

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 10**

TO: Board of Directors

FROM: Edward Burnham, Chief Financial Officer

SUBJECT: Approve and Adopt AI Use Policy

DATE: September 10, 2026

RECOMMENDATIONS

Approve the attached resolution adopting the Acceptable Use of Artificial Intelligence (AI) Policy for VCE.

OVERVIEW

Artificial Intelligence (AI) technologies are becoming increasingly integrated into workplace software and business operations. AI tools can improve productivity, streamline administrative tasks, enhance research capabilities, and support development initiatives. However, these technologies also present risks related to data privacy, confidentiality, cybersecurity, accuracy, intellectual property, and regulatory compliance.

The draft Acceptable Use of AI Policy establishes a framework for the responsible, ethical, and secure use of AI technologies. If adopted, the draft policy provides staff with clear guidance on acceptable uses of AI while protecting organizational information and ensuring compliance with applicable legal and regulatory requirements.

BACKGROUND

AI technologies have advanced rapidly and are now widely available to employees through commercially available platforms such as Microsoft Copilot, ChatGPT, Gemini, and other AI-enabled applications. AI tools may improve productivity and help staff perform routine tasks; however, AI outputs may not always be accurate. AI-generated content routinely contains factual errors or "hallucinations" that require human review and validation prior to use.

VCE does not have a formal policy governing the use of AI technologies. As AI tools become more integrated into workplace applications and business processes, it is important to establish clear guidelines to ensure their use aligns with organizational standards, cybersecurity standards, records management, privacy obligations, and applicable laws and regulations.

The draft policy was developed to provide employees with guidance regarding:

- Appropriate and inappropriate uses of AI technologies.
- Confidentiality and data protection requirements.
- Human oversight and accountability for AI-generated content.

- Employee responsibilities when using AI tools.
- Compliance with applicable legal, ethical, and regulatory requirements.

ANALYSIS

The draft AI Policy provides a balanced approach that encourages innovation while managing risk. The policy does not prohibit the use of AI technologies; rather, it establishes conditions under which AI tools may be used safely and effectively.

Key Elements of the Policy

The proposed policy includes the following key provisions:

- Establishes ethical principles for AI use, including fairness, transparency, accountability, and responsible decision-making.
- Requires compliance with all applicable privacy, security, and data protection requirements.
- Prohibits the entry of confidential, proprietary, customer, employee, financial, or other non-public information into unauthorized AI systems.
- Requires employees to review and validate AI-generated content before relying upon or distributing it.
- Prohibits discriminatory, deceptive, manipulative, or otherwise inappropriate uses of AI technologies.
- Establishes employee accountability for outputs created with AI assistance.
- Requires employee awareness and training regarding the risks and limitations of AI tools.
- Provides for periodic review and updates as technology, laws, and best practices evolve.

Organizational Benefits

Adoption of the policy will:

- Provide clear guidance to employees regarding acceptable use of AI technologies.
- Reduce the risk of unauthorized disclosure of confidential information.
- Promote consistent and responsible use of AI throughout the organization.
- Improve cybersecurity and data protection practices.
- Support innovation and productivity while maintaining appropriate safeguards.
- Demonstrate proactive governance in response to rapidly evolving technologies.
- Implementation

If approved, management, including Fuse3 (Outsource IT Support Service Provider), will implement the policy and communicate the requirements to staff. Administrative procedures may be developed to address approved AI platforms, employee training requirements, security controls, and data governance expectations.

CONCLUSION

If adopted, the draft policy will provide staff with clear guidance regarding AI usage and position the organization to responsibly leverage emerging technologies in support of its mission and strategic objectives. Staff will monitor developments in AI technology and applicable regulations and will recommend future policy updates as necessary.

Attachments

1. Acceptable Use of Artificial Intelligence (AI) Policy (Draft)
2. Resolution adopting Acceptable Use of Artificial Intelligence (AI) Policy



Valley Clean Energy Alliance

Acceptable Use of AI (Artificial Intelligence)

Policy

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Purpose:

This policy establishes guidelines for the responsible, ethical, and secure use of Artificial Intelligence (AI) technologies at Valley Clean Energy (VCE). It is intended to help employees use AI effectively while protecting confidential information, complying with legal requirements, and managing organizational risk.

Risks of using generative AI

- **Inaccuracy:** AI-generated content may be incorrect, outdated, biased, misleading, or entirely fabricated ("hallucinated"). Users must review and verify AI outputs before relying on them for business purposes.
- **Confidentiality:** Information entered into public AI platforms may be stored, disclosed, or used for future model training. Employees should never enter confidential, sensitive, customer, employee, or other non-public information into unauthorized AI systems.
- **Usage restrictions:** AI tools may have contractual, legal, or operational limitations that restrict how they can be used. Employees are responsible for complying with the terms and conditions of approved AI platforms.
- **Litigation:** Because generative AI is relatively new, the ethical, legal, and business landscape regarding its use, commercialization, and regulation remains unsettled and is evolving. Generative AI has already resulted in high-profile litigation against operators of several generative AI platforms, and this litigation could extend to users of generative AI platforms in the future.

1. Scope

This policy applies to all employees, contractors, and third parties who use AI technologies within the VCE's infrastructure or on behalf of VCE. VCE's CFO and VCE's outsourced IT support services provider will administer this policy.

2. Definitions

- **AI (Artificial Intelligence):** Any software, system, or tool that uses algorithms to simulate human intelligence processes, including learning, reasoning, and problem-solving.
- **Generative AI:** Any AI system capable of generating text, images, audio, or other content, including but not limited to models such as GPT, DALL-E, and other similar technologies.
- **Sensitive Data:** Any data that could potentially be used to identify an individual or is protected under data protection laws, including personal, financial, and health information.

3. General Principles

- **Ethical Use:** All AI applications must be used in a manner that aligns with the VCE's ethical standards, promoting fairness, transparency, and accountability.
- **Compliance:** All use of AI technologies must comply with applicable laws, regulations, and industry standards, including data protection and privacy laws.
- **Security:** AI systems must be implemented with appropriate security measures to protect against unauthorized access, data breaches, and other security risks.

4. Data Privacy and Security

- **Data Collection and Use:** Data used by generative AI systems must be carefully controlled. Sensitive Data, especially non-public customer information, should not be input into generative AI systems without explicit authorization and clear business need.
- **Prohibition of Non-Public Data Use:** Non-public Sensitive Data, including names and contact details, must not be included in training datasets or used in generating content without proper controls and permissions.

- **Data Access:** Access to data used by AI systems must be restricted to authorized personnel only. Proper access controls and logging mechanisms must be in place.
- **Data Storage and Retention:** Data should be stored securely and only retained for as long as necessary for the AI system's purpose.

5. Transparency and Accountability

- **Disclosure:** When interacting with AI systems, users should be informed that they are interacting with an AI system, and the purpose of the interaction should be clear.
- **Decision-Making:** AI systems that assist in decision-making processes should provide explanations for their recommendations or actions, where feasible.
- **Responsibility:** Employees must take responsibility for the proper functioning and ethical use of AI systems. Employees are responsible for ensuring that the use of generative AI systems complies with this policy and must report any concerns or issues promptly. Any concerns or issues should be reported to the appropriate manager.

6. Prohibited Uses

- **Discrimination:** AI systems must not be used to discriminate against individuals or groups based on race, gender, age, disability, religion, sexual orientation, or any other protected characteristic.
- **Surveillance:** AI technologies must not be used for unauthorized surveillance of employees, clients, or other individuals.
- **Manipulation and Deception:** AI systems should not be used to deceive, manipulate, or exploit individuals.
- **Unauthorized Use of Sensitive Data:** It is strictly prohibited to use generative AI systems to process, generate, or disseminate non-public client or VCE information without explicit permission.

7. Employee Training and Awareness

- Employees must receive training on the ethical and secure use of AI technologies and be aware of the potential risks and benefits associated with AI applications.

8. Monitoring and Review

- **Monitoring:** The use of AI systems will be monitored to ensure compliance with this policy. Any unauthorized use or security breaches must be reported immediately to the appropriate manager.
- **Review and Update:** This policy will be reviewed regularly and updated as necessary to reflect changes in technology, laws, and VCE practices.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2026-____

**A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE
ADOPTING AN ACCEPTABLE USE OF ARTIFICIAL INTELLIGENCE POLICY**

WHEREAS, The Valley Clean Energy Alliance (“VCE”) was formed as a community choice aggregation agency (“CCA”) on November 16, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and,

WHEREAS, to support the responsible use of emerging technologies and protect organizational information, VCE must adopt an Acceptable Use of Artificial Intelligence Policy that establishes standards for the ethical, secure, and compliant use of AI technologies by employees and authorized users; and,

WHEREAS, VCE is committed to the ethical, secure, and responsible use of Artificial Intelligence technologies and to protecting confidential information through appropriate oversight, accountability, and employee awareness; and,

NOW, THEREFORE, the Board of Directors of Valley Clean Energy Alliance hereby adopts an Acceptable Use of AI (Artificial Intelligence) Policy (Exhibit A).

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____ 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jesse Loren, VCE Chair

Alisa M. Lembke, VCE Board Secretary

Attachment: Exhibit A – Acceptable Use of AI (Artificial Intelligence) Policy

Exhibit A

Acceptable Use of AI (Artificial Intelligence) Policy