leaders from all three jurisdictions and different stakeholder groups as good way to provide positive messaging about Valley Clean Energy and hopefully answer questions residents and businesses may have about the program.
Email Marketing	<ul style="list-style-type: none"> ● Email templates ● Content and graphics 	<ul style="list-style-type: none"> ● Distribute informational content through VCE's existing listserv email database. Add new email addresses through social media campaigns, a sign up option on the VCE website and at tabling events. ● Develop regularly scheduled email blasts.
Advertising	<ul style="list-style-type: none"> ● Print ● Radio ● Transit ● Digital ● Outdoor ● Social media 	<ul style="list-style-type: none"> ● See media plan.
Social Media	<ul style="list-style-type: none"> ● Social media graphics ● Editorial content 	<ul style="list-style-type: none"> ● Develop the following social media accounts: <ul style="list-style-type: none"> ● Facebook ● Twitter ● YouTube ● LinkedIn ● Develop and post relevant content on VCE social media pages by creating an editorial calendar for timely and regular posts. ● Engage via NextDoor
Events and In-person	<ul style="list-style-type: none"> ● Develop list of events, neighborhood, and 	<ul style="list-style-type: none"> ● Attend pertinent community and stakeholder meetings, events

Outreach	<ul style="list-style-type: none"> stakeholder meetings Attend or “piggyback” on existing community events, such as farmers markets. Community events will be determined. Program Collateral 	<ul style="list-style-type: none"> Use events as an opportunity to distribute informational material, collect input, gather email addresses and engage the public. Engage CAC members to support in-person outreach. Engage community organizations to support in-person outreach.
Earned media	<ul style="list-style-type: none"> Press kit Press releases Op-eds and news articles Multicultural media Ongoing media outreach Speakers Bureau with Board Members 	<ul style="list-style-type: none"> Engage local media, specialized media and community bloggers for earned placement as identified in the outreach and communications plan. Develop news alerts and press releases for key milestones, human interest stories and other unique and interesting aspects of VCE. Celebrate successes. Conduct outreach to ethnic media
Call Center Scripting	<ul style="list-style-type: none"> Call center script 	<ul style="list-style-type: none"> Develop script for call center agents.
On-call tasks	<ul style="list-style-type: none"> VCE board presentations Planning calls Reporting 	<ul style="list-style-type: none"> In addition to providing VCE board with marketing and outreach updates, Circlepoint will compile regular progress, tracking, and reports

Stakeholder Outreach

Outreach to local neighborhood and community groups, business groups, and elected officials is essential to identify and engage program champions and seed natural dissemination of program awareness into communities served by VCE. This is the best opportunity for VCE Board Members to get involved and help build and empower those champions.

For special customer classes, such as large commercial, industrial and solar customers, SMUD’s key account reps will provide input on messaging and review draft materials to ensure materials as tailored effectively for these customers.

In-Person Meetings/Presentations

Circlepoint, VCE staff, and trained advocates will reach out to the community groups and centers listed below and make presentations during their normally scheduled meetings and/or activity sessions. In the event that a VCE board member would like to attend the meeting and

present on behalf of the program, Circlepoint will prepare talking points to ensure the member has adequate information for a successful presentation. Initial outreach to these organizations will also serve as an opportunity to vet our tailored messaging and materials for their audiences.

Dates for each meeting will be scheduled as the program gets closer to public advertising in early 2018.

These groups will include:

CBOs	Agencies/Organizations
<ul style="list-style-type: none"> ● VCE Advisory Committee ● Capay Valley Advisory Committee ● Clarksburg General Plan Advisory Committee ● South Davis General Plan Advisory Committee ● Yolo-Zamora Advisory Committee Churches ● Davis Joint Unified School District ● Woodland Joint unified School District ● Esparto Unified School District ● UC Davis ● Woodland Noon Rotary ● Woodland Sunrise Rotary ● Davis Noon Rotary ● Davis Sunrise Rotary ● Davis Sunset Rotary ● Kiwanis Davis ● Woodland Kiwanis Club ● Clergy and congregations, including ecumenical and inter-faith groups ● 	<ul style="list-style-type: none"> ● County service areas <ul style="list-style-type: none"> ○ <u>Dunnigan CSA</u> ○ <u>El Macero CSA</u> ○ <u>Garcia Bend CSA</u> ○ <u>North Davis Meadows CSA</u> ○ <u>Snowball CSA</u> ○ <u>Wild Wings CSA</u> ○ <u>Willowbank CSA</u> ● Yolo County Farm Bureau ● Yolo County Housing Authority ● Yolo Flood and Irrigation District ● Davis Downtown Business Association ● Historic Woodland Downtown Business Association ● Woodland Chamber of Commerce ● Davis Chamber of Commerce ● California Hispanic Chambers of Commerce ● Local environmental groups (i.e., Davis, Woodland Sierra Club; Cool Davis, Audubon)

Phone Calls and Material Distribution

For groups where it is impractical or not possible to meet with in person, we will call them to discuss VCE over the phone, and email materials for leaders to distribute to their groups. This outreach will occur at the same time as the group meetings listed above, to complement that work.

These groups will include:

CBOs	Agencies	Ag industry organizations	Businesses/ associations
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<ul style="list-style-type: none"> • Soroptimists International of Woodland • Capay Valley Vision • Woodland Community College • League of Women Voters of Woodland • Yolo County Office of Education • Los Rios Community College District 	<ul style="list-style-type: none"> • Unions/ Central Labor Council • Operating Engineers Local 39 • Carpenters Local Union • Clarksburg Fire District • Yolo Emergency Communications Agency • Woodland-Davis Clean Water Agency • Richard Heath and Associates (RHA) • Yolo Flood and Irrigation District 	<ul style="list-style-type: none"> • Organic Farmers • Full Belly • Pacific Coast Producers • Seed Co's • Yolo Land Trust • Farm Fresh to You • Farm Circle • PTAs in all jurisdictions • Yolo Energy Watch and participating groups • 	<ul style="list-style-type: none"> • Yolo County Visitor Bureau • Clark Pacific • Target Distribution Center • Rite Aid Distribution Center • Hotels • Davis Rental Housing Association • Hospitals • Local realtor's associations • Local apartment associations • Senior citizen organizations • Mobile home associations (both coach owners if they pay electricity and/or park owners for master metered parks)
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Public Forums

The communications program will explore the possibility of holding public forums in each of the member jurisdictions to receive input (and answer questions) from customers and provide information. Similar forums could also be held with different stakeholder groups (i.e., ag community, large industrial users, chambers of commerce).

Media Plan

The proposed media plan includes a robust effort - 18 weeks of advertising, from March to June 2018, to reach audiences across Yolo County about the VCE program roll-out.

Circlepoint will run preliminary digital ads in order to test messaging and graphics and to grow our following on Facebook. The ads that perform the best will be used to launch the campaign's

full media buys. With additional funding, we can extend the length of the advertising buy and add additional channels.

We will create a full media plan with a matrix of media buys as we get closer to the advertising launch date.

Collaboration with VCE Staff

Based on their experience with other CCEs, Circlepoint has provided the full suite of marketing and communications services as the programs gradually build their staff. Once CCEs have more in-house marketing resources, such as a Director of Marketing or Marketing Manager, Key Account Rep, and Outreach Associates or Interns, the in-house team typically leads specific activities, such as direct customer engagement and outreach. Circlepoint has continued to be agency support to them, providing communications strategy, advertising, graphic design, and web maintenance services. The Plan envisions a similar transition here, and the Circlepoint team will continue to support VCE staff through the process.

Project Timeline

In addition to the below timeline, a more detailed document will be developed to outline the outreach activities and the specific dates/responsibilities to track when in-person meetings will take place and who is assigned to them.

Task	Deliverables	Timing
Communications and outreach plan	<ul style="list-style-type: none"> ● Final communications and outreach plan ● Messaging framework 	September 2017 - October 2017
Program Branding, Design, Identity	<ul style="list-style-type: none"> ● VCE logo ● Sub-product(s) and program name ● Sub-product(s) and program logo ● Branding guidelines ● Business toolkit ● Agricultural customer toolkit ● Senior buddy training guide ● Animated video ● Factsheets (2) 	September 2017 - January 2018

	<ul style="list-style-type: none"> ● Brochures (2) ● Poster ● Flyers (2) ● Banner ● Window cling ● FAQs (2) ● PowerPoint template 	
Website	<ul style="list-style-type: none"> ● Content development ● Sitemap and wireframes ● Visual mockups ● Rates pages ● Media Page ● Social media integration ● Opt-up, Opt-out, Early adopter pages ● Sign-up forms ● Progress tracker ● Rate calculator ● Abbreviated page translations in Spanish language 	<p>Phase 1 Launch – November</p> <p>Phase 2 Launch – April 1</p>
Program Outreach Support	<ul style="list-style-type: none"> ● Outreach toolkit ● In-person engagement ● List of in-person engagement opportunities ● Email newsletter engagement ● Monthly written content and images ● Support efforts and training ● Two (2) trainings for advocates ● Branded giveaway items ● Booth/tabling event banners 	<p>September 2017 – May 2018</p>
Pre-launch Marketing Campaign	<ul style="list-style-type: none"> ● Comprehensive and multi-lingual paid advertising campaign ● Advertising campaign artwork ● Photography shoot ● Stakeholder/partner network communications 	<p>September 2017 – June 2018</p>

Social media	<ul style="list-style-type: none"> • Establish social media accounts for Facebook, Twitter, YouTube, and LinkedIn • Create monthly calendar of social media posts 	November 2017 – June 2018
Media Planning and Buying	<ul style="list-style-type: none"> • Advertising media plan • Secure advertising placements 	November 2017 – March 2018
Media Relations	<ul style="list-style-type: none"> • Mainstream and multicultural media relations • Press kit • Up to three (3) press releases 	April 2018 – June 2018
Customer Notification	<ul style="list-style-type: none"> • Development, design and delivery of four (4) opt-out notifications sent via USPS mail 	November 2017 – July 2018
Call center scripting	<ul style="list-style-type: none"> • One (1) final call center script 	November 2017 – December 2017
On-call and As-Needed Tasks	<ul style="list-style-type: none"> • Up to four (4) VCE Board presentations • As-need and/or regular project team calls 	August 2017 – June 2018

Success Measurements

These quantitative measurements will serve as the barometer for the effectiveness of the campaign:

1. Residential opt-out rate
2. Business opt-out rate
3. Residential and business opt-up rate

4. Social media followers
5. Social media conversations, engagement, and viral spread
6. Website traffic, usage, and patterns
7. Email sign-ups and engagement
8. Attendance at meetings and events
9. Advertising reach, impressions, and effectiveness
10. Media coverage

Throughout the life of the campaign, Circlepoint will engage in ongoing tracking and evaluation and create reports with both detailed and summary information. In addition, Circlepoint will utilize SMUD outreach resources as a “sounding board” to provide an additional expert perspective on key VCE outreach actions and activities. Tracking and reporting these indicators on a frequent and regular basis will enable the team to make adjustments to strategies, tactics, and messages during the campaign.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Chad Rinde, Accounting Manager, Yolo County
Mitch Sears, Interim General Manager, VCEA
Shawn Marshall, LEAN Energy US

SUBJECT: VCEA Amended Implementation Budget and Fiscal Management Update

DATE: November 16, 2017

RECOMMENDATIONS

1. Approve amended budget allocations for the fiscal year ended 2017-18 for the period of VCEA program implementation (Attachment 1: Implementation Budget);
2. Accept report on accumulated member agency costs subject to reimbursement as of September 30, 2017.

BACKGROUND & DISCUSSION

A. Program Implementation Budget/Allocation of City and County Contributions

During the 2016-17 City of Davis and Yolo County budget hearings, each Agency allocated \$500,000 to support VCEA start-up activities. The City of Woodland allocated \$500,000 with these funds received in fiscal year 2017-18. These funds are offered as loans to VCEA to be repaid with interest at each respective agency's pooled municipal treasury rates from early VCEA revenues once the Agency and its Community Choice Energy program is operational and revenue positive.

At its meeting in August 2017, the VCEA board approved the 2017-18 budget. The budget included implementation expenses that cover only the identified costs associated with the next stages of VCEA start up and expected member agency costs that will be incurred by the Cities or County on behalf of VCEA for which reimbursement will be sought in the future.

There are a number of key stages where the budget will need amendment between the adopted budget and the end of the fiscal year. The expected key events that will lead to new information needing to be incorporated in the budget are as follows:

- Selection of vendors for Technical Energy and Data Center
- Finalization of VCEA Staffing Plan and Structure
- Completion of Projections for Power Procurement and Power Sales revenues which is anticipated to begin in June, 2018.

It is expected that the staffing plan will be known and budgetary changes will be done in January, 2018 to accommodate and that the Power Procurement charges will be incorporated in Spring 2018.

The VCEA Board is asked to approve the amended implementation budget (Attachment 1) for fiscal year 2017-18, which has been integrated into the County's chart of accounts as reflected in Attachment 2. Integration into the County's chart of accounts continues to allow both revenues and expenses to be tracked throughout the start-up period, and expenditure reports will be generated and shared with the Board at regular intervals.

B. Reimbursement of Member Agency Costs

In accordance with the Cooperative Agreements that the VCEA Board approved with the City of Davis, County of Yolo, and City of Woodland, each agency is cooperatively providing staffing to VCEA during the interim start-up period until the VCEA hires permanent staff. The VCEA committed to reimburse each member agency for all costs incurred to the extent that VCEA funds are available. Each of the member agencies recognized that that the payment may not occur for a few years and repayment may occur over a period of time. Each agency is being requested to submit their expenditures accumulated that pertain to VCEA on a quarterly basis.

During the fiscal year 2016-17, a total of \$231,595 in member agency costs were accumulated that will be subject to reimbursement. The majority of this pertained to staff cost for City of Davis staff serving as Interim General Manager and for the County of Yolo Energy and Sustainable manager. The remaining costs were primarily related to legal counsel costs for which reimbursement needs to be paid and other reimbursable expenditures paid by the City of Davis during the formation phase.

For the first year for fiscal year 2017-18, accumulated reimbursable costs are \$66,731 which again are primarily comprised of staff costs and legal bills. There is still one pending submission

which will add to the costs which is the invoice for the County of Yolo Energy and Sustainability manager that contributed time to VCEA during the quarter.

Attachments:

1. Proposed VCEA Implementation Budget
2. Proposed VCEA Budget in County Chart of Accounts
3. Member Agency Cost Reimbursement Schedule as of September 30, 2017

**Valley Clean Energy Authority
Proposed Implementation Budget**

	Original Budget	Proposed Amendment	Amended Budget
Program Planning, Strategy and Project Management			
LEAN Energy US - Project Advisors	\$70,000	\$50,000	\$120,000
Subcommittee and Board Meeting Expenses	\$5,000		\$5,000
TOTAL:	\$75,000	\$50,000	\$125,000
JPA Formation			
JPA Agreement/Legal Services	\$25,000		\$25,000
Executive/staff salaries:			
General Manager (50% of year - Jan to Jun 2018)	\$104,000		\$104,000
City of Davis - Interim General Manager (Calendar year 2017)	\$187,000		\$187,000
City of Davis - Administrative Support	\$18,750		\$18,750
County of Yolo - Energy & Sustainability Manager (Jan 17 - Jun 18)	\$123,000	-\$60,000	\$63,000
City of Woodland - Environmental Manager (Jul 17 - Jun 18)	\$78,000	-\$39,000	\$39,000
Start up administrative costs (office rent, equipment, insurance, etc.)	\$50,000		\$50,000
TOTAL:	\$585,750	-\$99,000	\$486,750
Technical and Energy Services			
Implementation Plan, Operating Budget/Proforma, Power Supply RFP, vendor selection and contract negotiations, Rate Design/Rate Setting, Assistance with NEM/FIT programs, registrations and compliance	\$250,000	-\$158,000	\$92,000
TOTAL:	\$250,000	-\$158,000	\$92,000
Communications/Customer Enrollment*			
Logo/Branding/Subbrands, Website, Collateral Design/Video, Paid Media/Prelaunch Outreach, Community Outreach, Customer Notifications	\$400,407		\$400,407
TOTAL:	\$400,407		\$400,407
Data Management/Call Center			
Electronic Data Exchange, Customer Information System, Customer Call Center, Customer Enrollment Forms, Billing Administration, Settlement Quality Meter Data, Reporting	\$0	\$451,647	\$451,647
TOTAL:	\$0	\$451,647	\$451,647
Finance/Legal			
Banking and Credit Services - RFP, Selection, Negotiation and Paperwork	\$25,000		\$25,000
Power Supply Contract - Legal Services	\$50,000		\$50,000
County of Yolo - Department of Financial Services	\$25,000		\$25,000
Financial Audit (FY17 & FY18)	\$20,000		\$20,000
TOTAL:	\$120,000		\$120,000
Regulatory/Legislative			
Participation in Regulatory Proceedings/Legal Monitoring and Reporting	\$15,000	\$10,000	\$25,000
	\$10,000		\$10,000
TOTAL:	\$25,000	\$10,000	\$35,000
Contingency			
Contingency	\$54,716	-\$54,716	\$0
TOTAL:	\$54,716	-\$54,716	\$0
TOTAL:	\$1,510,873	\$199,931	\$1,710,804

*Assumes 4 notices to 50,000 customers in Davis and unincorporated County and additional 23,500 customers in Woodland

**Account
Reference**

501165
501110

501156

See right
502121
502121
502125
502123
See right

501165

501020

501152

501154
501156
501151
501151

501156
501165

503300

<u>Executive Staff/Salaries</u>	
500100	\$69,680
500400	\$34,320
Total	\$104,000

<u>Start Up Administrative Costs</u>	
501191	\$20,000
501210	\$20,000
501053	\$10,000
Total	\$50,000

Valley Clean Energy Alliance
2017-18 Budget by Account

Prepared as of 11-08-2017

Account	Account Description	Budget	Proposed Amendment	Amended Budget
Revenues				
400700	Investment Earnings-Pool	\$ 7,500	\$ -	\$ 7,500
405050	LTD Proceeds - Loans Payable	\$ 500,000	\$ -	\$ 500,000
405080	Long-Term Debt Proceeds-Other	\$ -	\$ 199,931	\$ 199,931
405999	Fund Balance Available	\$ 1,003,373	\$ -	\$ 1,003,373
Total Revenues		\$ 1,510,873	\$ 199,931	\$ 1,710,804
Expenditures				
Salaries & Employee Benefits				
500100	Regular Employees	\$ 69,680	\$ -	\$ 69,680
500400	Other Employee Benefits	\$ 34,320	\$ -	\$ 34,320
Total Salaries & Employee Benefits		\$ 104,000	\$ -	\$ 104,000
Services & Supplies				
501020	Communications	\$ 400,407	\$ -	\$ 400,407
501053	Insurance-Other	\$ 10,000	\$ -	\$ 10,000
501110	Office Expense	\$ 5,000	\$ -	\$ 5,000
501151	Prof & Spec Svc-Auditg & Acctg	\$ 45,000	\$ -	\$ 45,000
501152	Prof & Spec Svc-Info Tech Srv	\$ -	\$ 451,647	\$ 451,647
501154	Prof & Spec Svc-Fscl Agnt Fees	\$ 25,000	\$ -	\$ 25,000
501156	Prof & Spec Svc-Legal Svc	\$ 90,000	\$ 10,000	\$ 100,000
501165	Prof & Spec Svc-Other	\$ 330,000	\$ (108,000)	\$ 222,000
501191	Rents & Leases-Buildg & Imprv	\$ 20,000	\$ -	\$ 20,000
501210	Minor Equipment	\$ 20,000	\$ -	\$ 20,000
Total Services & Supplies		\$ 945,407	\$ 353,647	\$ 1,299,054
Other Charges				
502121	City of Davis	\$ 205,750	\$ -	\$ 205,750
502123	City of Woodland	\$ 78,000	\$ (39,000)	\$ 39,000
502125	Yolo County-Admin	\$ 123,000	\$ (60,000)	\$ 63,000
Total Other Charges		\$ 406,750	\$ (99,000)	\$ 307,750
Contingency				
503300	Appropriation for Contingency	\$ 54,716	\$ (54,716)	\$ -
Total Contingency		\$ 54,716	\$ (54,716)	\$ -
Total Expenditures		\$ 1,510,873	\$ 199,931	\$ 1,710,804

VCEA Member Agency Reimbursements Summary

Prepared as of October 23, 2017

	Quarter 1 July 1 - September 30, 2016	Quarter 2 October 1 to December 31, 2016	Quarter 3 January 1 - March 31, 2017	Quarter 4 April 1 - June 30, 2017	Total FY16-17
City of Davis					
Executive Director - Mitch Sears	\$ -	\$ -	\$ 62,553.50	\$ 62,553.50	\$ 125,107.00
Legal Counsel - BBK	4,665.76	7,536.62	4,314.65	6,671.39	23,188.42
Reimbursables	-	-	-	40,672.00	40,672.00
Total City of Davis	4,665.76	7,536.62	66,868.15	109,896.89	188,967.42
County of Yolo					
County Counsel - Eric May	-	-	1,150.80	3,452.40	4,603.20
Community Services - Regina Espinoza	-	-	-	37,659.96	37,659.96
Financial Services - Chad Rinde	-	-	364.00	-	364.00
Clerk of Board	-	-	-	-	-
Total County of Yolo	-	-	1,514.80	41,112.36	42,627.16
City of Woodland					
Conservation Coordinator - Reyna Pinon	-	-	-	-	-
Total City of Woodland	-	-	-	-	-
Total by Quarter	\$ 4,665.76	\$ 7,536.62	\$ 68,382.95	\$ 151,009.25	\$ 231,594.58

VCEA Member Agency Reimbursements Summary

Prepared as of October 23, 2017

	Quarter 1 July 1 - September 30, 2017	Quarter 2 October 1 to December 31, 2017	Quarter 3 January 1 to March 31, 2018	Quarter 4 April 1, 2018 to June 30, 2018	Total FY17-18
City of Davis					
Executive Director - Mitch Sears	\$ 55,238.00	\$ -	\$ -	\$ -	\$ 55,238.00
Legal Counsel - BBK	5,075.59	-	-	-	5,075.59
Reimbursables	239.00	-	-	-	239.00
Total City of Davis	60,552.59	-	-	-	60,552.59
County of Yolo					
County Counsel - Eric May	5,221.76	-	-	-	5,221.76
Community Services - Regina Espinoza	-	-	-	-	-
Financial Services - Chad Rinde	682.50	-	-	-	682.50
Clerk of Board	57.09	-	-	-	57.09
Total County of Yolo	5,961.35	-	-	-	5,961.35
City of Woodland					
Conservation Coordinator - Reyna Pinon	216.98	-	-	-	216.98
Total City of Woodland	216.98	-	-	-	216.98
Total by Quarter	\$ 66,730.92				\$ 66,730.92

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Mitch Sears, Interim General Manager, VCEA
Shawn Marshall, LEAN Energy US

CC: Victoria Zavaterro, Sacramento Municipal Utility District

Subject: VCEA Staffing Plan Discussion

Date: November 16, 2017

RECOMMENDATION

Receive information about VCEA and SMUD's staffing proposal and provide feedback/direction as desired.

BACKGROUND & DISCUSSION

VCEA and SMUD staff are currently working to complete Task Order 4, which outlines staffing and administrative services to be provided by SMUD and which contemplates a shared staffing structure that utilizes a small in-house team of VCEA employees augmented by significant staff and consulting support from SMUD and other outside service contractors.

Consistent with the business model adopted by the Board when approving the SMUD contract and responsive to feedback from the Board subcommittee, VCEA staff is proposing a minimal internal staffing organization that relies heavily on SMUD and other service providers in the early years of implementation and operations. Staff worked in partnership with the SMUD team to design a staffing approach that is as lean as possible at the outset, minimizing direct overhead expenses while still ensuring a local presence, successful operations, and an appropriate level of Agency autonomy.

Please see attachment A, staff's proposed initial organization chart, color-coded to reflect various staff positions and vendor supported functions. The proposed organization chart is reflective of the following key criteria:

- 1) It is consistent with budget estimates for the first few years of operation
- 2) It is reflective of necessary staffing functions based on the experience of other operational CCAs
- 3) It balances VCEA's need for capacity building with SMUD's expertise and experience
- 4) It provides an appropriate allocation of functions, including areas such as legal, regulatory and legislative that SMUD prefers not to provide
- 5) It provides for VCEA independent leadership (autonomy) as well as local presence to support VCEA-specific outreach and community needs

6) It offers flexibility to continue long-term outsourcing or build internal capacity over time

At some point in the future, VCEA may wish to consider transitioning to a more internally staffed organization, relying less on vendors such as SMUD and others to perform operational services. Transition to internal staff would occur gradually on a position-by-position basis, after VCEA's customer base, daily operations, and financial position are stable. Key considerations before moving a position from contracted to internal would include:

- Cost analysis of internal staffing compared to outsourcing, technology, or process changes;
- Availability of cross-training or contracting to meet operational needs during potential extended staff absences;
- VCEA ability to recruit comparable staff at a comparable price; and,
- Impact to overhead costs, including facilities, technology, and management span of control.

In closing, it is important to note that like all new organizations, staffing needs, skill sets and plans will evolve and change over time. We believe that the attached organizational chart is a solid starting point; however, the VCEA management team will regularly evaluate staffing and contracting strategies to ensure that high-quality service is met in a manner that appropriately balances benefits, costs and risks to the organization.

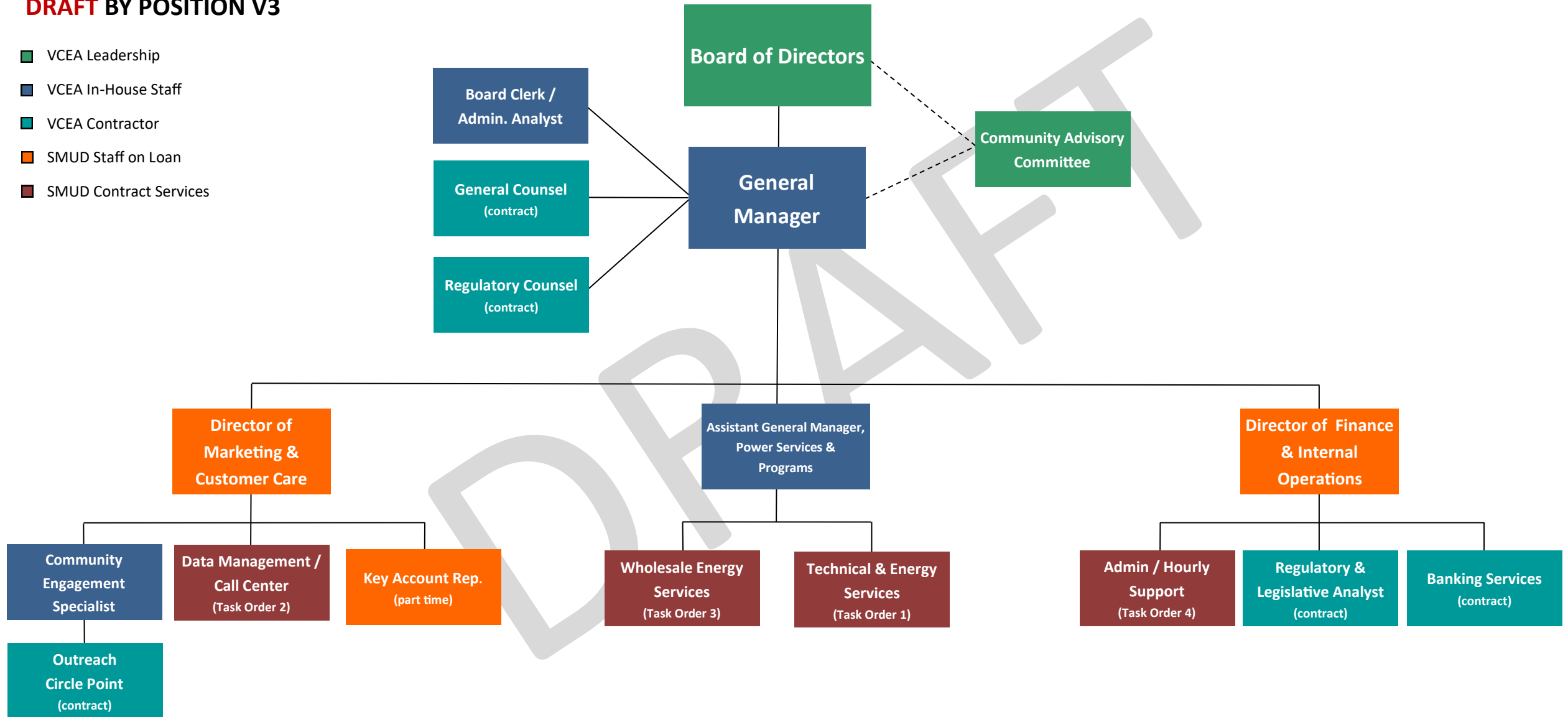
Attachment

1. Proposed VCEA Organization Chart

VCEA ORGANIZATION CHART

DRAFT BY POSITION V3

- VCEA Leadership
- VCEA In-House Staff
- VCEA Contractor
- SMUD Staff on Loan
- SMUD Contract Services



VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item - 13

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Wholesale Power Procurement and Risk Management Policy - Introduction

DATE: November 16, 2017

Recommendation

Receive the introduction to the Wholesale Power Procurement and Risk Management Policy and provide feedback/ direction as desired.

Summary

The purpose of this staff report/agenda item is to provide an introduction on the role and elements of the Wholesale Power Procurement and Risk Management Policy.

Background

The Implementation Plan for VCEA identifies Risk Management as an important function of the power supply activities:

“Risk Management – application of standard industry techniques to reduce exposure to energy and credit markets volatility and insulate Customer rates from sudden and significant changes in wholesale market prices.”

The Wholesale Power Procurement and Risk Management Policy will provide the primary guidance for managing the energy commodity risks faced by VCEA. The policy will establish VCEA’s Risk Management Program, with the focus on commodity risk. The policy further identifies specific risk management functions and procedures to manage energy commodity risks. Lastly, it establishes risk management standards.

Key Elements of the Policy

1. Enterprise Risk Oversight Committee

The Policy establishes an Enterprise Risk Oversight Committee that is delegated by the Board to be responsible for implementing, maintaining, and overseeing compliance of the Policy. The composition of the Enterprise Risk Oversight Committee would be the VCEA Executive Officer and key Directors, as well as the Wholesale Energy Services Provider and the Chief Legal Officer both serving in advisory roles.

2. Business Practices

The Policy lays out specific business practices to be followed. The business practices support standard practice and conduct for maintaining sound risk practices and include:

General Conduct Requirements

- Require that all personnel, including the Board, management, and agents adhere to standards of integrity, ethics, conflicts of interest, compliance with statutory law and regulations and other applicable VCEA standards of personal conduct while employed by or affiliated with VCEA.

Notification of conflicts

- Require that all personnel provide notification to VCEA should they have an interest in any counter party seeking to do business with VCEA.

Counterparty suitability

- The Wholesale Energy Service Provider's (WESP), counterparty credit limits and approval processes will govern counterparty suitability for all transactions executed by the WESP on behalf of VCEA.

Transaction records

- The Wholesale Energy Service Provider's Middle Office will maintain a set of records for all transactions executed in association with VCEA procurement activities.

Transaction valuation

- Transaction valuation and reporting of positions shall be based on objective, market-observed prices.

Stress testing

- In addition to limiting and measuring risk using the methods described herein, stress testing would also be used to examine performance of the VCEA portfolio under adverse conditions.

3. Functional Separation Criteria for Wholesale Energy Services Provider

The policy requires that the Wholesale Energy Services Provider keep the procurement activities separate from the activities of assessing portfolio risk, assigning credit, and conducting wholesale energy settlements.

Front Office

- The Wholesale Energy Service Provider's Front Office is responsible for managing all activities related to procuring and delivering resources needed to serve VCEA's load, conducting the analysis of fundamentals affecting load and supply factors that determine VCEA's net position, and transacting within the limits of the Policy to balance loads and resources, and maximize the value of VCEA's assets through the exercise of approved optimization strategies.

Middle Office

- The Wholesale Energy Service Provider's Middle Office provides independent market and credit risk oversight and is functionally and organizationally separate from the Front Office.

Back Office

- The Wholesale Energy Service Provider's Back Office provides support with a wide range of administrative activities necessary to execute and settle transactions and to support the risk control efforts (e.g. transaction entry and/or checking, data collection, billing, etc.) consistent with the Policy.

4. Delegations of Authority

The delegations of authority will establish the authority that the Board gives to the Enterprise Risk Oversight Committee, the Executive Officer, and the Wholesale Energy Services Provider for executing power transactions.

5. Risk and Credit Monitoring

Establishes that the Wholesale Energy Services Provider will provide risk and credit monitoring for the energy portfolio.

Proposed Timing

Staff is recommending that the Wholesale Power Procurement and Risk Management Policy be considered for approval at the December 14, 2017 Board meeting.

Fiscal Impact

The cost to develop the Risk Policies is included in the comprehensive Wholesale Energy Services provided by SMUD, and is included in VCEA's implementation budget.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item - 14

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: VCEA Load Forecast and Power Procurement Process Overview

DATE: November 16, 2017

RECOMMENDATION

Receive updated VCEA Load Forecast and Power Procurement Process Overview and provide feedback/ direction as desired.

SUMMARY

The purpose of this staff report/agenda item is present VCEA's updated load forecast and to provide an overview of the planned power supply procurement process.

The VCEA Community Advisory Committee received the information included in this staff report at their November 6, 2017 meeting.

Note: Staff will be providing a presentation at the Board meeting covering the information included in this staff report.

1. Load Forecast

Background

Previously, VCEA load forecasts have been estimates based upon generalized PG&E load profile information or comparable loads based upon SMUD's load profiles. With recent data transfers, SMUD has had a chance to build up a load forecast using actual PG&E customer metering data, which is fairly granular because most PG&E customers have smart meters, allowing for either 15-minute or hourly readings.

Purpose

The primary purpose of the load forecast is to be able to provide accurate revenue forecasts, and in turn to guide the power procurement for VCEA.

Data Used

The data used to develop the forecast is load and customer count data from PG&E for January 2014 to August 2017. Additionally, SMUD was able to procure a good weather record from the UC Davis Experimental Farm weather station, a NOAA weather station, for the years January

1998 through August 2017. Finally, economic data and forecasts for Yolo County were obtained from SACOG Growth forecasts (2016 Estimates).

Methodology

Historical loads and customer counts were normalized for weather, population, and economic activity data to create a base case. Forecasts were then made of the load per customer and customer counts assuming average weather conditions (conditions we would expect to see every one out of two years). We also forecast peak loads for extreme temperature (a peak high temperature we would expect to see one in every 10 years).

Customer Accounts

Table 1 shows the potential VCEA customer base, by Customer Class. E20S and E20P are the industrial sized customers, with peak demand over 1MW. Standby customers are typically customers with on-site generation, who may be served power by the grid as a backup:

Table 1. VCEA Customer Base (assuming no opt-outs)

2016 Billing Statistics for PG&E Customer Accounts (at Meter) for Yolo County				
Full Service	Davis	Woodland	Unincorporated	Total
Residential	26,871	20,640	8,863	56,374
Small Commercial	1,794	2,068	1,355	5,217
Medium Commercial	182	211	73	466
Large Commercial	93	100	58	251
E20S	-	2	5	7
E20P	-	1	1	2
Agricultural	3	28	2,201	2,232
Street	140	223	322	685
Standby	-	1	5	6
Total	29,083	23,274	12,883	65,240

SACOG Data

The February 2017 SACOG data used is summarized in Table 2.

Table 2. Population, Housing and Employment

	Population	Housing Units	Employment
2012	134,875	52,309	42,874
2020	143,964	53,675	48,945
2036	160,348	59,200	61,990
Growth Rates 2012-2020	0.8%	0.3%	1.7%
Growth Rates 2020-2036	0.7%	0.6%	1.5%

Growth Rates by Customer Class

Table 3 shows the growth rates that were applied to each customer class to forecast the load.

Table 3. Population, Housing and Employment

Class	Annual Growth Rate	Comments
Residential	0.6%	Based on SACOG Population and Housing Unit Growth
Small Commercial	0.3%	Based on SACOG Employment Growth
Medium Commercial	0.3%	Based on SACOG Employment Growth
Large Commercial	0.4%	Based on historical Growth
E20S	0.0%	No Growth Assumed
E20P	0.0%	No Growth Assumed
Agricultural	0.0%	No Growth Assumed
Street	0.0%	Based on historical Growth
Standby	0.0%	No Growth Assumed
Total VCEA	0.5%	

Historical Temperature Data

The charts below show the historical temperature data used to weather normalize loads and forecast expected loads into the future.

Chart 1. Average Daily Temperature by Month

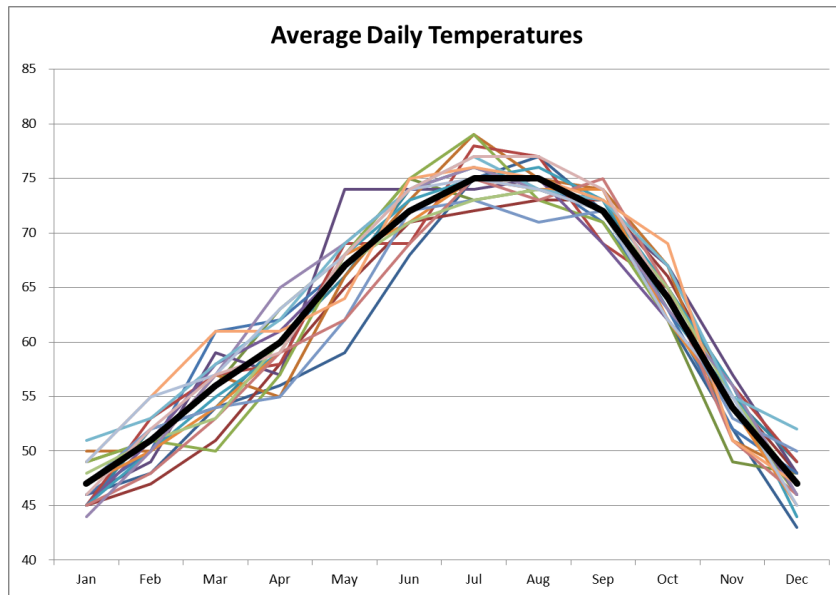
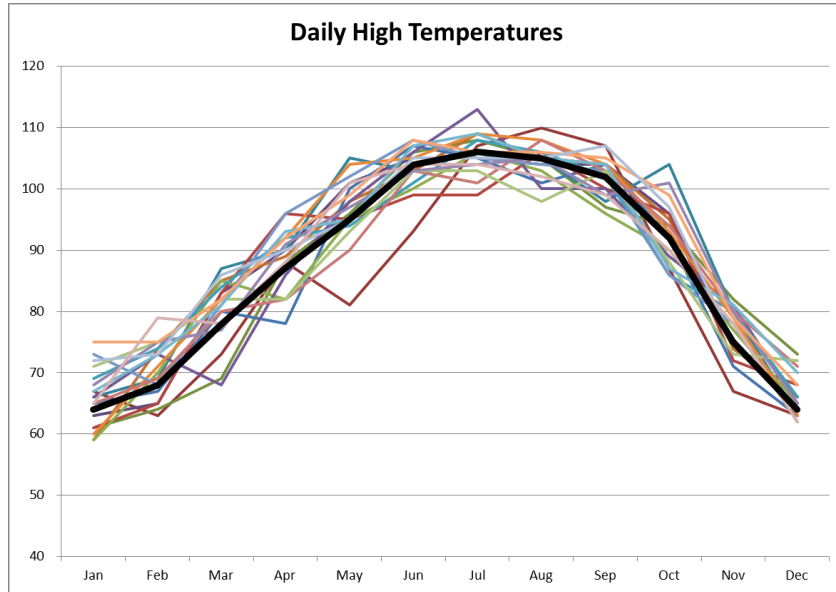


Chart 2. Monthly High Temperature History



Load Forecast

Chart 3 shows the energy load forecast, assuming no opt-outs for 2019 (the first full year of VCEA operation), at 100% of load would be 840,448 MWh. This will be discounted by the opt-out rate assumed for financial modeling and resource procurement. Note: the grey shading is currently available data.

Chart 3. Energy Forecast

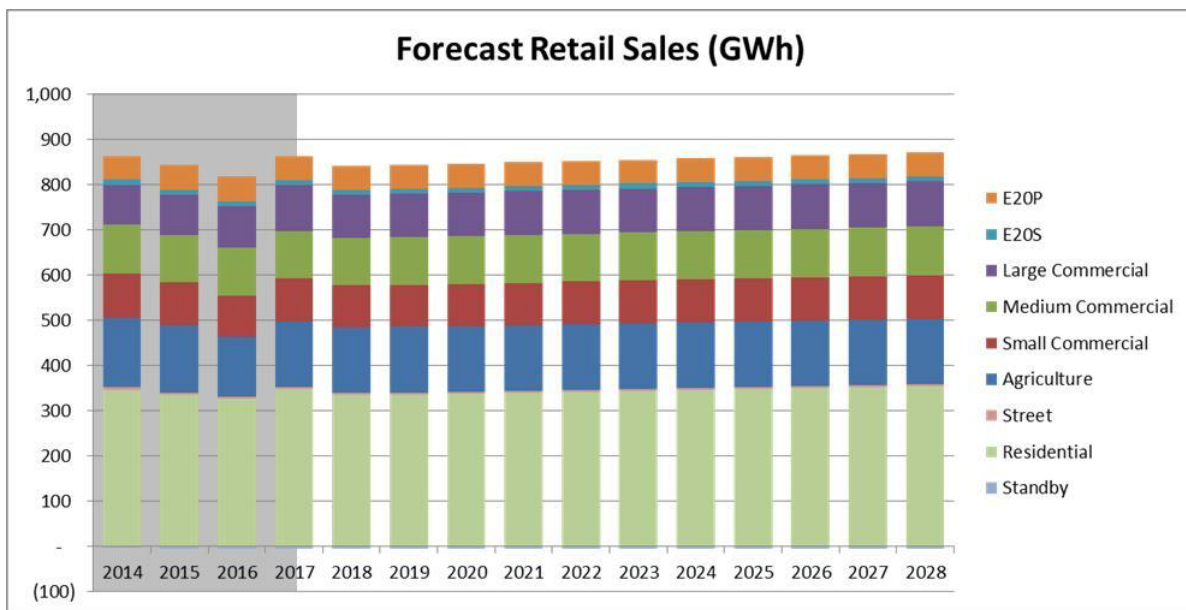


Table 4 shows the peak load forecast, assuming no opt-outs.

Table 4. Peak Load Forecast

Year	Expected Peak (kW)	Extreme Temperature Peak (1 in 10), kW
2015	229,247	257,052
2016	227,888	258,817
2017	244,016	260,286
2018	237,807	261,309
2019	238,410	262,174
2020	238,569	263,366
2021	240,000	264,824
2022	240,891	266,291
2023	241,770	267,790
2024	241,974	269,274
2025	243,398	270,770
2026	244,252	272,269
2027	245,119	273,781

2. Procurement Process

Background

The procurement process is the fundamental process to accomplish building VCEA's energy supply portfolio.

Timeline

There are several key milestones that occur prior to conducting the procurement:

Date	Milestone
December 2017	<u>Board Action:</u> Finalize preferred portfolio mix/plan and requirements
January 2018	<u>Board Action:</u> Approve and delegate authority to trade for portfolio products
January 2018	Implementation Plan Certification by CPUC
January – April 2018	Procurement window

Products Procured

The primary energy products that will be procured for VCEA are:

- Power to serve VCEA customers
 - Renewable – Product Content Category 1, Product Content Category 2
 - Clean – Specified Source power from Asset Controlled Suppliers
- Resource Adequacy Capacity to ensure adequate power is available to serve the VCEA load
 - System
 - Local Area
 - Flexible
- Price Hedging Products to address market risk

- Fixed Price Market Power
- Financial Swaps

Procurement Methods

Based on VCEA preferred portfolio mix/plan and requirements, SMUD will utilize various methods to procure the products depending on the product or supplier preferences:

- Direct Solicitation to Counterparties for Bilateral Agreements
- Electronic Platforms (e.g. Inter Continental Exchange)
- Auction Platform (EnerNoc)
- Brokers
- Respond to Solicitations From Other Counterparties for Bilateral Agreements

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item - 15

TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: VCEA Vision Statement
DATE: November 6, 2017

Recommendation

Approve VCEA Vision Statement.

Analysis and Discussion

The VCEA Community Advisory Committee (CAC), has drafted the attached Draft Vision Statement. The Vision Statement articulates desired short and longer term outcomes for VCEA. The CAC developed the Vision Statement over several meetings and views it as a “living document” that can be amended by the Board as VCEA evolves over time. The Vision Statement works in conjunction with the Mission Statement and is intended to describe a future condition.

Staff is recommending adoption of the Vision Statement with the recognition that it is intended to set out the aspirations of VCEA and can be adjusted as future conditions warrant.

The CAC unanimously recommended adoption of the attached draft Vision Statement at its November 6th meeting.

Attachment

1. VCEA draft Vision Statement

Valley Clean Energy Alliance

Integrated Vision for Community Choice Energy

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

Near-Term¹ Vision

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

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

Long -Term Vision

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

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

¹ Launch Phase and First Year