



**Special Meeting of the Board of Directors of the
Valley Clean Energy Alliance (VCEA)**

Thursday, October 18, 2018

6:00 p.m.

Yolo County Library Davis Branch, Blanchard Room

315 E 14th St, 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 Alisa Lembke, VCEA Board Clerk/Administrative Analyst, at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@valleycleanenergy.org.

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

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

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

6:00 p.m. Call to Order

- 1. Welcome and Roll Call**
- 2. Approval of Agenda**
- 3. Public Comment**

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

CONSENT AGENDA

- 4. Approval of Draft September 13, 2018 Meeting Minutes**
- 5. Receive Long Range Calendars (2018 and 2019)**
- 6. Accept Financial Update – August 31, 2018 (unaudited) financial statements (with revised comparative information from July 31, 2018)**
- 7. Request to approve contract between Automate Mailing Service and Valley Clean Energy in the amount not to exceed \$100,000 for a two-year term to provide printing, mailing, and processing services**

8. Request to amend Circlepoint contract for customer outreach and marketing services by increasing the contract amount by \$30,000 for a new not to exceed amount of \$428,035
9. Request to amend Task Order No. 4 (Operational Staff Services) of the Sacramento Municipal Utility District (SMUD) Professional Services Agreement to include a Staff Member as “on call proxy Power Director” and to modify the Key Account Representative position to an as needed, hourly basis
10. Receive Keyes & Fox Regulatory Update dated October 10, 2018
11. Receive Customer Enrollment Update as of October 10, 2018
12. Receive October 1, 2018 Community Advisory Committee Meeting report
13. Request to approve the Community Advisory Committee Solicitation, Selection and Appointment Policy

REGULAR AGENDA

14. Recognition of Tom Flynn for serving as a volunteer on the Community Advisory Committee
15. Receive and approve audited financial statements for the period of January 1, 2017 (inception) to June 30, 2018 presented by James Marta & Company
16. Keyes & Fox Update on Power Charge Indifference Adjustment
17. VCEA Staff Report on Quarterly Procurement Update
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.

The next VCEA Board meeting: Thursday, November 8, 2018 at 5:30 p.m. at the City of Woodland Council Chambers, second floor, 300 1st Street, Woodland, CA 95695

19. **Adjournment (Approximately 7:30 p.m.)**
Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA's offices located at 604 Second Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. The documents are also available on the Valley Clean Energy website located at: <https://valleycleanenergy.org/about-us/meetings/>

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Valley Clean Energy Alliance Board of Directors
FROM: Alisa Lembke, VCEA Board Clerk/Administrative Analyst
SUBJECT: Approval of Minutes from September 13, 2018 Board Meeting
DATE: October 18, 2018

RECOMMENDATION

Receive, review and approve the attached draft Minutes from the September 13, 2018 Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS
September 13, 2018**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their meeting scheduled for Thursday, September 13, 2018 at 5:30 p.m. at the Woodland City Council Chambers, located at 300 First Street, Woodland, CA 95695. Chairperson Lucas Frerichs established that there was a quorum present and began the meeting at 5:36 p.m.

Board Members Present: Lucas Frerichs, Tom Stallard, Angel Barajas, Don Saylor, Duane Chamberlain

Board Members Absent: Dan Carson

Approval of Agenda Motion made by Director Stallard, seconded by Director Saylor to approve the September 13, 2018 Board Agenda. Motion passed unanimously with Carson absent.

Public Comment Chairperson Frerichs opened the floor for public comment. There being no public comment, the floor was closed.

Approval of Consent Agenda Chairperson Frerichs noted that there was one minor change to Consent Agenda Item #6 – Receive Financial Statements, the word “draft” should be deleted. He asked if there were any items that the Directors would like to pull. There being none, Director Stallard made a motion to approve the amended consent Agenda, Items #4-13, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Approval of Minutes from July 12, 2018 Meeting Director Stallard made a motion to approve the July 12, 2018 meeting minutes, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Long Range Calendars Director Stallard made a motion to receive the long range calendars, which include the remaining months in 2018 and the 2019 calendar year, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Receive June 30, 2018 and July 31, 2018 draft unaudited Financial Statements Director Stallard made a motion to approve the June 30, 2018 and July 31, 2018 unaudited financial statements, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Approval of Retirement Plans: 401(a) Discretionary Director Stallard made a motion to adopt the Retirement Plans 401(a) and 457 resolutions as follows:



- Defined Contribution Plan and 457(b) Deferred Compensation Plan / Resolution 2018-022, Resolution 2018-023, and Resolution 2018-024
1. A resolution titled “Resolution of the Board of Directors of the Valley Clean Energy Alliance Authorizing the Adoption of a 401(a) Discretionary Defined Contribution Plan” (Resolution 2018-022);
 2. A resolution titled “Resolution of the Board of Directors of the Valley Clean Energy Alliance Authorizing the Adoption of a 457 Deferred Compensation Plan” (Resolution 2018-023); and,
 3. A resolution titled “Resolution of the Board of Directors of the Valley Clean Energy Alliance Approval of the 401(a) Discretionary Defined Contribution Plan Employer Matching Contribution Formula” (Resolution 2018-024).

This motion was seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Approval of contract Extensions LEAN Energy and Donald Dame

Director Stallard made a motion to authorize the Interim General Manager to extend existing VCEA contracts with LEAN Energy and Consultant Donald Dame to expire on December 31, 2018. Motion passed unanimously with Director Carson absent.

YCMARIA Approval to Apply for Self-Insure Workers Compensation Liabilities / Resolution #2018-025

Director Stallard made a motion to approve a resolution titled “A Resolution of the Valley Clean Energy Alliance Authorizing Application to the Director of Industrial Relations, State of California, for a Certificate of Consent to Self-Insure Workers’ Compensation Liabilities”, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Regulatory Update

Director Stallard made a motion to receive the regulatory monitoring report from Keyes & Fox, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Customer Enrollment Update

Director Stallard made a motion to receive the Customer Enrollment Update dated August 31, 2018, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Approval of “Standard Green” as the name for VCEA’s standard electricity offering

Director Stallard made a motion to approve the change of VCEA’s base energy product to “Standard Green”, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.

Community Advisory Committee Meeting Update

Director Stallard made a motion to receive the Community Advisory Committee July 30, 2018 and August 29, 2018 meeting summaries and to approve Staff’s recommendations: 1) on the terms of service and officer position of Members who serve on the Advisory Committee and 2) for Staff to move forward with the recording of VCE Board meetings, seconded by Director Barajas. Motion passed unanimously with Director Carson absent.



Status Report on
Pending Regulatory
Actions

Mr. Tim Lindl of Keyes & Fox introduced himself and his firm. The firm is very familiar with energy as that is all that they do and represent. They provide guidance and representation services to VCEA in proceedings and other matters. They also provide the monthly regulatory compliance report, which was previously prepared by Ms. Shawn Marshall of LEAN Energy. He provided an update and status on the Power Charge Indifference Adjustment (PCIA). He informed those present that a proposed decision (PD) came out first then later an alternate proposed decision (APD), both decisions quite different than one another. Ex-parte meetings were held with several CPUC Commissioners' office staff to address the issue. CalCCA also had ex-parte meetings. Several CCAs provided written responses. A decision should be made at the next hearing by the Administrative Law Judge, which has been scheduled in two (2) weeks at the end of September. He suspects that they will not postpone making a decision and one will be announced.

Chairperson Frerichs commented that he and Director Saylor attended ex-parte meetings in San Francisco with Staff (Mitch Sears, Lisa Limcaco and Gary Lawson). He thanked Staff for all of their work in preparing and presenting information to four (4) Commissioner's staff. Chairperson Frerichs opened the floor for questions. Director Saylor agreed with Director Frerichs' comments and sentiments. He stated that it was very important to meet Commissioners' staff in person and to attend meetings with knowledgeable Staff that are well versed on all aspects of the PCIA issue. He commented that he was surprised that a Commissioner came up with their own APD, rather than the Administrative Law Judge. Chairperson Frerichs asked Mr. Lindl if anyone could respond during the comment period. Mr. Lindl informed those present that only those that are parties to the proceeding can comment and all five (5) Commissioners must be served with the ex-parte communication. Mr. Sears informed those present that the main points of the meeting had to be sent in writing afterwards to each of the Commissioner's office. He also informed those present that the CPUC decision meeting will be held in Sacramento not in San Francisco.

Net Energy
Metering (NEM)
Policy Amendment

Mr. Sears reiterated to those present that Staff is asking the Board to make a decision on an amended Net Energy Metering (NEM) policy. He reminded those present that two (2) public workshops were held, one in Woodland and one in Davis. It is Staff's opinion that the draft amended policy is a good balance for VCE and NEM Customers. He introduced Staff Member Mr. Jim Parks who would review the highlights of the amended policy. Mr. Parks informed the Board that the amended policy is as balanced as possible between the needs of the NEM Customers and VCE. He noted that there will be a few NEM customers who will not "benefit" or "fit" into the amended policy and Staff will have to review those situations on an individual basis.

Mr. Parks asked if there were any questions from the Board. Director Barajas asked of the five (5) items listed in the original policy, which ones are being carried over to the amended policy. Mr. Parks answered that only about 1% of



the original “guidelines” are being carried over, such as: net energy producers can donate monies, but added that basic principles are being carried over. Director Barajas asked which of the 15 items in the amended policy should be looked at in the future. Mr. Parks responded by stating that the monthly billing and February true-up dates for new NEM Customers should be reviewed in the future.

Chairperson Frerichs opened the floor to public comment. A resident of west Winters introduced himself and stated that there is no mention of NEM-A customers in the policy. Mr. Parks informed him that for NEM-A customers, VCEA will receive a penny credit for excess generated during the month. The resident announced that he is an agricultural customer and was told that PG&E does not pay for excess generation. Mr. Parks thought that he was correct and VCEA will follow PG&E’s NEM-A annual true-up policies, but that VCEA would give the NEM-A customer a penny credit for excess generated during the month.

There being no other public comment, Chairperson Frerichs thanked Staff for bringing back the NEM policy for discussion as it appears that the original policy has been streamlined now that feedback from customers has been received. In addition, he reminded those present that the Community Advisory Committee provided input to Staff on the amended policy and is recommending that the Board adopt it as amended.

Chairperson Frerichs made a motion to approve the amended Net Energy Metering (NEM) policy as presented, seconded by Director Barajas. Chairperson opened the floor for Board discussion. Director Stallard commented that NEM is a technical issue and that he believes the Board is moving forward in a positive direction. In addition, he commented that the NEM issue should be reevaluated in the future and he wants to do what is best for the NEM customers. There was no other discussion or questions.

The motion made by Chairperson Frerichs to approve the amended Net Energy Metering (NEM) policy, seconded by Director Barajas was voted on. Motion passed unanimously by the following vote:

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

Joint Powers
Authority New
Member
Application Policy
/ Resolution #2018-
026

Mr. Sears informed those present that the CPUC provides some guidance on the local process, policies and steps that should be taken in order to join a Community Choice Aggregate (CCA) Joint Powers Agency (JPA). Mr. Sears worked with Ms. Shawn Marshall of LEAN Energy to compose the proposed policy and resolution. He provided an overview of the proposed policy.



Mr. Sears informed those present that the City of Winters Council has scheduled an item on their October meeting agenda for them to discuss possibly joining VCEA. He also has reached out to the City of West Sacramento.

In reviewing the policy, Mr. Sears mentioned that any new member would pay between \$25,000 to \$50,000, depending on the size of the community, for “on board” activities, which covers the administrative costs to perform the activities. These costs are reimbursable back to the Agency after they join. Director Stallard mentioned that the “seed capital” that each City and the County came up with was \$500,000 each. Director Saylor mentioned that there is debt repayment process to the original Agencies. Mr. Sears informed those present that the amount for new members is similar to other CCA JPA policies. He also confirmed that the amount would be paid back to the new member at a similar rate, but obviously not the same “seed capital” amount that was provided by the original Agencies.

There was a discussion about what other jurisdictions could possibly join VCEA.

Mr. Sears reminded those present that each new member would add two (2) more Board Members and three (3) “seats” on the Community Advisory Committee.

Chairperson Frerichs opened the floor for Board questions and comments. He asked legal counsel if the JPA was silent on Board alternates. Ms. Harriet Steiner of Best Best & Krieger informed those present that the JPA does provide for one alternate per Member, so the City Councils of Davis and Woodland could appoint an alternate as Yolo County has already appointed an alternate.

Chairperson Frerichs encouraged Staff to pursue soliciting the Cities of Winters and West Sacramento to join VCEA.

Chairperson Frerichs opened the floor to public comment. There being none, the floor was closed. Director Saylor commented that a future discussion item by the VCEA Board should be the strategy on how VCEA expands in the future, how and in what manner. In addition, Director Saylor mentioned that what the Board and Staff are currently talking about is small expansion and he would like to see a discussion on large expansion, the adding of larger Agencies. Chairperson Frerichs asked Staff to bring this issue back to the Board at their next meeting so that a strategy can be discussed and set for consideration of future new members.

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Motion made by Director Saylor to approve the following:

- 1) invite the City of Winters and the City of West Sacramento to join VCEA in 2018 for potential customer enrollment in 2020 or in 2019 for customer enrollment in 2021;
- 2) authorize staff to respond to inquiries and/or commence discussions with other Central Valley communities that may be interested in joining VCEA in 2019 and beyond; and,
- 3) adopt a resolution titled “a Resolution of the Valley Clean Energy Alliance Authorizing Joint Powers Agency New Member Application Policy”.

Motion was seconded by Director Stallard. Motion passed unanimously by the following vote:

AYES: Frerichs, Stallard, Barajas, Saylor, Chamberlain

NOES: None

ABSENT: Carson

ABSTAIN: None

Review of Key Criteria for Long Term Renewable Solicitation

Staff Member Gary Lawson reminded those present that key criteria for long term renewable solicitation was an item for the Board’s August meeting, which was cancelled due to a lack of quorum. Today, he is providing an update on the status of the solicitation. He reminded the Board that the long term solicitation is the first Action Plan item listed within the Integrated Resource Plan and that the Community Advisory Committee reviewed, discussed and made recommendations on the solicitation criteria. The solicitation was posted on August 13, 2018, with proposals due Monday, September 17, 2018. Staff have received Notices of Intent to Bid from seventeen (17) developers with 43 project variations, in excess of 1,500 MW. He noted that detailed evaluation methodology has not been provided in the solicitation.

Mr. Lawson reviewed all of the recommendations covering the following:

1. Definition of Local Resources
2. Siting Criteria
3. Development of Status Criteria
4. Acceptable Technologies
5. Energy Storage, including what to include and what not to include and which technologies
6. Out-of-State resources
7. Interconnection Status

Mr. Lawson asked if there were any questions. Questions were asked about what type of battery storage, what is included in the definition of local and regional resource location, and the effects of out of state resource purchases on cost to ratepayers.



Chairperson Frerichs opened the floor to public comment, there being none, he continued with asking if a policy is forthcoming. Mr. Lawson stated that he will bring the policy issues to the Board for discussion when he brings the contracts back to the Board.

Board Member and Staff Announcements

Chairperson Frerichs announced that Director Dan Carson was able to attend the CalCCA annual conference, unfortunately, he was unable to attend as planned. Mr. Sears commented that the CalCCA conference was well attended by Staff and that Gary Lawson and Michael Champ spoke. He added that there was great representation, participation and leadership of Agencies and there were others in attendance such as SMUD. He commented that PCIA was front and center in discussions, but there were great sessions on different subjects. Mr. Sears announced that CalCCA organized some outreach pieces: 1) a full page in the San Francisco Chronicle regarding the positive aspects of CCAs and 2) a letter sent to CPUC regarding PCIA and Agency endorsement/signatures.

Mr. Sears reminded those present that the City of Winters is showing an interest in joining VCEA. Chairperson Frerichs asked that Staff share with the Board when the City of Winters will meet next. Director Saylor has an interest in attending, if available, their Council meeting since it is located within his district.

Announcements

The next VCEA Board meeting has been scheduled for Thursday, October 11, 2018 at 5:30 p.m. at the Davis Community Chambers, 23 Russell Blvd., Davis, CA 95616.

Meeting was adjourned at 7:10 p.m.

Alisa Lembke
Board Clerk/Administrative Analyst

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

Staff Report - Item 5

TO: VCEA Board
FROM: Mitch Sears, Interim General Manager
SUBJECT: Long Range Calendars
DATE: October 18, 2018

Recommendation

Please find attached the long range calendars for the remaining 2018 year and 2019.

VALLEY CLEAN ENERGY
2018 Meeting Dates and Topics – Board and Community Advisory Committee

MEETING DATE		TOPICS	ACTION
May 10, 2018	Board WOODLAND	<ul style="list-style-type: none"> Recontracting Master Agreement 	<ul style="list-style-type: none"> Approve
June 4, 2018	Advisory Committee DAVIS	<ul style="list-style-type: none"> Integrated Resource Plan 	<ul style="list-style-type: none"> Informational
June 1, 2018 -- LAUNCH			
June 6, 2018	Board DAVIS	<ul style="list-style-type: none"> Integrated Resource Plan 	<ul style="list-style-type: none"> Discussion
July 2, 2018	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Integrated Resource Plan 	<ul style="list-style-type: none"> Recommend
July 12, 2018	Board WOODLAND	<ul style="list-style-type: none"> Integrated Resource Plan NEM Enrollment – Postponement 	<ul style="list-style-type: none"> Approve Approve
July 30, 2018	Advisory Committee DAVIS	<ul style="list-style-type: none"> NEM Policy Amendment Update Long Term Renewables Procurement Policy 	<ul style="list-style-type: none"> Informational Recommend
August 9, 2018	Board DAVIS	<ul style="list-style-type: none"> NEM Policy Amendment Update Long Term Renewables Procurement Policy 	<ul style="list-style-type: none"> Informational Approve
August 29, 2018 (Wednesday)	Advisory Committee WOODLAND	<ul style="list-style-type: none"> NEM Policy Amendment 	<ul style="list-style-type: none"> Recommend
Sept 13, 2018	Board WOODLAND	<ul style="list-style-type: none"> NEM Policy Amendment 	<ul style="list-style-type: none"> Approve
October 1, 2018	Advisory Committee	<ul style="list-style-type: none"> New Member Solicitation Process 	<ul style="list-style-type: none"> Discussion

	DAVIS		
October 11, 2018 October 18, 2018	Board DAVIS	<ul style="list-style-type: none"> • Financial Audit • CAC Solicitation, Selection and Appointment Policy 	•
October 29, 2018	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • 2019 Procurement Update • First Year Report • CAC Charge • Members Terms 	•
November 8, 2018	Board WOODLAND	<ul style="list-style-type: none"> • 2019 Procurement Update 	•
December 3, 2018	Advisory Committee DAVIS	<ul style="list-style-type: none"> • Election of Officers for 2019 	•
December 13, 2018	Board DAVIS	<ul style="list-style-type: none"> • Election of Chair and Vice Chair for 2019 	•

VALLEY CLEAN ENERGY
2019 Meeting Dates and Topics – Board and Community Advisory Committee

MEETING DATE		TOPICS	ACTION
December 31, 2018 HOLIDAY NEED TO RESCHEDULE	Advisory Committee WOODLAND	<ul style="list-style-type: none"> Review of Task Groups 	•
January 10, 2019	Board WOODLAND	•	•
February 4, 2019	Advisory Committee DAVIS	•	•
February 14, 2019	Board DAVIS	•	•
March 4, 2019	Advisory Committee WOODLAND	•	•
March 14, 2019	Board WOODLAND	•	•
April 1, 2019	Advisory Committee DAVIS	•	•
April 11, 2019	Board DAVIS	•	•
April 29, 2019	Advisory Committee WOODLAND	•	•
May 9, 2019	Board WOODLAND	•	•
June 3, 2019	Advisory Committee	•	•

	DAVIS		
June 13, 2019	Board DAVIS	•	•
July 1, 2019	Advisory Committee WOODLAND	•	•
July 11, 2019	Board WOODLAND	•	•
July 29, 2019	Advisory Committee DAVIS	•	•
August 8, 2019	Board DAVIS	•	•
September 2, 2019 HOLIDAY	Advisory Committee WOODLAND	• Need to reschedule	•
September 12, 2019	Board WOODLAND	•	•
September 30, 2019	Advisory Committee DAVIS	•	•
October 10, 2019	Board DAVIS	•	•
November 4, 2019	Advisory Committee WOODLAND	•	•
November 14, 2019	Board WOODLAND	•	•
December 2, 2019	Advisory Committee DAVIS	•	•
January 9, 2020	Board DAVIS	•	•

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
Chad Rinde, Asst. Chief Financial Officer, Yolo County
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – August 31, 2018 (unaudited) financial statements (with Revised comparative information from July 31, 2018)

DATE: October 18, 2018

RECOMMENDATION:

Accept the Financial Statements (unaudited) for the period of August 1, 2018 to August 31, 2018 (with Revised comparative information from July 31, 2018)

BACKGROUND & DISCUSSION:

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

The Financial Statements include the following reports:

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

Revised Financial Statements for the period July 1, 2018 – July 31, 2018

In October 2018, SMUD notified SMUD that the billed revenue data that was provided to VCE was overstated by approximately \$685K. In July 2018, the billing system excluded credits related to re-bills of several customers. The billing system has been updated and controls have been put in place to eliminate this error from occurring in the future.

The impact to the July 2018 financial statements are as follows:

	<u>Previously Reported</u>	<u>Revised Report</u>	<u>Difference</u>
ASSETS:			
Accounts Receivable	\$5,959,837	\$5,281,479	(\$678,358)
Accrued Revenue	\$3,430,303	\$3,789,784	\$359,481
LIABILITIES:			
Energy Surcharge	\$ 34,572	\$ 33,690	\$ 882
NET POSITION:			
Net Position	(\$ 368,818)	(\$ 686,813)	(\$317,995)
OPERATING REVENUE:			
Electricity Sales, net	\$6,970,683	\$6,652,688	(\$317,995)

Financial Statements for the period August 1, 2018 – August 31, 2018

In the Statement of Net Position, VCEA as of August 31, 2018 has a total of \$4,450,588 in its checking and lockbox accounts, \$1,100,000 restricted cash for the Debt Service Reserve account and \$36,293 restricted cash for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2018 \$594,152 and \$1,290,314 respectively for a grand total of \$1,884,466. The outstanding line of credit balance with River City Bank at August 31, 2018 totaled \$5,976,610. At August 31, 2018, VCE's net position is (\$3,480).

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,190,038 of revenue (net of allowance for doubtful accounts) of which \$7,340,040 was billed in August and (\$1,150,002) represent estimated unbilled revenue (net July and August). The cost of the electricity for the August revenue totaled \$5,169,263. For August, VCEA's gross margin is approximately 16.49% and operating income totaled \$699,898.

In the Statement of Cash Flows, VCEA cash flows from operations was \$834,105 due to full month of cash receipts from June and July revenue and the payment of July purchased electricity. The July purchased electricity (paid in August) was partially paid with cash and a \$2,375,725 draw on the RCB line of credit.

Attachments:

- 1) Financial Statements (Unaudited) August 1, 2018 to August 31, 2018 (with Revised comparative information for July 31, 2018.)



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018

(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)

REVISED ON OCTOBER 12, 2018

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AS OF AUGUST 31, 2018
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(UNAUDITED)

	AUGUST 31, 2018	(REVISED) JULY 31, 2018	JUNE 30, 2018
ASSETS			
Current assets:			
Cash in Yolo County Treasury	\$ -	\$ -	\$ -
Cash with fiscal agent	4,450,588	1,246,062	963,388
Accounts receivable, net of allowance	6,608,758	5,281,479	5,671
Accrued revenue	2,639,781	3,789,784	2,824,490
Prepaid expenses	9,743	16,687	-
Inventory - Renewable Energy Credits	966,415	1,029,703	436,587
Other current assets and deposits	2,540	2,540	2,540
Total current assets	<u>14,677,825</u>	<u>11,366,255</u>	<u>4,232,676</u>
Noncurrent assets:			
Restricted cash	1,136,293	1,136,293	1,100,000
Other noncurrent assets and deposits	600,000	600,000	600,000
Total noncurrent assets	<u>1,736,293</u>	<u>1,736,293</u>	<u>1,700,000</u>
TOTAL ASSETS	<u>\$ 16,414,118</u>	<u>\$ 13,102,548</u>	<u>\$ 5,932,676</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 86,527	\$ 122,542	\$ 137,475
Accrued payroll	2,807	2,332	1,624
Interest payable	79,229	67,968	61,556
Due to member agencies	594,152	574,654	534,639
Accrued cost of electricity	6,832,967	6,804,900	2,673,939
Other accrued liabilities	1,290,314	1,082,390	837,294
User taxes and energy surcharges	54,992	33,690	10,002
Total current liabilities	<u>8,940,988</u>	<u>8,688,476</u>	<u>4,256,529</u>
Noncurrent liabilities			
Line of credit	5,976,610	3,600,885	1,600,000
Loans from member agencies	1,500,000	1,500,000	1,500,000
Total noncurrent liabilities	<u>7,476,610</u>	<u>5,100,885</u>	<u>3,100,000</u>
TOTAL LIABILITIES	<u>\$ 16,417,598</u>	<u>\$ 13,789,361</u>	<u>\$ 7,356,529</u>
NET POSITION			
Net position:			
Restricted			
Local Programs Reserve	\$ 14,203	\$ 7,370	\$ -
Unrestricted			
	(17,683)	(694,183)	(1,423,853)
TOTAL NET POSITION	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ (1,423,853)</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(UNAUDITED)

	AUGUST 1, 2018 - AUGUST 31, 2018	(REVISED) JULY 1, 2018 - JULY 31, 2018	YEAR TO DATE
OPERATING REVENUE			
Electricity sales, net	\$ 6,190,038	\$ 6,652,688	\$ 12,842,726
Other revenue	-	-	-
TOTAL OPERATING REVENUES	<u>6,190,038</u>	<u>6,652,688</u>	<u>12,842,726</u>
OPERATING EXPENSES			
Cost of electricity	5,169,263	5,538,730	10,707,993
Contract services	229,566	320,470	550,036
Staff compensation	57,356	9,049	66,405
General, administration, and other	33,955	36,966	70,921
TOTAL OPERATING EXPENSES	<u>5,490,140</u>	<u>5,905,215</u>	<u>11,395,355</u>
TOTAL OPERATING INCOME (LOSS)	699,898	747,473	1,447,371
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	-	-
Interest and related expenses	(16,565)	(10,433)	(26,998)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(16,565)</u>	<u>(10,433)</u>	<u>(26,998)</u>
CHANGE IN NET POSITION	683,333	737,040	1,420,373
Net position at beginning of period	(686,813)	(1,423,853)	(1,423,853)
Net position at end of period	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ (3,480)</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018
(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)
(UNAUDITED)

	AUGUST 1, 2018 - <u>AUGUST 31,</u>	(REVISED) JULY 1, 2018 - <u>JULY 31, 2018</u>	YEAR TO <u>DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from electricity sales	\$ 6,034,064	\$ 435,274	\$ 6,469,338
Payments for security deposits with energy suppliers	-	-	-
Payments to purchase electricity	(5,077,908)	(2,000,885)	(7,078,793)
Payments for contract services, general, and administration	(65,170)	(103,945)	(169,115)
Payments for member agency services	-	-	-
Payments for staff compensation	(56,881)	(8,341)	(65,222)
Other cash payments	-	-	-
Net cash provided (used) by operating activities	<u>834,105</u>	<u>(1,677,897)</u>	<u>(843,792)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Loans from member agencies	-	-	-
Draw of line of credit	2,375,725	2,000,885	4,376,610
Transfer to restricted cash	-	(36,293)	(36,293)
Interest and related expenses	(5,304)	(4,021)	(9,325)
Net cash provided (used) by non-capital financing activities	<u>2,370,421</u>	<u>1,960,571</u>	<u>4,330,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
	3,204,526	282,674	3,487,200
Cash and cash equivalents at beginning of period	1,246,062	963,388	963,388
Cash and cash equivalents at end of period	<u>\$ 4,450,588</u>	<u>\$ 1,246,062</u>	<u>\$ 4,450,588</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018
(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)
(UNAUDITED)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 699,898	\$ 747,473	\$ 1,447,371
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in net accounts receivable	(1,327,279)	(5,275,808)	(6,603,087)
(Increase) decrease in accrued revenue	1,150,003	(965,294)	184,709
(Increase) decrease in prepaid expenses	6,944	(16,687)	(9,743)
(Increase) decrease in inventory - renewable energy credits	63,288	(593,116)	(529,828)
(Increase) decrease in other assets and deposits	-	-	-
Increase (decrease) in accounts payable	(36,015)	(14,933)	(50,948)
Increase (decrease) in accrued payroll	475	708	1,183
Increase (decrease) in due to member agencies	19,498	40,015	59,513
Increase (decrease) in accrued cost of electricity	28,067	4,130,961	4,159,028
Increase (decrease) in other accrued liabilities	207,924	245,096	453,020
Increase (decrease) in user taxes and energy surcharges	21,302	23,688	44,990
Net cash provided (used) by operating activities	<u>\$ 834,105</u>	<u>\$ (1,677,897)</u>	<u>\$ (843,792)</u>

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Director of Finance & Internal Operations
Jim Parks, Director of Customer Outreach and Marketing

SUBJECT: Request to Approve Contract with Automate Mailing Services (AMS) for a two-year term in the amount of \$100,000

DATE: October 18, 2018

RECOMMENDATIONS:

Adopt a resolution:

- 1) Approving the contract between Valley Clean Energy (VCE) and AMS for printing, mailing and processing services in an amount not to exceed \$100,000 for a two (2) year term; and,
- 2) Authorizing the VCE Interim General Manager to execute the contract.

BACKGROUND AND DISCUSSION:

VCE staff solicited bids from multiple mailing houses to provide printing, mailing and processing services for VCE's notices, letters and other bulk mailings. After reviewing the bids, AMS located in Sacramento, was determined to be the lowest responsive bidder.

Current known projects/mailings include:

- 2 notices (postcards) to new customers (move-ins and new buildings), approximately 4,200 mailings/month
- Annual Rate Comparison Notification, approximately 60,000/year
- Other notices—NEM customer letters, marketing materials, etc.

Currently, VCE's mailings and notices have gone through our marketing contractor, Circlepoint. Circlepoint uses AMS as their printing and mailing house vendor. The Circlepoint contract is ending and VCE is hiring a new marketing vendor. Staff believes it will be beneficial for VCE to have a separate contract with a mailing house vendor rather than having these services provided through our marketing vendor. The new contract with the marketing vendor will not include mailing house services.

Staff's work experience with AMS has been professional, timely and responsive.

Staff is recommending the Board approve the contract with AMS for the printing, mailing and processing services for a two (2) year term for an amount not to exceed \$100,000.

Attachments: Resolution and Contract

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2018- _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE CONTRACT WITH AUTOMATE MAILING SERVICES (AMS) FOR PRINTING, MAILING AND PROCESSING SERVICES AND AUTHORIZING THE INTERIM GENERAL MANAGER TO EXECUTE THE CONTRACT

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, to date, VCEA’s mailings and notices have gone through VCEA’s marketing contractor, Circlepoint, who uses AMS as their printing and mailing house vendor. The Circlepoint contract is terminating soon;

WHEREAS, VCEA will be securing a new contract with a marketing vendor, said contract will not include mailing house services;

WHEREAS, VCEA requested informal proposals from various mailing house vendors for printing, mailing and processing services for VCEA’s notices, letters and other bulk mailings;

WHEREAS, after VCEA staff reviewed the proposals received, AMS located in Sacramento, was determined to be the lowest responsive bidder;

WHEREAS, the contract amount of \$100,000 for a two-year term, is within VCEA’s fiscal year budgets for 2018/2019 and 2019/2020; and,

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

1. Approve the contract between VCEA and AMS for printing, mailing and processing services for a two (2) year term for an amount not to exceed \$100,000; and,
2. The Interim General Manager is hereby authorized to execute the contract.

ADOPTED, this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lucas Frerichs, VCEA Chair

Alisa M. Lembke, VCEA Board Secretary

EXHIBIT A - AUTOMATE MAILING SERVICES CONTRACT

EXHIBIT A

AUTOMATE MAILING SERVICES CONTRACT

**AGREEMENT FOR CONSULTANT SERVICES BETWEEN
VALLEY CLEAN ENERGY ALLIANCE AND AUTOMATE MAILING SERVICES**

THIS AGREEMENT is made and entered into this ____ day of October 2018, by and between Valley Clean Energy Alliance, a Joint Powers Agency existing under the laws of the State of California, hereinafter referred to as “VCEA,” and Automate Mailing Service, a California Corporation, hereinafter referred to as “Consultant.”

RECITALS

WHEREAS, Consultant desires to perform and assume responsibility for the provision of certain services required by VCEA on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing energy advisory services to public clients and is familiar with the plans of VCEA with respect to the Project, as defined below.

WHEREAS, VCEA desires to engage Consultant to render such services in connection with the Valley Clean Energy project (“Project”) as set forth in this Agreement.

NOW, THEREFORE, VCEA and Consultant agree as follows:

1. SCOPE OF SERVICES AND TERM.

1.1 Scope of Services. Consultant promises and agrees to furnish to VCEA all labor, services, and incidental and customary work necessary to fully and adequately perform the Energy Advisory services necessary for the Project (“Services”). The Services are more particularly described in **Exhibit A**. All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state, and federal laws, rules, and regulations. In the event of a conflict between a provision in this Agreement and a provision in **Exhibit A** or in any other exhibit to this Agreement, the provision in this Agreement shall control.

1.2 Facilities, Equipment, and Other Materials. Except as specifically provided in **Exhibit B**, Consultant shall, at its sole cost and expense, furnish all facilities, tools, equipment, and other materials necessary for performing the Services pursuant to this Agreement. VCEA shall furnish to Consultant only those facilities, tools, equipment, and other materials specifically listed in **Exhibit B**, according to the terms and conditions set forth in that exhibit.

1.3 Schedule of Services. Consultant shall perform the Services expeditiously and in accordance with the Schedule of Services set forth in **Exhibit C** and any updates to the Schedule of Services approved by VCEA. Time is of the essence in the performance of this Agreement. Consultant's failure to perform any Service required under this Agreement within the time limits set forth in **Exhibit C** shall constitute a material breach of this Agreement.

1.4 Term. The term of this Agreement shall begin on the date VCEA Board of Directors approves this Agreement, with a term period of two (2) years or when terminated as provided in Article 5.

2. PROJECT COORDINATION.

2.1 VCEA 's Representative. VCEA hereby designates Interim General Manager Mitch Sears and/or its designee to act as its representative for the performance of this Agreement. Interim General Manager Mitch Sears and/or its designee shall have the power to act on behalf of VCEA for all purposes under this Agreement. VCEA hereby designates Interim General Manager Mitch Sears and/or its designee as the "Project Manager," who shall supervise the progress and day-to-day performance of this Agreement.

2.2 Consultant's Representative. Consultant hereby designates Phillip Keely and/or his designee to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services under this Agreement, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and

procedures and for the satisfactory coordination of all portions of the Services to be performed under this Agreement. Should the Consultant's Representative need to be substituted for any reason, the proposed new Consultant's Representative shall be subject to the prior written acceptance and approval of the Project Manager. The Consultant shall not assign any representative to whom VCEA has a reasonable objection.

2.3 Coordination of Services. Consultant agrees to work closely with VCEA staff in the performance of the Services and shall be available to VCEA staff at all reasonable times.

3. RESPONSIBILITIES OF CONSULTANT.

3.1 Independent Contractor. VCEA retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Nor shall any additional personnel performing the Services under this Agreement on behalf of Consultant be employees of the VCEA; such personnel shall at all times be under Consultant's exclusive direction and control. Consultant shall be entitled to no other benefits or compensation except as provided in this Agreement.

3.2 Control and Payment of Subordinates. The Services shall be performed by Consultant or personnel under its supervision. Consultant will determine the means, methods, and details of performing the Services subject to the requirements of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.3 Conformance to Applicable Requirements. All services performed by Consultant shall be subject to the Project Manager's review and reasonable approval. Consultant shall furnish VCEA

with every reasonable opportunity to determine that Consultant's services are being performed in accordance with this Agreement. VCEA's review of Consultant's services shall not relieve Consultant of any of its obligations to fulfill this Agreement as prescribed.

3.4 Substitution of Key Personnel. Consultant has represented to VCEA that it will perform and coordinate the Services under this Agreement. Should such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon the VCEA's written approval. In the event that VCEA and Consultant cannot agree as to the substitution of key personnel, VCEA shall be entitled to terminate this Agreement for cause.

3.5 Licenses and Permits. Consultant represents that it, its employees and subconsultants have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services and that such licenses and approvals shall be maintained throughout the term of this Agreement, at Consultant's sole cost and expense.

3.6 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner. Consultant warrants that all employees and subconsultants shall have sufficient skill and experience to perform the Services assigned to them. Consultant shall perform, at its own cost and expense and without reimbursement from the VCEA, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of Consultant or its subconsultants who is determined by VCEA to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the VCEA, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

3.7 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements, and shall give all notices

required by law. Consultant shall be liable for all violations of such laws and regulations by Consultant in connection with the Services. If Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the VCEA, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold the VCEA, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with such laws, rules or regulations.

3.8 Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and, if applicable, agrees to comply with such provisions before commencing the performance of the Services.

3.9 Non-Discrimination. No discrimination shall be made in the employment of persons under this Agreement because of that person's race, color, national origin, ancestry, religion, age, marital status, disability, gender, sexual orientation, or place of birth.

3.10 Insurance.

3.10.1 Time for Compliance. Consultant shall not commence the performance of Services under this Agreement until it has provided evidence satisfactory to VCEA that it has secured all insurance required herein. In addition, Consultant shall not allow any subconsultant to commence work on any subcontract until it has provided evidence satisfactory to VCEA that the subconsultant has secured all insurance required herein. Failure to provide and maintain all required insurance shall be grounds for VCEA to terminate this Agreement for cause.

3.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or

damages to property which may arise from or in connection with the performance of this Agreement by Consultant, its agents, representatives, employees or subconsultants. Consultant shall also require all of its subconsultants to procure and maintain the same insurance for the duration of this Agreement. Such insurance shall meet at least the following minimum levels of coverage:

3.10.2.1 Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (a) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (b) *Automobile Liability*: Insurance Services Office Business Auto Coverage form number CA 0001, code 8 and 9 (Hired & Non-Owned); and (c) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

3.10.2.2 Minimum Limits of Insurance. Consultant shall maintain limits no less than: (a) *General Liability*: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used including, but not limited to, form CG 2503, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (b) *Automobile Liability*: \$1,000,000 per accident for bodily injury and property damage; and (c) *Workers' Compensation and Employer's Liability*: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.10.3 Professional Liability. Consultant shall procure and maintain, and require its subconsultants to procure and maintain, for a period of five (5) years following completion of the Project errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 per claim and shall be endorsed to include contractual liability.

3.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by VCEA to add the following provisions to the insurance policies:

3.10.4.1 General Liability. The general liability policy shall include or be endorsed (amended) to state that: (a) the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the work or operations performed by or on behalf of Consultant, including materials, parts or equipment furnished in connection with such work; and (b) the insurance coverage shall be primary insurance as respects the VCEA, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be excess of Consultant's insurance and shall not be called upon to contribute with it in any way.

3.10.4.2 Automobile Liability. The automobile liability policy shall include or be endorsed (amended) to state that: (a) the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by Consultant or for which Consultant is responsible; and (b) the insurance coverage shall be primary insurance as respects the VCEA, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the VCEA, its directors, officials, officers, employees, agents, and volunteers shall be excess of Consultant's insurance and shall not be called upon to contribute with it in any way.

3.10.4.3 Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against the VCEA, its directors, officials,

officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by Consultant.

3.10.5 Separation of Insureds; No Special Limitations. All insurance required herein shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the VCEA, its directors, officials, officers, employees, agents, and volunteers.

3.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by the VCEA. Consultant shall guarantee that, at the option of the VCEA, either: (a) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the VCEA, its directors, officials, officers, employees, agents, and volunteers; or (b) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims, and administrative and defense expenses.

3.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A: VIII, licensed to do business in California, and satisfactory to the VCEA.

3.10.8 Verification of Coverage. Consultant shall furnish VCEA with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to VCEA. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf and shall be on forms provided by VCEA if requested. All certificates and endorsements must be received and approved by VCEA before work commences. VCEA reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.10.9 Reporting of Claims. Consultant shall report to the VCEA, in addition to Consultant's insurer, any and all insurance claims submitted by Consultant in connection with the Services under this Agreement.

3.11 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out the Services, Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (a) adequate life protection and life-saving equipment and procedures; (b) instructions in accident prevention for all employees and subconsultants, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (c) adequate facilities for the proper inspection and maintenance of all safety measures.

3.12 Records. Consultant shall allow a representative of VCEA during normal business hours to examine, audit, and make transcripts of copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement for a period of three (3) years from the date of final payment under this Agreement.

4. FEES AND PAYMENT.

4.1 Compensation. This is a “time and materials” based agreement. Consultant shall receive compensation, including authorized reimbursements, for Services rendered under this Agreement at the rates, in the amounts and at the times set forth in **Exhibit D**. Notwithstanding the provisions of Exhibit D, the total compensation shall not exceed One Hundred Thousand and no/100 Dollars (\$100,000.00) without written approval of VCEA. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

4.2 Payment of Compensation. VCEA shall, within 45 days of receiving an invoice for services rendered by CONSULTANT in accordance with this Agreement, review the invoice and pay all approved charges thereon.

4.3 VCEA 's Right to Withhold Payment. VCEA reserves the right to withhold payment from Consultant on account of Services not performed satisfactorily, delays in Consultant's performance of Services past the milestones established in the Schedule of Services (**Exhibit C**), or other defaults hereunder. Consultant shall not stop or delay performance of Services under this Agreement if VCEA properly withholds payment pursuant to this Section 4.3, provided that VCEA continues to make payment of undisputed amounts.

4.4 Payment Disputes. If VCEA disagrees with any portion of a billing, VCEA shall promptly notify Consultant of the disagreement, and VCEA and Consultant shall attempt to resolve the disagreement. VCEA's payment of any amounts shall not constitute a waiver of any disagreement and VCEA shall promptly pay all amounts not in dispute.

4.5 Extra Work. At any time during the term of this Agreement, VCEA may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by VCEA to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from the VCEA Manager.

4.6 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, *et seq.*, and 1770 *et seq.*, as well as California Code of Regulations, Title 8, Section 1600 *et seq.* ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. VCEA shall provide Consultant

with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make available to interested parties upon request, copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services and shall post copies at the Consultant's principal place of business and at the Project site. Consultant shall defend, indemnify and hold the VCEA, its elected officials, officers, employees and agents free and harmless pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with the Prevailing Wage Laws.

5. SUSPENSION AND TERMINATION.

5.1 Suspension. VCEA may suspend this Agreement and Consultant's performance of the Services, wholly or in part, for such period as it deems necessary due to unfavorable conditions or to the failure on the part of Consultant to perform any material provision of this Agreement. Consultant will be paid for satisfactory services performed hereunder through the date of temporary suspension pro rating for any payment in connection with the next milestone based on the work performed towards such milestone as mutually determined by Consultant and VCEA working together in good faith. In the event that Consultant's services hereunder are delayed for a period in excess of six (6) months due to causes beyond Consultant's reasonable control, Consultant may terminate this Agreement and collect payment for any satisfactory services provided through the date of temporary suspension pro rating for any payment in connection with the next milestone as described above.

5.2 Termination for Cause.

5.2.1 If Consultant at any time refuses or neglects to prosecute its services in accordance with the Schedule of Services, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without the VCEA's consent, or fails to make prompt payment to persons furnishing labor, equipment, materials or services,

or fails in any material respect to properly and diligently prosecute its services, or otherwise fails to perform fully any and all of the material agreements herein contained, Consultant shall be in default.

5.2.2 If Consultant fails to cure the default within thirty (30) days after written notice thereof, VCEA may, at its sole option, take possession of any documents and data (as more specifically described in Section 6.1) or other materials (in paper and electronic form) prepared for VCEA or used by Consultant exclusively in connection with the Project and (1) provide any such work, labor, materials or services as may be necessary to overcome the default and deduct the cost thereof from any money then due or thereafter to become due to Consultant under this Agreement; or (2) terminate Consultant's right to proceed with this Agreement.

5.2.3 In the event VCEA elects to terminate, VCEA shall have the right to immediate possession of all documents and data and work in progress prepared by Consultant pursuant to this Agreement, whether located at the Project, at Consultant's place of business, or at the offices of a subconsultant, and may employ any other person or persons to finish the Services and provide the materials therefor. In case of such default termination, Consultant shall not be entitled to receive any further payment under this Agreement until the Project is completely finished. At that time, if the expenses reasonably incurred by VCEA in obtaining the Services necessary to complete the Project exceed such unpaid balance, then Consultant shall promptly pay to VCEA the amount by which such expense exceeds the unpaid balance of the not-to-exceed amount reflected in Section 4.1. The expense referred to in the previous sentence shall include expenses incurred by VCEA in causing the Services called for under this Agreement to be provided by others, and for any costs or damages sustained by VCEA by reason of Consultant's default or defective work.

5.2.4 If VCEA fails to make timely payment to the Consultant or otherwise fails to perform fully any and all of the material agreements herein contained, VCEA shall be in

default. If such default is not cured within thirty (30) days after written notice thereof, the Consultant may, at its sole option, terminate this Agreement and VCEA shall pay the Consultant all amounts due for services satisfactorily provided to VCEA as of the date of Consultant's written notice of default.

5.3 Termination for Convenience.

5.3.1 In addition to the foregoing right to terminate for default, VCEA reserves the absolute right to terminate this Agreement without cause, upon 72-hours' written notice to Consultant. In the event of termination without cause, Consultant shall be entitled to payment in an amount not to exceed the not-to-exceed amount set forth in Section 4.1 which shall be calculated as follows: (1) payment for Services then satisfactorily completed and accepted by VCEA pro rating for any payment in connection with the next milestone based on the work performed towards such milestone as mutually determined by Consultant and VCEA working together in good faith, plus (2) payment for Additional Work satisfactorily completed and accepted by the VCEA, plus (3) reimbursable expenses actually incurred by Consultant, as approved by the VCEA . The amount of any payment made to Consultant prior to the date of termination of this Agreement shall be deduced from the amounts described in (1), (2), and (3) above. Consultant shall not be entitled to any claim or lien against VCEA or the Project for any additional compensation or damages in the event of such termination and payment. In addition, the VCEA's right to withhold funds under Section 4.3 shall be applicable in the event of a termination for convenience.

5.3.2 If this Agreement is terminated by VCEA for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a termination for convenience under this Section and Consultant shall be entitled to receive only the amounts payable hereunder in the event of a termination for convenience.

5.3.3 Force Majeure. No party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other party hereunder), when and to the extent such failure or delay is caused by or results from acts beyond the affected party's reasonable control, including, without limitation: (a) acts of God; (b) flood, fire, earthquake or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order or law; (e) actions, embargoes or blockades in effect on or after the date of this Agreement; (f) action by any governmental authority; and (g) national or regional emergency (a "Force Majeure Event"). The party suffering a Force Majeure Event shall give notice to the other party, stating the period of time the occurrence is expected to continue and shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized.

6. OTHER PROVISIONS.

6.1 Documents and Data.

6.1.1 Ownership of Documents. VCEA shall be the owner of the following items produced exclusively pursuant to this Agreement, whether or not completed: all data collected, all documents prepared, of any type whatsoever, and any material necessary for the practical use of the data and/or documents from the time of collection and/or production whether performance under this Agreement has been completed or if this Agreement has been terminated prior to completion. Consultant shall not release any materials under this Section except after prior written approval of VCEA. Consultant assumes no liability for VCEA's use of Documents in any manner not contemplated in the scope of the Project.

6.1.2 Copyright. No materials produced in whole or in part under this Agreement shall be subject to copyright in the United States or in any other country except as

determined at the sole discretion of the VCEA. VCEA shall have the unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part, any reports, data, documents or other materials prepared under this Agreement.

6.1.3 Release of Documents to VCEA. Consultant shall deliver to VCEA all materials prepared by Consultant exclusively in connection with this Agreement, including all drafts, memoranda, analyses, and other documents, in paper and electronic form, within five (5) days of receiving a written request from VCEA.

6.1.4 Confidentiality. All documents, reports, information, data, and exhibits prepared or assembled by Consultant in connection with its performance under this Agreement are confidential until released by VCEA to the public, and Consultant shall not make any of these documents or information available to any individual or organization not employed by Consultant or VCEA without the written consent of VCEA before any such release, unless Consultant is required to do so under applicable law.

6.2 Assignment; Successors. Upon mutual written consent, VCEA and Consultant may assign this agreement and its obligations to a Joint Powers Agency formed for the purpose of forming and operating a CCE program. Otherwise, Consultant shall not assign any of its rights nor transfer any of its obligations under this Agreement without the prior written consent of the VCEA. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. All representations, covenants and warranties set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

6.3 Indemnification and Hold Harmless

a. General Hold Harmless

To the extent allowed by law, Consultant shall indemnify and hold harmless VCEA and its officers, agents, employees, and servants from all claims, suits, or actions of every kind, and

description resulting from this Agreement, the performance of any work or services required of Consultant under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

(A) injuries to or death of any person, including Consultant or its employees/officers/agents;

(B) damage to any property of any kind whatsoever and to whomsoever belonging;

(C) any sanctions, penalties, or claims of damages resulting from Consultant's failure to comply, if applicable, with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended; or

(D) any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of VCEA and/or its officers, agents, employees, or servants. However, Consultant's duty to indemnify and hold harmless under this Section shall not apply to injuries or damage for which VCEA has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty of Consultant to indemnify and hold harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code

b. Intellectual Property Indemnification

Consultant hereby certifies that it owns, controls, or licenses and retains all right, title, and interest in and to any intellectual property it uses in relation to this Agreement, including the design, look, feel, features, source code, content, and other technology relating to any part of the services it provides under this Agreement and including all related patents, inventions, trademarks, and copyrights, all applications therefor, and all trade names, service marks, know how, and trade secrets (collectively referred to as "IP Rights") except as otherwise noted by this Agreement. Consultant warrants that the services it provides under this Agreement do not

infringe, violate, trespass, or constitute the unauthorized use or misappropriation of any IP Rights of any third party. Consultant shall defend, indemnify, and hold harmless VCEA from and against all liabilities, costs, damages, losses, and expenses (including reasonable attorney fees) arising out of or related to any claim by a third party that the services provided in the United States. Consultant's duty to defend, indemnify, and hold harmless under this Section applies only provided that: (a) VCEA notifies Consultant promptly in writing of any notice of any such third-party claim; (b) VCEA cooperates with Consultant, at Consultant's expense, in all reasonable respects in connection with the investigation and defense of any such third-party claim; (c) Consultant retains sole control of the defense of any action on any such claim and all negotiations for its settlement or compromise (provided Consultant shall not have the right to settle any criminal action, suit, or proceeding without VCEA's prior written consent, not to be unreasonably withheld, and provided further that any settlement permitted under this Section shall not impose any financial or other obligation on VCEA, impair any right of VCEA, or contain any stipulation, admission, or acknowledgment of wrongdoing on the part of VCEA without VCEA's prior written consent, not to be unreasonably withheld); and (d) should services under this Agreement become, or in Consultant's opinion be likely to become, the subject of such a claim, or in the event such a third party claim or threatened claim causes VCEA's reasonable use of the services under this Agreement to be seriously endangered or disrupted, Consultant shall, at Consultant's option and expense, either: (i) procure for VCEA the right to continue using the services without infringement or (ii) replace or modify the services so that they become non-infringing but remain functionally equivalent.

Notwithstanding anything in this Section to the contrary, Consultant will have no obligation or liability to VCEA under this Section to the extent any otherwise covered claim is based upon: (a) any aspect of the services under this Agreement which have been modified by or for VCEA (other than modification performed by, or at the direction of, Consultant) in such a way as to cause the alleged infringement at issue; and/or (b) any aspects of the services under this Agreement which have been used by VCEA in a manner prohibited by this Agreement.

The duty of Consultant to indemnify and hold harmless as set forth by this Section shall include the duty to defend as set forth in Section 278 of the California Civil Code.

6.3.1 Survival of Obligation. Consultant's obligation to indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by the VCEA, its directors, officials, officers, employees, agents, or volunteers.

6.4 Consultant Not Agent. Except as VCEA may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of VCEA in any capacity for VCEA whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind VCEA to any obligation whatsoever.

6.5 Governing Law; Government Code Claim Compliance. This Agreement shall be governed by the laws of the State of California and any legal actions concerning this Agreement's validity, interpretation and performance shall be governed by the laws of the State of California. Venue shall be in Yolo County. In addition to any and all contract requirements pertaining to notices of and requests for compensation or payment for extra work, disputed work, claims and/or changed conditions, Consultant must comply with the claim procedures set forth in Government Code sections 900 *et seq.* prior to filing any lawsuit against the VCEA. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by the Parties hereunder. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against the VCEA.

6.6 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

Consultant: Automate Mailing Service
8010 Betty Lou Drive
Sacramento, CA 95828
Attn: Phillip Keely

VCEA: VCEA
604 2ND Street
Davis, CA 95616
Attn: Mitch Sears

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

6.7 Incorporation by Reference. All exhibits referred to in this Agreement are attached hereto and are by this reference incorporated herein.

6.8 VCEA 's Right to Employ Other Consultants. VCEA reserves the right to employ other consultants in connection with the Project, provided that such other consultants shall not be performing the work set forth in the Scope of Services of this Agreement.

6.9 Construction; References; Captions. The language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. The captions of the various sections and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Agreement.

6.10 Amendment; Modification. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both parties.

6.11 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel or otherwise.

6.12 No Third-Party Beneficiaries. There are no intended third-party beneficiaries of any right or obligation assumed by the parties.

6.13 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

6.14 Interest of Consultant. Consultant covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement. Consultant certifies that no one who has or will have any financial interest under this Agreement is an officer or employee of the VCEA.

6.15 Interest of Subconsultants. Consultant further covenants that, in the performance of this Agreement, no subconsultant or person having any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement shall be employed. Consultant has provided VCEA with a list of all subconsultants and the key personnel for such subconsultants that are retained or to be retained by Consultant in connection with the performance of the Services, to assist VCEA in affirming compliance with this Section.

6.16 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration

contingent upon or resulting from the award or making of this Agreement. If required, Consultant further agrees to file, or shall cause its employees or subconsultants to file, a Statement of Economic Interest with the VCEA's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, VCEA shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of the VCEA, during the term of his or her service with the VCEA, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

6.17 Cooperation; Further Acts. The parties shall fully cooperate with one another and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

6.18 Attorneys' Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

6.19 Authority to Enter Agreement. Each party has all requisite power and authority to conduct its business and to execute, deliver, and perform this Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

6.20 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

6.21 Entirety of Agreement. This Agreement contains the entire agreement of VCEA and Consultant with respect to the subject matter hereof, and no other agreement, statement or promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement, shall be binding or valid.

[Signatures on following page]

SIGNATURE PAGE TO CONSULTANT SERVICES AGREEMENT

IN WITNESS WHEREOF, VCEA and Consultant have entered into this Agreement as of the date first stated above.

VCEA

Automate Mailing Service

By: _____
Mitch Sears
VCEA Interim General Manager

By: _____
Phillip Keely
President

ATTEST:

By: _____
Alisa Lembke
VCEA Board Clerk

APPROVED AS TO FORM:

By: _____
Eric May
VCEA General Counsel

EXHIBIT A

SCOPE OF SERVICES

Automate Mailing Services will perform the following:

Provide color and/or black/white press printing of postcards, letters, marketing materials and/or any other item as requested. Paper and/or card stock to be used shall be, whenever possible, recycled or post-consumer waste (PCW) material and/or a portion thereof. Setup data and setup production costs may be included in the printing of items. VCEA and/or their Contractor(s) to provide artwork and text.

Provide print proofs for VCEA approval, prior to the printing of any product.

Automate shall provide mailing/postage option(s) and an estimated postage cost to VCEA for VCEA and/or its Designee's approval. Automate shall provide an actual postage billing which VCEA shall pay within ten (10) days of mailing date.

Provide services, which include data process, confirmation of addresses through the National Change of Address (NCOA) data base and delivery to Post Office.

Quote #Q5972 dated August 8, 2018 is approved, wherein Automate will print 72,000 8.5 X 5.5" postcards known as a "move-in mailer" and send out to a list of addresses on a monthly basis. Automate will store the postcards until all postcards have been used. Automate will provide at least a sixty (60) day notification to VCEA when quantities are at or around 12,000 postcards.

EXHIBIT B

FACILITIES, EQUIPMENT, AND OTHER MATERIALS PROVIDED BY VCEA

VCEA and/or their Contractor(s) to provide artwork, text, and mailing addresses.

VCEA and/or their Contractor(s) will perform de-duplication of addresses prior to providing addresses to Automate. Unless directed otherwise, mailings are to be sent to one address.

After consulting with Automate on the best method of mailing, VCEA and/or their Contractor(s) shall determine the method of mailing.

EXHIBIT C

SCHEDULE OF SERVICES

Quote #Q5972 (see attached) in the amount of \$5,985.60 for the color, double-sided printing of 72,000 8.5 X 5.5” postcards known as the “move-in mailer”. The 72,000 move-in mailer postcards are to be printed within 60 days of the start of this contract.

All other printing and mailing services will be upon the request of VCEA and/or their Contractor(s) with mutually agreed upon target printing and mailing dates.

EXHIBIT D

BUDGET, PAYMENT, RATES

Quote #Q5972 (see attached) in the amount of \$5,985.60 for the printing of “move-in” postcard mailers. Cost of postage will vary depending on quantity mailed. Automate will provide an actual postage billing/invoice to VCEA and VCEA shall pay within ten (10) days of mailing date. Setup Data, Setup Production and NCOA to be billed monthly.

The following rates can be used as guidelines for costs for future mailings and/or printing needs. Please note that these rates are subject to change.

STANDARD PRINT COSTS

8.5 X 5.5” POSTCARDS 4/4 ON 100# ENDEAVOUR VELVET COVER

QTY 5,000 - \$1000
QTY 10,000 - \$1250
QTY 25,000 - \$1750
QTY 50,000 - \$2650
QTY 75,000 - \$3450

6 X 11” POSTCARDS 4/4 ON 100# ENDEAVOUR VELVET COVER

QTY 5,000 - \$1100
QTY 10,000 - \$1500
QTY 25,000 - \$2100
QTY 50,000 - \$3400
QTY 75,000 - \$4600

2 PMS COLOR #10 REGULAR ENVELOPES ON 24# WHITE WOVE

QTY 5,000 - \$420
QTY 10,000 - \$520
QTY 25,000 - \$820
QTY 50,000 - \$1300
QTY 75,000 - \$1800

8.5 X 11” LETTERS 4/4 ON 60 OR 70 LB OFFSET

QTY 5,000 - \$325
QTY 10,000 - \$480
QTY 25,000 - \$950
QTY 50,000 - \$1700
QTY 75,000 - \$2400

STANDARD MAILING COSTS:

MINIMUMS SET AT 1,000

- SETUP PRODUCTION - \$25
- SETUP DATA - \$25
- NCOA - \$45
- LETTER FOLDING - \$10/THOUSAND
- MACHINE INSERTING - \$32/THOUSAND
- APPLYING LIVE STAMPS - \$10/THOUSAND
- ADDRESS AND DELIVER LESS THAN 5000 PIECES - \$35/ THOUSAND
- ADDRESS AND DELIVER MORE THAN 5000 PIECES - \$25/ THOUSAND

STANDARD POSTAGE RATES:

- FIRST CLASS LETTERS \$.378-\$.424 PER PIECE**
- THIRD CLASS LETTERS \$.22-\$.287 PER PIECE**
- FIRST CLASS FLATS \$.474-\$.705 PER PIECE**
- THIRD CLASS FLATS \$.34-\$.60 PER PIECE**

LETTER DIMENSIONS	MINIMUM	MAXIMUM
HEIGHT	3 ½ INCHES	6-1/8 INCHES
LENGTH	5 INCHES	11 ½ INCHES

FLAT DIMENSIONS	MINIMUM	MAXIMUM
HEIGHT	6-1/8 INCHES	12 INCHES
LENGTH	11 ½ INCHES	15 INCHES

NOTES:

- Presorted (“bulk”) 1st class need minimum of 500 records/addresses
- Presorted 3rd class need minimum of 250 records/addresses

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager, VCE
Jim Parks, Director of Customer Outreach and Marketing

Subject: Amend Circlepoint contract to increase not to exceed amount

Date: October 18, 2018

RECOMMENDATION

1. Authorize the Interim General Manager to amend the Circlepoint contract for customer outreach and marketing services increasing the not to exceed amount by \$30,000.

BACKGROUND AND DISCUSSION:

The VCE Board has previously approved a customer outreach and marketing services contract with Circlepoint in the amount of \$398,035, including mailing house services. The current Circlepoint contract will terminate upon hiring a new marketing contractor; the new marketing contract is anticipated to be in place later this Fall. As of September 30, 2018, there was approximately \$14,000 available for marketing and mailing services and it still may be several months before the new marketing contract is in place. Therefore, Staff is requesting an addition of \$30,000 to the existing Circlepoint contract to ensure VCE's marketing needs are met until the new vendor is in place. If approved, the new total Circlepoint contract will be a not to exceed amount of \$428,035. The requested additional funds are anticipated to be used for communications with customers and will only be spent if needed.

CONCLUSION

The contract amendment increases the not to exceed amount so that marketing needs are met until a new marketing contractor is hired. All existing rates and other contract provisions will be carried forward.

FISCAL IMPACT

The costs associated with the contract amendment are accounted for in VCE's adopted Fiscal Year 2018/2019 Budget.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager
Lisa Limcaco, Director of Finance and Internal Operations

Subject: Approval of Amendment 5 to SMUD Services Agreement Task Order 4 Related to VCE Organizational Staffing

Date: October 18, 2018

RECOMMENDATION

Adopt a resolution authorizing the Interim General Manager to sign Amendment 5 to SMUD Services Agreement Task Order 4, specifically to Sections 1.2 Scope of Services and 4.1.1 Dedicated Operational Staff.

BACKGROUND AND ANALYSIS

On October 12, 2017 the VCE Board approved a Professional Services Agreement with the Sacramento Municipal Utility District (SMUD) to provide launch and operational services for Valley Clean Energy (VCE). The action included the approval of Task Order 1 for technical and energy services, and Task Order 2 for data management/ call center services. Thereafter, the Board adopted the following:

1. on November 16, 2017 Task Order 3 for wholesale energy services;
2. on December 12, 2017 Task Order 4 for Operational Staff Services; and,
3. on May 10, 2018 Task Order 5 for long term procurement services.

Task Order 4 served to partially implement the initial staffing plan for VCE and in summary provides the following contractual services to VCE:

- 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 VCE's initial operational needs for launching a CCA Program.

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

The Task Order also provides VCE 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.

If approved, Amendment 5 would add to Task Order 4, Section 1.2 Scopes of Services that SMUD will provide the services of Manager of Wholesale Energy Services (Gary Lawson) as an on-call proxy Power Director to VCE and remove and replace paragraphs two and three of Section 4.1.1 Dedicated Operational Staff specifying the terms, conditions, and rates of SMUD providing staff for the Key Accounts person to VCE.

CONCLUSION

Staff is recommending the VCE Board adopt the attached resolution authorizing the Interim General Manager to sign Amendment 5 to Task Order 4. In summary, Task Order 4 would be amended as follows:

1. Section 1.2 Scope of Services, of Task Order 4, by adding that SMUD will provide the services of Manager of Wholesale Energy Services, as an on-call proxy Power Director (Power Director) to VCE. Note: this recognizes the level of service provided by SMUD during the post-launch phase of VCE. It is anticipated that the long-term provision of these services will be brought in-house.
2. Section 4.1.1 Dedicated Operational Staff, of Task Order 4, by replacing the second and third paragraphs in their entirety and revised to read:

“Notwithstanding Section 4.1, Term of Task Order 4, SMUD will assign the dedicated operational staff as described in Section 1.1 of this Task Order 4 for Key Accounts to be available onsite at VCEA offices from March 2018 through September 2018 and will be billed at the fixed fee in Section 5.1, Dedicated Operational Staff. The monthly fixed fee will be prorated based on the percentage of time spent providing services to VCEA.

Beginning October 1, 2018, and through the term of Task Order 4, the Key Accounts representative will be available as-needed, at VCEA’s request, at the Principal rate of \$190.00 per hour as described in Section 5.2, Professional Services Hourly Rates.”

Attachments

1. Resolution Approving Amendment 5 to the VCE-SMUD Master Services Agreement Task Order 4
2. Amendment 5 to the VCE-SMUD Master Services Agreement Task Order 4

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2018- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING AMENDMENT 5 TO THE SACRAMENTO MUNICIPAL UTILITIES DISTRICT PROFESSIONAL SERVICES AGREEMENT FOR IMPLEMENTATION AND OPERATIONAL SERVICES TASK ORDER 4, SECTION 1.2 SCOPE OF SERVICES AND SECTION 4.1.1 DEDICATED OPERATIONAL STAFF

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, on December 12, 2017, the VCEA Board approved Task Order 4 to provide Operational Staff Services to VCEA for program launch and operations.

WHEREAS, on May 10, 2018, the VCEA Board approved Task Order 5 to provide long term renewable procurement services.

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

1. Authorize the Interim General Manager to sign Amendment 5 of the SMUD professional services agreement for implementation and operational services Task Order 4 under the terms set forth below and in this Resolution.
2. Amend Section 1.2 Scope of Services, of Task Order 4, by adding that SMUD will provide the services of Manager of Wholesale Energy Services, as an on-call proxy Power Director (Power Director) to VCE;
3. Amend Section 4.1.1 Dedicated Operational Staff, of Task Order 4, by replacing the second and third paragraphs in their entirety and revised to read:

“Notwithstanding Section 4.1, Term of Task Order 4, SMUD will assign the dedicated operational staff as described in Section 1.1 of this Task Order 4 for Key Accounts to be available onsite at VCEA offices from March 2018 through September 2018 and will be billed at the fixed fee in Section 5.1, Dedicated Operational Staff. The monthly fixed fee will be prorated based on the percentage of time spent providing services to VCEA.

Beginning October 1, 2018, and through the term of Task Order 4, the Key Accounts representative will be available as-needed, at VCEA’s request, at the Principal rate of \$190.00 per hour as described in Section 5.2, Professional Services Hourly Rates.”

ADOPTED, this _____ day of _____, 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Lucas Frerichs, VCEA Chair

Alisa M. Lembke, VCEA Board Secretary

EXHIBIT A - Amendment 5 to Master Professional Services Agreement Task Order 4

EXHIBIT A

AMENDMENT 5 TO A.4 TASK ORDER 4 - OPERATIONAL STAFF SERVICES

AMENDMENT 5 TO EXHIBIT A: Scope of Services

A.4 Task Order 4 – Operational Staff Services

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 5 to Exhibit A, Task Order No. 4 (Amendment 5), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 5 conflict with any general provisions in the Agreement or Task Order 4, the provisions of this Amendment 5, shall take precedence.

The Effective Date of this Amendment 5 is the date of last signature below.

A. Pursuant to Section 1.2 Professional Services, of Task Order 4, the Parties agree to the following additional scope of services:

1. SCOPE OF SERVICES, ON-CALL PROXY POWER DIRECTOR

SMUD will provide the services of Manager of Wholesale Energy Services as an on-call proxy Power Director (Power Director) to VCEA. The services will include, but not be limited to:

- Energy Procurement – Oversee efforts related to: energy load forecasting, research and due diligence for potential power supply opportunities, negotiation of power purchase agreements, development and execution of VCEA’s renewable, local and zero-carbon procurement efforts, schedule coordination and related CAISO/power services, issue identification, and contract dispute resolution.
- Program Development – Work with the VCEA staff team, Community Advisory Committee and others on complementary energy program development and implementation that may include some or all of the following: net energy metering, feed in tariff, energy efficiency and demand management, battery storage, electric vehicle and other transportation incentives, distributed energy resource development, and other programs that advance VCEA’s mission, provide community and consumer benefits, and support carbon reduction goals.
- Finance - Assist in analysis relating to energy supply and local energy development, and support budget analysis for rate design and rate setting.
- Regulatory - Work closely with the General Manager and Regulatory Counsel to provide quantitative analysis focused on VCEA’s energy supply portfolio, VCEA’s load forecast, and broader California energy market conditions, with a particular focus on all quantitative inputs into the Power Charge Indifference Adjustment, in addition to

coordinating required regulatory reporting, and represents VCE as needed before regulatory and legislative bodies, and key industry groups.

2. COMPENSATION FOR SERVICES

The fixed fee for the Scope of Work in this Task Amendment 5 is \$16,150.00 per month, for up to 85-hours of support. Should the direct bill hours for the Power Director exceed 85 hours, each additional hour will be billed at the contracted rate of \$190.00 per hour.

3. PAYMENT TERMS

SMUD will invoice the fixed fee on a monthly basis beginning in June 2018, and payment will be subject to Section 8.8 of the Agreement.

B. Amend Section 4.1.1 Dedicated Operational Staff, second and third paragraphs are replaced in their entirety and revised to read:

“Notwithstanding Section 4.1, Term of Task Order 4, SMUD will assign the dedicated operational staff as described in Section 1.1 of this Task Order 4 for Key Accounts to be available onsite at VCEA offices from March 2018 through September 2018 and will be billed at the fixed fee in Section 5.1, Dedicated Operational Staff. The monthly fixed fee will be prorated based on the percentage of time spent providing services to VCEA.

Beginning October 1, 2018, and through the term of Task Order 4, the Key Accounts representative will be available as-needed, at VCEA’s request, at the Principal rate of \$190.00 per hour as described in Section 5.2, Professional Services Hourly Rates.”

SIGNATURES

The Parties have executed this Amendment 5, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: _____

Name: _____

Title: _____

Date: _____

Approved as to Form:  _____

Eric May, VCEA General Counsel

Sacramento Municipal Utility District

By: _____

Name: _____

Title: _____

Date: _____

Approved as to Form: _____

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report

Date: October 18, 2018

RECOMMENDATION: Receive regulatory monitoring report.

Regulatory Priorities

The Keyes and Fox Board report includes several priority issues including:

- **CPUC Decision expected on the PCIA.** The CPUC is expected to consider the Proposed Decision and revised Alternate Proposed Decision at its October 11 Business Meeting.
- **A Ruling in the Resource Adequacy (RA) proceeding requests comments on SCE's Central Buyer proposal.** As proposed by SCE, a central buyer would procure Local RA on a residual basis and load-serving entities (LSEs) like VCE would continue to procure RA to meet their System and Flexible requirements. A three-year RA compliance period would be used.
- **New compliance obligations on the horizon for Power Source Disclosure and Net Metering programs.** In the "Other Regulatory Developments" section of the memo, two possible changes to VCE's future compliance obligations are noted. First, the California Energy Commission is soliciting feedback on implementing changes to the Power Source Disclosure Program, in accordance with AB 1110, that would require VCE and other retail suppliers to include information about their GHG emissions intensities in their Power Content Label beginning in 2020. Second, a recent CPUC Decision establishing net metering consumer protection standards requires VCE and other entities to post to their websites a "solar information packet" after it is finalized by CPUC Staff.

Attachment:

Keyes & Fox October 10, 2018 Regulatory Memorandum

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Regulatory Update

Date: October 10, 2018

Summary

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

This month's report includes regulatory updates on the following priority issues:

- PCIA Rulemaking
- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- CCA Reentry Fees & Financial Security Requirements
- Renewables Portfolio Standard (RPS) Rulemaking
- RPS Rulemaking (Old Docket)
- Integrated Resource Plans
- Tree Mortality Nonbypassable Charge (NBC)
- PG&E Rate Design Window (RDW)
- Other Regulatory Developments

PCIA Rulemaking

On September 20, 2018, the CPUC issued a Decision approving a settlement agreement between PG&E and parties on Track 1 issues related to medical baseline customers. On October 5, 2018, Commissioner Peterson issued a revised Alternate Proposed Decision on Track 2 issues. The Proposed Decision and revised Alternate Proposed Decision are expected to be considered at the CPUC's October 11, 2018 Business Meeting.

- **Background:** This proceeding has two tracks. Track 1 addressed the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 is considering alternatives to the current PCIA methodology. (A second phase of this proceeding is anticipated to begin once a Track 2 decision is issued.)

In Track 1, the CPUC approved a Settlement Agreement that PG&E had filed on behalf of several parties in March 2018.

In Track 2, both a Proposed Decision and Alternate Proposed Decision have been issued.

- **Details:** The Track 1 Decision pertaining to PG&E's pending Settlement Agreement resolved the availability of the exemption for MB customers taking energy from CCAs in PG&E's service territory. MB customers of CCAs that begin to serve residential customers after September 20, 2018 will not receive the PCIA exemption. Payment of the PCIA by MB residential customers of CCAs currently serving customers will be phased-in over a period of four years.

The Track 2 Proposed Decision (PD) rejects the utilities' proposals (*i.e.*, the Green Allocation Methodology and Portfolio Monetization Mechanism (GAM/PMM)) and CalCCA's proposal for higher administrative benchmarks, and leaves the current PCIA in place, maintaining the current brown power index, but adopting revised inputs to the benchmarks used to calculate the PCIA for RPS resources and resource adequacy. It determines that CCAs do not need to pay for either pre-2002 or post-2002 costs of non-renewable utility owned generation (UOG), or for storage-related costs beyond the 10-year limit. It also adopts an annual PCIA true-up mechanism and a "rate collar" (*i.e.*, a floor set at zero and a cap initially set at \$0.022/kWh, with the annual change of the PCIA limited to \$0.005/kWh for any PCIA charge above \$0.015/kWh) intended to limit the change of the PCIA rate from one year to the next.

The October 5 Track 2 revised Alternate Proposed Decision (APD) differs from the PD in four significant ways. First, it finds that legacy UOG is PCIA-eligible and should be recovered from CCA customers. Second, the APD terminates the 10-year limit on PCIA cost recovery for post-2002 UOG and certain storage costs, meaning these costs would be included in the PCIA going forward. Third, the revised APD establishes a maximum annual increase in PCIA of \$0.005/kWh starting in 2020 (instead of a 25% rate collar, as was initially proposed in the APD), although IOUs will be allowed to propose a revised PCIA rate if the cap results in large balancing accounts equal to 10% of forecasted PCIA revenues. Finally, the APD adopts the Platt's Portfolio Content Category 1 REC index value for the Market Price Benchmark's RPS Adder, but only for the 2019 ERRA Forecast. The revised APD also modified the annual true-up to remove the RA and REC components and consider them in Phase 2 of the proceeding, meaning only brown power will be trued-up initially.

- **Analysis:** The Track 2 revised APD would result in a higher PCIA for VCE's customers than under the Track 2 PD. The revised PCIA methodology will be used to calculate the PCIA that takes effect on January 1, 2019. In addition, the PD and APD create new reporting requirements for LSEs, including CCAs, requiring them to submit specific resource contract information on January 31 each year, beginning in 2019.
- **Next Steps:** The PD and APD may be heard at the CPUC's October 11, 2018 Business Meeting. The PD and APD would also open a second phase of this proceeding, forming a working group to "consider the development and implementation of a comprehensive solution to the issue of excess resources in utility portfolios." A decision regarding PG&E's pending Settlement Agreement of Track 1 issues is forthcoming.
- **Additional Information:** Track 2 Revised Alternate Proposed Decision – [Redlined](#) and [Clean](#) versions (October 5, 2018); [D.18-09-013](#) Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); [Track 2 Alternate Proposed Decision](#) (August 14, 2018); [Track 2 Proposed Decision](#) (August 1, 2018); [D.18-07-009](#) resolving SCE & SDG&E PCIA exemption issues (July 23, 2018); [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); [Track 2 Scheduling Memo](#) (May 2, 2018); Docket No. [R.17-06-026](#).

PG&E's 2019 Energy Resource and Recovery Account Forecast

On September 20, 2018 the CPUC held an evidentiary hearing. PG&E and the Joint CCA Parties filed opening briefs on October 2, 2018.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. PG&E is forecasting a 2019 total revenue requirement of \$2.893 billion, comprised of \$1.597 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$82.2 million; the PCIA, \$1.068 billion; and the Cost Allocation Mechanism, \$146.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related forecasts, which includes a net GHG revenue return of \$314.2 million. PG&E’s application was protested by CCA Parties and the Office of Ratepayer Advocates.
- **Details:** The August 16 Scoping Memo and Ruling identified the issues that will be considered in this proceeding, determined that an evidentiary hearing is needed, and established a procedural schedule.
- **Analysis:** This proceeding will implement the decision in the PCIA docket and establish the amount of the PCIA for VCE’s 2019 rates and the level of PG&E’s generation rates for bundled customers. VCE will not know the final amount of any PCIA increase or generation rate decrease until November, when an update to PG&E’s testimony will be provided, although estimates can be made from PG&E’s initial testimony, which was filed with the application.
- **Next Steps:** Reply briefs are due October 16. PG&E will update the requested revenue requirements, including NBCs, as well as more current CCA load forecast information, in its November Update, due on the later of November 7 or five business days after the Energy Division sets the Market Price Benchmark.
- **Additional Information:** [Scoping Memo and Ruling](#) (August 16, 2018); [CCA Parties’ Protest](#) (July 5, 2018); [PG&E’s Application](#) (June 1, 2018); [PG&E’s Testimony](#) (June 1, 2018); Docket No. [A.18-06-001](#).

Resource Adequacy (RA)

On September 14, 2018 parties filed additional Track 2 reply comments. On October 5, 2018 the judge issued a Ruling requesting additional comments on SCE’s RA central buyer proposal.

- **Background:** This proceeding has three tracks, and is currently focused on Track 2. [Track 1](#) addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. [Track 2](#) issues include consideration of the adoption of multi-year local RA requirements, a “Central Buyer” proposal for potential major revisions to RA procurement, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. [Track 3](#) issues include 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** The Ruling states that the CPUC is interested in considering in more detail SCE’s proposal in which a central buyer would procure Local RA on a residual basis. LSEs would continue to procure RA to meet their System and Flexible requirements with the assumption that their procurement objective will be to secure the least-cost resources to meet their RA needs. If these least-cost resources also meet local area needs, then they would reduce the quantity of Local RA that the central procurement entity needs to procure to meet the residual Local RA need. The LSE would need to have procured the resource for the duration of the three-year compliance period and agree to show the resource as RA in each month of all three years.
- **Analysis:** This proceeding affects VCE’s RA compliance obligations for 2019 and 2020, and could potentially result in a new RA procurement framework in California that may impact VCE’s ability to procure RA capacity on its own behalf. Changes being considered include requiring LSEs like VCE to procure RA for 3-5 years in advance instead of only for the year ahead, as well as moving to a central buyer model for local capacity requirements, where, under various

proposals, PG&E, CAISO or another entity would be responsible for procuring RA capacity on VCE's behalf.

- **Next Steps:** Comments on SCE's proposal are due October 17, with reply comments due October 24.
- **Additional Information:** [Ruling](#) requesting comments on SCE's proposal (October 5, 2018); [2017 Resource Adequacy Report](#) (August 3, 2018); [D.18-06-030](#) setting local capacity requirements and resource adequacy program revisions and [D.18-06-031](#) adopting flexible capacity requirements for 2019 (both on June 22, 2018); [Scoping Memo and Ruling](#) (January 1, 2018; [modified](#) in part on May 2, 2018); Docket No. [R.17-09-020](#).

CCA Reentry Fees & Financial Security Requirements

On September 4, 2018 CalCCA and AReM filed protests of PG&E's Advice Letter (AL) 5354-E. On October 2, 2018, PG&E filed a supplemental AL (5354-E-A) to resolve AReM and CalCCA's protests.

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The FSR is used to cover those potential costs. The reentry fee for incremental procurement costs is based on six months of incremental procurement. The CPUC's Decision adopted on June 7, 2018 provided that the administrative per-customer reentry fee is \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and that the minimum FSR is \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party.
- **Details:** PG&E has submitted three ALs implementing the CPUC's decision on CCA financial security requirements (FSR), including one establishing VCE's FSR:
 - [AL 5354-E-A](#) (Tier 2) proposes revisions to electric Rule 23 Community Choice Aggregator Service to incorporate the reentry fees and FSRs.
 - [AL 5350-E](#) (Tier 2), effective September 14, specifies VCE's and other CCA's FSRs, which are redacted in the Public version. Going forward, PG&E will update the FSR amounts biannually (on May 10 and November 10 each year).
 - [AL 5359-E](#) (Tier 1) provides a detailed description of the specific services that are covered under the CCA customer reentry fee for utility administrative costs and how those costs were calculated. It states that PG&E intends to identify the administrative fee as a separate item in its 2020 General Rate Case Phase II testimony and include a description of the components of the fee, how it is calculated, and a comparison of its fee with other major California utilities.
- **Analysis:** This rulemaking proceeding is closed. PG&E's ALs are related to implementing various requirements established in the final decision issued in this proceeding.
- **Next Steps:** Protests for AL 5354-E-A are due October 20. Note that CCAs will be required to submit a compliance Tier 1 AL to the Energy Division within 30 days of approval of the ALs, providing notice of compliance with the FSR and requesting return of any interim financial security posted with the CPUC.
- **Additional Information:** [AL 5354-E-A](#) revising electric Rule 23 (October 2, 2018); [AL 5359-E](#) describing reentry fee (August 17, 2018); [AL 5350-E](#) on financial security requirements (August 6, 2018); [D.18-05-022](#) establishing CCA reentry fees and financial security requirements (June 7, 2018); Docket No. [R.03-10-003](#).

Renewables Portfolio Standard (RPS) Rulemaking

On September 12, 2018 the judge issued a Ruling requesting comments on Staff's proposal on effective load carrying capability (ELCC). On October 5, 2018, the judge issued a Proposed Decision implementing

AB 1923 regarding interconnection rules under the Bioenergy feed-in tariff program. On October 8, 2018, LSEs including VCE filed their updated RPS Procurement Plans to include consideration of the impacts of SB 100.

- **Background:** On July 12, 2018, the CPUC adopted an Order Instituting Rulemaking (OIR) establishing a new proceeding addressing RPS-related issues, R.18-07-003. The prior RPS docket, R.15-02-020 is now closed except for the limited purpose of addressing pending petitions for modification. Going forward, the new rulemaking proceeding will cover topics relevant to the RPS.

Details: The Ruling requested comments on the Energy Division Staff Proposal on three components of the Least-Cost Best-Fit (LCBF) methodology: ELCC, Time of Delivery (TOD) factors, and project viability. For reference, the LCBF methodology applies to how IOUs evaluate bids related to RPS procurement. In their LCBF valuations, the IOUs currently include the bid's capacity benefits by valuing the RA benefits expressed in the form of an assigned Net Qualifying Capacity (NQC) of each offer bid; unlike SDG&E and SCE, PG&E uses a form of ELCC to determine NQC values of each renewable bid. Staff proposed that the three IOUs should use a standardized ELCC approach that is specific to RPS procurement within their LCBF methodologies. Comments in response to the Ruling were filed on October 5.

The Proposed Decision implements changes to interconnection rules for the BioMAT program pursuant to AB 1923. For reference, the Bioenergy Market Adjusting Tariff (BioMAT) is a procurement program within the RPS that requires the three large IOUs (and not CCAs) to procure up to 250 MW of renewable feed-in-tariff resources from small-scale bioenergy projects.

LSEs originally filed their RPS Procurement Plans on August 20, 2018. Comments were filed on September 21, 2018 and reply comments were filed on October 5. In R.15-02-020, ALJ Mason requested updates to the RPS Procurement Plans to address procurement of resources in compliance with SB 100, which increased California's RPS target to 60% by 2030 and accelerated interim compliance period targets. These updated plans, including VCE's, were filed on October 8, 2018.

On September 21, 2018, parties filed comments in response to a June 21, 2018 ruling regarding how RPS paired with storage is valued.

- **Analysis:** This proceeding will affect VCE's RPS compliance obligations in 2019 and thereafter. This proceeding will also impact PG&E's RPS compliance obligations and impacts on above-market costs for the PCIA calculation (pending changes to the PCIA in R.17-02-026). However, a final scope and procedural schedule have not yet been established.
- **Next Steps:** Parties are awaiting the issuance of a final scoping memo. Reply comments on the ELCC Ruling are due October 15. Comments on revised RPS Procurement Plans are due October 18 (with no date set for reply comments). Comments on the Proposed Decision are due October 25, with reply comments due October 30.
- **Additional Information:** [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Proposed Decision](#) on interconnection rules in the BioMAT program per AB 1923 (October 5, 2018); [Ruling](#) requesting comments on ELCC (September 12, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R-18-07-003](#).

Integrated Resource Planning (IRP)

On September 12, 2018, parties filed comments on other parties' IRPs, and reply comments were filed on September 26, 2018. On September 25, 2018, Staff published its proposal for integrating energy efficiency into the IRP process. On September 24, 2018, the CPUC issued a Ruling requesting comments on the CPUC's conduct of production cost modeling to support the IRP process. On October 5, 2018, the CPUC issued a Ruling granting a total of 29 LSE motions to file certain aspects of their 2018 IRPs (filed in August 2018) confidentially, confirming that no evidentiary hearings will be held on the 2018 plans, and requesting comments on future confidentiality treatment in IRPs.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. VCE submitted its IRP on August 1.

Details: Staff's Proposal is intended to begin the process of determining how best to incorporate energy efficiency into the IRP optimization process, with a focus on exploring the feasibility of optimizing energy efficiency measures as candidate resources. The white paper (1) describes the various statutory, policy, and technical challenges associated with incorporating energy efficiency into the IRP resource optimization process; (2) provides results of staff's initial technical analysis of how to incorporate energy efficiency resources into the IRP optimization model; (3) proposes next steps for coordination between the Energy Efficiency and Integrated Resource Planning proceedings to implement staff's recommendations; and (4) provide the results of two reports that support the technical analysis presented.

The September 24 Ruling requests comments on two attachments to the Ruling. Attachment A details how production cost modeling will be used by the CPUC in the IRP process going forward. Attachment B is a Powerpoint slide deck detailing the production cost modeling and analysis that CPUC Staff has conducted.

The October 5 Ruling granted motions to file the following types of information confidentially: load forecasts; contracted resource adequacy volumes; and specific details of contracted resources such as resource names and IDs, as well as contract IDs. The questions posed in the Ruling relate to confidential treatment of IRPs going forward, as well as CPUC confidentiality precedent relating to CCAs and other parties more broadly.

The October 5 Ruling also finds that evidentiary hearings will not be held in this proceeding and also that LSEs will not be required to update their 2018 IRPs to address the requirements of 2018 SB 100. SB 100 will be addressed in the 2019-2020 IRP cycle.

- **Analysis:** The proceeding is now focused on addressing issues that will be relevant to VCE's 2020 IRP filing. Based on LSE IRP submissions, the CPUC will now be aggregating data to inform development of the recommended Preferred System Plan described in Decision (D.) 18-02-018.
- **Next Steps:** Comments on production cost modeling are due October 10, with reply comments due October 17. Informal comments on Staff's Proposal on incorporating energy efficiency into the IRP process are due October 31. Comments on future confidentiality treatment in LSE's IRPs, and potentially more broadly, are due November 16, with reply comments due November 30.
- **Additional Information:** [Ruling](#) on confidentiality motions (October 5, 2018); [Ruling](#) requesting comments on production cost modeling (September 24, 2018); [Staff Proposal](#) for incorporating energy efficiency into the IRP process (September 18, 2018); [VCE's 2018 IRP](#) (August 1, 2018); [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

Tree Mortality Nonbypassable Charge (NBC)

Briefs have been filed and parties are awaiting a Proposed Decision.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a "Tree Mortality Non-Bypassable Charge," and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be allocated to all customers, including unbundled customers. The utilities define the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details:** Parties are now awaiting the issuance of a Proposed Decision.

- **Analysis:** This proceeding could result in additional costs being recovered through the Public Purpose Program Charge on CCA and bundled customers.
- **Next Steps:** A Decision is expected by late Fall 2018.
- **Additional Information:** [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA's Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018); Docket No. [A.16-11-005](#).

PG&E Rate Design Window (RDW)

On September 26, 2018, PG&E, SDG&E and SCE filed Supplemental Testimony addressing a CPUC Staff alternative methodology for calculating the cost estimates and GHG reductions from TOU rates.

- **Background:** The IOUs' RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 [Phase I](#) Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020.

The proceeding is now focused on [Phase II](#), which is considering the IOUs' specific rate design proposals for default TOU and other rate options, as well as implementation issues for default TOU. With respect to PG&E, [Phase IIA](#) is focused on PG&E's proposal to restructure the CARE discounts into a single line item percentage discount to the customer's total bill, and [Phase IIB](#) is addressing its rate design proposals and implementation, including a number of issues impacting CCA customers (e.g., PG&E's CCA rate comparison tool and TOU rate design roll out to CCA customers).

[Phase III](#) will consider the IOUs' proposals for fixed charges and/or minimum bills. PG&E proposed raising its minimum bill from \$10/month to \$15/month and implementing a fixed charge beginning at \$3.70/month in the first year and rising to \$7.40/month in the second year.

- **Details:** An August 2018 Ruling observed that although the IOUs used the same methodology to calculate GHG reductions, they did not use consistent values or assumptions, and that PG&E and SDG&E specifically did not explain all of the values and assumptions they used in the calculations. Furthermore, it stated that the Energy Division might want to propose a variant of the "Itron Methodology" used in the GHG calculations. Accordingly, it directed the IOUs to consult with the Energy Division and parties to discuss the accuracy of the Itron model, and to develop a consistent set of values and assumptions to be used in their calculations of cost estimates and GHG reductions, and to present revised calculations in supplemental testimony.
- **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE's rates compared to PG&E's, and to the extent VCE mirrors PG&E's residential rate design, lead to changes in the way VCE structures its residential rates.
- **Next Steps:** In Phase IIA, a Proposed Decision is expected in November, with a final Decision by December 13, 2018. In Phase IIB, ORA and intervenor testimony are due October 26 and rebuttal testimony is due December 7. A Phase IIB Decision is expected in July 2019. There are no Phase III procedural deadlines scheduled until March 2019.
- **Additional Information:** [Ruling](#) requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); [PG&E Supplemental Testimony](#) (August 17, 2018); [Ruling](#) clarifying scope (July 31, 2018); [D.18-05-011](#) (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. [A.17-12-011](#) (consolidated).

Other Regulatory Developments

- Power Source Disclosure.** The CEC issued a [Notice of Availability](#) requesting comments by October 25 on the third version of its [Implementation Proposal for AB 1110](#). The CEC is planning to institute a formal rulemaking to consider modifications to regulations implementing the Power Source Disclosure Program, which requires electricity retail suppliers including CCAs to disclose to consumers the electricity sources in their products compared with the mix of electricity sources providing power for California. The planned rulemaking will address the statutory requirements of AB 1110, as well as revisions to clarify existing provisions, improve program operations, and streamline reporting requirements. Under AB 1110, the PSD Program will also require electricity retail suppliers to disclose to customers the GHG emissions intensity of the retail suppliers' electric service products and the quantity of unbundled RECs procured in association with electric service products. Retail suppliers will begin disclosing GHG emissions intensities on the Power Content Label in 2020 for 2019 calendar year data. CEC staff plan to conduct another pre-rulemaking workshop later in 2018 to present draft regulatory language.
- Net Metering Consumer Protection Standards.** The CPUC has issued a [Decision](#) in its net metering successor tariff docket (R.14-07-002) establishing net metering consumer protection standards, including the establishment of a "solar information packet" that certain entities, including CCAs, must provide to customers by posting it on their websites after it has been finalized. The Energy Division will manage the process for developing and designing the solar information packet, which according to the Decision's attached outline, will include information on how to choose a contractor, how solar financing works, an overview of net metering, and a consumer checklist, among other topics. Requests for rehearing of the Decision are due November 5.
- Residential Rate Design.** On September 28, 2018 the CPUC issued a [Ruling](#) setting a prehearing conference for October 22 to discuss the future scope of this proceeding (R.12-06-013), which addresses California's long-running residential rate reform effort. The prehearing conference will address the scope and schedule for the proceeding, as well as whether there are any issues previously within the scope that still need to be resolved. For reference, since the CPUC issued D.17-12-023 on a statewide marketing, education, and outreach plan in December 2017, the CPUC suspended the previously established procedural schedule for the CARE restructuring track of the proceeding. Since then, the proceeding has been largely dormant.
- PG&E Energy Storage Procurement Application.** On September 20, 2018 the CPUC issued [Draft Resolution E-4949](#) accepting PG&E's June Advice Letter ([AL 5322-E](#)) that requested approval of contracts for energy storage facilities totaling 567.5 MW resulting from an RFO it issued in response to CPUC Resolution E-4909. For reference, Resolution E-4909 stems from the potential designation of three Calpine power plants as reliability must run (RMR) resources by the CAISO (allowing full cost-based cost recovery rather than market-based pricing). The RFO was intended to fulfill the local capacity needs underlying the RMR designations so as to avoid the need for the RMR contracts and mitigate concerns that plant retirements coupled with increased local capacity needs would create conditions for a future exercise of market power. The Draft Resolution observes that long-term capacity contracts replacing short term contracts for gas-fired resources significantly reduces this concern. Comments on the Draft Resolution are due October 15 and the matter is expected to be considered at the CPUC's October 25 meeting.
- California Customer Choice.** On October 3, 2018 the CPUC issued a [Media Advisory Notice](#) informing stakeholders that it will hold an En Banc hearing (see [Agenda](#)) on October 29 in its California Customer Choice Project. The meeting will feature discussion of the CPUC's "Gap Analysis" and Draft Action Plan, which is scheduled to be issued by October 19. The Gap Analysis will discuss critical issues, possible solutions and best practices culled from the various markets examined in the in the Choice Paper. The Draft Choice Action Plan will identify the remedies for these issues, indicate whether the issue is already being addressed in a CPUC proceeding (or elsewhere) and recommend a pathway for a new regulatory or legislative initiative. The morning portion of the hearing will feature a staff presentation of the Gap Analysis and Draft Action Plan. The afternoon portion of the meeting will feature comments from LSEs including

IOUs, CCAs, competitive energy service providers, and a consumer representative. That portion will be followed by comments from other stakeholders, including perspectives from representatives of labor, behind the meter customer-focused providers, social equity groups, and environmental advocacy organizations. Post-meeting comments will be accepted but a due date has not yet been established.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

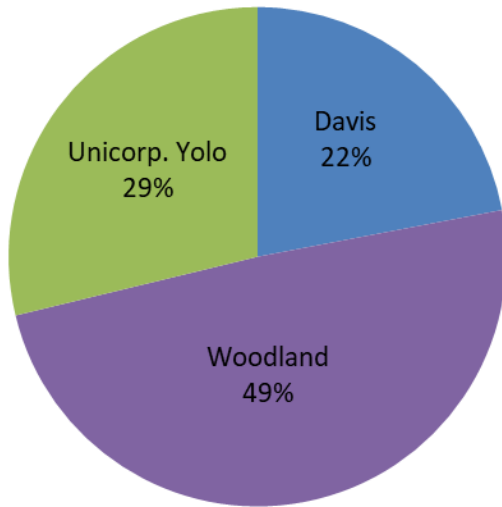
TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Customer Enrollment Update (Information)
DATE: October 18, 2018

RECOMMENDATION

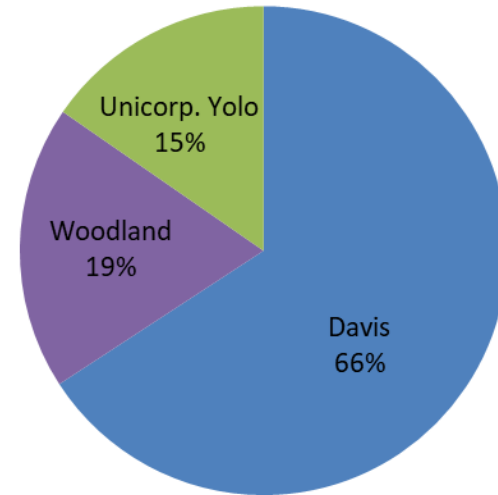
Receive and review the attached Customer Enrollment update as of October 10, 2018 provided by SMUD.

Enrollment Update

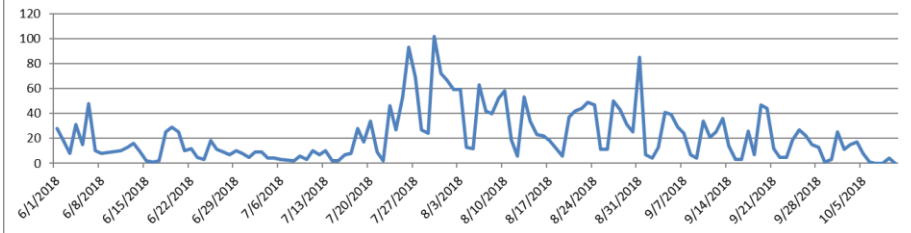
4,027 Opt Outs
6.2% of customers



117 Opt Ups



Daily Opt Outs



	Eligible	Opt-Out	% Opt Out
Residential	56,500	3,374	6.0%
Non-Residential	8,500	653	7.7%
Total	65,000	4,027	6.2%



Status Date: 10/10/18

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Transmittal of Community Advisory Committee Report – October 1, 2018
meeting summary

DATE: October 18, 2018

This report transmits the Community Advisory Committee's Report regarding its October 1, 2018 meeting.

Attachment

1. CAC Report

Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of October 1st CAC Meeting

- CAC Progress Report, First Year, Launch Phase
 - Reviewed first draft of progress report with members. Discussed revisions and plan for finalization at next CAC meeting.
 - The report summarizes the main activities and issues addressed by the Committee during the first year. Further, the report makes suggestions for the Board to consider regarding priorities the CAC thinks appropriate to address in the coming year.

- CAC Administration
 - Reviewed draft of revised Charge for CAC. Plan to finalize at next CAC meeting.
 - Discussed recruitment process for new CAC members. Staff will draft a job description and application for new members which will be presented at October 18th Board meeting.
 - CAC will address terms (which CAC members will end their term in 2019, 2020, and 2021) at next (October 29th) CAC meeting.
 - CAC will elect officers for 2019 at December CAC meeting.
 - CAC will review the need for task groups at January CAC meeting.

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report – Agenda Item 13

TO: VCE Community Advisory Committee

FROM: Mitch Sears, Interim General Manager
Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Committee Solicitation, Selection and Appointment Policy

DATE: October 18, 2018

Staff Recommendations:

1. Approve a three-year term for VCE Community Advisory Committee members, broken into three “classes” as established in this staff report;
2. Authorize staff to “draw names” to determine the length of service for current Community Advisory Committee Members within the three-year “classes”;
3. Direct Staff to begin soliciting applicants for the Community Advisory Committee to fill the existing two vacancies.

Background:

There are two (2) vacancies available on the Community Advisory Committee (CAC): Yolo County and most recently, the City of Woodland. Historically, residents identified as having an interest in volunteering to serve on the Advisory Committee, were appointed by the Board. Now that the Advisory Committee has been active for over a year and VCE is through their launch phase, Staff and the CAC acknowledge the need to solicit new Members. How VCE solicits new members, including the application process, should be codified.

At the Board’s September 13, 2018 meeting, the following terms of service were adopted:

1. Terms of Service on Advisory Committee:

- Officer positions (Chair, Vice Chair and Secretary) are selected once a year.
- Each CAC Member will serve a three-year term, with the option to be reappointed for additional terms.
- Create three “graduation classes” of three CAC members – one from each member jurisdiction to keep consistency of knowledge on the Advisory Committee; therefore, Class 1 would be a two-year term, Class 2 would be a three-year term, and Class 3 would be a four-year term all expiring in June to coincide with VCE’s fiscal year end.

CLASS 1 – term expiring June 2019

Davis rep
Woodland rep
Yolo County rep

CLASS 2 – term expiring June 2020

Davis rep
Woodland rep
Yolo County rep

CLASS 3 – term expiring June 2021

Davis rep
Woodland rep
Yolo County rep

Terms of Service of Current CAC Members: Unless a CAC member requests to be included in Class 1, staff will draw names to determine in which Class current members will be placed. This will keep continuity and consistency of knowledge of its Members on the Advisory Committee. In addition, new Members should be appointed into the vacant City of Woodland and Yolo County positions in Class 3. Thereafter, as terms expire and/or are vacated, newly solicited Members will fill the open spots within the Classes.

Criteria for New Member Recruitment, Solicitation and Selection: Staff reviewed other Agencies' policies, procedures and/or methodologies of advertising vacancies and soliciting new committee members. Staff contacted the Cities of Davis and Woodland and Yolo County then shared their findings, examples and information with the CAC at their October 1, 2018 meeting. As a result, the following documents were prepared and are provided for your information.

1. Community Advisory Committee description, specifying the a) purpose, b) roles and responsibilities, c) membership, d) meetings and e) term; and,
2. Application for appointment to the Community Advisory Committee.

In following the other Agencies' lead on solicitation of new members for Committees, Staff recommend that the existing vacancies be noticed through VCE's e-mail list and advertised on the VCE website. Staff also encourage Board, Advisory Committee Members and Staff to continue to advertise vacant positions via word of mouth.

Applications received would be reviewed by Staff then forwarded to the Board subcommittee for review and recommendation to the full Board. Applications should also be kept on file for a minimum of two (2) years.

Attachments

1. Community Advisory Committee description
2. Application for appointment



COMMUNITY ADVISORY COMMITTEE

Purpose: The Community Advisory Committee is appointed by and acts as an advisory body to the Valley Clean Energy Alliance Board to provide recommendations on general policy and operations objectives.

Roles and Responsibilities:

- Advise the VCE Board of Directors on VCE's general policy and operational objectives, including portfolio mix and objectives, technical, market, program and policy areas, strategic objectives and strategies to reduce carbon emissions, accelerate development of local resources and promote energy resilience.
- Assist in the development of public information materials related to customer energy investments and choices offered by VCE, PG&E and third parties.
- Collaborate with VCE staff and consultants on community outreach to and liaison with member communities;
- Collaborate with VCE staff on monitoring legislative and regulatory activities related to Community Choice Energy issues.
- Make recommendations on issues, projects, and/or objectives to further VCE's fulfillment of the goals outlined in the Vision Statement.

Membership: 9 members, composed of 3 representatives from each VCE jurisdiction – the City of Woodland, the City of Davis, and Yolo County. A quorum shall consist of a majority of the current membership.

Meetings: Nine (9) days prior to, typically on a Monday, the Board's regularly scheduled meeting, which is the second Thursday of every month. Meetings start at 5:30 p.m. and alternate between the Cities of Davis and Woodland.

Term: appointed for a 3-year term, staggered.



Received on: _____

Return to:

Valley Clean Energy
604 Second Street
Davis, CA 95616

VALLEY CLEAN ENERGY
COMMUNITY ADVISORY COMMITTEE
APPLICATION

PERSONAL DATA SHEET

Name: _____ Are you at least 18 years old? _____
Last, First Middle

Home Address: _____
Number/Street City/State/Zip

Email Address: _____
Daytime Phone Evening/Weekend Phone

Business Title or Occupation: _____

Company/Organization: _____

Address: _____
Street Address City, State and Zip

Which Valley Clean Energy jurisdiction do you reside in?

- City of Davis City of Woodland County of Yolo (Unincorporated)

If you do not reside in Valley Clean Energy's jurisdictions, please include a separate statement to address why you are applying for this committee.

Background Information:

Why do you wish to serve as a member of the VCE Community Advisory Committee?

·
·
·
·
·

What experience/perspective would you bring to the committee?

Please list your previous and present governmental and civic experience. Indicate when, position and duties:

List any special training or experience you have that you feel would benefit your committee service:

Do you have any interests or associations which might present a conflict of interest?
If yes, please explain:

What do you feel are your most important qualifications?

What do you see as some of the significant issues facing the community in the next few years that might pertain to Valley Clean Energy's Community Advisory Committee?

What do you hope to accomplish as a committee member?

I am aware of the obligations and responsibilities of this committee and am willing and able to fulfill this commitment should I be appointed: (Initial here: _____)

Please attach your resume or any additional information or statements which you feel would be helpful to the Valley Clean Energy Board of Directors in reviewing your qualifications.

AUTHORIZATION AND RELEASE

I understand that in connection with this application for appointment, the information contained herein will be made available to the general public upon request. I further understand that if appointed, I may be required to take the oath of office and may be subject to requirements for filing financial disclosure statements.

Please Sign Here

Date

NOTE: This document is a public record and may be disclosed/released pursuant to the California Public Records Act.

FOR OFFICIAL USE ONLY

Applications will be kept on file for two years. This application will expire on: _____

Date of appointment by the Valley Clean Energy Board: _____

Length of term: _____

Is this is re-appointment? _____

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
Chad Rinde, Asst. Chief Financial Officer, Yolo County
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Receive and approve audited June 30, 2018 financial statements presented by James Marta & Company

DATE: October 18, 2018

RECOMMENDATIONS:

- Accept and approve the Audited Financial Statements for the period of January 1, 2017 (Inception) to June 30, 2018.
- Accept the Communication with Governance Letter
- Accept the Internal Control Letter

BACKGROUND & DISCUSSION:

The attached financial statements were audited by James Marta & Company. The Financial Statements include the following reports:

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

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

- Governance letter
- Internal Control Letter

Attachments:

- 1) Audited Financial Statements for the period of January 1, 2017 (Inception) to June 30, 2018
- 2) Communication with Governance Letter
- 3) Internal Control Letter



VALLEY CLEAN ENERGY

**VALLEY CLEAN ENERGY ALLIANCE
FINANCIAL STATEMENTS**

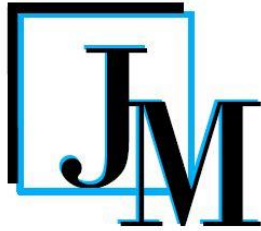
FOR THE PERIOD OF JANUARY 1, 2017 (INCEPTION) TO JUNE 30, 2018

VALLEY CLEAN ENERGY ALLIANCE

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Statement of Cash Flows	8
Notes to the Basic Financial Statements	9



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Clean Energy Alliance
Davis, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Valley Clean Energy Alliance (BASIC) as of June 30, 2018, and the related Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the 18 months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valley Clean Energy Alliance as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

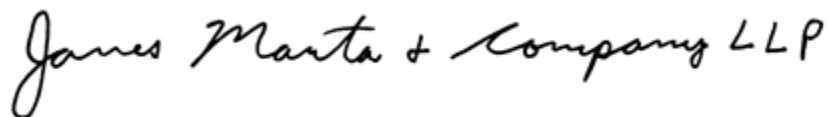
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 on our consideration of VCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCE's internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 11, 2018

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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

BACKGROUND

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

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

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

In June 2018, VCE began providing service to approximately 56,000 customer accounts as part of its initial enrollment phase. In January 2019, VCE will phase in approximately 7,000 Net Energy Metering (NEM) customers through 2019.

Financial Reporting

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

Contents of this Report

This report is divided into the following sections:

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

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

The following table is a summary of VCE's assets, liabilities, and net position as of June 30, 2018:

Current assets	\$ 4,232,676
Noncurrent assets	<u>1,700,000</u>
Total assets	<u>5,932,676</u>
Current liabilities	4,256,528
Noncurrent liabilities	<u>3,100,000</u>
Total liabilities	<u>7,356,528</u>
Net position	
Unrestricted (deficit)	<u>(1,423,852)</u>
Total net position	<u>\$(1,423,852)</u>

Assets

Current assets comprised primarily cash and accounts receivable net of allowance. Accounts receivable, net includes billed and unbilled revenue totaling \$2,830,161. Unbilled revenue represents revenue earned but not yet billed to the customers. Noncurrent assets primarily consist of restricted cash used for debt collateral and various deposits for regulatory and other operating purposes.

Liabilities

Current liabilities comprised primarily of accrued cost of electricity, due to member agencies and other accrued liabilities. Accrued electricity costs of \$2,673,938 represent electricity delivered to VCE but not yet paid to the supplier. Due to member agencies totaling \$534,639 represents various management, legal, accounting and administrative services provided by the respective member agencies to VCE since inception. Other accrued liabilities of \$837,294 represents services provided by Sacramento Municipal Utility District under a five-year contract with VCE. SMUD provides technical and financial analysis; data management and call center services; wholesales energy services; and operating staff services.

As part of the formation of VCE and to fund pre-launch expenses, the agency borrowed \$500,000 from each of the member agencies. In June 2018, VCE obtained an \$11 million revolving line of credit from River City Bank for working capital to fund power purchases during seasonal differences in cash flow. See the notes to the financial statements for details on these loans.

VALLEY CLEAN ENERGY ALLIANCE
MANAGEMENTS DISCUSSION AND ANALYSIS

JUNE 30, 2018

The following table is a summary of VCE's results of operations for the period January 1, 2017 (inception) to June 30, 2018:

Operating revenues	\$ 2,820,188
Interest income	<u>16,403</u>
Total income	<u>2,836,591</u>
Operating expenses	4,198,887
Interest and related expenses	<u>61,556</u>
Total expenses	<u>4,260,443</u>
Change in net position	<u>\$(1,423,852)</u>

Operating Revenues

As VCE launched in June 2018, revenues for June does not constitute an entire full month of revenues as customers rolled onto VCE as their billing cycle ended with PG&E in June. All of VCE's operating revenue is from the sale of electricity to its customer base, which mostly consists of residential, commercial, industrial and agricultural customers.

Operating Expenses

The operating expenses consists mainly of energy purchases needed to provide for retail customer use. VCE procures energy from a variety of sources and focuses on purchasing at competitive costs and maintaining a balanced renewable power portfolio. The remaining operating expenses consists of contract services related to the startup and implementation of VCE.

ECONOMIC OUTLOOK

As a newly launched Community Choice Aggregation (CCA), VCE will be focusing on limiting customer opt outs by keeping rates competitive, increasing brand recognition and providing a superior customer experience. VCE will start to procure power through long-term power purchase agreements to assist in stabilizing renewable power costs in the future and help VCE accomplish its mission of providing renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers.

REQUESTS FOR INFORMATION

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

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Current assets	
Cash with fiscal agent	\$ 963,388
Accounts receivable, net of allowance	2,830,161
Inventory - Renewable Energy Credits	436,587
Other current assets and deposits	2,540
Total Current Assets	<u>4,232,676</u>
Noncurrent Assets	
Restricted cash	1,100,000
Other noncurrent assets and deposits	600,000
Total Noncurrent Assets	<u>1,700,000</u>
TOTAL ASSETS	<u><u>\$ 5,932,676</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 137,475
Accrued payroll	1,624
Interest payable	61,556
Due to member agencies	534,639
Accrued cost of electricity	2,673,938
Other accrued liabilities	837,294
User taxes and energy surcharges	10,002
Total Current Liabilities	<u>4,256,528</u>
Noncurrent Liabilities	
Line of credit	1,600,000
Loans from member agencies	1,500,000
Total Noncurrent Liabilities	<u>3,100,000</u>
TOTAL LIABILITIES	<u><u>\$ 7,356,528</u></u>

NET POSITION

Net position	
Unrestricted	\$ (1,423,852)
TOTAL NET POSITION	<u><u>\$ (1,423,852)</u></u>

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE EIGHTEEN MONTH PERIOD ENDING JUNE 30, 2018

OPERATING REVENUE	
Electricity sales, net	\$ 2,820,188
TOTAL OPERATING REVENUES	<u>2,820,188</u>
OPERATING EXPENSES	
Cost of electricity	2,237,352
Contract services	
Contractors	1,313,526
Member agencies	534,639
Staff compensation	17,922
General and administrative	41,939
Other expenses	53,509
TOTAL OPERATING EXPENSES	<u>4,198,887</u>
TOTAL OPERATING INCOME (LOSS)	<u>(1,378,699)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	16,403
Interest and related expenses	(61,556)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(45,153)</u>
CHANGE IN NET POSITION	(1,423,852)
Net position at beginning of period	-
Net position at end of period	<u>\$ (1,423,852)</u>

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE EIGHTEEN MONTH PERIOD ENDING JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from electricity sales	\$ 29
Payments for security deposits with energy suppliers	(600,000)
Payments to purchase electricity	(1)
Payments for contract services, general, and administration	(434,205)
Payments for staff compensation	(16,298)
Other cash payments	(2,540)

Net Cash Provided (Used) by Operating Activities	(1,053,015)
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Loans from member agencies	1,500,000
Draw of line of credit	1,600,000
Transfer to restricted cash	(1,100,000)

Net Cash Provided (Used) by Non-Capital Financing Activities	2,000,000
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	16,403
-----------------	--------

Net Cash Provided (Used) by Investing Activities	16,403
---	---------------

NET CHANGE IN CASH AND CASH EQUIVALENTS

	963,388
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at ending of period	\$ 963,388

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (1,378,699)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in net accounts receivable	(2,830,161)
(Increase) decrease in inventory - renewable energy credits	(436,587)
(Increase) decrease in other assets and deposits	(602,540)
Increase (decrease) in accounts payable	137,475
Increase (decrease) in accrued payroll	1,624
Increase (decrease) in due to member agencies	534,639
Increase (decrease) in accrued cost of electricity	2,673,938
Increase (decrease) in other accrued liabilities	837,294
Increase (decrease) in user taxes and energy surcharges	10,002

Net Cash Provided by Operating Activities	\$ (1,053,015)
--	-----------------------

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

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, VCE defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. Amounts restricted for debt service are not considered cash and cash equivalents. These restricted balances are presented separately in the Statement of Net Position.

VALLEY CLEAN ENERGY ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

DEPOSITS

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

OPERATING AND NON-OPERATING REVENUE

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

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

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

RENEWABLE ENERGY CREDITS

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

STAFFING COSTS

VCE is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. VCE provides compensated time off, and the related liability is recorded in these financial statements

INCOME TAXES

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

VALLEY CLEAN ENERGY ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

ESTIMATES

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

2. CASH AND CASH EQUIVALENTS

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

3. DEPOSITS

Deposits outstanding as of June 30, 2018 consisted of the following:

<u>Deposit</u>	<u>Less Than 12 Months</u>	<u>More Than 12 Months</u>
Rental deposit	\$ 2,540	\$ -
CAISO deposit	-	500,000
CPUC bond deposit	-	100,000
Total deposits	<u>\$ 2,540</u>	<u>\$ 600,000</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

Unbilled receivables	\$2,852,990
Accounts receivable from customers	5,671
Allowance for uncollectible accounts	<u>(28,500)</u>
Accounts receivable, net	<u>\$2,830,161</u>

The majority of account collections occur within the first few months following customer invoicing. VCE estimates that a portion of the billed accounts will not be collected. VCE records reserves for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statement of Revenues, Expenses and Changes in Net Position. Below is a description of the different receivable types for VCE:

- Unbilled receivables are revenue earned but not yet to be billed to customers
- Accounts receivable are for revenues billed but not yet received from customer

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

5. DEBT

LOANS PAYABLE

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

LINE OF CREDIT

In May 2018, VCE entered into a non-revolving, \$11,000,000 Credit Agreement (Agreement) with RCB for the purpose of providing working capital to fund power purchases during seasonal differences in cash flow and reserves as needed to support power purchases. RCB requires collateral for the line of credit of \$1.1 million which is reported as restricted cash. Interest accrues on the outstanding balance and is payable each month and computed at One-Month LIBOR plus 1.75% per annum, subject to a floor of 1.75% per annum. The Agreement expires on May 15, 2019 with an option to extend the line for another six months. At the expiration of the Agreement, any outstanding balance can be converted to an amortizing term loan which matures up to five years from conversion date. The Agreement contains various covenants that include requirements to maintain certain financial ratios, stipulated funding of debt service reserves, and various other requirements including the subordination of the member agency loans. As of June 30, 2018, \$1.6 million of the line of credit had been drawn, leaving \$9.4 million still available.

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

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

6. OPERATING LEASE

VCE entered into a nine-month lease for its office space with the City of Davis expiring January 2019. Rental expense under this lease was \$3,220 for the period January 1, 2017 to June 30, 2018. The total for future minimum lease payments is \$7,607 for fiscal year ended June 30, 2019.

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

7. RELATED PARTY TRANSACTIONS

VCE entered into a cooperative agreement with each respective member agency to provide management, legal, accounting and administrative services. The services billed from the Member Agencies to VCE for the period from January 1, 2017 to June 30, 2018 totaled \$534,639. The repayments to the member agencies are deferred by the cooperative agreements until after the VCEA is revenue positive. The cooperative agreements provide for interest to be accrued on any outstanding balances at an average yield. The accrued interest on the member agencies outstanding balance at June 30, 2018 totaled \$9,115.

8. RISK MANAGEMENT

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

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

VCE is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability and workers' compensation. Once VCE's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA) provide coverage for amounts in excess of YCPARMIA's limits. YCPARMIA provides workers' compensation insurance coverage up to statutory limits, above VCE's self-insurance limit of \$1,000 per occurrence, and general and auto liability coverage of \$40,000,000, above VCE's self-insurance limit of \$1,000 per occurrence. For the period from January 1, 2017 to June 30, 2018, VCE contributed \$1,667 for coverage. Audited financial statements are available from YCPARMIA their website www.ycparmia.org.

VALLEY CLEAN ENERGY ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. COMMITMENTS AND CONTINGENCIES

On October 25, 2017, VCE entered into an agreement with SMUD to provide professional services, including, but not limited to: providing an implementation plan, customer information system, billing administration and reporting. As of June 30, 2018, VCE had outstanding non-cancelable commitments to SMUD for professional services to be performed of \$6.6 million.

10. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2018 through October 11, 2018, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

Board of Directors
Valley Clean Energy Alliance
Davis, California

We have audited the financial statements of Valley Clean Energy Alliance as of and for the 18 months ended June 30, 2018, and have issued our report thereon dated October 11, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

We have provided our findings regarding internal controls and other matters noted during our audit in a separate letter to you dated October 11, 2018.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices¹

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Valley Clean Energy Alliance is included in Note 1 to the financial statements. They have adopted the initial selection of accounting policies on January 1, 2017 and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

Management's estimate of the estimate of accounts receivable is based on actual revenues earned but not yet billed for June 2018. We evaluated the key factors and assumptions used to develop the estimate of accounts receivable and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 11, 2018.

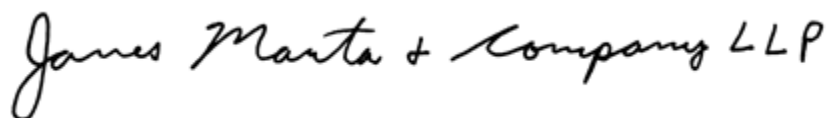
Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

This report is intended solely for the information and use of the Board of Directors, and management of Valley Clean Energy Alliance and is not intended to be and should not be used by anyone other than these specified parties.²



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 11, 2018



Board of Directors

October 11, 2018

Angel Barajas
Woodland City Council

Dan Carson
Davis City Council

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

Duane Chamberlain
Yolo County Board of Supervisors

Lucas Frerichs
VCE Chair
Davis City Council

This representation letter is provided in connection with your audit of the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Net Position and the statement of cash flows of Valley Clean Energy Alliance as of June 30, 2018 and for the eighteen months then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Valley Clean Energy Alliance in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Don Saylor
Yolo County Board of Supervisors

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

Tom Stallard
VCE Vice Chair
Woodland City Council

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 11, 2018

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 29, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.



- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment 1.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, non-spendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.



- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Valley Clean Energy Alliance has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Valley Clean Energy Alliance is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate, but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).




**VALLEY
CLEAN ENERGY**

- Valley Clean Energy Alliance has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



Mitch Sears, Interim General Manager



Lisa Limcaco, Director of Finance and Internal Operations



VALLEY CLEAN ENERGY

Adjusting Journal Entries

Adjusting Journal Entries JE # 2

PBC AJE to adjust accrual balances at year end

14400-0000	INVENTORY - RENEWABLE ENERGY C	75,379	
23040-0000	ACCRUED COST OF ELECTRICITY	258,258	
14400-0000	INVENTORY - RENEWABLE ENERGY C		258,258
41510-0000	COST OF ELECTRICITY		75,379
Total		333,637	333,637

Adjusting Journal Entries JE # 3

PBC AJE to record an Allowance for uncollectable accounts for the month.

44200-0000	Uncollectable Accounts	28,500	
13800-0000	Allowance for Uncollectable Accounts		28,500
Total		28,500	28,500

Adjusting Journal Entries JE # 4

PBC AJE to record Cal CCA membership dues for FY 17/18

45230-0000	CalCCA Dues	35,000	
22210-0000	ACCOUNTS PAYABLE		35,000
Total		35,000	35,000

Adjusting Journal Entries JE # 5

PBC AJE to reverse two accrual of issuance fees

22210-0000	ACCOUNTS PAYABLE	30,200	
46310-0000	OTHER OPERATING EXPENSES		30,200
Total		30,200	30,200

Adjusting Journal Entries JE # 6

PBC AJE to record Member Interest

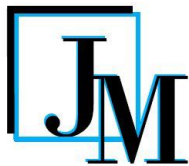
48120-0000	INTEREST ON MEMBER LOANS	9,721	
48120-0000	INTEREST ON MEMBER LOANS	16,122	
48120-0000	INTEREST ON MEMBER LOANS	11,330	
22620-0000	INT PAY - CITY OF DAVIS		16,122
22630-0000	INT PAY - YOLO COUNTY		9,721
22640-0000	INT PAY - WOODLAND		11,330
Total		37,173	37,173

Reclassifying Journal Entries

Reclassifying Journal Entries JE # 1

PBC To reclass interest earnings miscoded as equity

26310-0000	RETAINED EARNINGS - UNRESERVED	2,936	
31110-0000	INTEREST REVENUES		2,936
Total		2,936	2,936



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Valley Clean Energy Alliance
Davis, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Clean Energy Alliance as of and for the eighteen month period ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control over Financial Reporting

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

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

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

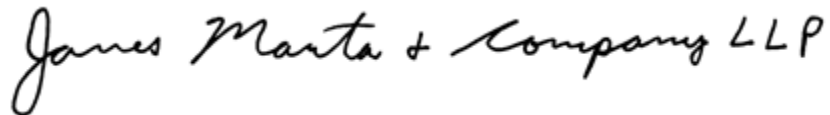
James Marta & Company LLP
Certified Public Accountants

Compliance and Other Matters

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

Purpose of this Report

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

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

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 11, 2018

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 17

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Q3 2018 Wholesale Energy Procurement Report

DATE: October 18, 2018

RECOMMENDATION

In accordance with VCE's Wholesale Energy Risk Management Policy, staff is providing this quarterly report on the procurement progress for VCE's Energy Portfolio. Staff recommends acceptance of this report.

BACKGROUND

As a Community Choice Aggregator, Valley Clean Energy is an alternative generation provider to Pacific Gas & Electric, the host utility distribution company. As a generation provider, power supply costs are the single biggest component of a CCA's annual budget. In the case of VCE, power costs are projected to be approximately 90% of VCE's total 2019 costs.

Because power costs are a significant component in any energy provider's costs, like any prudent energy provider VCE has adopted a Wholesale Energy Risk Management Policy to help guide energy procurement in a way that helps reduce the exposure to some of the volatility in the prices of various energy products. Additional directives on procurement were provided in the Procurement Plan approved by the Board in January.

This report fulfills the obligation in the Wholesale Energy Risk Management Policy to provide the Board with a quarterly update on energy procurement activities.

Load Forecast

Chart 1 below shows VCE's current forecast of loads for 2018 – 2020. VCE's 2018 projected energy loads are lower than for 2019 and 2020 because 2018 is VCE's launch year. 2019 loads are forecast assuming Net Energy Metered customers are phased in across 2019, per the Board's recent policy. 2020 is the first year projected for all VCE customers to be enrolled in the program, excluding those customers that have opted out. Opt-outs are just under 10% of the maximum possible energy load.

Between 2019 and 2020 the peak load increases more than the energy load because of the characteristic load of NEM customers. On a relative basis, NEM customers add more peak load than they do energy load.

Chart 1. VCE Forecast Annual Peak and Energy Loads

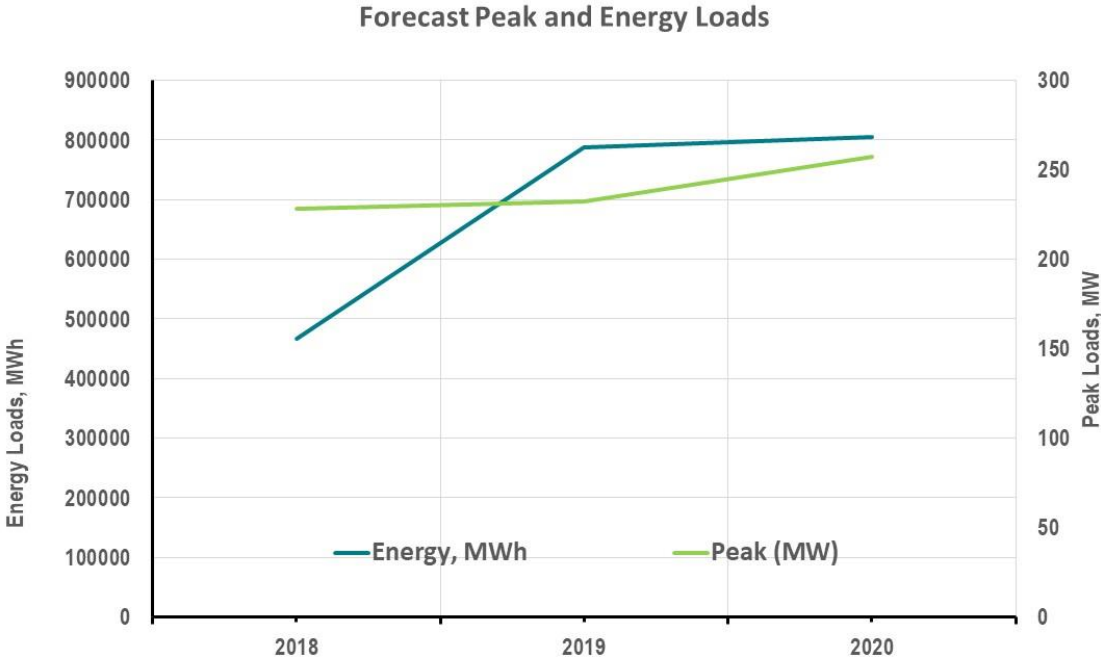
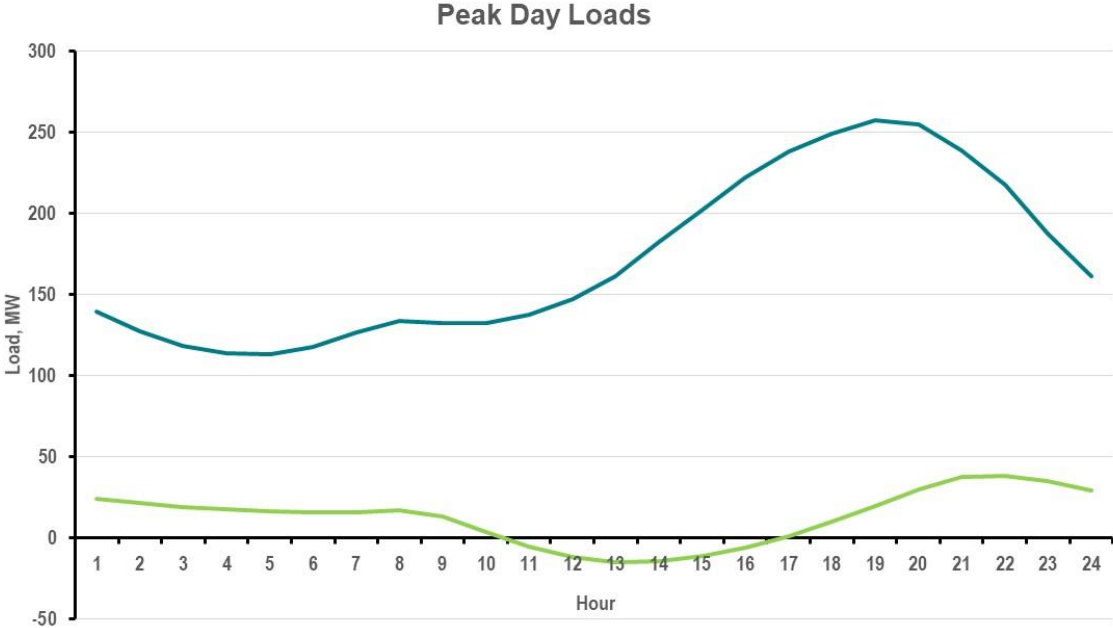


Chart 2 compares NEM customer loads with the VCE total system load on the forecast peak day. Capacity factor for this day, which is a ratio of average energy load to the peak period load is 32.3% for NEM Customers vs 66.3% for VCE’s system

Chart 2. Comparison of Peak Day NEM and System Loads



Power Mix

Last December, the Board approved the renewable/clean power mix for 2018. Table 1 shows the approved power mix. We show the power mix carried forward into 2019 and 2020, the assumption used for the power budgets we'll review. VCE has elected to have a portfolio with 42% renewable power, and 33% clean, large hydro energy, to have a 75% clean power content.

Table 1. Approved Power Mix

		2018	2019	2020
Total Renewable Content		42.0%	42.0%	42.0%
	PCC 1 Calculated	75%	75%	75%
	PCC 2 Calculated	25%	25%	25%
	PCC 3 Calculated	0%	0%	0%
RPS Required Minimums		29.0%	31.0%	33.0%
	PCC 1	75%	75%	75%
	PCC 2	25%	25%	25%
	PCC 3	0%	0%	0%
Incremental Discretionary Renewables		13.0%	11.0%	9.0%
	PCC 1	0%	0%	0%
	PCC 2	100%	100%	100%
	PCC 3	0%	0%	0%
Non Renewable Carbon Free		33.0%	33.0%	33.0%
Total Carbon Free		75.0%	75.0%	75.0%

NET POSITION FOR 2018, 2019, AND 2020

For any particular power product for which VCE has a forecast need, Net Position means the percentage of that need that has been procured. Table 2 shows a summary of VCE's net position for 2018, 2019, and 2020 for its key power portfolio components.

Table 2. Summary of VCE Net Position

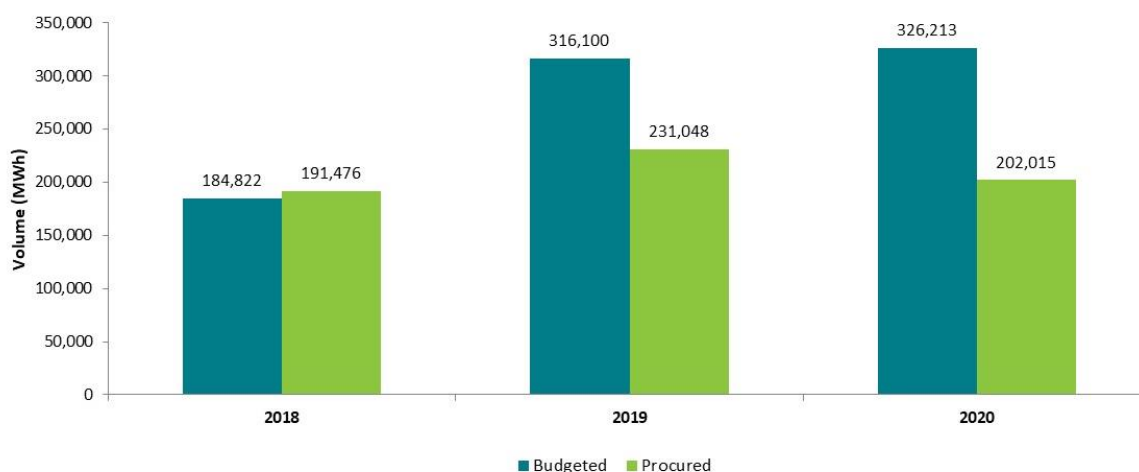
Portfolio Component	2018	2019	2020
Renewable	103.6%	73.1%	61.9%
Large Hydro	101.7%	101.9%	0.0%
Resource Adequacy	101.4%	79.3%	39.8%
Fixed Priced Energy	101.5%	98.5%	0.3%
Average	102.1%	88.2%	25.5%

The table shows that VCE is fully procured for expected 2018 power needs, 88.2% procured for expected 2019 power needs, and is 25% procured for expected 2020 needs. The plan was to be 100% procured for 2019 by October 1, and we'll discuss what has kept us from achieving that.

Renewables

Chart 3 shows VCE's net position for renewable procurement. This includes planned renewable Product Content Category 1 (PCC-1) renewables and Product Content Category 2 (PCC-2) renewables that make up the 42% targeted renewable component of the portfolio.

Chart 3. VCE Renewable Energy Position



VCE is fully procured for PCC-1 renewable power for 2019. The short position showing is for PCC-2 renewables. You'll recall that on staff's recommendation at the June 6, 2018 Board meeting, the Board approved suspending PCC-2 procurements pending resolution by the California Energy Commission (CEC) on AB 1110 Implementation. AB 1110 requires that Power Content Labelling also show associated carbon emission intensity starting with the reporting for 2019. The CEC is deciding whether or not they will require Load Serving Entities to declare the underlying carbon emissions associated with the PCC-2 power import, rather than continuing allow the PCC-2 renewable attributes to offset those carbon emissions. Should the CEC proceed on CEC staff's recommendation, then the VCE's reported carbon footprint would increase, despite the procurement of the PCC-2 renewable energy. To further offset that carbon footprint would cost VCE up to an additional \$750,000. No decision has been made yet by the CEC.

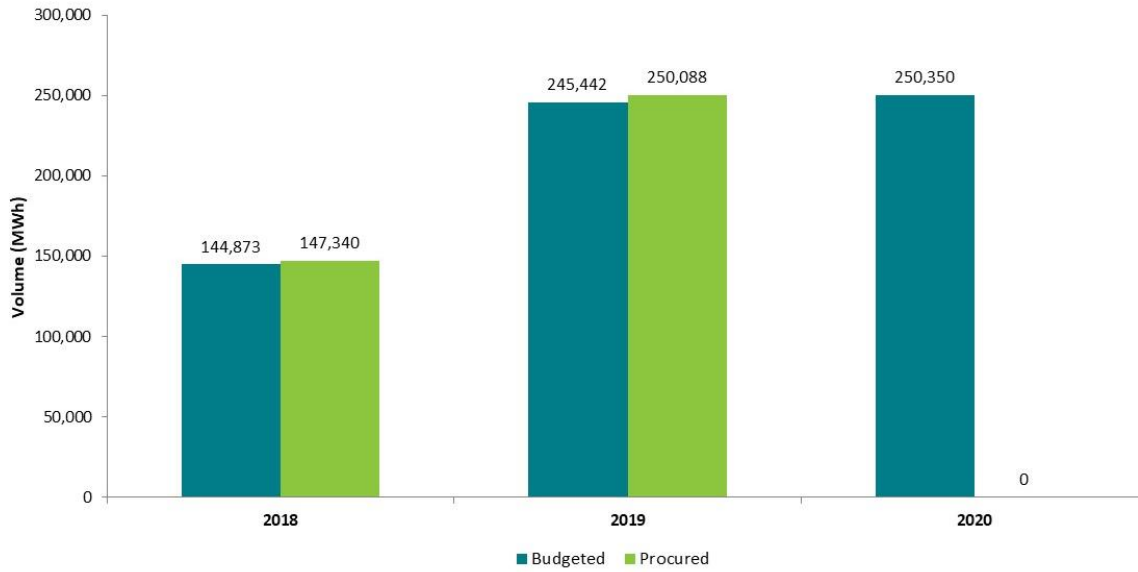
The full amount of PCC-1 power for 2020 has been procured because of opportunities to bid into investor owned utility (IOU) multi-year renewable sale solicitations. Under the General Manager's delegation from the Board in the Wholesale Energy Risk Management Policy SMUD placed bids for delivery of PCC-1 renewable energy in 2019 and 2020 and was awarded in total the full amount of PCC-1 power.

Large Hydro

Chart 4 shows VEC's large hydro (clean energy) net position. Large hydro, which does not qualify as renewable under California's Renewable Portfolio Standards, is the primary supply for non-renewable, carbon free energy in VCE's portfolio. VCE is fully procured for large hydro in 2018 and 2019. No large hydro procurements have been made yet for 2020.

The Net position is slightly above 100% because purchases were made with prior load forecasts that were slightly higher than current load forecasts. However, the additional amount procured above 100% will provide a cushion against the risk that actual VCE loads could come in higher than forecast.

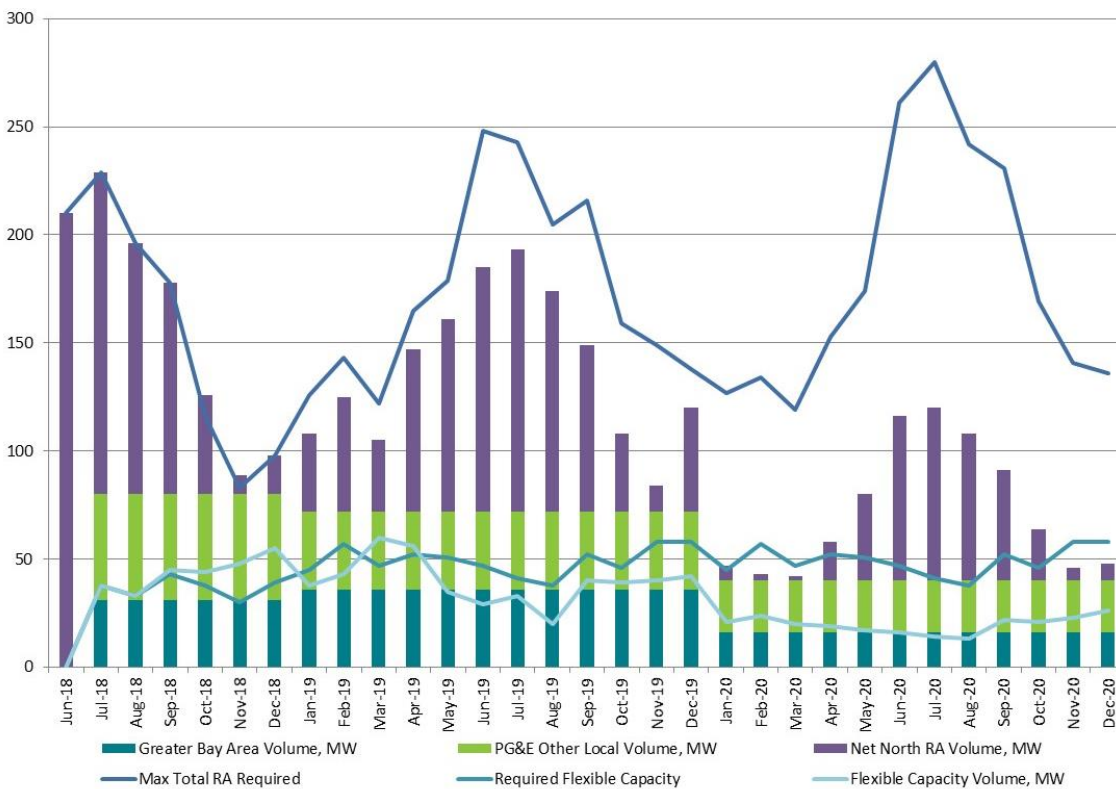
Chart 4. VCE Large Hydro Energy Position



Resource Adequacy

Resource Adequacy (RA) is the generating capacity that each LSE must have under contract (or own) to provide its share of support for the reliability of the power system to serve loads. Chart 5 below shows VCE’s RA position relative to expected requirements.

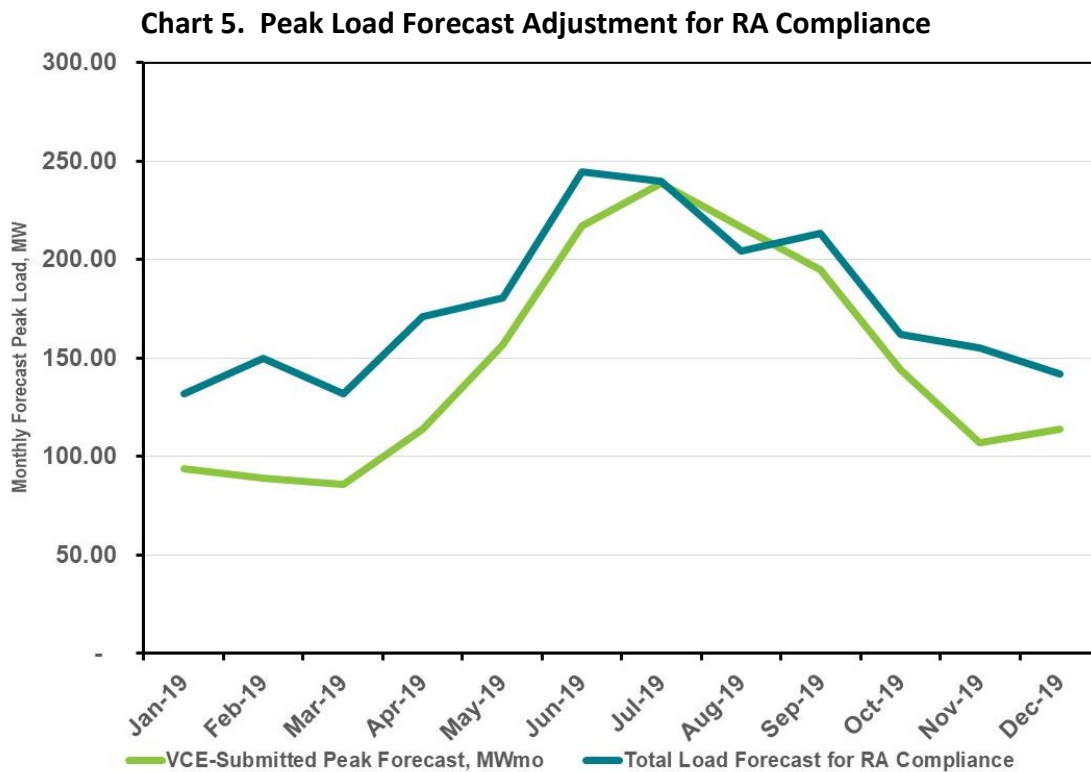
Chart 5. VCE Resource Adequacy Position



Resource Adequacy procurement was made challenging by two factors: 1. Adjustments made by the CEC to VCE’s load forecasts used for determining required RA quantities; and, 2. The apparent tightness of the RA market.

The CEC is tasked with determining the total RA capacity that must be provided. The CEC compiles the load forecasts of all LSEs and compares the total to its own forecast. According to CEC staff, the total forecasts provided by all LSEs were significantly lower than its own forecast of capacity need. To reconcile the differences, the CEC allocated the difference pro-rata back to all LSEs. The final RA determination was provided to VCE on September 20.

Chart 5 shows the monthly peak load forecast submitted by VCE to the CEC, and the CEC-adjusted forecast that must be used for RA compliance. The adjusted forecast has VCE supplying 25% more capacity than the VCE forecast, which was not anticipated. Fortunately, the average cost of RA procured was below the prices used to forecast 2019 RA costs, however the additional quantities required have pushed total RA costs above what was anticipated (discussed in the budget section below).



The tightness in the RA market is showing up in the procurement efforts of the last amounts of capacity needed to demonstrate 2019 RA compliance. We have seen an increase in prices for RA capacity, and RA quantities have been harder to find. We have had to procure RA in small quantities from many more suppliers than for previous RA procurement tranches.

Fixed Priced Energy

Fixed price power contracts are used to hedge VCE against the volatility of market prices. While VCE procures renewable and clean power for its portfolio, the underlying energy from those supplies is provided and sold into the CAISO market, while VCE keeps the clean energy attributes of those resources. At the same time, VCE purchases all of its load on a daily basis from the CAISO market.

CAISO market prices are subject to volatility and variability. Fixed priced power contracts are purchased in order to minimize the volatility of prices that VCE is exposed to for the market power purchased from the CAISO.

At the time of the writing of this report, VCE fixed price energy purchases are 98.5% hedged for 2019.

FORECAST POWER COSTS

Tables 3 through 5 below show the projected power costs for VCE and compares with the power cost projected for VCE in December when the initial 2018 power budget was established.

2018 power cost are projected to come in as budgeted. While market power costs increased from those projected in December 2017, RA and carbon free large hydro procurements came in below budget, for the most part offsetting the increase in market power costs.

Table 3. Projected 2018 Power Costs

2018 Power Supply Cost	Target Budget	Current Budget	Net Savings (Costs)
Market Energy	\$ 18,452,415	\$ 19,080,790	\$ (628,375)
CAISO Variable Fees	\$ 74,915	\$ 74,525	\$ 390
REC Costs	\$ 2,120,484	\$ 2,134,666	\$ (14,182)
Resource Adequacy Cost	\$ 4,902,369	\$ 4,657,090	\$ 245,279
CAISO GMC Cost	\$ 188,622	\$ 187,676	\$ 946
Market Services Charge	\$ 39,986	\$ 39,778	\$ 208
System Operations Charge	\$ 141,637	\$ 140,899	\$ 738
SCID Fee	\$ 7,000	\$ 7,000	\$ -
Carbon Free Premium	\$ 715,004	\$ 345,842	\$ 369,162
2018 Total Power Cost	\$ 26,453,811	\$ 26,480,590	\$ (26,779)

2019 power costs are projects to be almost \$800,000 above the costs projects last December driven by higher market power costs and the cost of the additional RA procurement required. These are offset some by renewable and carbon free large hydro coming in below projections.

Table 4. Projected 2019 Power Costs

2019 Power Supply Cost	Original Forecast	Current Forecast	Net Savings (Costs)
Market Energy	\$ 29,919,046	\$ 30,492,587	\$ (573,541)
CAISO Variable Fees	\$ 133,517	\$ 132,425	\$ 1,092
REC Costs	\$ 3,918,978	\$ 3,619,312	\$ 299,666
Resource Adequacy Cost	\$ 6,262,962	\$ 6,960,485	\$ (697,524)
CAISO GMC Cost	\$ 335,696	\$ 333,049	\$ 2,648
Market Services Charge	\$ 71,265	\$ 70,682	\$ 583
System Operations Charge	\$ 252,431	\$ 250,367	\$ 2,065
SCID Fee	\$ 12,000	\$ 12,000	\$ -
Carbon Free Premium	\$ 1,274,315	\$ 1,105,514	\$ 168,800
2019 Total Power Cost	\$ 41,844,514	\$ 42,643,373	\$ (798,859)

At this time, it appears that 2020 power costs could be significantly higher than originally projected due to in the increase in forward market power prices, and due to the unanticipated increased RA requirements. However, keep in mind that much of VCE's 2020 portfolio still has to be procured, so projections of 2020 power costs are still subject to some variability.

Table 5. Projected 2020 Power Costs

2020 Power Supply Cost	Original Forecast	Current Forecast	Net Savings (Costs)
Market Energy	\$ 31,073,696	\$ 32,334,716	\$ (1,261,019)
CAISO Variable Fees	\$ 140,623	\$ 141,826	\$ (1,202)
REC Costs	\$ 4,050,729	\$ 3,918,653	\$ 132,076
Resource Adequacy Cost	\$ 6,250,724	\$ 7,534,976	\$ (1,284,252)
CAISO GMC Cost	\$ 352,924	\$ 355,839	\$ (2,915)
Market Services Charge	\$ 75,058	\$ 75,700	\$ (642)
System Operations Charge	\$ 265,866	\$ 268,139	\$ (2,273)
SCID Fee	\$ 12,000	\$ 12,000	\$ -
Carbon Free Premium	\$ 1,342,136	\$ 1,353,134	\$ (10,998)
2020 Total Power Cost	\$ 43,210,833	\$ 45,639,144	\$ (2,428,311)

PROCUREMENT PROGRESS

The first Procurement Plan, approved by the Board in January, provided specific directives for procuring power for 2018 and 2019.

2018 Directives

2018 power was to be procured by March in order that VCE be able to approve generation rates prior to when notices had to go out to all customers starting April 1. As discussed previously, 2018 power was procured at the initially projected costs, allowing the Board to set a 2.5% generation rate discount to PG&E rates.

2019 Directives

The Board provided for power for 2019 to be procured during 2018 in 3 tranches, with the final tranche having procurements completed by October 1. While good progress was made, not all procurements were completed by October 1. We discuss the reasons below.

Renewables

As mentioned, the Board authorized suspending PCC-2 renewable power procurements until a decision is made by the CEC regarding the AB 1110 implementation. As such, staff anticipates renewable procurement for 2019 will be completed once the CEC makes its decision. In the next couple of months, staff will return with a recommendation on completion of PCC-2 procurements.

Large Hydro

Large hydro purchases were competed mid year. Because of the concerns on pricing pressure on large hydro supply, large was procured in the first two procurement tranches.

Resource Adequacy

As mentioned, the additional RA requirement was provided to VCE in the “final” 2019 RA determination provided on September 20. With the release of the final determination, PG&E issued a solicitation to sell its surplus RA. PG&E’s close of bids was September 26, and announced awards on October 10. Because of the timing of the final determination and the timing of PG&E solicitation, RA procurement was not completed by October 1. We ultimately were not awarded any RA from PG&E’s

solicitation but have been picking up the remaining RA from other counterparties. VCE will have to demonstrate to the CPUC that it has procured 100% of its local capacity requirements, and 90% of its total requirements by October 31.

Fixed Price Energy

Completing the final tranche of fixed price energy purchases was complicated by the number of individual products needed to complete the hedging program. We try and shape fixed price energy blocks, to match as closely as possible the varying shape of VCE's load, and we saved the smaller remaining pieces to procure in the 3rd tranche of procurement activity. This required us to ask for 42 individual products that we conducted auctions for. A number of the auctions did not result in offers within the pricing caps proposed, so those auctions will be rerun.

Additional Procurements Under General Manager's Delegation

Four procurements were made outside of the 2018/2019 Board procurement directives, within the delegations provided to the General Manager in the Wholesale Energy Risk Management Policy. 1. The two year power purchase agreement with Yolo County Flood Control and Water Conservation District for the purchase of the output of the Indian Valley Hydro Project; 2. Participation in an IOU sale solicitation for multi-year RA supply under which RA for 2019 and 2020 was procured; 3. Participation in an IOU sale solicitation for multi-year renewable energy supply under which renewable energy for 2019 and 2020 was procured; and, 4. Participation in a second IOU sale solicitation for multi-year renewable energy supply under which renewable energy for 2019 and 2020 was procured. Participation in the multi-year IOU solicitations resulted in procurements for the respective products at prices that were below budgeted prices.

CONCLUSION

With the exception of PCC-2 renewable power, the remaining 2019 procurements are proceeding, and should be completed by the end of October.