Meeting of the Board of Directors of the Valley Clean Energy Alliance (VCEA)
December 14, 2017
5:30 PM

Davis Community Chambers
23 Russell Blvd, Davis CA 95616

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. Elect 2018 Chair and Vice Chair (effective January 2018)

3. Approval of Agenda

4. 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

5. Approval of Minutes from November 16, 2017 Board Meeting

6. Regulatory and Legislative Update

7. Long Range Calendar

8. Approval of VCEA Contract for Insurance Coverage with YCPARMIA

9. Approval of Full Membership in CalCCA – CCA Trade Association

10. Fiscal Update –Pre Program Launch Projected Expenditures

REGULAR AGENDA

11. Approval of Credit and Banking Services Vendor and Authorization of Contract Negotiations (Action)

12. Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment (Action)

13. Approval of SMUD Services Agreement Task Order 4 related to VCEA Organizational Staffing (Action)

14. Approval of Financial Reserve Policy (Action)

15. Approval of Power Mix Targets and Target Electricty Rates for Calendar year 2018 (Action)

16. Approval of Wholesale Energy Risk Managememt Policy (Action)

17. Community Advisory Committee Report (Discussion)

18. Board Member and Staff Announcements

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

19. Ceremonial Presentation – Recognition of VCEA Anniversary

20. 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 Valley Clean Energy website located at: http://valleycleanenergy.com/meetings/

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager, VCEA

SUBJECT: Approval of Minutes from November 16, 2017 Board Meeting

DATE: December 14, 2017

RECOMMENDATION

Receive, review and approve the attached draft minutes from November 16, 2017 Board Meeting

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS
November 16, 2017

The Board of Directors of the Valley Clean Energy Alliance met in regular session beginning at 5:30 p.m. in the Yolo County Board of Supervisors Chambers, 625 Court Street, Woodland, California, 95695.

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

Approval of Agenda	Stallard moved, seconded by Frerichs to approve the agenda. Motion passed by the following vote: AYES: Chamberlain, Davis, Frerichs, Saylor, Stallard NOES: None ABSENT: Barajas
Public Comment	None
Approval of Consent Agenda	Approval of: • Minutes from October 12, 2017 • Approval of Consultant Contract Extensions for LEAN Energy and Don Dame to continue to provide launch support services to VCEA • Authorization for VCEA staff to Negotiate a Banking and Credit Services Agreement for Board Consideration and Action at a Future Board Meeting • Regulatory and Legislative Update • Long Range Calendar Stallard moved, seconded by Chamberlain to approve the consent agenda. Motion passed by the following vote: AYES: Chamberlain, Davis, Frerichs, Saylor, Stallard NOES: None ABSENT: Barajas
Approve Task Order 3 of SMUD Services Agreement related to the provision of Wholesale Energy Services	Mitch Sears, Interim General Manager, VCEA Staff recommendation is to adopt a resolution authorizing VCEA General Manager and General Counsel to finalize SMUD professional services agreement ‘Task Order 3’ in substantial conformance with document in Board packet, and authorize the VCEA Chair to sign ‘Task Order 3.’ All task orders within the SMUD agreement include a scope of work for each service element, a contract of deliverables, fee estimates and budgets for each task area, and definitions for the term and termination of the contract. The scope of deliverables for ‘Task Order 3’ includes: 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, load and resource portfolio operation service, wholesale load and resource settlements and verification, power portfolio purchase service, market risk instruments management, update portfolio model and report supply risk metrics, CAISO market monitoring, resource portfolio compliance reporting, credit support, and enterprise risk management program support

The term of ‘Task Order 3’ begins immediately and continues until 5 years post launch, June 2023. There is a framework in place that would allow VCEA to negotiate with SMUD to pull components of this task order in-house, if the board so chooses.

The cost of Wholesale Energy Services will be $46,000/month through June 2019 and then subject to annual CPI escalation. Credit services are offered at 0.80 per megawatt hour/month, with hourly fees for additional staff support, as needed.

As a part of VCEA’s comparative analysis process, staff found that these proposed costs comparable to other programs, with some benefits of having all tasks consolidated with one partner. The task order is consistent with the comparative analysis and the proposal SMUD provided.

Public Comment
None

Board Questions & Staff Responses are summarized below:

1. Can you clarify the definition of locational risk?

   Locational risk has to do with the point where you are purchasing energy in the market. Quite often the location where a generator places energy onto the grid is different from the place where a load serving entity pulls energy off the grid. The price of energy may vary between these two locations. This risk can be managed with products in the market, however, volumetric risk remains on a short-term basis.

2. What is the meaning of last sentence? “This risk can be managed with products in the market, however, volumetric risk remains on a short-term basis.” Do you mean locational risk?

   Yes. Locational risk remains.

Frerichs moved, seconded by Stallard to approve the staff recommendation as stated. Motion passed by the following vote:

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

Approval of VCEA Strategic Marketing and	Mitch Sears, Interim General Manager, VCEA Staff recommendation is to approve VCEA Strategic Marketing and Communications Plan. The primary goals of the plan are to:

Communications Plan

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
3. minimize opt-outs while maximizing "opt-ups."

The plan was previewed by VCEA Board at its September 20th meeting. The Community Advisory Committee Outreach Task Group offered significant input, and the full Community Advisory Committee recommended the play for adoption at its meeting on November 6, 2017.

Rae Quigley, Circlepoint
Circlepoint's progress updates include:

- revised communications plan based on input from CAC sub-committee
- conducted a photoshoot and collected aerial footage of Yolo County
- began to develop the creative collateral including logos for the specific product mixes and prototypical ads.
- developing a general collateral piece, as well as the Agricultural Customer Toolkit, which VCEA will be sharing with Farm Bureau.
- new website will be launched by the end of November.

Board Questions & Staff Responses are summarized below:

1. Will all collateral use local, Yolo County photographs?

   Yes

2. Will the board receive a report at each meeting for effectiveness of communication plan?

   Campaign metrics will be reported every month. Circlepoint staff will attend board meetings on a regular basis, but not every month.

3. On pages 84 & 85, why is it suggested that we contact Richard Heath and Associates (RHA)? Why were they were chosen?

   This was a mistake due to acronyms. The correct organization is the Rental Housing Association of Sacramento Valley.

Public Comment
None

Frerichs moved, seconded by Stallard to approve the VCEA Strategic Marketing and Communications Plan. Motion passed by the following vote:

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

Approval of Amended VCEA Implementation Budget for Fiscal Year 2017/18 and Fiscal Management Update	Chad Rinde, Assistant Chief Financial Officer, Yolo County

Staff requests the board:

- Approve an amended budget for fiscal year 2017/18
- Accept a report on the accumulation of member agency costs

In August 2017, the board approved an initial budget and VCEA began operations using the startup contribution of $500,000 from each member agency. VCEA has since approved contracts with Circlepoint and SMUD, which has clarified the financial forecast. Staff anticipateds returning to the board at least twice before the end of this fiscal year -- once following the staffing plan is approved in January, and again when the power forecast has been refined in the spring.

As expected, the revised budget articulates VCEA's costs exceeding the 1.5 million dollars of start-up contributions. As planned, VCEA will need to start drawing on a line of credit, which will be repaid when VCEA launches and begins to generate revenue. The staff report includes a quarterly summary of the accumulation of member agency costs, which will be reimbursed following launch in 2018.

Board Questions & Staff Responses are summarized below:

1. Why did we not have anything budgeted for Data Management/Call Center in the initial budget?

   Up to this point, all previous CCAs have all dealt with a single call center vendor. In each case, that vendor has deferred compensation until after launch. For this reason, we didn't include this item in the implementation budget.

   VCEA's call center will be managed by SMUD. SMUD will begin developing call center capabilities and infrastructure prior to launch and will be deferring compensation until October 2018. However, staff is working to capture the full costs that are being accumulated.

2. Chair Saylor is interested in having the budget reflect only what VCEA expects to spend in the current year. As the budget begins to include pieces for long-term debt repayment, the board needs to be able to track the original 1.5 million so that the board can tell their colleagues exactly what VCEA is doing with the money that the member agencies have loaned to VCEA.

   Staff will bring back a cash flow analysis and diagram for 2017-18.

3. These budget documents are available on the VCEA website?

   Yes.

Public Comment
None

Saylor moved, seconded by Stallard to approve the amended budget for fiscal year 2017/18, accept the report on the accumulation of member agency costs and bring back a budget display that is tied to the original 1.5 million dollars and the cash flow for 2017-18.

Motion passed by the following vote:

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

Initial Consideration of the Draft VCEA Organizational Staffing Plan

Mitch Sears, Interim General Manger
Staff recommends that the board receive the draft staffing plan and provide feedback as desired. Board feedback will inform the creation of SMUD's final Task Order 4

Over the past few weeks, LEAN Energy, SMUD and Mitch have worked in partnership to design the proposed initial staffing plan. This plan uses minimal in-house staff and relies heavily on SMUD staff and other service providers in VCEA's early years. Overall, the plan is consistent with the Feasibility Study (2016) and Comparative Analysis (August 2017).

Shawn Marshall, LEAN Energy
Staff consulted several organizational charts and staffing plans of different CCAs from around the state, and worked to allocate VCEA's functions in a way that was consistent with both SMUD's proposal and expectations, and VCEA's desire to build capacity overtime, but to maintain a small and in-house staff in the early years.

The key considerations we used in developing this plan were:

- Consistent with budget estimates for the first few years of operation
- Reflective of necessary staffing functions for CCA programs
- Balances VCEA's need for capacity building with SMUD's experience
- Provides an appropriate allocation of staff to functions, including areas such as legal, regulatory and legislative that SMUD prefers not to provide
- Supports VCEA independent leadership and autonomy as well as local presence to support VCEA-specific outreach, community needs
- Offers flexibility to continue long-term outsourcing or build internal capacity over time

It is expected that this staffing plan will evolve over time.

Victoria Zavattero, Director, Energy Research & Development, SMUD
This model makes sense and allows VCEA to lean on SMUD's expertise when needed while maintaining VCEA's independence and fiduciary responsibility.We worked together to honor SMUD's commitment to provide VCEA with turnkey services, while providing the flexibility to allow VCEA to evolve in the future.

Leadership

- Board and CAC serving as autonomous leaders of VCEA

Functions that will continue to be outsourced by non-SMUD partners:

- General Counsel
- Regulatory Counsel
- Marketing
- Regulatory and Legislative Analyst
- Banking services

SMUD contracted services that are reflected in the Task Orders:

- Data Management/Call Center – SMUD is fully staffing this. No VCEA staff involved directly in this area.
- Wholesale Energy Services – In process.
- Technical and Energy Services – In process. This is the work SMUD has been doing this fall, led by Gary Lawson.
- Administration– Part of SMUD proposal was to offer an admin support on an hourly basis, this may become a full-time position.

SMUD Staff on Loan:
These are experienced SMUD staff who would be located within VCEA organization and report to the General Manager

- Director of Marketing & Customer Care
- Key Account Representative – Would work specifically with ag & commercial accounts to address customer issues prior to launch
- Director of Finance & Internal Operations

VCEA Staff

- General Manager
- Board Clerk/Admin Analyst
- Assistant General Manager, Director of Procurement and Programs
- Community Engagement Specialist – person who is based here and can be responsive at different community events

Summary Metrics of Proposed Staffing Plan:

- VCEA In House: 4 full-time equivalent
- SMUD Contract: ~12 full-time equivalent (hourly/contract and 2.5 dedicated staff)
- Additional Contract Services: < 1 full-time equivalent (i.e. general counsel, regulatory counsel/analyst, etc.)

Timing:

- Post positions in December for hire in January and through Q1 2018

Board Questions & Staff Responses are summarized below:

1. Why would VCEA need both a General Manager and the Assistant General Manager Power Procurement & Programs? How do they interact? Why

would we have an assistant GM?

This staffing recommendation comes from SMUD and LEAN Energy – the experienced players at the table. Because the General Manager would be absorbed with managing all of the different pieces, they would not be able to engage deeply on the critical technical aspects of power procurement. SMUD can certainly provide this skill set, but at the end of the day, SMUD is a vendor. It will be important for VCEA's independence and fiduciary responsibility for VCEA to have internal staff with the skills to engage on the technical energy issues.

2. Is this a structure that can be phased in?

   This is the bare-bones, launch structure that staff believes is necessary to ensure our capacity for launch and the first year. VCEA can certainly phase these positions in. In that case, VCEA will rely more heavily on SMUD. It is important for VCEA to start to build a foundation moving forward. And long-term the capacity may look different.

3. Will VCEA be able to fill these positions prior to launch?

   Staff anticipates a robust applicant pool. East Bay just had a very successful recruitment process.

4. The SMUD staff on loan are not currently embodied in any of the Task Orders, is that correct?

   Correct. All of the "on-loan" staff positions will be addressed in Task Order 4.

5. Director of Marketing, Director of Finance and Key Account Rep would be brought in under Task Order 4?

   Yes.

6. Are these "on-loan" positions conceptualized as part-time services, or full-time?

   They are envisioned to be full-time positions.

7. Does that require a different type of contractual arrangement?

   Yes. Once we have received board direction, we will develop that arrangement in Task Order 4.

8. But they remain fully employed by SMUD, and SMUD funds their package, etc.? And we would negotiate some sort of all-inclusive hourly rate?

Yes. SMUD provided an hourly range in their proposal to cover the full cost.

9. When will Task Order 4 come before the Board?

   At the December 2017 board meeting.

10. One of the metrics we were looking at when we were considering joining Marin Clean Energy was the proportion of the overhead costs as a part of the rates and how that crept up over time. Are there cost savings for this model compared to other models?

    This model does not represent significant savings, however it is cost competitive. The ability to be flexible and only use the SMUD contract support that VCEA needs, does have potential to save on costs. The General Manager will need to manage how heavily VCEAs lean on SMUD staff.

11. It would be helpful to understand how we are analyzing cost containment and understand at what point it becomes cheaper for VCEA to hire our own staff.

    Staff envisions this as the initial staffing structure, and that then VCEA will need to re-analyze after 12-18 months. After the first year, staff intends to return to the board with recommendations regarding staffing moving forward.

12. A Director of Finance has a strategic, leadership role. Help me understand the thinking of having that be a SMUD employee.

    Staff had this discussion more than once. Staff believes that there is enough day-to-day financial management tasks, separate from the decision-making role, to absorb the Director of Finance's time. The JPA will retain the third party audition and treasurer. The bulk of VCEA's fiduciary responsibility and risk will be in the annual purchase of $50 million in power. Which was one of the reasons we wanted to have an internal VCEA staff member directly engaged in power purchasing. This proposal is a bit of a compromise to meet our goal of minimizing the number of VCEA staff at the beginning,

13. At the launch, is the Director of Finance, a full-time job?

    Yes. Because it is highly focused on finance to begin with, but they are also responsible for Human Resources and IT and administration.

14. Could we consider having a VCEA staff (i.e. Chad) manage our finances, while a SMUD staff manage Human Resources and IT?

    A certain amount of expertise is required to get this program live and VCEA is relying on our consultants and our external partners. We are trying to figure out how to balance SMUD's technical expertise with VCEA's financial oversight. Yolo County is not equipped at the outset to provide the level of financial management needed. Chad does not have, nor does he claim to have, expertise when it comes to power purchases. Chad and Mitch have been in conversations about the appropriate oversight mechanism. Right now, we are utilizing the County Auditor and the County Treasurer for that oversight.

15. Would it be possible to bring forward the topic of financial oversight for a more in-depth discussion at a future meeting? We will have a bank contract, so that some sense that this contract is managed by internal VCEA staff or one of the member agencies. Perhaps when you return with Task Order 4 you could include a summary of oversight and internal controls?
16. Recommendation that the Regulatory/Legislative Analyst report directly to the General Manager.

Public Comment
Christine Shewmaker: Spoke in support keeping legal counsel and Regulatory/Legislative Analyst separate from SMUD and reporting directly to VCEA staff. Encouraged the board to consider not only immediate start-up staffing needs but also the long term vision of where VCEA needs to go.

Board Direction is summarized below

- General support for concept
- The board shares an interest in not starving the effort at the beginning, but wants to be fiscally prudent.
- Connect the Regulatory/Legislative function to the Genergal Manager
- Along with Task Order 4, provide description of how financial oversight relationship and roles will work
- When Task Order 4 comes to the board, the board requests that it include financial information regarding costs and how it compares to a percentage of our rate base
- VCEA will need to work out the logistics of where all these people are going to sit.
- Board understands that the staffing structure will evolve over time.
- The board appreciates the collaborative work, which demonstrates excellent creative problem-solving, solid teamwork, hard work and clear thinking

Approval of VCEA Vision Statement

The VCEA mission statement directs day-to-day operations, while the vision statement is an aspirational, outcome-based document. It is a document that can be used internally to help us assess how we are doing.

The vision statement was developed by the Community Advisory Committee Task Group, and the committee recommended it for board approval at their meeting on November 6, 2017.

Public comment
None

Frerichs moved, seconded by Davis to approve the Vision Statement.

Motion passed by the following vote:

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

Review of Wholesale Power Procurement and Risk Management Policy

Gary Lawson, Manager, Energy Commodity Contracts, SMUD

The Wholesale Power Procurement and Risk Management Policy:

- Establishes Risk Management Program – with focus on commodity risk
- Identifies specific Risk Management functions and procedures to manage risks associated with power procurement activities
- Specifies roles and responsibilities
- Establishes Risk Management Standards

The key elements of this policy include:

- Enterprise Risk Oversight Committee (EROC). This VCEA staff committee would be delegated some authority by the board to make certain risk decisions. The Enterprise Risk Oversight Committee (EROC) will be able provide quick response to SMUD when we are in the process of procurements. This committee will be able to respond to SMUD's need for further direction in a matter of days. In addition the EROC will help establish some additional policies.

- Business Practices
  - General Conduct requirements
  - Notification of conflicts
  - Counterparty suitability
  - Transaction records
  - Transaction valuation
  - Stress testing
- Establishes criteria for Wholesale Energy Service Provider Front, Middle and Back Offices
  - Middle Office – Risk and Credit
  - Front Office – Execute trades
  - Back Office – Settlements
- Delegations of Authority
- Risk and Credit Monitoring and Reporting

Power Procurement Process Timeline

- December 2017: Finalize preferred portfolio mix/plan and requirements
- January 2018: Obtain approvals and delegations to trade for portfolio products
- January 2018: Implementation Plan Certification
- January 2018 – April 2018: Procurement Window.

Tom Stallard departed at 7:00pm

Board Questions & Staff Responses are summarized below:

1. How frequently will the EROC meet?

   Initially, at least monthly with the possibility of additional ad hoc meetings.

Public Comment
None

No action taken

VCEA Power Procurement Process Overview and Load Forecast

Gary Lawson, Manager, Energy Commodity Contracts, SMUD
Power procurement process will begin after January 1, 2018. In order to begin power procurement, VCEA will need to finalize the portfolio power mix.

- December 2017: Finalize preferred portfolio mix/plan and requirements
- January 2018: Obtain approvals and delegations to trade for portfolio products
- January 2018: Implementation Plan Certification
- January 2018 – April 2018: Procurement Window.

The products that SMUD will be procuring for VCEA's portfolio will include:

- Power: PCC1, PCC2, ACS/SS2
- Resource Adequacy: System, Local Area, Flexible, Price Hedging Products

The potential channels of procurement include:

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

The steps of procurement are:

- Obtain Directive/Delegation and Approval to Transact
- Go to Market
- Transact
- Route confirms(Internal to SMUD)
- Finalize and Sign Contracts (Internal to SMUD)

Michael Champ, Enterprise Performance, SMUD
The purpose of load forecast is to guide power procurement and produce accurate revenue forecasts for VCEA. To do this, SMUD's methodology is to:

- Normalize historical data for weather, population, and economy to get base case.

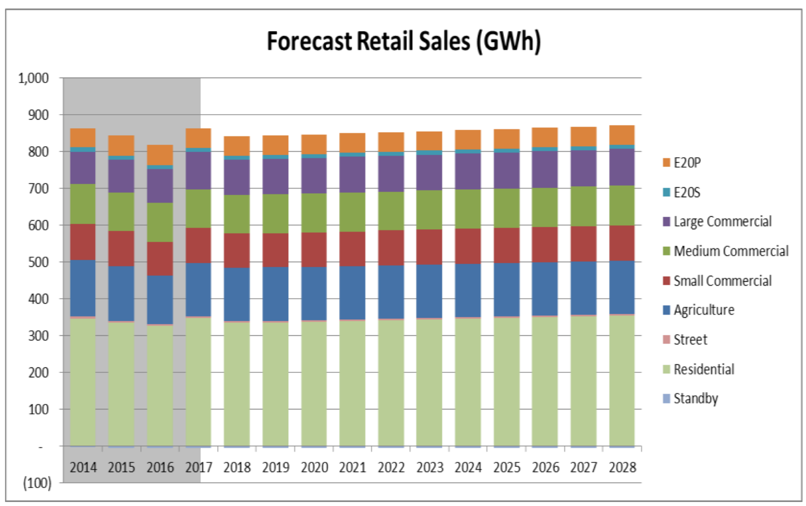
- Forecast growth in load per customer and customer count
- Adjust for known developments, Energy Efficiency, DER, etc.
- Forecast potential variability due to weather

SMUD uses load and customer count data from PG&E (2014-2017), weather data from UC Davis Experimental Farm/NOAA (1998-2017), and SACOG growth forecasts (2016 Estimates)

The load forecast customer count is as follows

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**

Load forecast by year and customer class:



Key factor for variability is weather. During a hot year, more power is sold, there is more revenue and greater load.

Board Questions & Staff Responses are summarized below:

1. Why do you expect the weather to drop in 2018?

   We plan our revenue on what is based on a "1 in 2" year, but we base our capacity based on a "1 in 10" year.

2. Are you modeling any differently due to higher night-time temperatures?

   Yes, we look at heating degree days and cooling degree days. Typically, when customers have a heating degree day, you are not using it to cool at night.

3. Can you distinguish the "1 in 2" and "1 in 10" and explain how that effects purchase?

   Typical budgeting practice is that you budget on expected, average weather – a "1 in 2" year, but on a capacity basis the system plans for more extreme weather - a "1 in 10" year. We are required to purchase an additional 15% because, at the end of the day, we need to be able to supply power.

4. What are some examples of the E20S and E20P categories?

   Large industrial facilities such as the tomato cannery in Woodland.

5. What is West Village's category?

   Staff can check and find out.

6. What is the difference between the E20S and the E20P categories?

   It is whether or not they are secondary or primary transmission. It's really the level of voltage that is provided.

7. So Clark Pacific, Bogle other wineries?

   Likely, yes. What is not shown on the customer count are direct access customers who are may be purchasing directly from non-PG&E source.

8. It might be helpful to identify who the direct customers are, because they may not always want to be direct access customers.

   A more detailed version of this presentation was given to the community Advisory Committee meeting at their November 6 meeting. This background is intended to prepare the board for their policy discussions in December.

Community Advisory Committee Report

Gerry Braun, Chair, Community Advisory Committee

The CAC is charged to:

1. Advise the VCEA Board of Directors on VCEA's general policy and operational objectives, including portfolio mix and objectives, as well as technical, market, program and policy areas;
2. Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities;
3. Provide a public forum to inform, advise and consult through community discussions on energy related issues and a wide variety of strategies to reduce carbon emissions;

4. Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues.

Thanks to our Outreach and Legislative/Regulatory Task groups we have been making progress on items two and four.

The Committee did not review the staffing plan, but most of the reports and presentations that the board is receiving, the CAC is reviewing a few weeks in advance.

The CAC has approved a calendar of upcoming meetings that is coordinated with the VCEA Board's work plan. The Advisory Committee has requested two meetings prior to the December 16 Board meeting. These meetings will take place at 5:30pm on Monday November 27 and December 4.

The board would appreciate having staff reports explicitly call out any Advisory Committee discussion and recommendations.

Board Member and Staff Announcements	Don Saylor spoke about VCEA at two community events the Woodland Rotary Club and the Yolo County Realtors Association. Lucas Frerichs spoke about VCEA at a recent Cool Davis event. Thank you to Circlepoint and Mitch for their assistance in developing slides for these presentations.

Mitch Sears, Interim General Manager

- We are creating a calendar of community events and we may be asking board members to speak to various groups.
- Mitch presented at the state-wide CCA conferences in Santa Clara. A Councilmember of Anaheim, was very interested in VCEA's collaboration with SMUD. It was a good reminder the work that VCEA is doing is ground-breaking and is catching eye of other parts of state.
- Mitch met with SMUD staff and the Farm Bureau to discuss how are rates are structured, what flexibility VCEA might be able to offer as soon as launch. The Farm Bureau is also interested in a bio-mass plant in Woodland, which would translate ag waste into energy.
- Mitch had an initial conversation with the Yolo Flood Control & Water Conservation District regarding their small hydro-plant at the Indian Valley Reservoir.

Meeting was adjourned at 7:28

Emily Henderson
Administrative Assistant

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, City of Davis Sustainability Manager
Shawn Marshall, LEAN Energy US

Subject: Regulatory & Legislative Update

Date: December 14, 2017

RECOMMENDATION: Receive regulatory and legislative report.

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 December 7, 2017) which provides a summary overview and several links to supporting documents regarding key regulatory issues currently before the CPUC.

Legislative Report
No legislative activity to report this month but staff anticipates activity in the first quarter of 2018 to pick up as the legislative session begins. In addition, in January staff and the Community Advisory Committee will be bringking forward a recommended VCEA Legislative and Regulary tracking and response policy for consideration by the Board.

<u>Attachments</u>
1. LEAN Energy US November/December Regulatory Report
2. CalCCA Quaterly Report – October 201

To: LEAN Energy Clients:
Coachella Valley Association of Governments
East Bay Community Energy
Monterey Bay Community Power
Valley Clean Energy Alliance
Western Riverdside Council of Governments

From: Shawn Marshall, Executive Director, LEAN Energy US

Date: December 7, 2017

Subject: Regulatory Update #17, November/December 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 October 31, the CPUC held a workshop on customer choice at the State Capitol (see Notice, Webcast, and Rough Notes). Comments in response to the Post Workshop Questions were filed by a number of parties, including CalCCA. All updates on this matter, including all comments, will be posted on the California Customer Choice Project webpage.

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:

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;

[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.

- 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 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.

Track 1 – PCIA Exemption Recent Activity:

There are currently ongoing procedural and settlement discussions. The active Track 1 parties have requested that the procedural schedule be extended so that parties may supplement the record prior to briefing. Active Track 1 parties have also initiated settlement discussions.

Track 2 – PCIA Methodology Recent Activity (currently reviewing data access issues):

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).

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

On November 6, CalCCA had an *ex parte* meeting with assigned Commissioner Peterman's advisor regarding confidential data access. (See Notice and slide deck).

On November 22, a ruling was issued that resolved various data access disputes between CalCCA and the IOUs, largely favoring CalCCA's request that the IOUs provide greater access to procurement data. The ruling also directed that the parties engage in further meet-and-confer sessions and provided additional guidance regarding procurement data availability.

Next Steps:

- December 1: Initial Track 1 Settlement Teleconference
- December 5/December 6: Continuation of "PCIA Workshop 1" in Irwindale and San Diego (See Email Notice)
- [January 15]: Requested date for Opening brief on PCIA exemptions for CARE and MB programs
- [February 16): Requested date for Reply briefs on PCIA exemptions for CARE and MB programs

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 (RSP) (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/Presentation, and Summary.)

Recent Activity:

On October 26, parties submitted opening comments on the the Proposed RSP (CalCCA comments, General Summary and Question Summary).

On November 2, there was an All-Party meeting on the proposed IRP process and RSP (See Presentation and Summary).

On November 9, parties submitted reply comments on the Proposed RSP (CalCCA Reply Comments and Summary of all Reply Comments.)

Next Steps:

- End of 2017: Proposed Decision on RSP 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:

On November 6, parties filed opening briefs (Joint IOUs and CalCCA). On November 20, parties filed reply briefs (Joint IOUs and CalCCA).

Next Steps:

- Issuance of a Proposed Decision (PD) is expected in first quarter 2018.

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:

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.

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.

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).

Recent Activity:

PG&E

- On November 2, PG&E submitted its updated testimony ("November Update"); a Motion to Seal the Evidentiary Record and a Motion to Offer the November Update into Evidence
- On November 6, SCP submitted comments on the November Update
- On November 17, SCP submitted an Opposition to the Motion to Admit November Update Testimony
- On November 17, MCE, Peninsula Clean Energy (PCE) and Silicon Valley Clean Energy (SVCE) submitted a Joint Response to the Motion to Offer the November Update into Evidence and Admit the November Update into the Record

SCE

- On November 13, SCE submitted its updated testimony ("November Update")
- On November 16, Cal Choice submitted comments on the November Update

Next Steps:

PG&E

- A PD is expected in early-December

SCE

- A PD is expected no later than December 4
- Comments on the PD are due December 8

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 July 21:

- Apple Valley Choice Energy
- Lancaster Choice Energy "LCE")
- SVCE
- MCE
- PCE
- Pico Rivera Innovative Municipal Energy
- Redwood Coast Energy Authority
- SCP

Comments on the RPS Procurement Plans were filed on August 18, with certain parties arguing that CCA programs are not investing in new, long-term renewable projects. (See Summary of Comments.) On September 22, Apple Valley Choice Energy, Pico Rivera Innovative Municipal Energy, SVCE and LCE submitted Updated 2017 RPS Procurements Plans. On November 1, several CCAs submitted supplemental compliance documents.

Recent Activity:

November 14: Proposed Decision issued. Of particular note, the PD approves all of the submitted CCA RPS procurement plans. The PD also adopts other positive elements.

Next Steps:

- December 4: Opening Comments on PD
- December 11: Reply Comments on PD

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.

Recent Activity:

- November 8: Proposed Decision issued. The PD approves retirement and $190.4 million in certain rate recovery for costs, but otherwise denies PG&E's various requests (including authorization to procure additional energy efficiency and renewable resources, and authorization to provide community and other benefits).
    - Certain CCAs joined with other intervenors in supporting the PD. (See Notice and Slides.)
- November 28: Final Oral Arguments
- November 29: Opening Comments on PD (See Joint Intervenors Comments and PG&E Comments)
- December 4: Reply Comments on PD due

Next Steps:

- December 14: Expected Adoption of Final 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.

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.

Next Steps:

- December 12: Informal Workshop on BioRAM NBC Mechanism IOU/CCA proposals (See Email Notice)
- 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 has been monitoring this proceeding as related to CCA service fees. Now that this issue has been resolved (see below), LEAN will no longer be monitoring 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). On October 9, PG&E filed a Motion for adoption of a settlement agreement on reduced CCA service fees. On October 17, a telephonic PHC was held (See Email Ruling with summary).

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 became effective in mid-October.

Default Time of Use ("TOU") and Marketing Education and Outreach ("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.

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.

Recent Activity:

- Proposed Decision on statewide ME&O, which expands the existing Energy Upgrade California campaign and allows utilities to switch customers to TOU rates in waves.

Next Steps:

- December 4: Comments on ME&O PD due
- December 4: Annual Residential Electric Rate Summit providing status on 2017 rate changes, ME&O and TOU (See Email Notice)
- December 11-12: Rate Design forum encouraging integration of renewable energy, and more efficient use of storage (See Email Notice)
- December 14: Expected decision on Draft Resolution E-4882 (PG&E's ME&O plan)
- January 1: IOUs required to file applications for *default* TOU programs by, 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.

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 developments that result from the *En Banc* hearing and the current DAC Advisory Group Proposal.

Background:

Senate Bill (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 communities. 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. On November 1, the CPUC released a Draft Resolution and a Solicitation Letter proposing to establish a charter for the DACAG.

Next Steps:

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Long Range Calendar

DATE: December 14, 2017

RECOMMENDATION

Receive the attached long-range calendar.

VALLEY CLEAN ENERGY ALLIANCE

Board of Directors and Community Advisory Committee

2017-8 Board Meeting Dates and Topics / Advisory Committee Dates and Topics

MEETING DATE		TOPICS	ACTION
November 6, 2017	Advisory Committee	• Long Range Calendar/Work Plan • Strategic Marketing and Communications Plan • Vision Statement • Load Forecast, Implementation Plan, Procurement Approach • Energy Trading and Risk Management Policy	• Review • Recommend • Update • Review • Presentation
November 16, 2017	**Board**	• Load Forecasts/Procurement Approach • Introduction - Energy Trading and Risk Policies • Outreach Plan • Wholesale Energy Risk and Trading Policies	• Approve • Review • Approve • Approve
November 27, 2017	Advisory Committee	• Power Mix Targets • Reserve Policy • Wholesale Energy Risk and Trading Policies • VCEA Staffing Plan	• Review, refer to sub-group • Review, refer to sub-group • Review, refer to sub-group • Review
December 4, 2017	Advisory Committee	• Power Mix Targets • Reserve Policy • Target Rates for FY 2018-2019 • Energy Trading/Risk Management Policies • Organization Chart • VCEA Leg/Reg Policy	• Recommend • Recommend • Recommend • Recommend • Recommend • Recommend
December 14, 2017	**Board**	• Task Order 4 • Power Mix Targets • Financials/Adopt Reserve Policy • Target Rates for FY 2018-2019	• Approve • Approve • Review and Approve • Approve

MEETING DATE		TOPICS	ACTION
		• Energy Trading and Risk Mgmt Policies • VCEA Staffing Plan	• Approve • Approve
January 1, 2018	SMUD	Begin power procurements	
January 8, 2018	Advisory Committee	• Presentation from Defenders of Wildlife (tentative) • Customer and Data Policies • Power Procurement Delegation • NEM Policy (Tentative)	• Informational • Review • Review • Review
January 11, 2018	**Board**	• Customer and Data Policies • Power Procurement Delegation • NEM Policy (Tentative)	• Review and Approve • Approve • Review
January 29, 2018	Advisory Committee	• Review Enterprise Risk Policy	• Recommend
February 8, 2018	**Board**	• Review Enterprise Risk Policy	• Review
February 26, 2018	Advisory Committee	• Enterprise Risk Policy • Final Rate Discount • Final Power Mix • Power/Operational Budget	• Recommend • Recommend • Recommend • Recommend
March 8, 2018	**Board**	• Enterprise Risk Policy • Final Rate Discount • Final Power Mix • Power/Operational Budget	• Approve • Review • Review • Approve

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item - 8

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: YCPARMIA Membership

DATE: December 14, 2017

Recommendation

Approve resolution authorizing VCEA membership in YCPARIMIA for workers compensation and liability insurance coverage, payment of annual premiums for coverage, and the Board Chair to take all actions necessary for VCEA to join YCPARMIA.

Analysis and Discussion

In early 2017 the VCEA Board directed staff to investigate membership in YCPARMIA for workers compensation and liability insurance coverage. YCPARMIA staff estimated annual premiums for standard coverage and deductibles for VCEA at $5,000. Staff requested that the YCPARMIA Board consider VCEA membership. On May 25, 2017 the YCPARMIA Board voted to accept VCEA as a member pending approval of the VCEA Board and acceptance by the excess pool.

Staff is recommending the Board approve membership in YCPARMIA, payment of the $5,000 annual premium for coverage, and authorization for the Board Chair to sign documents enacting the Board's decision.

Attachment

1. Resolution

RESOLUTION NO. 2017- _______

A RESOLUTION OF VALLEY CLEAN ENERGY ALLIANCE APPROVING ASSOCIATE MEMBERSHIP IN THE
YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

WHEREAS, the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) was formed on March 1, 1979 as a means of trying to provide insurance and risk management services at a reasonable cost to its members; and

WHEREAS, the mission statement for YCPARMIA "To protect the members' resources from the impact of loss through a program of insurance coverage, prevention, education, training and service."; and

WHEREAS, the objectives of the agency are to:

- Access and address the needs of the members
- Provide the most cost effective insurance coverage available
- Provide the most relevant training and education
- Maintain the organizational strength of YCPARMIA
- Provide responsive and comprehensive risk management services; and

WHEREAS, YCPARMIA has six voting members and twenty-three non-voting associate members; and

WHEREAS, the Joint Powers Agreement creating the Yolo County Public Agency Risk Management Insurance Authority allows for associate membership in YCPARMIA; and

WHEREAS, Valley Clean Energy Alliance has submitted an application for associate membership.

NOW, THEREFORE, BE IT RESOLVED that the VCEA Board of Directors hereby adopts Yolo County Public Agency Risk Management Insurance Authority's Joint Powers Agreement effective January 1, 2018 and in each year following.

BE IT FURTHER RESOLVED that the VCEA Board of Directors authorizes the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to take all actions necessary for VCEA to join YCPARMIA.

PASSED AND ADOPTED, this ____________ day of______________, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Board Chair

____
Secretary of the Board

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item - 9

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: CalCCA Membership

DATE: December 14, 2017

Recommendation

Approve resolution authorizing VCEA membership in CalCCA, the trade association for CCA programs in California, and payment of annual membership fees of approximately $62,000 due following program launch (prorated for 2018).

Analysis and Discussion

In 2016 the City of Davis joined CalCCA, the newly formed trade association for CCA programs in California as an Affiliate member. Affiliate member dues are $1,500/yr and allow for access to educational sessions and materials, and attendance of CalCCA business meetings as non-voting members. The City's membership was transferred to VCEA upon its formation in December 2016. Currently there are 13 full members and a number of affiliate members.

CalCCA has been an effective voice in both the regulatory (CPUC) and legislative arenas. For example, CalCCA is leading efforts of CCA's at the California Public Utilities Commission on the cost of and transparency/accountability related to the Power Charge Indifference Adjustment (PCIA) charge levied on CCA program customers. On the legislative front, CalCCA coordinated and led CCA activities in Sacramento during the legislative sessions in the past several years, successfully countering efforts that could harm CCA's.

With the submission of its Implementation Plan in October, VCEA is eligible to join CalCCA as a full member which includes a voting seat on the Board of Directors. Annual association fees are divided into two categories: (1) Membership dues and (2) litigation fund. Fees are deferred until CCA programs begin generating revenue and include a base amount plus a variable amount based on program revenue. Based on annual revenue projections of $50 million dollars when fully operational in 2019, VCEA's annual CalCCA fees would be approximately $35,000 for membership dues and $60,000 for its contribution to the CalCCA litigation fund. In total, annual CalCCA fees would be approximately $105,000 for 2019. Prorated for 7 months of operation, anticipated fees would be approximately $62,000 in 2018. These costs have been incorporated into the VCEA financial proforma. While these fees represent a significant investment, staff believes they are a prudent and ultimately an economical approach to ensuring that VCEA's positions are consistently and skillfully represented at the CPUC and California legislature.

Staff is recommending the Board approve membership in CalCCA and authorize expenditure of annual fees as outlined above.

Attachment

1. Resolution

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2017- _______

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING FULL MEMBERSHIP IN CALCCA, THE TRADE ASSOCIATION FOR CCA PROGRAMS IN CALIFORNIA

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") and 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, VCEA is currently an Affiliate member of CalCCA, the trade association for CCA programs in California; and

WHEREAS, VCEA recognizes the value of participating directly on the CalCCA Board of Directors to represent the interests of its communities and share its unique perspective on the needs of Central Valley based CCA programs; and

WHEREAS, VCEA recognizes the value of consistent and skillful representation of its positions at the CPUC and California legislature that CalCCA provides through its member services; and

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance authorizes the VCEA Interim General Manager to take all actions necessary to join CalCCA as a full member, make annual payment of CalCCA fees, and serve as VCEA's representative on the CalCCA Board of Directors.

ADOPTED, this ____________ day of ______________, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Chair

____
Secretary

California CCA Quarterly Update | October 2017

CalCCA
California Community Choice Association
cal-cca.org

The California Community Choice Association (CalCCA) represents the interests of California's community choice electricity providers in the legislature and at state regulatory agencies. CalCCA currently has thirteen Operational Members serving as its Board of Directors and recently voted in a new set of officers; Dawn Weisz, President; Geof Syphers, VP; Jan Pepper, Secretary, and Joseph Moon, Treasurer.

Operational Members

- *Apple Valley Choice Energy*
- *CleanPowerSF*
- *East Bay Community Energy*
- *Lancaster Choice Energy*
- *Los Angeles Community Choice Energy*
- *MCE*
- *Monterey Bay Community Power*
- *Peninsula Clean Energy*
- *Pico Rivera Innovative Municipal Energy*
- *Pioneer Community Energy*
- *Redwood Coast Energy Authority*
- *Silicon Valley Clean Energy*
- *Sonoma Clean Power*

Affiliate Members

- *Central Coast Power*
- *City of Corona*
- *City of Hermosa Beach*
- *City of Industry*
- *City of San Jacinto*
- *City of San Jose*
- *City of Solana Beach*
- *Coachella Valley Association of Governments*
- *Valley Clean Energy*
- *Western Riverside Council of Governments*

APPLE VALLEY CHOICE ENERGY (AVCE)

Launched in April 2017, AVCE serves approximately 28,000 customers in the Town of Apple Valley, located in San Bernardino County. AVCE offers a default 35% renewable product, CoreChoice, and an opt-up product of 50% renewable, MoreChoice.

Healthy and Stable Operations

AVCE customer base retains a 91% participation rate, with the customer base consisting of residential, commercial, municipal and industrial customers.

Staff Update

AVCE is operating with three full-time staff members and the support of additional Town staff and specialized consultants.

More Energy Contracts

Since launching in April 2017, AVCE has executed four Resource Adequacy Power Purchase Agreements to successfully procure energy from local sources.

CLEANPOWERSF

Launched in 2016, CleanPowerSF serves approximately 82,000 customers in San Francisco. CleanPowerSF offers a 40% renewable energy Green Service and a 100% Green-e certified renewable energy SuperGreen Service.

Salesforce is CleanPowerSF's Largest Customer!

CleanPowerSF is proud software giant Salesforce is sourcing 100% renewable SuperGreen energy service for their 50 Fremont and 350 Mission locations. See press release and Salesforce blog announcement at cleanpowersf.org/salesforce.

Requests for Offers (RFO) Process Underway

The SFPUC is looking for renewable energy providers in order to expand the CleanPowerSF program next year and beyond. The plan is to have the process complete and energy providers identified by late this fall.

Follow @cleanpowersf on Twitter

CleanPowerSF is getting the word about clean energy out there on social media, and would love your likes, retweets, and follows.

LANCASTER CHOICE ENERGY (LCE)

LCE began service in 2015 to 55,000 customers in the city of Lancaster, located in north Los Angeles County. LCE offers ClearChoice 35% renewable energy and SmartChoice 100% renewable energy to its customers, with approximately half of its customers eligible for low-income energy programs. Lancaster is aiming to be the nation's first zero net energy city.

Lancaster Launches Pilot Site for SCE's Charge Ready Program

Lancaster has collaborated with Southern California Edison (SCE), Antelope Valley Hospital (AVH), the Antelope Valley Air Quality Management District (AVAQMD), and Charge Point to launch the community's pilot site for SCE's Charge Ready program. The AVH's Charge Ready site setup includes six Charge Point Level II dual-port charging stations, which provides 12 EV charging stalls in the hospital's public parking lot. As part of Lancaster's Electric Vehicle Charging Infrastructure Expansion plan, this is the first site to feature City-owned units, which will be networked with other City-owned EV equipment in the future. Both the City of Lancaster and Antelope Valley Hospital are committed to a 10-year participation term with the program. The total value of the infrastructure and equipment is approximately $245,000, which includes a two-year maintenance agreement, as well as a one-year networking agreement.

Lancaster Energy Efficiency Program Plan

LCE plans to offer energy efficiency programs that can serve customers better and timelier than existing options through SCE. LCE is electing to become an administer of ratepayer funds collected from electric service customers through a non-bypassable charge authorized by the California Public Utilities Commission for energy efficiency and conservation programs. In August 2016, LCE staff began working with consultant Frontier Energy, formerly BKi, to develop a program for Lancaster that would benefit both residential and business customers. On July 11, 2017 LCE's governing board, Lancaster City Council, approved the preliminary program plan, which has a requested budget of approximately $1.25 Million for the 3-year program. LCE will submit a Tier 3 Advice Letter to the CPUC for review and approval. Once approved, LCE anticipates preparing for a launch in early 2018.

LOS ANGELES COMMUNITY CHOICE ENERGY (LACCE)

Los Angeles Community Choice Energy (LACCE) is the interim name for a Community Choice Aggregation program in Los Angeles County.

Reaching the Starting Line

LACCE will begin providing electric services in January 2018 as the program begins rolling out to customers. The LACCE Authority board of directors has held several meetings and has approved the program's Implementation Plan, budget, initial staffing plan, and the solicitation of contract services. Bill Carnahan, former Executive Director of the Southern California Public Power Authority, has been named Interim Executive Director and is managing the program's initial start-up phase while the board begins recruiting for a permanent director. Four cities have officially joined the program (South Pasadena, Rolling Hills Estates, Calabasas, and West Hollywood) and many more are scheduling it for adoption in October and November.

MCE

Launched in 2010, MCE serves more than 255,000 customers in Marin County, Napa County, and the cities of Benicia, El Cerrito, Lafayette, Richmond, San Pablo and Walnut Creek. MCE offers Light Green 50% renewable energy and Deep Green 100% renewable energy products.

(Un)wasted Renewable Baseload Power

MCE and their partners at the Redwood Landfill held a ribbon-cutting ceremony in September for the site's completed 3.9 MW landfill gas-to-energy project. The project will produce baseload renewable energy 24 hours a day, seven days a week. The project will supply enough electricity to power 5,000 homes.

Local Projects on the Horizon

MCE recently accepted seven new Feed-In Tariff (FIT) applications, six of which came in August. Five are from Napa County, and one is from Oakley — a city that just joined MCE in July!

Low-Income Family & Tenants Pilot Approved

MCE's Low-Income Family & Tenants (LIFT) pilot program has been approved by the CPUC! MCE's Customer Programs team is preparing to launch this program before the end of 2017 and run the pilot until December 2019.

Impacts of Small Commercial Energy Efficiency Program

As of July 31, 2017, MCE has helped achieve a gross savings of 667,234 kWh — 61% of our ultimate goal — and 153 kw peak demand reduction.

PENINSULA CLEAN ENERGY (PCE)

Launched in October 2016, PCE serves customers throughout San Mateo County, including all 20 cities and unincorporated areas. PCE currently serves 290,000 accounts and offers ECOplus 50% renewable energy and ECO100 100% renewable energy products.

PCE Continues to Go Big on Solar

PCE signed a 15-year Power Purchase Agreement for 100 megawatts of new solar power. Electricity will be delivered to PCE from Recurrent Energy's Mustang Two solar photovoltaic project in Kings County, in central California. The project is expected to reach commercial operation in 2019. With this project, PCE has contracted for over 300 megawatts of clean, renewable energy from new facilities that are being built specifically to serve their customers.

The PCE Team Grows

PCE added four new employees in September, bringing the staff count to 13. The newly filled positions are Director of Finance, Marketing Associate, and two Outreach Associates.

We Like This: Facebook is Now Largest ECO100 Customer

Social media company Facebook switched all electric accounts at their Menlo Park headquarters to PCE's ECO100 option, making Facebook the largest participant in PCE's 100% renewable energy option.

PICO RIVERA INNOVATIVE MUNICIPAL ENERGY (PRIME)

Pico Rivera Innovative Municipal Energy is the new, locally controlled electricity provider in the City of Pico Rivera. PRIME Power is the default electricity service offering a minimum of 50% renewable energy. PRIME Future is the optional upgrade program that provides a minimum of 100% renewable energy for just a little more each month.

PRIMEd for Our Launch!

PRIME began serving all municipal and residential accounts in September of this year with all remaining non-residential accounts launching in May of 2018.

PIONEER COMMUNITY ENERGY

Pioneer Community Energy (formerly Sierra Valley Energy Authority) is the Community Choice Aggregator serving Placer County.

Pioneer Community Energy to Serve Placer County in January

Pioneer Community Energy submitted its Implementation Plan to the CPUC in early August. Pioneer plans to begin serving customers in January. The Pioneer Board has been meeting several times a month to take the actions necessary to get the program up and running. Pioneer has been approved for party status in the PCIA, bond, and 2 RPS related proceedings.

REDWOOD COAST ENERGY AUTHORITY (RCEA)

Started in May 2017, RCEA serves an estimated 61,000 customers in Humboldt County, including the cities of Eureka, Arcata, Fortuna, Blue Lake, Rio Dell, and Trinidad, as well as unincorporated areas of the county. RCEA offers REpower 40% renewable energy and REpower+ 100% renewable energy choices.

Two Cities in Humboldt County Opt Up to REpower+

The City of Arcata and the City of Blue Lake have opted up all their city facilities and operations requiring electricity to Redwood Coast Energy Authority's 100% renewable energy. A total of 688 accounts are buying the 100% renewable energy power mix.

Staffing Up!

RCEA is now home to 30 staff members.

SILICON VALLEY CLEAN ENERGY (SVCE)

Launched in April 2017, SVCE serves customers in Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, Mountain View, Saratoga, Sunnyvale, and the unincorporated parts of Santa Clara County.

Interim CEO Appointed

Silicon Valley Clean Energy (SVCE) Director of Administration and Finance, Don Eckert, has stepped in as interim CEO following Tom Habashi's departure from the agency to serve as CEO of Monterey Bay Community Power. Mr. Eckert oversees and supports the finance, IT and human resources activities of SVCE, and brings 20 years of energy industry experience in various financial roles serving investor owned utilities, independent power producers and municipal owned utilities, with the last 10 years in a senior leadership role in the public sector.

The SVCE CEO subcommittee formed by the SVCE Board in July is continuing to manage the recruitment process. Applications were accepted through early-September; the board expects to make a selection in November, with a start date in early-January.

Green-e Certification

As of Sept. 1, GreenPrime, SVCE's 100% renewable energy choice, is now Green-e certified via the nonprofit Center for Resource Solutions' (CRS) Green-e Energy program. Green-e Energy is North America's preferred certification program for renewable energy.

Solar + Storage Request for Offers

On Sept. 15, SVCE issued a Request for Offers (RFO) to purchase carbon-free energy with storage capabilities. The goal of this RFO is to contribute to the development of renewable resources that can maximize reduction of greenhouse gases without harming grid reliability. Carbon-free energy WITH storage will do this.

Enrollment Complete!

SVCE completed enrolling a majority of customers in July. The participation rate is more than 97% of the 248,000 eligible customers in the SVCE service area.

SONOMA CLEAN POWER (SCP)

Sonoma Clean Power serves approximately 600,000 customers in Sonoma and Mendocino counties. SCP offers CleanStart 42% renewable/90% carbon-free electricity and EverGreen 100% local, renewable electricity.

Broke Ground on 2 MW Feed-In Tariff Project

SCP and Coldwell Solar broke ground on a facility in Petaluma, CA, which will generate a combined 2 megawatts of solar energy, as part of SCP's feed-in tariff program. When completed, the facility will generate enough electricity to power 600 homes. The solar electricity generated will be used to augment SCP's 100% renewable EverGreen service, currently made up of local geothermal. The facility is projected to come online by year end.

Drive Evergreen Program Continues

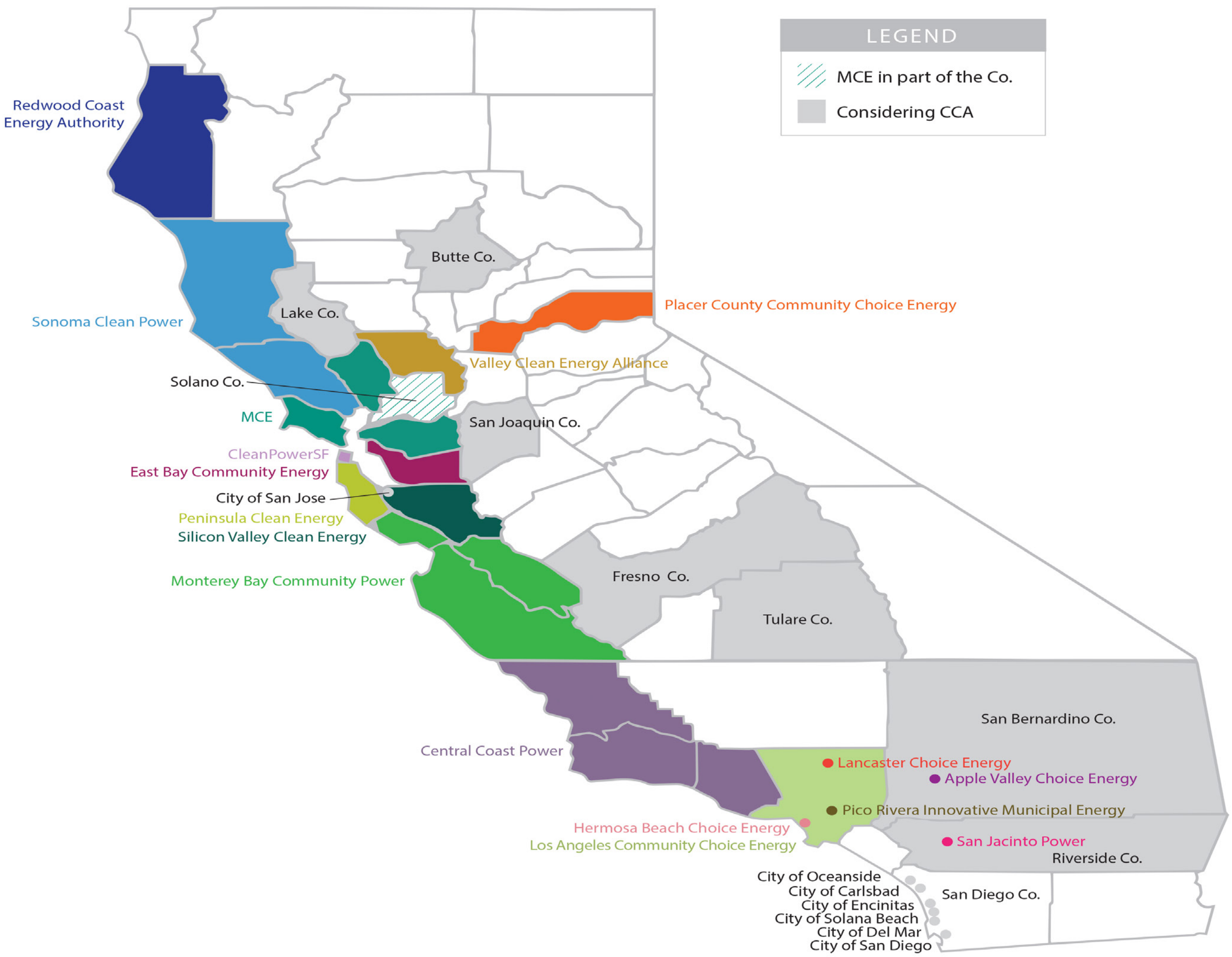
Phase two of SCP's Electric Vehicle Incentive program is underway, and will run through 10/31/17. The program includes 9 models of vehicles from 7 dealerships. Tesla has recently joined the program with some used vehicles. Interest in the program has been strong; full results will be available in the weeks following the conclusion of the program.

Expanded "DIY Energy & Water Savings Toolkit" Program

The partnership between the Sonoma County Library, the Sonoma County Energy and Sustainability Division, the Sonoma County Water Agency and Sonoma Clean Power has expanded the "Do It Yourself" (DIY) Energy and Water Savings Toolkits to be available at all Sonoma County library branches as part of a program promoting energy and water efficiency. The expansion comes after a successful ten-month pilot at 3 Sonoma County Library branches, which proved to be incredibly popular with patrons.

CCA STATEWIDE

CCAs are forming in over 80 jurisdictions across California. This map highlights the service areas of fully operational CCAs as well as jurisdictions considering joining a CCA or creating their own.



Join Us in Santa Clara at Infocast's Community Choice Energy Summit on November 14-16

Infocast's Community Choice Energy Summit will bring together existing CCAs with knowhow under their belt to share insights with a bevy of emerging CCAs and related task forces and steering committees. Together they will explore best practices for integrating bulk power from wholesale markets with newer PPA strategies, local DER / efficiency strategies and programs — the "CCA 2.0 and 3.0" evolution. Renewable developers and solution providers will build relationships with the upcoming wave of CCAs and collaborate to fine-tune or innovate contractual and financing structures and related services to the needs of the new "Energy Democracy" movement. Register at infocastinc.com - complimentary passes available for CCA employees!

Upcoming Webinar for CCAs on Solar

Center for Climate Protection is hosting a webinar on Wednesday, October 18 entitled "Solar Plus: Paths to Accelerating Deployment with Community Choice Energy." This webinar introduces the white paper "State of Solar Energy in Sonoma County: Paths to Accelerate Adoption" and features energy policy consultant Chris Cone, lead author of the paper who will summarize the findings. For more info and to register, please visit http://cleanpowerexchange.org/webinars/.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Update – Pre Program Launch Expenditures

DATE: December 14, 2017

RECOMMENDATION

1. Accept financial report on VCEA agency cash flows since inception and incurred member agency obligations though October 31, 2017.

BACKGROUND & DISCUSSION

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 once the Agency and its Community Choice Energy program is operational and revenue positive.

At its meeting on November 11, 2017, the VCEA board approved the 2017-18 amended budget. The budget included implementation expenses that cover the identified costs associated with the next stages of VCEA start up and expected member agency costs that will be incurred through the go-live point of the CCA program.

Certain costs that are being incurred include terms in which the repayment can be deferred including member agency costs and SMUD costs which can be deferred until October, 2017. In order to protect the ensure accountability for the $1.5 million in start-up contributions, the Board requested to see a cash flow report and schedule of obligations being incurred by VCEA to ensure strict financial accountability of resources.

As shown in Attachment A, VCEA as of October 31, 2017 has $1,476,007 in Cash in Treasury which are funds deposited and held by the Yolo County Treasurer in a fund restricted for VCEA. VCEA has begun to incur obligations from Member agencies and SMUD and owes as of October 31, 2017 $298,326 and $123,246 respectively for a grand total of $421,571.

VCEA staff, in cooperation with SMUD, have begun forward looking financial modeling and forecasting that will be shared with the Board in detail as the Board begins to deliberate on Financial and Reserve policies for VCEA. These Financial and Reserve policy discussions are included in Agenda items 14 (Financial Reserve Policy), and 15 (Target Power Mix and Rates for 2018) on this December 14th Board agenda.

Attachment

A. Cash Flow, Obligation Schedule, and Chart through October 31, 2017

Valley Clean Energy Alliance

Cash Flows

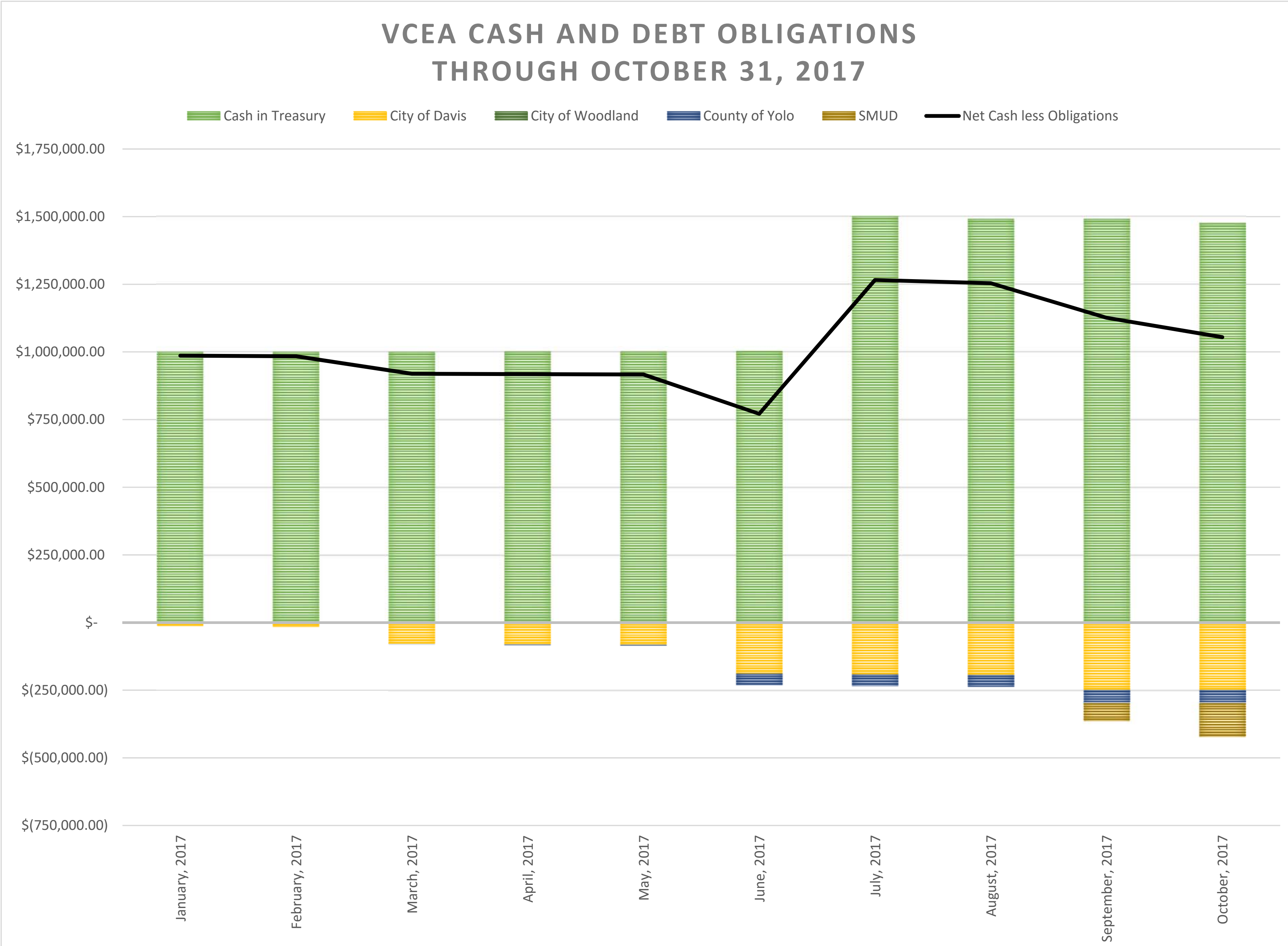
Calendar Year 2017 (through October 31, 2017)

	2017									
	January	February	March	April	May	June	July	August	September	October
Cash in Treasury - Beginning of Month	**$ -**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,001,334**	**$ 1,001,334**	**$ 1,002,936**	**$ 1,499,979**	**$ 1,490,551**	**$ 1,490,551**
Cash Inflows:										
City of Woodland Contribution	-	-	-	-	-	-	500,000	-	-	-
City of Davis Contribution	500,000	-	-	-	-	-	-	-	-	-
County of Yolo Contribution	500,000	-	-	-	-	-	-	-	-	-
Interest Earnings:	-	-	-	1,334	-	2,039	-	-	-	-
Total Inflows	1,000,000	-	-	1,334	-	2,039	500,000	-	-	-
Cash Outflows:										
Vendors:										
CirclePoint	-	-	-	-	-	-	-	-	-	2,215
Ruud Media	-	-	-	-	-	-	-	960	-	-
Lean Energy	-	-	-	-	-	-	2,957	8,232	-	-
Don Dame	-	-	-	-	-	-	-	-	-	12,329
Internal:										
Food - CEO Recruitment	-	-	-	-	-	119	-	-	-	-
Training - CCA Conference	-	-	-	-	-	317	-	236	-	-
Total Outflows	-	-	-	-	-	436	2,957	9,428	-	14,544
Cash in Treasury - End of Month	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,001,334**	**$ 1,001,334**	**$ 1,002,936**	**$ 1,499,979**	**$ 1,490,551**	**$ 1,490,551**	**$ 1,476,007**

Valley Clean Energy Alliance
Obligations Incurred
Calendar Year 2017 (known through October 31, 2017)

	2017									
	January	February	March	April	May	June	July	August	September	October*
Member Agency Obligations:										
City of Davis:										
Obligation - Beginning of Month	$ 12,202	$ 13,857	$ 16,116	$ 79,071	$ 81,646	$ 83,103	$ 188,967	$ 191,592	$ 194,043	$ 249,520
Increases	1,655	2,259	62,955	2,576	1,457	105,865	2,625	2,451	55,477	-
Decreases	-	-	-	-	-	-	-	-	-	-
Obligation - End of Month	13,857	16,116	79,071	81,646	83,103	188,967	191,592	194,043	249,520	249,520
City of Woodland:										
Obligation - Beginning of Month	-	-	-	-	-	-	-	-	-	217
Increases	-	-	-	-	-	-	-	-	217	-
Decreases	-	-	-	-	-	-	-	-	-	-
Obligation - End of Month	-	-	-	-	-	-	-	-	217	217
County of Yolo:										
Obligation - Beginning of Month	-	-	-	1,515	1,515	1,515	42,627	42,627	42,627	48,589
Increases	-	-	1,515	-	-	41,112	-	-	5,961	-
Decreases	-	-	-	-	-	-	-	-	-	-
Obligation - End of Month	-	-	1,515	1,515	1,515	42,627	42,627	42,627	48,589	48,589
Vendor Obligations:										
SMUD:										
Obligation - Beginning of Month	-	-	-	-	-	-	-	-	-	65,956
Increases	-	-	-	-	-	-	-	-	65,956	57,290
Decreases	-	-	-	-	-	-	-	-	-	-
Obligation - End of Month	-	-	-	-	-	-	-	-	65,956	123,246
Total Obligations:										
Total Obligation - End of Month	$ 13,857	$ 16,116	$ 80,585	$ 83,161	$ 84,618	$ 231,595	$ 234,219	$ 236,670	$ 364,282	$ 421,571

Note (*) Costs about only reflect Member Agency invoices that have been billed. Invoices have not yet been submitted for the period of October 1 - December 31, 2017. Therefore total obligation may be understated.


VCEA CASH AND DEBT OBLIGATIONS
THROUGH OCTOBER 31, 2017
Cash in Treasury
City of Davis
City of Woodland
County of Yolo
SMUD
Net Cash less Obligations
$1,750,000.00
$1,500,000.00
$1,250,000.00
$1,000,000.00
$750,000.00
$500,000.00
$250,000.00
$-
$(250,000.00)
$(500,000.00)
$(750,000.00)
January, 2017
February, 2017
March, 2017
April, 2017
May, 2017
June, 2017
July, 2017
August, 2017
September, 2017
October, 2017

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Approval of Credit and Banking Services Vendor and Authorization of Contract Negotiations

DATE: December 14, 2017

RECOMMENDATIONS:

1. Adopt a resolution:
    a. Approving selection of River City Bank as the credit and banking services vendor for VCEA program launch and operations;
    b. Authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to negotiate a contract with River City Bank for credit and banking services, including for banking and deposit (deposit of public funds) services; and
    c. Authorizing the VCEA Board Chair to approve and execute the contract.

2. Authorize the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCEA credit facilities. Financing documents will be submitted to the Board for final approval.

BACKGROUND & DISCUSSION

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

An evaluation panel was initially formed in May, 2017 consisting of County and City Staffs and Finance Representatives as well as a Consultant Representative. Initial evaluations were completed, and two respondents, River City Bank and Five Star Bank were determined to meet the technical qualifications required. The third respondent did not demonstrate sufficient experience and understanding of Community

Choice Aggregation programs and the organizations overall level of capitalization, a reflection of bank size and strength, was a risk noted by the evaluation panel.

The process was envisioned originally that the evaluation panel would quickly perform interviews with the finalists to make a recommendation to the VCEA Board. During the process, there were additional considerations that arose with the addition of the City of Woodland to the agency and emergence of 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. Based on these factors the selection was temporarily put on hold.

At the request of the Interim General Manager, the respondents that met the technical qualifications (River City Bank and Five Star Bank), were given an opportunity to re-submit cost proposals and term sheets by November 30, 2017 so they could reflect current market and interest rate changes since their initial April, 2017 responses. The Banks were interviewed on December 5, 2017 by a VCEA panel consisting of the Interim General Manager, VCEA Treasurer, VCEA consultant LEAN Energy, and SMUD financial staff.

Banking Services

For banking services, both proposals met VCEA's banking service requirements and the pricing for banking services were competitive. Both Banks are 100% FDIC insured and collateralized accounts for governmental agencies to comply with California government code and have strong commitments to high ethical standards and community involvement. However, staff is recommending River City Bank based on the following key factors where it stood apart:

- River City has extensive experience providing deposit and treasury services to several CCA's including Marin Clean Energy (MCE), Silicon Valley Clean Energy (SVCE), Sonoma Clean Power (SCP) and Monterey Bay Clean Power (MBCP).
- River City is considered to be a regional bank and had the largest amount of assets of approximately $2 Billion as compared to Five Star Bank of approximately $850 million.
- River City as a regional bank has branches in both Davis and Woodland.

With full consensus, the interview panel agreed on recommending River City Bank for VCEA's banking and deposit services based on competitive pricing, strong reputation and experience providing services to the CCA sector in California, and their local presence in Yolo County.

Credit Services

For credit services, VCEA received proposals from River City Bank and Five Star Bank. For this particular service, one of the critical criteria is providing VCEA with the necessary working capital needs and financial flexibility to during the run-up to launch and revenue generation. While each of the member agencies has provided significant financial support in the form of a $500,000 loan from each member agency for a total of $1.5 million in startup capital, VCEA is evaluating whether the costs of start-up including staffing, marketing and compliance will exceed this amount. To this end, VCEA sought through the RFP, a credit facility that could be utilized if needed for Start-up Costs as well to fund Power Purchases and Other Capital Costs. River City Bank proposed an initial $1 million line of credit if needed for Start-up Costs and an additional line of credit up to $10 million for Power Purchases and Capital Costs. Five Star Bank proposed one line of credit that would cover both needs of VCEA. Each line of credit was offered with a variable rate and the ability to select whether VCEA desires to convert the variable rate line of credit into a fixed-rate loan post-launch. There were a variety of differences in price, collateral and guaranty requirements, and covenants in the different credit facilities offered. River City Bank's proposal provides the lowest cost of financing of the proposals offered and had flexibility on the structure of terms including guarantee and collateral requirements.

Recommendation

Based on the received proposals and through vetting by an interview panel, staff recommends that the VCEA Board authorize the Interim General Manager to move ahead with River City Bank to provide banking and deposit services. In addition, staff are also recommending that the Board authorize the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCEA credit facilities. Any financing/credit services must be approved by the Board pursuant to the Joint Powers Agreement, so final financing documents will be submitted to the Board for approval at a later meeting.

November 30, 2017

Mitch Sears
Interim General Manager

Re: Refreshed Proposal for Commercial Loan Financing to Valley Clean Energy Alliance ("VCEA")

Dear Mr. Sears:

In response to the Request for Proposals #PPWSRFPMC1702 for Credit and Banking Services issued March 29, 2017, River City Bank ("Bank" or "Lender") is pleased to provide you this expression of interest term sheet for up to $11,000,000 in total credit facilities, as outlined below.
Please note that all aspects of this Term Sheet related to pricing are confidential and are not to be shared with the public. A redacted Tem Sheet may be requested from Lender if the need arises.

Credit Facility #1 – Seed Capital Funding for Start-Up Costs

Borrower: Valley Clean Energy Alliance ("VCEA")

Loan Type: Non-Revolving Line of Credit ("NRLOC") with option to convert outstanding advances to an amortizing Term Loan at Expiration.

Line Amount: Up to $1,000,000. Final amount will be determined based on credit need.

Collateral/Guarantor: The Borrower will have the following options:

i. Any one or all of the JPA members, or other credit worthy parties (subject to Bank's approval), are required to guarantee the loan on a joint and several basis.
ii. Provide cash collateral for an amount equal to 100% of the Loan Amount. Bank will have a perfected security interest in the funds held at the Bank in a restricted account. The funds will earn interest at an equal rate to the Bank's Public Funds Money Market Account, currently at 0.87% Annual Percentage Yield.
iii. A combination of guarantees and cash collateral can also be considered at levels acceptable to Lender.

Purpose: Provide seed capital to fund negative cash flow during pre-revenue collection phase.

Expiration/Maturity: The availability period on the NRLOC will expire 1 year from the initial availability period; the outstanding balance at that time can be converted to an amortizing term loan which matures in up to 5 years from the conversion date.

Interest Rate:

RLOC: Floating at the 1 Month LIBOR (1.35% as of 11/29/2017), plus 1.25% (for an all-in rate of 2.60% as of 11/30/2017), with an interest rate floor of 1.25%.

Term Loan Options (please indicate choice):

☐ **Fixed Rate**
2.0% spread over the 3 year Treasury Constant Maturity Rate (1.86% as of 11/29/17) at the time of conversion to the term loan.

☐ **Variable Rate**
1 MO LIBOR + 1.75%, floating

The Bank calculates interest on an Actual/360 day basis.

Prepayment Premium: None

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

Documentation Fee: $2,500, payable upon loan closing.

Legal Costs: Actual legal cost charged by Bank's outside legal counsel for review of loan documents.

Repayment: **NRLOC:** Interest payable monthly on outstanding line balances with an option to convert unpaid principal to an amortizing term loan upon expiration of the NRLOC

Term Repayment: Up to sixty (60) equal principal payments, plus interest, due monthly on a fully amortizing basis.

<u>Credit Facility #2 – Power Purchases and Other Capital Costs</u>

Borrower: Valley Clean Energy Alliance ("VCEA")

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

Line Amount: Up to $10,000,000, inclusive of the amount necessary to fund the Debt Service Reserve Account required by Bank for the RLOC. Final amount will be determined based on credit need after energy contracts have been finalized and JPA members determined. Specific amounts will be made available in accordance with service rollout phases once determined.

Guarantor: None

Purpose: Provide capital to fund the following:

i) Power purchases to be made by VCEA in times of seasonal differences in cash flow after operations commence due to lower billing rates in the winter months;

ii) VCEA's obligation to provide reserve funds in support of its power purchase agreements. Draws for such purposes are to be deposited in and remain in the prospective energy supplier's Lockbox account to be held at the Bank.

Expiration/Maturity: Availability on the line of credit will expire 1 year from execution of the loan documentation; the outstanding balance at that time can be converted to an amortizing term loan which matures in up to 5 years from the conversion date.

Advances:

<u>Pre-Launch:</u> Advances for purposes of providing reserve funds for lockbox power purchase agreements will be available beginning upon execution of power purchase agreements, but not more than 4 months in advance of the anticipated commencement of operations for VCEA.

<u>Post-Launch:</u> Advances for all other power purchase purposes will be available upon phase 1 launch, estimated to be during the spring of 2018.

All advance requests will be subject to Borrower submitting documentation to the Bank evidencing compliance with the permitted uses as described in the "Purpose" section of this term sheet.

Repayment: **RLOC:** Interest payable monthly, on line outstandings, with option to convert unpaid principal to an amortizing term loan upon expiration of the RLOC;

Term Repayment: Up to sixty (60) equal principal payments, plus interest, due monthly on a fully amortizing basis.

Interest Rate: plus

RLOC: Floating at the 1 Month LIBOR (1.35% as of 11/29/17/2017), 1.75% (for an all-in rate of 3.1% as of 4/20/17), with an interest rate floor of 1.75%.

Term Loan Options (please indicate choice):

☐ **Fixed Rate**
2.0% spread over the 3 year Treasury Constant Maturity Rate (1.86% as of 11/29/17) at the time of term loan conversion.

☐ **Variable Rate**
1 MO LIBOR + 1.75%, floating

The Bank calculates interest on an Actual/360 day basis.

Prepayment Premium: None

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

Documentation Fee: $2,500, payable upon loan closing

Legal Costs: Actual legal cost charged by Bank's outside legal counsel for review of loan documents.

Debt Service Reserve: As a condition precedent to closing, VCEA will be required to establish a Debt Service Reserve Account ("DSRA") at the Bank, which can be funded from proceeds of the RLOC, in an amount equal to six months of debt service based on a 5 year term-out of the Line Amount (~$1,100,000 if the RLOC amount is $10,000,000) at an assumed 4.00% interest rate. The Bank will have a perfected security interest in 1st lien position on the DSRA**.**

Conditions for all Credit Facilities:

This offer is contingent on the satisfactory review of VCEA's financial model, procurement strategy, supply contracts, marketing plan, selection of management team, and other things.

1. Interim Financials. Borrower to provide Bank within:
   i. 15 days after each month-end, and
   ii. 30 days after the close of each quarter an unaudited balance sheet and income statement of Borrower for the period then ended, prepared in accordance with GAAP and in a form acceptable to lender.

2. Annual Financials. Borrower to provide to Bank within four months after the close of each annual accounting period a copy of the audited balance sheet, income statement, retained earnings and cash flows for the period then ended, prepared in accordance with GAAP and in a form acceptable to lender.

3. Depository Relationship. Borrower agrees to maintain all of its deposit accounts, including the Lockbox account and Debt Service Reserve Accounts, for the duration of the contract, with the Bank. In the event that this condition is not met, as determined by Lender, the

interest rate on the Credit Facilities will immediately increase by adding an additional 2%. This margin shall apply to each succeeding interest rate change that may apply thereafter.

4. Minimum Change in Net Assets. Borrower to adhere to a minimum change in Net Assets requirement on a quarterly basis to be determined and mutually agreed upon once final pro-forma figures have been determined based on procurement strategy and energy costs.

5. Borrower to achieve a minimum 1.25X Debt Service Coverage Ratio (DSCR) on an annual basis, starting at the end of VCEA's first fiscal year end after operations have commenced.

   DSCR is calculated as EBIDA (earnings before interest, depreciation, and amortization) for the 12 month period divided by Debt Service for the same period.

6. Borrower to maintain a minimum Tangible Unrestricted Net position at levels and on dates to be agreed.

7. Additional Indebtedness. Borrower will be prohibited from incurring additional indebtedness during the terms of the Credit Facilities. This provision excludes subordinated debt owed to JPA members with terms (such as interest rate, repayment schedule, subordination, etc.) to be acceptable to Bank. Additionally, all indebtedness incurred to date must be subordinated to Bank.

Other Terms/Conditions: Please be advised final loan documents shall contain other and more detailed covenants, representations and warranties, events of default, and other conditions acceptable to Bank.

The Bank reserves the right to terminate this expression of interest at any time prior to the Bank's receipt of acknowledgment by the Borrower, but in no case shall this expression of interest be outstanding for more than 180 business days from its origination date. This expression of interest may not be transferred or assigned without prior written consent of the Bank.

Please be advised that the loan is subject to underwriting and final credit approval by the Bank. Notwithstanding any other language of agreement that may appear elsewhere in this non-binding letter of intent, it is expressly understood and agreed that this letter of intent does not and shall not constitute a binding agreement between the parties in any manner, but only reflects proposed terms of a transaction which may become acceptable to the parties when fully documented and signed by all of the appropriate parties to such documentation.

We want to emphasize River City Bank's commitment to flexibility in meeting VCEA's needs. We understand that certain needs may change as the CCE evolves prior to the official launch date and are therefore committed to working with you each step of the way and have the flexibility to structure credit facilities accordingly.

Thank you for considering River City Bank for your financing needs. If you would like us to move forward on the basis proposed, please indicate your acknowledgment by signing below and remit to Bank.

Best regards,

Stephen A. Fleming

Stephen A. Fleming
President & CEO
(916) 567-2649

Rosa Hilmarsdottir Cucicea
AVP/Relationship Manager
(925) 398-2763

Acknowledged and Accepted:

____________________________________ ________________________

Valley Clean Energy Alliance Date

By: ____________________________

Its: __________________________

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2017- _______

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING SELECTION OF RIVER CITY BANK AS THE CREDIT AND BANKING SERVICES VENDOR FOR VCEA PROGRAM LAUNCH AND OPERATIONS AND AUTHORIZING THE VCEA INTERIM GENERAL MANAGER, IN CONSULTATION WITH VCEA LEGAL COUNSEL, TO NEGOTIATE A SERVICES CONTRACT WITH RIVER CITY BANK AND AUTHORIZING THE VCEA BOARD CHAIR TO APPROVE AND EXECUTE THE AGREEMENT UNDER THE TERMS SET FORTH HEREIN

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") and 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, in March 2017 an RFP was released by VCEA seeking proposals to provide credit and banking services; and

WHEREAS, VCEA staff and consultants reviewed and evaluated the RFP responses, updated term sheets, and completed vendor interviews in December 2017; and

WHEREAS, VCEA staff and consultants unanimously recommended River City Bank to provide credit and banking services to VCEA based on their overall combined strength of written proposal, interview, project team, experience, cost proposal, and local presence in Yolo County.

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

1. River City Bank is hereby approved as the Credit and Banking services vendor for VCEA program launch and operations, subject to negotiation and approval of an agreement with River City Bank that is consistent with this Resolution.

2. The VCEA Interim General Manager, in consultation with VCEA Legal Counsel, is hereby authorized to negotiate a services contract with River City Bank for approval and execution by the VCEA Board Chair under the following terms:

   a. Scope. Project scope, terms, and schedule are consistent with River City's April 24, 2017 Proposal and November 30, 2017 updated term sheet (Exhibit A). Any significant changes to the scope, terms, or schedule will be brought back to the VCEA Board for consideration.

3. The Chair of the Board is hereby authorized to approve and execute a contract with River City Bank under the terms set forth in this Resolution.

ADOPTED, this ____________ day of ______________, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Chair

____
Secretary

EXHIBIT A - River City Bank Updated Term Sheet – November 30, 2017

EXHIBIT A

CIRCLEPOINT PROPOSAL TO PROVIDE COMMUNITY OUTREACH, MARKETING, AND CUSTOMER NOTIFICATION SERVICES FOR VCEA

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment

Date: December 14, 2017

RECOMMENDATIONS:

1. Approve updated VCEA staffing plan as outlined in Attachment A (organization chart)
2. Direct staff to proceed with VCEA employee recruitment

BACKGROUND & DISCUSSION:

At its Board meeting in November, the Board received a presentation outlining a proposed staffing plan for VCEA that supplements a small group of VCEA employees with contract support from SMUD and other outside consultants. As dicussed, VCEA staff is proposing a minimal internal staffing organization that relies heavily on SMUD and other service providers and consultants in the early years of implementation and operations under a set of service agreement Task Orders.

Following feedback from the Board, staff updated the proposed organization chart (see Attachment A) to reflect the following changes:

1) Regulatory and legislative contract staff will report directly to the General Manager
2) The Board Clerk/Administrative Analyst will report to the Director of Finance and Operations.
3) All other positions remain the same as per the color-coded legend in Attachment A
    a. 4 VCEA employees (dark blue)
        i. General Manager; Assistant GM, Power Services and Programs; Board Clerk/Admin Analyst; and, Community Engagement Specialist.
    b. 3 positions for services from SMUD under Task Order 4 (orange)
        i. Director of Marketing and Customer Care; Director of Finance and Internal Ops; Key Account Manager
    c. Technical and Energy Serives for pre-launch activities under SMUD Task Order 1 (burgandy)
    d. Data Management and Call Center services under SMUD Task Order 2 (burgundy)
    e. Wholesale Energy Services under SMUD Task Order 3 (burgundy)
    f. Outreach Services under contract with Circlepoint (teal)

g. Banking Services under contract with vendor to be determined (pending) (teal)
h. Balance of services provided under contract on an as needed hourly basis under SMUD Task Order 4 (burgandy)

PROPOSED NEXT STEPS

In preparation for employee recruitment and new hires beginning in mid-January, staff is currently working to secure office space, develop employee policies, draft job descriptions and determine VCEA employee benefits. To the extent feasible and desired, VCEA policies and benefits will align with SMUD's practices, with the notable exception that VCEA employees will not receive PERS benefits. A package of employee policies and proposed benefits will be presented to the Board for consideration in January.

In the meantime, SMUD is identifying internal staffing resources best suited to provide the contract support described above and detailed in Task Order 4. It should be noted that SMUD will maintain all employment related responsibilities for its employees assigned to support VCEA under the service agreements. The target start date for SMUD contract support under Task Order 4 is January 16, 2018. VCEA is seeking Board authorization to begin recruitment of its additional three positions, with the goal of having them filled as early as mid-January and as late as early March 2018, depending on availability of qualified candidates. Based on near term activites related to power procurement and community outreach, VCEA staff are prioritizing recruitment of the Assistant General Manager/Director of Power Services and Programs and the Community Engagement Specialist positions.

As previously stated, VCEA and SMUD staff believe that the attached organizational chart provides a solid starting point for Agency implementation and its initial years of operations. 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 costs, benefits, and the long-term objectives of the organization.

<u>Commuity Advisory Committee Recommendation</u>

On December 4, 2017 the Community Advisory Committee recommended that the Board support the staffing plan and future consideration of VCEA staffing needs by passing the following motion 7-0-1:

1) The committee agrees that all the positions in the chart are needed, and that further, there is a need for depth of subject matter knowledge and experience among VCEA employees. There is also a need for more than one person on the chart to be ready to step in when gaps arise, especially in cases involving permanent VCEA staff. Therefore, the position description for the Assistant GM should require subject matte expertise in VCEA core business topics.
2) The general manager and any assistant general managers should be full time and permanent.
3) It will remain important to emphasize the separation of legal and leg/reg from SMUD by ensuring that these functions do not report thru a SMUD employee or SMUD contractor.
4) While the initial organization chart is adequate for the short term, i.e. launch phase and first year, it is not yet ideal in terms of preparation for the longer term. It will be important to review and if needed update it, annually at a minimum, to ensure

adequate staffing both for near term operations and planning related to longer term goals as outlined in the long-term portion of the vision statement.

5) Therefore, the committee recommends that staff start work on a plan for building local VCEA capacity, e.g. the band-width and technical/managerial expertise to engage with local companies that are actively delivering energy services and developing energy projects.

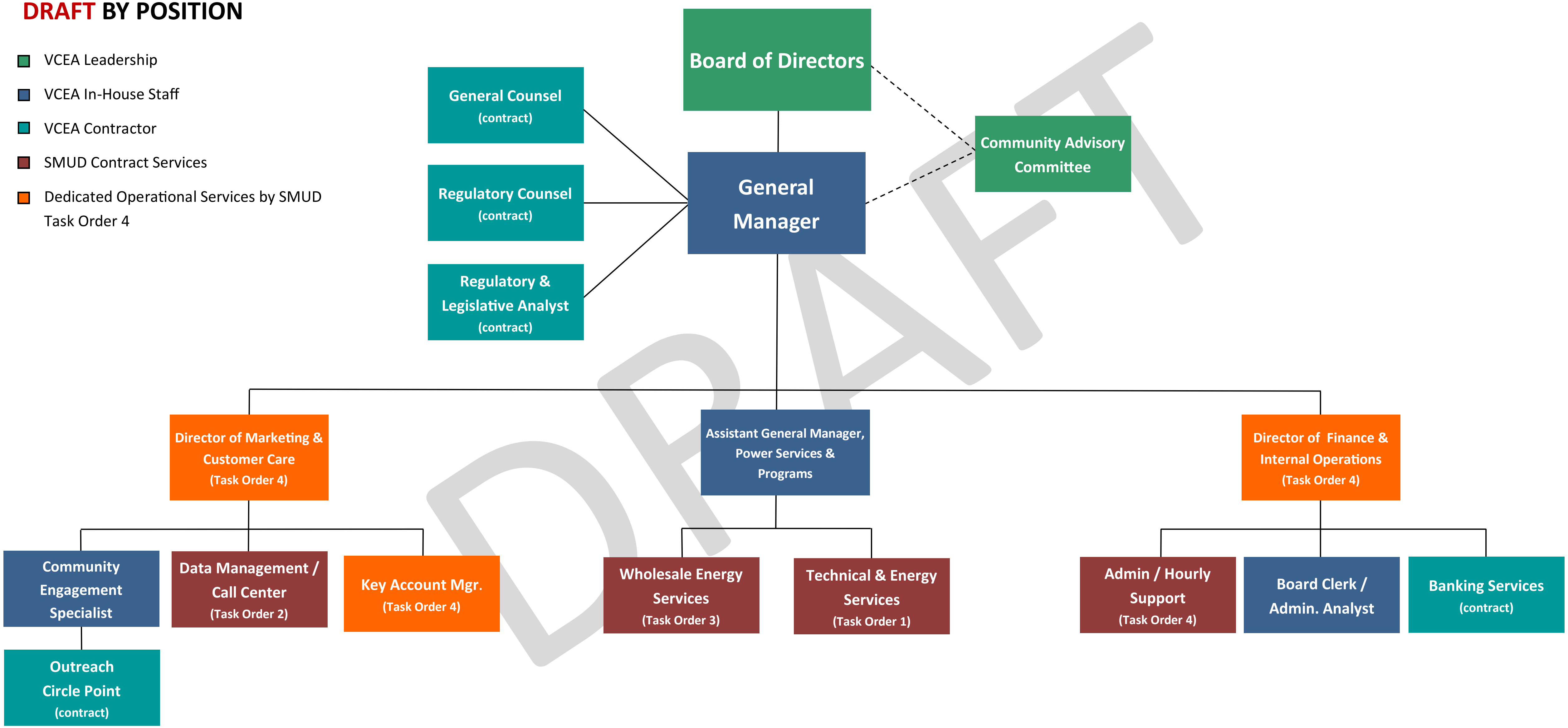
CONCLUSION

As previously stated, VCEA and SMUD staff believe that the attached organizational chart provides a solid starting point for Agency implementation and its initial years of operations. The Community Advisory Committee has also indicated their support of this structure. With Board approval, staff will move into recruitment to begin bringing new team members on board starting in mid-January.

Attachment

1. Proposed VCEA Organization Chart

VCEA ORGANIZATION CHART
DRAFT BY POSITION



12.7.17

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Approval of SMUD Services Agreement Task Order 4 Related to VCEA Organizational Staffing

Date: December 14, 2017

RECOMMENDATION

Adopt a resolution authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to finalize Professional Services Agreement Task Order 4 with SMUD, in substantial conformance with the attached Task Order 4, 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 included the approval of Task Order 1 for technical and energy services, and Task Order 2 for data management/ call center services. On November 16, 2017 the Board approved Task Order 3 for wholesale energy services. The current recommended action would approve Task Order 4 for Operational Staff Services.

Task Order 4 serves to partially implement the initial staffing plan for VCEA as described in Agenda Item 12 from this December 14th Board Meeting. In summary, this Task Order provides the following contractual services to VCEA:

1) **Dedicated Operational SMUD Staff** (full-time)
   - Director of Finance and Operations
   - Director of Marketing and Customer Care
   - Key Account Manager

The Task Order provides a description of the staffing support services that SMUD will provide under the services agreement to meet VCEA's initial operational needs for launching a CCA Program. Under the agreement SMUD will assign Dedicated Operational Staff to work at VCEA's local office within Yolo County. Decision-making and policy-setting responsibility with regards to VCEA remains solely within the power of VCEA.

2) **Additional Professional Services** (hourly; as needed)

The Task Order also provides VCEA the ability to access additional SMUD staffing services on an as-needed basis in various operational areas including: general administration, human resources, programs, information technology.

Note: the proposed services do not include accounting services which are currently proposed to be outsourced to a third party for reasons of fiduciary separation and cost of service. In addition, Yolo County Department of Finance staff has agreed to remain in a fiduciary oversight role by continuing on as VCEA's Treasurer.

If approved, Task Order 4 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 4 with SMUD's executive and legal team.

The overall cost to VCEA for the services contained in Task Order 4 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. The costs articulated in Task Order 4 are also competitive with and comparable to similar CCA program operational services which have been and are being provided to existing California CCA programs.

CONCLUSION
Staff is recommending the VCEA Board adopt the attached resolution authorizing the Board Chair, in consultation with VCEA staff and Legal Counsel, to approve and sign Task Order 4, 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 operation of VCEA.

Attachments
1. Resolution Approving VCEA-SMUD Master Services Agreement Task Order 4
2. Professional Services Agreement - Task Order 4

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 4 – OPERATIONAL STAFF 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, On November 16, 2017 the VCEA Board approved Task Order 3 to provide Wholesale Energy Services consistent with the SMUD proposal and VCEA Board direction; and

WHEREAS, VCEA and SMUD staff negotiated the attached draft Task Order 4 to provide Operational Staff Services to VCEA for program launch and operations.

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 4 for Operational Staff Services, in substantial conformance with the attached Task Order 4, 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 4 in substantial conformance with the attached Task Order 4 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 4 between VCEA and SMUD

EXHIBIT A

Form Master Professional Services Agreement Task Order 4 between VCEA and SMUD

ATTACHMENT 2

Task Order 4
Operational Staff Services

In order to Launch VCEA's CCE Program, SMUD and VCEA agree to the following services, terms, and conditions described in this Task Order. This Task Order is for Operational Staff Services (Task Order 4), 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 conflict with any general provisions in the Agreement, the provisions of this Task Order 4 shall take precedence.

The Effective Date of this Task Order 4 is the date of last signature below.

1. SCOPE OF WORK

SMUD will provide certain Operational Staff Services to VCEA for Phase 1: Program Development & Launch in order to prepare for and enable the successful launch of VCEA's Community of Choice Energy (CCE) Program; and Phase 2: Program Operations, in order to provide organizational capacity in VCEA's early years. As outlined in detail below, the following services will be delivered to VCEA. Additional or continued staff or professional 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 7 below.

SMUD employees assigned to fulfill SMUD's obligations to VCEA will remain employees of SMUD, subject to SMUD direction, employment policies, and ethical obligations. The assigned SMUD employee will, under this Task Order 4, support VCEA under a staffing organizational structure as determined by VCEA. For the duration of this Task Order 4, SMUD shall assign a Principal level staff person to coordinate with VCEA on staffing related issues, including but not limited to staff planning and evaluation.

VCEA recognizes SMUD employees assigned to provide the services in this Task Order 4 will be primarily performing exempt work, and VCEA agrees not to interfere with the nature of their primary duties. To the extent VCEA wants the SMUD employees to work from VCEA's facilities, VCEA will provide required technology, tools, equipment, and any additional materials to perform their duties as assigned. And to the extent VCEA wants SMUD employees to work from VCEA's facilities, it is required to provide a safe working environment for the SMUD employees.

1.1. Dedicated Operational Staff

SMUD will provide dedicated full-time SMUD staff to meet VCEA's initial operational needs for launching a CCE Program. SMUD will assign dedicated operational staff to work at VCEA's local office within Yolo County. Policy-setting responsibility with regards to

VCEA remains solely within the power of the VCEA. The following three full-time positions employees will be provided assigned full-time to VCEA:

1.1.1. Finance and Internal Operations

Consistent with the goals of VCEA, SMUD will assign an employee to manage financial practices and critical operational, administrative and facility related functions of VCEA. This includes the development of the appropriate facilities, technology, and equipment to enable operational agility and the ability to quickly implement policy decisions and perform day-to-day work. This SMUD employee will provide financial forecasting, rate setting and budgeting processes aimed to assist VCEA to meet its financial goals, while providing proper controls and transparency to financial transactions. The SMUD employee responsibilities will include the following tasks:

- Facilitation of strategic plan development and implementation of VCEA goals and objectives;
- Provide operational oversight of office and capital needs;
- Oversight of administrative, office management, human resources, technology, and other support functions;
- Preparation of staff reports and recommendations to the VCEA Board;
- Provide ongoing operational budget development, maintenance, and reporting;
- Provide financial analysis and reporting, including financial statements and long-term analysis;
- Provide financial modeling of rate-setting and ongoing forecasting
- Provide accounting oversight, including Accounts Payable, Accounts Receivable, and periodic bank reconciliations;
- Provide annual audit preparations services;
- Establish appropriate internal controls and office systems;
- Handle cash management and credit risk analysis and controls;
- Provide contract and administrative vendor management;
- Provide financial advice on collections and write-off policies;
- Develop human resource and employment policies and HR management functions; and
- Other duties as assigned by SMUD to meet the needs of the VCEA CEO consistent with SMUD's ethical obligations.

VCEA will be permitted to call this employee by any title it may choose, for example Director of Finance and Internal Operations.

1.1.2. Marketing and Customer Care

Consistent with the goals of VCEA, SMUD will assign a SMUD employee to manage the external marketing, key accounts, and public affairs function including related staff and contractors for VCEA. This employee will also provide oversight of the data management and call center functions. The SMUD employee responsibilities will include the following tasks:

- Development of customer service programs, policies and procedures;
- Oversight of and participation in key account, customer and community outreach, marketing, and public relations;
- Development of customer acquisition and retention strategies;
- Handle customer and community issues and complaint resolution
- Oversee customer satisfaction and market research initiatives
- Communications support to the VCEA Board; and,
- Staff Reports and recommendations to the VCEA Board;
- Other duties as assigned by SMUD to meet the needs of the VCEA CEO consistent with SMUD's ethical obligations.

VCEA will be permitted to call this employee by any title it may choose, for example, Director of Marketing and Customer Care.

1.1.3. Key Accounts

SMUD will provide VCEA with professional key accounts services for designated commercial, industrial, and agricultural customer outreach. Staff services in this area will report up through the Director, Customer Care and Communications. The SMUD employee responsibilities will include the following tasks:

- Meet with customer & key stakeholder leadership to support strategic, long-term planning and goals of the customer and VCEA;
- Develop relationships with the customer and any relevant community organizations to help understand and address any challenges;
- Discuss operations and utility rate structure to identify changes that can save money and energy;
- Development of customer segmentations strategies to better serve business needs consistent to that customer segment; and
- When advanced energy services are available, introduce and facilitate the implementation of customer programs, services, and education programs to customers.

1.2. Professional Services

The Parties acknowledge that SMUD will provide additional professional services as required by VCEA during the term of this Task Order 4. Additional professional services may be authorized by VCEA, and will be compensated at the rates and manner set forth in Section 5.2 of this Task Order 4 Professional Services Hourly Rates.

SMUD may assign highly skilled professional services staff to allow VCEA to flexibly leverage staff required for specific tasks or services. Professional services available are as follows:

- Accounting
- Collections Administration
- Customer program development and operation
- General and administrative
- Human resources
- Information technology
- Key Accounts
- Printing and mail services
- Regulatory
- Technical
- Other services as mutually agreed upon

2. NON-SOLICITATION

For one (1) year after the termination of this Task Order 4, VCEA will not, directly or indirectly solicit for employment on behalf of itself (or its Affiliates) or any third party or any SMUD employee providing services pursuant to this Task Order, however, that notwithstanding anything in this Section to the contrary, VCEA may engage in general solicitations of employment not specifically directed toward any SMUD Employees and VCEA is not prohibited from considering any SMUD employee who elects to apply for employment with VCEA pursuant to the solicitation.

3. APPROVAL PROCESS / ACCEPTANCE

Both Parties agree to perform tasks, review, and approve 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 Interim General Manager or other designated staff for review by VCEA. Deliverables that require VCEA Board approval will be identified and time will be appropriately allocated in the project schedule.

4. TERM AND TERMINATION

4.1. Term of Task Order 4

This Task Order 4 will remain in effect through the term of the Agreement.

4.1.1. Dedicated Operational Staff

Notwithstanding Section 4.1, Term of Task Order 4, SMUD will assign dedicated operational staff as described in Section 1.1 of this Task Order 4 for Finance and Operations and Customer Care and Communications to be available onsite at VCEA offices starting January 2, 2018, and continue for a minimum twelve (12) month period through December 31, 2018. At the conclusion of this initial twelve (12) month period, the Parties may mutually agree to extend or modify dedicated operational staff.

Notwithstanding Section 4.1, Term of Task Order 4, SMUD will assign dedicated operational staff as described in Section 1.1 of this Task Order 4 for Key Accounts to be available onsite at VCEA offices starting January 2, 2018, and continue for a minimum six (6) month period through December 31, 2018. At the conclusion of this initial six (6) month period, the Parties may mutually agree to extend or modify dedicated operational staff.

If the Parties decide to continue, the Parties will also determine the scope of services to be provided. Thereafter, at any time, the Parties may meet to discuss modifications in services or operational staffing as or termination of one or more services then currently provided. Any changes will be documented in a Task Amendment, as described in Section 7.

4.1.2. Professional Services

Task Order 4 professional services as described in section **Error! Reference source not found.** will commence on the Effective Date of this Task Order 4, and will be available for utilization through the term of the Agreement.

The expiration or termination of this Task Order 4 shall not affect the term of the Agreement.

4.2. Termination

Either Party may terminate this Task Order 4 pursuant to Section 4 ("Term and Termination") of the Agreement.

4.2.1. Dedicated Operational Staff

In the event that VCEA chooses to terminate the use of one or more of the dedicated operational staff as described in Section 1.1 prior to the end of the term in Section 4.1.1 , VCEA will provide SMUD with no less than sixty (60) days advance notice in writing and will pay SMUD for the monthly prorated fees attributable to the terminated dedicated operational staff incurred to the date of termination. Such fees shall be due and payable thirty (30) calendar days after the date of invoice by SMUD to VCEA. Any employee badges, keys, and other hardware and/or equipment provided to SMUD staff by VCEA, will be returned to VCEA within fifteen (15) days of Termination.

In the event that VCEA chooses to modify the services provided by the dedicated operational staff, as described in Section 1.1, VCEA will notify SMUD and the parties shall meet and discuss the desired modification or termination of portions of the services provided and the impact on SMUD services and costs. If the parties agree to the modification it shall be memorialized in an amendment to this Task Order 4. If the parties do not agree, both parties retain their ability to terminate this Task Order as set forth herein.

4.2.2. Professional Services

VCEA may choose to terminate professional services as described in Section 1.2 at any time prior to the end of the term in Section 4.1.2 and VCEA will pay SMUD for the fees incurred to date. Such fees shall be due and payable thirty (30) calendar days after the date of invoice by SMUD to VCEA.

4.3. Transition

In the event of termination or modification of the Agreement or this Task Order 4, subject to the terms of the Agreement, SMUD shall provide to VCEA all such correspondence, information, and data prepared or collected by SMUD on behalf of VCEA under Task Order 4, kept in the ordinary course of business. The exact data, format and method of return will be reasonably agreed upon by the Parties.

5. COMPENSATION FOR SERVICES

5.1. Dedicated Operational Staff

Dedicated operational staff will be provided at the following fixed annual fee, to be billed monthly to VCEA.

Dedicated Staff	Fixed Fee
Finance & Internal Operations	$220,000
Marketing & Customer Care	$220,000
Key Account Representative	$190,000

Dedicated operational staff shall have no claim to wages, benefits, or any other rights provided by VCEA to its own employees. VCEA is not required to provide additional benefits to the dedicated operational staff. This not to exceed amount does not include: travel or expenses defined in Section 0 of this Task Order 4 or any regulatory and market expenses as set forth in Section 8.2 of the Agreement or other pass through expenses as may be mutually agreed by the Parties.

5.2. Professional Services Hourly Rates

Services performed under this Task Order 4 are based on “time and materials” compensation structure. SMUD shall receive compensation, including authorized reimbursements, for services rendered under this Task Order at the rates set forth in Section 5.2 of this Task Order 4 Professional Services Hourly Rates. Additional Professional Services work may be requested by VCEA, and if agreeable to SMUD, will be compensated at the rates and manner set forth in Section 5.2.2 of this Task Order 4 Professional Services Hourly Rates.

The SMUD hourly billing rates in the schedule below are applicable to any work performed by SMUD under Task Order 4. Hourly rates are fixed through June 30, 2019, and are subject to escalation at U.S. Department of Commerce, Bureau of Labor Statistics, “Consumer Price Index-All Urban Consumers less food and energy” Series ID: CUUR0000SA0LIE annually thereafter.

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

5.3. Travel and Other Expenses

Travel within Sacramento and Yolo counties is included at no cost to VCEA.

Other out-of-pocket expenses for travel and participation in on-site meetings outside Sacramento and Yolo Counties are in addition to the compensation outlined in Section 5 of this Task Order 4. Travel costs such as airfare, hotel, ground transportation, reasonable meals and/or per diem expenses will be billed in the amount incurred by SMUD for actual out-of-pocket cost, without any additional mark-up by SMUD. Any of these expenses incurred shall be invoiced, in arrears, for the month in which the expenses are incurred. Expense reports detailing all expenses, along with receipts, will be presented to VCEA for reimbursement. Materials will be billed at cost.

6. PAYMENT TERMS

Prior to the Launch Date, SMUD will record monthly fixed fee for dedicated operational staff and hours expended for the professional services of this Task Order 4, and provide a monthly statement to VCEA for review and validation. Payment for these fees will be deferred until October 1, 2018, subject to Section 8.8 of the Agreement.

For services under this Task Order 4, VCEA shall pay all undisputed invoices within thirty (30) calendar days of the date of the invoice.

7. TASK AMENDMENT

This Task Order 4 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 4. Any changes to the scope defined in Task Order 4 will be addressed through a task order amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

8. CONFLICTS OF INTEREST

SMUD and VCEA recognize their joint interests in working collaboratively to launch and operate a CCA. Both parties also recognize that to make that happen, SMUD employees are needed to assist VCEA in establishing and running its operations. Both parties recognize SMUD employees may at times be asked to make or come into situations in which they may be able to make or affect decisions that could potentially affect the SMUD employees' financial interests or that of their department's at SMUD. In such situations, VCEA understands and agrees that the SMUD employee shall take any and all necessary steps to comply with all ethics laws, including but not limited to the Political Reform Act and Government Code section 1090 et .seq., Such actions may include but are not limited to, recusing himself or herself from that decision and the decision making process. In such event, VCEA and SMUD, shall discuss staffing the matter and shall determine whether to assign the matter to a VCEA employee or to a different SMUD employee who does not have a potential conflict of interest. VCEA recognizes that the delegation of such decisions for these reasons will not be a breach of this Task Order or any other agreement between the parties.

9. OVERSIGHT OF DEDICATED OPERATIONAL STAFF

SMUD shall hire, oversee performance, terminate, and take appropriate disciplinary action against all dedicated operational staff in compliance with SMUD's employment policies and in compliance with all applicable state and federal laws. SMUD will periodically survey VCEA as to its satisfaction with Dedicated Operational Personnel, but in all circumstances SMUD shall hire, oversee performance, terminate, and take appropriate disciplinary action against all such Dedicated Operational Personnel.

SMUD will maintain control over the direction of how any dedicated operational staff performs their duties. Dedicated operational staff will report to and coordinate with SMUD supervision as required by SMUD.

10. EMPLOYMENT-RELATED OBLIGATIONS TO DEDICATED OPERATIONAL STAFF

10.1. Wage Obligations

For all dedicated operational staff, SMUD will: (1) maintain all necessary personnel and payroll records; (ii) calculate wages and withhold taxes and other government mandated charges, if any; (iii) remit such taxes and charges to the appropriate government entity; (iv) pay net wages and provide appropriate documentation; and (v) abide by all applicable overtime requirements. SMUD assumes total responsibility for payment of all applicable federal, state, and local withholding taxes, social security, or other applicable or mandated payroll charges or deductions.

10.2. Workers' Compensation

For all dedicated operational staff, SMUD shall: (1) provide workers' compensation insurance, provide any necessary notices, and otherwise abide by any applicable legal requirements with respect to workplace injuries and workers' compensation obligations; and (2) process and respond to unemployment insurance claims.

10.3. Leave of Absence Obligations

For all dedicated operational staff, SMUD shall provide necessary notices and administer all leaves of absence provided by applicable policy, MOU, or law.

10.4. Recordkeeping

For all dedicated operational staff, SMUD shall comply with all applicable recordkeeping laws, maintain personnel files, maintain all medical-related files, and respond to any requests for information.

10.5. Employment Laws

For all dedicated operational staff, SMUD shall comply with all employment laws regarding workplace treatment, including laws relating to discrimination, harassment, retaliation, and accommodation (including the obligation to participate in an interactive process regarding any need for workplace accommodation).

10.6. Discipline and Direction

SMUD retains sole discretion to terminate and discipline its employees assigned as dedicated operational staff. However, SMUD will seek input and feedback from VCEA as it relates to the performance of dedicated operational staff. SMUD will maintain control over the direction of how any dedicated operational staff performs their duties. Dedicated operational staff will report to and coordinate with SMUD supervision as required by SMUD.

11. INDEMNIFICATION

11.1. SMUD shall indemnify, defend, and hold VCEA harmless from any and all damage or liability (including, but not limited to, attorney's fees and litigation costs incurred by VCEA) arising from any actions taken by dedicated operational staff in connection with their work assignments for VCEA, including (but not limited to) any claims for negligent hiring or negligent retention. SMUD shall also indemnify and reimburse VCEA for any willful damage to VCEA's property by any dedicated operational staff.

11.2. SMUD shall indemnify, defend, and hold VCEA harmless from any and all damage or liability (including, but not limited to, attorney's fees and litigation costs incurred by VCEA) arising from any employment-related claims asserted by any dedicated operational staff. The duty to defend shall also include defense against any employment-related allegations or complaints brought by dedicated operational staff against VCEA, including allegations of wage-and-hour violations, discrimination, denial of legally mandated leave, retaliation, or any general allegation of illegal harassment or discrimination.

11.3. SMUD shall indemnify, defend, and hold VCEA harmless from any liability or damage (including, but not limited to, attorney's fees and litigation costs incurred by VCEA) arising from the eligibility (or lack thereof) of dedicated operational staff for CalPERS retirement benefits, including any liability for present, past, or future contributions or penalties.

11.4.

For purposes of this section 11, VCEA is defined to include VCEA and its members, officers, agents, and employees. The provisions of this section 11 shall survive termination of this Task Order 4. The parties agree to notify each other immediately upon assertion or possible assertion of any such claim and to cooperate with one another in the investigation and defense of said claim.

12. LEAVE

SMUD employees assigned under this Task Order 4 shall have the ability to take up to three (3) weeks of vacation per year, appropriate sick leave, and other leaves as required by law.

Any leave taken by a SMUD employee does not obligate SMUD to back-fill the position while the employee is on leave.

13. NON-DISCRIMINATION

VCEA assumes responsibility for and warrants that the VCEA workplace and working conditions will be free from illegal discrimination, harassment, and/or retaliation. Further, VCEA will not prohibit, discourage, or dissuade any SMUD employee from any good-faith whistle blowing actions.

14. SIGNATURES

The Parties have executed this Task Order 4 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: ______________________________

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item 14

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Reserve Policy

DATE: December 14, 2017

RECOMMENDATION
Adopt a resolution approving the proposed Financial Reserve Policy

BACKGROUND AND ANALYSIS
In order to achieve its strategic goals, VCEA must maintain liquidity for day-to-day operations and develop access to capital markets to fund long-term investments. Setting a target Financial Reserve level provides a reference point to use when evaluating the financial impacts of various policy decisions, such as portfolio mix and rate setting.

A Financial Reserve is typically unrestricted, liquid funds available to an organization. These funds are used to ensure the organization can weather volatility in short-term revenues and expenses. Target levels are generally set as a number of days cash. Other CCAs have generally followed this structure in setting their target reserves. Once reaching target operating reserve levels, some CCAs have begun developing additional reserves to act as collateral for long-term power procurements, provide rate stability, and support development of local renewable power.

In developing a target level, staff considered what level of cash would be necessary considering the level of volatility and uncertainty in costs, as well as the cost of debt. Accepting a lower Financial Reserve would increase the liquidity risk of VCEA. Setting a higher level would increase debt service costs and reduce VCEA's ability to execute local generation and programs.

An additional reserve is proposed to begin setting aside funds for local program development. Contributions are set to be small at first (1% of net income or approximately $16,000 in 2018), but may be adjusted upwards as net income grows.

PROPOSED RESERVE POLICY
VCEA staff recommends adopting the attached Financial Reserve Policy that sets a minimum level of 30 days cash, with a longer-term target of repaying startup capital and building to a target level of 90 days cash. The reserve policy also includes establishing the local program development fund as noted above.

Community Advisory Committee Recommendation

On December 4, 2017 the Community Advisory Committee recommended that the Board support the proposed Financial Reserve Policy. The motion passed 6-1-1.

CONCLUSION

Staff recommends that the Board adopt the attached Financial Reserve Policy.

Attachment

1. VCEA Financial Reserve Policy
2. Resolution

<u>ATTACHMENT A</u>

Proposed Financial Reserve Policy

The VCEA Board recognizes the importance of developing reserves to:

- Ensure financial stability
- Ensure access to credit at competitive rates
- Ensure rate stability
- Set aside monies for local programs

To achieve these objectives, VCEA targets an operating reserve account minimum balance of 30 days operating expenses, with a goal of building to a reserve of 90 days operating expenses.
Additionally, VCEA will set aside a reserve fund for local programs, equal to 1% of net income.
VCEA will initially build a reserve fund of 30 days operating expenses. Once this is funded, VCEA will begin paying off debt and building cash reserves to meet a 90-day operating reserve level.
Rates, Power Portfolio Resource mix, and Operating Budget will be adjusted as needed to meet VCEA's target reserves schedule.

VCEA Financial Reserve Policy

Adopted: December 14, 2018
Amended:

The VCEA Board recognizes the importance of developing reserves to:

- Ensure financial stability
- Ensure access to credit at competitive rates
- Ensure rate stability
- Set aside monies for local programs

To achieve these objectives, VCEA targets an operating reserve account minimum balance of 30 days operating expenses, with a goal of building to a reserve of 90 days operating expenses.

Additionally, VCEA will set aside a reserve fund for local programs, equal to 1% of net income.

VCEA will initially build a reserve fund of 30 days operating expenses. Once this is funded, VCEA will begin paying off debt and building cash reserves to meet a 90-day operating reserve level.

Rates, Power Portfolio Resource mix, and Operating Budget will be adjusted as needed to meet VCEA's target reserves schedule.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2017- _______

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING
A FINANCIAL RESERVE POLICY

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, in order to achieve its strategic goals, VCEA must maintain liquidity for day-to-day operations and develop access to capital markets to fund long-term investments in local clean energy development and customer programs; and

WHEREAS, setting a target Financial Reserve level also provides a reference point to use when evaluating the financial impacts of various policy decisions, such as portfolio mix and rate setting.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a Financial Reserve Policy (Exhibit A).

ADOPTED, this ____________ day of ______________, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Chair

____
Secretary

Approved as to form:

____
Interim VCEA Counsel

EXHIBIT A - VCEA Financial Reserve Policy

1

EXHIBIT A

VCEA Financial Reserve Policy

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item 15

TO:	Valley Clean Energy Alliance Board of Directors
FROM:	Mitch Sears, Interim General Manager Gary Lawson, Sacramento Municipal Utility District (SMUD) Michael Champ, Sacramento Municipal Utility District (SMUD)
SUBJECT:	Power Mix Targets and Target Rates for CY 2018
DATE:	December 14, 2017

RECOMMENDATION

1. Adopt a resolution approving:
   a. Power Mix Target for calendar year 2018 that has a total 75% clean energy supply, comprised of the following components:
      - A 40% Renewable Energy component, which includes the minimum required Renewable Portfolio Standard (RPS) component of 29%, plus an additional discretionary renewable component of 11%.
      - A non-renewable clean energy component of 35%.

   b. Target Rates for 2018 that are at a 1% discount to PG&E rates, net of Power Charge Indifference Adjustment (PCIA) and Franchise Fees.

BACKGROUND AND ANALYSIS

Power Mix

Setting the Power Mix Target will provide the procurement direction needed by SMUD, as VCEA's Wholesale Energy Services Provider, to build VCEA's renewable and clean energy portfolio.

Resource and financial modeling was performed using seven different combinations of renewable/clean energy percentages and Product Content Category types (see below for a discussion on the Product Content Category types). They are shown in detail in Tables A1 through A7 in Attachment A, and summarized below in Table 1.

Staff recommends the Board adopt Scenario F for the Power Mix Target for 2018. Scenario F strikes a balance of providing a portfolio that is cleaner than PG&E's in total, has a renewable content exceeding that being currently achieved by PG&E, and provides for accumulation of reserves over the initial 3½ years. The power mix was developed after discussions with the Community Advisory Committee CAC at their November 27th and December 4th meetings.

Table 1. Renewable/Clean Resource Mix Scenarios Considered

Scenario	Renewable Content	Renewable Mix PCC-1	PCC-2	PCC-3	Non RPS Clean	Total	Characterization
A	35%	100%	0%	0%	40%	75%	Minimum desirable renewable content. Total clean content greater than PG&E.
A Alt	35%	75%	25%	0%	40%	75%	Minimum desirable renewable content. Total clean content greater than PG&E.
B	50%	75%	25%	0%	25%	75%	Meets 2030 RPS goals now. Total clean content greater than PG&E.
C	50%	100%	0%	0%	25%	75%	Meets 2030 RPS goals now at increased cost. Total clean content greater than PG&E.
D	75%	100%	0%	0%	0%	75%	All clean content supplie by renewables. Highest cost. Total clean content greater than PG&E.
E	42%	75%	25%	0%	33%	75%	Middle range renewable content. Total clean content greater than PG&E.
F	40%	54%	46%	0%	35%	75%	Middle range renewable content. Total clean content greater than PG&E.

Note: Power Content Categories (PCC-1, 2 & 3), are determined based upon how the qualifying renewable energy is delivered into California. California law dictates how much renewable power must be supplied from the various product content categories for the minimum RPS standards required for load serving entities. See Attachment D for Power Content Category definitions.

Staff presented the A Alt portfolio during the December 4th CAC meeting as the likely staff recommendation to the Board. During discussions with the CAC, evaluation of Scenario E was requested (42% renewable content), which became the basis for the CAC recommendation to the Board (motion passed with a 5-2-1 vote):

> The CAC supports staff recommendation for 2018, with the change that the renewables percentage be increased to 42%. The CAC recommends that when VCEA is looking at 2019 and beyond, VCEA should:
>
> - Evaluate increasing renewable percentage in the mix
> - Beginning in year 1, lay foundation for including local renewable resources as a part of the mix.

Following the CAC meeting and after review of the financial impact of Scenario E, staff developed a Scenario F, which lowered the overall renewable content recommended by the CAC from 42% to 40%, and increased the PCC-2 content. Reducing the renewable content and increasing the amount of renewable content supplied from PCC-2 has the effect of lowering the cost of the Scenario F power portfolio closer to Scenario A Alt, which is the lowest cost portfolio evaluated.

Staff recommends the Board adopt Scenario F for the Power Mix Target for 2018 and accept the CAC's recommendation related to future Power Mix Targets. As noted, Staff believes Scenario F strikes a reasonable balance of providing a portfolio that is cleaner than PG&E's in total, has a renewable content exceeding that being currently achieved by PG&E, and provides for accumulation of reserves over the initial 3½ years of VCEA's operation.

Recommended Scenario F Power Mix Notes:

1. The staff recommended Scenario F meets the minimum RPS obligations by securing a target mix of 75% PCC-1 resources and 25% PCC-2 resources. The additional discretionary renewable content beyond the RPS requirements are supplied 100% from PCC-2 resources.
2. Staff recommends that VCEA not plan any forward PCC-3 transactions, however staff does recommend that PCC-3 RECs be used, if necessary, to make up for any shortfalls in renewable energy deliveries in any year, to ensure that VCEA meets its Power Mix Target.

Rates

State law and regulations provide the Board of a CCA with the authority to set rates. While VCEA has legal authority to set rates, it is constrained in practice by competitive forces, data availability, and complexity for the customer. All VCEA customers will retain the option of opting out of CCA service and remaining with PG&E. Therefore, rates should be set to be competitive with PG&E for all customers. Similarly, all VCEA customers will continue to receive bills for transmission and distribution services from PG&E, and will be assigned to PG&E rates with associated definitions of peak hours, holidays, and seasons. Offering rates with different definitions of peak time, or based on requirements separate from PG&E would require independent collection and analysis of customer energy data, and could result in customer confusion. Therefore, CCA rates are typically designed as a discount to the existing PG&E rate, maintaining the existing overall structure of the rate. The attached Table B1 shows rate discounts currently offered by other CCAs, along with their power mix, size, and launch year. In addition to the CCA power rate, customers opting in will also pay the Power Charge Indifference Adjustment (PCIA) and Franchise Fee. In order to keep the customer whole, the CCA rate is typically designed to be at a discount net of these fees.

The overall financial position of a CCA is determined in large part by rates, power mix, and operating budget. When setting an annual budget, these should be considered together and set to ensure financial stability, ability to weather variation in load volumes and market prices, and achievement of strategic goals. VCEA staff and consultants reviewed a variety of power portfolio mixes, rate structures, and scenarios for PG&E and PCIA rate changes, and the associated impacts to financial position to develop a target rate recommendation.

Staff recommends a rate structure designed to be 1% below PG&E's current forecast of 2018 rates. In combination with the recommended Scenario F Power Mix, this rate structure provides revenues sufficient to fund expected power purchases, ongoing operations, maintenance of an adequate cash balance, and initial repayments of startup liabilities. Specifically, this combination allows for gradual repayment of initial debt, while maintaining an unrestricted cash balance of at least 30 days expenses, as recommended in the draft reserve policy. Higher rate discounts would increase VCEA's financial risk, and delay the buildup of capital for local power projects and programs. Lower rate discounts risk higher opt-out rates.

CONCLUSION

Staff is recommending that the Board adopt the Scenario F Power Mix Target and Target Rate discount of 1%.

Attachments

A. Power Mix Portfolios Evaluated
B. CCA Rate/Resource Mix Comparisons w/PG&E
C. Product Content Categories
D. Resolution

ATTACHMENT A

VCEA Power Mix Portfolios Evaluated

Table A1. Scenario A - 100% Clean, 35% Renewable, 100% PCC-1

				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Scenario A RPS & Clean Energy Requirement (100%)													
A	***Total Renewable Content***			**35.0%**	**35.0%**	**35.0%**	**35.0%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
		PCC 1	Calculated	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		PCC 2	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**6.00%**	**4.0%**	**2.0%**	**0.2%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
			PCC 1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Non Renewable Carbon Free			**65.0%**	**65.0%**	**65.0%**	**65.0%**	**63.5%**	**61.7%**	**60.0%**	**58.3%**	**56.7%**	**55.0%**
	Total Carbon Free			**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table A2. Scenario A Alt - 75% Clean, 35% Renewable, 75% PCC-1, 25% PCC-2

Scenario A Alt - Minimum Renewable and Additional Non Renewable Carbon Free (75% Clean)													
A-Alt	***Total Renewable Content***			**35.0%**	**35.0%**	**35.0%**	**35.0%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
		PCC 1	Calculated	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
		PCC 2	Calculated	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**6.00%**	**4.00%**	**2.00%**	**0.20%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Non Renewable Carbon Free			**40.0%**	**40.0%**	**40.0%**	**40.0%**	**38.5%**	**36.7%**	**35.0%**	**33.3%**	**31.7%**	**30.0%**
	Total Carbon Free			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**

Table A3. Scenario B - 75% Clean, 50% Renewable, 75% PCC-1, 25% PCC-2

Scenario B VCEA RPS 50% (75% PCC1 / 25% PCC2) & Clean Energy 25%													
B	***Total Renewable Content***			**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**
		PCC 1	Calculated	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
		PCC 2	Calculated	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**21.0%**	**19.0%**	**17.0%**	**15.2%**	**13.5%**	**11.7%**	**10.0%**	**8.3%**	**6.7%**	**5.0%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Carbon Fr	***Non Renewable Carb***		**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**
	Total Carbon Free			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**

Table A4. Scenario C - 75% Clean, 50% Renewable, 75% PCC-1, 25% PCC-2

Scenario C VCEA RPS 50% (100% PCC1) & Clean Energy 25%													
C	***Total Renewable Content***			**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**
		PCC 1	Calculated	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		PCC 2	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**21.0%**	**19.0%**	**17.0%**	**15.2%**	**13.5%**	**11.7%**	**10.0%**	**8.3%**	**6.7%**	**5.0%**
			PCC 1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Non Renewable Carbon Free			**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**	**25.0%**
	Total Carbon Free			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**

Table A5. Scenario D - 75% Clean, 75% Renewable, 100% PCC-1

Scenario D VCEA RPS 75% (100% PCC1) & Clean Energy 0%													
D	***Total Renewable Content***			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**
		PCC 1	Calculated	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		PCC 2	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**46.00%**	**44.00%**	**42.00%**	**40.20%**	**38.50%**	**36.70%**	**35.00%**	**33.30%**	**31.70%**	**30.00%**
			PCC 1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 2	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Carbon Free			**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
	Total Carbon Free			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**

Table A6. Scenario E - 75% Clean, 42% Renewable, 75% PCC-1, 25% PCC-2

Scenario E - VCEA RPS 42% Renawable and Additional Non Renewable Carbon Free (75% Clean)													
E	***Total Renewable Content***			**42.0%**	**42.0%**	**42.0%**	**42.0%**	**42.0%**	**42.0%**	**42.0%**	**42.0%**	**43.3%**	**45.0%**
		PCC 1	Calculated	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
		PCC 2	Calculated	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**13.00%**	**11.00%**	**9.00%**	**7.20%**	**5.50%**	**3.70%**	**2.00%**	**0.30%**	**0.00%**	**0.00%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Non Renewable Carbon Free			**33.0%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**	**31.7%**	**30.0%**
	Total Carbon Free			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**

Table A7. Scenario F - 75% Clean, 40% Renewable, 75% PCC-1, 25% PCC-2 for RPS, 100% PCC-2 for Discretionary Renewable Content

F	***Total Renewable Content***			**40.0%**	**40.0%**	**40.0%**	**40.0%**	**40.0%**	**40.0%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
		PCC 1	Calculated	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
		PCC 2	Calculated	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		RPS Required Minim		**29.0%**	**31.0%**	**33.0%**	**34.8%**	**36.5%**	**38.3%**	**40.0%**	**41.7%**	**43.3%**	**45.0%**
			PCC 1	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
			PCC 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		Incremental Renewa		**11.0%**	**9.0%**	**7.0%**	**5.2%**	**3.5%**	**1.7%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
			PCC 1	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			PCC 2	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
			PCC 3	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Non Renewable Carbon Free			**35.0%**	**35.0%**	**35.0%**	**35.0%**	**35.0%**	**35.0%**	**35.0%**	**33.3%**	**31.7%**	**30.0%**
	Total Carbon Free			**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**	**75.0%**

ATTACHMENT B

Table B1. CCA Rate/Resource Mix Comparisons w/PG&E

CCA	Accounts[1]	Launch Year	Rate Discount	Default Product Resource Mix[2] Renewable	Non-Renewable Clean	Total Clean
Marin Clean Energy	260,000	2010	0.62%	55%	13%	68%
Sonoma Clean Power	227,000	2014	2.17%	42%	49%	91%
CleanPowerSF	76,000	2016	0.25%	40%	38%	78%
Peninsula Clean Energy	300,000	2017	5.00%	50%	30%	80%
Silicon Valley Clean Power	240,000	2017	1.00%	50%	50%	100%
Redwood Coast Energy Authority	60,000	2017	2.70%	42%	40%	82%
City of Lancaster	52,000	2015	-5.35%	35%	0%	35%
Apple Valley	29,000	2017	-4.35%	35%	Not Disclosed	35%
Pico Rivera Innovative Municipal Energy	17,000	2017	-4.35%	50%	Not Disclosed	50%
Pacific Gas & Electric			0.00%	33%	36%	69%
Southern California Edison			0.00%	28%	12%	40%

Notes:

1 - Represents Customer Accounts as reported by CalCCA

2 - As reported on CCA's websites

ATTACHMENT C
Product Content Categories

Product Content Categories
There are three Product Content Categories, determined based upon how the qualifying renewable energy is delivered into California. California law dictates how much renewable power must be supplied from the various product content categories for the minimum RPS standards required for load serving entities.

Product Content Category 1 (PCC-1)[1]
A renewable resource that is directly delivered to California without energy substitution from another resource is considered to qualify as a PCC-1 resource. This determination is made based upon the scheduling interval used (hourly or every 15-minutes) based upon the lesser of the energy scheduled into California, or the actual output of the resource.
A renewable resource located within the state is considered to be a PCC-1 resource.
For the minimum RPS quantities, a portfolio has to contain at least 75% of PCC-1 resources. There are no specific requirements in law for any additional discretionary renewable energy that a load serving entity wishes to retire for its portfolio mix.

Product Content Category 2 (PCC-2)
A renewable resource that is out-of-state, and delivering to California, where the Renewable Energy Credits are paired with a substitute energy resource imported into the state, is considered a PCC-2 resource. A load serving entity cannot use more that 25% of PCC-2 resources for meeting its minimum RPS obligations. There are some specific commercial requirements associated with the energy output of the specific renewable resource supporting the sale. This sort of renewable energy delivery is most often used to take the intermittent output of a wind resource and smooth the delivery schedule of the resource into the state.

Product Content Category 3 (PCC-3)
A PCC-3 renewable resource is merely the Renewable Energy Certificate (REC) (evidence of ownership of the renewable attributes) from a resource, delivered without the energy component. This is commonly called a “tradeable REC.” Because PCC-3 transaction is only for the Renewable Energy Certificate itself, it is can be contracted for after-the-fact.

[1] CPUC – Energy Division: Portfolio Content Category Classification Review Process Handbook, October 2017

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2017- _______

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING POWER MIX TARGETS AND TARGET ELECTRICITY RATES FOR 2018

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, VCEA has the authority to set power mix targets and rates; and

WHEREAS, setting a power mix target will provide the procurement direction needed by SMUD, as VCEA's Wholesale Energy Services Provider, to build VCEA's renewable and clean energy portfolio; and

WHEREAS, setting a rate will allow VCEA to carry out its Mission to deliver cost-effective clean electricity to its customers.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts the following Power Mix Targets and Rates for 2018:

1. **Power Mix Target.** Target a Power Mix for calendar year 2018 that has a total 75% clean energy supply, comprised of the following components:

   i. A 40% Renewable Energy component, which includes the minimum required Renewable Portfolio Standard (RPS) component of 29%, plus an additional discretionary renewable component of 11%. The RPS component of the renewable energy would be sourced 75% from Product Content Category 1 (PCC-1, see explanation below) resources and 25% from Product Content Category 2 (PCC-2) resources. The discretionary renewable component of 11% would be sourced 100% from PCC-2 resources. Furthermore, while staff recommends that VCEA not plan any forward Product Content Category 3 (PCC-3) transactions, staff does recommend that PCC-3 RECs may be used in small quantities to make up for any shortfalls in renewable energy deliveries in any year, to insure that VCEA meets its Power Mix Target.

   ii. A non-renewable clean energy component of 35%. The supply of this resource would primarily be from large hydro resources located in the Pacific Northwest that do not qualify as renewable under California Renewable Portfolio Standards.

2. **Target Rate.** Target a Rate for 2018 that is at a 1% discount to PG&E rates, net of PCIA

and Franchise Fees.

ADOPTED, this _____________ day of _______________, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Chair

____
Secretary

Approved as to form:

____
Interim VCEA Counsel

VALLEY CLEAN ENERGY ALLIANCE

Staff Report Item 16

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Wholesale Energy Risk Management Policy

DATE: December 14, 2017

RECOMMENDATION
Adopt a resolution approving the proposed Wholesale Energy Risk Management Policy

BACKGROUND AND ANALYSIS
As previously reviewed with the Board at the November 16th meeting, the Wholesale Energy Risk Management Policy provides the primary guidance for managing the energy commodity risks faced by VCEA. The policy establishes 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
Key elements of the policy include:

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 (WESP) and the Chief Legal Officer both serving in advisory roles.

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 including:

- General Conduct Requirements
- Notification of conflicts
- Counterparty suitability
- Transaction records
- Transaction valuation
- Stress testing

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. Functions are separated into:

- Front Office
- Middle Office
- Back Office

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

Staff is proposing the following delegations matrix for the Policy:

Authorization/Delegation Level		
Level	**Transaction**	**Limit of Authorization/ Delegation**
Enterprise Risk Oversight Committee	Non-CAISO Transactions, terms up to 24 months	$16,000,000 per calendar year
General Manager	Non-CAISO Transactions, terms up to 24 months	$8,000,000 per calendar year
WESP	Non CAISO Transactions up to 13 months	$4,000,000 per calendar year
WESP	CAISO Transactions	Not Limited

Delegation to the WESP
The delegation to the WESP for CAISO transactions covers the daily purchases of market energy necessary for the direct supply of VCEA's load. SMUD as the WESP has no choice but to always serve load, at whatever the market price turns out to be. (Forward price hedging contracts are used to fix VCEA's market energy supply costs.) As such, SMUD must have an unrestricted delegation to procure CAISO market purchases.

The delegation to the WESP for non-CAISO transaction covers transactions for an unmet need by VCEA for power products. One example at launch would be needing to procure additional renewable power supplies after launch, once it becomes clear how many PG&E customers have opted out of the VCEA program. Initial procurement will be based upon an assumption of given number of assumed opt-outs (10% has been considered). Should VCEA have only a 5% opt out, SMUD will need to procure additional renewable supplies to meet the Power Mix Targets. The delegation term is set at 13 months to cover a transaction that might span from mid-month plus a year (not uncommon). The amount of the delegation is scaled to the cost of a 25MW block of on-peak power purchased for a 12-month term. Once the annual dollar limit has been met, the WESP would need to seek a higher level authorization for any deals that would cause that limit to be exceeded.

Delegation to the General Manager
The delegation to the General Manager is scaled to a contract term up to 24 months, with an annual total limit of $8,000,000 of authority. Once the annual dollar limit has been met, the General Manager would need to seek a higher level authorization for any deals that would cause that limit to be exceeded.

Delegation to the Enterprise Risk Oversight Committee
The Delegation to the Enterprise Risk Oversight Committee (EROC) is scaled to an annual total limit of $16,000,000, with the same 2-year term. Once the annual dollar limit has been met, the EROC would need to seek Board approval for any deals that would cause that limit to be exceeded. Furthermore, any contract of a term longer than 24 months would require Board Approval.

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

Analysis
This policy was modeled on the energy risk policy that Redwood Coast Energy Authority adopted, tailored to VCEA's situation. The Redwood Coast Energy Authority CCA is very similarly situated to VCEA, with regard to its power procurement, having a vendor that is providing power credit services similar to what SMUD is providing to VCEA under Task Order 3 of the Master Service Agreement.
Staff believes that the Wholesale Energy Risk Policy provides an appropriate balance between highlighting key elements to managing VCEA's energy commodity risk, without being overly prescriptive. Furthermore, the policy itself envisions that it can and will be revised from time to time and provides a process for such revisions as may be needed to accommodate changed circumstances.

Staff review of the policy included the review by VCEA's Energy Consultant (Don Dame), whose comments were incorporated into the final draft.

CONCLUSION
Staff recommends that the Board adopt the attached Wholesale Energy Risk Policy.

<u>**Attachments**</u>
1. VCEA Wholesale Energy Risk Policy
2. Resolution

ATTACHMENT A

Wholesale Energy Risk Policy

Valley Clean Energy Alliance

Wholesale Energy Risk Management Policy

Adopted on: ___________

Table of Contents

1 Policy Overview

1.1 Background and Purpose

The Valley Clean Energy Alliance (VCEA) is a public joint powers agency located within the geographic boundaries of Yolo County. VCEA is governed by a six-member Board of Directors (Board), with two members each from the Davis City Council, Woodland City Council, and the Yolo County Board of Supervisors.

VCEA members desire to implement and administer a Community Choice Aggregation (CCA)/Community Choice Energy (CCE) PProgram (hereinafter "Program"). VCEA'sProgram will give its members an opportunity to join together to procure electricity supplies and implement local energy programs that meet the goals of the local community. Electricity procured to serve customers will continue to be delivered over Pacific Gas and Electric's (PG&E's) transmission and distribution system.

Providing retail electric generation service to customers enrolled in VCEA'sProgram exposes VCEA to risks such as retail load uncertainty (due to weather, customer opt-out, and other factors), energy market price volatility, counterparty credit, PG&E generation and power charge indifference adjustment (PCIA), rate competitiveness and other regulatory risks.

This Wholesale Energy Risk Management Policy (Policy) establishes VCEA's Energy Risk Management Program (ERMP) including risk management functions and procedures to manage risks associated with power procurement activities.

The purpose of this Policy is to aid VCEA in achieving its goals by specifying roles, responsibilities, organizational structures, risk management standards, operating controls and limits necessary to properly identify and manage VCEA's exposure to risk.

1.2 Scope

Unless otherwise explicitly stated in this Policy, or other policies approved by the Board, this Policy applies to all power procurement and related business activities that may affect the risk profile of VCEA. This Policy documents the framework by which VCEA staff and Wholesale Energy Services Provider (WESP) will:

- Identify and quantify risk
- Develop and execute procurement strategies
- Create a framework of controls and oversight
- Monitor, measure and report on the effectiveness of the ERMP

To ensure successful operation of VCEA's Program, VCEA will contract with an experienced WESP to provide energy-related services. At the beginning of VCEA's Program, the WESP will be executing the front, middle and back-office (transacting, monitoring and settlement) related activities on VCEA's behalf. In providing these services, the WESP will observe the policies and procedures outlined in this document. The WESP will maintain its own risk policies and procedures including following industry practices of segregation of duties, which will also govern WESP activities and transactions executed on VCEA's behalf.

1.3 Wholesale Energy Risk Management Objective

The objective of this Policy is to provide a framework for conducting procurement activities that strengthens VCEA's portfolio and aids in meeting goals listed in Section 2.

Pursuant to this Policy, VCEA will identify and measure the magnitude of the risks to which it is exposed and that contribute to the potential to deviate from identified goals.

1.4 Policy Administration

Once approved, this Policy can be amended or revised from time to time. The Board must approve amendments or revisions to this Policy, except for the appendices, which may be amended, revised, or added with approval of the Enterprise Risk Oversight Committee ("EROC") as identified in Section 3. The EROC must give notice to the Board of any amendment it makes to or addition of an appendix, a reference policy or procedure document at the next following regularly scheduled Board meeting. VCEA's General Counsel should also review changes to documentation.

2 Risk Exposures and Goals

2.1 Risk Exposures

Throughout launch and ongoing operation the Program faces a range of risks including:

- PG&E generation rates and Power Charge Indifference Adjustment
- Customer Opt-out
- Power Market Volatility
- Volumetric Deviations
- Modelling Uncertainties
- Counterparty credit
-

These risks are not all-inclusive but are the known major risk factors impacting the business success of VCEA. This Policy addresses these risk types below.

For the purpose of this Policy, risk exposure is assessed on all transactions (energy, environmental attributes, capacity, etc.) executed by the WESP on behalf of VCEA, or by VCEA on its own behalf, as well as the risk exposure of open positions and the impacts of these uncertainties on VCEA's costs, revenues, load and other obligations.

2.2 PG&E Generation Rates and Power Charge Indifference Adjustment

The ability of VCEA to attain financial margins sufficient to fund programs and to remain rate competitive is dependent upon 4 key factors: 1) the level of PG&E's generation rates; 2) the level of the Power Charge Indifference Adjustment (PCIA); 3) power supply costs; AND 4) operating expenses (including any debt service). Historically the PCIA and power supply costs have seen significant variation, putting significant financial uncertainty on CCAs.

PG&E's generation rates are designed to recover power supply costs, primarily of historical contracts, but also of current market costs, to the extent PG&E has unhedged positions. These rates are set annually, but may be adjusted mid-year if actual costs prove significantly different than expected. PG&E rates, over time, should be positively correlated to market power supply costs. This means that over time if power supply costs rise PG&E rates, which serve as VCEA's rate benchmark, should also rise.

The Power Charge Indifference Adjustment is the current CCA exit fee calculation, and is designed to reimburse PG&E for the above-market costs of historical contracts entered into on behalf of departing CCA customers. It is calculated annually and reviewed by the CPUC. Discussions are currently underway on proposed changes to the PCIA to provide better forecasts of future costs, and to adjust the methodology used to estimate market costs.

To help manage exposure to PCIA varability, having a robust reserve policy that focuses on early accumulation of reserves will help give VCEA the ability to weather periods from the impact of of high PCIA.

2.3 Customer Opt-Out Risk

Customer opt-out risk includes any condition or event that creates uncertainty in VCEA's customer base which would cause customers to choose to opt-out of VCEA's Program. A declining customer base could decrease the potential for VCEA to attain its Policy goals. VCEA faces other business risks, but a significant concern is how those other risks may affect customer opt-out decisions.

The most relevant measures for the success of this Policy include:

- Retail rate competitiveness with PG&E
- Financial reserve levels

2.4 Market Risk

Another risk to VCEA is the uncertainty of VCEA's financial performance due to variable commodity market prices (market price risk) and uncertain price relationships (locational risk). Variability in market prices creates uncertainty in VCEA's procurement costs and can materially impact VCEA's financial position. Market risk is mitigated by regular market exposure measurement, execution of approved procurement strategies, inclusion of hedging products that serve to fix energy prices, implementation ofCongestion Revenue Right strategies, and adhearance to limits as set forth in this Policy.

2.5 Volumetric Risk

The uncertainty of VCEA's financial performance due to unpredictability in the quantity of retail load served by VCEA can create volumetric risk. Retail load uncertainty can result from temperature deviation from normal, customer opt-outs, unforeseen adoption of behind the meter generation by VCEA customers, as well as local, state and national economic conditions. Volumetric risk is managed by taking steps to:

- Monitor trends in customer onsite generation, macro economic shifts and other factors that affect electricity customer energy consumtion and composition;
- Monitor and adjust for non-regulatory factors driving volumetric uncertainty (e.g. weather);
- Expand the customer base of VCEA into non-member jurisdictions of Yolo County and consider expansion into neighboring counties, and market to direct access loads to increase load magnitude and customer diversity;
- Quantify anticipated generation and PCIA rates, and variability therein;
- Quantify variability in procurement costs;
- Adopt a formal procurement strategy;

- Implement a key accounts program and maintain strong relationships with the local community.

2.6 Model Risk

The uncertainty of VCEA's financial performance due to potentially inaccurate or incomplete characterization of a transaction or power supply portfolio elements due to fundamental deficiencies in models and/or information systems can create model risk. Model risk is managed by:

- The WESP with VCEA approval of assumptions and guidelines;
- Ongoing update and improvement of models as additional information and expertise is acquired;
- Ongoing review of model outputs as part of controls framework;
- Ongoing VCEA and WESP staff education and participation in CCE industry forums as warranted.

2.7 Counterparty Credit Risk

Counterparty credit risk is the potential that a counterparty will fail to perform or meet its obligations in accordance with terms agreed to under contract. VCEA's exposure to counterparty credit risk is controlled by the limit controls set forth in the Credit Policy described in Section 6.

2.8 Policy Goals

The following Policy goals have been outlined by VCEA to help ensure the long-term sustainability of the Program. These goals will inform metrics used for modeling and measuring risk exposures of VCEA.

- After adjusting for the PCIA and Franchise Fee, VCEA will target to maintain competitive retail rates with PG&E.
- VCEA will target during the initial years of operation to fund financial reserves with the following objectives:
    - Establish cash flow objectives that enable obligations to be covered under expected variations in budgeted versus actual expenses.
    - Develop a source of funds for investment in generation and other local programs.
    - Stabilize rates and dampen year-to-year variability in procurement costs.
    - Establish long-term business sustainability practices.
    - Build collateral for power procurement activities.
    - Establish an investment grade credit rating.

The goals outlined above are incorporated into financial models that are used to evaluate and measure risk exposures. It's important to note that the goals listed above are not intended to be a comprehensive list of goals for VCEA. Rather, they reflect a subset of Program goals that are critical to long-term business viability for VCEA.

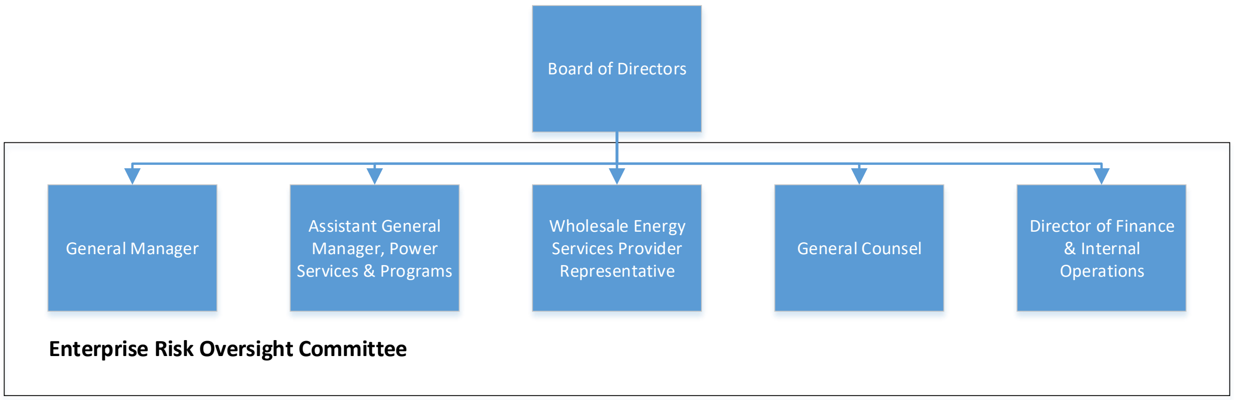
2.9 Risk Measurement Methodology

A vital element in this Policy is the regular identification, measurement, and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent and periodic basis (as detailed in Section 7) using risk measurement methodologies that quantify the risks associated with VCEA's procurement-related business activities and measure performance relative to goals.

3 Organizational Structure and Responsibilities

3.1 Risk Management Organizational Structure

Below is a high-level organization chart describing VCEA's risk management governance.



3.2 Board of Directors

The Board has the responsibility to review and approve this Policy. Upon approval, the Board assumes responsibility for understanding the risks to which VCEA is exposed due to Program activities and how the policies outlined in this document help VCEA manage the associated risks. The Board is also responsible to:

- Determine VCEA strategic direction.
- Understand and approve the procurement strategy employed.
- Delegate risk and credit management authority.
- Approve and appoint voting members of the Enterprise Risk Oversight Committee.

3.3 Enterprise Risk Oversight Committee

The Enterprise Risk Oversight Committee (EROC) is responsible for implementing, maintaining, and overseeing Policy compliance. The voting members of the EROC shall be the Board approved positions described below. It is recommended that this committee maintain an odd number of members, although this may not be feasible at the startup of VCEA's Program. This approach allows the EROC to avoid split decisions and to make decisions in a timely manner. Each voting member will be assigned one vote. The current members of the EROC are:

Voting Members

- General Manger
- Director of Finance & Internal Operations, or other position designated by the VCEA Board
- Assitant General Manager, Power Services & Programs, or other position designated by the VCEA Board.

Advisory Members

- The WESP Representative
- General Counsel

The WESP representative will serve as the EROC Facilitator. The primary goal of the EROC is to ensure that procurement activities of VCEA are executed within the guidelines of this Policy and are consistent with Board directives. The EROC is also responsible for considering and proposing recommendations for changes to this Policy when conditions warrant.

Pursuant to direction from the Board and the limitations specified by this Policy, the EROC and the General Manager maintain full authority over all procurement activities for VCEA. This authority includes, but is not limited to, taking any or all actions necessary to ensure compliance with this Policy, meeting customer load, resource sufficiency and regulatory obligations. The WESP will only procure resources for the VCEA portfolio pursuant to EROC or General Manager instructions outside the delegation authority.

The EROC is responsible for overseeing implementation of this Policy, procurement strategies and the adoption of new product types. The EROC is also responsible for ensuring that procurement strategies are consistent with VCEA's strategic objectives and for reviewing financial results. The EROC shall meet at least quarterly and record business in meeting minutes that will be approved by the EROC. No decision of the EROC is valid unless a majority of voting members has stated approval with a quorum of voting members participating in the vote, including the General Manager. All decisions by the EROC, other than those made by common consent, shall be made by simple majority vote of the EROC members with the General Manager having veto authority.

Any voting or advisory member of the EROC may inititate an emergency EROC meeting by giving notice to all other ERCO members. Such notice shall include a brief summary of the situation, event or action believed to warrant such emergency meeting. A requested emergency meeting will be scheduled not later than then end of the next following business day, or if this is not possible, as soon as practicable. Minutes of any findings, actions or vote taken at an emergency meeting will be taken and reported in the same manner as any non emergency EROC meeting.

The EROC maintains the authority and responsibility to:

- Approve and ensure that all procurement strategies are consistent with this Policy;
- Determine if changes in procurement strategies are warranted;
- Approve new transaction types, regions, markets and delivery points;
- Understand financial and risk models used by the WESP;
- Understand counterparty credit review models and methods for setting and monitoring credit limits;
- Monitor regulatory and legislative activities;

- Approve and update Policy appendices if changes in procurement strategies are warranted;
- Receive and review reports as described in this Policy;
- Meet to review actual and projected financial results and potential risks;
- Escalate to the Board of Directors any risks or stuations beyond the EROC's authority to act;
- Review summaries of Policy exceptions and limit violations;
- Review the effectiveness of VCEA's energy risk measurement methods;
- Undertake other activities as direct by the Board;
- Maintain this Policy.

3.4 Portfolio Manager

VCEA has partnered with the WESP as its Portfolio Manager. The WESP's risk policy must demonstrate a strong segregation of duties, also referred to as "separation of function" that is fundamental to manage and control the risks outlined in this Policy. The Portfolio Manager will provide education to the EROC on risk and credit models, methods and processes that it uses to fulfill its obligations under this Policy. Individuals responsible for legally binding VCEA to a transaction will be separate from those individuals performing confirmation, clearance or accounting functions. With this in mind, the WESP's responsibilities are divided into front-middle-back office activities, as described below.

3.5 Front Office

The Portfolio Manager's Front Office has overall responsibility for:

1. Managing all activities related to procuring and delivering resources needed to serve VCEA's load.
2. Analysing fundamentals affecting load and supply factors that determine VCEA's net position.
3. Transacting within the limits of this Policy and associated policies and risk tollerances established by the EROC, to balance loads and resources, and augment the value of VCEA's assets through the exercise of approved optimization strategies.

Other duties associated with these responsibilities include:

- Assist in the development and analysis of risk management hedging products and strategies, and bring recommendations to the EROC.
- Prepare a monthly operating plan for the prompt month that gives direction to the day-ahead and real-time trading and scheduling staff regarding the bidding and scheduling of VCEA's resource portfolio in the CAISO market.
- Develop, price and negotiate hedging products.
- Forecast day-ahead and monitor/forecast same-day loads.
- Keep accurate records of all transactions.

3.6 Middle/Back Office

The Portfolio Manager's Middle and Back Offices are functionally and organizationally separate from the Front Office. The Middle Office provides independent market and credit risk oversight and is functionally and organizationally separate from the Front Office. The Back Office provides support with a wide range of administrative activities necessary to execute and settle transactions and to support risk control efforts (e.g. transaction entry and/or checking, data collection, billing, etc.) consistent with this Policy.

The Portfolio Manager's Middle and Back Offices have primary responsibility for trading controls and for ensuring agreement with counterparties regarding the terms of all trades, including forward trading. The Portfolio Manager has the primary responsibility for:

a. Mainaining and calculating the net forward portfolio positions of VCEA.
b. Ensuring adherence to all risk policies and procedures of both VCEA and the Wholesale Energy Services Provider in letter and in intent.
c. Maintaining the overall financial security of transactions undertaken by the Portfolio Manager on behalf of VCEA.
d. Enforcing and implementing credit policies and limits.
e. Ensure that the energy portfolio is within the risk tolerance established by the EROC.
f. Handling confirmation of all portfolio transactions and reconciling differences with the trading counterparties.
g. Reviewing trade tickets for adherence to approved limits.
h. Ensuring all trades have been entered into the appropriate system of record.
i. Ensuring actual delivery volumes and prices are entered into the physical database.
j. Carrying out month-end checkout of all physical and financial transactions.
k. Reviewing models and methodologies and recommending EROC approval.

4 Business Practices

4.1 General Conduct

It is the policy of VCEA 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.

4.2 Trading Personal Accounts

All VCEA directors, management, employees and agents participating in any transaction or activity within the coverage of this Policy are obligated to give notice in writing to VCEA of any interest such person has in any counterparty that seeks to do business with VCEA, and to identify any real or potential conflict of interest such person has or may have with regard to any contract or transaction with VCEA unless mitigated or exempt as approved by VCEA. Further, all employees are prohibited from personally participating in any transaction or similar activity that is within the coverage of this Policy and that is directly or indirectly related to the trading of electricity and/or environmental attributes as a commodity.

If there is any doubt as to whether a prohibited condition exists, then it is the employee's responsibility to discuss the possible prohibited condition with her/his agent, manager or VCEA representative. Violations of this Policy by VCEA employees may result in disciplinary action up to and including dismissal. Violations of this policy by agents, consultants or contractors may result may result in contract termination or other legally available remedy.

4.3 Counterparty Suitability

The WESP's counterparty credit limits and approval processes will govern counterparty suitability for all transactions executed by the WESP on behalf of VCEA. The WESP will provide a credit review and recommendation, consistent with the credit policies described in Section 6, for any counterparty with whom VCEA contracts directly.

4.4 System Record

The WESP's Middle Office will maintain a set of records for all transactions executed in association with VCEA procurement activities. The records will be maintained in US dollars and transactions will be separately recorded and categorized by type of transaction. This system of procurement records for VCEA shall be auditable by VCEA during regular business hours and at VCEA's expense.

4.5 Transaction Valuation

Transaction valuation and reporting of positions shall be based on objective, market-observed prices. Open positions are to be valued (marked-to-market) monthly, based on consistent valuation methods and data sources. Whenever possible, mark-to-market valuations should be based on independent, publicly available market information and data sources.

4.6 Stress Testing

In addition to limiting and measuring risk using the methods described herein, stress testing shall also be used to examine performance of the VCEA portfolio under adverse conditions. Stress testing is used to understand the potential variability in VCEA's projected procurement costs. The WESP's Middle Office will perform stress testing of the portfolio on a monthly basis and distribute results.

4.7 Policy Compliance

The WESP's Middle Office will provide to the EROC a monthly report monitoring compliance with the limits established by this Policy.

5 Delegation of Authority

With the approval of this Policy, the VCEA Board is explicitly delegating operational control and oversight to the EROC and the Portfolio Manager, as outlined through this Policy. Specifically, to facilitate daily operations of VCEA, the Board is delegating the authority to approve transaction executions and limitations as shown in the table below.

Authorization/Delegation Level		
Level	**Transaction**	**Limit of Authorization/ Delegation**
Enterprise Risk Oversight Committee	Non-CAISO Transactions, terms up to 24 months	$16,000,000 per calendar year
General Manager	Non-CAISO Transactions, terms up to 24 months	$8,000,000 per calendar year
WESP	Non CAISO Transactions up to 13 months	$4,000,000 per calendar year
WESP	CAISO Transactions	Not Limited

These authorities will be applied to wholesale power activity transactions that are executed bilaterally where pricing is not based upon the California Independent System Operator (CAISO) market clearing prices. These limits provide both VCEA and the WESP needed authorities to manage risks as they arise. Transactions falling outside the delegations above require Board approval prior to execution. Activity with the CAISO is excluded from this table due to the nature of the market, where prices for activity may not be known until after transactions are committed.

All procurement executed under the delegation above, must align with the VCEA's underlying risk exposure (locational and temporal) that is being hedged, consistent with the approved Procurement Strategy.

5.1 Procurement to Serve Load

The general focus of all VCEA wholesale power procurement activities, whether undertaken by the WESP or VCEA directly, will be to assure adequate resources and any ancillary financial products are available and sufficient to serve VCEA's Program. Generally, the procurement of energy, capacity, RECs, or other power products in excess of VCEA's forecast load, regulatory requirments, or financial goals are to be avoided unless approved by the EROC. Speculative market positions are specifically prohibited by VCEA.

5.2 Monitoring, Reporting and Instances of Exceeding Risk Limits

The WESP's Middle Office is responsible for monitoring, and reporting compliance with, all limits within this Policy including limits established by the EROC. If a limit or control is violated, the WESP's Middle Office will send notification to the trader responsible for the violation and the EROC. The EROC will discuss the cause and potential remediation of the exceedance to determine next steps for curing the exceedance.

6 Credit Policy

During startup of VCEA's Program, most transactions will be executed by the WESP utilizing WESP's enabling agreements, and with this activity VCEA is exposed to pass-through credit risk. As VCEA builds its own counterparty master trading agreements, transactions executed directly by VCEA agreements will carry direct credit risk. For activity on the WESP and/or VCEA agreements, VCEA will scale its credit limits to WESP's credit limits based on VCEA's risk tolerance. For VCEA counterparties, where an agreement exists between VCEA and a VCEA counterparty, the WESP will recommend limits within VCEA's risk tolerances, subject to EROC approval.

All procurement activities executed by the WESP on behalf of VCEA, using WESP's counterparty agreements, will be subject to the credit policies and procedures outlined in the WESP's Energy Risk Management Policy. The WESP's credit policy requires the WESP's Credit Manager, on an ongoing basis, to monitor all counterparties for creditworthiness. Additionally, counterparties shall be reviewed if a change has occurred in credit ratings, market conditions, or financial condition.

This evaluation, including any recommended increase or decrease to a credit limit, shall be documented in writing and include all information supporting such evaluation in a credit file for the counterparty. A credit limit for a counterparty will based on the counterparty's senior unsecured or corporate credit rating from one of the nationally recognized rating agencies and/or performing a credit review or analysis of the counterparty's or guarantor's financial statements. Third party credit analysis, trade, banking references, and any other pertinent information may also be used in the review process.

Counterparties that do not qualify for a credit limit must post an acceptable form of credit support or prepayment prior to the execution of any transaction. A counterparty may choose to provide a guarantee from a third party, provided the third party satisfies the criteria for a credit limit as outlined in the WESP's Energy Risk Management Policy.

6.1 Credit Limit and Monitoring

In executing transactions on VCEA's behalf, the WESP will observe a pass-through counterparty credit maximum limit equal to $1.5 million.

The WESP Credit Manager will continuously monitor the current credit exposure for each counterparty with whom the WESP transacts on behalf of VCEA and include such exposure in the current counterparty Credit Exposure Report. This report will be made available, reviewed and communicated to the EROC pursuant to the reporting requirements outlined in Section 7.

7 Management Reporting and Position Tracking

Minimum reporting requirements are shown below. The reports outlined below will be made available to EROC members and the WESP staff:

- **Monthly Financial Model Forecast**

  Latest projected financial performance, marked to current market prices, and shown relative to VCEA financial goals.

- **Monthly Net Position Report**

  Prepare a forward net position report, not less frequently than monthly, and report the results to the EROC.

- **Monthly Pass-through Counterparty Credit Exposure**

  This report will show how the credit exposures for transactions that the WESP executes on behalf of VCEA will pass-through the WESP to VCEA.

- **Monthly Risk Analysis**

  Provide a risk assessment of power supply portfolio costs to VCEA to express the portfolio risk at the 95% confidence level based on past price and volume volatility.

- **Monthly Compliance Summary**

  Provide a summary of compliance with Board and EROC directives.

- **Quarterly Board Report**

  Update on activities and projected financial performance to be presented quarterly at VCEA Board meetings.

Appendix A Definitions

Commodity Price/Market Price

The price at which electricity, gas, capacity, and renewable attributes are bought and sold.

Congestion Revenue Right

Congestion Revenue Rights (CRR) are financial instruments used in the Day Ahead market to hedge the difference in price between two locations caused by congestion.

Counterparty

An entity to which an exposure to financial risk might exist.

Credit Risk

A credit risk is the risk of default on a debt or purchase obligation that may arise from a borrower or counterpary failing to make required payments.

Customer Load

A single customer's power usage that receives power from the electric system.

Day-Ahead

Refers to the following before actual power flow begins. In the CAISO, the Day-Ahead market for Tuesday's flow date closes on Monday at 10am.

Financial Product

A contract in which the value is derived from an underlying physical commodity but which does not require physical delivery or receipt of the commodity.

Long Position

A long position means there is not an open or short position, and that excess supply exists. In addition, as load forecasts are updated, if an excess exists, that excess is also considered a long position. For the renewable power purchase example (see *Open Position*), if 60,000 MWhs has been procured for a 50,000 MWh need, a long position of 10,000 MWhs will exist.

Mark-to-Market

Method of valuing positions based on current market prices.

Open Position

For any given timeframe, any commodity requirement that is unfilled is considered to be an open position. For instance, if there is a requirement to procure 50,000 MWhs of renewable power in a calendar year, until 50,000MWhs of renewable power purchases have been secured, there will be an open position equal to the remaning MWh value needed to reach 50,000 MWhs.

Physical Product

A contract which requires the seller to physically deliver, and the buyer to physically receive a given commodity.

Portfolio

The aggregation of commodity related products (both physical and financial) procured to serve load and meet other policy goals.

Portfolio Manager

A core service provided by the WESP which broadly encompasses the responsibility for managing the purchase and sale of energy commodity related products in the commodity portfolio in an effort to serve load and meet other policy goals.

Real-Time

Refers to the actual day in which power flows. In the CAISO, the Real-time market opens at 1pm the day before flow date and closes for each hour 75 minutes prior to the start of scheduled flow.

Risk Policies

Statement of mitigation strategies to reduce a entity's exposure to identified risks. The type of strategies employed dictate which risks are reduced.

Short Position

A short position is an open position. The volumetic value of a short position is determined by the shortfall in volume to the requirement. For the renewable power purchase example, if 30,000 MWhs of the 50,000 MWh requirement has been procured, a short position of 20,000 MWhs remains.

Stress Test

Using scenarios or historic data to simulate how a portfolio reacts to internal and external changes. This process is done to find and treat weaknesses in a portfolio.

System Load

The summation of all customers' loads that receive power from the electric system. System Load includes applicable transmission and/or distribution losses.

Volumetric Risk

The effect of fluctuations in demand for load or for production of generation from a generator.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2017- _______

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING
A WHOLESALE ENERGY RISK MANAGEMENT POLICY

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, managing energy commodity risks is a critical function that will allow VCEA to carry out its Mission; and

WHEREAS, VCEA will benefit from a Wholesale Energy Risk Management Policy that establishes a risk management program, identifies specific risk management functions and procedures to manage energy commodity risks, and establishes clear risk management standards to guide Energy procurement decisions.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a Wholesale Energy Risk Management Policy (Exhibit A).

ADOPTED, this ____________ day of ______________, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Chair

____
Secretary

Approved as to form:

____
Interim VCEA Counsel

EXHIBIT A - VCEA Wholesale Energy Risk Management Policy

1

EXHIBIT A

VCEA Wholesale Energy Risk Management Policy