Special Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, March 12, 2020 at 4:00 p.m.
City of Woodland Council Chambers
300 1st Street, Woodland, CA 95695

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

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

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

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

Associate Members: Christopher Cabaldon (City of West Sacramento), Beverly Sandeen (City of West Sacramento)

4:00 p.m. Call to Order

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

CLOSED SESSION

4. VCE Board including Associate Board Members: Conference with Legal Counsel – Existing Litigation (5:30 p.m. – 6:15 p.m. These are time estimates only.) (Paragraph (1) of subdivision (d) of Section 54956.9)
Name of Cases:
   (1) In re PG&E Corporation, Debtor; Chapter 11: US Bankruptcy Court, Northern District of California San Francisco Division, Case No. 19-30088(DM) and Case No. 19-30089(DM)
(2) Investigation 19-09-016 related to the consideration of the Ratemaking and other Implications of a Proposed Plan for Resolution of Voluntary Cases filed by PGE pursuant to the Bankruptcy Code, before the California Public Utilities Commission.

(3) Safety Order Instituting Investigation (O.I.I.) and Rulemaking
   i. O. I. I. 15-08-019 (G&E Safety culture); Order Instituting Investigation on the
      Commission’s Own Motion to Determine Whether Pacific Gas and Electric Company and PG&E
      Corporation’s Organizational Culture and Governance Prioritize Safety.
   ii. O. I. I. 19-06-015 (PG&E Safety Culture and Penalties for 2017 Fires); Order Instituting
       Investigation on the Commission’s Own Motion into the Maintenance, Operations and Practices of
       Pacific Gas and Electric Company (U39E) with Respect to its Electric Facilities; and Order to Show Cause
       Why the Commission Should not Impose Penalties and/or Other Remedies for the Role PG&E’s Electrical
       Facilities had in Igniting Fires in its Service Territory in 2017
   iii. R. 18-12-005 (PSPS Rulemaking); Order Instituting Rulemaking to Examine Electric
       Utility De-Energization of Power Lines in Dangerous Conditions.

B. Public Employee Performance Evaluation (Government Code Section 54957)
   Position Title: Interim General Manager

CONSENT AGENDA

5. Approval of February 13, 2020 Board Meeting Minutes.
8. Receive March 5, 2020 Regulatory Update provided by Keyes & Fox.
10. Receive Community Advisory Committee February 5, 2020 and February 27, 2020 Meeting
     Summaries.
11. Update on SACOG Grant schedule.
12. Approval of Amendment No. One (1) to Pacific Policy Group contract for legislative support
    services to increase the not to exceed amount to $25,000 and to extend the term to June 30,
    2020.
13. Approval of Amendment No. One (1) to Consultant contract with Boutin Jones for legal
    services related to the PG&E bankruptcy to increase the not to exceed amount to $25,000 for
    the time period of March 1, 2020 through September 30, 2020.
14. Approval of Amendment No. One (1) to Consultant contract with Victoria Zavattero for
    support services related to the acquisition of PG&E local distribution assets to increase the not
    to exceed amount to $30,000 and extend the term to June 30, 2020.
15. Approval of entering into a letter agreement with Consultant LEAN Energy to provide
    facilitation and support services for the VCE Strategic Planning process and authorize the
    Interim General Manager sign.

REGULAR AGENDA

16. Approve support of the following legislation:
    a. SB 947 (Dodd) Electrical corporations: financial performance-based incentives and
       performance-based metrics
    b. AB 2689 (Kalra) Community Choice Aggregators
    c. AB 3014 (Muratsuchi) Electricity: Centralized Procurement
    d. SB 917 (Weiner) California Consumer Energy and Conservation Financing Authority:
       eminent domain
17. Update on Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA). (Informational)
18. Review and provide feedback on the preliminary draft Fiscal Year 2020-2021 Operating Budget. (Informational)
19. Approve Valley Clean Energy’s Policy regarding potential PG&E allocation of Greenhouse Gas (GHG)-free (Large Hydro and Nuclear) resources to Community Choice Aggregators. (Action)
20. Receive introduction on local / regional renewable energy Request for Offers (RFO) solicitation. (Informational)
21. Update on planning process for the development of a strategic plan for Valley Clean Energy. (Informational)
22. Status update and next steps on the potential acquisition of PG&E’s local electricity distribution system. (Informational)
23. Board Member and Staff Announcements: Action items and reports from member of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

*The Board has scheduled a special meeting / working session on VCE’s draft Strategic Plan for Monday, March 23, 2020 from 3-5 p.m. at the Woodland Community & Senior Center, located at 2001 East Street, Woodland, CA 95776.*

*The next VCE regular Board meeting is scheduled for Thursday, April 9, 2020 at 5:30 p.m. at the City of Davis Community Chambers, 23 Russell Boulevard, Davis, CA 95616.*

24. **Adjournment:** Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA’s offices located at 604 Second Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. The documents are also available on the Valley Clean Energy website located at: https://valleycleanenergy.org/about-us/meetings/
TO: Valley Clean Energy Alliance Board of Directors
FROM: Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT: Approval of Minutes from February 13, 2020 Board Meeting
DATE: March 12, 2020

RECOMMENDATION

Receive, review and approve the attached Minutes from the February 13, 2020 Board meeting.
The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular meeting scheduled for Thursday, February 13, 2020 at 5:30 p.m. at the City of Davis Community Chambers, located at 23 Russell Blvd., Davis, California 95616. Chairperson Don Saylor established that there was a quorum present and began the meeting at 5:32 p.m.

Board Members Present: Don Saylor, Dan Carson, Tom Stallard, Lucas Frerichs, Gary Sandy, Wade Cowan, Jesse Loren, and Angel Barajas (arrived at 5:36 p.m.)

Associate Members Present: Beverly Sandeen

Members Absent: None

Associate Members Absent: Christopher Cabaldon

Approval of Agenda: Chair Saylor introduced Gordon Samuel, VCE’s newest employee, who is the Assistant General Manager / Director of Power Services. Motion made by Director Sandy to approve the consent agenda with the modification that item 9d – SB 917 legislative bill be tabled to the March regular Board meeting, seconded by Director Frerichs. Motion passed with Director Barajas absent.

Public Comment: Chairperson Saylor opened the floor for public comment. No public comment.

CLOSED SESSION: Conference with Legal Counsel – Anticipated Litigation
The Board adjourned their meeting to go into Closed Session at 5:35 p.m. Director Barajas arrived at 5:36 p.m. The Board returned to their regular Agenda at 6:12 p.m. Chairperson Saylor reported that the Board had no reportable action out of closed session. Chairperson Saylor then moved on to the Consent Agenda.

Recognition of past Chair Gerry Braun and past Vice Chair Christine Shewmaker for their service on the Community Advisory Committee
Chairperson Saylor introduced this item to recognize past Chair Gerry Braun of the Community Advisory Committee. Each Board Member read a section of the recognition resolution to those present. Gerry Braun thanked those present.

Chairperson Saylor introduced Christine Shewmaker to recognize her work as past Vice Chair of the Community Advisory Committee. Each Board Member read a section of the recognition resolution to those present. Christine Shewmaker thanked those present.
Approval of Consent Agenda / Resolutions 2020-002 through 2020-006

Chairperson Saylor informed those present that in Item 12 – Keyes & Fox agreement, Exhibit D had a slight addition and small typo change from “2019” to “2020” but not substantial to the amendment. Motion made by Director Barajas to approve the consent agenda items as amended, seconded by Director Stallard. Director Carson asked that VCE Staff provide the specific financial impact to VCE’s budget of Item 12 – Keyes & Fox and Item 13 – Best Krieger amendments. Motion passed unanimously. The following items were approved:

5. January 9, 2020 Board Meeting Minutes;
6. Received 2020 Long Range Calendar;
7. Received Financial Updated – December 31, 2019 (unaudited) financial statement;
8. Received February 6, 2020 Regulatory update from Keyes & Fox;
9. Received Legislative Update and approved support of AB 1567, SB 378 as amended, and SB 804 as amended;
10. Received February 6, 2020 Customer Update;
11. Received Community Advisory Committee January 23, 2020 Meeting Summary;
12. Contract Amendment Two (2) to extend the contract of regulatory council Keyes & Fox agreement via Resolution 2020-002;
13. Contract Amendment One (1) to increase the rate for co-general counsel Best Best & Krieger agreement via Resolution 2020-003;
14. Ratified Amendment 14 to Task Order 3 of the SMUD agreement and approved Amendment 15 to Task Order 4 to SMUD agreement via Resolution 2020-004;
15. Change to employee medical benefits offered by Valley Clean Energy and updated those changes in the Employee Handbook via Resolution 2020-005;
16. Revision to Item #4 of the Net Energy Metering Policy; and,

Power Purchase Agreement / Resolution 2020-007

VCE Staff Gordon Samuel introduced this item. He introduced several people who were present at the meeting and who would be available to answer questions after Mr. Samuel reviews the slides. Mr. Samuel provided the background of the work done for the Power Purchase Agreement. Questions were asked about credit support, expansion of existing site, permitting, term and termination clause, impact to surrounding area, ownership of the project and not the land, and site condition/state of site.

Director Frerichs made a motion to approve the Power Purchase Agreement (PPA) with Aquamarine westside, LLC for the purchase by VCE of a 50 MW share of the 250 of the 250 MW Aquamarine Solar Project under development by Westlands Solar Park, LLC and authorize the Interim General Manager to execute the PPA substantially in the form attached and, in consultation with general Counsel, to make minor changes to the PPA so long as the term and price are not
changed, seconded by Director Barajas. Motion passed as Resolution 2020-007 by the following vote:

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

**Introduction of planning process for the development of the Strategic Plan**

Chairperson Saylor introduced VCE Staff George Vaughn. Mr. Vaughn reviewed slides that included: background, draft purpose, cadence and key roles, proposed tentative schedule, and direction of next steps. Staff is looking for approval of the strategic plan development process and timeline and to direct the VCE Board Subcommittee and start to develop a strategic plan for consideration by the fully Board by mid-2020. Chair Saylor noted that the timeline will need to be revised to accommodate Board members’ schedules as there should be a representative from each agency at the meeting. He commented that there has been some difficulty in scheduling a meeting the week of February 24th. Board Members commented that they would like to see stakeholder/customer feedback, a customer panel formed, a stakeholder process to gather the public’s feedback, the timing is right for VCE to do the Strategic Plan, and the importance of engaging others in the process.

Director Carson made a motion to approve the strategic plan development process and timeline as amended to accommodate the date of the first workshop and direct the VCE Board Subcommittee and staff to develop a strategic plan for consideration by the full Board by mid-2020, seconded by Director Loren. Motion passed by the following vote:

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

**PG&E allocation of Greenhouse (GHG)-free resources to Community Choice Aggregators**

Chairperson Saylor introduced Bill Her of SMUD. Mr. Her reviewed the background on what is greenhouse (GHG)-free, 2020 goals of VCE, VCE’s current resource portfolio standard (RPS) and GHG-free procurement, and PG&E submitting an advice letter to the California Public Utilities Commission (CPUC) offering large hydro and nuclear GHG-free attributes to load serving entities (LSE), which includes CCAs. Mr. Her reminded those present that CCA customers are already paying for the GHG-free attributes through the Power charge Indifference Adjustment (PCIA), but that PG&E receives the benefit of claiming the GHG-free. Mr. Her emphasized that VCE has procured all needed RPS and GHG-free to meet its 2020 goals. Mr. Her reviewed the key elements of PG&E’s offer. Lastly, Mr. Her interprets PG&E’s proposal is to offer the GHG-free attributes only for 2020, but the LSE/CCA would waive their right to contest in 2020. Mr. Her reviewed several scenarios with the financial impacts and factors to consider if VCE were to accept the attributes.
The Board Members discussed: whether this is the framework that CCAs will be dealing with in the future, effects on power content label, market viability of attributes, and reputation.

Public comments:

Yvonne Hunter, Chair of the CAC, commended Staff’s report on this item in the Board’s packet as reflective of the CAC’s discussion and decision. In general, the CAC was concerned about VCE’s reputation if nuclear attributes were taken, fiscal and rate impacts, and fiscal responsibility to VCE’s customers.

Christine Shewmaker, CAC member, commented that PG&E has had a long wavering history on the subject of large hydro and nuclear attributes and they have worked hard to have these costs included in the PCIA. These are the reasons why she voted no to the offer from PG&E. She recommended that the Board be cautious and wait until the March Board meeting to make a decision since the letter has not come out.

Gerry Braun, CAC member, commented that he voted “no” as he would like VCE to get both (large hydro and nuclear) GHG-free attributes for the potential of selling it. Then, using the money for projects that VCE would not normally be able to do financially.

Additional comments were made by the Board on: taking on nuclear, VCE’s reputation, the need for VCE to reach its reserve goals, effects on opt outs, the economics of making this decision, what other CCAs are doing on this subject, and getting more information on PCIA and ERA.

Chairperson Saylor tabled this item to the Board’s March meeting; however, if a decision needs to be made sooner, then a special meeting can be scheduled.

Update on PCIA and ERA (Informational)

Director Frerichs requested that Staff define what Power Charge Indifference (PCIA) is, which VCE Staff George Vaughn defined to those present. Director Frerichs informed those present that PCIA is reflected in VCE’s rates.

George Vaughn reviewed slides: background; PCIA volatility; PCIA effect on VCE revenue scenarios 1 (CPUC Cap), 2 (Mid-Range), and 3 (High-Range); preliminary analysis, and conclusions.

There were no public comments.

Board Members commented on: the importance of legislative involvement in the PCIA; if the rates increase the effects on customers and opt out rates; other ideas on how to mitigate effects to customers, such as possibly using UltraGreen
monies, if possible; and, the possibility of an aggressive campaign to get those customer who have opted out to opt back in.

**Update on SACOG Electric Vehicle Charging Infrastructure Grant (Informational)**

VCE Staff Jim Parks reviewed the background on the SACOG grant and provided an update of events. He informed those present that MOUs are under development between the City of Davis, who will be taking the lead, and the City of Woodland, Yolo County and VCE. He informed those present that the original match requirement of 11.47% from the Grantee is no longer required by SACOG and the expiration date of the grant is 12/31/2023. He reviewed funding allocations to each agency and the schedule.

The Board discussed the schedule and a few questions were asked. The Board would like the timelines to be moved up. The Board requested that the individual agencies provide a more aggressive timeline to VCE staff for the Board’s information.

**Status update and next steps on the potential acquisition of PG&E’s local electricity distribution system (Informational)**

Harriet Stiener of Best and Krieger provided a brief update on the potential acquisition of PG&E’s local electricity distribution system.

**Board Member and Staff Announcements**

Director Carson informed those present that he travelled to a traveled to a 2020 Legislative Press Conference. Associate Director Sandeen informed those present that she attended a special City Council meeting - planning session of which energy reliance was on their agenda.

**Adjournment**

Chairperson Saylor adjourned the meeting at 7:52 p.m. to the next (special) meeting scheduled for Thursday, March 12, 2020 at 4:00 p.m. at the City of Woodland Council Chambers, 300 1st Street, Woodland, California.

Alisa M. Lembke  
VCEA Board Secretary
TO: VCEA Board

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Community Advisory Committee 2020 Long-Range Calendar

DATE: March 12, 2020

Recommendation

Please find attached the Board and Community Advisory Committee long-range calendar for 2020.

Please note that the Board’s special meeting on VCE’s strategic plan has been scheduled for:
   Monday, March 23, 2020 from 3-5 p.m.
   Woodland Community & Senior Center
   Meeting Room #3
   2001 East Street
   Woodland, CA 95776

Please note that two (2) meetings have been scheduled in the City of Winters:
   1. May 14, 2020
   2. October 8, 2020

The meetings are scheduled to be held at City of Winters - Police/Fire/Public Safety Facility.
# VALLEY CLEAN ENERGY

## 2020 Meeting Dates and Proposed Topics – Board and Community Advisory Committee

<table>
<thead>
<tr>
<th>MEETING DATE</th>
<th>TOPICS</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 9, 2020</td>
<td><strong>Board WOODLAND</strong> •</td>
<td>•</td>
</tr>
<tr>
<td>January 23, 2020</td>
<td><strong>Advisory Committee WOODLAND</strong> • Power Purchase Agreement</td>
<td>•</td>
</tr>
<tr>
<td>February 13, 2020</td>
<td><strong>Board DAVIS</strong> • Task Groups – Present Tasks/Projects • Power Purchase Agreement</td>
<td>Action</td>
</tr>
<tr>
<td>February 27, 2020</td>
<td><strong>Advisory Committee DAVIS</strong> • Update on Regulatory Assistance Project</td>
<td>Informational/Informational</td>
</tr>
<tr>
<td>March 12, 2020</td>
<td><strong>Board WOODLAND</strong> • Preliminary FY20/21 Operating Budget (Regular) • GHG-free attributes • Local/Regional Renewable RFO solicitation</td>
<td>Review • Action • Informational</td>
</tr>
<tr>
<td>Monday, March 23, 2020</td>
<td><strong>Board WOODLAND Community &amp; Senior Center, Meeting Room #3</strong> • Strategic Plan</td>
<td>Discussion/Action</td>
</tr>
<tr>
<td>March 26, 2020</td>
<td><strong>Advisory Committee WOODLAND</strong> • Long Term Load Forecast – Biannual 2020 Integrated Energy Planning Report • Review Draft Integrated Resource Plan (IRP) / Public Workshop, CAC to provide recommendation • Review Task Groups’ projects/tasks “charge” for 2020</td>
<td>Information • Informational/Action • Action</td>
</tr>
<tr>
<td>April 9, 2020</td>
<td><strong>Board DAVIS</strong> • Review Draft Integrated Resource Plan and CAC Recommendation</td>
<td>Informational/Action</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Action/Information</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>April 23, 2020</td>
<td>Advisory Committee DAVIS</td>
<td></td>
</tr>
<tr>
<td>May 14, 2020</td>
<td>Board WINTERS</td>
<td>Action</td>
</tr>
<tr>
<td>May 28, 2020</td>
<td>Advisory Committee WOODLAND</td>
<td>Information</td>
</tr>
<tr>
<td>June 11, 2020</td>
<td>Board DAVIS</td>
<td>Approval</td>
</tr>
<tr>
<td>June 25, 2020</td>
<td>Advisory Committee DAVIS</td>
<td>Discussion</td>
</tr>
<tr>
<td>July 9, 2020</td>
<td>Board WOODLAND</td>
<td></td>
</tr>
<tr>
<td>July 23, 2020</td>
<td>Advisory Committee WOODLAND</td>
<td>Discussion</td>
</tr>
<tr>
<td>August 13, 2020</td>
<td>Board DAVIS</td>
<td></td>
</tr>
<tr>
<td>August 27, 2020</td>
<td>Advisory Committee DAVIS</td>
<td>Discussion</td>
</tr>
<tr>
<td>September 10, 2020</td>
<td>Board WOODLAND</td>
<td>Information/Discussion</td>
</tr>
</tbody>
</table>

- Local / Regional Renewable Request for Officers (RFO) solicitation
- River City Bank Revolving Line of Credit
- Appoint City of Winters seats to CAC
- Power Purchase Agreement
- Adoption of Integrated Resource Plan (due July 1, 2020)
- Information related to 2021 Integrated Resource Plan Update
- Final Approval of FY20/21 Operating Budget
- Extension of Waiver of Opt-Out Fees for one more year ??
- Re/Appointment of Members to Community Advisory Committee
- Information related to 2021 Integrated Resource Plan Update
- Revised Procurement Guide – Review
- Residential Time of Use Rate Classes Report
- Discussion on River City Bank Revolving Line of Credit
<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting</th>
<th>Agenda ITEMS</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 24, 2020</td>
<td>Advisory Committee</td>
<td>• Committee Evaluation of Calendar Year End (Draft Report)</td>
<td>• Discussion</td>
</tr>
<tr>
<td></td>
<td>WOODLAND</td>
<td>• Revised Procurement Guide – Review Draft Recommendation</td>
<td>• Discussion</td>
</tr>
<tr>
<td>October 8, 2020</td>
<td>Board</td>
<td>• Approval of FY19/20 Audited Financial Statements (James Marta &amp; Co.)</td>
<td>• Action</td>
</tr>
<tr>
<td></td>
<td>WINTERS</td>
<td>• River City Bank Revolving Line of Credit</td>
<td>• Discussion/Action</td>
</tr>
<tr>
<td>October 22, 2020</td>
<td>Advisory Committee</td>
<td>• Committee Evaluation of Calendar Year End (Draft Report)</td>
<td>• Discussion</td>
</tr>
<tr>
<td></td>
<td>DAVIS</td>
<td>• Revised Procurement Guide- Review Draft Recommendation</td>
<td>• Discussion</td>
</tr>
<tr>
<td>November 12, 2020</td>
<td>Board</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td></td>
<td>WOODLAND</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>November 26, 2020</td>
<td>Advisory Committee</td>
<td>• Committee Evaluation of Calendar Year End (Draft Report)</td>
<td>• Discussion</td>
</tr>
<tr>
<td></td>
<td>WOODLAND</td>
<td>• Revised Procurement Guide – Finalize Recommendation to Board</td>
<td>• Action: Recommendation to Board</td>
</tr>
<tr>
<td>Thanksgiving Holiday</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>November 12, 2020</td>
<td>Board</td>
<td>• Election of Officers for 2020</td>
<td>• Nominations</td>
</tr>
<tr>
<td></td>
<td>WOODLAND</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>December 10, 2020</td>
<td>Board</td>
<td>• Election of Officers for 2020</td>
<td>• Nominations</td>
</tr>
<tr>
<td></td>
<td>DAVIS</td>
<td>•</td>
<td>• Approve Report</td>
</tr>
<tr>
<td>December 24, 2020</td>
<td>Advisory Committee</td>
<td>• Election of Officers for 2020</td>
<td>• Nominations</td>
</tr>
<tr>
<td></td>
<td>DAVIS</td>
<td>• Finalization of Committee Calendar Year End Report</td>
<td>• Approve Report</td>
</tr>
<tr>
<td>January 14, 2021</td>
<td>Board</td>
<td>• Receive CAC Calendar Year End Report</td>
<td>• Receive Report</td>
</tr>
<tr>
<td></td>
<td>WOODLAND</td>
<td>• Approve Revised Procurement Guide</td>
<td>• Action</td>
</tr>
<tr>
<td>January 28, 2021</td>
<td>Advisory Committee</td>
<td>• Review and Discuss Task Groups</td>
<td>• Discuss/Action</td>
</tr>
<tr>
<td></td>
<td>WOODLAND</td>
<td>•</td>
<td></td>
</tr>
</tbody>
</table>
TO: Valley Clean Energy Alliance Board of Directors

FROM: George Vaughn, Finance and Operations Director, VCEA
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – January 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2020

DATE: March 12, 2020

RECOMMENDATION:
Accept the following Financial Statements (unaudited) for the period of January 1, 2020 to January 31, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2020.

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

The Financial Statements include the following reports:
- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, staff is reporting the Actual vs. Budget variances year to date ending January 31, 2020.

Financial Statements for the period January 1, 2020 – January 31, 2020
In the Statement of Net Position, VCEA as of January 31, 2020 has a total of $13,676,865 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $1,063,778 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of January 31, 2020 $253,805 and $514,253 respectively for a grand total of $768,058. VCEA began paying SMUD for the monthly operating expenditures (starting with January 2018 expenditures) and repayment of the deferred amount of $1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly
reimbursable expenditures starting in June 2019 and repayment of the deferred amount of $556,188 over a 12-month period.

The term loan with River City Bank includes a current portion of $395,322 and a long-term portion of $1,515,401 as of January 31, 2020, for a total of $1,910,723. At January 31, 2020, VCE's net position is $12,802,652.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $3,415,282 of revenue (net of allowance for doubtful accounts) of which $3,656,469 was billed in January and ($191,227) represent estimated unbilled revenue. The cost of the electricity for the January revenue totaled $3,936,035. For January, VCEA’s gross margin is approximately negative -13.2% and operating income totaled negative ($970,172). The year-to-date change in net position was $5,473,819.

In the Statement of Cash Flows, VCEA cash flows from operations was $701,493 due to January cash receipts of revenues exceeding the monthly cash operating expenses.

**Actual vs. Budget Variances for the year to date ending January 31, 2020**

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

Salaries & Wages/Benefits - ($151,712) and (43%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

Contract Labor - $60,053 and 18% – variance is due to SMUD providing more staff augmentation than planned due to VCE not having all internal positions filled.

SMUD Credit Support - ($53,431) and (14%) – variance is due to lower actual customer load than budgeted, which results in a lower payment to SMUD since the payment is based on MWH volume.

SMUD Operating Services - ($89,190) and (42%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

PG&E Acquisition Consulting - $148,244 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - $89,058 and 68% - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget; this variance is being actively managed and a reduction in the variance is expected by year-end

Contingency - ($136,846) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by $148,244 of PG&E acquisition-related expenses.
Attachments:
1) Financial Statements (Unaudited) January 1, 2020 to January 31, 2020 (with comparative year to date information.)
2) Actual vs. Budget for year to date ending January 31, 2020
VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2020

PREPARED ON MARCH 4, 2020
### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$13,676,865</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance</td>
<td>3,581,553</td>
</tr>
<tr>
<td>Accrued revenue</td>
<td>1,767,375</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>20,452</td>
</tr>
<tr>
<td>Inventory - Renewable Energy Credits</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets and deposits</td>
<td>2,540</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>19,048,785</strong></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
</tr>
<tr>
<td>Debt service reserve fund</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Power purchase reserve fund</td>
<td>1,063,778</td>
</tr>
<tr>
<td><strong>Total restricted assets</strong></td>
<td><strong>2,163,778</strong></td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent assets and deposits</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>100,000</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$21,312,563</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$723,459</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>3,989</td>
</tr>
<tr>
<td>Interest payable</td>
<td>7,393</td>
</tr>
<tr>
<td>Due to member agencies</td>
<td>253,805</td>
</tr>
<tr>
<td>Accrued cost of electricity</td>
<td>4,226,441</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>801,622</td>
</tr>
<tr>
<td>Security deposits - energy supplies</td>
<td>515,640</td>
</tr>
<tr>
<td>User taxes and energy surcharges</td>
<td>66,839</td>
</tr>
<tr>
<td>Current Portion of LT Debt</td>
<td>395,322</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>6,994,510</strong></td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td></td>
</tr>
<tr>
<td>Term Loan- RCB</td>
<td>1,515,401</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td><strong>1,515,401</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$8,509,911</strong></td>
</tr>
</tbody>
</table>

### NET POSITION

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Local Programs Reserve</td>
<td>$137,702</td>
</tr>
<tr>
<td>Restricted</td>
<td>$2,163,778</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>10,501,172</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td><strong>$12,802,652</strong></td>
</tr>
</tbody>
</table>
# VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

FOR THE PERIOD OF JANUARY 1, 2020 TO JANUARY 31, 2020

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

(UNAUDITED)

<table>
<thead>
<tr>
<th>OPERATING REVENUE</th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity sales, net</td>
<td>$ 3,415,282</td>
<td>$ 34,510,915</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td><strong>$ 3,415,282</strong></td>
<td><strong>$ 34,510,915</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of electricity</td>
<td>3,936,035</td>
<td>26,305,320</td>
</tr>
<tr>
<td>Contract services</td>
<td>313,194</td>
<td>1,858,027</td>
</tr>
<tr>
<td>Staff compensation</td>
<td>93,278</td>
<td>606,026</td>
</tr>
<tr>
<td>General, administration, and other</td>
<td>42,947</td>
<td>250,871</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>4,385,454</strong></td>
<td><strong>29,020,244</strong></td>
</tr>
</tbody>
</table>

**TOTAL OPERATING INCOME (LOSS)**          | (970,172)             | 5,490,671     |

<table>
<thead>
<tr>
<th>NONOPERATING REVENUES (EXPENSES)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>9,480</td>
<td>51,417</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>(6,837)</td>
<td>(68,269)</td>
</tr>
<tr>
<td><strong>TOTAL NONOPERATING REVENUES (EXPENSES)</strong></td>
<td><strong>2,643</strong></td>
<td><strong>(16,852)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET POSITION</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position at beginning of period</td>
<td>13,770,181</td>
<td>7,328,833</td>
</tr>
<tr>
<td>Net position at end of period</td>
<td>$ 12,802,652</td>
<td>$ 12,802,652</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>JANUARY 31, 2020</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from electricity sales</td>
<td>$3,664,139</td>
<td>$38,462,364</td>
</tr>
<tr>
<td>Receipts for security deposits with energy suppliers</td>
<td></td>
<td>515,640</td>
</tr>
<tr>
<td>Payments to purchase electricity</td>
<td>(2,491,204)</td>
<td>(27,082,367)</td>
</tr>
<tr>
<td>Payments for contract services, general, and administration</td>
<td>(378,657)</td>
<td>(2,431,551)</td>
</tr>
<tr>
<td>Payments for staff compensation</td>
<td>(92,785)</td>
<td>(605,826)</td>
</tr>
</tbody>
</table>

Net cash provided (used) by operating activities: 701,493 8,858,260

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>JANUARY 31, 2020</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from member agencies</td>
<td></td>
<td>(1,500,000)</td>
</tr>
<tr>
<td>Principal payments of Debt</td>
<td>(32,944)</td>
<td>(65,887)</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>(7,697)</td>
<td>(173,188)</td>
</tr>
</tbody>
</table>

Net cash provided (used) by non-capital financing activities: (40,641) (1,739,075)

### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>JANUARY 31, 2020</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>9,480</td>
<td>51,417</td>
</tr>
</tbody>
</table>

Net cash provided (used) by investing activities: 9,480 51,417

### NET CHANGE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>JANUARY 31, 2020</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>15,170,311</td>
<td>8,670,042</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$15,840,643</td>
<td>$15,840,644</td>
</tr>
</tbody>
</table>

Cash and cash equivalents included in:

<table>
<thead>
<tr>
<th>Description</th>
<th>JANUARY 31, 2020</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$13,676,865</td>
<td>$13,676,865</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>2,163,778</td>
<td>2,163,778</td>
</tr>
</tbody>
</table>

Cash and cash equivalents at end of period: $15,840,643 $15,840,643
### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>January 31, 2020</th>
<th>Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>$(970,172)</td>
<td>$5,490,671</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in net accounts receivable</td>
<td>42,939.00</td>
<td>1,413,720.00</td>
</tr>
<tr>
<td>(Increase) decrease in accrued revenue</td>
<td>192,450</td>
<td>2,528,338.00</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>(17,952)</td>
<td>(20,452.00)</td>
</tr>
<tr>
<td>(Increase) decrease in inventory - renewable energy credits</td>
<td></td>
<td>207,168.00</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>65,212</td>
<td>137,339.00</td>
</tr>
<tr>
<td>Increase (decrease) in accrued payroll</td>
<td>493</td>
<td>200.00</td>
</tr>
<tr>
<td>Increase (decrease) in due to member agencies</td>
<td>(19,559)</td>
<td>(156,504.00)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued cost of electricity</td>
<td>1,444,831</td>
<td>(984,215.00)</td>
</tr>
<tr>
<td>Increase (decrease) in other accrued liabilities</td>
<td>(50,217)</td>
<td>(283,036.00)</td>
</tr>
<tr>
<td>Increase (decrease) in security deposits with energy suppliers</td>
<td></td>
<td>515,640.00</td>
</tr>
<tr>
<td>Increase (decrease) in user taxes and energy surcharges</td>
<td>13,468</td>
<td>9,391.00</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td><strong>$701,493</strong></td>
<td><strong>$8,858,260</strong></td>
</tr>
</tbody>
</table>
## Actual vs. Budget FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 01-31-20

<table>
<thead>
<tr>
<th>Description</th>
<th>1/31/2020 FY2020 Actuals</th>
<th>1/31/2020 FY2020 Budget</th>
<th>YTD Variance</th>
<th>% over/under</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Revenue</td>
<td>$34,510,913</td>
<td>$35,474,877</td>
<td>$(963,964)</td>
<td>-3%</td>
</tr>
<tr>
<td>Interest Revenues</td>
<td>51,418</td>
<td>68,143</td>
<td>(16,725)</td>
<td>-25%</td>
</tr>
<tr>
<td>Purchased Power</td>
<td>26,305,320</td>
<td>26,191,203</td>
<td>114,117</td>
<td>0%</td>
</tr>
<tr>
<td>Labor &amp; Benefits</td>
<td>606,027</td>
<td>688,403</td>
<td>(82,376)</td>
<td>-12%</td>
</tr>
<tr>
<td>Salaries &amp; Wages/Benefits</td>
<td>204,131</td>
<td>355,843</td>
<td>(151,712)</td>
<td>-43%</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>385,263</td>
<td>325,210</td>
<td>60,053</td>
<td>18%</td>
</tr>
<tr>
<td>Human Resources &amp; Payroll</td>
<td>16,633</td>
<td>7,350</td>
<td>9,283</td>
<td>126%</td>
</tr>
<tr>
<td>Office Supplies &amp; Other Expenses</td>
<td>76,473</td>
<td>74,605</td>
<td>1,868</td>
<td>3%</td>
</tr>
<tr>
<td>Technology Costs</td>
<td>7,367</td>
<td>5,404</td>
<td>1,963</td>
<td>36%</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,328</td>
<td>717</td>
<td>610</td>
<td>85%</td>
</tr>
<tr>
<td>Travel</td>
<td>4,218</td>
<td>2,800</td>
<td>1,418</td>
<td>51%</td>
</tr>
<tr>
<td>CalCCA Dues</td>
<td>63,560</td>
<td>63,583</td>
<td>(23)</td>
<td>0%</td>
</tr>
<tr>
<td>Memberships</td>
<td>-</td>
<td>2,100</td>
<td>(2,100)</td>
<td>-100%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>1,858,000</td>
<td>1,775,371</td>
<td>82,630</td>
<td>5%</td>
</tr>
<tr>
<td>Don Dame</td>
<td>11,592</td>
<td>10,500</td>
<td>1,092</td>
<td>10%</td>
</tr>
<tr>
<td>SMUD - Credit Support</td>
<td>315,988</td>
<td>369,419</td>
<td>(53,431)</td>
<td>-14%</td>
</tr>
<tr>
<td>SMUD - Wholesale Energy Services</td>
<td>329,084</td>
<td>329,084</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>SMUD - Call Center</td>
<td>385,284</td>
<td>390,966</td>
<td>(5,682)</td>
<td>-1%</td>
</tr>
<tr>
<td>SMUD - Operating Services</td>
<td>124,810</td>
<td>214,000</td>
<td>(89,190)</td>
<td>-42%</td>
</tr>
<tr>
<td>Legal</td>
<td>75,945</td>
<td>98,000</td>
<td>(22,055)</td>
<td>-23%</td>
</tr>
<tr>
<td>Regulatory Counsel</td>
<td>105,234</td>
<td>108,080</td>
<td>(2,846)</td>
<td>-3%</td>
</tr>
<tr>
<td>Joint Regulatory</td>
<td>34,475</td>
<td>17,500</td>
<td>16,975</td>
<td>97%</td>
</tr>
<tr>
<td>Legislative</td>
<td>35,000</td>
<td>35,000</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Accounting Services</td>
<td>9,966</td>
<td>14,000</td>
<td>(4,034)</td>
<td>-29%</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>63,000</td>
<td>58,500</td>
<td>4,500</td>
<td>8%</td>
</tr>
<tr>
<td>PG&amp;E Acquisition Consulting</td>
<td>148,244</td>
<td>-</td>
<td>148,244</td>
<td>100%</td>
</tr>
<tr>
<td>Marketing Collateral</td>
<td>219,380</td>
<td>130,322</td>
<td>89,058</td>
<td>68%</td>
</tr>
<tr>
<td>Rents &amp; Leases</td>
<td>10,143</td>
<td>10,158</td>
<td>(15)</td>
<td>0%</td>
</tr>
<tr>
<td>Hunt Boyer Mansion</td>
<td>10,143</td>
<td>10,158</td>
<td>(15)</td>
<td>0%</td>
</tr>
<tr>
<td>Other A&amp;G</td>
<td>137,968</td>
<td>184,805</td>
<td>(46,837)</td>
<td>-25%</td>
</tr>
<tr>
<td>PG&amp;E Data Fees</td>
<td>134,775</td>
<td>141,313</td>
<td>(6,538)</td>
<td>-5%</td>
</tr>
<tr>
<td>Community Engagement Activities &amp; Sponsorships</td>
<td>176</td>
<td>3,500</td>
<td>(3,324)</td>
<td>-95%</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,018</td>
<td>4,292</td>
<td>(1,275)</td>
<td>-30%</td>
</tr>
<tr>
<td>New Member Expenses</td>
<td>-</td>
<td>35,000</td>
<td>(35,000)</td>
<td>-100%</td>
</tr>
<tr>
<td>Banking Fees</td>
<td>-</td>
<td>700</td>
<td>(700)</td>
<td>-100%</td>
</tr>
<tr>
<td>Miscellaneous Operating Expenses</td>
<td>26,312</td>
<td>3,577</td>
<td>22,735</td>
<td>636%</td>
</tr>
<tr>
<td>Contingency</td>
<td>-</td>
<td>136,846</td>
<td>(136,846)</td>
<td>-100%</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>$29,020,243</td>
<td>$29,064,967</td>
<td>$(44,724)</td>
<td>0%</td>
</tr>
<tr>
<td>Interest Expense - Munis</td>
<td>14,965</td>
<td>32,368</td>
<td>(17,404)</td>
<td>-54%</td>
</tr>
<tr>
<td>Interest on RCB loan</td>
<td>44,337</td>
<td>50,846</td>
<td>(6,509)</td>
<td>-13%</td>
</tr>
<tr>
<td>Interest Expense - SMUD</td>
<td>8,967</td>
<td>9,707</td>
<td>(739)</td>
<td>-8%</td>
</tr>
<tr>
<td>Miscellaneous Non-Operating Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>NET INCOME</td>
<td>$5,473,819</td>
<td>$6,385,132</td>
<td>$(911,313)</td>
<td>-14%</td>
</tr>
</tbody>
</table>
To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: March 12, 2020

Please find attached Keyes & Fox’s February 2020 Regulatory Memorandum dated March 5, 2020, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated March 5, 2020
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). A Glossary of Acronyms used is provided at the end of this memo.

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


- **PG&E's 2020 ERRA Forecast**: Thanks in part to VCE’s in-person advocacy at the Commission, the CPUC approved a revised PD, which deducted an additional $92.9 million from the PABA account (which sets the PCIA) relative to the original PD, at its February 27, 2020, meeting. The final decision results in an uncapped system-average PCIA of $0.041/kWh for the 2017 vintage and a capped rate of $0.0317/kWh for the 2017 vintage, both of which are increases from the current $0.0267/kWh. These rates are likely to change yet again when PG&E files its Tier 2 Advice Letter on March 16 implementing the decision and truing up the forecast for October to December 2019 (actuals that had not been included to date).

- **PG&E’s 2018 ERRA Compliance**: The CPUC issued D.20-02-006, approving a settlement agreement and closing the proceeding.

- **RPS Rulemaking**: The CPUC issued D.20-02-040, correcting errors from its previous decision on 2019 RPS Procurement Plans, including correcting language that had erroneously indicated that VCE did not comply with the “LCBF Info” requirement. The Energy Division also confirmed by phone call (no written decision or ruling will be issued) that VCE’s revised 2019 RPS Procurement Plan filed in January 2020 is compliant. The CPUC also issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. The Energy Division hosted a workshop on the methods and templates of RPS Procurement Plans and Compliance Reports.

- **Investigation of PG&E Bankruptcy Plan**: The Assigned Commissioner issued a Ruling requesting parties' comments on ten Proposals that include changes to PG&E’s financial and operational structure. Parties filed reply testimony and evidentiary hearings were held.
**Investigation into PG&E Violations Related to Wildfires:** The ALJ issued a Ruling addressing several motions, including allowing AHC to withdraw as a party from the proceeding, but rejecting a request to withdraw its pleadings from the record. The ALJ issued the Presiding Officer’s Decision, approving the settlement agreement with modifications and resulting in PG&E shareholders liable for penalties totaling $2.137 billion – the largest penalty ever imposed by the CPUC – for the role PG&E’s equipment played in igniting catastrophic wildfires in 2017 and 2018.

**IRP Rulemaking:** Parties including VCE submitted their Progress Reports on additional system RA procurement required under D.19-11-016. The ALJ issued a PD that would adopt a Reference System Portfolio for use by LSEs in their IRP filings, which would now be due July 1, 2020. LSEs including VCE filed comments providing updated load forecasts in response to a January Ruling.

**RA Rulemaking (2021-2022):** The ALJ filed the Energy Division’s proposal on Maximum Cumulative Capacity buckets. Track 1 and 2 workshops were held, and various Track 2 working groups met. The ALJ issued a Ruling that attached Energy Division’s Track 2 proposals. On February 28, 2020, the ALJ issued two rulings, which provided Energy Division’s Track 1 proposal and modified the Track 2 procedural schedule, respectively. Energy Division also issued a final schedule for the third-party Load Impact Protocol requirements and the associated Energy Division-Stakeholder process, and demand response providers filed Draft Load Impact Protocol Evaluation Plans, which pertain to the establishment of Qualifying Capacity for DR resources.

**RA Rulemaking (2019-2020):** A group of clean energy and energy storage parties filed a Petition for Modification of D.20-01-004 on hybrid resources.

**2018 Rate Design Window:** Parties filed comments and reply comments on a PD addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that would largely retain the overarching design of residential rates as they are now.

**PG&E’s Phase 1 GRC:** PG&E and TURN filed a Motion to amend the settlement agreement to add additional information to indicate the resolution of certain Customer Care issues. The Joint CCAs filed a Response, a concurrently filed Motion seeking the opportunity to file a sur-reply brief, and a sur-reply brief, in response to PG&E’s Motion that modified the utility’s data request responses after the record in the proceeding closed.

**PG&E’s Phase 2 GRC:** The Assigned Commissioner issued a Scoping Memo and Ruling. On February 28, 2020, the ALJ issued a Ruling setting and noticing public participation hearings.

**PCIA Rulemaking:** Working Group 3 (Portfolio Optimization and Cost Reduction, and Allocation and Auction) filed its Final Report. The ALJ issued a PD on departing load forecast and presentation of the PCIA on customer bills.

**Direct Access Rulemaking:** An Energy Division report on draft recommendations to the Legislature is expected March 9.

**Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)

**Investigation into PG&E’s Organization, Culture and Governance:** No updates this month. TURN filed a notice of ex parte communication, based on which it appears that TURN supports state ownership of PG&E’s transmission lines.

**Wildfire Fund Non-Bypassable Charge (AB 1054):** The CPUC issued D.20-02-070 denying an Application for Rehearing filed by Ruth Hendricks of D.19-10-056, which approved the imposition of the wildfire fund non-bypassable charge.

**Other Regulatory Developments:**
o **PG&E Application to Recover Wildfire Insurance Costs**: PG&E filed an Application requesting to recover $498.7 million over a one-year period for 2017-2019 insurance costs recorded in its Wildfire Expense Memorandum Account (Docket No. A.20-02-004).

o **PG&E Application to Recover Wildfire Mitigation and Catastrophic Events Memorandum Accounts**: PG&E filed an Application seeking to recover $899 million over a 17-month period for 2017-2019 costs recorded in various wildfire mitigation and catastrophic events memorandum accounts (Docket No. A.20-02-003).

**New: PG&E's 2019 ERRA Compliance**

On February 28, 2020, PG&E filed its 2019 ERRA Compliance application.

- **Background**: ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRA balancing account.

- **Details**: PG&E requests that the CPUC find that PG&E complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about $4.0 million for Diablo Canyon seismic study costs.

- **Analysis**: This proceeding addresses PG&E’s cost calculations and accounts for the actual costs it incurred in 2019 and whether it managed its portfolio of contracts and UOG in a reasonable manner.

- **Next Steps**: Protests and responses are due April 2, 2020. PG&E notes that it is reviewing the CPUC’s decision from its 2020 ERRA Forecast proceeding, approved at the CPUC’s February 27, 2020 meeting, and will provide supplemental testimony as necessary on April 13, 2020.

- **Additional Information**: PG&E’s Application and Testimony (February 28, 2020); Docket No. A.20-02-009.

**PG&E’s 2020 ERRA Forecast**

On February 13 and 18, 2020, respectively, parties filed opening and reply comments on the Proposed Decision (PD). The CPUC issued D.20-02-047 based on a revised PD on February 28, 2020.

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

PG&E proposed to increase the uncapped 2020 PCIA rates for residential customers from $0.02709/kWh to $0.04548/kWh for 2017 vintage customers and from $0.02979/kWh to $0.04567/kWh for 2018 vintage customers. A cap limiting the increase to $0.005/kWh would apply to each of these rates, subject to a potential trigger mechanism that would increase the rates beyond the cap. The PCIA rate for 2020 vintage residential customers, which is not capped because there is no cap for bundled customers (which make up the 2020 vintage), would be $0.04452/kWh. Of note, PG&E expects CCA and DA providers to serve more than 54% of PG&E’s system retail sales in 2020.

- **Details**: D.20-02-047 included a revision made to the original PD that deducted $92.9 million from the PABA balance, finding the 20% of starting bank RECs included in PG&E AL 5554-E should not be counted as unsold RPS. Otherwise, the Decision generally sided with PG&E on the remaining contested issues (PG&E had already agreed to changes on nearly $700 million worth
of issues). The Decision approves the following revenue requirements as proposed and subsequently revised by PG&E:

- The 2020 ERRA revenue requirement of $3.014 billion.
- The PCIA revenue requirement of $3.056 billion.
- The Competition Transition Charge (CTC) revenue requirement of $112 million.
- The Cost Allocation Mechanism (CAM) revenue requirement of $205 million.
- The Tree Mortality Non-Bypassable Charge revenue requirement of $102 million.
- The utility-owned generation revenue requirement of $2.260 billion.

**Analysis:** The decision results in an uncapped system-average PCIA of $0.041/kWh for the 2017 vintage and a capped rate of $0.0317/kWh for the 2017 vintage, both of which are increases from the current $0.0267/kWh. These rates are likely to change yet again when PG&E files its Tier 2 Advice Letter on March 16 implementing the decision and triing up the forecast for October to December 2019.

**Next Steps:** The final written decision will be issued, after which the proceeding will be closed.

**Additional Information:** D.20-02-047 (February 28, 2020); Scoping Memo and Ruling (August 22, 2019); Application (June 3, 2019); Testimony available on PG&E’s regulatory webpage (June 3, 2019); Docket No. A.19-06-001.

**PG&E’s 2018 ERRA Compliance**

On February 12, 2020, the CPUC issued D.20-02-006, approving a settlement agreement and closing the proceeding.

**Background:** ERRA compliance review proceedings review the utility’s compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRA balancing account. In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources, as well as that it managed its utility-owned generation (UOG) facilities reasonably.

**Details:** The Decision approves the Settlement Agreement resolves all disputed issues raised by parties to this proceeding. In the Settlement Agreement, the Joint CCAs and PG&E agreed rate adjustments addressing the prior misallocation of Cost Allocation Mechanism-related costs will occur through the PABA to avoid a situation where now-departed customers pay twice for the same energy and capacity. PG&E agreed to participate in a workshop with other California IOUs in order to develop and standardize renewable and storage resource reporting requirements and to certain modest cost disallowances. PG&E is authorized cost recovery of $4.7 million for Diablo Canyon seismic study costs.

**Analysis:** This proceeding addressed PG&E’s cost calculations and accounted for the actual costs it incurred in 2018 and whether it managed its portfolio of contracts and UOG in a reasonable manner.

**Next Steps:** This proceeding is now closed.

**Additional Information:** D.20-02-006 approving settlement agreement (February 12, 2020); Scoping Memo and Ruling (June 3, 2019); PG&E Application (February 28, 2019); Docket No. A.19-02-018.
RPS Rulemaking

On February 21, 2020, the CPUC issued D.20-02-040 correcting errors from its previous decision on 2019 RPS Procurement Plans, including correcting language that had erroneously indicated that VCE did not comply with the "LCBF Info" requirement. The Energy Division also confirmed by phone call (no written decision or ruling will be issued) that VCE’s revised 2019 RPS Procurement Plan filed in January 2020 is compliant. On February 27, 2020, the CPUC issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Also on February 27, 2020, the Energy Division hosted a workshop on the methods and templates of RPS Procurement Plans and Compliance Reports.

- **Background:** This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan to address two deficiencies identified: (1) Least-Cost, Best-Fit (LCBF) information and (2) demonstration of compliance with the long-term contracting requirement.

- **Details:** D.20-02-040 corrected a clerical error in the CPUC’s prior decision on LSEs’ 2019 RPS Procurement Plans, removing language that stated that VCE was non-compliant with respect to the "LCBF [least-cost, best-fit] Info” requirement. However, it still required VCE to add more detail to show how it would meet the long-term contracting requirement, which VCE provided through a revised RPS Procurement Plan filed on January 29, 2020.

The Ruling seeks comments on a Staff Proposal attached to the Ruling to make the rules related to confidentiality of information about compliance, reporting, procurement, and planning for the RPS program more transparent, accessible, and consistent. Among other proposals, the Energy Division has proposed to make CCAs’ RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

- **Analysis:** The Staff Proposals in the February 27, 2020, Ruling include provisions that could result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

D.19-09-007 on new CCAs’ 2018 RPS Procurement Plans, D.19-08-007 on RPS enforcement actions for two ESPs, and D.19-12-042 on 2019 RPS Procurement Plans together reinforce the CPUC’s increasing scrutiny of CCAs and their compliance obligations, and the potentially large penalties associated with non-compliance.

Remaining issues to be addressed in this proceeding include a determination on the revised 2019 RPS Procurement Plans, as well as issues that could impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- **Next Steps:** Comments and reply comments, respectively, on the Staff Proposal are due March 30, 2020, and April 17, 2020. The 2020 RPS Procurement Plan is due June 21, 2020, and the 2019 RPS Compliance Report is due August 1, 2020.

In 2020, the Energy Division is developing a proposal (potentially including workshops or working groups) on integrating the IRP and RPS Procurement Plan filings, but the possibility of combining these filings will not occur prior to 2022, per D.19-12-042.

- **Additional Information:** D.20-02-040 correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); Ruling on RPS confidentiality and transparency issues (February 27, 2020); EnerCal’s Petition for Modification of D.19-12-042 (January 17, 2020); D.19-12-042 on 2019 RPS Procurement Plans (December 30, 2019); D.19-09-043 on ELCC modeling (September 26, 2019); D.19-09-007 on new CCAs’ 2018 RPS Procurement Plans (September 18, 2019); D.19-08-007 on RPS enforcement actions (August 7, 2019); D.19-06-023 on implementing SB 100 (May 22, 2019); Ruling extending procedural schedule (May 7, 2019); Ruling identifying issues,
Investigation of PG&E Bankruptcy Plan

On February 18, 2020, the Assigned Commissioner (President Batjer) issued a Ruling requesting parties' comments on ten Proposals (attached to the Ruling in Appendix A) that include changes to PG&E's financial and operational structure. On February 21, 2020, parties filed reply testimony. Evidentiary hearings were held from February 25, 2020 through March 4, 2020.

- **Background:** Under AB 1054, in order for PG&E to be eligible to participate in the Wildfire Fund, its plan must be "neutral, on average, to ratepayers." The case will address regulatory review and approval of the plan, in particular the questions surrounding whether the plan meets the requirements AB 1054 imposes for PG&E to participate in the newly established Wildfire Fund, which is encumbered by a June 30, 2020 deadline. This proceeding will consider the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines of penalties for PG&E's pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E's corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest.

PG&E's reorganization plan would result in a $13.5 billion Fire Victim Trust and a $11 billion settlement with insurance claim holders and companies. The Fire Victim Trust will be funded through $6.75 billion in cash, and $6.75 billion in stock of reorganized PG&E Corp., representing at least a 20.9% share ownership of the reorganized PG&E Corp. Notably, tort claimants of PG&E have shifted their support from the plan of the Ad Hoc Committee of Senior Unsecured Noteholders of PG&E to the amended plan proposed by PG&E.

On January 22, 2020, PG&E announced that it had reached an agreement with AHC regarding its reorganization plan. This agreement was approved by the Bankruptcy Court on February 4, 2020. PG&E’s amended reorganization plan now addresses the claims of holders of utility prepetition funded debt, separately classifies Ghost Ship Fire Claims from other Fire Claims (i.e., rather than channeling them through the Fire Victim Trust), clarifies that all accrued and unpaid payments as of the Effective Date that are due under the Debtors’ Employee Benefit Plans will be paid on or as soon as practicable after the Effective Date, and incorporates agreements with IBEW Local 1245.

- **Details:** In a press release on the Ruling, President Batjer said she is "very concerned about PG&E’s pattern of safety-related failures," and that its handling of fall 2019 PSPS events "raises questions about its ability to effectively plan and execute on decisions and actions within its control." The Ruling identifies ten proposals for providing more oversight of PG&E along with management and operational changes at PG&E. Among the proposals is for PG&E to create local operating regions, including appointing regional officers to manage each region and having each region have its own risk officer and safety officer. The last of the ten proposals identifies a roadmap for how the CPUC will closely monitor PG&E’s performance, specifying various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its Certificate of Public Convenience and Necessity. More significant reforms that have been of interest to VCE and other CCAs and local governments, such as municipalization, separating PG&E electric and gas operations, or transforming PG&E into a publicly owned or cooperative utility are not addressed.

In testimony, CCAs made the following arguments:

- Joint CCAs recommended that the CPCU develop a plan in I.15-08-019 (Investigation into PG&E’s Organization, Culture and Governance) to phase out PG&E’s retail electric generation service to customers, including the associated procurement activities, by 2025. Joint CCAs also urged better coordination between PG&E and local governments,
particularly on wildfire and safety issues, and proposed a process for ensuring that PG&E’s Plan is “neutral, on average, to the ratepayers.”

- The City and County of San Francisco recommended that PG&E be required to provide additional information on its Regional Restructuring Plan and safety and operational metrics prior to approval. Furthermore, it urged the CPUC to reject PG&E’s request to preclude consideration of structural alternatives in the 1.15-08-019 and disallow PG&E from recovering from ratepayers costs associated with its bankruptcy and emergence from bankruptcy. Finally, it recommended that PG&E be required to consider asset sales and restructuring of long-term contracts that could improve PG&E’s financial condition, as well as alternatives to its current management and operational structures.

- **Analysis:** This proceeding will allow the CPUC to approve a restructuring plan for PG&E, which ultimately must secure approval for the plan by the federal Bankruptcy Court. The express exclusion of municipalization issues from the scope of the proceeding has implications for VCE and its bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E’s restructuring. The stock component of the amended reorganization plan could align tort claimants with PG&E in ways that are detrimental to VCE’s bid for municipalization and other interests as well. VCE is a party to this proceeding.

- **Next Steps:** Opening briefs (including opening comments on the February 18 Ruling) and reply briefs (including reply comments on the February 18 Ruling), respectively, are due March 13, 2020, and March 26, 2020. The deadline to request evidentiary hearings on the Assigned Commissioner Ruling proposals is March 16, 2020. A PD on financial issues is targeted for April 2020. The CPUC intends to complete the proceeding sufficiently in advance of the June 30, 2020 deadline in order to allow the bankruptcy court sufficient time to address and approve any changes to the plan that result from CPUC directives.

- **Additional Information:** Ruling requesting comments on the Assigned Commissioner’s proposals (February 18, 2020); Press Release on President’s statement on PG&E’s bankruptcy plan (February 18, 2020); PG&E Notice of Amended Plan of Reorganization and Testimony (January 31, 2019); Ruling modifying procedural schedule (January 16, 2020); Ruling on Section 854 (November 27, 2019); Scoping Memo and Ruling (November 14, 2019); PG&E Amended Plan (November 5, 2019); Order Instituting Investigation (October 4, 2019); Docket No. I.19-09-016.

### Investigation into PG&E Violations Related to Wildfires

On February 24, 2020, the ALJ issued a Ruling addressing several motions, including allowing AHC to withdraw as a party from the proceeding, but rejecting a request to withdraw its pleadings from the record. On February 27, 2020, the ALJ issued the Presiding Officer’s Decision, approving the settlement agreement with modifications and resulting in PG&E shareholders liable for penalties totaling $2.137 billion – the largest penalty ever imposed by the CPUC – for the role PG&E’s equipment played in igniting catastrophic wildfires in 2017 and 2018.

- **Background:** The CPUC opened this formal investigation to determine whether PG&E violated any laws, rules, or other applicable requirements pertaining to the maintenance and operation of electric facilities involved in igniting fires in its service territory in 2017. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E’s vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E’s electrical facilities ignited all but one of the fires addressed in this investigation. This investigation addresses fire incidents from the October 2017 Fire Siege investigated by SED and will determine whether PG&E’s practices have been unsafe and in violation of the law. This investigation orders PG&E to take immediate corrective actions to come into compliance with CPUC requirements. The scope of the proceeding includes violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire.
what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires.

The terms of the Settlement Agreement specify that PG&E’s shareholders are on the hook for $1.675 billion in financial obligations as a result of numerous wildfires its equipment played a role in sparking in 2017 and 2018. Specifically, PG&E would not be permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling $1.625 billion. In addition, PG&E would be required to spend $50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

- **Details:** The Presiding Officer’s Decision increased by $198 million the disallowances for wildfire-related expenditures that was provided in the settlement agreement between PG&E, the CPUC’s Safety and Enforcement Division, the CPUC’s Office of the Safety Advocate, and the Coalition of California Utility Employees. It also increased PG&E’s System Enhancement Initiatives and corrective actions by $64 million. The Decision also added a $200 million fine, payable to the General Fund. In total, these changes increased PG&E’s penalties by $462 million relative to the settlement agreement. The Presiding Officer’s Decision also required any tax savings associated with the shareholder payments under the settlement agreement, as modified by this decision, to be returned to the benefit of ratepayers. Finally, it denied all previously-unaddressed motions filed in the docket.

- **Analysis:** If the Presiding Officer’s Decision becomes final, this investigation will have resulted in the largest penalty in CPUC history. It also will require additional spending by PG&E to mitigate future wildfire risk, potentially impacting the quality of service experienced by VCE customers. Monetary penalties will ultimately be handled in the Bankruptcy Court. Prepetition liabilities must be resolved in this proceeding so that PG&E can emerge from bankruptcy within the time frame provided in AB 1054 (i.e. June 30, 2020).

- **Next Steps:** Appeals to the Presiding Officer’s Decision are due March 28, 2020; if no appeals are filed, the decision becomes final. In addition, any Commissioner may request review of the Presiding Officer’s Decision by filing and serving a Request for Review by the same date. Any party may file and serve a Response to an Appeal or Request for Review within 15 days after the date the Appeal or Request for Review was filed, or, if multiple Appeals or Requests for Review are filed, the Response may be to all such filings and may be filed 15 days after the last Appeal or Request for Review was filed.

- **Additional Information:** Presiding Officer’s Decision approving the settlement agreement with modifications (February 27, 2020); Ruling denying AHC motion to withdraw and rulings on other motions (February 24, 2020); Ruling modifying procedural schedule (January 21, 2020); Joint Motion for Approval of Settlement Agreement (December 17, 2019); Ruling amending scope (December 5, 2019); Report on Camp Fire (November 26, 2019; Note: Large File, 259 MB); Ruling granting extension of proceeding schedule (November 25, 2019); Amended Scoping Memo and Ruling (October 28, 2019); GO 95 Rule 31.1; GO 95 Rule 35; GO 95 Rule 38; Order Instituting Investigation (June 27, 2019); Docket No. I.19-06-015.

### IRP Rulemaking

On February 18, 2020, parties including VCE submitted their Progress Reports on additional system RA procurement required under D.19-11-016. On February 21, 2020, the ALJ issued a PD that would adopt a Reference System Portfolio (RSP) for use by LSEs in their IRP filings, which would now be due July 1, 2020. On February 28, 2020, LSEs including VCE filed comments providing updated load forecasts in response to a January Ruling.

- **Background:** In the CPUC’s IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement.
D.19-11-016 recommended meeting the potential RA capacity shortage identified through two tranches. Tranche 1 consists of a recommendation that the state Water Resources Control Board (Water Board) extend the retirement dates for several existing generation facilities that use once-through cooling (OTC) systems (~3,750 MW of capacity slated to retire December 31, 2020). Tranche 2 consists of a mandatory procurement of 3,300 MW of additional capacity from resources incremental to baseline capacity included in the 2022 PSP. At least 50% of resources must be on-line by August 1, 2021, 75% by August 1, 2022, and 100% by August 1, 2023. VCE’s incremental system RA procurement requirements for these respective deadlines are 6.3 MW, 9.4 MW, and 12.6 MW.

- **Details**: The PD would adopt a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), which the PD asserts would comport with a trajectory to meet the state’s goal to supply 100% of retail electricity sales with clean energy by 2045. The resulting 2019-2020 RSP includes a large amount of new solar, wind, and battery storage resources. For instance, it shows the total resource mix in 2030 including 25,084 MW of natural gas (down from 27,562 MW in 2020), 25,905 MW of solar (an increase of 9,595 MW), 20,066 MW of customer solar (an increase of 10,239 MW), 12,138 MW of battery storage (an increase of 10,292 MW), and 10,293 MW of wind (an increase of 2,936 MW). Unlike the previous (2017-2018) RSP, this RSP does not include new geothermal resources, but adds out-of-state wind and pumped storage, or other long-duration storage, resources. The CPUC would explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured for the benefit of the sector as a whole.

In their individual IRPs, LSEs are required to show how their previous and planned resource procurement will help the state collectively meet this optimal portfolio and GHG target. The PD would adopt certain modifications to the specific requirements for individual LSEs filing IRPs, and delegates to CPUC staff to finalize the templates for this purpose by no later than April 15, 2020.

- **Analysis**: The procurement track of this proceeding could potentially diminish VCE’s authority and control over its resource procurement decisions, although the scope of centralized procurement is now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action. Any changes to D.19-11-016 in response to the three applications for rehearing could change the requirement that VCE procure an additional 12.6 MW of incremental procurement over the baseline.

The proposed 2019-2020 RSP would result in large additions of solar and energy storage resources to California’s supply mix, as well as smaller quantities of wind, over the next decade.

- **Next Steps**: Comments on the PD are due March 12, 2020, with reply comments due March 17, 2020. Reply comments on updated load forecasts provided by LSEs are due March 13, 2020.

- **Additional Information**: Proposed Decision on RSP and 2020 IRP filing requirements (February 21, 2020); Ruling allowing updated load forecasts (January 24, 2020); Protect Our Communities Application for Rehearing of D.19-11-016 (December 13, 2019); GenOn Holdings Application for Rehearing of D.19-11-016 (December 13, 2019); Joint Application for Rehearing of D. 19-11-016(December 5, 2019); List of Baseline Resources (December 2, 2019); E-Mail Ruling extending RSP comments deadlines (November 19, 2019); D.19-11-016 (November 13, 2019); Ruling requesting comments on RSP (November 6, 2019); Ruling initiating procurement track (June 20, 2019); D.19-04-040 on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. R.16-02-007.

### RA Rulemaking (2021-2022)

On February 7, the ALJ filed the Energy Division’s proposal on Maximum Cumulative Capacity buckets. On February 11, 2020, Energy Division issued this final schedule for the third-party Load Impact Protocol (LIP) requirements and the associated Energy Division-Stakeholder process. On February 14, 2020, a Track 1 workshop was held. On February 12-13 and February 24, 2020, the various Track 2 working
groups met. On February 21, 2020, the ALJ issued a Ruling that attached Energy Division’s Track 2 proposals. On February 28, 2020, the ALJ issued a ruling attaching the Energy Division’s Track 1 proposal, and another ruling setting forth the Track 2 schedule. On February 28, 2020, demand response providers filed Draft Load Impact Protocol Evaluation Plans, which pertain to the establishment of Qualifying Capacity for DR resources. A workshop on Track 2 proposals was held March 5, 2020.

- **Background**: See the RA Rulemaking (2019-2020) proceeding below for additional background information on current RA issues. The preliminary scope of this proceeding includes Local and Flexible RA requirements beginning in 2021, structural program changes, and program refinements. Specifically, it will determine local RA requirements for the 2021-2023 compliance years, including the CAISO’s local capacity study, local area aggregation, local RA waivers or adjustments, and the reliability criteria targeted through procurement obligations. It will also establish Flexible RA requirements for the 2021 and 2022 compliance years. Per the Scoping Memo, this proceeding is divided into 4 tracks:

  1. Track 1 considers revisions to the RA import rules.
  2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the “PG&E Other” area; and changes to the existing penalty structure and waiver process to address potential market power.
  3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
  4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.

- **Details**: In Track 1, the Energy Division is proposing the following measures to reduce speculation and potential gaming in the RA import market to ensure electricity is delivered into California when it is actually needed:

  1. Require resource-specific RA imports to be pseudo-tied or dynamically scheduled into the CAISO day-ahead and real-time markets and to have resource-specific IDs;
  2. Require non-resource specific RA imports (i.e., energy contracts) to (a) have contractually specified fixed energy price provisions and contain no curtailment provisions, (b) deliver or schedule energy into the day-ahead and real-time markets, and (c) deliver energy at least during the availability assessment hours regularly throughout the RA compliance month; and
  3. Require load-serving entities (LSEs) to provide RA import contracts in a timely manner, with no provisions redacted, to Energy Division staff in order for the RA import contracts to count towards an LSE’s RA obligation.

In Track 2, with respect to Energy Division’s MCC proposal, for background, the MCC bucket system, which was last updated in 2012, groups capacity resources into categories (currently 5 in total) based on their monthly availability limits during summer (i.e., peak) months, and limits the amount of capacity that may be procured from use-limited resources to specified percentages of RA capacity needs. The Staff Proposal contains four options for updating the MCC bucket system and recommends Option #4b (essentially an all of the above option). Of note, solar and wind are currently considered “unrestricted” resources (Category 4), meaning that they are not limited to specified maximum quantities. Energy Division’s proposal would retain solar and wind within Category 4, but modify it to provide that at least 56.1% of resources must be 24-hour...
dispatchable resources. This amount was arrived at by analyzing the MCC bucket percentages using net load duration curves (i.e., load minus solar and wind).

Energy Division’s other Track 2 proposals include re-aggregating the PG&E “Other” Local Area; requiring all non-emergency DR except DR auction mechanism (DRAM) resources be required to dispatch for a four-hour period during RA measurement hours on three days during the July - September time frame; establishing an optional alternative to the use of LIPs for non-IOU DR resources; supporting the design and application of the current interim methodology for hybrid resource (i.e., generation resources paired with energy storage); capping the effective flexible capacity of energy storage resources; recommending that the CPUC affirm several reporting elements that are largely reflected in the 2020 RA Filing Guide to avoid confusion about how capacity should be reported; and proposing to clarify the meaning of notices indicating an RA deficiency versus a need for corrections; and modifying the RA penalty structure by increasing penalties for summer months and decreasing penalties in non-summer months. It also seeks comments on whether it is appropriate to penalize an LSE twice when a month ahead deficiency is redundant to a year ahead deficiency that was not cured in the interim and whether a procedure should be established to remove LSEs that consistently cannot procure sufficient capacity from the market, and a potential alternative where penalties are escalated for repeated violations.

- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE’s capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should cap use-limited and preferred resources; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.

- **Next Steps:** In Track 1, comments on workshop report and/or proposals are due March 6, 2020.

In Track 2, comments and reply comments on the workshop and all proposals filed are due March 23 and March 30, 2020, respectively. Flexible and local RA issues will be addressed in April-May, kicking off with the CAISO draft 2021 LCR Report filed on April 1. With respect to Counting Convention proposals specifically, the working group will issue a report on March 11, 2020, with comments and motions for evidentiary hearing due March 23, 2020, and reply comments due March 30, 2020.

In Track 3, proposals from parties and Energy Division are due July 10.

The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.

- **Additional Information:** Ruling providing Energy Division’s Track 1 Proposal (February 28, 2020); Ruling modifying Track 2 schedule (February 28, 2020); Scoping Memo and Ruling (January 22, 2020); Ruling attaching Energy Division’s Track 2 proposals (February 21, 2020); Ruling attaching Energy Division’s Maximum Cumulative Capacity (MCC) buckets proposal (February 7, 2020); Order Instituting Rulemaking (November 13, 2019); Docket No. R.19-11-009.

**RA Rulemaking (2019-2020)**

On February 11, 2020, a group of clean energy and energy storage parties filed a Petition for Modification (PFM) of D.20-01-004 on hybrid resources.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed.
In Track 2, the CPUC adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). A pending settlement agreement, filed by CalCCA among other parties (but not PG&E), would create an RA Central Procurement Entity (“RA-CPE”), unidentified in the Settlement Agreement, to procure residual collective RA for all CPUC-jurisdictional LSEs that is not met by individual LSEs. Individual LSEs may choose to procure their share of the collective RA requirement, or they may allow the RA-CPE to procure their share on default. Costs will be allocated ex post based on cost causation principles. The Commission has not taken action on the proposed settlement.

In Track 3, D.19-06-026 adopted CAISO’s recommended 2020-2022 Local Capacity Requirements and CAISO’s 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a “Binding Load Forecast” process such that an LSE’s initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE’s implementation to new customers.

- **Details**: Regarding the PFM of D.20-01-004, the parties are seeking a revision to the definition of “Hybrid Resource” as a generating resource co-located with a storage project and with a single point of interconnection and represented by a single market resource ID, so that the interim “greater-of” QC methodology is not applied to co-located generation and storage resources operating under two or more resource IDs. For reference, D.20-01-004 adopted an interim valuation for IFOM resources that have operational restrictions (e.g., a charging restriction), defining QC as the greater of the ELCC-based QC of the intermittent resource, or the QC of the co-located storage device.

- **Analysis**: This proceeding affects VCE’s Local RA compliance obligations beginning in 2020, for the first time requiring procurement over a three-year period instead of an annual period. The most significant impacts of D.19-10-021 will be felt by CCAs with unspecified imports currently under contract.

The settlement agreement, if approved by the CPUC, would resolve central buyer issues other than the identity of the central buyer. Moving to a central procurement entity as proposed in the settlement agreement would impact VCE’s RA procurement and compliance, including eliminating the need for monthly RA showings and associated penalties and/or waiver requests from individual LSEs. VCE could choose to procure its share of RA or allow that to be done by the central buyer and pay for its share of such procurement.

CalCCA’s Petition for Modification, if granted, would provide CCAs with the potential for a waiver of system and flexible RA requirements (in addition to the existing waiver process for local RA). The disaggregation of the PG&E Other Zone is likely to complicate VCE’s RA procurement efforts, so if the PG&E PFM is approved by the CPUC, it could provide alternative compliance options to VCE and additional flexibility.

- **Next Steps**: The timeline for a final decision regarding the central buyer is unclear.

- **Additional Information**: PFM of D.20-01-004 (February 11, 2020); D.20-01-004 on qualifying capacity value of hybrid resources (January 17, 2020); Ruling on Energy Division’s RA State of the Market Report (January 14, 2020); D.19-12-064 granting motion for stay of D.19-10-021 (December 23, 2019); Powerex Application for Rehearing of D.19-10-021 (November 18, 2019); CAISO Application for Rehearing of D.19-10-021 (November 18, 2019); Petition for Modification of D.19-06-026 by CalCCA (October 30, 2019); CalCCA Application for Rehearing of D.19-10-021 (October 24, 2019); D.19-10-021 affirming RA import rules (October 17, 2019); D.19-09-054 extending statutory deadline (September 26, 2019); PG&E PFM regarding PG&E Other disaggregation (September 11, 2019); Ruling issuing RA State of the Market (September 3, 2019); Joint Motion to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); D.19-06-026 adopting local and flexible capacity requirements (July 5, 2019); Docket No. R.17-09-020.
2018 Rate Design Window

On February 25, 2020, and March 2, 2020, parties filed comments and reply comments, respectively, on a PD addressing Phase 3 issues (primarily residential fixed charges and minimum bills) that would largely retain the overarching design of residential rates as they are now.

• **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 1 Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 Phase 2A Decision addressed PG&E’s restructuring of the CARE discounts into a single line item percentage discount to the customer’s total bill. The July 2019 Phase 2B Decision made determinations regarding PG&E’s rate design under its default TOU roll out beginning in October 2020 and established a process for a CCA wishing to have its customers defaulted to TOU generation rates. The proceeding is now focused on Phase 3, which considers the IOUs’ proposals for fixed charges and/or minimum bills.

• **Details:** The PD would find that the utilities failed to demonstrate that their fixed charge proposals would be met with customer acceptance and understanding of what would be a novel rate design for California. It would reject PG&E’s proposal to establish a $6.37/month fixed charge. The PD would allow PG&E to increase the standard minimum bill amount, currently $10/month, for 2020 to reflect the CPI inflation percentages for 2018 and 2019, with an annual CPI adjustment beginning in 2021. The CARE rate will remain at the current $5/month rate as adjusted for inflation.

The PD would direct that the minimum bill amounts be calculated based on distribution charges only beginning October 1, 2020. This is a shift from present design under which the minimum bill is assessed based on all non-generation volumetric rates, which also include transmission and other non-bypassable charges. It also would determine that if a customer does pay a fixed charge under an optional rate that they choose to enroll in, the customer may not also be charged a minimum bill.

• **Analysis:** This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE’s rates compared to PG&E’s, and to the extent VCE mirrors PG&E’s residential rate design, lead to changes in the way VCE structures its residential rates. CCAs are not obligated to default their customers to TOU generation rates, but regardless of whether a CCA offers TOU generation rates, CCA customers will be subject to default TOU distribution rates. However, the pending Track 3 PD, if adopted, would not result in major residential rate design changes for PG&E customers, as it rejects PG&E’s proposed fixed charge and only slightly modifies PG&E’s existing minimum bill.

• **Next Steps:** The PD may be adopted, at the earliest, at the CPUC’s March 12, 2020, meeting.

• **Additional Information:** [Proposed Decision](#) on Track 3 issues (February 5, 2020); [D.19-07-004 in Phase IIB (July 19, 2019)](#); [PG&E Phase III Revised Testimony](#) on fixed charges (April 12, 2019, and March 29, 2019); [D.18-12-004 on Phase IIA Issues (December 21, 2018)](#); [Ruling clarifying scope (July 31, 2018)](#); [D.18-05-011 (Phase I)](#) on the timing of a transition to default TOU rates (May 17, 2018); [Amended Scoping Memo](#) (April 10, 2018); [PG&E Rate Design Window Application & Testimony (December 20, 2017)](#); Docket No. [A.17-12-011](#) (consolidated).

PG&E’s Phase 1 GRC

On February 6, 2020, PG&E and TURN filed a Motion to amend the settlement agreement to add additional information to indicate the resolution of certain Customer Care issues. On February 11, 2020, the Joint CCAs filed a Response, and a concurrently filed Motion seeking the opportunity to file a sur-
reply brief, in response to PG&E’s Motion that requested official notice of information contained in PG&E Corporation’s and PG&E’s Form 10-K Annual Reports.

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

The Settlement Agreement, filed December 30, 2019, would result in an increase in PG&E’s 2020 revenue requirement of $575 million (i.e., $483 million lower than PG&E’s original request), with additional increases of $318 million, or 3.5% in 2021, and $367 million, or 3.9%, in 2022. The Settlement Agreement would result in PG&E withdrawing its proposal for a non-bypassable charge related to its hydroelectric facilities. It would require PG&E to develop new and enhanced reporting to provide increased visibility into the work it performed. It also provides for PG&E’s ability to purchase insurance coverage up to $1.4 billion to protect against wildfire risk and other liabilities, reflected in PG&E’s forecast as a cost of $307 million. The consolidated 2020 electric and gas bill impact would be 3.4%.

- **Details**: The Joint CCAs contend that PG&E requested notice of information that contradicts evidence the utility provided the Joint CCAs and failed to correct over the course of the proceeding. Rather than requesting the CPUC deny PG&E’s Motion, the Joint CCAs are requesting an opportunity to file a Sur-Reply Brief in response to PG&E’s Reply Brief. The Sur-Reply Brief was attached to the Motion. PG&E filed a reply to the response to the Motion agreeing the Joint CCAs should be given the opportunity to respond but alleging the Joint CCAs’ response was overbroad.

- **Analysis**: PG&E’s GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE’s rates relative to PG&E’s. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs’ recommendations that the Commission:
  - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
  - Ensure CCAs can connect clean generation to PG&E’s temporary microgrids during PSPS events.
  - Revise the settlement’s exorbitant decommissioning costs for PG&E’s PCIA-eligible facilities.
  - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.

- **Next Steps**: The ALJs will issue a proposed decision.

- **Additional Information**: Joint CCAs’ PG&E Motion for Official Notice of Facts (January 27, 2020); Joint Motion for Settlement Agreement (January 14, 2020); E-Mail Ruling granting oral argument (January 6, 2020); E-Mail Ruling modifying procedural schedule (December 2, 2019); E-Mail Ruling suspending briefing deadlines (November 25, 2019); D.19-11-014 (November 14, 2019); Ruling setting public participation hearings (May 7, 2019); Scoping Memo and Ruling (March 8, 2019); Joint CCAS’ Protest (January 17, 2019); Application and PG&E GRC Website (December 13, 2018); Docket No. A.18-12-009.
PG&E’s Phase 2 GRC

On February 10, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling. On February 28, 2020, the ALJ issued a Ruling setting and noticing public participation hearings.

- **Background**: PG&E’s 2020 Phase 2 General Rate Case (GRC) addresses marginal cost, revenue allocation and rate design issues covering the next three years. PG&E’s pending Phase 1 GRC (filed in December 2018 via a separate proceeding) will set the revenue requirement that will carry through to the rates ultimately adopted in this proceeding.

  In this proceeding, PG&E seeks modifications to its rates for distribution, generation, and its public purpose program (PPP) non-bypassable charge. PG&E proposes to implement a plan to move all customer classes to their full cost of service over a six-year period (the first three years of which are covered by this GRC Phase 2) via incremental annual steps. PG&E proposes to use marginal costs for purposes of revenue allocation and to adjust distribution one-sixth of the way to full cost of service each year over a six-year transition period.

  Of note, PG&E is proposing changes to the DA/CCA event-based fees that were not updated in the 2017 Phase 2 GRC proceeding. In addition, PG&E proposes to remove the PCIA revenue from bundled generation revenue and allocate that cost separately to bundled customers, collecting the PCIA from bundled customers on a non-time differentiated, per-kWh basis (i.e., the same way it is collected from DA/CCA customers). PG&E will continue to display the PCIA with other generation charges on customer bills, but will unbundle the PCIA as part of unbundled charges in each rate schedule.

- **Details**: The Scoping Memo and Ruling establishes the procedural schedule and the issues to be examined in this proceeding.

- **Analysis**: This proceeding may not impact the transparency between a bundled and unbundled customer’s bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. It will affect the allocation of PG&E’s revenues requirements among Valley’s different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility’s next rate case. If PG&E’s proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.

- **Next Steps**: Regarding the essential usage study design specifically, a workshop will be held in March, followed by PG&E filing its proposal on April 1, 2020, and opening and reply comments, respectively, due May 1 and May 15, 2020. The schedule for general issues in this proceeding includes the following key dates: PG&E hosts public workshop on marginal costs and revenue allocation proposals the week of April 13, 2020; PG&E serves updated testimony May 1, 2020; public participation hearings are scheduled for May and June 2020; intervenor direct testimony is due September 25, 2020. A CPUC decision is anticipated for September 2021.

- **Additional Information**: Ruling setting public participation hearings (February 28, 2020); Scoping Memo and Ruling (February 10, 2020); E-mail Ruling extending Protest deadline (December 3, 2019); Application, Exhibit (PG&E-1): Overview and Policy, Exhibit (PG&E-2): Cost of Service, Exhibit (PG&E-3): Revenue Allocation, Rate Design and Rate Programs, and Exhibit (PG&E-4): Appendices (November 22, 2019); Docket No. A.19-11-019.

PCIA Rulemaking

On February 21, 2020, Working Group 3 (Portfolio Optimization and Cost Reduction, and Allocation and Auction) filed its Final Report. On February 25, 2020, the ALJ issued a PD on departing load forecast and presentation of the PCIA.
• **Background**: D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

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

• **Details**: The PD declines to adopt any technical modifications to departing load forecasting. It would require each IOU to report in each regulatory filing their meet-and-confer activities with the CCAs, if the regulatory filing includes a departing load forecast. It would direct the IOUs to collaborate to submit a joint proposal for bill and tariff changes to show a PCIA line item in their tariffs and bill summary table on all customer bills, with each utility submitting a Tier 3 Advice Letter by August 31, 2020, to implement the joint proposal by the last business day of 2021. It would also direct IOUs to file a petition to modify to correct the mathematical errors claimed to exist in the PCIA template. Finally, the PD would deny a motion for evidentiary hearings filed by Protect Our Communities on August 2, 2019.

The Working Group 3 Final Report includes consensus recommendations on a majority of items assigned to the working group, including recommendations that the CPUC, among other actions: (1) adopt the proposed allocation and market offer-based frameworks for disposition of the IOUs’ PCIA-eligible products; (2) update the PCIA ratemaking mechanism to be implemented in conjunction with these mechanisms; (3) direct the IOUs to issue an RFI in 2021 and 2022 to solicit interest from their RPS counterparties in pursuing agreements to optimize the PCIA portfolios (e.g., potentially contracting with other LSEs for buy-outs or full assignments of the IOU’s RPS contracts that would remove the contracts from the IOU’s portfolio); (4) implement specific recommendations via other relevant CPUC proceedings; and (5) fully implement the allocation proposals in 2022 for 2023 deliveries of RPS energy, GHG-free energy, and System and Flex RA, and 2022 for the 2024-25 compliance years for Local RA.

**Analysis**: The PD would increase the transparency between bundled and unbundled customers bills and is good news for the CCAs overall.

• **Next Steps**: Opening and reply comments on the PD are due March 16 and March 23, 2020, respectively.

Opening and reply comments, respectively, are due March 13 and 27, 2020 on the final Working Group 3 report. Motions for an evidentiary hearing are due April 3, 2020, and a proposed decision is expected in Q3 2020.

• **Additional Information**: Proposed Decision on departing load forecast and presentation of the PCIA (February 25, 2020); Ruling modifying procedural schedule for working group 3 (January 22, 2020); D.20-01-030 denying rehearing of D.18-10-019 as modified (January 21, 2020); Ruling modifying procedural schedule (January 15, 2020); Ruling modifying procedural schedule (December 18, 2019); Working Group 2 Final Report (December 9, 2019); AL 5705-E (December 2, 2019); D.19-10-001 (October 17, 2019); AL 5624-E establishing PCIA Undercollection Balancing Account and Trigger Mechanism (August 30, 2019). Phase 2 Scoping Memo and Ruling (February 1, 2019); D.18-10-019 Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); D.18-09-013 Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. R.17-06-026.

**Direct Access Rulemaking**

No updates this month.
• **Background**: Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on “implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation’s service territory.” The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.

• **Details**: The Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.

• **Analysis**: This proceeding will impact the CPUC’s recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state’s environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.

• **Next Steps**: A report containing the Energy Division’s draft recommendations to the Legislature will be published March 9, 2020, with comments and reply comments on the final recommendations due March 30, 2020 and April 9, 2020, respectively. A proposed decision is anticipated for May 22, 2020, with comments and reply comments due June 11 and June 16, 2020, respectively. A final decision by the Commission is expected no earlier than June 25, 2020.

• **Additional Information**: Amended Scoping Memo and Ruling adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. R.19-03-009; see also SB 237.

**Wildfire Cost Recovery Methodology Rulemaking**

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

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

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

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

Analysis: This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.

Next Steps: The only matter remaining to be resolved in this proceeding is PG&E’s application for rehearing. This proceeding is otherwise closed.

Additional Information: PG&E Application for Rehearing (August 7, 2019); D.19-06-027 (July 8, 2019); Assigned Commissioner’s Ruling releasing Staff Proposal (April 5, 2019); Scoping Memo and Ruling (March 29, 2019); Order Instituting Rulemaking (January 18, 2019); Docket No. R.19-01-006. See also SB 901, enacted September 21, 2018.

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

No significant updates this month. On February 13, 2020, TURN filed a notice of ex parte communication.

Background: On December 21, 2018, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E’s organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

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

Details: Based on its ex parte filing, TURN appears to support state ownership of PG&E’s transmission lines.

Analysis: This proceeding could have a range of possible impacts on CCAs within PG&E’s territory and their customers, given the broad issues under investigation pertaining to PG&E’s corporate structure and governance.

Next Steps: TBD.

Additional Information: Ruling on proposals to improve PG&E safety culture (June 18, 2019); D.19-06-008 directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); Scoping Memo (December 21, 2018); Docket No. I.15-08-019.

Wildfire Fund Non-Bypassable Charge (AB 1054)

The CPUC issued D.20-02-070 denying an Application for Rehearing filed by Ruth Hendricks of D.19-10-056, which approved the imposition of the wildfire fund non-bypassable charge.

Background: This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E’s request to participate in the Wildfire Fund.
D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs will total $902.4 million, allocated at $404.6 million for PG&E, $408.2 million for SCE, and $89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The Wildfire Fund NBC will be collected on a $/kWh basis, with the revenue requirement allocated based on each class’s share of energy sales. Residential CARE and medical baseline customers are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.

- **Details:** The Decision denies the Application for Rehearing on the ground that there were no due process violations in the Commission’s determination not to hold evidentiary hearings, and that the non-bypassable charge is just and reasonable.

- **Analysis:** This proceeding established a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E’s territory will be subject to the charge will be determined only after its Bankruptcy proceeding is complete. D.19-10-056 kept the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.

- **Next Steps:** The non-bypassable charge will go into effect as early as the second half of 2020.

- **Additional Information:** D.20-02-070 denying Application for Rehearing; (March 2, 2020); D.19-10-056 approving a non-bypassable charge (October 24, 2019); Scoping Memo and Ruling (August 14, 2019); Order Instituting Rulemaking (August 2, 2019); Docket No. R.19-07-017. See also AB 1054.

### Other Regulatory Developments

- **PG&E Application to Recover Wildfire Insurance Costs:** On February 7, 2020, PG&E filed an Application requesting to recover $498.7 million over a one-year period for 2017-2019 insurance costs recorded in its Wildfire Expense Memorandum Account (Docket No. A.20-02-004). PG&E proposes to recover the revenue requirements as part of its Annual Electric True-Up and Annual Gas True-Up advice letter filings, respectively, on January 1, 2021. Under the proposal, bundled service customer rates would increase 2.7% (2.8% for residential customers specifically), and CCA customer rates would increase 1.8% (2.1% for residential customers specifically). Protests are due March 12, 2020.

- **PG&E Application to Recover Wildfire Mitigation and Catastrophic Events Memorandum Accounts:** On February 7, 2020 PG&E filed an Application seeking to recover $899 million over a 17-month period for 2017-2019 costs recorded in various wildfire mitigation and catastrophic events memorandum accounts (Docket No. A.20-02-003). The total amount reflects 85% of the revenue requirement associated with the costs PG&E has already incurred through December 31, 2019. PG&E is requesting the CPUC make a policy determination – on a going-forward basis – to provide interim rates, subject to refund, for significant accumulated balances in similarly-situated memorandum accounts. Specifically, PG&E seeks CPUC support for interim rates whenever PG&E accumulates a total of $100 million or more (in revenue requirement equivalent) relating to new Commission- or legislative-mandated activity in one or more memorandum accounts established to allow the utility to record such costs. Under the proposal, bundled service customer rates would increase 3.7% (4.6% for residential customers specifically), and CCA customer rates would increase 5.8% (6.8% for residential customers specifically). Protests are due March 13, 2020.
# Glossary of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB</td>
<td>Assembly Bill</td>
</tr>
<tr>
<td>AET</td>
<td>Annual Electric True-up</td>
</tr>
<tr>
<td>ALJ</td>
<td>Administrative Law Judge</td>
</tr>
<tr>
<td>BTM</td>
<td>Behind the Meter</td>
</tr>
<tr>
<td>CAISO</td>
<td>California Independent System Operator</td>
</tr>
<tr>
<td>CAM</td>
<td>Cost Allocation Mechanism</td>
</tr>
<tr>
<td>CARB</td>
<td>California Air Resources Board</td>
</tr>
<tr>
<td>CEC</td>
<td>California Energy Commission</td>
</tr>
<tr>
<td>CPUC</td>
<td>California Public Utilities Commission</td>
</tr>
<tr>
<td>CTC</td>
<td>Competition Transition Charge</td>
</tr>
<tr>
<td>DA</td>
<td>Direct Access</td>
</tr>
<tr>
<td>GRC</td>
<td>General Rate Case</td>
</tr>
<tr>
<td>ELCC</td>
<td>Effective Load Carrying Capacity</td>
</tr>
<tr>
<td>ERRA</td>
<td>Energy Resource and Recovery Account</td>
</tr>
<tr>
<td>IEPR</td>
<td>Integrated Energy Policy Report</td>
</tr>
<tr>
<td>IFOM</td>
<td>In Front of the Meter</td>
</tr>
<tr>
<td>IRP</td>
<td>Integrated Resource Plan</td>
</tr>
<tr>
<td>IOU</td>
<td>Investor-Owned Utility</td>
</tr>
<tr>
<td>LSE</td>
<td>Load-Serving Entity</td>
</tr>
<tr>
<td>MCC</td>
<td>Maximum Cumulative Capacity</td>
</tr>
<tr>
<td>PABA</td>
<td>Portfolio Allocation Balancing Account</td>
</tr>
<tr>
<td>PD</td>
<td>Proposed Decision</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>Pacific Gas &amp; Electric</td>
</tr>
<tr>
<td>PFM</td>
<td>Petition for Modification</td>
</tr>
<tr>
<td>PCA</td>
<td>Power Charge Indifference Adjustment</td>
</tr>
<tr>
<td>PSPS</td>
<td>Public Safety Power Shutoff</td>
</tr>
<tr>
<td>PUBA</td>
<td>PCA Undercollection Balancing Account</td>
</tr>
<tr>
<td>QC</td>
<td>Qualifying Capacity</td>
</tr>
<tr>
<td>RA</td>
<td>Resource Adequacy</td>
</tr>
<tr>
<td>RDW</td>
<td>Rate Design Window</td>
</tr>
<tr>
<td>RPS</td>
<td>Renewables Portfolio Standard</td>
</tr>
<tr>
<td>SCE</td>
<td>Southern California Edison</td>
</tr>
<tr>
<td>SED</td>
<td>Safety and Enforcement Division (CPUC)</td>
</tr>
<tr>
<td>SDG&amp;E</td>
<td>San Diego Gas &amp; Electric</td>
</tr>
<tr>
<td>TCJA</td>
<td>Tax Cuts and Jobs Act of 2017</td>
</tr>
<tr>
<td>TURN</td>
<td>The Utility Reform Network</td>
</tr>
</tbody>
</table>
UOG  Utility-Owned Generation
WMP  Wildfire Mitigation Plan
WSD  Wildfire Safety Division (CPUC)
TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Customer Enrollment Update (Information)
DATE: March 12, 2020

RECOMMENDATION

Receive and review the attached Customer Enrollment update as of March 4, 2020.
There are currently 5,309 NEM customers not included in this table. They will enroll throughout the remainder of 2020.
Item 10 - Enrollment Update

190 Opt Ups

- Davis: 73%
- Woodland: 20%
- Unicorp. Yolo: 7%

Monthly Opt Ups

Status Date: 3/4/20
This report summarizes the Community Advisory Committee’s meetings held on Wednesday, February 5, 2020 (Special) and on Thursday, February 27, 2020 (regular).

**2/5/20 CAC Special Meeting:**

A. **PG&E’s offer of GHG-free resources:** Mr. Sears provided the background of PG&E’s offer to LSE’s/CCA’s of GHG-free resources (large hydro and nuclear). VCE Staff Gordon Samuel and Bill Her were present to answer questions. The CAC had a lengthy discussion. A motion to recommend to the Board that VCE accept the large hydro allocations from PG&E, but not to accept the nuclear allocations was made, but to first confirm that VCE would only be getting the attributes and to receive clarification, interpretation, and meaning of the statement that the LSE “will waive their ability to make petitions, arguments or filings at the CPUC or at the California State Legislature regarding PG&E not offering any allocation, sale or transfer of Carbon Free Energy or attributes for the period that the eligible LSE accepts the offer”. Both amendments to the motion were accepted. **Motion passed:** 4-2-0

B. **Legislative Bills AB 1567, SB 378, and SB 804:** Mr. Sears reviewed several legislative bills for the CAC to make a recommendation to the Board on:

1. **AB 1567 (Aguiar-Curry). Organic waste: scoping plan.** A recommendation to the Board ratifying VCE’s support for this legislation. Motion passed: 6-0-0  
2. **SB 378 (Wiener) Electrical corporations: deenergization events: procedures: allocation of costs: reports.** A recommendation to the Board ratifying VCE’s support for this legislation as amended. Motion passed: 5-0-1  
3. **SB 804 (Wiener) Public capital facilities: electric utilities: rate reduction bonds.** A recommendation to the Board to support this legislation as amended and consistent with VCE’s adopted principles on establishment of public power options that deliver cost competitive energy to customers. Motion passed: 6-0-0
Mr. Sears provided a brief description of SB 917 to those present.

2/27/20 CAC Meeting:

A. **Task Group Reports and 2/13/20 Board Meeting Recap:** Members provided brief status reports on the task groups formed. Mitch Sears and VCE Staff Gordon Samuel provided a recap of the February 13, 2020 Board meeting to those present.

B. **Local/Regional Renewable Request for Offers (RFO) solicitation criteria:** VCE Staff Gordon Samuel reviewed parameters to consider for local/regional RFO. Kate Kelly of Kelly Group Consulting was present and provided her insight and information on parameters to consider. Ms. Kelly provided two handouts to those present: Environmental Risk and Resource Planning – Strategies and Tools and Smart Green Energy Procurement Tools – Recommendations. The CAC discussed and made recommendations on key parameters to be included in the Local/Regional Long-Term Renewable Request for Offer (“RFO”) planned for issuance in late March/early April 2020.

C. **Task Groups’ 2020 “Charge” (Tasks/Projects):** the Task Groups were asked to prepare draft tasks/projects and/or a sentence or two on their 2020 “charge” to be reviewed at the CAC’s March 26, 2020 meeting.
   - Regulatory and Legislative Task Group
   - Outreach Task Group
   - Programs Task Group
   - Strategic Planning Task Group
   - Rates Task Group

D. **Board’s Strategic Plan Process:** Mr. Sears updated those present on the Strategic Plan process.

E. **Update on Power Charge Indifference Adjustment (PCIA) and Energy Resource recover Account (ERRA):** Mr. Sears provided an update on PCIA and ERRA with some updated informational slides, which will also be provided to the Board at their March 12, 2020 special meeting.
TO: VCE Board of Directors

FROM: Mitch Sears, Interim General Manager
       Jim Parks, Director of Customer Care and Marketing

SUBJECT: SACOG Grant Update

DATE: March 12, 2020

REQUESTED ACTION
Informational item. No action requested.

BACKGROUND
At the February VCE Board meeting, staff presented information on the status and schedule of the SACOG grant. The grant provides $2.9 million to install publicly available, electric vehicle charging infrastructure in Davis, Woodland and Yolo County. During the meeting, the board asked that the project schedule be updated, and the revised schedule be presented at the next VCE board meeting.

PROJECT UPDATE

- The City of Davis facilitated a Fund Exchange Agreement to streamline project requirements and reporting.
- The Fund Exchange Agreement was finalized by the Davis City Manager and sent to SACOG on 2/03/20, freeing up the funds for project use.
- Each public agency will sign separate MOUs with the City of Davis to gain access to the funds. The MOU template is complete and has been signed by Yolo County. Woodland and VCE MOUs should be approved within the next month.
- Upon MOU approval, 85% of the funds will be released, with 15% held in retention until project completion.
- Approved funding allocations:
  - Davis $1.9 M
  - Yolo County $700,000
  - Woodland $150,000
• VCE (for Winters) $150,000

REVISED SCHEDULE

VCE/Winters
• MOU Approval – Spring 2020
• Site Selection and design – Summer 2020
• Vendor/contractor selection and construction start – Q3 2020
• Project Completion – Q4 2020

Yolo County
• MOU Approval and RFP – Spring 2020
• Vendor and Site Selection – Spring 2020
• Start Construction - Summer 2020
• Project Completion is dependent on Sites Selected.

City of Woodland
• MOU Approval – Spring 2020
• Site selection and design – Q2-Q4 2020
• Vendor/contractor selection and construction start – Q1-Q2 2021
• Project completion – Q3 2021

City of Davis
• In Capital Improvement Project (CIP) process. Schedule pending.
To: Valley Clean Energy Alliance Board of Directors
From: Mitch Sears, Interim General Manager
Subject: Approval of Proposal to Retain Pacific Policy Group for Lobbying Services
Date: March 12, 2019

RECOMMENDATION
Authorize VCE’s Interim General Manager to execute an amendment to the Pacific Policy Group (“PPG”) Agreement for lobbying services to (1) modify the term, retroactive to February 1, 2020; (2) extend the termination date to June 30, 2020; and (3) increase the not to exceed amount to $85,000.

BACKGROUND
During VCE’s first year of operations, there were several legislative bills identified in the 2017-2018 Legislative session that pose significant issues for CCA’s. Although VCE participates in the joint CalCCA Legislative group for monitoring of legislative bills that may have significant impact on CCA’s, VCE did not have a lobbying and consulting firm that would provide legislative advocacy services for VCE’s specific interests.

On February 1, 2019 an agreement with PPG was entered into for lobbying services with an expiration date of January 31, 2020 and a not to exceed amount of $60,000. As of February 1, 2020, VCE has expended the $60,000.

As VCE enters into the 2020-2021 Legislative session, staff believes the continuance of VCE’s direct engagement in the legislative process is needed as an increasing number of complex energy related Bill are introduced. In particular, Bills threatening CCA’s core activities and viability as well as PG&E bankruptcy related legislation are introduced. In order to be effective and have a voice in the process a lobbying presence in Sacramento is necessary. Staff has been satisfied with PPG’s performance, responsiveness, and professionalism and is therefore recommending an extension of the existing contact for lobbying services.

Staff is requesting that the contract be extended through June 30, 2020 and increase the contract by $25,000 to a not to exceed amount of $85,000 to cover the costs for the months of February 2020 through June 2020. This increase can be accommodated in the FY2019-2020 operating budget.

CONCLUSION
Staff recommends to the Board that the contract amount be increased to a not to exceed amount of $85,000 and extend the contract to expire on June 30, 2020 to cover costs through the end of the second quarter of 2020.

Attachments: Amendment One (1)
Resolution
AMENDMENT NO. ONE (1)
TO THE ENERGY ADVISORY SERVICES
BETWEEN
VALLEY CLEAN ENERGY ALLIANCE
AND
PACIFIC POLICY GROUP, LLP

1. **Parties and Date.**

   This Amendment No. One (1) to the Energy Advisory Services is made and entered into as of this 1\textsuperscript{st} day of February 2020, by and between Valley Clean Energy Alliance, a Joint Powers Agency, existing under the laws of the State of California (“VCEA”) and Pacific Policy Group, a Limited Liability Partnership (“PPG”). VCEA and PPG are sometimes individually referred to as “Party” and collectively as “Parties.”

2. **Recitals.**

   2.1 VCEA and PPG entered into a legal services agreement effective February 14, 2019 for the purpose of retaining PPG to provide energy advisory services described in the Agreement (“the “Agreement”)

   2.2 **Amendment Purpose.** VCEA and PPG desire to amend the Agreement to extend the term through June 30, 2020 and increase the not to exceed amount under the Agreement.

3. **Terms.**

   3.1 **Amendment.** Sections 1.4 **Term** and 4.1 **Compensation** of the Agreement are hereby amended in their entirety to read as follows:

   **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 February 1, 2019 through June 30, 2020 or when terminated as provided in Article 5.

   **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 Eighty-five Thousand ($85,000) without written approval of VCEA. Extra work may be authorized, as described in the July 11, 2019 Agreement, and if authorized, will be compensated at the rates and manner set forth in this Agreement.
3.4 **Continuing Effect of Agreement.** Except as amended by this Amendment No. One (1), all other provisions of the Energy Advisory Services Agreement remain in full force and effect and shall govern the actions of the parties. From and after the date of this Amendment No. One (1) whenever the term “Agreement” appears in the Agreement, it shall mean the Agreement as amended by this Amendment No. One (1).

3.6 **Severability.** If any portion of this Amendment No. One (1) is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties have entered into this Amendment No. ONE (1) as of the 12th day of March 2020.

VALLEY CLEAN ENERGY ALLIANCE

By: ______________________________
    Mitch Sears
    Interim General Manager

PACIFIC POLICY GROUP, LLP

By: ______________________________
    Its: ______________ Owner

Printed Name: Mark Fenstermaker

APPROVED AS TO FORM:

By: ______________________________
    Harriet Steiner
    VCEA Attorney
A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING AMENDMENT ONE (1) TO THE PACIFIC POLICY GROUP AGREEMENT FOR LOBBYING SERVICES AND AUTHORIZING THE VCE INTERIM GENERAL MANAGER TO EXECUTE THE AMENDMENT

WHEREAS, the Valley Clean Energy Alliance (“VCE”) 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"), the City of Woodland and the City of Winters ("Cities") (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and,

WHEREAS, during VCE’s first year of operations, there were several legislative bills identified in the 2017-2018 Legislative session that posed significant issues for CCAs;

WHEREAS, VCE participates in the joint CalCCA Legislative group for monitoring of legislative bills that may have significant impact on CCA’s, however VCE did not have a lobbying and consulting firm that provided legislative advocacy services for VCE’s specific interests; and,

WHEREAS, on February 1, 2019 an agreement was entered into between VCE and Pacific Policy Group, LLP, ("PPG") for lobbying services, said agreement expired on January 31, 2020.

NOW, THEREFORE, the VCE Board of Directors hereby authorizes the VCE Interim General Manager to execute on behalf of VCE Amendment One (1) to the PPG Agreement for lobbying services 1) modifying the term, retroactive to February 1, 2020 and extending the termination date to June 30, 2020 and 2) increasing the not to exceed amount to $85,000, as set forth in the attached Exhibit A – Amendment One (1) to PPG’s Agreement.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of ______________ 2020 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____________________________________
Don Saylor, VCE Chair

____________________________________
Alisa M. Lembke, VCE Board Secretary

Attachment: Exhibit A - Amendment One (1) to Pacific Policy Group Agreement
Exhibit A

Amendment One (1) to Pacific Policy Group Agreement
TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
George Vaughn, Finance and Operations Director

SUBJECT: Consultant Boutin Jones Letter Agreement - Increase Not to Exceed Amount for time period of March 1, 2020 through September 30, 2020

DATE: March 12, 2020

RECOMMENDATION:
Authorize the Interim General Manager to execute the First Amendment to the April 3, 2019 Engagement Letter (agreement) for legal and consulting services with Boutin Jones to increase the not to exceed amount from $10,000 to $25,000 for the time period of March 1, 2020 through September 30, 2020.

BACKGROUND
In January 2019, Pacific Gas & Electric (PG&E) filed bankruptcy and the Board voted to participate in the Pacific Gas & Electric bankruptcy litigation and to explore all options. VCE thereafter investigated the feasibility of acquiring some or all of PG&E’s electric distribution system within Yolo County as a part of the PG&E bankruptcy process.

To assist in this process and represent VCE in the PG&E bankruptcy litigation, in July 2019, VCE entered into an agreement with Boutin Jones for legal and consulting services; the agreement was for a not to exceed amount of $10,000 with no expiration date. As of March 1, 2020, VCE has expended the $10,000.

To update the Boutin Jones letter agreement, a First Amendment (see attached) was prepared to increase the not to exceed amount to $25,000 for the time period of March 1, 2020 through September 30, 2020.

CONCLUSION
Staff continues to use Boutin Jones for the bankruptcy proceedings and the feasibility of acquiring some or all of PG&E’s electric distribution system within Yolo County. Staff recommends the Board approve the First Amendment and authorize Interim General Manager to execute the amendment to increase the not to exceed amount to $25,000 for the time period of March 1, 2020 through September 2020 to cover VCE through the third quarter of 2020. The not to exceed amount has been budgeted in the FY2019-2020 operating budget and is budgeted in the FY2020-2021 operating budget.

Attachments: First Amendment to April 1, 2019 Engagement Letter
Resolution
March 3, 2020

Valley Clean Energy Alliance
Attention: Mitch Sears
Harriet Steiner
Eric May
602 2nd Street
Davis, CA 95616

Re: First Amendment to Engagement Letter

Dear Mitch, Harriet and Eric:

Under our engagement letter dated April 3, 2019 and signed by Valley Clean Energy Alliance, joint powers authority ("Valley" or "you") on April 10, 2019 (the "Agreement"), Boutin Jones Inc. ("Boutin Jones" or "we") agreed to represent you in connection with the bankruptcy of PG&E Corporation and Pacific Gas and Electric Company pending in the United States Bankruptcy Court, Northern District of California, San Francisco Division, Case Nos. 2019-30088 and 2019-30089, respectively (the "Cases"). The Agreement applies to both specific and common interest representation of Valley in connection with the Cases.

The Agreement among other things provided that the fees and costs would not exceed Ten Thousand Dollars ($10,000) (the "Not-to-Exceed Amount"), without further agreement.

Valley and Boutin Jones now seek to amend the Agreement (the "First Amendment") as follows:

1. Valley ratifies and affirms that is has consented to the fees and costs we have incurred to date in excess of the Not-to-Exceed Amount.

2. The Not-to-Exceed amount for the period March 1, 2020 through September 30, 2020, will be Twenty-Five Thousand Dollars ($25,000). The Not-to Exceed Amount may be modified by further agreement.

3. Except as set forth above, all terms and conditions of the Agreement remain in full force and effect.
I encourage you to contact me if you have any questions regarding our representation or our fees. If these terms are acceptable, please sign this First Amendment and return the copy to me. You may keep the original for your files.

Thank you for the opportunity to continue our representation of Valley.

Very truly yours,

BOUTIN JONES INC.

By: __________________________
   Mark Gorton
   Vice President

ACCEPTANCE

Valley Clean Energy Alliance accepts this First Amendment.

Dated: __________________________

VALLEY CLEAN ENERGY ALLIANCE, a joint powers authority

By: __________________________
Name: __________________________
Its: __________________________
VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2020- ____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING FIRST AMENDMENT TO THE BOUTIN JONES AGREEMENT FOR LEGAL AND CONSULTING SERVICES AND AUTHORIZING THE VCE INTERIM GENERAL MANAGER TO EXECUTE THE AMENDMENT

WHEREAS, the Valley Clean Energy Alliance (“VCE”) 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”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and,

WHEREAS, VCE is investigating the feasibility of acquiring some or all of Pacific Gas & Electric’s (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process and has an interest in PG&E’s Chapter 11 bankruptcy proceedings; and,

WHEREAS, in April 2019 an engagement letter agreement was entered into between VCE and Boutin Jones, Inc. (Boutin Jones) for legal and consulting services for Boutin Jones to represent VCE in PG&E’s bankruptcy proceedings and to assist the VCE team and consultants organized to explore VCE’s options.

NOW, THEREFORE, the VCE Board of Directors hereby authorizes the VCE Interim General Manager to execute on behalf of VCE the First Amendment to the April 2019 Engagement Letter (agreement) with Boutin Jones increasing the not to exceed amount from $10,000 to $25,000 for the time period of March 1, 2020 through September 30, 2020, as set forth in the attached First Amendment.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of _______________ 2020 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____________________________________
Don Saylor, VCE Chair

_______________________________
Alisa M. Lembke, VCE Board Secretary

Attachment: Exhibit A – First Amendment Boutin Jones Letter Agreement
Exhibit A

First Amendment to the Boutin Jones Letter Agreement
TO: Valley Clean Energy Alliance Board of Directors

FROM: George Vaughn, Finance and Operations Director
       Mitch Sears, Interim General Manager

SUBJECT: Consultant Contract Extension for Victoria Zavattero and Increase Contract Not to Exceed Amount

DATE: March 12, 2020

RECOMMENDATION
Approve Amendment No. One to Victoria Zavattero to 1) modify the term, retroactive to January 1, 2020 and extending the termination date to June 30, 2020, and 2) increase the not to exceed amount from $25,000 to $30,000.

BACKGROUND & DISCUSSION
In January 2019, Pacific Gas & Electric (PG&E) filed bankruptcy and the Board voted to participate in the Pacific Gas & Electric bankruptcy litigation and to explore all options. VCE thereafter investigated the feasibility of acquiring some or all of PG&E’s electric distribution system within Yolo County as a part of the PG&E bankruptcy process.

To assist in this process, in July 2019, VCE entered into a consulting agreement with Victoria Zavattero to serve as project manager coordinating the work of the VCE team and consultants; the agreement was a not to exceed amount of $25,000. To date, approximately $1,200 remains on the contract.

The contract terminated on December 31, 2019. As the PG&E bankruptcy proceeding has not concluded, staff believes that a continuation of Ms. Zavattero’s consulting services are needed. Staff has been satisfied with Ms. Zavattero’s performance, responsiveness, and professionalism and is therefore recommending an extension of the existing contract.

CONCLUSION
Staff is recommending that: (1) the contract not to exceed amount of $30,000; (2) modify the term, retroactive to January 1, 2020; and (3) extend the termination date to June 30, 2020. This is intended to cover costs through VCE’s fiscal year ending June 30, 2020. As directed by the Board, VCE will continue to utilize a small portion of budget contingency to cover the additional $5,000 contract cost.

Attachments: Amendment One (1) Resolution
AMENDMENT NO. ONE (1)
TO THE ENERGY ADVISORY SERVICES
BETWEEN
VALLEY CLEAN ENERGY ALLIANCE
AND
VICTORIA ZAVATTERO

1. Parties and Date.

This Amendment No. One (1) to the Energy Advisory Services is made and entered into as of this 12th day of March 2020, by and between Valley Clean Energy Alliance, a Joint Powers Agency, existing under the laws of the State of California (“VCEA”) and Victoria Zavattero (“VZ”). VCEA and VZ are sometimes individually referred to as “Party” and collectively as “Parties.”

2. Recitals.

2.1 VCEA and VZ entered into a legal services agreement effective July 11, 2019 for the purpose of retaining VZ to provide energy advisory services described in the Agreement. (“the “Agreement”)

2.2 Amendment Purpose. VCEA and VZ desire to amend the Agreement to extend the term through June 30, 2020 and increase the total compensation to a not to exceed amount of Thirty Thousand Dollars ($30,000) under the Agreement.

3. Terms.

3.1 Amendment. Sections 1.4 Term. and 4.1 Compensation of the Agreement are hereby amended in their entirety to read as follows:

1.4 Term. The term of this Agreement shall begin on July 11, 2019, the date the VCEA Interim General Manager or his delegee approves this Agreement, and shall expire on June 30, 2020 or when terminated as provided in Article 5. This Agreement may be extended by the mutual agreement of VCEA and Consultant in writing and signed by both parties.

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 Thirty Thousand Dollars ($30,000) without written approval of VCEA. Extra work may be authorized, as described in the July 11, 2019 Agreement, and if authorized, will be compensated at the rates and manner set forth in this Agreement.
3.2 **Continuing Effect of Agreement.** Except as amended by this Amendment No. One (1), all other provisions of the Energy Advisory Services Agreement remain in full force and effect and shall govern the actions of the parties. From and after the date of this Amendment No. One (1) whenever the term “Agreement” appears in the Agreement, it shall mean the Agreement as amended by this Amendment No. One (1).

3.3 **Severability.** If any portion of this Amendment No. One (1) is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties have entered into this Amendment No. One (1) as of the 12th day of March 2020.

**VALLEY CLEAN ENERGY ALLIANCE**  
**VICTORIA ZAVATTERO**

By: ________________________________  
Mitch Sears  
Interim General Manager

By: ________________________________  
Its: ________________________________  
Principal

Printed Name: Victoria Zavattero

**APPROVED AS TO FORM:**

By: ________________________________

Harriet Steiner  
VCEA Attorney
A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING AMENDMENT ONE (1) TO THE AGREEMENT FOR CONSULTING SERVICES WITH VICTORIA ZAVATTERO AND AUTHORIZING THE VCE INTERIM GENERAL MANAGER TO EXECUTE THE AMENDMENT

WHEREAS, the Valley Clean Energy Alliance (“VCE”) 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”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and,

WHEREAS, VCE is investigating the feasibility of acquiring some or all of Pacific Gas & Electric’s (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process; and,

WHEREAS, in July 2019 an agreement was entered into between VCE and Victoria Zavattero (“VZ”) for consulting services to serve as project manager coordinating the work of the VCE team and consultants organized to explore VCE’s options.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby authorizes the VCE Interim General Manager to execute on behalf of VCE Amendment One (1) to the Agreement with Victoria Zavattero for consulting services 1) modifying the term, retroactive to January 1, 2020 and extending the termination date to June 30, 2020, and 2) increasing the not to exceed amount to $30,000, as set forth in the attached Exhibit A - Amendment One (1) to the Agreement.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of _____________ 2020 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____________________________________
Don Saylor, VCE Chair

____________________________________
Alisa M. Lembke, VCE Board Secretary

Attachment: Exhibit A - Amendment One (1) to Victoria Zavattero Agreement.
Exhibit A

Amendment One (1) to Victoria Zavattero Agreement
TO: VCE Board of Directors
FROM: Mitch Sears, Interim General Manager
SUBJECT: VCE strategic planning process support services
DATE: March 12, 2020

RECOMMENDATION
Authorize the Interim General Manager to enter into a letter agreement with LEAN Energy, with a not to exceed amount of $4,250, to provide facilitation and support services for the VCE Strategic Planning Process.

BACKGROUND and ANALYSIS
Beginning in 2015, LEAN Energy provided support services during VCE’s feasibility, formation, launch, and early operations stages. Based on LEAN’s knowledge of VCE, deep understanding of the CCA model, and demonstrated skill at facilitating policy discussions with the VCE Board and other CCA’s, staff is recommending engagement with LEAN to help organize and facilitate the Board’s upcoming discussion on development of a 3-5 year strategic plan for VCE. Staff believes facilitation by an experienced and skilled 3rd party will enhance results from the Board’s strategic planning exercise. The recommended contract amount can be accommodated in the current fiscal year budget.
TO: VCE Board of Directors
FROM: Mitch Sears, Interim General Manager
       Mark Fenstermaker, Pacific Policy Group
SUBJECT: Recommendation to the Board on legislative positions
DATE: March 12, 2020

Recommendation
1. Support SB 947.
2. Support AB 2689.
4. Support SB 917 in concept.

Background and Analysis
Due to the PG&E bankruptcy and related wildfire issues, many energy related Bills have been introduced in the current legislative session. Staff is recommending support for three Bills and support in concept for a fourth. Each are summarized below with links to the current Bill language.

As the Board is aware, VCE participates in the legislative process with other CCA’s through CalCCA. CalCCA has screened over twenty bills in the early stages of the legislative session that it is closely monitoring. The reason so many bills are in the monitoring stage is that that most bills have just recently been introduced and have yet to be sufficiently developed for CalCCA to analyze and recommend a position to the board.

In the summaries below, staff notes CalCCA’s position on the Bills being considered by VCE.


Summary: Would require the Public Utilities Commission to evaluate financial performance-based incentives and performance-based metric tracking to identify mechanisms that may serve to better align electrical corporation operations, expenditures, and investments with public benefit goals, including safety, reliability, cost efficiency, and other state energy policies the commission believes may benefit from performance-based ratemaking. The bill would require the commission to report the results of the evaluation to the relevant policy and fiscal committees of the Legislature, as specified, by January 1, 2022.
Staff is recommending support for this Bill so that better information is available to evaluate the performance of the State’s IOU’s. This is consistent with Board direction related to potential acquisition of PG&E’s local distribution assets.

Additional information
- CalCCA has not taken a position on this Bill.
- Next hearing: 3/17/2020 9 a.m. - Room 3191 SENATE ENERGY, UTILITIES AND COMMUNICATIONS
- Bill language: **SB 947**

2. **SB 2689 (Kalra) Community choice aggregators.**

**Summary:** Current law authorizes a community choice aggregator to aggregate the electrical load of electricity consumers within its boundaries and provides that the community choice aggregator is solely responsible for all generation procurement activities on behalf of the community choice aggregator’s customers, except where other generation procurement arrangements are expressly authorized by statute. This bill would make non-substantive changes to the definition of “community choice aggregator”.

Staff is recommending that VCE support this Bill as it is a placeholder for legislation that would require transparency of IOU contracts that contribute to the PCIA. Currently it is very difficult to access data that underpins calculation of the PCIA.

Additional information
- CalCCA is co-sponsoring this Bill with San Jose Clean Energy/City of San Jose.
- Next hearing: May be heard in committee March 22.
- Bill language: **AB 2689**

3. **AB 4013 (Muratsuchi) Electricity: centralized procurement**

**Summary:** Current law provides for the establishment of a Power Exchange as a nonprofit public benefit corporation. Current law requires the Power Exchange to provide an efficient competitive auction, open on a nondiscriminatory basis to all electricity suppliers, that meets the loads of all exchange customers at efficient prices. This bill would state the intent of the Legislature to establish a residual resource adequacy centralized procurement structure in California to help ensure the reliability of the state’s electrical system.

The Bill would establish a Governor-appointed board to oversee the formation and operation of the Central Reliability Authority, a nonprofit public benefit corporation. The bill would establish a three-year forward collective resource adequacy requirement for local, system, and flexible capacity, at specified levels, in the service territories of the investor-owned utilities commencing with the 2022 resource adequacy compliance year. While the resource adequacy requirements for the IOU service
territories would continue to be determined by the California Public Utilities Commission (CPUC), in coordination with the CRA, the California Energy Commission (CEC), and the CAISO, the CRA would oversee compliance with those requirements. Individual LSEs would continue to have the right to procure RA capacity to serve their load, or they could elect to have the CRA procure the capacity on their behalf. The CRA would ensure that the collective local, system and flexible resource adequacy requirements for IOU service territories are met through a combination of individual LSE self-procurement and, as needed, procurement by the CRA. The CRA would procure needed RA capacity through a competitive solicitation process. The solicitation process would be structured and overseen by the CPUC, and the CRA would consult with the CPUC regarding its proposed capacity selection before entering into procurement contracts.

Staff recommends support of the legislation because the Central Reliability Authority established under AB 3014 would reduce the need for costly CAISO backstop procurement, preserve VCE’s self-procurement autonomy, and play a meaningful role in ensuring the reliability of California’s electric system.

Additional information
- CalCCA is sponsoring this Bill.
- Next hearing: May be heard in committee March 23.
- Bill language: AB 3014


Summary: Would rename the authority the California Consumer Energy and Conservation Financing Authority and would repeal the prohibition upon the authority approving any new program, enterprise, or project, on or after January 1, 2007. The bill would authorize the authority to acquire, by eminent domain, the assets or ownership of an electrical corporation, gas corporation, or public utility that is both an electrical and gas corporation, including any franchise rights, if that corporation has been convicted of one or more felony criminal violations of laws enacted to protect the public safety within 10 years of the date the eminent domain action is commenced. The bill would authorize a local publicly owned energy utility, as defined, to elect to join in the eminent domain action brought by the authority and acquire that portion of the electrical or gas system necessary to provide service within its borders if the local publicly owned energy utility contributes its proportionate share of the compensation paid for the assets or ownership of the public utility.

Senator Wiener is proposing a public takeover of PG&E, but this is not the co-op proposal that San Jose Mayor Liccardo has been advocating for and that many local elected officials have endorsed. Sen. Wiener is proposing a public-private partnership similar to the Long Island Power Authority model.

The bill would authorize the California Consumer Energy and Conservation Financing Authority to acquire by eminent domain a public utility convicted of a felony within 10 years of the eminent domain proceeding commencing. Local publicly owned energy utilities can join the eminent domain action and acquire the portion of the electric/gas system needed to provide service within its borders; the publicly
owned utility must contribute its proportionate share of the costs of acquiring the system.

The bill would also create the Northern California Energy Utility District, similar in function and power to a municipal utility, and create the Northern California Energy Utility Service, a private public benefit corporation. The district would house the senior management and government/community relations positions to oversee the service, which would house the operating employees.

Other highlights from the bill:

- All labor agreements protected
- 5 year transition to POU structure
- All PGE assets not just electric
- Local jurisdictions who already have expressed POU interest can spin off from the bigger entity within one year.
- Future POU efforts to be evaluated on case by case basis.
- PUC will have no authority over rate setting
- CCAs take over primary procurement authority
- CCAs have right of first refusal for Provider of Last Resort (POLR)

Staff is recommending support in concept for this Bill as it is generally consistent with Board direction to pursue acquisition of PG&E’s local distribution assets.

Additional information

- CalCCA has not taken a position on this Bill.
- Next hearing: No dates set. Referred to Coms. on Energy, Utilities & Communications; GOV. & Finance; and Judiciary.
- Bill language: SB 917
TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
George Vaughn, Director of Finance & Internal Operations

SUBJECT: Update on Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA)

DATE: March 12, 2020

RECOMMENDATIONS
Informational update, no Board decisions requested.

BACKGROUND
This purpose of this report is to update the Board on the most recent developments impacting the Power Charge Indifference Adjustment (PCIA), based on recent regulatory decisions and other updates.

Since December 2019, staff has provided several information updates on PCIA and PG&E to the Board and the Community Advisory Committee (CAC). This report is an update with the most recent developments.

Following are the primary activities and timeline regarding PCIA since December 2019:

- December 12: Staff Report and Presentation to Board on PCIA/ERRA
- January 24: CPUC issued Proposed Decision (PD) on PCIA/ERRA
- February 13: Presentation to Board on PCIA/ERRA
- February 20: VCE staff and regulatory counsel meet with four CPUC Commissioner’s offices and staff from the CPUC Energy Division who oversee implementation of the PCIA by the CPUC
- February 27: Presentation to the CAC
- February 28: CPUC issued Final Decision on PCIA/ERRA

DECEMBER 2019 STAFF REPORT
The December 12, 2019 Board staff report provided background on the PCIA issue and laid out potential paths the exit fee rate could take, depending on final outcomes of regulatory decisions. The staff report also provided preliminary estimates of potential financial impacts to VCE.

Several PCIA projected 2020 rates were analyzed, with the worst case being approximately 4.25 cents per kWh. Also discussed in the SR was the PG&E generation rate estimate of -3% in 2020.
and its impact on VCE revenue. These early estimates were based on the best forecast information available at the time.

Staff’s estimate contained in the December staff report for a extreme-case scenario was a FY 2021 net loss of $3.0 million.

**FEBRUARY 2020 BOARD PRESENTATION**

Staff updated the Board in February 2020 with a presentation that captured the impacts of the CPUC Proposed Decision (PD) on the PG&E ERRA filing. This PD recommended a substantial PCIA increase in 2020, making it likely that PG&E will file a cap exception trigger later in 2020 due to their projected PCIA costs being significantly over the cap.

The outcome of the PD was that the PCIA would top our initial extreme-case scenario from the December staff report and that the PG&E generation rate would be moderately worse than the December projection.

The resulting analysis from the PD impacts showed VCE at a FY 2021 loss of $5.8 million, significantly worse than our prior estimate. This was due primarily to the PCIA increase and partially to the PG&E generation rate decrease.

**MARCH 2020 UPDATE**

On February 20th, VCE staff visited the CPUC offices in San Francisco along with regulatory counsel to directly convey the financial impacts the new PCIA would have on VCE. Staff clearly communicated the impact the volatility and sharp increase of the PCIA would have on VCE and other CCA’s. As noted, the meetings included staff from four out of five commissioners and the senior leadership of the Energy Division. Staff believes the meeting was effective in presenting the CCA side of the PCIA concerns. Note: VCE was joined by senior staff from East Bay Community Energy who reinforced the impacts the PCIA decision would have.

On February 28th, the CPUC issued its Final Decision on PCIA & ERRA. This decision largely adopted the PD recommendations but did include approximately $93 million in overall PCIA reductions for PG&E (approximately 3% decrease). This $93 million reduction was one of the topics VCE and EBCE addressed in the meetings at the CPUC.

**Current status**

Based on current information, the PCIA expectation is:

- Current PCIA rate is approximately 2.7 cents per kWh
- PCIA will increase to the cap of approximately 3.2 cents on May 1, 2020
- PCIA will increase to approximately 4.6 cents (due to triggering the cap exception) later in 2020, likely to affect rates starting in Q4 2020
- The $93 million reduction earned in the overall PCIA will result in a slightly lower PCIA rate and slightly higher revenue; these impacts are being analyzed but aren’t expected to be material to the forecast

Below is the FY 2021 projected financial update for VCE. Staff has opted to stay focused on FY 2021 because beyond that period the uncertainty is substantial since we have little insight into
the PCIA rates for calendar year 2021 and beyond.

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>FY 2021 w/ PCIA Cap Trigger</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCIA - 2020</td>
<td>4.6 cents</td>
</tr>
<tr>
<td>PCIA - 2021</td>
<td>4.1 cents</td>
</tr>
<tr>
<td>2020 PG&amp;E Generation Rate</td>
<td>-4%</td>
</tr>
<tr>
<td>2021 PG&amp;E Generation Rate</td>
<td>+2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Financial Measures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Payments - Gen Rates</td>
<td>$78,760</td>
</tr>
<tr>
<td>Less PCIA</td>
<td>($29,533)</td>
</tr>
<tr>
<td>Revenue to VCE</td>
<td>$49,227</td>
</tr>
<tr>
<td>Power Cost</td>
<td>$50,941</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>$4,797</td>
</tr>
<tr>
<td>Net Margin</td>
<td>($6,433)</td>
</tr>
<tr>
<td>Cash (Unrestricted)</td>
<td>$6,609</td>
</tr>
<tr>
<td>Days Cash</td>
<td>25</td>
</tr>
</tbody>
</table>

**POTENTIAL MITIGATION STRATEGIES**

In order to mitigate the fiscal impacts listed above, staff is analyzing several policy levers for Board consideration at future meetings. Though none of the mitigation scenarios are desirable, staff believes it is important to begin a dialogue so the Board is aware of its options. The initial list of potential mitigation strategies includes:

- Increase VCE combined generation rate (generation, PCIA and Franchise Fee Surcharge) beyond PG&E’s generation rates
- Temporarily lower VCE goals for renewable and/or carbon free portfolio resource mix, while still maintaining compliance with minimum State standards
- Accept the GHG-free large hydro and nuclear allocations from PG&E
- Adjust energy hedging strategies (i.e., increase potential risk to reduce costs)
- Consider merger with other CCA(s)
- Look for additional reductions in operating expense beyond those already captured

**CONCLUSION**

Staff has clarity about FY 2021, but due to PCIA volatility it is difficult to forecast beyond 2021.

Fiscal year 2021 will result in a negative impact on our net position and cash reserves. However, due to prudent financial planning and decisions by the Board, VCE has adequate reserves to navigate FY 2021 without using its line of credit and maintaining a positive cash balance.

If PCIA rates stabilize in calendar year 2021 and beyond, returning to closer to historical PCIA
rates, then future years become more financially manageable if other major cost drivers remain relatively stable (i.e. market power costs). If, however, PCIA continues at the extremely high post-cap trigger rates, this will significantly impact VCE’s business model.

Note: the March 12, 2020 Board agenda also includes the first review of the preliminary budget for FY 20/21, which is an item directly related to this PCIA update.

Attachment:
Item 14 from December 12, 2019 Board Meeting: Staff Report on Update on Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA)
TO: Valley Clean Energy Alliance Board of Directors

FROM: George Vaughn, Finance and Operations Director, VCE
      Mitch Sears, Interim General Manager, VCE

SUBJECT: Update on Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA)

DATE: December 12, 2019

RECOMMENDATIONS
As this is an informational update, no Board decisions are required.

BACKGROUND
The purpose of this report is to provide background on the upcoming changes to the Power Charge Indifference Adjustment (PCIA) for 2020. The information is based on the latest information available from the CPUC proceeding and analysis by CalCCA rate forecasting consultants. The CPUC is scheduled to take action on the 2020 PCIA and PG&E generation rates in mid-late January 2020. CalCCA is coordinating responses and dispute of PCIA charges that may reduce anticipated PCIA charges for 2020 — VCE is engaged with CalCCA on these efforts. Staff will provide an update to the Board at its January 2020 meeting. VCE staff presented a similar update to the VCE Community Advisory Committee at their meeting on December 5, 2019.

Power Charge Indifference Adjustment (PCIA)
Every customer that transitioned from PG&E to VCE is assessed an ongoing Power Charge Indifference Adjustment (PCIA) rate in their monthly bill. This is a portion of the overall generation rate that VCE charges. Assuming VCE continues to match PG&E generation rates, the higher the PCIA the lower VCE’s margin.

PCIA is assessed by vintage year. The vast majority of VCE customers are 2017 vintage and always will be considered as such. There is also going to be a large swath of customers (incoming Net Energy Metering and Winters customers) who will be part of later PCIA vintages.

The current PCIA for VCE is approximately 2.70 cents per kWh. However, based on the most recent November 2017 Energy Resource Recovery Account (ERRA) update filing from PG&E, the PCIA rate for
PG&E CCA customers is very likely to increase starting in 2020, perhaps substantially, for all PCIA vintage years.

The reasons for this increase include both ongoing fluctuations in market energy prices, along with a substantial “one-time” PCIA under-collection driven by:

1. Lower “energy revenues” from sales into the CAISO, mainly due to lower prices
2. Lower customer revenue
   - Delays in implementing the 2019 PCIA
   - Used the older “system” billing determinants that under-collected for the past year
3. Less Renewable Energy Credit (REC) sales and true-up (PG&E)
4. Lower Resource Adequacy (RA) /True-up (PG&E)

The majority of VCE customers are 2017 PCIA vintage, and the weighted average PCIA rate, spread among all customer classes, is approximately 2.70 cents per kWh in calendar year 2019. With PG&E’s filing, those rates could increase substantially. Some possible outcomes include:

- Increasing to the PCIA cap of approximately 3.17 cents per kWh
- Increasing to a substantially higher amount due to one-time charges, possibly as high as 4.49 cents per kWh

Additionally, 2020 PCIA vintage rates show a substantial increase for PG&E customers – to similar amounts as above – which would include the incoming Winters customers transitioning to VCE effective January 2021.

Assuming that VCE continues the practice of matching PG&E generation rates, these PCIA increases could have serious impacts on VCE’s stability and growth potential. Impacts could be felt in cash flow, cash reserves, profitability, and debt covenants. These potential impacts are identified in the Analysis section of this report below.

**Anticipated PG&E Generation Rates - 2020**

Since VCE has so far matched PG&E generation rates, another factor that will have a potentially significant effect on VCE’s financial outlook is the assumed increase or decrease in PG&E generation rates from the ERRA filing. The most recent outlook provided by CalCCA consultants is that PG&E’s generation rates will drop approximately 3% in 2020, which also has a negative cash flow impact to VCE.

As noted above, the CPUC will take action on PG&E’s 2020 rates in mid-late January 2020 in its ERRA proceeding, at which point the VCE financial model will be updated accordingly.

**ANALYSIS**

Currently, the PCIA and generation rates are not final. Therefore, any discussions and analysis presented in this report is not considered final and is based on best available data at this time. This will be updated as more information is gathered.
VCE staff analyzed the following three scenarios, along with several others to provide the Board with a range of potential financial outcomes for 2020 through 2022:

- Scenario 1: “As Is” base case scenario assuming no changes to VCE’s current PCIA forecast that had the PCIA increasing significantly but less than the Cap in Scenario 2 below (Note: based on the data and information that became available in mid-November 2019 from PG&E and the CPUC, this scenario is presented for comparison purposes only as it is very unlikely to occur).
- Scenario 2: “PCIA to Cap” scenario assuming the PCIA rises to the CPUC cap in 2020 of 3.17 cents per kWh and remains there
- Scenario 3: “PCIA Exceeds Cap” scenario assuming the PCIA rises high enough to trigger a CPUC cap exception and goes to 4.25 cents per kWh for 2020 and down to 3.50 cents in 2021 and beyond (Note: the PCIA for 2021 and beyond decreases due to the assumption that a portion of the 2020 PCIA are “one-time” under-collections from 2019).

Following are the assumptions and impacts of each scenario:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30, 2020</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCIA - 2019</td>
<td>2.7 cents</td>
<td>2.7 cents</td>
<td>2.7 cents</td>
</tr>
<tr>
<td>PCIA - 2020</td>
<td>2.7 cents</td>
<td>3.2 cents</td>
<td>4.25 cents</td>
</tr>
<tr>
<td>2020 PG&amp;E Generation Rate</td>
<td>-3%</td>
<td>-3%</td>
<td>-3%</td>
</tr>
<tr>
<td>Key Financial Measures</td>
<td>Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>At least</td>
<td>$8,157</td>
<td>$7,406</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>1.25 or</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>Net Position</td>
<td>At least</td>
<td>$15,510</td>
<td>$14,762</td>
</tr>
<tr>
<td>Liabilities to Net Position</td>
<td>2.0 or less</td>
<td>0.51</td>
<td>0.54</td>
</tr>
<tr>
<td>Cash (Unrestricted)</td>
<td>$12,505</td>
<td>$12,009</td>
<td>$9,583</td>
</tr>
<tr>
<td>Days Cash</td>
<td>54</td>
<td>52</td>
<td>41</td>
</tr>
<tr>
<td>Revenue</td>
<td>$55,708</td>
<td>$54,957</td>
<td>$51,289</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$13,003</td>
<td>$12,252</td>
<td>$8,584</td>
</tr>
</tbody>
</table>
## Fiscal Year Ended June 30, 2021

### Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PCIA - 2020</strong></td>
<td>2.7 cents</td>
<td>3.2 cents</td>
<td>4.25 cents</td>
</tr>
<tr>
<td><strong>PCIA - 2021</strong></td>
<td>2.7 cents</td>
<td>3.2 cents</td>
<td>3.5 cents</td>
</tr>
<tr>
<td><strong>2020 PG&amp;E Generation Rate</strong></td>
<td>-3%</td>
<td>-3%</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>2021 PG&amp;E Generation Rate</strong></td>
<td>+3%</td>
<td>+3%</td>
<td>+3%</td>
</tr>
</tbody>
</table>

### Key Financial Measures

#### Debt Covenants

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>At least $1.00</td>
<td>$5,368</td>
<td>$2,817</td>
</tr>
<tr>
<td><strong>Debt Service Coverage Ratio</strong></td>
<td>1.25 or greater</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>At least $11.0 million</td>
<td>$20,052</td>
<td>$16,769</td>
</tr>
<tr>
<td><strong>Liabilities to Net Position</strong></td>
<td>2.0 or less</td>
<td>0.36</td>
<td>0.43</td>
</tr>
<tr>
<td><strong>Cash (Unrestricted)</strong></td>
<td>$14,564</td>
<td>$11,845</td>
<td>$2,947</td>
</tr>
<tr>
<td><strong>Days Cash</strong></td>
<td>59</td>
<td>48</td>
<td>12</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>$57,727</td>
<td>$55,189</td>
<td>$49,480</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>$10,156</td>
<td>$7,618</td>
<td>$1,909</td>
</tr>
</tbody>
</table>

## Fiscal Year Ended June 30, 2022

### Assumptions

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PCIA - 2021</strong></td>
<td>2.7 cents</td>
<td>3.2 cents</td>
<td>3.5 cents</td>
</tr>
<tr>
<td><strong>PCIA - 2022</strong></td>
<td>2.7 cents</td>
<td>3.2 cents</td>
<td>3.5 cents</td>
</tr>
<tr>
<td><strong>2021 PG&amp;E Generation Rate</strong></td>
<td>+3%</td>
<td>+3%</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>2022 PG&amp;E Generation Rate</strong></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
## Key Financial Measures

<table>
<thead>
<tr>
<th>Key Financial Measures</th>
<th>Debt Covenants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Position</td>
<td>At least $1.00</td>
</tr>
<tr>
<td></td>
<td>$8,297</td>
</tr>
<tr>
<td></td>
<td>$4,625</td>
</tr>
<tr>
<td></td>
<td>$1,661</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>1.25 or greater</td>
</tr>
<tr>
<td></td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Net Position</td>
<td>At least $11.0 million</td>
</tr>
<tr>
<td></td>
<td>$27,478</td>
</tr>
<tr>
<td></td>
<td>$20,551</td>
</tr>
<tr>
<td></td>
<td>$8,190</td>
</tr>
<tr>
<td>Liabilities to Net Position</td>
<td>2.0 or less</td>
</tr>
<tr>
<td></td>
<td>0.25</td>
</tr>
<tr>
<td></td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>0.84</td>
</tr>
<tr>
<td>Cash (Unrestricted)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$21,057</td>
</tr>
<tr>
<td></td>
<td>$14,734</td>
</tr>
<tr>
<td></td>
<td>$2,917</td>
</tr>
<tr>
<td>Days Cash</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Revenue</td>
<td>$62,391</td>
</tr>
<tr>
<td></td>
<td>$58,765</td>
</tr>
<tr>
<td></td>
<td>$55,904</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$13,180</td>
</tr>
<tr>
<td></td>
<td>$9,554</td>
</tr>
<tr>
<td></td>
<td>$6,693</td>
</tr>
</tbody>
</table>

*Note: All $ are in thousands of dollars.*

## CONCLUSION

The impact of the potential PCIA rate increases can be substantial. Following are the key takeaways from staff's preliminary assessments:

- VCE is able to absorb the PCIA impacts of Scenario 2 without incurring additional debt or missing key covenants, although it will delay achievement of VCE’s 90-day cash reserve policy and impact VCE’s dividends and local project/program development.
- In Scenario 3, VCE would need to raise generation rates to maintain its financial standing. Without doing so, VCE would lose its cash reserves over time and never attain adequate levels of cash to maintain operations.
- In Scenario 3 or a comparable outcome, it is important to note that raising generation rates over those of PG&E for a limited or longer-term duration may be necessary to maintain financial reserves and stability. VCE’s rates could still be kept “competitive” with PG&E even if not exactly PG&E’s rates.
- CalCCA and the collective CCA efforts related to the 2020 PCIA rates are focused on correcting errors in the investor owned utilities (IOU) PCIA calculations that may moderate a small portion of the 2020 PCIA impact. In addition, the effort also includes the potential for large one time under-collection amounts (if they are valid under the CPUC PCIA formula), to be paid by CCA’s over several years to spread out the payments to reduce volatility and avoid a spike in 2020.
TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager
        George Vaughn, Director of Finance & Internal Operations
SUBJECT: Preliminary Operating Budget Fiscal Year 2020-2021
DATE: March 12, 2020

BACKGROUND AND ANALYSIS
Operating Budget FY 2019-2020
In June 2019, the Board approved the Operating Budget of $46.4 M for fiscal year 2019-2020 and includes purchased power and other operating expenses. The operating budget was based on the following:

- VCEA rates set to match PGE&E’s generation rates, net of PCIA and Franchise Fees
- Power Mix of 42% renewable, 75% GHG-free for the default product
- Contingency of 5% of other operating expenses due to uncertainty surrounding an entity in the second year of operations

YTD Actual plus Forecast FY 2019-2020
The YTD actual financial position for the 7 months ending January 31, 2020 plus the forecast for the remaining part of the fiscal year 2019-2020 are below the approved budget mainly due to the following:

Negative Impacts:
- Reduction of Wholesale and Retail Load due to lower Customer KWh usage, down from forecasted load
- Power costs increased slightly due to changing market prices
- Costs related to potential acquisition of PG&E assets

Positive Impacts:
- Contingency in the budget offsets the PG&E-related expenditures
- Labor below budget due to leaner staffing model

Preliminary Operating Budget FY 2020-2021
The preliminary operating budget for FY 2020-2021 reflects a negative Net Income of $6.4 million due primarily due to two major factors that are both outside of VCE’s direct control. First, the budget suffers from anticipated negative revenue trends in FY 20/21 resulting from an estimated 44% increase in PCIA costs and a 4% decrease in PG&E generation rates. Second, VCE faces a large increase in power costs due to significant increase in resource adequacy (RA)
costs and the assumption that the upcoming long-term solar projects will not begin delivering energy until the end of 2021 instead of mid-2021.

Additional detail on these primary drivers includes:

**Rates** – The revenue decline is driven by the following rate impact factors:
- PCIA will increase by 18% to approximately 3.2 cents per kWh starting May 2020 and will increase an additional 44% to approximately 4.6 cents per kWh starting in October 2020 due to the expectation that PG&E will file a cap exception trigger in 2020
- PG&E generation rates will decrease by an overall average of 4% for calendar year 2020 and then increase 2% in calendar year 2021; this results in a VCE revenue decline as our policy is to match PG&E generation rates

**Power Costs/Mix** – Power costs have increased substantively from FY 2020 budget to the preliminary FY 2021 budget. The increase of $9.4 million is due primarily to the market cost of RA increasing substantially in the recent past. Other contributing factors include:
- Adding Winters load
- RECs cost increase
- Carbon-free energy cost increase
- Brown power market cost decrease

Rising RA costs have been a significant problem for the industry, with CCAs across the state dealing with the issue. VCE and SMUD actively monitor and manage the long-term portfolio of RA to remain compliant with requirements and as cost-effective as possible.

The power mix reflected in the preliminary budget remains unchanged from the prior year’s budget with 42% renewable and 75% clean content. The load forecast has been updated for 2020 and 2021 using actual load data, opt-out rates and opt-up rates. The retail load forecast for the FY 2020-2021 is estimated at 722 GWh. Energy cost includes system energy, eligible renewables and carbon free attributes which are estimated at $37.6 million, or 73.9% of the total power costs. Resource adequacy cost is forecasted at $13.3 million, or 26.1% of the total power costs.

**Other Operating Expenses** – Staff has reviewed the non-power operating expenses (labor, etc.), and proposes a preliminary budget that is lower than the FY 2020 budget due to careful consideration of costs and efficiency tactics. Overall, non-power related expenses in the preliminary budget are approximately 9% of VCE’s budget, down slightly from FY 19/20. The budget has been updated based on the following:
- Services currently under contract
- Shift of labor mix more heavily towards internal VCE staff and away from SMUD professional services augmentation, resulting in lower overall cost
- 2.5% annual inflation rate on most expenses not under contract
- 5% contingency rate for unanticipated operating expenses due to VCE still being a relatively new enterprise
**Mitigation Strategies** – As noted in the staff presentation on the potential impacts of the 2020 PCIA/ERRA at the February Board meeting, staff have begun researching and analyzing potential strategies to partially mitigate these financial impacts.

In order to mitigate the fiscal impacts listed above, staff is analyzing several policy levers for Board consideration at future meetings:

- Increase VCE combined generation rate (generation, PCIA and Franchise Fee Surcharge) beyond PG&E’s generation rates
- Temporarily lower VCE goals for renewable and/or carbon free portfolio resource mix, while still maintaining compliance with minimum State standards
- Accept the GHG-free large hydro and nuclear allocations from PG&E
- Adjust energy hedging strategies (i.e., increase potential risk to reduce costs)
- Look for additional reductions in operating expense beyond those already captured

**CONCLUSION**

The preliminary operating budget reflects a -13.1% net margin which does not meet VCE’s 5% minimum annual net margin goal to maintain financial stability. Staff has prepared the preliminary operating budget for FY 2020-2021 based on the best available information on PG&E generation rates and PCIA exit fees. The 2020 PG&E generation rates and PCIA exit fees will be effective May 2020 and the PCIA cap exception triggered rates are assumed to start in the fourth quarter of 2020. All these factors will be included in the final proposed Operating Budget for FY 2020-2021 that will be presented to the Board for consideration later this Spring.

Despite the negative projections for the FY 2021 budget, VCE is not projected to require use of its line of credit until at least late 2021 – beyond the period of this budget. This is due to VCE having an adequate cash reserve.

Based on the Board feedback and direction, staff will return with a final recommended Operating Budget for FY 2020-2021 for consideration in May.

**Attachment:**

Preliminary Operating Budget FY 2020-2021
<table>
<thead>
<tr>
<th></th>
<th>FY 2019-2020</th>
<th>JAN 31, 2020 (7 MO)</th>
<th>PRELIMINARY BUDGET FY 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
<td>$ 55,708</td>
<td>$ 54,744</td>
<td>$ 49,227</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Electricity</td>
<td>41,575</td>
<td>41,689</td>
<td>50,941</td>
</tr>
<tr>
<td>Contract Services</td>
<td>2,910</td>
<td>2,966</td>
<td>2,908</td>
</tr>
<tr>
<td>Staff Compensation</td>
<td>1,183</td>
<td>1,101</td>
<td>1,113</td>
</tr>
<tr>
<td>General, Administration and other</td>
<td>728</td>
<td>569</td>
<td>776</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>46,396</td>
<td>46,325</td>
<td>55,738</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING INCOME</strong></td>
<td>9,312</td>
<td>8,419</td>
<td>(6,511)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>132</td>
<td>115</td>
<td>135</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(155)</td>
<td>(130)</td>
<td>(57)</td>
</tr>
<tr>
<td><strong>TOTAL NONOPERATING REV/(EXPENSES)</strong></td>
<td>(23)</td>
<td>(15)</td>
<td>78</td>
</tr>
<tr>
<td><strong>NET MARGIN</strong></td>
<td>$ 9,289</td>
<td>$ 8,405</td>
<td>$(6,433)</td>
</tr>
<tr>
<td><strong>NET MARGIN %</strong></td>
<td>16.7%</td>
<td>15.4%</td>
<td>-13.1%</td>
</tr>
</tbody>
</table>
TO: VCE Board of Directors  
FROM: Mitch Sears, Interim General Manager  
Gordon Samuel, Assistant General Manager & Director of Power Services  
SUBJECT: Approve Valley Clean Energy’s Policy regarding potential PG&E allocation of Greenhouse Gas (GHG)-free (Large Hydro and Nuclear) resources to Community Choice Aggregators  
DATE: March 12, 2020

RECOMMENDATION
1. Accept the 2020 allocation of large hydro, carbon free attributes paid for by VCE customers when that proposal is filed by Pacific Gas and Electric and ordered by the California Public Utilities Commission (CPUC).

2. Monitor and report back to the Board on current CPUC proceeding related to future potential allocations of PG&E GHG-free resources to CCA’s.

BACKGROUND
VCE has set a goal for 2020 to serve customers with a minimum 75% GHG-free energy. In 2020, forty-two percent (42%) of VCE’s GHG-free energy portfolio are resources that qualify as renewable energy under the state’s renewable portfolio standard program (RPS) and 33% are resources that do not qualify under the RPS but are considered GHG-free. Large hydro and nuclear do not directly emit any GHG emissions, but don’t qualify under the state’s RPS.

VCE has procured all of the renewable resources and GHG free (large hydro) that we expect are required to meet this target in 2020. Prior to the current proposal to issue GHG-free allocations to CCAs, as additional CCAs started operating with their own GHG-free targets, staff saw the market for GHG-free resources become tighter and the cost increase.

PG&E owns or contracts for a number of GHG-free resources (including large hydro and nuclear from Diablo Canyon Power Plant). PG&E has been able to count these resources on its power content label (PCL) to meet its GHG-free targets. Load serving entities (LSEs), on the other hand, have been paying for those same assets through Power Charge Indifference Adjustment (PCIA), yet do not receive any of the GHG-free benefits – this includes VCE.
In mid-2019, CCAs approached PG&E to discuss whether PG&E would be agreeable to selling energy from their large hydro facilities\(^1\). PG&E ultimately refused to make sales in 2019, but subsequently approached CCAs and offered to allocate GHG-free resources (nuclear and large hydro) to CCAs and other eligible load serving entities (LSEs).

There is a separate, similar effort occurring in the PCIA Phase 2 Working Group 3 (WG 3) that is focusing on the allocation of GHG-free energy, among other things. Since the PCIA effort is expected to take effect in 2021, the allocations addressed in this staff report are considered an interim approach for 2020 only until PCIA decisions are finalized. Both the PCIA proposal and the interim allocation proposal are works in progress and subject to change pending final CPUC approval.

The purpose of this report is to provide background and information for the Board to consider staff’s recommendation to accept VCE’s share of the large hydro allocation but not the nuclear allocation under the interim proposal for 2020 only.

**Interim Proposal by PG&E**

The key elements of the interim proposal include:

- Limited in time to 2020
- Limited in the resources to which it applies:
  - In-state
  - Large hydroelectric
  - Nuclear
- Only available to retail suppliers whose customers pay PCIA with large hydroelectric and nuclear in their PCIA vintage
- Requires active agreement between retail suppliers to offer and to take generation
- Requires that the CPUC approve a mechanism for the allocation of such generation
- No payment required

There is no obligation to accept this allocation of GHG-free energy. An LSE can choose to accept neither resource pool, one or the other, or both.

The PCIA is a non-bypassable charge set annually by the CPUC. The interim proposal and allocation mechanism, and whether VCE accepts an allocation, has no impact on PCIA charges. Regardless of what happens with the allocation mechanism, all customers, VCE customers included, pay for, and will continue to pay for PG&E large hydroelectric and nuclear generation costs through the PCIA.

A link to the PG&E Advice Letter which details the interim proposal is included in the reference section at the end of this staff report.

\(^{1}\) Large hydro and nuclear resources count as GHG-free on the power content label (PCL), and investor-owned utilities (IOUs) have been benefiting from counting those resources to meet their GHG-free targets. LSEs, on the other hand, have been paying for those same assets through PCIA, yet do not receive any of the GHG-free benefits through the PCL.
ANALYSIS
Under the interim proposal, PG&E will allocate to each eligible LSE its load share of large hydro (hydro pool) and/or nuclear resources (nuclear pool) based on an LSE’s election. VCE accounts for approximately 1% of PG&E’s share. Staff estimates that the allocation PG&E offers to VCE may contain the following:

• 90 GWh of large hydroelectric power
• 140 GWh of nuclear power

The volume that each LSE receives will ultimately depend on the volume of electricity generated by each resource pool in 2020 and the proportion of PG&E’s load served by the LSE. PG&E has identified public historical production data for each resource pool and will provide ongoing allocation amounts for LSEs to forecast and keep track of allocation amounts.

VCE is eligible for this allocation as an LSE (as defined in the CAISO Tariff) that: (1) has forecasted load identified in PG&E’s Energy Resource Recovery Account (ERRA) Forecast Application (ERRA Forecast Departed Load) for the calendar year in which the Allocation Amount is accepted; and (2) serves customers who pay the PCIA departing load charges for the above market costs of Resources.

On December 2, 2019, PG&E filed a Tier 3 Advice Letter and requested that the CPUC issue a final resolution by February 1, 2020. The interim proposal will only become effective upon CPUC approval of this Advice Letter and will remain in effect until the earlier of the effective date of a CPUC action on the PCIA Proposal Rulemaking (R.1706-026) ordering an alternative methodology (PCIA Decision) and December 31, 2020. In practice, this means through 2020.

Once the Advice Letter is approved and PG&E offers the allocation, the LSE has 30 days to accept its allocation of hydro and/or nuclear pool(s). Any unallocated amounts will revert back to PG&E to use or dispose as it sees fit pursuant to applicable law. As of the writing of this report (3/6/20), the CPUC has not issued a decision on PG&E’s advice letter.

In exchange for the allocation by PG&E, the receiving LSE “will waive their ability to make petitions, arguments or filings at the CPUC or at the California State Legislature regarding PG&E not offering any allocation, sale or transfer of Carbon Free Energy or attributes for the period that the eligible LSE accepts the offer. Neither PG&E nor the eligible LSEs will be required to post credit or collateral.”

PG&E will provide each LSE with an annual attestation confirming actual year-end totals of generation from the Resource Pool(s) and notify the California Energy Commission of the sale of the Product for purposes of PCL reporting.

FISCAL IMPACT
VCE has already procured GHG-free resources for 2020. Accepting either allocation (hydro or nuclear) results in potential savings to VCE, and not any additional costs. If the PG&E proposal is approved, the market demand and price for these allocations are likely to drop. The table below estimates that the savings from the large hydro allocation could range from $0 to $540,000 and the nuclear allocation
could be $0 to $840,000. The probability factors are based on SMUD’s assessment of the likelihood of being able to sell the resource back into the energy market. For example, it is estimated that there is a high/moderate probability that there will be limited buyers in the market for the accepted GHG-free attributes in 2020 resulting in a $0 value for VCE. In this case, the value would be captured by VCE in having a higher than anticipated GHG-free portfolio in 2020. Note: if allocations are issued for future years with adequate advanced notice, CCA’s can reduce energy costs by accepting the allocation(s) and not purchasing GHG-free attributes on the open market.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Forecasted Allocated Volumes (Large Hydro + Nuclear)</th>
<th>Min. Value – High/Moderate Probability</th>
<th>Med. Value – Low/Moderate Probability</th>
<th>Max. Value (current market price) – Low Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (Hydro + Nuclear)</td>
<td>230 GWh</td>
<td>$0</td>
<td>Up to $270,000</td>
<td>Up to $1,380,000</td>
</tr>
<tr>
<td>B (Nuclear only)</td>
<td>140 GWh</td>
<td>$0</td>
<td>$0</td>
<td>Up to $840,000</td>
</tr>
<tr>
<td>C (Hydro only)</td>
<td>90 GWh</td>
<td>$0</td>
<td>Up to $270,000</td>
<td>Up to $540,000</td>
</tr>
</tbody>
</table>

Scenarios to Consider

By accepting an allocation of carbon free energy from PG&E, VCE could decrease the volume of previously contracted GHG-free energy needed to meet it’s 75% GHG-free target for 2020. Staff have prepared three scenarios to consider:

- **Scenario A** - PG&E offers carbon-free allocations up to VCE’s load share percentage (1% of PG&E load), amounting to 230 GWh. VCE accepts all carbon-free allocations – both hydro pool and nuclear pool. Consider option to sell off allocation if buyers are available.

- **Scenario B** - PG&E offers carbon-free allocations up to VCE’s load share percentage (1% of PG&E load), amounting to 140 GWh. VCE accepts the nuclear carbon-free allocations.

- **Scenario C** - PG&E offers carbon-free allocations up to VCE’s load share percentage (1% of PG&E load), amounting to 90 GWh. VCE accepts the hydro pool carbon-free allocations.

- **Scenario D** - VCE rejects allocations from both resource pools.

To date, with the exception of one CCA, all are taking one or both of the allocations; at least two CCA’s are taking the nuclear allocations. Some CCAs have discussed the topic with their Board’s but are waiting on the CPUC decision before finalizing their approach.

**Community Advisory Committee Recommendation**
The Community Advisory Committee (CAC), considered the issues contained in this staff report at a special meeting on February 5th and were briefed again on the topic at the Feb. 27th meeting. At the Feb. 5th meeting, the CAC engaged in a detailed discussion about the advantages and drawbacks of
accepting the allocations. The CAC voted 4-2 to support the staff recommendation to accept large hydro allocations from PG&E, but not accept the nuclear allocations. The CAC’s support was subject to confirmation that: 1) VCE would only be getting the attributes and not the energy and 2) clarification and interpretation of meaning of the statement that the LSE (VCE) “will waive their ability to make petitions, arguments or filings at the CPUC or at the California State Legislature regarding PG&E not offering any allocation, sale or transfer of Carbon Free Energy or attributes for the period that the eligible LSE accepts the offer”.

Note: the no votes by CAC members centered on different issues; one with lack of information on the underlying motivation to offer the allocations, and the second on an interest in accepting both allocations for the express purpose of using any cost savings to help fund VCE’s priority local programs/projects.

At the Feb. 27th CAC meeting, staff did clarify for the CAC the above two concerns: 1) LSE’s electing to accept these allocations are in fact only receiving allocations not the energy; and 2) confirmed that the LSE is only waiving their rights related to the 2020 allocation – not future proceedings.

RECOMMENDATION
Staff recommends that the Board adopt Scenario C (large hydro only). This is a challenging policy question due to the fact that regardless of VCE’s decision: (1) the Diablo nuclear plant will continue to operate until 2024/25, and (2) VCE customers will pay for the GHG attributes from the plant through the PCIA charge. In addition, if there is a market for the attributes, the potential savings could help VCE advance its policy goals. These factors are balanced against the potential reputational risk associated with taking VCE’s nuclear allocation.

Staff believes that:

- The potential reputational risk from accepting the nuclear allocation as part of our GHG-free target is greater than the potential savings for accepting this allocation.
- Although there could be monetary savings in 2020 from accepting the nuclear allocation, the likelihood is low.
- Generally nuclear is not considered a clean fuel source due to risks associated with spent fuel and practical long-term disposal options.

Based on these factors, staff believes that VCE is better served by accepting the hydro allocation for 2020 but not the nuclear allocation and should revisit this topic as the PCIA Working Group finalizes the approach for 2021 and beyond.

Reference Materials
TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
      Gordon Samuel, Assistant General Manager & Director of Power Services

SUBJECT: Introduction of local / regional renewable Request for Offers (RFO) solicitation

DATE: March 12, 2020

OVERVIEW
As directed by the Board and noted in previous updates, VCE is in the process of preparing a solicitation for local/regional long-term renewable projects. Projects resulting from this solicitation would supplement renewable projects that come out of VCE’s previous long-term solicitation, including the recently signed power purchase agreement (PPA) for a 50 MW project with the Westlands solar park. This staff report provides an overview of the solicitation objectives and an introduction to the draft siting criteria that would be included in the Local/Regional Long-Term Renewable Request for Offer (“RFO”) planned for issuance in April 2020. Staff reviewed the criteria with the Community Advisory Committee (2/27/2020) as well as with the Defenders of Wildlife and The Nature Conservancy (2/24/2020). Input received from those meetings has been incorporated in this report.

Staff will be returning to the Board for final consideration and direction to issue the local/regional solicitation at the April Board meeting.

BACKGROUND
If approved by the Board at its April 2020 meeting, staff will release an RFO for VCE to procure local/regional renewable energy through long-term power purchase agreements that will be executed in VCE’s name. The local/regional solicitation is consistent with general Board direction and VCE’s Vision statement to pursue procurement of cost effective local renewable energy. This solicitation is also identified in VCE’s 2019 Renewable Portfolio Standard (RPS), Procurement Plan submitted to the California Public Utilities Commission. The 2019 RPS Plan states:

“VCE plans to establish an open solicitation for local renewables in the first quarter of 2020 in order to supply up to 25% of its targeted 2030 renewable goal of 80%.”

Table 1 below provides an overview of VCE’s renewable energy targets compared to the RPS minimums.
Table 1 – VCE Renewable Targets

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2022</th>
<th>2026</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>VCE IRP Renewable Energy Targets</td>
<td>42.0%</td>
<td>60.0%</td>
<td>70.0%</td>
<td>80.0%</td>
</tr>
<tr>
<td>RPS Minimum Requirements</td>
<td>33.0%</td>
<td>38.5%</td>
<td>49.3%</td>
<td>60.0%</td>
</tr>
<tr>
<td>Additional Voluntary Procurement by VCE Above RPS Minimum Reqs</td>
<td>9.0%</td>
<td>21.5%</td>
<td>20.7%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

As the table shows, after VCE’s long-term renewable contracts begin supplying power in late 2021/early 2022, VCE is roughly 20% better than State standards. While the larger, non-local renewable projects will provide the bulk of that power the proposed local/regional solicitation will supplement the totals. Based on prior Board direction, staff has purposely left an open position in VCE’s portfolio to accommodate up to 25% of the renewables needed to make VCE’s targeted amount to be filled with cost-effective local/regional projects that would come on-line over the next 10 years (by 2030). For discussion purposes: assuming an annual VCE load of 750,000 MWh, VCE plans to ultimately meet 600,000 MWh with renewable resources and 150,000 MWh of this could be from local renewables (approximately 50MW depending on the type of resource).

Staff is not suggesting that all 150,000 MWh will come from this RFO. Staff intends to procure a portion of this amount and in future solicitations will acquire the remaining balance. This will allow VCE to diversify its portfolio and potentially take advantage of emerging and maturing technologies such as energy storage and other distributed energy resources. In addition, staff notes that the current (and future), solicitation would not limit the types of technologies that could submit proposals. The proposed evaluation criteria are addressed below.

**ANALYSIS**

1). This solicitation will contribute to satisfying a near-term regulatory requirement:

*CPUC Decision D.17-06-026: VCE is required to meet the statutory goal of 65% of its procurement being from contracts with term lengths of 10 years or more in duration by the 2021-2024 compliance period. The recently signed 50 MW PPA will satisfy approximately 50% of this requirement leaving approximately 350,000 MWh (total remaining for years ’21 through ’24) for upcoming procurement activity.*

2). Staff recommends that this RFO be limited only to proposals from resources that can achieve a commercial operation date (COD) no later than 12/31/23. All other things being equal, projects that can achieve an earlier COD will be given preference. This date supports the above regulatory requirement, and it coincides with the expiration of the Federal Investment Tax Credit (“ITC”), that is utilized by projects to lower costs.
A project will receive a higher ITC the sooner a project commences construction. Utility-scale projects which have commenced construction before December 31, 2021 may still qualify for the 30, 26 or 22 percent ITC if the project is placed in-service before December 31, 2023.

**Key Solicitation objective.** A primary objective of this first local/regional long-term renewable solicitation for VCE is to facilitate development of cost effective local renewable resources. VCE currently has no power supply commitments from projects in Yolo County. The Indian Valley hydro project, currently under two-year contract to VCE, is in adjacent Lake County.

**Recommended Siting criteria for Local/Regional RFO**

The criteria recommended are generally consistent with those established in VCE’s first long-term solicitation issued in Fall 2018. Both the initial and currently proposed criteria set the tone and direction for the types of renewable resources that VCE pursues. In short, VCE desires cost effective projects that: (1) provide local co-benefits; (2) are located in environmentally suitable locations; and (3) are sustainably developed to avoid or minimize impacts to species, habitat, landscapes and agricultural lands. Staff recognizes that some projects may not meet all criteria, but preference will be given to those that meet the most. The project evaluation criteria categories staff are recommending include:

1. Local/Regional resources
2. Prior land use
3. Located in pre-screened energy development areas
4. Level of completeness of permits
5. Grid Interconnection status
6. Site control
7. Multi-benefit renewable energy

**1. Definition of Local/Regional Resources**

VCE is currently serving customers in Yolo County and a goal of the CCA model is to build local clean energy resources, reinvest dollars in the local economy, and create jobs. If the definition of Local is limited to Yolo County, resource opportunities will not be as plentiful than if Local were defined as a broader geographical area. Although a project may be physically sited in an adjacent county, there are indirect benefits for Yolo County. As with VCE’s 2018 solicitation, the definition of local included Yolo plus near adjacent renewable resources such as small hydro in Lake County, wind resources in southeastern Solano County, and bio-mass in Colusa County. Geothermal resources in Lake/Sonoma Counties would be captured in the regional category.
Staff recommends a position defining the following resource criteria for location, and that these criteria be included in the RFO.

“Local” is preferred and defined as any resource located within Yolo County, or nearby Yolo County if having a nexus back to Yolo County (the Indian Valley Hydro Project owned by Yolo County Flood Control and Water Conservation District is an example of a nearby project having a nexus back to Yolo County).

“Regional” is defined as any resource located within the six adjacent counties and including the Geysers Geothermal Resource Area in Lake/Sonoma County.

As noted, Staff recommends those projects that meet the above “Local” definition be given some level of preference compared to those outside of Yolo County.

2. Prior Land Use

VCE’s preference would be for projects sited on structures/buildings or mechanically disturbed lands (e.g. previously disturbed for industrial or residential development) or chemically or physically impaired farmland (per CA GOV Code 51191(a)). Brownfield sites would also be acceptable for renewable development such as superfund sites or other contaminated lands, per EPA Repowering America guidelines.

3. Located in Pre-Screened Energy Development Areas

The Renewable Energy Transmission Initiative (RETI), provides a high-level assessment of areas in California that are best suited to support utility scale renewable energy projects. It is a useful screen that VCE used in its 2018 solicitation and supports the public process of the California Energy Commission, California Public Utilities Commission, and the California Independent System Operator to identify potential transmission that could access and integrate renewable energy with the most environmental, economic, and community benefits. To be considered, projects would be required to avoid RETI Category 1 or Category 2 designation.

4. Level of Permitting Completeness

Respondents would need to describe the status of their permitting activities. Depending how advanced a project is in the permitting process will determine the commercial operation date as well as the amount of development risk associated with the project viability. Permits that would be specifically addressed include:

a) Status of land use permits and entitlements, including level of California Environmental Quality Act (CEQA) analysis required. Projects with all permitting approved would be prioritized.

b) If located in Yolo County, consistency with the Yolo County Habitat Conservation Plan / Natural Community Conservation Plan.
5. **Interconnection status**

The interconnection process in many cases is the critical path item in project development. Preference will be given to those projects that are enrolled in the interconnection queue, and that the bidder has requested that the interconnection support deliverability of the full project capacity (called full capacity deliverability status).

6. **Site control**

The project developer has underlying site control such as owned, leased, option, etc.

7. **Multi-benefit renewable energy**

Renewable energy that provides additional societal, health, economic, water saving, or environmental benefits beyond the climate and GHG reduction benefits of renewable energy. Factors considered would include supplier diversity and potential effects on disadvantaged communities. Respondents will be asked to describe these additional benefits.

**CONCLUSION**

Staff is seeking feedback from the Board on the above criteria as well as any additional factors that should be considered for inclusion in the final solicitation. Staff will return with a final draft solicitation for Board consideration at the April meeting.