VALLEY
CLEAN ENERGY

Regular Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, April 10, 2025 at 5:30 p.m.
City of Davis Community Chambers
23 Russell Boulevard, Davis, California 95616

Board Members will be attending in-person and public participation will be in-person and available via Zoom Webinar (video/teleconference). VCE will, to the best of its ability, provide hybrid and remote options for VCE meeting participants and to the public; however, VCE cannot guarantee these options will be available due to technical limitations outside of our control. For assurance of public comment, VCE encourages in-person and written public comments to be submitted as described below when possible. VCE, to the best of its abilities, will provide participation via the Zoom platform.

Accommodations for Persons 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, VCE Board Clerk/Administrative Analyst, as soon as possible and preferably 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.

Members of the public who wish to listen to the Board of Director's meeting may do so with the video/teleconferencing call-in number and meeting ID code. Video / teleconference information below to join meeting:

Join meeting via Zoom:

a. **From a PC, Mac, iPad, iPhone, or Android device with high-speed internet. (If your device does not have audio, please also join by phone.)**
   https://us02web.zoom.us/j/82458794673
   Meeting ID: 824 5879 4673
b. **By phone:**
   One tap mobile:
   +1-669-444-9171,, 82458794673# US
   +1-669-900-9128,, 82458794673# US

Or Dial:
+1-669-444-9171 US
+1-669-900-9128 US
Meeting ID: 824 5879 4673

Public comments may be submitted electronically or during the meeting. Instructions on how to submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Board Members: Bapu Vaitla (City of Davis, Chair), Jesse Loren (City of Winters, Vice Chair), Lucas Frerichs (Yolo County), Tom Stallard (City of Woodland), Sheila Allen (Yolo County), Donna Neville (City of Davis), Tania Garcia-Cadena (City of Woodland), Richard Casavecchia (City of Winters)

Alternate Board Members: Angel Barajas (Yolo County), Mayra Vega (City of Woodland), Linda Deos (City of Davis), Albert Vallecillo (City of Winters)

5:30 p.m. Call to Order

1. **Welcome and Approval of the Agenda**
2. **Public Comment:** This item is reserved for persons wishing to address the Board on any VCE-related matters that are not otherwise on this meeting agenda or are listed on the Consent portion of the 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, electronically submitted comments should be limited to approximately 300 words. Comments that are longer than 300 words will only be read for two minutes. All electronically submitted comments, whether read in their entirety or not, will be posted to the VCE website within 24 hours of the conclusion of the meeting. See below under **PUBLIC PARTICIPATION** on how to provide your public comment.

CONSENT AGENDA

3. **Approve February 13, 2025 Board meeting Minutes.**
4. **Receive 2025 long range calendar.**
5. **Receive Treasurer's reports: a) January 31, 2025 and b) February 28, 2025.**
6. **Receive legislative update provided by Pacific Policy Group.**
7. **Receive April 2, 2025 regulatory update provided by Keyes & Fox.**
8. **Receive Community Advisory Committee February 27, 2025 and March 27, 2025 meeting summaries.**
9. **Receive Customer participation update (1st Quarter 2025).**
10. **Receive VCE Grant activity update.**
11. **Receive Enterprise Risk Management Report (Bi-Annual).**
12. **Review and approve the updated VCE Load Management Standards Plan. (Action)**
13. **Ratify Consultant Agreement with NewGen Strategies and Solutions for energy advisory services. (Action)**

14. **Approve Third Amendment to Polaris Agreement (AgFIT Program) increasing the not to exceed amount. (Action)**

REGULAR AGENDA

15. **Receive and accept Calendar Year 2024 Audited Financial Statements.**
16. **Receive financial update. (Information)**
17. **Power Charge Indifference Adjustment (PCIA) / Rates workshop. (Information)**
18. **Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCE expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.
19. **Adjournment/Announcement:** The Board will adjourn their regular meeting to Thursday, May 8, 2025 at the City of Woodland Council Chambers located at 300 First Street, Woodland, California 95695.

PUBLIC PARTICIPATION: **Public Comments:** Public participation for this meeting will be done electronically via e-mail and during the meeting as described below.

Public participation via e-mail: If you have anything that you wish to be distributed to the Board and included in the official record, please e-mail it to VCE staff at Meetings@ValleyCleanEnergy.org . If information is received by 3:00 p.m. on the day of the Board meeting it will be e-mailed to the Board members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting. Written public comments that do not exceed 300 words will be read by the VCE Board Clerk, or other assigned VCE staff, to the Board and the public during the meeting subject to the usual time limit for public comments [two (2) minutes]. General written public comments will be read during Item 2, Public Comment. *Written public comment on individual agenda items should include the item number in the "Subject" line for the e-mail and the Clerk will read the comment during the item.* All written comments received will be posted to the VCE website.

Verbal public participation during the meeting:

1) **If attending in person**, please complete a **Comment Card** and return it to the Board Clerk.
2) **If attending remotely via Zoom**, there are two (2) ways for the public to provide verbal comments:
   A. If you are attending by computer, activate the "participants" icon at the bottom of your screen, then raise your hand (hand clap icon) under "reactions". When called upon, you will be "unmuted" to allow to speak.
   B. If you are attending by phone only, you will need to press *9 to raise your hand. When called upon, press *6 to unmute your microphone.

VCE staff will acknowledge that you have a public comment to make during the item and will call upon you to make your verbal comment.

Public records that relate to any item on the open session agenda for a regular or special Board meeting are available for public review on the VCE website. Records that are distributed to the Board by VCE staff less than 72 hours prior to the meeting will be posted to the VCE website at the same time they are distributed to all members, or a majority of the members of the Board. Questions regarding VCE public records related to the meeting should be directed to Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. The Valley Clean Energy website is located at: https://valleycleanenergy.org/board-meetings/.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 3

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk / Administrative Analyst

SUBJECT: Approval of Minutes from February 13, 2025 meeting

DATE: April 10, 2025

RECOMMENDATION

Receive, review and approve the attached February 13, 2025 meeting Minutes.

Attachment: February 13, 2025 meeting Minutes

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING
THURSDAY, FEBRUARY 13, 2025

The Board of Directors of the Valley Clean Energy Alliance duly noticed their regular meeting for Thursday, February 13, 2025 at 5:30 p.m. to be held at City of Davis Community Chambers located at 23 Russell Boulevard, Davis, California 95616. Chair Lucas Frerichs established that there was a quorum present and the meeting began at 5:31 p.m.

Board Members Present: Lucas Frerichs (Chair), Richard Casavecchia, Sheila Allen, Donna Neville, Tom Stallard, Alberto Vallecillo (Alternate – Winters), Bapu Vaitla (Vice Chair, arrived at 5:36 p.m.),

Members Absent: Jesse Loren, Tania Garcia-Cadena

Welcome, Approval of the Agenda, Oaths of Office

Chair Lucas Frerichs welcomed everyone and informed those present that Vice Chair Bapu Vaitla will be arriving a several minutes late. He also informed those present that the Election of Officers for 2025 will be moved around on the agenda to a convenient time once Vice Chair Vaitla arrives. Motion made by Director Stallard to approve the agenda, seconded by Richard Casavecchia. Since Directors Neville and Allen have not taken the Oath of Office, they were unable to vote. Motion passed by the following vote:

AYES: Frerichs, Casavecchia, Stallard, Vallecillo (Alt.)
NOES: None
ABSENT: Loren, Garcia-Cadena, Vaitla
ABSTAIN: None

VCE Secretary Alisa Lembke gave the Oath of Office to: Sheila Allen, Donna Neville, and Linda Deos (Alternate – City of Davis).

Election of Officers for 2025

Due to Vice Chair Bapu Vaitla not present, this item will be addressed later in the agenda after he arrives.

Public Comment – General and Consent Items

Chair Frerichs opened public comment on general and consent items. There were no written or verbal public comments.

Approval of Consent Agenda / Resolution 2025-001 through 2025-003

Chair Frerichs informed those present that Item 4 – Approval of the December 14 meeting minutes should read the year of 2024, not 2023. Motion made by Director Neville to approve the consent agenda items noting the correction to Item 4 – December 12, 2024 Board meeting

Minutes, seconded by Director Vallecillo (Alt.). Motion passed with Directors Loren, Garcia-Cadena, and Vaitla absent. The following items were:
4. approved corrected December 12, 2024 Board meeting Minutes;
5. received 2025 long range calendar;
6. received Treasurer's reports: a) November 30, 2024 and b) December 31, 2024;
7. received legislative update provided by Pacific Policy Group;
8. received January 2025 regulatory update dated February 5, 2025 provided by Keyes & Fox;
10. received Community Advisory Committee December 19, 2024 and January 23, 2025 (no quorum) meeting summaries and Task Group 2024 Year-end reports;
10. received quarterly customer participation update (4th Quarter 2024);
11. Received copy of Amendment 4 letter to Automate Mailing Services Agreement extending term through December 31, 2025;
12. approved VCE Employe Handbook updates as Resolution 2025-001;
13. received VCE initial Investment Grade Credit Rating update and authorized VCE Chief Financial Officer (CEO) to execute related agreements as Resolution 2025-002; and,
14. approved Amendment 2 to SMUD Agreement Task Order 8 (Consulting Services) for program support services as Resolution 2025-003.

Item 15: Authorize the execution of clean energy purchase contract and other documents in connection with the issuance of CCCFA Clean Energy Project revenue bond. (Discussion/Action) Resolution 2025-004	VCE Chief Executive Officer Mitch Sears introduced this item. (Vice Chair Vaitla arrived at 5:36 p.m.) VCE Director of Finance and Internal Operations Edward Burnham informed those present that VCE went through the Request for Proposals (RFP) process and selected PFM Financial Advisors, Goldman Sachs, and Orrick (as VCE's legal bond counsel). Mr. Burnham introduced Michael Berwanger of PFM Financial Advisors and Michael Fleishman of Goldman Sachs. Mr. Berwanger presented a summary of the prepayment process. Mr. Burnham reviewed the benefits and rational of using prepayment and Staff's recommendation. The Board and Staff discussed: bond issuance process, prepayment threshold, savings and customer rates, bond and rates, and new energy purchases. There were no written or verbal public comments. Motion made by Director Stallard to approve the execution and delivery of a Clean Energy Purchase Contract and certain other documents in

connection with the issuance of California Community Choice Financing Authority ("CCCFA") Clean Energy Project Revenue Bonds:

1. Clean Energy Purchase Contract with CCCFA;
2. Form of Limited Assignment Agreement (LAA);
3. Letter Agreement regarding LAAs;
4. Power Purchase Agreement (PPA) Custodial Agreement;
5. Operational Services Agreement;
6. Memorandum of Understanding (MOU) with CCCFA; and,
7. Appendix A to the POS.

Motion was seconded by Director Casavecchia. Motion passed as Resolution 2025-004 by the following vote:

AYES: Casavecchia, Allen, Neville, Stallard, Vallecillo (Alt.), Frerichs, Vaitla
NOES: None
ABSENT: Loren, Garcia-Cadena
ABSTAIN: None

Election of Officers for 2025	Mr. Sears informed the Board that historically, there is a yearly rolling rotation of jurisdictions for the VCE Chair and Vice Chair positions, such that the Vice Chair position currently held by the City of Davis would move into the Chair position and a City of Winters Board member would become the Vice Chair. Director Stallard nominated Vice Chair Bapu Vaitla for Chair and Director Jesse Loren (City of Winters) for Vice Chair, seconded by Director Allen. Motion passed with Directors Loren and Garcia-Cadena absent. Chair Vaitla asked Director Frerichs to continue leading the meeting.
Item 16: Receive 2024 Year-end Review. (Information)	Mr. Sears introduced this item and provided a brief overview of VCE's accomplishments in 2024. VCE Chief Operating Officer Gordon Samuels provided an overview of VCE's power portfolio and the past year's accomplishments. VCE Director of Customer Care and Marketing Rebecca Kuczynski provided highlights of marketing, outreach, programs, and customer service accomplishments. Mr. Burnham provided highlights of VCE's accomplishments in finance, and in 2024 and 2025 customer rates savings for Customers. The Board and Staff discussed: CARE/FERA programs, the challenges of reaching 100% renewable/clean energy, Power Content Label, Slice of Day, and diversification of VCE's power resources. There were no written public comments.

	Verbal Public Comment: Christine Kimball Shewmaker thanked VCE Staff and the Board for discussing the goal of reaching 100% renewable. She is also interested in how VCE compares with other CCA's in reaching 100% clean energy. She commented that there are both direct and indirect positive values to reaching 100% renewable.
Item 17: Receive Strategic Plan process update. (Information)	Mr. Sears introduced this item and provided the background of VCE's Strategic Plan highlighting the goals. He reviewed the key objectives of performing a major update to the Strategic Plan and reviewed the process and timeline. He mentioned that VCE will be seeking community and stakeholder feedback through community meetings and surveys from VCE's stakeholders and Customers. VCE Staff will seek input and assistance from the Community Advisory Committee (CAC) to develop and fine tune the major update and to obtain feedback from stakeholders and Customers. VCE Staff have already begun reviewing the Strategic Plan and providing input. The Board and Staff discussed: vacant seat on the Community Advisory Committee (CAC) to represent unincorporated Yolo County; reviewing rates more than twice a year; and, looking at VCE rates not based on PG&E rates. There were no written or verbal public comments.
Item 18: Board Member and Staff Announcements	The Board asked for an update on VCE's power resource position and on VCE's Power Purchase Agreement (PPA), SACOG and other projects. Director Frerichs announced that he and Chair Vaitla participated in CalCCA Lobby Day along with a few VCE Staff and other CCA representatives, where representatives met with Legislative Staff. Mr. Sears announced that Staff will be returning in April with a financial update and informed those present that the CalCCA Lobby Day was a positive experience where numerous issues were discussed. Lastly, Mr. Sears invited the Board to attend the Almond Festival in Esparto on Sunday, February 23rd. VCE will have a booth and welcomes anyone to stop by to say hello or assist with staffing the booth.
Announcement / Adjournment	Director Frerichs announced that the Board's next scheduled meeting is on Thursday, March 13, 2025 at 5:30 p.m. at the City of Woodland Council Chambers located at 300 First Street, Woodland, California 95695. There being no further business, the meeting was adjourned at 7:04 p.m.

Alisa M. Lembke

VCEA Board Secretary

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 4

TO: Board of Directors

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Board and Community Advisory Committee 2025 Long-Range Calendar

DATE: April 10, 2025

Recommendation

Receive and file the 2025 Board and Community Advisory Committee long-range calendar listing proposed meeting topics. Please note that meeting locations and topics may change.

Attachment: 2025 Board and CAC long range calendar

VALLEY CLEAN ENERGY

2025 Meeting Dates and *Proposed* Topics

Board and Community Advisory Committee (CAC)

(Note: Meeting locations and Topics are subject to change)

MEETING DATE		TOPICS	ACTION
January 9, 2025 (Cancelled)	**Board (Woodland)**	• This meeting was cancelled.	
January 23, 2025 NO QUORUM, ITEMS MOVED TO FEBRUARY 27, 2025 MEETING	**Advisory Committee (Woodland)**	• 2025 CAC Task Group (s) formation (Annual) (R) • Customer Participation Update (4th Quarter 2024) (O) • 2024 Year in review: Customer Care & Marketing (Placeholder) (R) • Strategic Plan (O)	• Discussion/Action • Discuss/Action • Information • Discussion/Action
February 13, 2025	**Board (Davis)**	• Oaths of Office for Board Members (Annual - new Members only) (R) • Election of Officers for 2025 (Annual) (R) • Customer Participation Update (4th Quarter 2024) (O) • Receive CAC Year-end Task Group Reports (O) • 2024 Year-end review: Customer Care & Marketing (O) • Update to VCE Employee Handbook (Placeholder) (R) (historically Jan.) • Prepay (Placeholder) (O) • Annual Strategic Plan Report (R) (historically Jan.)	• Action • Nominations • Information • Information • Information • Action • Action • Information/Discussion • Discussion/Action
February 27, 2025	**Advisory Committee (Davis)**	• 2025 CAC Task Group (s) formation (Annual) (R) • Customer Participation Update (4th Quarter 2024) (O) • 2024 Year-end review: Customer Care & Marketing (Placeholder) (R) • Strategic Plan (O)	• Discussion/Action • Information • Information • Discussion/Action
~~March 13, 2025~~	**Board (Woodland)**	• This meeting was cancelled.	
March 27, 2025	**Advisory Committee (Woodland)**	• Approval of 2025 CAC Task Group "Charges" (R) (historically in Jan.) • Senate Bill 540 (Pathways Initiative & Regional Organization)	• Action • Information/Discussion

April 10, 2025	**Board (Davis)**	• Receive Enterprise Risk Management Report (Bi-Annual) (R) • Customer Participation update (1st Quarter 2025) (O) • Calendar Year 2024 Audited Financial Statements (James Marta & Co.) (placeholder) (R) • Load Management Standards Update (O) • Power Charge Indifference Adjustment (PCIA) / Rates Workshop (placeholder) (O) • VCE Grant activity update (O)	• Information • Information • Action • Information • Information • Information
April 24, 2025	**Advisory Committee (Davis)**	• Load Management Standards Update (O) • 2024 Net Margin Allocation (R) • Senate Bill 540 (Pathways Initiative & Regional Organization) • Customer Participation update (1st Quarter 2025) (O) • Introduction to Strategic Plan Major Update Roadmap/Timeline	• Information • Discussion/Action • Discussion/Action • Information • Information
April 28 - 30, 2025	**CalCCA Annual Conference (Irvine)**	VCE Staff and some Board and CAC members attending	
May 8, 2025	**Board (Woodland)**	• Recap of CalCCA April 2025 Annual Conference (O)	• Information
May 22, 2025	**Advisory Committee / Strategic Plan Public Meeting (Esparto)**	• Customer Participation update (1st Quarter 2025) (O) • Strategic Plan Public Meeting (Stakeholders/Pubic)	• Information • Information/Discussion
June 12, 2025	**Board (Davis)**	• Re/Appointment of Members to Community Advisory Committee (Annual) (R) • Mid-Year 2025 Financial Update (R) • 2024 Net Margin Allocation (R) • Legislative update provided by Pacific Policy Group (O)	• Action • Information • Discussion/Action • Information
June 26, 2025	**Advisory Committee / Strategic Plan Public Meeting (Davis)**	• Power Portfolio Update (O) • Summer Preparedness outlook (O) / Power Procurement Projects update (placeholder) (O) • Strategic Plan Public Meeting (Stakeholders/Public)	• Information • Information • Information/Discussion

*No meeting unless an urgent matter needs to be addressed

July 10, 2025	**Board Woodland**	• Customer Participation Update (2nd Quarter 2025) (O) • Summer Preparedness outlook (O) / Power Procurement Projects update (placeholder) (O)	• Information • Information
July 24, 2025	**Advisory Committee or Strategic Plan Public Meeting (Woodland)**	• Strategic Plan Public Meeting (Stakeholders/Public) (placeholder)	• Information/Discussion
August 14, 2025	**Board (Davis)**	• Tentatively NO MEETING*	
August 28, 2025	**Advisory Committee (Davis)**	• Customer Participation Update (2nd Quarter 2025) (O) • Outreach and Marketing Plan update (O) (placeholder) • Strategic Plan Major Update (O) (placeholder)	• Information • Information • Discussion/Action
September 11, 2025	**Board (Woodland)**	• Certification of 2024 Power Content Label (Annual) (placeholder) (R) • Strategic Plan Major Update (O) • Outreach and Marketing Plan update (O) (placeholder)	• Action • Discussion/Action • Information
September 25, 2025	**Advisory Committee (Woodland)**	•	•
October 9, 2025	**Board (Davis)**	• Enterprise Risk Management Update (Annual) (R) • Customer Participation Update (3rd Quarter 2025) (O) • Progress Update on Programs Plan and 2026 program concepts (O) • Legislative End of Session Update (O) • Adoption of Strategic Plan Major Update (O)	• Discussion/Action • Information • Information • Discussion/Action • Information • Discussion/Action
October 23, 2025	**Advisory Committee (Davis)**	• 2024 Power Content Label Outreach (placeholder) (O) • Customer Participation Update (3rd Quarter 2025) (O) • Legislative End of Session Update (O) • GHG Free Attributes (R) • Integrated Resource Plan (R)	• Information • Information • Information • Discussion/Action • Discussion/Action
November 13, 2025	**Board (Woodland)**	• 2026 Preliminary Operating Budget (R) • GHG Free Attributes (R) • Integrated Resource Plan (R)	• Information/Discussion • Discussion/Action • Discussion/Action

*No meeting unless an urgent matter needs to be addressed

		• Contract Renewals (R) • Adoption of Strategic Plan Major Update (placeholder) (O)	• Discussion/Action • Discussion/Action
~~November 27, 2025~~ **November 20, 2025** **(rescheduled to November 20 due to Thanksgiving holiday on Nov. 27th)**	**Advisory Committee (Woodland)**	• Review CAC Draft 2025 Task Group Year-end Reports (R) • Draft 2026 Legislative & Regulatory Platform (R)	• Discussion/Action • Discussion/Action
December 11, 2025	**Board (Davis)**	• Approve 2026 Operating Budget (Annual) and 2026 Customer Rates (R) • Receive VCE Grant/Program Annual Report (R) • 2026 Legislative & Regulatory Platform (R) • Contract Renewals (R)	• Discussion/Action • Information • Discussion/Action • Discussion/Action
~~December 25, 2025~~ **December 18, 2025** **(rescheduled to December 18 due to Christmas holiday on Dec. 25th)**	**Advisory Committee (Davis)**	• Approve 2025 Task Group Year-end Reports (R) • Power Portfolio Update (R) • Election of Officers for 2026 (Annual) (R)	• Discussion/Action • Information • Nominations
January 8, 2026	**Board (Woodland)**	• Oaths of Office for Board Members (Annual - new Members only) (R) • Election of Officers for 2026 (Annual) (R) • Customer Participation Update (4th Quarter 2025) (O) • 2025 Year in review: Customer Care & Marketing (R) • Receive 2025 Task Group Year-end Reports (R)	• Action • Nominations • Information • Information • Information
January 22, 2026	**Advisory Committee (Woodland)**	• Rates/Budget 2026 Update (O) • Customer Participation Update (4th Quarter 2025) (O) • 2026 CAC Task Group(s) formation (Annual) (R)	• Information • Information • Discuss/Action

PLEASE NOTE: ***April 28-30, 2025: CalCCA Annual Conference in Irvine, California***

CAC *PROPOSED* FUTURE TOPICS **Topics and Discussion dates may change as needed**	***ESTIMATED* MEETING DATE(S)**

*No meeting unless an urgent matter needs to be addressed

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5 (a)

TO: Board of Directors

FROM: Edward Burnham, Chief Financial Officer / Treasurer
Mitch Sears, Chief Executive Officer

SUBJECT: Monthly Treasurer's Report (Informational Item) – January 31, 2025

DATE: April 10, 2025

RECOMMENDATION:
Accept the Treasurer's report on VCE's cash, investments, debt, and unaudited financial statements (with comparative year to date information) and Actual vs. Budget year to date for the month ending January 31, 2025.

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, 2025.

<u>Financial Statements for the period January 1, 2025 – January 31, 2025</u>
In the Statement of Net Position, VCE, as of January 31, 2025, has a total of $54,115,369 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account, and $1,800,000 restricted assets related to supplier deposits. On January 31, 2025, VCE's net position was $67,997,433.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded $7,928,249 of revenue (net of allowance for doubtful accounts), of which $7,885,224 was billed in , and $3,520,129 represents estimated unbilled revenue. The cost of electricity for the January revenue totaled $3,129,228 For January, VCE's gross margin was approximately 61% and the net income totaled $4,733,721. The year-to-date change in net position was $4,733,721.

In the Statement of Cash Flows, VCE cash flows from operations were $2,267,787 due to January cash receipts of revenues being more than the monthly cash operating expenses.

Bank Account Balances (as of 11/30/2024):

Operating Account:	$	28,355,581
Insured Cash Sweep Account:	$	27,408,974
Debt Service Account:	$	1,100,000
CAISO Operational Account:	$	5,216,031
Total Cash on Deposit	$	62,077,616

Note: VCE receives 4.45% interest earnings for the average balance on the ICS account and CAISO operational account equal to the Local Agency Investment Fund (LAIF) state investments rate. January 2025 earnings were $122,958.

VCE's Outstanding Loan Balances (as of 1/31/2025):
Valley Clean Energy Alliance has available at the financial institution a line of credit totaling $11,000,000 with $7,000,000 withdrawal limit, which expires on April 15, 2026. The related debt outstanding at the close of business on January 31, 2025 was $0. VCE has issued, but undrawn, letters of credit for a total of $3,897,000 for regulatory and power purchase requirements.

Actual vs. Budget Variances for the year to date ending January 31, 2025
Below are the financial statement line items with variances >$50,000 and 5%

- Electric Revenue – $1,251,737 and 19% – Favorable variance due commercial customer billing being delayed by PG&E and colder temperatures impacting residential revenues compared to forecast.
- Purchased Power – $926,772 and 23% – Favorable mainly due to lower load driven by wet winter reducing agriculture compared to forecast and power cost contingency was not required.
- Labor & Benefits $99,162 and 57% – Favorable Variance due to vacancy for additional budgeted positions.
- Programs $545,263 – Favorable Variance due to timing differences in 2024 year end accruals and actual payments.

Attachments:

1) Financial Statements (Unaudited) January 1, 2025 to January 31, 2025 (with comparative year to date information.)
2) Actual vs. Budget for the year to date ending January 31, 2025

VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2025

PREPARED ON APRIL 2, 2025

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
JANUARY 31, 2025
(UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	54,115,369
Accounts receivable, net of allowance	10,007,179
Accrued revenue	3,520,129
Prepaid expenses	117,864
Inventory - Renewable Energy Credits	-
Other current assets and deposits	7,022,914
Total current assets	74,783,454
Restricted assets:	
Debt service reserve fund	1,100,000
Total restricted assets	1,100,000
TOTAL ASSETS	$ 75,883,454
LIABILITIES	
Current liabilities:	
Accounts payable	228,208
Accrued payroll	112,570
Interest payable	-
Due to member agencies	(0)
Accrued cost of electricity	3,860,216
Other accrued liabilities	1,810,192
Security deposits - energy supplies	1,800,000
User taxes and energy surcharges	74,835
TOTAL LIABILITIES	$ 7,886,021
NET POSITION	
Net position:	
Local Programs Reserve	1,085,585
Restricted	1,100,000
Unrestricted	65,811,848
TOTAL NET POSITION	$ 67,997,433

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENDITURES AND
JANUARY 31, 2025
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2025	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 7,928,249	$ 7,928,249
Other revenue	(73,470)	(73,470)
TOTAL OPERATING REVENUES	7,854,779	7,854,779
OPERATING EXPENSES		
Cost of electricity	3,129,228	3,129,228
Contract services	151,759	151,759
Staff compensation	75,838	75,838
General, administration, and other	(112,807)	(112,807)
TOTAL OPERATING EXPENSES	3,244,017	3,244,017
TOTAL OPERATING INCOME (LOSS)	4,610,763	4,610,763
NONOPERATING REVENUES (EXPENSES)		
Interest income	122,958	122,958
Interest and related expenses	-	-
Other Non Operating Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	122,958	122,958
CHANGE IN NET POSITION	4,733,721	4,733,721
Net position at beginning of period	63,263,712	63,263,712
Net position at end of period	$ 67,997,433	$ 67,997,433

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
JANUARY 31, 2025
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2025	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 6,724,201	$ 6,724,201
Payments received from other revenue sources	(73,470)	(73,470)
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(3,724,357)	(3,724,357)
Payments for contract services, general, and adminstration	(582,748)	(582,748)
Payments for member agency services	-	-
Payments for staff compensation	(75,838)	(75,838)
Return of security deposits to energy suppliers	-	-
Other cash payments	-	-
Net cash provided (used) by operating activities	2,267,787	2,267,787
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	-	-
Interest and related expenses	-	-
Other Non Operating Revenue	-	-
Net cash provided (used) by non-capital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
Net cash provided (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	122,958	122,958
Net cash provided (used) by investing activities	122,958	122,958
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,390,745	2,390,745
Cash and cash equivalents at beginning of period	51,943,413	51,943,413
Cash and cash equivalents at end of period	54,334,158	54,334,158
Cash and cash equivalents included in:		
Cash and cash equivalents	54,115,369	54,115,369
Restricted assets	1,100,000	1,100,000
Cash and cash equivalents at end of period	$ 55,215,369	$ 55,215,369

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
JANUARY 31, 2025
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2025	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 4,610,763	$ 4,610,763
Adjustments to reconcile operating income to net cash provided (used) by		
Depreciation expense		
Increase (decrease) for uncollectible accounts	78,700	78,700
(Increase) decrease in net accounts receivable	(1,313,136)	(1,313,136)
(Increase) decrease in accrued revenue	(70,831)	(70,831)
(Increase) decrease in prepaid expenses	4,732	4,732
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	(22,574)	(22,574)
Increase (decrease) in accounts payable	(521,223)	(521,223)
Increase (decrease) in accrued payroll	(38,904)	(38,904)
Increase (decrease) in due to member agencies	-	-
Increase (decrease) in accrued cost of electricity	(595,130)	(595,130)
Increase (decrease) in other accrued liabilities	-	-
Increase (decrease) security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	-	-
Increase (decrease) in security deposits from energy suppliers	109,585	109,585
Increase (decrease) in user taxes due to other governments	25,805	25,805
Increase (decrease) in advances from public purpose programs	-	-
Net cash provided (used) by operating activities	$ 2,267,787	$ 2,267,787

VALLEY CLEAN ENERGY
2025 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 01/31/25

Description	YTD Actuals	YTD Budget	YTD Variance	% over /-under
Total Revenues	$ 7,977,737	$ 6,726,000	$ 1,251,737	19%
Electric Revenue	$ 7,928,249	$ 6,586,000	$ 1,342,249	20%
Interest Revenues	$ 122,958	$ 80,000	$ 42,958	54%
Reimbursable Revenues	$ (73,470)	$ 60,000	$ (133,470)	-222%
Purchased Power	$ 3,129,228	$ 4,056,000	$ (926,772)	-23%
Purchased Power Base	$ 3,129,228	$ 3,863,000	$ (733,772)	-19%
Purchased Power Contingency 5%	$ -	$ 193,000	$ (194,969)	-101%
Labor & Benefits	$ 75,838	$ 175,000	$ (99,162)	-57%
Salaries & Wages/Benefits	$ 48,194	$ 144,000	$ (95,806)	-67%
Contract Labor	$ 16,202	$ 16,000	$ 202	1%
Human Resources & Payroll	$ 11,442	$ 15,000	$ (3,558)	-24%
Office Supplies & Other Expenses	$ 21,536	$ 39,700	$ (18,164)	-46%
Technology Costs	$ 7,119	$ 3,200	$ 3,919	122%
Office Supplies	$ 673	$ 1,000	$ (327)	-33%
Travel	$ -	$ 500	$ (500)	-100%
CalCCA Dues	$ 13,720	$ 16,000	$ (2,280)	-14%
CC Power	$ -	$ 18,000	$ (18,000)	-100%
Memberships	$ 24	$ 1,000	$ (976)	-98%
Contractual Services	$ 158,151	$ 208,400	$ (50,249)	-24%
Other Contract Services (e.g. IRP)	$ -	$ 6,000	$ (6,000)	-100%
Don Dame	$ 175	$ 1,800	$ (1,625)	-90%
Wholesale Energy Services (TEA)	$ 72,350	$ 72,000	$ 350	0%
2030 100% Renewable & Storage	$ -	$ 2,500	$ (2,500)	-100%
Customer Support Call Center	$ 76,486	$ 80,500	$ (4,014)	-5%
Operating Services	$ 14,541	$ 10,000	$ 4,541	45%
Commercial Legal Support	$ -	$ 2,000	$ (2,000)	-100%
Legal General Counsel	$ 1,891	$ 7,000	$ (5,109)	-73%
Regulatory Counsel	$ (18,292)	$ 17,000	$ (35,292)	-208%
Joint CCA Regulatory counsel	$ -	$ 1,600	$ (1,600)	-100%
Legislative - (Lobbyist)	$ 5,500	$ 5,750	$ (250)	-4%
Accounting Services	$ -	$ 250	$ (250)	-100%
Financial Consultant	$ -	$ 2,000	$ (2,000)	-100%
Audit Fees	$ 5,500	$ -	$ 5,500	100%
Marketing	$ (1,199)	$ 31,000	$ (32,199)	-104%
Marketing Collateral	$ (1,199)	$ 27,000	$ (28,199)	-104%
Community Engagement Activities & Sponsorships	$ -	$ 4,000	$ (4,000)	-100%
Programs	$ (170,763)	$ 374,500	$ (545,263)	-146%
Program Costs (Rebates, Incentives, etc.)	$ -	$ 60,000	$ (60,000)	-100%
Member Agency Advisory Services	$ -	$ 13,000	$ (13,000)	-100%
AG Fit	$ (170,763)	$ 300,000	$ (470,763)	-157%
PIPP Program	$ -	$ 1,500	$ (1,500)	-100%
Rents & Leases	$ 1,950	$ 4,100	$ (2,150)	-52%
Hunt Boyer Mansion	$ 1,950	$ 2,100	$ (150)	-7%
Lease Improvement	$ -	$ 2,000	$ (2,000)	-100%
Other A&G	$ 26,925	$ 51,700	$ (24,775)	-48%
Development - New Members	$ -	$ 2,100	$ (2,100)	-100%
Strategic Plan Implementation	$ 306	$ 6,400	$ (6,094)	-95%
Strategic Plan Update & Community Focus Group	$ -	$ 10,000	$ (10,000)	-100%
PG&E Data Fees	$ 21,887	$ 25,000	$ (3,113)	-12%
Insurance	$ 4,732	$ 8,000	$ (3,268)	-41%
Banking Fees	$ -	$ 200	$ (200)	-100%
Miscellaneous Operating Expenses	$ 2,350	$ 1,000	$ 1,350	135%
Contingency	$ -	$ 20,000	$ (20,000)	-100%
	0	0		
TOTAL OPERATING EXPENSES	$ 3,244,016	$ 4,961,400	$ (1,717,384)	-35%
Interest on RCB Term loan	$ -	$ -	$ -	100%
NET INCOME	$ 4,733,721	$ 1,764,600		

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5 (b)

TO: Board of Directors

FROM: Edward Burnham, Finance and Operations Director / Treasurer
Mitch Sears, Chief Executive Officer

SUBJECT: Monthly Treasurer's Report (Informational Item) – February 28,2025

DATE: April 10, 2025

RECOMMENDATION:
Accept the Treasurer's report on VCE's cash, investments, debt, and unaudited financial statements (with comparative year to date information) and Actual vs. Budget year to date for month ending February 28,2025.

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 February 28,2025.

<u>Financial Statements for the period February 1,2025 – February 28,2025</u>
In the Statement of Net Position, VCE, as of February 28,2025, has a total of $55,930,697 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account, and $1,800,000 restricted assets related to supplier deposits. On February 28,2025, VCE's net position was $70,041,126.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded $5,153,282 of revenue (net of allowance for doubtful accounts), of which $5,105,787 was billed in February, and $3,849,110 represents estimated unbilled revenue. The cost of electricity for the February revenue totaled $2,983,760. For February, VCE's gross margin was approximately 43% and the net income totaled $2,043,693. The year-to-date change in net position was $6,777,414.

In the Statement of Cash Flows, VCE cash flows from operations were $1,635,504 due to February cash receipts of revenues being less than the monthly cash operating expenses.

Bank Account Balances (as of 02/28/2025):

Operating Account:	$	30,068,437
Insured Cash Sweep Account:	$	27,502,314
Debt Service Account:	$	1,100,000
CAISO Operational Account:	$	5,273,398
Total Cash on Deposit	$	63,977,149

Note: VCE receives 4.45% interest earnings for the average balance on the ICS account and CAISO operational account equal to the Local Agency Investment Fund (LAIF) state investments rate. February 2025 earnings were $112,067.

VCE's Outstanding Loan Balances (as of 2/28/2025):
Valley Clean Energy Alliance has available at the financial institution a line of credit totaling $11,000,000 with a $7,000,000 withdrawal limit, which expires on April 15, 2026. The related debt outstanding at the close of business on February 28,2025 was $0. VCE has issued, but undrawn, letters of credit for a total of $3,897,000 for regulatory and power purchase requirements.

Actual vs. Budget Variances for the year to date ending February 28,2025
Below are the financial statement line items with variances >$50,000 and 5%

- Electric Revenue – $622,086 and 5% – Favorable variance due commercial customer billing being delayed by PG&E and colder temperatures impacting residential revenues compared to forecast.
- Purchased Power – $1,404,012 and 19% – Favorable mainly due to lower load driven by wet winter reducing agriculture compared to forecast and power cost contingency was not required.
- Labor & Benefits $196,110 and 57% – Favorable Variance due to vacancy for additional budgeted positions.
- Programs $926,636 – Favorable Variance due to AgFIT timing differences in 2024 year end accruals and actual payments.

Attachments:

3) Financial Statements (Unaudited) February 1,2025 to February 28,2025 (with comparative year to date information.)
4) Actual vs. Budget for the year to date ending February 28,2025

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 28, 2025

PREPARED ON APRIL 2, 2025

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
FEBRUARY 28, 2025
(UNAUDITED)

ASSETS		
Current assets:		
Cash and cash equivalents		55,930,697
Accounts receivable, net of allowance		9,275,131
Accrued revenue		3,849,110
Prepaid expenses		97,461
Inventory - Renewable Energy Credits		-
Other current assets and deposits		7,080,281
Total current assets		76,232,680
Restricted assets:		
Debt service reserve fund		1,100,000
Total restricted assets		1,100,000
TOTAL ASSETS	$	77,332,680
LIABILITIES		
Current liabilities:		
Accounts payable		239,524
Accrued payroll		123,102
Interest payable		-
Due to member agencies		(0)
Accrued cost of electricity		3,067,698
Other accrued liabilities		2,026,160
Security deposits - energy supplies		1,800,000
User taxes and energy surcharges		35,070
TOTAL LIABILITIES	$	7,291,555
NET POSITION		
Net position:		
Local Programs Reserve		1,085,585
Restricted		1,100,000
Unrestricted		67,855,541
TOTAL NET POSITION	$	70,041,126

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENDITURES AND
FEBRUARY 28, 2025
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 28, 2025	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 5,153,282	$ 13,081,532
Other revenue	-	(73,470)
TOTAL OPERATING REVENUES	5,153,282	13,008,062
OPERATING EXPENSES		
Cost of electricity	2,983,760	6,112,987
Contract services	101,541	253,300
Staff compensation	78,052	153,889
General, administration, and other	58,304	(54,504)
TOTAL OPERATING EXPENSES	3,221,657	6,465,673
TOTAL OPERATING INCOME (LOSS)	1,931,626	6,542,389
NONOPERATING REVENUES (EXPENSES)		
Interest income	112,067	235,025
Interest and related expenses	-	-
Other Non Operating Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	112,067	235,025
CHANGE IN NET POSITION	2,043,693	6,777,414
Net position at beginning of period	67,997,433	63,263,712
Net position at end of period	$ 70,041,126	$ 70,041,126

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FEBRUARY 28, 2025
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 28, 2025	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 5,567,484	$ 12,291,684
Payments received from other revenue sources	-	(73,470)
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(3,776,277)	(7,500,634)
Payments for contract services, general, and adminstration	(132,860)	(715,608)
Payments for member agency services	-	-
Payments for staff compensation	(22,843)	(50,487)
Return of security deposits to energy suppliers	-	-
Other cash payments	-	-
Net cash provided (used) by operating activities	1,635,504	3,951,485
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	-	-
Interest and related expenses	-	-
Other Non Operating Revenue	-	-
Net cash provided (used) by non-capital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
Net cash provided (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	112,067	235,025
Net cash provided (used) by investing activities	112,067	235,025
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,747,571	4,186,510
Cash and cash equivalents at beginning of period	51,943,413	51,943,413
Cash and cash equivalents at end of period	53,690,984	56,129,923
Cash and cash equivalents included in:		
Cash and cash equivalents	55,930,697	54,115,369
Restricted assets	1,100,000	1,100,000
Cash and cash equivalents at end of period	$ 57,030,697	$ 55,215,369

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FEBRUARY 28, 2025
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 28, 2025	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 1,931,626	$ 6,542,389
Adjustments to reconcile operating income to net cash provided (used) by		
Depreciation expense		
Increase (decrease) for uncollectible accounts	50,900	129,600
(Increase) decrease in net accounts receivable	714,625	(550,317)
(Increase) decrease in accrued revenue	(328,981)	(399,813)
(Increase) decrease in prepaid expenses	4,732	9,465
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	15,670	(6,904)
Increase (decrease) in accounts payable	11,316	(509,907)
Increase (decrease) in accrued payroll	10,532	(28,372)
Increase (decrease) in due to member agencies	-	-
Increase (decrease) in accrued cost of electricity	(792,517)	(1,387,647)
Increase (decrease) in other accrued liabilities	-	-
Increase (decrease) security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	-	-
Increase (decrease) in security deposits from energy suppliers	57,367	166,952
Increase (decrease) in user taxes due to other governments	(39,766)	(13,960)
Increase (decrease) in advances from public purpose programs	-	-
Net cash provided (used) by operating activities	$ 1,635,504	$ 3,951,485

VALLEY CLEAN ENERGY
2025 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 02/28/25

Description	YTD Actuals	YTD Budget	YTD Variance	% over /-under
Total Revenues	$ 13,243,086	$ 12,621,000	$ 622,086	5%
Electric Revenue	$ 13,081,531	$ 12,341,000	$ 740,531	6%
Interest Revenues	$ 235,025	$ 160,000	$ 75,025	47%
Reimbursable Revenues	$ (73,470)	$ 120,000	$ (193,470)	-161%
Purchased Power	$ 6,112,988	$ 7,517,000	$ (1,404,012)	-19%
Purchased Power Base	$ 6,112,988	$ 7,159,000	$ (1,046,012)	-15%
Purchased Power Contingency 5%	$ -	$ 358,000	$ (380,709)	-106%
Labor & Benefits	$ 153,890	$ 350,000	$ (196,110)	-56%
Salaries & Wages/Benefits	$ 103,402	$ 288,000	$ (184,598)	-64%
Contract Labor	$ 34,671	$ 32,000	$ 2,671	8%
Human Resources & Payroll	$ 15,817	$ 30,000	$ (14,183)	-47%
Office Supplies & Other Expenses	$ 39,887	$ 79,400	$ (39,513)	-50%
Technology Costs	$ 10,749	$ 6,400	$ 4,349	68%
Office Supplies	$ 1,099	$ 2,000	$ (901)	-45%
Travel	$ -	$ 1,000	$ (1,000)	-100%
CalCCA Dues	$ 27,440	$ 32,000	$ (4,560)	-14%
CC Power	$ -	$ 36,000	$ (36,000)	-100%
Memberships	$ 599	$ 2,000	$ (1,401)	-70%
Contractual Services	$ 276,896	$ 416,800	$ (139,904)	-34%
Other Contract Services (e.g. IRP)	$ -	$ 12,000	$ (12,000)	-100%
Don Dame	$ 675	$ 3,600	$ (2,925)	-81%
Wholesale Energy Services (TEA)	$ 141,850	$ 144,000	$ (2,150)	-1%
2030 100% Renewable & Storage	$ -	$ 5,000	$ (5,000)	-100%
Customer Support Call Center	$ 76,486	$ 161,000	$ (84,514)	-52%
Operating Services	$ 17,041	$ 20,000	$ (2,959)	-15%
Commercial Legal Support	$ 11,395	$ 4,000	$ 7,395	185%
Legal General Counsel	$ 1,050	$ 14,000	$ (12,950)	-93%
Regulatory Counsel	$ (3,251)	$ 34,000	$ (37,251)	-110%
Joint CCA Regulatory counsel	$ -	$ 3,200	$ (3,200)	-100%
Legislative - (Lobbyist)	$ 11,000	$ 11,500	$ (500)	-4%
Accounting Services	$ -	$ 500	$ (500)	-100%
Financial Consultant	$ -	$ 4,000	$ (4,000)	-100%
Audit Fees	$ 20,650	$ -	$ 20,650	100%
Marketing	$ (6,534)	$ 62,000	$ (68,534)	-111%
Marketing Collateral	$ (6,534)	$ 54,000	$ (60,534)	-112%
Community Engagement Activities & Sponsorships	$ -	$ 8,000	$ (8,000)	-100%
Programs	$ (176,636)	$ 749,000	$ (925,636)	-124%
Program Costs (Rebates, Incentives, etc.)	$ -	$ 120,000	$ (120,000)	-100%
Member Agency Advisory Services	$ -	$ 26,000	$ (26,000)	-100%
AG Fit	$ (176,636)	$ 600,000	$ (776,636)	-129%
PIPP Program	$ -	$ 3,000	$ (3,000)	-100%
Rents & Leases	$ 3,900	$ 8,200	$ (4,300)	-52%
Hunt Boyer Mansion	$ 3,900	$ 4,200	$ (300)	-7%
Lease Improvement	$ -	$ 4,000	$ (4,000)	-100%
Other A&G	$ 56,820	$ 103,400	$ (46,580)	-45%
Development - New Members	$ -	$ 4,200	$ (4,200)	-100%
Strategic Plan Implementation	$ 3,589	$ 12,800	$ (9,211)	-72%
Strategic Plan Update & Community Focus Group	$ -	$ 20,000	$ (20,000)	-100%
PG&E Data Fees	$ 43,767	$ 50,000	$ (6,233)	-12%
Insurance	$ 9,464	$ 16,000	$ (6,536)	-41%
Banking Fees	$ -	$ 400	$ (400)	-100%
Miscellaneous Operating Expenses	$ 4,461	$ 2,000	$ 2,461	123%
Contingency	$ -	$ 40,000	$ (40,000)	-100%
	0	0		
TOTAL OPERATING EXPENSES	$ 6,465,672	$ 9,327,800	$ (2,862,128)	-31%
Interest on RCB Term loan	$ -	$ -	$ -	100%
NET INCOME	$ 6,777,414	$ 3,293,200		

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

To: Board of Directors

From: Mark Fenstermaker, Pacific Policy Group

Subject: Legislative Update – Pacific Policy Group

Date: April 10, 2025

Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Legislative - Regulatory Task Group (LRTG) continues to meet and discuss legislative matters. Below is a summary:

As the legislative session enters into the second quarter of 2025, a common refrain can be heard echoing through the hallways, "why are there so many bills?" Despite a leadership directive in both houses that limited each legislator to introducing only 35 bills over the two-year session, more than 2300 bills could be considered across all of the policy committee hearings before the May 2 deadline.

There is no shortage of energy related bills as many legislators want to make their mark in working to increase energy affordability. Affordability might just be the most commonly used word by legislators, staff and advocates these days. There are several high-profile bills in the Senate. Senate Energy Committee Chair Josh Becker is carrying SB 540 which would codify the recommendations of the West-Wide Governance Pathways Initiative to allow two CAISO administered markets, the Energy Imbalance Market (EIM) and Enhanced Day-Ahead Market (EDAM), to come under the governance of a newly created western regional organization.

Senator Wahab, a new member to the Senate Energy Committee, is authoring SB 332 that would require "a comparative analysis of the benefits and challenges of transitioning the IOUs to a successor entity in order to identify a recommended model." If the study finds that it is in the best long-term interests of the people and ecologies of California to transition away from an investor-owned utility model, then the bill would task the California Energy Commission with creating a justice-centered implementation plan for managing the transition.

The Senate and Assembly have competing bills to address the battery fire at Moss Landing, Assemblymember Dawn Addis's AB 303 would create setback distances from battery facilities and communities and set the same standard for all types of battery storage technologies, while Senator Laird's SB 283 would require consideration of the National Fire Protection Association standards by the California Energy Commission and local fire departments in battery storage deployment and siting

Policy committees are not the only ones convening in the Spring, as the Legislature's budget process continues its march during the month of April. Much of the conversation related to energy programs stems from the Climate Bond, or Proposition 4, that passed in November. The remainder of the state budget is a question mark as the state expended heavily in response to the LA fires and remaining uncertainty with FEMA assistance in response to the fires, ongoing ambiguity as it relates to federal spending cuts, and deferment of tax filings for LA wildfire victims. The Governor will release his May Revision to the budget by May 15 and the budget picture should come more into focus after that.

VCE staff, the LRTG and PPG are currently examining the following bills and expect to evaluate more bills as they are identified as of interest to VCE and CCAs.

1. SB 540 (Becker) Regional Organization

Summary: This bill would delete the certain statutory provisions that create the California Independent System Operator (CAISO) which would provide for the transformation of the energy markets parts of the CAISO into a regional organization. The bill would authorize the CAISO and the electrical corporations that are participating transmission owners whose transmission systems are operated by the CAISO, in lieu of the CAISO managing related energy markets, EIM and EDAM, to use voluntary energy markets governed by a newly created independent regional organization (RO). SB 540 includes provisions for California regulatory agencies and CAISO to retain control over Renewables Portfolio Standard and other procurement requirements, climate policy, transmission planning, CAISO's interconnection queue, and resource adequacy requirements. SB 540 is based on the recommendations of the West-Wide Governance Pathways Initiative.

Additional Information

- Next Hearing: The bill will be heard Senate Energy, Utilities & Communications Committee.
- VCE has yet to take an official position.
- CalCCA supports SB 540
- Bill language: SB 540

2. SB 332 (Wahab) Investor-Owned Utilities Accountability Act

Summary: Would require the California Energy Commission, in coordination with the CPUC, on or before March 31, 2026, to issue a request for proposals for a team to develop a study. The bill would require the study to (1) conduct a historical energy justice assessment of the investor-owned utility's (IOU) operations and impacts, (2) complete a comparative analysis of the benefits and challenges of transitioning the IOUs to a successor entity in order to identify a recommended model, and, (3) if the study finds that it is in the best long-term interests of the people and ecologies of California to transition away from an investor-owned utility model, create a justice-centered implementation plan for managing the transition. The bill would require the Energy Commission, on or before June 30, 2026, to select the study team that is awarded the contract. The bill would require the Energy Commission to hold a public proceeding and submit a report of the study team's findings and recommendations to the Legislature no later than 24 months after selecting the study team for the feasibility portion of the study, and no later than 36 months after selecting the study team for the implementation plan portion of the study, as specified.

Additional Information
- Next Hearing: The bill will be heard Senate Energy, Utilities & Communications Committee.
- VCE has yet to take an official position.
- Bill language: SB 332

3. SB 283 (Laird) Energy Storage Systems
Summary: Current law requires the State Fire Marshal, before the next triennial edition of the California Building Standards Code adopted after January 1, 2025, to propose to the California Building Standards Commission updates to the fire standards relating to requirements for lithium-based battery systems, as provided. This bill would require the commission and the Office of the State Fire Marshal to review and consider the most recently published edition of the National Fire Protection Association (NFPA) 855, Standard for the Installation of Stationary Energy Storage Systems, for incorporation into the next update of the California Building Standards Code adopted after July 1, 2026.

Additional Information
- Next Hearing: The bill will be heard Senate Energy, Utilities & Communications Committee.
- VCE has yet to take an official position.
- Bill language: SB 383

4. AB 303 (Addis) Battery Energy Storage Facilities
Summary: Existing law authorizes the CEC to certify, in lieu of any permit, certificate, or similar document required by any state, local, or regional agency, an energy storage system capable of storing 200 megawatt hours or more of energy. This bill would specify that the CEC certification process would not include battery energy storage systems. This bill would prohibit the authorization of a development project that includes a battery energy storage system capable of storing 200 megawatt hours or more of energy if the development project is located within 3,200 feet of a sensitive receptor or is located on an environmentally sensitive site (including agricultural land), as specified.

Additional Information
- Next Hearing: The bill will be heard Assembly Utilities & Energy Committee.
- VCE has yet to take an official position.
- CalCCA opposes AB 303
- Bill language: AB 303

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Board of Directors

From: Keyes & Fox, Regulatory Consultant

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: April 10, 2025

Please find attached Keyes & Fox's March 2025 Regulatory Memorandum dated April 2, 2025 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 April 2, 2025

Valley Clean Energy Alliance

Regulatory Monitoring Report

To:	Valley Clean Energy Alliance (VCE) Board of Directors
From:	Sheridan Pauker, Partner, Keyes & Fox LLP Jason Hoyle, Director of Research, EQ Research, LLC
Subject:	Monthly Regulatory Update
Date:	April 2, 2025

Keyes & Fox LLP and EQ Research LLC are pleased to provide VCE's Board of Directors with this informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC) over the past month.

NEW PG&E 2026 Cost of Capital

Background: Cost of capital proceedings are held every three years to establish a utility's return on equity (ROE) and overall rate of return (ROR). The Commission established a uniform cost of capital mechanism for the large investor-owned utilities that includes a review 3-year cycle and provides for formula-based interim adjustments based on a bond market index.

Recent Developments: On March 20, PG&E submitted an Application to adjust its cost of capital. PG&E proposed to maintain its existing capital structure at about 48% debt and 52% equity, increase in its ROE from the current 10% to 11.3%, and increase its cost of debt from 4.31% to 5.05%. Under the proposal, the Company's overall rate of return would increase from 7.28% to 8.31%.

Analysis: PG&E plans to invest about $63 billion in energy infrastructure between 2024 and 2028, and it argues that the proposed higher rate of return is necessary to obtain funds for these investments. The rate of return is earned by the utility on all of its capital investments, and increasing the rate of return will increase the price in the non-generation portion of customer rates.

Next Steps: Responses and protests to the Application are due April 24 and replies are due May 5.

Additional Information: Application (Mar. 20, 2025); Docket No. A.25-03-010.

NEW Diablo Canyon 2026 Rates & VPF

Background: During the period of extended operations for the Diablo Canyon Nuclear Plant, PG&E submits an annual application forecasting its costs, market revenues from CAISO, net costs allocated to ratepayers of each large IOU, and its plan for use of volumetric performance fees (VPFs) in the upcoming calendar year.

Recent Developments: On March 28, PG&E submitted an Application for recovery in statewide rates of forecast costs for the extended operations of Diablo Canyon nuclear facility covering the period starting January 1 through December 31, 2026 and requesting Commission review and approval a plan for prioritizing the use of the 2026 volumetric performance fees (VPF). Forecast costs of $1.339 billion are offset by forecast CAISO market revenues of $935 million, resulting in a total net revenue requirement for ratesetting of $410 million for the 2026 calendar year, of which $257 million is allocated to PG&E ratepayers. PG&E's forecasts will be updated in the October Fall Update.

Analysis: Forecast 2026 rates for Diablo Canyon are expected to reduce PG&E's system average bundled rate by 0.4%, or just under $1 per month for the average non-CARE residential customer. However, the forecast rates will be influenced by changes in resource adequacy market-price benchmarks currently under consideration.

Next Steps: Responses and protests to the Application will be due 30 days after notice is published in the Daily Calendar.

Additional Information: Application (Mar. 28, 2025); Docket No. A.25-03-015.

PCIA/ERRA Reform

Background: This Rulemaking considers updates and reforms to the Energy Resource and Recovery Account (ERRA) and Power Charge Indifference Adjustment (PCIA) rules and processes with the objectives of improving existing rules, mitigating rate volatility, and ensuring indifference among bundled and departing customers. The proceeding includes an expedited Track 1 to revise the resource adequacy (RA) market-price benchmark (MPB) calculation methodology with a proposed decision in May 2025 and for the revised methodology to be used in the October 2025 MPBs, and a subsequent Track 2 will consider broader issues.

Recent Developments: Opening comments on Track 1 issues were filed on March 18 by the Joint IOUs, CalCCA, CalAdvocates, The Utility Reform Network (TURN), and others. These parties generally agreed on the use of monthly MPB prices, excluding both affiliate transactions and swap/sleeve transactions (except the Joint IOUs) from MPB calculations, and using a single value for MPBs that includes local, system, and flexible RA. Both CalCCA and the Joint IOUs included numerous recommendations regarding the PCIA an in-depth examination. CalCCA notably does not support the Staff Report's proposal to include the costs of all RA transactions that are deliverable in the current year rather than just the prices of transactions executed during the year, while the Joint IOUs, TURN, and CalAdvocates were in support of that proposal. Additionally, both TURN and the Joint IOUs recommended that Track 1 be expanded to include the Renewable Portfolio Standard MPB.

Analysis: Among Track 1 issues, both including long-term transactions instead of only transactions occurring in the delivery year and modifications to the treatment of RA MPBs in the PCIA are significant to CCAs because they not only affect the MPB values but also could alter the distribution of costs between bundled and unbundled customers via the PCIA. Track 1 changes will have an impact on PCIA charges beginning in 2026.

Next Steps: Reply comments on the OIR and Energy Division's Report are due April 2, and the prehearing conference is scheduled for April 7.

Additional Information: ALJ Ruling (Mar. 21, 2025); Ruling & Staff Report on RA MPB (Feb. 26, 2025); OIR (Feb. 26, 2025); Docket No. R.25-02-005.

RA Rulemaking (2025-2026)

Background: This proceeding considers resource adequacy (RA) requirements for LSEs and will address the 2025 and 2026 RA compliance years, local RA procurement obligations for the 2025-2028 compliance years, and further development of the 24-hour Slice-of-Day (SOD) framework. Track 1 was focused on priority issues including RA capacity requirements, SOD framework implementation, and RA compliance and penalties. The Commission issued D.24-06-004 on Track 1 on June 26, 2024. Track 2 was focused on Central Procurement Entity (CPE) framework issues, including potential structural modifications. The Commission issued D.24-12-003 on Track 2 issues in December 2024. Track 3 is focused on remaining RA capacity issues, including what planning reserve margin (PRM) the Commission should require for LSE RA procurement obligations.

Recent Developments: In March 17 reply comments, CalCCA argued against recommendations to defer or reject hourly load obligation trading, supported adoption of a system RA waiver, recommended the Commission improve accounting for long-duration energy storage (LDES) and demand response technologies, and that efforts to refine modeling to determine the 2027 planning reserve margin (PRM) be continued. PG&E recommended adoption of a 17% PRM for 2026, that RA waivers be rejected, that load trading not be adopted without further assessment of the need, and that the Commission further explore RA values for LDES in a new track of this proceeding.

Analysis: There is disagreement among parties regarding proposals for hourly load trading and temporary RA waivers, in particular. Parties generally support continued efforts to refine modeling to establish the PRM level and continued efforts to further develop RA capacity values for long-term storage and demand response technologies.

Next Steps: A proposed decision on Track 3 proposals is expected in May.

Additional Information: ALJ Ruling (Feb. 25, 2025); ALJ Ruling (Jan. 21, 2025); ALJ Ruling & SOD Study (Dec. 23, 2024); D.24-12-003 on Track 2 (Dec. 12, 2024); Track 3 Scoping Memo and Ruling (Nov. 4, 2024); D.24-06-004 (Jun. 26, 2024); Scoping Memo and Ruling (Dec. 18, 2023); OIR (Oct. 16, 2023); Docket No. R.23-10-011.

Diablo Canyon Extension

Background: This rulemaking was opened to consider the potential extension of operations at the Diablo Canyon Nuclear Power Plant in accordance with Senate Bill 846 (Stats. 2022, Ch. 239). The initial phase of the proceeding is concluded. Phase 2 addresses the collection and use of volumetric performance fees by PG&E.

Recent Developments: On February 28, the CPUC issued a Proposed Decision on Phase 2 that would continue use of the current framework governing use of the surplus performance fees, encourage PG&E to consider affordability when developing and implementing its Volumetric Performance Fee (VPF) spending plan, and require PG&E to estimate the number of customers participating in or benefitting from each VPF project, among other changes. Parties – including CalCCA - filed comments and reply comments on the proposed decision in March.

Analysis: The Proposed Decision provides additional guidance to PG&E regarding its selection of specific VPF programs and emphasizes the importance of increasing affordability and reducing upward pressure on rates. That guidance along with the new requirement that the quantity of customers participating in or benefitting from its VPF programs be included in its annual reporting should provide additional insight into the full scope of benefits provided from the plant's extension. The Proposed Decision however did not adopt the VPF spending principles that CalCCA and other intervenors recommended. CalCCA's comments on the PD recommend the Commission adopt those principles.

Next Steps: The Proposed Decision may be heard as early as the April 3 Commission meeting.

Additional Information: Proposed Decision on Phase 2 (Feb. 28, 2025); Phase 2 Scoping Memo and Ruling (Jun. 25, 2024); OIR (Jan. 20, 2023); Docket No. R.23-01-007.

Clean Power SF Municipalization

Background: The City and County of San Francisco (SF or City) filed this Petition for a determination by the CPUC of just compensation for acquisition by the City of PG&E property (PG&E distribution system within SF transmission assets needed for operational control, a substation and related assets pursuant to Public Utilities Code §1401-1421. Briefing was filed in August of 2022.

Recent Developments: In reply comments filed on March 27, PG&E seeks a status conference to discuss discrepancies between the findings of its consultants and other parties, additional workshops, and it continues to pursue additional information from the City. The City suggests that material issues regarding the inventory of assets will be resolved in its amended and restated testimony, a nuanced consideration of valuation and other impacts, and that PG&E be compelled to respond to its outstanding discovery requests.

Analysis: N/A.

Next Steps: The remaining schedule depends in part on comments from parties in response to the Ruling.

Additional Information: ALJ Ruling (Jan. 24, 2025); ALJ Ruling (Oct. 28, 2024); ALJ Ruling requesting comments (Mar. 27, 2024); Amended Scoping Memo and Ruling (Dec. 22, 2023); Petition (Jul. 27, 2021); Docket No. P.21-07-012.

RPS Rulemaking

Background: This proceeding addresses ongoing Renewables Portfolio Standard (RPS) requirements, including legislative mandates, and other matters related to the purchase of renewable energy. This proceeding is the forum for review of VCE's RPS Procurement Plan and RPS Compliance reports.

Recent Developments: On February 24, the CPUC issued Draft Comment Resolution E-5376: Commission Motion Amending the Bioenergy Renewable Auction Mechanism (BioRAM) Program and Authorizing the Procurement and/or Extension of Eligible Contracts pursuant to Assembly Bill 2750.

Analysis: The Resolution would extend the deadline for IOU procurement of their shares of the 125 MW of eligible BioRAM contracts to July 1, 2025 and require the IOUs to seek extensions of at least five years on existing contracts with expiration dated before the end of 2028. The Resolution seeks to extend and expand the dispatchable baseload power available from biomass in the state.

Next Steps: The Draft Resolution is expected to be heard at the April 3 Commission meeting. A ruling initiating the process for 2025 RPS Procurement Plans is expected in Q2 2025.

Additional Information: Draft Comment Resolution E-5376 (Feb. 24, 2025); VCE Final 2024 RPS Procurement Plan (Jan. 22, 2025); D.24-12-035 (Dec. 24, 2024; Scoping Memo and Ruling (May 9, 2024); OIR (Feb. 1, 2024); Docket No. R.24-01-017.

Building Decarbonization

Background: This proceeding explores reduction of greenhouse gas (GHG) emissions associated with energy use in buildings. D.20-03-027 established the Building Initiative for Low-Emissions Development and the Technology and Equipment for Clean Heating program. D.21-11-002 adopted guiding principles for layering building decarbonization incentives, adopted incentives to help wildfire victims rebuild all-electric, and directed the IOUs to study bill impacts from electrification. The current Phase 4 will consider whether modifications to electric line extension rules would assist under-resourced customers, electric baseline allowance modifications to encourage building decarbonization, and new programmatic approaches to building decarbonization.

Recent Developments: On March 26, the CPUC issued a Proposed Decision resolving Phase 4 Track A issues regarding electric service line upsizing rules, modifying reporting requirements, and implementing AB 157. The decision authorizes $5 million annually for electric service line upsizing for under-resourced customers and an additional $40 million for the Technology and Equipment for Clean Heating (TECH) Initiative, and it also includes measures to prevent unnecessary upsizing of electric lines and extends the deadline for mixed-fuel new construction projects.

Analysis: The Proposed Decision addresses equity disparities in service line upsizing by providing funding for under-resourced customers while also imposing certain project limits and reporting requirements to ensure that the use of common cost-funding is not used unnecessarily when other funds may be available and that individual projects are not oversized. These efforts will improve equitable access to both building and transportation electrification opportunities across the state.

Next Steps: The Proposed Decision may be heard as early as the May 15 Commission meeting. Comments on the Proposed Decision are due April 15 and reply comments are due April 21.

Additional Information: Proposed Decision (Mar. 26, 2025); ALJ Ruling (Feb. 14, 2025); Final Resolution E-5352 (Dec. 26, 2024); PG&E AL 5004-G/7437-E (Nov. 21, 2024); ALJ Ruling and Track A Staff Proposal (Jul. 18, 2024); Scoping Memo and Ruling (Jul. 1, 2024); OIR (Feb. 8, 2019); Docket No. R.19-01-011.

IRP Rulemaking

Background: This proceeding governs the biennial Integrated Resource Plan (IRP) process, including load serving entity (LSE) procurement requirements, the establishment of a variety of state- and LSE-level load and procurement forecasts, greenhouse gas (GHG) reduction targets, and ongoing reliability obligations.

Recent Developments: No recent developments.

Analysis: N/A.

Next Steps: Information about the 2025 IRP filing is expected in the next few months.

Additional Information: D.25-02-026 (Feb. 26, 2025); Petition for Modification of D.21-06-035; D.24-09-006 (Sep. 17, 2024); D.24-08-064 on central procurement of LLT resources (Aug. 29, 2024); Amended Scoping Memo and Ruling (Correction/Clarification) (Apr. 18, 2024); D.24-02-047 (Feb. 20, 2024); D.23-12-014 (Dec. 19, 2023); D.23-02-040 on Procurement (Feb. 28, 2023); Docket No. R.20-05-003.

Demand Flexibility

Background: This rulemaking was opened to update the CPUC's rate design principles and guidance for advancing demand flexibility, and the proceeding may also modify, consolidate, or eliminate existing dynamic rate pilots. Phase 1-Track A established an income-graduated fixed charge (IGFC) for residential rates for all investor-owned electric utilities in accordance with Assembly Bill 205 (Stats. 2022, ch. 61). Phase 1-Track B first adopted rate design and demand flexibility principles and then expanded VCE's AgFIT Pilot throughout PG&E distribution territory.

Recent Developments: No recent developments.

Analysis: N/A.

Next Steps: The AgFIT Pilot Final Evaluation is due April 25. A proposed decision on Track B Working Group 1 proposals regarding rate design for marginal generation capacity costs was expected by the end of 2024 but is delayed.

Additional Information: Letter granting extension (Feb. 27, 2025); Final Resolution E-5354 (Feb. 4, 2025); VCE AL 20-E (Nov. 8, 2024) approved by Energy Division on Dec. 13, 2024); Disposition Letter on VCE AL 17-E (Sep. 3, 2024); PG&E AL 7351-E (Aug. 13, 2024) and AL 7351-E-A (Sep. 13, 2024); D.24-05-028 (May 15, 2024); D.24-01-032 (Jan. 26, 2024); Phase 1 Scoping Memo and Ruling (Nov. 2, 2022); OIR (Jul. 22, 2022); Docket No. R.22-07-005.

Provider of Last Resort Rulemaking

Background: A Provider of Last Resort (POLR) is the utility or other entity that has the obligation to serve all customers (PG&E currently serves in this role for VCE's service area). Phase 1 of this proceeding concluded in April 2024 and addressed POLR service requirements, cost recovery, and options to maintain GHG emission reductions in the event of an unplanned customer migration to the POLR. Phase 2 will build on Phase 1 to set the requirements and application process for non-IOU entities to serve as the POLR. Phase 3 will address specific issues not resolved in Phase 1 or 2.

Recent Developments: No recent developments.

Analysis: N/A

Next Steps: A ruling on the need for legal briefs is expected in Q1 2025 and resolution of the Threshold Questions is expected in Q2 2025, after which the primary topic areas will be addressed. The first revised FSR posting under D.24-04-009 is due March 1, 2025, and subsequent FSR postings are due July 1 and January 1 of each year.

Additional Information: Scoping Memo and Ruling (Oct. 24, 2024); ALJ Ruling (Aug. 6, 2024); Joint CCA Advice Letter on new registration (Jul. 17, 2024); Joint CCA Advice Letter on financial modeling and reporting guidelines (Jul. 1, 2024); D.24-04-009 / Appendix (Apr. 22, 2024); OIR (Mar. 25, 2021); Docket No. R.21-03-011.

PG&E 2023 Phase 2 GRC

Background: Phase 2 General Rate Case (GRC) proceedings determine PG&E's marginal cost of service and revenue requirement allocation among customer classes for a set period (in this case, 2023-2026).

Recent Developments: On March 21, the Assigned Commissioner issued a Scoping Memo.

Analysis: N/A

Next Steps: PAO testimony is due July 23, intervenor testimony is due August 25, and a proposed decision is expected in mid-2026.

Additional Information: Scoping Memo (Mar. 21, 2025); Application (Sep. 30. 2024); Docket No. A.24-09-014.

PG&E 2024 ERRA Forecast (Consolidated Track 2)

Background: The annual Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the Power Charge Indifference Adjustment (PCIA) and other non-bypassable charges (NBCs) for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. The April 2 Scoping Memo and Ruling consolidated all three major IOUs' ERRA forecast proceedings for the sole purpose of addressing issues related to the definition of and accounting for "fixed generation costs" in a Track 2.

Recent Developments: Parties filed reply briefs in this proceeding on February 18.
Analysis: N/A
Next Steps: A proposed decision is expected in April 2025.
Additional Information: Scoping Memo & Ruling (Oct. 11, 2024); ALJ Ruling on Track 2 schedule (May 1, 2024); Joint CCA Motion (Apr. 26, 2024); IOU Motion (Apr. 25, 2024); Scoping Memo and Ruling (Apr. 2, 2024); Joint Prehearing Conference Statement (Mar. 26, 2024); PG&E AL 7180-E (Feb. 15, 2024); D.23-12-022 (Dec. 19, 2023); ALJ Ruling (Dec. 18, 2023); ALJ Ruling (Nov. 20, 2023); Market Price Benchmarks (Oct. 2, 2023); Scoping Ruling and Memo (Sep. 15, 2023); ERRA Trigger Application (Jul. 28, 2023); CalCCA Protest (Jun. 16, 2023); PG&E 2024 ERRA Forecast Application (May 15, 2023); Docket No. A.23-05-012.

PG&E 2024 ERRA Compliance

Background: The annual ERRA Compliance proceeding reviews the utility's compliance with CPUC-approved standards for generation-procurement and cost recovery activity occurring in the prior year, such as energy resource contract administration, least-cost dispatch, fuel procurement, and balancing account entries.
Recent Developments: On March 27, the ALJ issued a Ruling scheduling the prehearing conference for April 18.
Analysis: N/A.
Next Steps: Parties will file protests to PG&E's Application on April 4. The prehearing conference is scheduled for April 18.
Additional Information: Ruling (Mar. 27, 2025); PG&E 2024 ERRA Compliance Application (Feb. 28, 2025); Docket No. A.25-02-013.

PG&E 2023 ERRA Compliance

Background: See PG&E 2024 ERRA Compliance background.
Recent Developments: No recent developments.
Analysis: There are no disputed factual issues. PG&E and CalCCA indicated interest in discussing settlement terms related to the Humboldt 6 outage.
Next Steps: A proposed decision is expected by mid-March 2025.
Additional Information: Joint Case Management Statement (Nov. 6, 2024); ALJ Ruling (Oct. 21, 2024); Scoping Memo and Ruling (Jun. 12, 2024); Joint Prehearing Conference Statement (Apr. 15, 2024); CalCCA's Protest (Apr. 5, 2024); PG&E 2023 ERRA Compliance Application (Feb. 28, 2024); Docket No. A.24-02-012.

PG&E 2022 ERRA Compliance

Background: See PG&E 2024 ERRA Compliance background.
Recent Developments: No recent developments.
Analysis: N/A
Next Steps: This case is fully briefed and a proposed decision is expected.
Additional Information: ALJ Ruling (Sep. 3, 2024); ALJ Ruling (Jul. 26, 2024); ALJ Ruling (May 22, 2024); ALJ Ruling (May 16, 2024); ALJ Ruling (Apr. 16, 2024); PG&E and CalAdvocates' Joint Motion for Settlement (Mar. 7, 2024); CalCCA Motion (Mar. 1, 2024); ALJ Ruling (Feb. 15, 2024); ALJ Ruling (Sep. 25, 2023); Scoping Memo and Ruling (Jun. 2, 2023); PG&E 2022 ERRA Compliance Application and Notice of Availability (Feb. 28, 2023); Docket No. A.23-02-018.

PG&E 2021 ERRA Compliance

Background: See PG&E 2024 ERRA Compliance background.
Recent Developments: No recent developments.
Analysis: N/A
Next Steps: This case is fully briefed and a proposed decision is expected.
Additional Information: ALJ Ruling (Nov. 9, 2023); ALJ Ruling (Sep. 27, 2023); ALJ Ruling on schedule (Jan. 6, 2023); Assigned Commissioner's Scoping Memo and Ruling (Aug. 9, 2022); PG&E 2021 ERRA Compliance Application (Feb. 28, 2022); Docket No. A.22-02-015.

EV Rates & Infrastructure

Background: This rulemaking is the successor to R.18-12-006 and will focus on issues related to 1) timely energization of electric vehicle (EV) charging, 2) transportation electrification grid planning to support charging infrastructure deployment, 3) deployment of behind-the-meter (BTM) charging infrastructure to support state goals, 4) vehicle-grid integration (VGI), and 5) ongoing transportation electrification policy development and collaboration.
Recent Developments: No recent developments.

Analysis: N/A
Next Steps: N/A
Additional Information: PG&E AL 7504-E (Feb. 21, 2025); Final Resolution E-5358 (Dec. 26, 2024); PG&E Semi-Annual VGI Report (Sep. 13, 2024); Resolution E-5326 (Jul. 17, 2024); Letter granting extension (Jun. 5, 2024); ALJ Ruling (Jun. 3, 2024); Vehicle-Grid Integration Forum Report (May 21, 2024); Resolution E-5314 (Apr. 19, 2024); Scoping Memo and Ruling (Apr. 12, 2024); Draft Resolution E-5314 (Mar. 8, 2024); ALJ Ruling (Dec. 27, 2023); OIR (Dec. 20, 2023); Docket No. R.23-12-008.

PG&E Billing System Modernization

Background: This proceeding addresses PG&E's plan to upgrade its legacy billing system, some portions of which date back to the mid-1990s. PG&E proposed a three-stage upgrade that would ultimately be complete in Q4 2029 and cost an estimated $761.3 million.
Recent Developments: On March 27, the Assigned Commissioner issued a Scoping Memo.
Analysis: The Scoping Memo provides that the following issues—which Peninsula Clean Energy advocated for—are within scope:

- **Scoping Item 1**: Whether the Billing Modernization Initiative items, such as requirements, features and functionalities, are reasonable and address challenges presented by PG&E's legacy billing systems.
- **Scoping Item 2**: Whether alternative billing upgrade approaches or initiatives are reasonable and whether PG&E adequately considered alternative billing upgrade approaches or initiatives to the Billing Modernization Initiative.
- **Scoping Item 6**: Whether the Billing Modernization Initiative will include any anti-competitive design elements or have any anti-competitive impacts, as well as whether the upgrades will support corrections to the current bill presentation that facilitate greater transparency and foster fair competition.

Next Steps: Intervenors' testimony is due June 30, rebuttal testimony is due July 30, and a proposed decision is expected in Q1 2026.
Additional Information: Joint Prehearing Conference Statement (Jan. 17, 2025); Application (Oct. 23, 2024); Docket No. A.24-10-014.

Utility Safety Culture Assessments

Background: This rulemaking will define safety culture concepts and determine how the safety culture of PG&E and other utilities in California will be assessed and evaluated. The CPUC's Office of Energy Infrastructure Safety will conduct annual wildfire safety-specific assessments of investor-owned utilities as required by AB 1054, and an independent third-party evaluator will conduct safety culture assessments every five years per SB 901. Phase 1 of this proceeding is focused on developing safety culture assessments for the large investor-owned electric and natural gas corporations, and Phase 2 of this proceeding will be focused on developing safety culture assessments for the small multi-jurisdiction utilities and the gas storage operators.
Recent Developments: No recent developments.
Analysis: N/A.
Next Steps: Phase 2 of the proceeding is expected to begin later this year. PG&E's first third-party evaluation is scheduled for August 1, 2028. Annual reports are due August 1 of each year between third-party evaluations.
Additional Information: D.25-01-031 (Jan. 23, 2025); ALJ Ruling (Jun. 10, 2024); ALJ Ruling (May 8, 2023); Scoping Ruling with procedural schedule (Apr. 28, 2022); Order Instituting Rulemaking (Oct. 7, 2021); Docket No. R.21-10-001.

Other Dockets

The following table identifies other tracked dockets that are closed or inactive.

Docket	Name	Status
R.19-09-009	Microgrids	D.24-11-004 adopting implementation rules for multi-property microgrid tariffs and closing the proceeding was issued November 18. Proceeding reopened for pending Application for Rehearing.
R.23-03-007	Wildfire Fund NBC 2024-2026	The CPUC issued D.24-12-001 (Dec. 9, 2024) adopting a $5.95/MWh Wildfire NBC for 2025 - a slight increase from the 2024 WF NBC charge of $5.61/MWh.
R.17-06-026	PCIA Rulemaking	The proceeding was closed by D.23-06-006. D.24-08-004 (issued Aug. 2, 2024) denied SCE's Petition for Modification of D.23-06-006 and re-closed the

		proceeding. Final Market Price Benchmarks (MPBs) for 2024 and forecast 2025 MPBs were issued on October 4.
A.22-05-002	Demand Response Programs (2023-2027)	D.24-04-006, issued April 24, 2024, ended the Demand Response Auction Mechanism (DRAM) pilot programs of PG&E, SCE, and SDG&E and closed the proceeding. Proceeding reopened for pending Application for Rehearing.
A.21-06-021	PG&E 2023 Phase 1 GRC	This proceeding is inactive, but it remains open to provide further guidance on metrics relevant to auditor reports, to consider revising the energization cost recovery mechanism, and to establish reporting requirements for reviewing the reasonableness of PG&E's interim rate recovery in its next GRC.
A.24-03-018	Diablo Canyon Cost Recovery	D.24-12-033 approved PG&E's revenue requirement, conditionally approved the first year of volumetric performance spending, and closed the proceeding. Proceeding was reopened to address several pending Applications for Rehearing.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

TO:	Board of Directors
FROM:	Alisa Lembke, Board Clerk / Administrative Analyst
SUBJECT:	Summaries of Community Advisory Committee (CAC) February 27, 2025 and March 27, 2025 meetings
DATE:	April 10, 2025

This report summarizes the Community Advisory Committee's meetings held in person and via Zoom webinar on Thursday, February 27, 2025 and Thursday, March 27, 2025.

Thursday, February 27, 2025:

A. **Formation of Task Groups for 2025:** The CAC formed the following Task Groups for 2025 (7-0-0):
   1. Legislative & Regulatory
   2. Programs & Outreach
   3. Bioenergy
   4. Strategic Plan

   Staff requested CAC Members to notify Staff or the Chair and/or Vice Chair if they would like to continue to participate on the Task Group(s) or participate on any other Task Groups. In addition, Staff requested that draft "Charges" be drafted for the CAC to review at their next meeting.

B. **Received the 2024 Year in Review: Customer Care and Marketing.** VCE Staff provided an overview of 2024's Customer Care and Marketing accomplishments. This was an informational item.

Thursday, March 27, 2025:

A. **Approval of Legislative & Regulatory and Programs & Outreach Task Group Charges:** The CAC approved the draft Charges for the Legislative & Regulatory and Programs & Outreach Task Groups. (6-0-0)

B. **Senate Bill 540 (Becker) Pathways Initiative and Regional Organization:** Staff presented a briefing of SB 540. Staff and CAC discussed: Western markets, background of pathways initiative, Senate Bill (SB) 540 structure and key elements, key protections for California, key points of supporters and opponents to the legislative bill, and the next steps. Staff asked that questions be directed via email to VCE Staff only.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Board of Directors

FROM: Rebecca Boyles, Director of Customer Care & Marketing

SUBJECT: Quarterly Customer Participation Update (Information)

DATE: April 10, 2025

RECOMMENDATION

Receive the attached quarterly Customer Participation update reflecting the time period of January 1, 2025 through March 31, 2025 (Quarter 1 2025).

Attachment: Quarterly Report - Customer Participation update

Item 9 – Customer Participation Update

	Davis	Woodland	Winters	Yolo Co	Total	Residential	Commercial	Industrial	Ag	NEM	Non-NEM
VCEA customers	28,517	20,433	2,601	10,801	62,352	54,369	6,056	10	1,917	14,569	47,783
Eligible customers	29,982	24,066	3,078	12,471	69,597	60,676	6,747	10	2,164	16,481	53,116
Participation Rate	95%	85%	85%	87%	90%	90%	90%	100%	89%	88%	90%

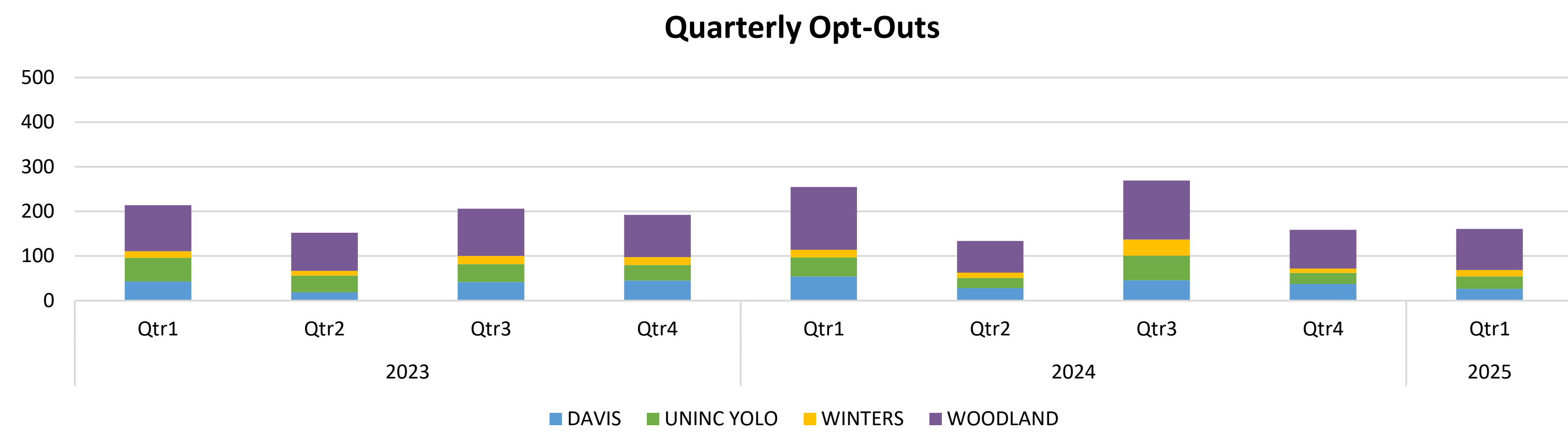
% of Load Opted Out

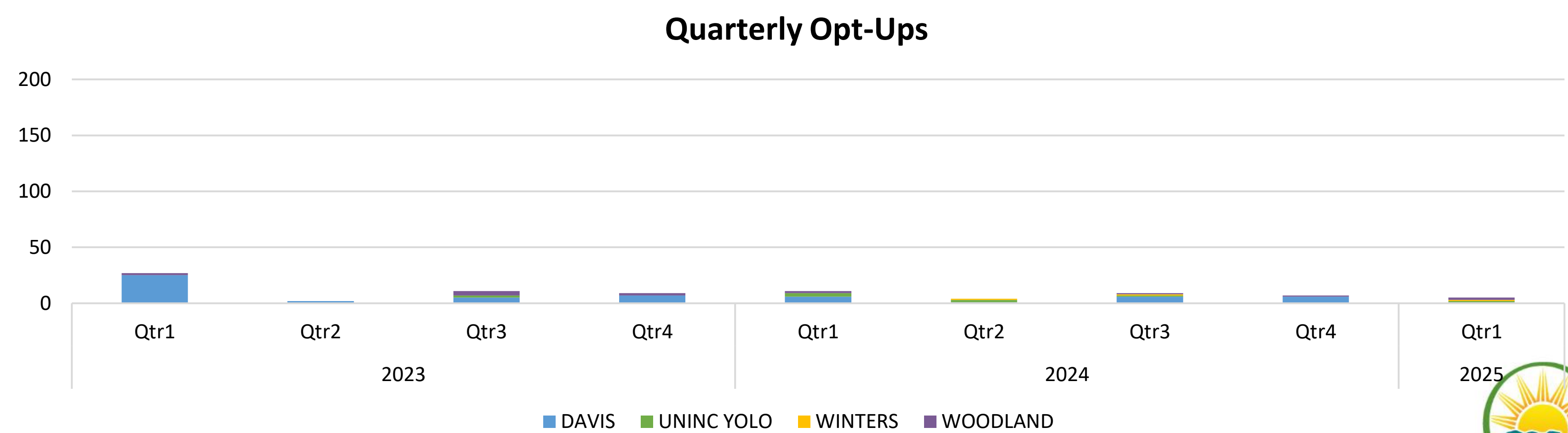
	Davis	Woodland	Winters	Yolo Co	Total	Residential	Commercial	Industrial	Ag	Total
% of Load Opted Out	7%	11%	13%	11%	10%	10%	10%	0%	11%	10%
% of Load Opted Up	3%	1%	1%	1%	1%	1%	3%	0%	0%	1%

Status Date: 04/02/2025

VALLEY CLEAN ENERGY

Item 9 – Customer Participation Update

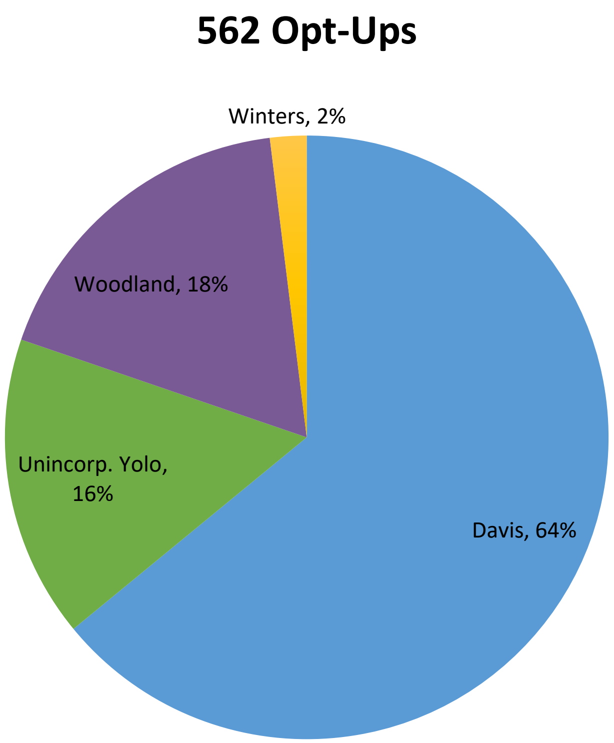


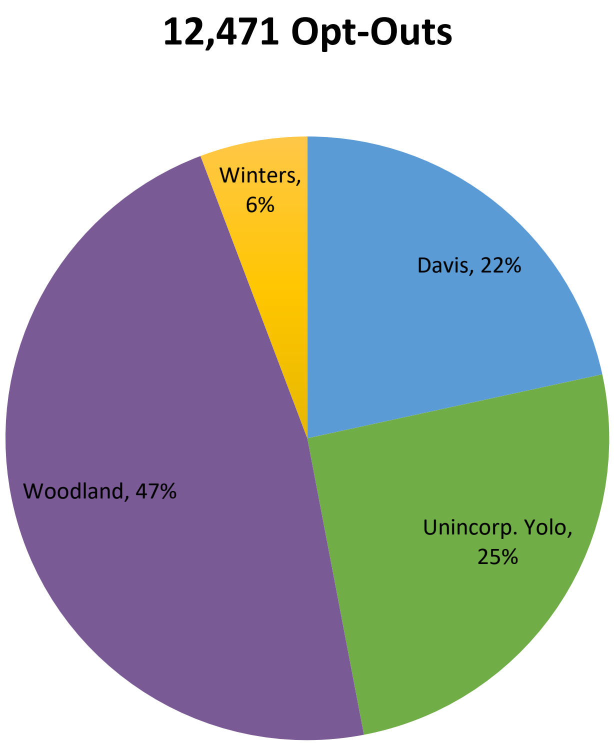


Status Date: 04/02/2025

VALLEY CLEAN ENERGY

Item 9 – Customer Participation Update





These pie charts are based on total opt-ups and opt-outs since launch. The percentages in the charts are the percentages of those opt-ups and opt-outs by TOT (town or territory).

Status Date: 04/02/2025

VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO:	Board of Directors
FROM:	Edward Burnham, Chief Financial Officer
SUBJECT:	Summary of VCE Grant Activity
DATE:	April 10, 2025

This informational report summarizes VCE's grant participation activities as of March 31, 2025.

VCE Awarded Grants & External Funded Programs - In-Progress

1. **Sacramento Area Council of Governments (SACOG) - EV Charger installations ("Electrify Yolo" project).**

   This $2.9 million grant was awarded in December 2018 and is for the installation of electric vehicle charging infrastructure within Yolo County. VCE was awarded the grant in cooperation with Yolo County and the cities of Davis and Woodland. VCE coordinated with the City of Winters to get additional charging infrastructure installed there. VCE is near completion of the installation of the charging stations in partnership with member jurisdictions. VCE received a grant extension expiring December 31, 2024 and fulfilled its requirements for the grant. The City of Davis on behalf of "Electrify Yolo" is requested an additional one-year extension for the grant deadline to December 31, 2025. Winters completed their SACOG project by installing (3) Level 2 double chargers capable of charging 6 vehicles at the same time, and one fast charger. Woodland installed (4) Level 2 chargers. Yolo County has installed (6) Level 2 double chargers, with an additional 5 expected soon. Davis installed (2) mobile chargers and purchased (1) electric passenger van, meeting two of the four SACOG goals. Davis has also installed (1) level 2 charger (for the van).

2. **Responsive, Easy Charging Products with Dynamic Signals (REDWDS) - California Energy Commission (CEC)**

   The California Energy Commission's (CEC's) Clean Transportation Program grant provides up to $9 million in grant funds to accelerate the development and deployment of easy-to-use charging products which help customers manage electric vehicle (EV) charging and respond to dynamic grid signals. Up to $300 million in additional grant funds may be available in the future to complete a second phase of work for agreements initially awarded funding under this solicitation. VCE in partnership with Monarch Tractor and GridTractor has been provisionally approved for $337,500 to provide bidirectional electric tractors using dynamic rates similar to the the AgFIT program. The REACT (Rural Electrification and Charging Technology) VCE Pilot has been kicked off. VCE has set up several meetings with other CCAs, helping some to potentially implement the program with customers. VCE has also conducted direct customer outreach to recruit customers, both farmers and member jurisdictions. The Hourly Flex Pricing (HFP) Pilot #1 (AgFIT expansion) has been set up so that REACT customers can sign up for a dynamic rate.

3. **California Public Utilities Commission (CPUC) - Agricultural Flexible Irrigation Technology (AgFIT).**

   Launched in 2022, VCE's AgFIT supports local growers in decreasing energy usage and costs and VCE was awarded $4.2 million. In partnership with Polaris Energy Services and TeMix, the program provides incentives for irrigation automation and leverages software to help agricultural customers manage energy costs while providing maximum flexibility. The system gives agricultural customers visibility into energy prices a week ahead to help schedule irrigation for when energy costs (and other demands on the grid) are lowest. This program continues to evolve and gain participation. While the pilot is technically complete, data issues and other barriers delayed the final evaluation and the final set of shadow bills and checks to customers. VCE is currently working with pilot partners and the evaluator to finalize pilot tasks. Pilot participants are being recruited to join the HFP pilot #1.

4. **County of Yolo American Rescue Plan (ARP) - Electrification Retrofit Rebate Outreach (ERRO)**

   Electrification Retrofit Rebate Outreach program to encourage low-income households to access a portion of $1B in state electrification rebates. Yolo County has partnered and awarded VCE with $100,000 in American Rescue Plan (ARP) funds to VCE for execution. ERRO launch was completed in 2024; however, since there were delays in launching the Electric Advisor program, Yolo County is waiting to submit impacts (number of customers affected, number of efficiency upgrades taken, etc.) until mid-2025. As of April 2025, there are 36 Electric Advisor customer cases. Customers are mostly interested in heat pumps (space and water heating). Yolo County is planning to give out ERRO fliers with its weatherization kits in mid-2025.

5. **California Public Utilities Commission (CPUC) - AgFIT (Expanded Pilots #1 and 2)**

   Pilot #1 is similar to the original AgFIT Pilot and is geared toward ag customers. It is administered by VCE in VCE territory. Pilot #2 has more eligible customer classes, including residential. It is administered by PG&E. The Hourly Flex Pricing (HFP) Pilots #1 and 2 are both operational and enrolling customers. VCE is having semi-monthly meetings with PG&E and other CCAs on pilot implementation. As of April 2025, there are 6 customer accounts signed up for HFP Pilot #1, and several more interested. PG&E has enrolled almost 45MW of their target 50MW in Pilot #1, and may need to pause enrollments to staff up.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Board of Directors

FROM: Mitch Sears, Chief Executive Officer
Edward Burnham, Chief Financial Officer

SUBJECT: Bi-annual Enterprise Risk Management Report

DATE: April 10, 2025

RECOMMENDATION
Accept the Bi-annual Enterprise Risk Management Report – March 2025.

BACKGROUND & DISCUSSION
In 2018, the Board approved VCE's Enterprise Risk Management (ERM) Policy. The policy is centered on risk management best practices and policies for the energy sector. In summary, the VCE ERM policy contains the following sections:

- Introduction: This section introduces the value of ERM as a structured approach to managing risk and uncertainty. It lays out the objectives of VCEA's ERM function, providing the framework for evaluating and managing risk in the organization's decision-making process.

- ERM Roles and Responsibilities: The ERM roles are consistent with the Board-approved Wholesale Power Procurement & Risk Management Policy. The Enterprise Risk Oversight Committee (EROC) has primary responsibility for the implementation of ERM. The policy lays out the scope of the EROC's risk management authority.

- Business Practices: This section identifies the steps of risk management and the basic process associated with each step. The intent is to provide a high-level framework. Specific tools and techniques for implementing enterprise risk management will be recommended by the portfolio manager following approval of the policy.

- Management Reporting and Metrics: The policy defines an enterprise risk report that will be provided bi-annually to the Board.

Staff has used the consistent framework described in the ERM policy to identify various risks and related mitigations, and to ensure effective mitigation and communication across all levels of the organization. The attached ERM bi-annual report describes the activities that have taken place since

September 2024 and the actions VCE is and will be taking to manage the top risks that have been identified.

Prior to this report, staff most recently presented the bi-annual update to the Board in September 2024, describing progress on the ERM plan since inception. Bi-annual updates are provided in March and September of each year.

ATTACHMENT

1. Bi-annual Enterprise Risk Management Report – March 2025

Valley Clean Energy

Enterprise Risk Management Report

March 2025

Executive Summary

Introduction and Background

In 2018, the Valley Clean Energy (VCE) Board adopted an Enterprise Risk Management (ERM) framework based on the best industry practices structure developed by SMUD. The objective was to provide the Board with insight into risks that could impact the ability to execute VCE's mission and build credibility and sustain confidence in VCE's governance. In addition, the framework and reports are designed to enhance the understanding of significant risks to VCE, develop the capacity for continuous monitoring, provide for periodic reporting of risks, and establish a platform for responding to changing risk circumstances. This report is the 1st of VCE's biannual risk reports for 2025; the prior ERM biannual Report was issued in September 2024.

ERM is a strategic approach to risk management that supports the achievement of organizational objectives through the management of integrated impacts of risks as an interrelated risk portfolio. ERM is a coordinated effort by management to treat all risks effectively, thereby reducing the overall cost of risk to the organization. The Executive Officer has charged functional leaders to oversee the treatment of known major risk categories and provide a risk overview to the Enterprise Risk Oversight Committee (EROC).

ERM Philosophy

VCE's ERM philosophy includes the following principles:

1. Identify, assess, prudently manage, monitor, and report on a variety of business-critical risks;
2. Provide enterprise risk context and linkage to existing core business processes to improve the allocation of limited resources;

ERM Approach

Staff has applied a multi-perspective approach to evaluate and estimate the trade-off between risk and cost of mitigation across VCE business functions. This approach addresses the following issues:

- Roles and responsibilities

- Definitions and language
- Risk heat map and risk exposure inventory
- Risk exposure monitoring, updating, and reporting
- Integration of ERM with key business processes
- Integration of risk awareness within corporate culture
- This framework supports the Board in exercising its overall responsibility to:
    - Regulate opportunities and risks for VCE;
    - Develop a better understanding of appropriate opportunities and risks for VCE;
    - Promote active management of risk exposure down to acceptable levels; and
    - Assist VCE in its achievement of business plan objectives and operational performance.

Summary of Activities through March of 2025

From an implementation perspective, progress continues on multiple fronts. Significant effort has been invested in creating an enterprise risk register. Risks to VCE have been identified, categorized, and rated. Existing risk controls and risk treatment measures implemented/proposed have also been identified. The risk register provides VCE's management with a consolidated view of risks being faced by VCE, the potential impact of those risks, mitigation actions, and assessment of short-term risk trends (i.e., higher/lower/steady).

Staff is using a consistent framework to identify various risks and related mitigations, and to ensure effective communication across all levels of the organization. In doing so, staff has completed the following developmental tasks:

1. Established the Executive Officer as Chief Risk Officer and Chief Financial Officer as risk process owner, focusing on day-to-day monitoring and coordination.
2. Developed ERM framework and tools
3. Conducted a risk survey
4. Developed VCE's top risk portfolio
5. Surveyed staff and management for ongoing risk input
6. Held monthly EROC meetings

Key Steps Taken Since the Last Biannual Update

Some actionable steps that VCE has taken since the last Board update in September 2024 include:

1. Have actively engaged from a regulatory and legislative standpoint, supporting regulatory statewide proceedings and settlements, meeting with key CPUC staff, and continuing progress on the annual VCE legislative platform.
2. Increased 2025 VCE Rate Credits starting January 1 to 5% for all customers and 10% to CARE/FERA customers.
3. Executed Energy Prepayment Bond for power cost savings to further stabilize VCE's financial standing, building reserves, and support affordability measures.
4. Adopted updates to the financial reserve policy and dividend program guidelines and initiated VCE's initial investment grade credit rating process.
5. Approved Renewable Energy Credit Optimization approach for 2025 to balance emission reduction with cost competitive customer rates.

Key Risks

Key risks are those risks that, given VCE's current position, could negatively impact VCE's business model, future performance or prospects, solvency, liquidity, reputation, or prevent it from delivering on its local control commitment. These key risks are updated on an ongoing basis and look forward over a 5-year horizon to identify the:

- Nature and extent of risks facing VCE
- Likelihood and velocity of the risks and potential impacts
- VCE's ability to reduce or control such risks

Key Priorities for Risk Management in 2025:

1. Maintain the operational risk management process
2. Provide regular updates to the Board
3. Continue to take specific actions to mitigate risks as outlined in this document
4. Begin to develop contingency plans for unexpected and emergent events

Risk Portfolio

Top 5 Risks for VCE:

1. 2025 PCIA proceeding and 2026 PCIA Increases
2. Rate Affordability and Stabilization
3. Legislative & Regulatory Policy Risk
4. Resource Adequacy (Planning Reserve Margin)
5. Commodity procurement

The following tables outline current risks (Table 1) and summarize VCE's response plan for it's top identified risks (Table 2).

Table 1: Risk Description/Level

Risk	Description	Current Residual Risk	Target Residual Risk
Power Charge Indifference Adjustment (PCIA)	The PCIA rate for 2025 remained neutral for the time being due to increased resource adequacy and renewable energy credit market price benchmarks. The lower energy costs and usage are forecasted to be under collected and lower energy price forwards are expected to significantly increase the 2025 PCIA. Additionally, the CPUC is reviewing the market price benchmark formula that may generate higher long-term PCIA rates.		
Resource Adequacy (RA)	The supply of RA in the western US is tightening, and the regulatory slice of day framework is evolving. A combination of these two elements has resulted in an increased cost of RA and in some cases limited available supply. Due to battery permitting and testing requirements, the Willy Chap 9 project was partially delayed thus causing VCE to procure short-term RA.		
Commodity Procurement	The 2025 market is experiencing fluctuations associated with commodity prices, including energy prices, resource adequacy, and other components of the energy portfolio.		
Regulatory & Policy risk	Risk of additional regulatory requirements increasing complexity and cost of operations for VCE. Recently, the CPUC has taken positions and policy		

Risk	Description	Current Residual Risk	Target Residual Risk
	changes that have resulted in cost shifts from the IOUs to the CCA community.		
Capital availability/cashflow	Capital / Cashflow Risk has remained low through VCE's rate, auto rate adjustment, and reserve policies. Staff will be proposing additional revisions to rates and reserve policies to meet, obtain, and maintain credit rating agency requirements.	🟢	🟢
Economic Uncertainty	The risks from the ongoing geopolitical climate increases the chances of impacting natural gas prices, the general economy, and the renewable sector specifically through tax reform, trade agreements, war(s), and import tariffs.	🟠	🟡
Rate structure	The risk of rate design for cost of service has been reduced with an updated rate policy and additional implementation of the "Base Green" rate option. VCE will continue to develop rate-setting options to minimize risks further.	🟡	🟢
Cyber security & data privacy	Risk of a data breach as a result of a cyber breach or physical attack.	🟡	🟢
Financial Markets Volatility	Swings in global energy markets, financial markets, and currencies due to current geopolitical events (e.g. Ukraine and trade tariffs) have created challenges that impact VCE's power costs.	🟠	🟢
Changing customer expectations	Risk that customer's changing expectations as a result of innovation may result in reduced customer revenue and loyalty.	🟡	🟢
Opt-out rate	The risk of higher than expected opt-out has normalized despite PG&E's increases in both electricity transmission and distribution and gas rates. VCE implementation of "Base Green" product option should minimize opt-outs.	🟢	🟢

Risk	Description	Current Residual Risk	Target Residual Risk
Business model	Ability to quickly identify and respond to business risks that have the potential to impact the ability to achieve VCE goals.	🟢	🟢
Media & Community	Risk of unfavorable public communications or events; spillover customer dissatisfaction related to PG&E's PSPS events and affordability.	🟠	🟡
Unknown risks	Business and utilities attempt to identify and adapt to known risks but some potential events outside of VCE's control could have a debilitating impact on utilities in general and VCE in particular.	🟢	🟢

🔴	High Risk
🟠	High/Moderate Risk
🟡	Low/Moderate Risk
🟢	Low Risk

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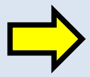
Table 2: Summary of VCE top risk response plan

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
PCIA	Monitor risk & actively engage and respond	⇧	1) Continue direct involvement with CalCCA task groups to seek favorable rulings and settlements in the PCIA, ERRA, and other filings. 2) Work towards the potential long-term goal of attaining an option for a PCIA buy-out and sunset date.	The 2026 PG&E PCIA forecast is expected to increase due to RA Benchmark proceeding. VCE will continue to monitor Energy Resource Recovery Account (ERRA) and PCIA proceeding.	Director of Finance
Commodity Procurement	Reduce & manage risk	⇨	1) Continue to pursue long-term power purchase agreements to reduce the average cost of power in future years 2) Pursue regulatory and legislative avenues in addressing the extreme swings in pricing. 3) Take an active role in regulatory proceedings at the CPUC, including appeals on various regulations that impact the cost of electricity, along with support from the CalCCA Regulatory Committee	Execution of PPA contracts Regulatory rulings that affect commodity procurement cost Monitor impacts and market conditions resulting from slice of day resource adequacy requirements.	Director of Power Procurement

[1] Current trend of risk for VCE- increasing ⇧ , no change ⇨ or decreasing ⇩

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
Regulatory & Policy risk	Monitor risk & actively engage and respond		1) Take an active role in legislative sessions (contract with lobbyist and engage Board members for support / opposition on bills) along with support from CalCCA legislative committee 2) Follow and continue to update the annual VCE Legislative Platform 3) Take an active role in regulatory proceedings at the CPUC, including appeals, on various regulations that impact VCE and CC's that increase cost or bureaucracy without any significant safety or cost benefits to VCE and its customers along with support from CalCCA Regulatory Committee	Weekly CalCCA Regulatory and Legislative Committee meetings Regulatory rulings Legislative actions	Executive Officer
Capital Availability / Cash Flow	Monitor risk & actively engage and respond		1) Continue towards conserving cash, reducing debt, and lowering cash requirements. 2) Evaluate reserve policy changes. 3) Work towards the 2025 goal of securing an investment-grade credit rating.	VCE Line of credit agreements & extension to 2026. VCE is working with Financial Advisor (PFM) to establish VCE's initial investment grade credit rating by 2028.	Director of Finance

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
				Implement VCE Rate adjustment and Collections Policy	
Resource Adequacy	Reduce & manage risk		1) Take an active role in regulatory proceedings at the CPUC, including appeals, on various regulations that impact the cost of electricity along with support from the CalCCA Regulatory Committee. 2) Monitor and participate in CalCCA activities related to regional developments in RA. 3) Continue to develop portfolio of resources that satisfy various future RA program scenarios.	Execution of PPA contracts Regulatory rulings that affect RA cost, including non-compliance penalty structure Annual review of VCE PPA RA resources	Director of Power Procurement

Risk Event	Response	Trend[1]	Plan	Trigger/Control	Owner
Rate Structure	Reduce & manage risk		1) Monitor and update Board based on analyst forecasts for ERRA proceeding. 2) Identify and mitigate risks outside of VCE control to limit impacts and frequency of rate changes. 3) Review and update rates for rate adjustment policy.	Economic outlook and Rate forecasts Monitor Regulatory proceedings that impact PCIA, RA, and ERRA. Monitor cash short-term and long-term impacts to reserve funds, credit lines, commercial negotiations, and PPA covenants.	Director of Finance

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Board of Directors

From: Sierra Huffman, Program & Community Engagement Analyst
Rebecca Kuczynski, Chief Customer Officer
Mitch Sears, Chief Executive Officer

Subject: Approval of VCE's Revised Load Management Standards Plan

Date: April 10, 2025

Recommendation
Approve VCE's revised Load Management Standards (LMS) Plan.

Background
The California Energy Commission's (CEC) LMS are intended to help integrate renewables on the grid by aligning electricity use with generation and capacity. The CEC's goals are to improve air quality, help mitigate future climate change and create downward pressure on electric rates.

The CEC requires that load-serving entities offer rates or programs that reflect real-time grid conditions. To meet the LMS, VCE is allowed to either create its own rates or programs or participate in PG&E's programs and rate offerings. The standards apply to major entities such as large investor-owned utilities (IOUs), large publicly owned utilities (POUs), and large CCAs that provide over 700 GWh of electricity annually. Note: Since launching in 2018 VCE's annual load fluctuates just above/below this threshold depending on the weather and precipitation each year.

The CEC's primary objectives of the LMS encompass:
1. Ensuring all time-varying rates are uploaded to the Market Informed Demand Automation Server (MIDAS)
2. Developing a standard rate information access tool
3. Creating and submitting location marginal price-based rates that reflect marginal wholesale costs.
4. Educating customers on new time-varying rates and automation technologies

Revision
To better meet the objectives of LMS and incorporate the Board's approval for VCE to participate in Hourly Flex Pricing Pilots (AgFIT expansions) on November 14, 2024, VCE worked with CEC staff to update the LMS Plan. The revisions were done as part of an informal process and VCE's LMS Plan has yet to be considered for approval at a CEC Business Meeting.

VCE Load Management Standards Plan
VCE’s attached Load Management Standards (LMS) Plan addresses the requirements of the CEC’s LMS by evaluating marginal cost-based rates for VCE’s customers based on:

1. Cost effectiveness
2. Equity
3. Technological feasibility
4. Benefits to the grid and to customers

In lieu of marginal cost-based rates, VCE describes its efforts in the development of and participation in marginal signal programs. Laying out details like pricing methodology and eligibility for all three Hourly Flex Pricing (HFP) Pilots:

1. HFP Pilot 1 (expansion of AgFIT)
2. HFP Pilot 2
3. HFP Vehicle to Grid (V2X)

VCE has experience with this type of program in its implementation of the AgFIT hourly dynamic rate pilot, which wrapped up its third year of operation in December 2024.

Analysis
VCE's evaluation of the cost-effectiveness, equity, technological feasibility, and benefits to the grid and customers, of marginal cost-based rates indicates that there is currently insufficient data available to recommend the development and implementation of one or more marginal cost-based rates. Staff is recommending the deferral of new marginal rates until a more robust study and pilot process is completed.

However, VCE remains committed to the overall goals of the LMS, including aligning electricity use with generation and capacity using energy storage, improving air quality, helping to mitigate future climate change, and creating downward pressure on electric rates. This commitment is demonstrated through our participation in and administration of marginal rate programs including HFP Pilot 1, as well as the PG&E-administered HFP Pilot 2 and V2X.

As required under the CEC’s order, VCE will review this plan every three years after its adoption and submit a plan update to the Board if there is a material change to its evaluation of the factors noted above pursuant to 20 CCR § 1623.1(a)(1)(C).

Attachment: Draft revised VCE Load Management Standard (LMS) plan

Load Management Standards 2024 Compliance Plan

Valley Clean Energy Alliance

Table of Contents

1. Introduction

This plan is intended to address the requirements of the California Energy Commission's (CEC) Load Management Standard (LMS) by evaluating the cost effectiveness, equity, technological feasibility, benefits to the grid, and benefits to customers of marginal cost-based rates for Valley Clean Energy Alliance's (VCE) residential, commercial, and agricultural customer classes.[1] VCE will review this plan every three years after its adoption and submit a plan update to the Board if there is a material change to its evaluation of the factors noted above pursuant to 20 CCR § 1623.1(a)(1)(C).

Based on the evaluation of the factors discussed in the sections below, VCE will participate in Pacific Gas and Electric's (PG&E) Hourly Flex Pricing Pilot Programs (HFP), offering marginal rates to all customer classes. Results from VCE's Agriculture Flexible Irrigation Technology (AgFIT) dynamic rates pilot have been encouraging, as noted in its July 2022 comments to the CEC during its consideration of the LMS. While uncertainties exist due to the lack of pilot evaluation results and limited real-world data in VCE's and PG&E's service area. VCE acknowledged that the potential for load shift, further study of customer response to market prices, and increasing customer acceptance of a complex new rate designs are reasons for VCE to participate in PG&E's HFP Pilots.

1.1 About VCE

VCE was formed as a Joint Powers Authority (JPA) of the City of Davis and County of Yolo in 2016. The City of Woodland joined the JPA in June 2017, and the City of Winters joined in 2021. The members formed VCE for the purpose of implementing a community choice aggregation (CCA) program to allow VCE to provide electric generation service within their respective jurisdictions. VCE initiated customer service on June 1, 2018. VCE currently serves nearly 61,000 customers or about 90% of the customers within its territory. VCE provided just under 700,000 MWh of power to its customers in 2023. VCE promotes long-term electric rate stability and energy security while reducing reliance on fossil fuels and stimulating our local economies.

VCE is a public agency that sources competitively priced electricity from clean and renewable energy resources. Through its dedicated Board and staff, VCE is steadfast in reducing greenhouse gas emissions by accelerating the transition to 100% renewable energy, while maintaining competitive rates. Committed to addressing the effects of climate change, VCE is investing in the development of a renewable and reliable grid that supports the electrification of sectors such as transportation, agriculture, and buildings, as well as incentivizing change through innovative customer benefiting programs.

1.2 VCE's Board of Directors

VCE's Board of Directors is comprised of eight seats, two each from its four member agencies across Yolo County. The Board directs the strategic vision, budget, rates, power procurement and major non-power-procurement capital expenses, as well as oversees contracts and policies to ensure effective administration.

[1] California Code of Regulations, Title 20, § 1623.1(a)(1)(A).

In fulfilling the state's climate policies, the Board has directed VCE to pursue the following:

1. **Procurement Strategy:** Commitment to serving 100% of retail sales with renewable energy by 2030.[2]
2. **Resource Adequacy Hedging**: Support for a structured approach ensuring system reliability through various measures, including investment in energy storage, baseload renewable energy technologies, and demand response.
3. **Ratemaking Discretion:** Aligning competitive and stable generation rates with state climate policies.

2. Load Management Standards

The Warren-Alquist Act of 1974 established the CEC and granted it with specific authority, including the ability to review and approve the siting of power plants, set efficiency standards for buildings and appliances, and establish load management standards.

In October 2022, the CEC adopted amendments to its LMS (California Code of Regulations, Title 20, §§ 1621-1625), effective April 1, 2023.[3] The amendments are designed to help integrate renewables on the grid by aligning electricity use with generation and capacity using energy storage, with the goals of improving air quality, helping to mitigate future climate change, and creating downward pressure on electric rates. LMS strives to achieve these goals by encouraging the use of energy at off-peak hours, encouraging the control of daily and seasonal peak loads to improve electricity system efficiency and reliability, reducing or delaying the need for new electrical capacity, and reducing fossil fuel consumption and greenhouse gas emissions.[4]

LMS does not set rates but instead requires that load-serving entities subject to 20 CCR § 1623.1 offer rates or programs structured according to the LMS requirements. The standards apply to major entities such as large investor-owned utilities (IOUs), large publicly owned utilities (POUs), and large CCAs, who provide over 700 GWh of electricity annually. To meet the LMS, CCAs are allowed to either create their own rates or programs or participate in already existing IOU programs and rate offerings. VCE is on the cusp between "large" and "small" CCAs as per the LMS definition, sometimes providing less than 700 GWh of electricity annually, but is completing this requirement as a "large" CCA in good faith, demonstrating its commitment to the importance of load shift.

The CEC's primary objectives of the LMS encompass:

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[2] Valley Clean Energy 2021-2025 Strategic Plan at 3 (September 14, 2023). Available at: https://valleycleanenergy.org/wp-content/uploads/2021-2025-Strategic-Plan-Minor-Update-9-14-2023.pdf.

[3] California Energy Commission (CEC) Resolution No. 22-1012-2, October 12, 2022. Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=246501&DocumentContentId=80688. See also, October 12, 2022 CEC Meeting Transcript at 65-66. Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=247487&DocumentContentId=81884.

[4] California Code of Regulations, Title 20, § 1623.1(a)(1).

1. Ensuring the accuracy of existing and future time-varying rates in the Market Informed Demand Automation Server (MIDAS) rate database, which is publicly accessible and machine-readable.
2. Developing a standard rate information access tool to support third-party demand response and load management services.
3. Creating and submitting location marginal price-based rates that change at least hourly to reflect marginal wholesale costs.
4. Integrating information about new time-varying rates and automation technologies into existing customer education and outreach programs.[5]

Objective 3 is an important feature in the CEC's LMS. To support demand flexibility, the LMS directs load-serving entities to adopt marginal-cost based rates, if such rates are determined to be cost-effective, equitable, technologically feasible, and beneficial to the grid and customers. Marginal-cost based rates, commonly linked to the wholesale price of electricity, are determined by factors like fuel costs, weather, renewable generation output, and the total demand for electricity at a specific time. These rates fluctuate during the day, reflecting real-time grid conditions.

Table 1: LMS Standards and Associated Deadlines

Due Date	Regulatory Requirement	LMS Reference
April 1, 2023	LMS Effective Date	
July 1, 2023 (Completed)	Within 3 months of the effective date, upload existing time-dependent rates to the MIDAS database.	§ 1623.1(c)
April 1, 2024 (Completed)	Within 1 year of the effective date, develop and submit to the Board a plan addressing how VCE will meet the requirements of the LMS, including an evaluation of marginal cost-based rates and programs. The Board must consider adoption of the plan within 60 days of submittal.	§ 1623.1(a)(1)
30 days after Board adoption (In Progress)	Submit approved plan to Executive Director of the CEC and respond to requests for additional information and/or recommendations within 90 days of receipt.	§ 1623.1(a)(3)(A)
February 21, 2025	Submit a revised plan to Gavin Situ at gavin.situ@energy.ca.gov and Scott McCarthy at scott.mccarthy@energy.ca.gov	§ 1623.1(a)(3)(B)
April 1, 2024 (Completed)	Within 1 year of the effective date, provide customers with access to their Rate Identification Number (RIN) on billing statements and online accounts using both text and QR code.	§ 1623.1(c)(4)
October 1, 2024	Within 18 months of the effective date, develop and submit to the CEC, in conjunction with other obligated	§ 1623.1(c)(2)

[5] California Energy Commission. "Load Management Standards." Accessed February 2024. https://www.energy.ca.gov/programs-and-topics/topics/load-flexibility/load-management-standards

	utilities, a single statewide standard tool for authorized rate data access by third-party providers, and the terms and conditions for using the tool. Upon CEC approval, maintain and implement the tool.	
October 1, 2024	Within 18 months of the effective date, submit a list of load flexibility programs deemed cost effective by VCE to the Executive Director of the CEC. The program portfolio must provide at least one option to automate response to MIDAS signals for each customer class where VCE's Board has determined such a program would materially reduce peak demand.	§ 1623.1(b)(3)
April 10, 2025 and annually thereafter	Submit annual reports to the Executive Director of the CEC demonstrating implementation of VCE's plan, as approved by the Board.	§ 1623.1(a)(3)(C)
July 1, 2025	Within 27 months of the effective date, submit at least one marginal cost-based rate to VCE's Board for any customer class(es) where such rate will materially reduce peak load.	§ 1623.1(b)(2)
July 1, 2027	Within 51 months of the effective date, offer customers voluntary participation in either a marginal cost-based rate, if approved by VCE's Board, or a cost-effective load flexibility program.	§ 1623.1(b)(4)
Ongoing	Conduct a public information program to inform and educate affected customers on why marginal cost-based rates or load flexibility programs and automation are needed, how they will be used, and how these rates and programs can save customers money.	§ 1623.1(b)(5)
Triennially	Review the plan at least once every 3 years after the date of adoption and submit a plan update to the Board if there are any material changes.	§ 1623.1(a)(1)(C)

2.1 VCE's Compliance Plan Administration

Section 1623.1(a) requires each Large CCA to submit to its rate-approving body a compliance plan that is consistent with the applicable requirements of the LMS regulation. The plan must be submitted within one year of the regulation effective date, which is April 1, 2024, and must be considered for adoption by the rate-approving body in a duly noticed public meeting within 60 days of submission.

This Plan meets the requirements of the CEC regulation, Section 1623.1(a). The description of how VCE complies with each of the elements is provided in the subsequent sections. The draft Plan was submitted to the Board on April 1, 2024, and was presented to the VCE Board for consideration at duly noticed meeting on May 9, 2024.

2.2 CEC Review Process

Section 1623.1(3)(A) specifies that, upon adoption by the CCA rate approving-body, the plan must be submitted to the CEC Executive Director within 30 days for review. Note that the VCE Board is the sole authority to approve rates; the CEC's role is limited to determining whether the plan that the VCE Board has adopted complies with the regulation. Following the Plan presentation and adoption by the VCE's Board on May 9, 2024, the Plan was submitted to the CEC on June 9, 2024, for review. Any requests for additional information or recommended changes will be addressed and a written response submitted to the CEC within 90 days as required in the regulation.

2.3 Triennial Plan Review

Section 1623.1(a)(1)(C) requires each Large CCA to review its compliance plan at least once every three years. Where there is a material change to the factors considered in evaluating marginal cost-based rates and programs, the Large CCA must submit a plan update to its rate-approving body. Material revisions to the plan shall follow the same process as the initial plan approval.

This Plan will be reviewed every three years following the date of adoption and material Plan updates will be submitted to the VCE Board for consideration. This Plan and any approved material updates will be duly submitted to the CEC.

2.4 Annual Reporting

Section 1623.1(a)(3)(C) requires each Large CCA to submit annual reports to the CEC Executive Director demonstrating implementation of its Load Management Standards compliance plan. Each CCA must submit the initial report one year after adoption of the plan by the CCA's rate-approving body, and annually thereafter. Annual reports will be submitted to the CEC Executive Director describing the implementation of this Plan.

3. Rate Design & Deployment

CCA governing boards have jurisdictional control over rate-setting on behalf of their customers. Public Utilities Code Section 366.2(c)(3) provides that CCAs retain jurisdiction for setting rates for the electricity they purchase on behalf of their communities. This local control empowers CCAs to tailor energy programs, determine pricing structures, and prioritize renewable energy sources according to the preferences and goals of the communities they serve. VCE strives to stay competitive with Pacific Gas and Electric's (PG&E) rates. To this end, in January 2025, the VCE Board approved a 5% rate reduction on generation rates, in comparison to PG&E's generation rates, for all customers. VCE's most vulnerable community members which include customers enrolled in California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), and Medical Baseline currently see an even greater generation rate reduction of 10%.

In consideration of any rate modifications or additions, VCE will work to ensure that charges to the customer stay competitive with PG&E's generation rates.

3.1 Marginal Rate Requirements

Section 1623.1(b)(2) of the LMS directs each Large CCA, by July 1, 2025, to seek approval from its Board for at least one marginal cost-based rate or cost-effective program for which its rate-approving body determines will materially reduce peak load. The rate(s) proposed for approval, if desired, can mirror the marginal cost-based rate(s) offered by the IOU in whose service area the Large CCA exists. Rates and/or programs approved by the CCA's board must be offered on a voluntary basis to the CCA's customers by July 1, 2027, in accordance with section 1623.1(b)(4).

Section 1623.1(a)(1) of the LMS requires each Large CCA to evaluate the cost effectiveness, equity, technological feasibility, and benefits to the grid and customers, of marginal cost-based rates for each customer class in its compliance plan. After evaluating each of these components, the Large CCA may instead propose programs to enable automated response to marginal cost signals for each customer class and evaluate the programs and/or delay or modify compliance with the LMS requirements.[6]

VCE's customers are currently split into four customer classes, residential, commercial/industrial, agriculture, and state government. In this plan, VCE includes state government customers in its commercial/industrial customer class. Consistent with the adopted LMS amendments, the following section of the Plan evaluates the cost effectiveness, equity, technological feasibility, and benefits of dynamic rates to customers and the grid for each customer class.

4. Evaluation of Marginal Rates

The LMS regulation identifies dynamic hourly or marginal rates as a central tool for achieving the goals of encouraging off-peak energy usage, encouraging control of daily and seasonal peak loads, reducing, or delaying the need for new electrical capacity, and reducing fossil fuel consumption and associated GHGs. VCE has demonstrated support for this approach through the implementation of its innovative Agricultural Flexible Irrigation Technology (AgFIT) pilot.

In explaining marginal rate design, the LMS states that the "total marginal cost shall be calculated as the sum of the marginal energy cost, the marginal capacity cost (generation, transmission, and distribution), and any other appropriate time- and location-dependent marginal costs, including the locational marginal cost of associated greenhouse gas emissions, on a time interval of no more than one hour. Energy cost computations shall reflect locational marginal cost pricing as determined by the associated balancing authority."[7]

Being a CCA, VCE is authorized and responsible for setting and recovering only the generation cost components for each applicable electric rate, including marginal rates and programs. PG&E is responsible for setting distribution, transmission, and any other non-generation cost components for each rate.

4.1 Cost Effectiveness of Marginal Rates

LMS section 1623.1(a)(1)(A) specifies cost effectiveness as the first evaluation factor. VCE aims to estimate the costs and benefits associated with new dynamic rates for each rate class. This approach is necessary because, as of the time of the preparation of this Plan, VCE does not have sufficient data to support a full quantitative analysis.

[6] Id., § 1623.1(a)(1).

[7] California Code of Regulations, Title 20, § 1623.1(b)(1).

4.1.1 Estimated Costs

To assess cost effectiveness, it is necessary to consider the costs associated with designing, implementing, and maintaining new rates for each customer class, as well as the ongoing benefits associated with that implementation. To demonstrate cost effectiveness, the expected benefits for each rate must exceed the costs of implementation.

As a best practice for assessing the cost effectiveness of a new rate, VCE would need to conduct a comprehensive pilot study to test and gather data on different rate options, which would likely require several years and a multi-million-dollar investment with a third-party contractor specializing in rate design and pilot program evaluation. Beginning customer service in mid-2018, VCE is a relatively young organization and has been limited in terms of developing rate options, in order to prioritize building a strong, cost effective RPS-compliant portfolio backed by energy storage. VCE is wrapping up a dynamic rate pilot (AgFIT); however, this pilot is focused solely on agricultural customers with irrigation equipment, and it is inferred that customers would respond differently given differences in rate class, electricity usage, weather conditions, and other factors.

VCE has initial results published in the AgFIT Pilot's midterm evaluation report on which to draw limited conclusions on cost effectiveness, but the data is based only on a subset of agricultural customers, and VCE is hesitant to apply those initial results to other rate classes or pilots. As a result, VCE's evaluation of cost effectiveness is based on this limited assessment. VCE anticipates being able to refine estimates to inform future updates of our Plan as more results become available in pilots being conducted around the state of California by other load-serving entities (LSEs), as well as after the publishing of AgFIT's final evaluation in Q1-Q2 of 2025.

Implementing pilot rates for all customer classes, particularly rates that are far more complex than other currently available rates would require significant investment in planning, outreach, education, marketing, and technology development. VCE has identified several cost categories associated with implementing dynamic pilot rates, including but not limited to:

- Pilot rate design costs include market research, testing rate options, and analyzing the results of those pilots to refine the final design. In the event of a new rate recommendation, a rate action would be needed for it to be approved, adding to the costs.
- Setup costs including one-time costs like Information Technology (IT) system updates to enable data integration and developing new or updating existing customer tools.
- Recruitment and retention costs include marketing, outreach, and enrollment costs. For example, with VCE's AgFIT pilot, staff drew upon existing relationships in the agricultural community with which to keep recruiting costs down, but there were still costs associated with the staff time necessary to recruit and retain customers. Additionally, because dynamic rates are new and novel, educating the customer on how to interact with the pilot rate and customer-facing scheduling application took significant staff investment.

To minimize cost to the LSE, the AgFIT pilot rate design was calibrated to recover annual LSE generation costs. However, the pilot included customer incentives for automation as well as incentives based on the difference between the pilot tariff and the customers' otherwise applicable tariff, with the goal of incentivizing the customer to shift peak load. While the pilot saw initial success in customer response, it is unknown to what extent customers would respond to price signals without both sets of incentives, if it were not economically feasible to offer the same or similar incentives.

4.1.2 Estimated Cost Benefits

This section of the Plan describes the potential cost benefits associated with implementing new dynamic rates and the estimated realization of incremental benefits based on design effectiveness, customer adoption levels, and available load shift capacity.

VCE has identified the primary avoided cost benefits of new dynamic rates as the following:

- Avoided capacity costs resulting from a reduction for new capacity additions or resource adequacy procurement.
- Avoided energy costs resulting from shifting demand from higher-cost periods to lower-cost periods.

Secondary benefits could also flow from the realization of avoided capacity and energy procurement needs. For example, to the extent that load shifting could potentially reduce the need for new capacity and wholesale energy purchases during peak periods, reductions could also contribute to the following:

- Avoided GHG compliance costs associated with a reduction in generating or purchasing energy from fossil-fueled resources that may otherwise be needed to serve load during peak periods.
- Improved air quality, public health, and environmental outcomes associated with a reduction in operations of fossil-fueled resources. While these benefits do not accrue directly to VCE, they provide value to the communities that we serve.

As a retail electric service provider and a CCA, VCE anticipates that the greatest potential direct benefits would be derived from avoided capacity and energy procurement costs. However, the realization of any of the above-identified benefits from new dynamic rates is highly dependent on the following factors:

- Effectiveness of the rate design in shifting customer usage patterns.
- Operational value of the load shift.
- Adoption levels of the new rates.
- The customer experience on the new rate.

In addition, with respect to avoided GHG compliance costs and improved air quality, public health, and environmental outcomes, the realization of benefits also depends on the relative utilization of fossil-fueled resources to serve peak load.

4.1.3 Estimated Design Effectiveness Factors

Effective rate design is necessary to achieve predictable load shift during the most valuable peak hours. The risk of not having sufficient generation, which results in the need for new capacity additions or resource adequacy procurement, is typically concentrated in a small number of peak hours each year when serving that load is most challenging. Accordingly, to realize any avoided capacity benefits, it is important that a new rate design can achieve consistent and meaningful load reductions during peak hours. Reducing capacity and energy procurement during peak periods relies on consistent shift in demand.

Time to develop and test the effectiveness of rate design options is especially important when proposing a complex new rate structure. If customers do not adequately understand price signals, their response may be unpredictable, leading to reduced load shift and potentially adverse bill impacts. VCE's ideal rate development process would include market research, testing the effectiveness of different rate options through pilots, analyzing the results, and considering and implementing refinements. This will help to ensure that the rate sends the right signals and takes into consideration customers' willingness and ability to respond directly or via automated technologies/devices while fully recognizing that the process can take significant time and resources.

The LMS requirements direct Large CCAs to propose new dynamic rates for every customer class to their Boards of Directors by July 1, 2025. That timeline does not provide sufficient time for VCE to design a pilot (outside of the limited scope of the AgFIT Pilot), test responses to different rate options, and analyze the results for even one rate class. In addition, PG&E's dynamic rate pilots were delayed, and the results of those studies won't be available for months or years to come. Without the results from VCE's and PG&E's pilots, it is unclear that a complex new dynamic rate design would result in any incremental, dependable load shift, or ensure a positive customer experience for our customers.

The estimated adoption level of new hourly dynamic rates directly impacts the value of load shift benefits. Based on available information, VCE anticipates that dynamic rates rolled out to non-agricultural customers by July 1, 2027, may have low adoption and retention levels. VCE's assumption is based on several key factors, including the uncertainty in bill impacts from complex new rate structures, the time needed to educate customers to promote a positive experience, and the cost and limited accessibility of enabling behind-the-meter automation technology.

4.2 Equity of Marginal Rates

The second criterion by which to evaluate dynamic rates is equity. Since VCE does not currently have pilot study data to support quantifying load shift and bill impacts for different customer groups, VCE qualitatively evaluated the equity impacts of these rates by considering customers' ability to benefit directly and indirectly from the rates.

A key requirement of successful implementation of a dynamic or marginal cost-based rate is the ability of a customer to respond to the price signal of the rate. Customers, including residential, non-residential, and agricultural customers, that are capable of responding to a dynamic rate by shifting load are more likely to realize bill savings and provide benefits to the grid. Customers that lack an understanding of dynamic pricing, or the technology that easily enables load shifting (e.g. battery storage, smart appliances), are at a disadvantage to those with such resources when taking service under a dynamic pricing scheme. The inherent inequity of marginal rates providing savings benefits to affluent or tech-savvy businesses and residential customers that have the time and capability to closely manage their devices or energy usage has the potential to leave small business, low-income, and hard-to-reach communities behind. Without specific pricing or rate design information available, VCE is unable to determine the potential equity impact of any rate design option and would likely require a bill impact study before implementing a new rate.

The ability to directly benefit from a dynamic rate depends on several factors, such as access to enabling technology, the ability to shift load away from high-cost periods, and the ability to benefit from the rate and absorb potential bill shocks:

- Technology access: the ability to participate in a dynamic rate depends on customers' access to technology with characteristics that enable response to hourly or sub-hourly price signals.

Currently, the high up-front cost of this technology may pose a limitation, particularly for lower-income customers. Customers that rent or lease their home or business may face additional constraints with respect to securing permission for technology installations.

- Flexible load shift ability: the ability to quickly shift load away from high price periods will affect whether participating customers can directly benefit from a dynamic rate. As market signals would be dynamic with potentially large changes in prices between hours, customers that cannot or do not adopt and/or utilize enabling technology could see large bill impacts.
- Ability to absorb potential bill shocks: participating customers on a dynamic rate run the risk of bill shocks if they are unable to shift load away from high price hours. VCE anticipates that lower-income customers and small businesses that face greater barriers in implementing enabling technology would be least able to absorb potential bill shocks. By contrast, VCE's Time-of-Use rates provide customers the opportunity to save money without requiring specific technology or exposure to market risks and bill shocks if load is not sufficiently flexible.

Based on the information currently available, VCE cannot conclude that implementing dynamic rates would result in substantial equity benefits. At this time, the availability of such rates is likely to disproportionately benefit higher-income customers, early adopters of technology and businesses that own their property, have up-front capital to purchase enabling technology, and can absorb the risk of bill shocks. In addition, while VCE's entire customer base could potentially benefit from the incremental avoided system costs and improved air quality, public health, and environmental outcomes, the magnitude and uncertainty of these benefits are uncertain. VCE would not anticipate a high level of adoption of dynamic, hourly, or sub-hourly rates from low-income customers.

4.3 Technological Feasibility of Marginal Rates

The third evaluation factor for dynamic rates is technological feasibility. VCE's evaluation assesses the technological feasibility of implementing dynamic rates for all customers on the schedule specified in the LMS regulations. VCE's evaluation considers the feasibility of both the internal technology systems needed to support implementation of dynamic rates and the external customer technology that is needed to enable response to hourly or sub-hourly signals.

4.3.1 VCE's Billing System

As part of PG&E's 2020 General Rate Case (GRC), the IOU planned on implementing a Day-Ahead Hourly Real Time Price (DAHRTP) rate that would launch in the first quarter of 2024. DAHRTP would have required PG&E to make enhancements to its billing system, allowing for PG&E and CCAs to bill customers on dynamic rates. Since PG&E's submittal of their Load Management Compliance Plan in October 2023, DAHRTP has been postponed till 2025 and changes to the billing system have been halted.

The postponement of DAHRTP followed the California Public Utilities' approval of the Demand Flexibility Pilot Expansion in Decision 21-12-015. The expansion addressed PG&E's concerns over billing system upgrades and the cost associated by adopting the Joint DR parties' proposal of "shadow" billing. The programs under the expansion require no changes to the IOU or CCA billing systems. Program participants will instead receive an additional monthly bill that details their performance in the dynamic rate pilot.

The implementation of a “shadow” bill, while effective for the pilot programs under the expansion, does continue to postpone the billing enhancements needed for widespread adoption dynamic rates. VCE does not have adequate information on the cost, timing, and scope of the changes needed to bill on hourly dynamic prices. VCE is exploring this subject with our billing agent, the Sacramento Municipal Utility District (SMUD), and will consider any findings derived from the investigation in future rate option decisions.

4.3.2 VCE’s Price Generation

PG&E was developing a pricing methodology as part of its DAHRTP rate implementation that was to be implemented in quarter one of 2024. Following the postponement of DAHRTP, PG&E developed a pricing methodology as part of the Demand Flexibility Pilot Expansion or the Hourly Flex Pricing (HFP) pilots to be launched in 2025. With the enrollment of customers in the expansion, CCAs will be able to utilize PG&E’s pricing methodology. Later it may be possible for VCE to work within the parameters of the methodology’s formula to modify or adjust PG&E’s dynamic prices by changing the coefficients. The capacity to modify the coefficients will provide the necessary tools for VCE to remain cost competitive with PG&E. The advantages and cost of VCE developing its own pricing methodology is under evaluation. The option of partnering with another CCA(s) is an avenue that will be considered but would require further study.

4.3.3 Customer Technology

Smart devices or load automation technology make it easier for customers to respond to price signals and have been shown to drive performance on dynamic rates. This is consistent with VCE’s observations related to its AgFIT pilot. Following is a list of common load flexibility technologies in VCE’s service area, along with their capabilities and constraints. VCE anticipates these same technologies will be necessary to respond to new dynamic rates.

- **Smart thermostats:** Wi-fi enabled smart thermostats are currently by far the most widely adopted load flexibility technology. These devices can receive and respond to dispatch signals within 15-30 minutes; however, doing so could end up sacrificing customer comfort, as market price signals may not allow time for the home to pre-cool.
- **Battery energy storage systems:** Battery energy storage systems are being adopted with increasing frequency by both residential and non-residential customers, particularly as an add-on to solar PV installations. However, the current adoption rates are relatively low, and it will likely be years before storage is affordable for a majority of VCE’s customers.
- **Electric Vehicles (EVs):** EVs are an emerging source of load flexibility across VCE’s service territory, and the rate of customer adoption appears to be increasing. There is significant potential for further growth given statewide goals for zero-emissions vehicles by 2030.
- **Electric Tractors:** The adoption of bi-directional and unidirectional charging equipment and electric tractors are likely to be supported throughout VCE’s territory in the near term. VCE may be exploring the shift and shape potential of electric tractors in its Rural Electrification and Charging Technology (REACT) Pilot Program.

4.4 Benefits of Marginal Rates

The final two criteria for evaluating dynamic rates are benefits to the grid and benefits to customers. VCE is evaluating these factors together because many grid benefits also have pass-through benefits to customers.

Following is a summary of anticipated grid and customer benefits associated with implementation of new dynamic rates on the timeframe specified in the LMS regulation. VCE's evaluation of the benefits considers the expected effectiveness of the rate design, the expected adoption rate, and the incremental benefits relative to VCE's existing time-dependent rates and load flexibility programs. The realization of each benefit depends on whether dynamic rates would result in material load shift relative to VCE's existing time-dependent rates and programs.

- Avoided capacity needs: realizing the incremental benefits of avoided capacity costs in the form of reduced need to contract for new generation capacity or procure resource adequacy (RA), depends significantly on an effective rate design that delivers meaningful, dependable load shift in response to hourly or sub-hourly price signals. Shifting demand away from peak periods also has the potential to relieve grid strain and contribute to reliability.
- Avoided energy purchase costs: realizing the incremental benefits of avoided energy costs relies on a rate design that effectively encourages customers to shift from high-cost (high GHG) periods to lower cost (low GHG) periods. This allows for more efficient use of cheaper solar energy when it is generated and reduces the higher costs of energy associated with serving peak load.
- Improved air quality, public health, and environmental outcomes: the potential air quality, public health, and environmental benefits associated with dynamic rates depends on such rates reducing the capacity needs or energy purchases during time periods when the grid has a higher carbon intensity.
- Customer bill impacts: with dynamic rates, customers have the potential to save money by shifting their usage out of the most expensive hours. However, there are risks to customers in adopting dynamic rates, even if customers can largely rely on device automation to manage their demand. Depending on the rate design, customers could potentially take on the risk of market price fluctuations, which could have a negative impact on customer bills, especially during times of extreme market volatility.
- Customer experience: while dynamic rates would reflect the cost of energy at the time it is used, they could potentially be very complex and difficult for customers to understand. This could adversely impact adoption and benefits of the rate, as well as potentially hindering future load shift efforts.

Based on the information currently available, VCE's evaluation is unable to conclude that implementing dynamic rates on the timeframe specified in the LMS would yield material incremental benefits to the grid or to VCE's customers. Any incremental benefits associated with dynamic rates being applied to all customer classes that enable response on hourly or sub-hourly signals are uncertain.

4.5 Marginal Rates Proposal

VCE requires additional information with respect to the cost, equity, technical feasibility, and benefits of marginal cost-based rates, including how these factors can be measured and evaluated. At this time, VCE lacks the internal resources necessary to develop this information and would require the use of external experts, likely at significant cost, to present a robust evaluation of dynamic pricing for its customer classes. As described in the sections below, VCE currently offers dynamic rate load flexibility programs, as well as time of use-differentiated rates that are intended to achieve the goals of the LMS without having to expend significant financial and staff resources.

VCE plans to defer the proposal and adoption of new marginal rates at this time. VCE will re-evaluate marginal rates with the benefit of additional information from dynamic rate pilots in our own territory, as well as PG&E's service area and other service areas in the next update of this Plan.

The following sections describe VCE's efforts in the development of, as well as our participation in dynamic rate programs that will assist in meeting the LMS requirements.

5. AgFIT and Hourly Flex Pricing Pilot 1

A marginal signal program that could help VCE meet the LMS requirements is VCE's Agricultural Flexible Irrigation Technology (AgFIT) Pilot Program and its recent expansion, referred to as the Hourly Flex Pricing (HFP) Pilot 1. AgFIT was originally designed to target the shift potential of agricultural irrigation but was recently expanded to include all agricultural end uses. The sections below describe VCE's dynamic rates pilot program and the expansion into HFP Pilot 1.

5.1 The Agriculture Sector

With the proposal in our Opening Testimony in California Public Utilities Commission (CPUC) docket R.20-11-003,VCE explained that more than 85% of our service territory is designated for agricultural use, and that the agricultural sector represents approximately 18% of VCE's total annual load and 16% of our peak demand.[8] The annual load can be seen to increases significantly during drought years (2020-2022), which is directly related to agricultural pumping in VCE's service territory.

Table 2: Annual Retail and Wholesale Load

Year	Retail Load, MWh	Wholesale Load, MWh
2019	642,656	684,191
2020	706,393	752,764
2021	755,901	806,377
2022	739,932	789,142
2023	654,637	697,056
Average	699,904	745,906

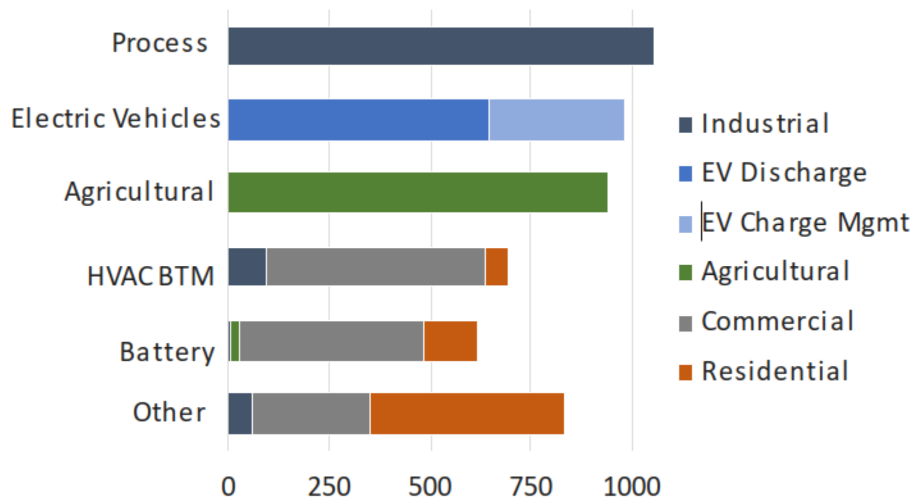
In Polaris's Opening Phase 2 Prepared Testimony in R.20-11-003, it states that "agricultural pumping has more shed and shift potential that can be built more quickly at lower costs than other sectors, especially residential space cooling and electric vehicle (EV) … Agricultural pumping has proven highly reliable in demand response events and is beneficial because of its mostly binary operating profile (pumps are

[8] Docket No. R.20-11-003, *Opening Prepared Testimony of Gordon Samuel on behalf of Valley Clean Energy* at 1-2 (September 1, 2021). Accessible at: https://eqresearch.sharefile.com/public/share/web-s1c978db45ba94c71bc70d622bf070246.

either on or off), large loads controlled by a relatively small number of decision makers and lower weather sensitivity compared to cooling loads."[9]

The figure below is from the CEC's Senate Bill 846 Load-Shift Goal Report, depicting the load flexibility potential by end use and sector. Collectively, industrial processes, EV-related interventions (vehicle-to-grid, vehicle-to-building, and managed charging), and agricultural load flexibility (not including batteries) make up 58% of the state's estimated potential. Including process facilities and bi-directional EVs, VCE believes that agriculture is most likely the sector with the greatest load flexibility potential in Yolo County.

Figure 1: Load Flexibility Potential by End Use and Sector

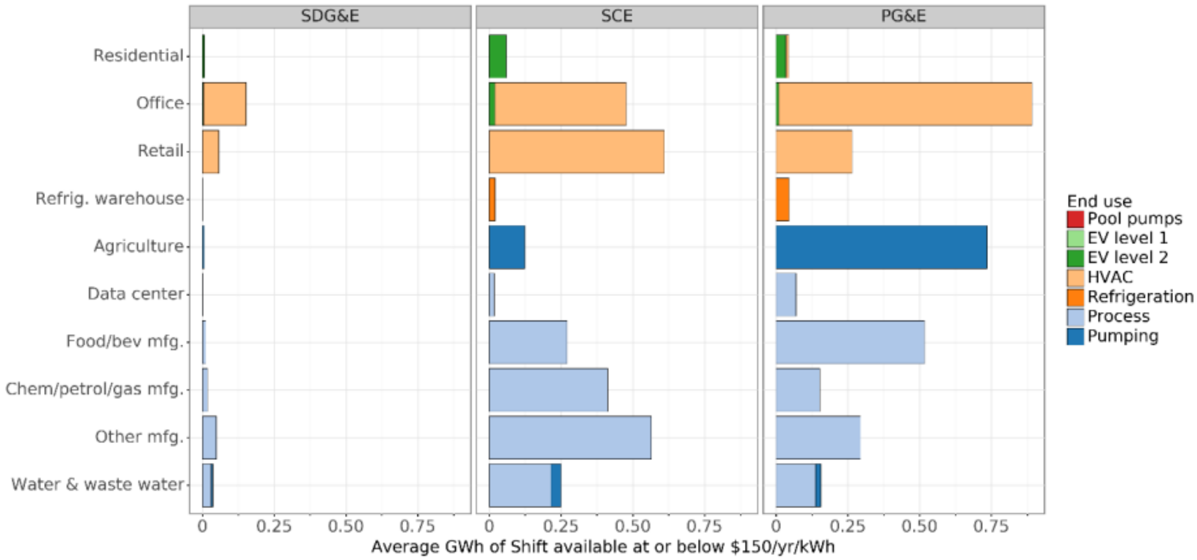


Source: CEC staff

Figure 2 (below) is from Phase 3 of The California Demand Response Potential Study by Lawrence Berkeley National Laboratory published July 2020. The figure shows the disaggregation of the Shift supply in 2030, at the behind-the-meter (BTM) battery price threshold of $150/yr/kWh, broken out by utility service territory. Key conclusions from this figure are that the pumping resource is primarily to be found at agricultural sites and primarily in PG&E's service territory.

[9] Docket No. R.20-11-003, *Opening Phase 2 Prepared Testimony of Polaris Energy Services* at 3. Accessible at: https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/R2011003/4050/404292630.pdf.

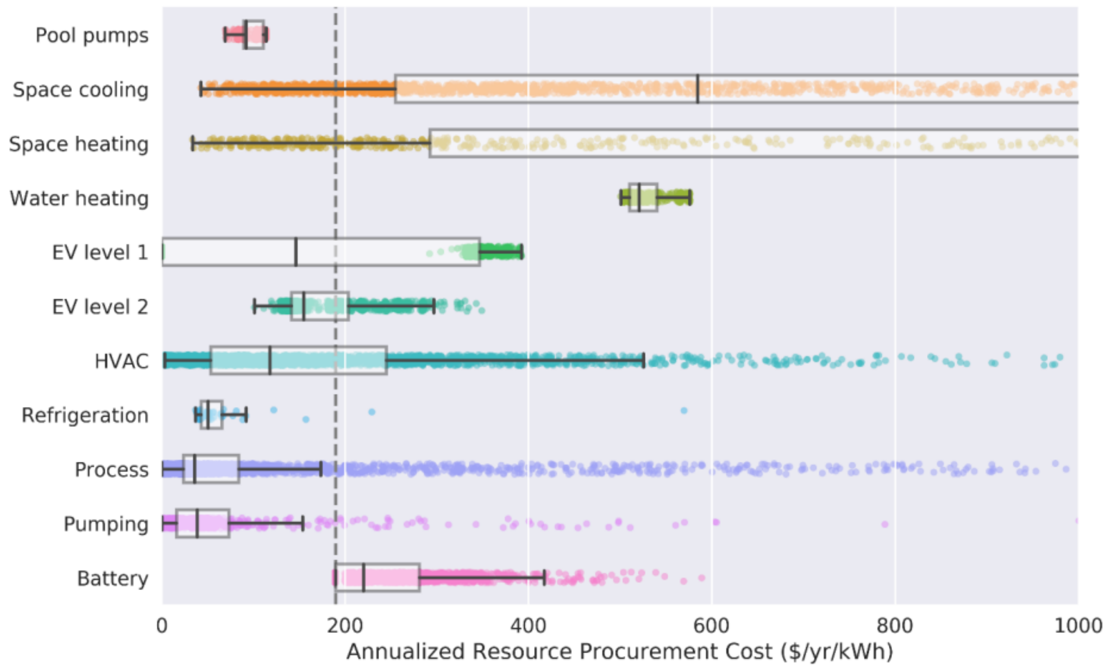
Figure 2: Average GWh of Shift Resources



5.2 Agricultural Automation

When VCE was evaluating the effectiveness of enrolling agriculture customers in dynamic rates, the cost of installing and operating sector-specific automation technology was a consideration. Figure 3 (below) from Lawrence Berkeley National Laboratory's (LBNL) California Demand Response Potential Study Phase 3 illustrates the impact of equipment cost on the overall cost-competitiveness of enabling load shift at different sites. Figure 3 shows the annualized costs per unit of shiftable energy ($/yr/kWh, circa 2015) to install and operate shift-enabling technology, for each shiftable end use, at a typical site in each one of the customer clusters modeled in LBNL's DR-Path. The variation in cost can be large from site to site for a given end use because each site has a different amount of shiftable load that is available to be captured. The minimum BTM battery cost is shown as a vertical dashed line. Any point in the figure that sits at a higher cost will not be cost-competitive with a battery. The conclusion from figure 3 is that the cost of automating pumping load is cheaper than installing a BTM battery.

Figure 3: Annualized Resource Procurement Cost ($/yr/kWh)



5.3 Formation of HFP Pilot 1

The original Agricultural Flexible Irrigation Technology (AgFIT) Pilot Program was approved by the CPUC in D.21-12-015 on December 2,2021, as a near-term solution for summer reliability issues. The proposal was for a limited program focused on the agricultural sector and its flexibility in pumping water. The pilot was designed to unlock up to 5 MW of demand shift with benefits matched to meet customer needs.

Somewhat due to the midterm results presented in AgFIT's initial evaluation, the extension and expansion of VCE's AgFIT pilot was instituted in Rulemaking 22-07-005 on August 15, 2023. The expansion of AgFIT, called HFP Pilot 1, was formally approved in D.24-01-032. The expansion allowed for the inclusion of other agriculture sector end uses outside of irrigation, permitted the enrollment of customers throughout PG&E's service territory, as well as the extended the operation of the program until December 31, 2027. HFP Pilot 1 has no enrollment cap, but PG&E set goals to enroll 50 MW into the pilot across its service territory. While there is no enrollment cap to limit participation, there are limited incentives available for automation technology and software.

5.4 Pricing Methodology

As stated in D. 21-12-015, AgFIT was a dynamic hourly tariff, with week-ahead projections that were integrated with pump automation controllers. Non-generation and non-delivery costs were recovered through existing rate structures, but all other costs are collected using a marginal rate design.

The AgFIT Expansion Hourly Flex Pricing[10], or HFP, will use nearly the same price methodology as seen in the original pilot program, using the CPUC Energy Division Staff's CalFUSE framework. The generation prices will be calibrated to fully recover the load serving entity's costs. Initially this will be calculated using PG&E's generation costs but could be later modified to reflect VCE's generation costs.

The generation price formula will use the Locational Marginal Prices (LMP) provided by the California Independent System Operator (CAISO) and a marginal energy capacity cost from PG&E's General Rate Case (GRC). All non-marginal costs, like non-bypassble charges and customer fees will be collected through a subscription, which will be determined using the customer's historical usage.

5.5 Participation in HFP Pilot 1

Participation in the HFP Pilot 1 was approved by VCE's Board of Directors November 14, 2024. VCE finalized and executed a program contract with PG&E. The pilot is expected to start before the next agriculture season that begins in May of 2025. VCE is working toward a goal of enrolling customers in the pilot program by April 2025.

Throughout the pilot's duration, enrollments may occur at any time, but no new enrollments will occur after May 31, 2027. Customers will be unenrolled from the pilot by December 31, 2027, unless the CPUC decides to extend the pilot.

5.6 Eligibility for HFP Pilot 1

Customer participation in the HFP Pilot 1 is available to limited number of agricultural rate schedules. Eligible rates include AG-A1, AG-A2, AG-B, and AG-C. While customers with solar installations on Net Energy Metering (NEM) or Net Billing Tariff (NBT) will be allowed to participate, PG&E does not yet have the tools to support their enrollment in Pilot 1. PG&E is still uncertain as to when NEM or NBT customers will be allowed to enroll. PG&E has stated that customers on Aggregated NEM or Aggregated NBT may not be eligible.

5.7 Resources for HFP Pilot 1

PG&E has developed a customer facing name for Pilot 1, Hourly Flex Pricing or HFP. Resources on HFP can be found on the IOU's webpages at PG&E Hourly Flex Pricing pilot[11] or on VCE's webpages at Hourly Flex Pricing for Agriculture - Valley Clean Energy[12].

6. PG&E-Administered Pilot Programs

VCE will be participating in all of the PG&E administered marginal rate programs listed below. The pilots will employ a diversity of enabling technologies and provide different tiers of engagement. The program portfolio includes dynamic rate offerings for both residential and commercial/industrial customer classes.

[10] PG&E Advice Letter 7222-E (https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_7222-E.pdf)
[11] https://www.pge.com/en/account/rate-plans/find-your-best-rate-plan/hourly-flex-pricing.html
[12] https://valleycleanenergy.org/programs/hourly-flex-pricing-for-agriculture/

6.1 Participation in PG&E Programs

Participation in PG&E's Hourly Flex Pricing (HFP) Pilot 2 and Phase 2 of PG&E's Vehicle to Everything[13] (V2X) was approved by our Board of Directors on November 14, 2024. VCE is working closely with PG&E to finalize a contract. Program enrollment is expected to start in 2025.

While there are limited incentives for Phase 2 of V2X and therefore a limited number of customers that can participate, all enrolled customers in both V2X and Pilot 2 will be able to respond to dynamic prices until December 31, 2027. For PG&E's HFP Pilot 2, enrollments may occur at any time, but no new enrollments will occur after May 31, 2027. Customers will be unenrolled from the pilots by December 31, 2027, unless the CPUC decides to extend the pilots.

6.2 Hourly Flex Pricing Pilot 2

Using the same pricing design and program structure Hourly Flex Pricing (HFP) Pilot 1, PG&E is administering a secondary pilot that enrolled both residential and commercial/industrial customers. Eligible rate schedules include B-6, B-10, B-19, B-20, E-ELEC, and EV2-A. While customers with solar installations on Net Energy Metering (NEM) or Net Billing Tariff (NBT) will be allowed to participate, PG&E does not yet have the tools to support their enrollment in Pilot 1. PG&E is still uncertain as to when NEM or NBT customers will be allowed to enroll. PG&E has stated that customers on Aggregated NEM or Aggregated NBT may not be eligible.

HFP Pilot 2 intends to target residential and non-residential customers who already have automation technology in place. Example use cases include smart EV charging, industrial processes, behind-the-meter batteries, and box stores. PG&E aims to enroll 50 MW of controlled load across its service territory into the program.

6.2.1 Resources for HFP Pilot 2

PG&E is referring to Pilot 2 with the same customer facing name as Pilot 1, Hourly Flex Pricing, or HFP. Resources on HFP can be found on the IOU's webpages at PG&E Hourly Flex Pricing pilot[14] or on VCE's webpages at - Valley Clean Energy[15].

6.3 Phase 2 of V2X

Phase 2 of PG&E's V2X Program will utilize the same pricing and billing methodology as HFP Pilot 1. Only approved bi-directional electric vehicles and specific bi-directional charging equipment will be eligible to participate in the program. Eligible rate schedules include E-ELEC, EV-2A, B6, B10, B19, B20, BEV-1, and BEV-2. While customers with solar installations on Net Energy Metering (NEM) or Net Billing Tariff (NBT) will be allowed to participate, PG&E does not yet have the tools to support their enrollment in Pilot 1. PG&E is still uncertain as to when NEM or NBT customers will be allowed to enroll. PG&E has stated that customers on Aggregated NEM or Aggregated NBT may not be eligible.

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[13] PG&E Advice Letter 6259-E (https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_6259-E.pdf) Approved in Resolution E-5192 (https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M474/K369/474369017.PDF)

[14] https://www.pge.com/en/account/rate-plans/find-your-best-rate-plan/hourly-flex-pricing.html

[15] https://valleycleanenergy.org/programs/hourly-flex-pricing/

6.3.1 Resources for Phase 2 of V2X

More information on PG&E's V2X program can be found at Vehicle to Everything (V2X) Pilot Programs[16]. A VCE webpage for V2X is in development.

Table 3: Summary of Marginal Signal Programs

	HFP Pilot 1	HFP Pilot 2	V2X Phase 2
Date of Board Approval	11/14/2024	11/14/2024	11/14/2024
Start Date	December 1, 2024	April 1,2024	April 1, 2024
End Date	December 31, 2027	December 31, 2027	Until funds are exhausted or December 31, 2027
Customer Class	Agriculture	Commercial and residential	Commercial and residential
Price Design	Hourly marginal rates set by PG&E	Hourly marginal rates set by PG&E	Hourly marginal rates set by PG&E
Program Administrator	VCE	PG&E	PG&E
Links and Resources	Hourly Flex Pricing for Agriculture - Valley Clean Energy	PG&E Hourly Flex Pricing pilot	Vehicle to Everything (V2X) Pilot Programs

7. Education and Outreach

Section 1623.1(b)(5) of the LMS asks the Large CCAs to conduct a public information program to inform and educate affected customers why marginal cost-based rates or load flexibility programs and automation are needed, how they will be used, and how these rates and programs can save customers money.

VCE has a successful history of educating its customers on various energy-related initiatives. These experiences include marketing Time-of-Use rates, highlighting customer programs like CARE, FERA, AMP, CAPP and PIPP, and promoting our portfolio of energy programs and initiatives. VCE also maintains consistent communication across Yolo County through monthly newsletters and social media posts.

To reduce costs and boost enrollment, a Public Information Program would be run in conjunction with the launch of a Board-approved load flexibility program to eligible customer classes. VCE would design a campaign that may include direct mail, website, social media, newsletter articles, monthly content shares, and public presentations. VCE would also consider working with community partners to enhance customer outreach. VCE would examine the expansion of existing contracts with vendors to conduct graphic design, media buying, and video production.

8. Time-Dependent Rate Submission to MIDAS

The CEC developed the Market Informed Demand Automation Server (MIDAS), as part of the LMS revisions, so customers and automation service providers can connect flexible loads to a machine-

[16] https://www.pge.com/en/clean-energy/electric-vehicles/getting-started-with-electric-vehicles/vehicle-to-everything-v2x-pilot-programs.html#accordion-a2869531e8-item-d35aab289c

readable database of rates to automate demand flexibility, section 1623.1(c). The LMS amendments require the utilities and Large CCAs to populate utility rate information into MIDAS and to facilitate access to MIDAS signals for customers and their authorized third parties. Each uploaded rate must be assigned a Rate Identification Number (RIN), which is used to uniquely identify each rate. Large CCAs are also required to upload any new time-dependent rates or changes to existing rates prior to the effective date of that rate. All uploaded time-dependent rates must include all applicable time-dependent cost components. This section of the Plan details VCE's actions to meet this requirement.

On August 1, 2023, VCE successfully uploaded all generation rates and associated RINs to the CEC's MIDAS, including base rates and rates with price adders. VCE will continue to upload and update the generation rate components with each rate change.

9. Billing System Updates

Section 1623(c)(4) of the LMS requests that by March 31, 2024, RINs be incorporated into customer billing statements and online accounts using both text and quick response (QR) codes or similar machine-readable digital code. Given that the IOUs act as billing agents, the design, placement, and input for RINs on the bill by Large CCAs were restricted. Nevertheless, VCE collaborated with PG&E to furnish RINs, facilitating their inclusion in the billing statement. VCE made the RINs available in text and QR formats on billing statements before April 1, 2024. This allowed customers to access their RIN on the billing statement received by mail or online.

VCE customers can see two RINs, one for the CCA-associated component(s) of their bill pertinent to their generation rates and another for the PG&E-associated component(s) of their bill related to transmission and distribution rates.

Lastly, VCE continues to work with PG&E to have consistent and clear language regarding the RINs for customer understanding. VCE will likely augment the information provided by PG&E with content on our own webpages.

10. Single Statewide RIN Access Tool

Section 1623(c) requires the Large IOUs, Large POUs, and Large CCAs to develop a single statewide standard tool for authorized rate data access by third parties, along with a single set of terms and conditions for third parties using the tool, for submission to the CEC by October 1, 2024, for approval.

The tool must:

- Provide the RIN(s) for the rate(s) applicable to a customer's premises.
- Provide any RIN(s) for the rate(s) to which the customer is eligible to be switched.
- Provide estimated average or annual bill amounts based on the customer's current rate and any other rate(s) for which the customer is eligible to be switched if such calculation tools already exist.
- Enable authorized third parties, upon direction and consent of the customer, to modify the customer's applicable rate, to be reflected in the next billing cycle.

The tool must also incorporate reasonable and applicable cybersecurity measures, minimize enrollment barriers, and be accessible in a digital, machine-readable format according to best practices and standards.

Valley Clean Energy Alliance has been working with the other regulated load-serving entities (LSEs) on creating the statewide RIN tool pursuant to 20 CCR Section 1623(c). A proposed plan for the tool was submitted to the CEC for review on October 1, 2024. We will continue to contribute to the cooperative work with other LSEs and the CEC to give feedback on the implementation of the statewide RIN tool, subject to the tool's approval by the Commission.

11. Recommendation

VCE has distributed this working draft plan to its Board, which will be considering its adoption within the 60-day timeframe allotted by the CEC. The draft plan underscores VCE's dedication to supporting the provision of affordable, clean, and reliable electricity to its customers through innovative rate design and customer-focused programs. It is important to note that new information on marginal programs and rates, as well as evolving customer needs, may influence VCE's approach on these issues.

VCE's evaluation of the cost effectiveness, equity, technological feasibility, and benefits to the grid and customers, of marginal cost-based rates indicates that there is currently insufficient data available to recommend the development and implementation of one or more marginal cost-based rates to the Board. Therefore, VCE staff plans to recommend the deferral of new marginal rates until a more robust study and pilot process can be completed. Without a comprehensive cost-of-service rate design study, which would require the use of a third-party consultant at significant cost, VCE is limited to a qualitative evaluation of the criteria set forth in the LMS. The qualitative evaluation provided in this report is intended to serve as an initial step in complying with the CEC's LMS requirements and will be revisited over time as new data and information become available.

VCE remains committed to the overall goals of the LMS, including aligning electricity use with generation and capacity using energy storage, improving air quality, helping to mitigate future climate change, and creating downward pressure on electric rates. This commitment is demonstrated through our participation in and administration of marginal rate programs including HFP Pilot 1, as well as the PG&E-administered HFP Pilot 2 and V2X.

Looking ahead, this plan remains flexible and open to adjustments as new information and opportunities emerge. VCE will assess opportunities to uphold reliability and align with the State's goals in a manner that is consistent with VCE's goal to best support our customers.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Board of Directors

FROM: Edward Burnham, Chief Financial Officer

SUBJECT: Ratify Consultant Agreement with NewGen Strategies and Solutions for energy advisory services

DATE: April 10, 2025

RECOMMENDATION
Ratify an agreement with NewGen Strategies and Solutions, LLC for consulting services for an amount not to exceed $75,000 for a term expiring December 31, 2025.

BACKGROUND
The Board requested additional information on customer rates and forecasts as part of VCE's recently concluded rate setting process for 2025. The forecasted costs and revenues are the primary factors that inform VCE's decisions around rate setting, procurement, programs, and related policies. VCE depends on multiple tools in its rate setting and decision making process.

As noted in previous reports/presentations, forecasting can be imprecise and is dependent on the modeling tools and inputs to minimize variation from actual outcomes (i.e. market power costs, load demand, etc.). VCE's challenge (and that of any business) is to take practical steps to minimize the error band around the forecast.

VCE has partnered with NewGen Strategies and Solutions to take additional steps to improve the timeliness and accuracy (where possible) of forecasting costs, revenues, cash reserves, and rate setting adjustments. VCE plans to integrate the multiple models and develop a consolidated three year model. NewGen has a vast knowledge of modeling, CCA requirements, and Power Charge Indifference Adjustment (PCIA)/ Energy Resource Recovery Account (ERRA– IOU rate setting) forecasting. Staff plans to incorporate the improvements resulting from the study and modeling into the 2026 budget and rate setting process.

CONCLUSION
Staff is recommending that the Board ratify the agreement with NewGen Strategies and Solutions for energy advisory services for an amount not to exceed $75,000 for a term expiring December 31, 2025.

ATTACHMENTS
1. Agreement between VCE and NewGen Strategies and Solutions
2. Resolution 2025-XXX

AGREEMENT FOR CONSULTANT SERVICES

This **Agreement** is made and entered into as of March 20, 2025 by and between **Valley Clean Energy Alliance**, a Joint Powers Authority organized and operating under the laws of the State of California with its principal place of business at 604 Second Street, Davis, California, 95616 ("VCE"), and **NewGen Strategies and Solutions, LLC**, with its principal place of business at 225 Union Boulevard, Suite 450, Lakewood, Colorado, 80228 (hereinafter referred to as "Consultant"). VCE and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

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

WHEREAS, VCE desires to engage Consultant to render such services in connection with the Valley Clean Energy Alliance (CCE) project ("Project") as set forth in this Agreement.

NOW, THEREFORE, VCE and Consultant agree as follows:

1. SCOPE OF SERVICES AND TERM.

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

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

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

1.4 Term. The term of this Agreement shall commence on March 1, 2025 and shall terminate on December 31, 2025, unless terminated earlier as provided in Article 5.

2. PROJECT COORDINATION.

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

2.2 Consultant's Representative. Consultant hereby designates Brian Dickman, Partner, to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services under this Agreement, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services to be performed under this Agreement. Should the Consultant's Representative need to be substituted for any reason, the proposed new Consultant's Representative shall be subject to the prior written acceptance and approval of the

Project Manager. The Consultant shall not assign any representative to whom VCE has a reasonable objection.

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

3. RESPONSIBILITIES OF CONSULTANT.

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

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

3.3 Conformance to Applicable Requirements. All services performed by Consultant shall be subject to the Project Manager's review and reasonable approval. Consultant shall furnish VCE with every reasonable opportunity to determine that Consultant's services are being performed in accordance with this Agreement. VCE's review of Consultant's services shall not relieve Consultant of any of its obligations to fulfill this Agreement as prescribed.

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

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

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

3.7 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations by Consultant in connection with the Services. If Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the VCE, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold the VCE, its officials, directors, officers, employees, and agents free and harmless, pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with such laws, rules or regulations.

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

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

3.10 Insurance.

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

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

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

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

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

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

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

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

3.10.4.3 Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against the VCE, its directors, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by Consultant.

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

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

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

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

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

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

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

4. FEES AND PAYMENT.

4.1 Compensation. This is a "time and materials" based agreement. Consultant shall receive compensation, including authorized reimbursements, for Services rendered under this Agreement at the rates, in the amounts and at the times set forth in **Exhibit D**. Notwithstanding the provisions of Exhibit D, the total compensation shall not exceed Seventy-Five Thousand Dollars ($75,000) without written approval of VCE. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

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

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

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

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

4.6 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, *et seq*., and 1770 *et seq*., as well as California Code of Regulations, Title 8, Section 1600 *et seq*. ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is $1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. VCE shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make available to interested parties upon request, copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services and shall post copies at the Consultant's principal place of business and at the Project site. Consultant shall defend, indemnify and hold the VCE, its elected officials, officers, employees and agents free and harmless pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 6.3, from any claim or liability to the extent arising out of any failure or alleged failure of Consultant to comply with the Prevailing Wage Laws.

5. SUSPENSION AND TERMINATION.

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

5.2 Termination for Cause.

5.2.1 If Consultant at any time refuses or neglects to prosecute its services in accordance with the Schedule of Services, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without the VCE 's consent, or fails to make prompt payment to persons furnishing labor, equipment, materials or services, or fails in any material respect to properly and diligently prosecute its services, or otherwise fails to perform fully any and all of the material agreements herein contained, Consultant shall be in default.

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

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

5.2.4 If VCE fails to make timely payment to the Consultant or otherwise fails to perform fully any and all of the material agreements herein contained, VCE shall be in default. If such default is not cured within thirty (30) days after written notice thereof, the Consultant may, at its sole option, terminate this Agreement and VCE shall pay the Consultant all amounts due for services satisfactorily provided to VCE as of the date of Consultant's written notice of default.

5.3 Termination for Convenience.

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

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

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

6. OTHER PROVISIONS.

6.1 Documents and Data.

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

6.1.2 Copyright. No materials produced in whole or in part under this Agreement shall be subject to copyright in the United States or in any other country except as determined at the sole discretion of the VCE. VCE shall have the unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part, any reports, data, documents or other materials prepared under this Agreement.

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

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

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

6.3 <u>Hold Harmless</u>

a. General Hold Harmless

Consultant shall indemnify and save harmless VCE and its officers, agents, employees, and servants from all claims, suits, or actions of every kind, and description resulting from this Agreement, the performance of any work or services required of Consultant under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

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

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

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

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

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

b. Intellectual Property Indemnification

Consultant hereby certifies that it owns, controls, or licenses and retains all right, title, and interest in and to any intellectual property it uses in relation to this Agreement, including the design, look, feel, features, source code, content, and other technology relating to any part of the services it provides under this Agreement and including all related patents, inventions, trademarks, and copyrights, all applications therefor, and all trade names, service marks, know how, and trade secrets (collectively referred to as "IP Rights") except as otherwise noted by this Agreement. Consultant warrants that the services it provides under this Agreement do not infringe, violate, trespass, or constitute the unauthorized use or misappropriation of any IP Rights of any third party. Consultant shall defend, indemnify, and hold harmless VCE from and against all liabilities, costs, damages, losses, and expenses (including reasonable attorney fees) arising out of or related to any claim by a third party that the services provided in the United States. Consultant's duty to defend, indemnify, and hold harmless under this Section applies only provided that: (a) VCE notifies Consultant promptly in writing of any notice of any such third-party claim; (b) VCE cooperates with Consultant, at Consultant's expense, in all reasonable respects in connection with the investigation and defense of any such third-party claim; (c) Consultant retains sole control of the defense of any action on any such claim and all negotiations for its settlement or compromise (provided Consultant shall not have the right to settle any criminal action, suit, or proceeding without VCE's prior written consent, not to be unreasonably withheld, and provided further that any settlement permitted under this Section shall not impose any financial or other obligation on VCE, impair any right of VCE, or contain any stipulation, admission, or acknowledgment of wrongdoing on the part of VCE without VCE's prior written consent, not to be unreasonably withheld); and (d) should services under this Agreement become, or in Consultant's opinion be likely to become, the subject of such a claim, or in the event such a third party claim or threatened claim causes VCE's reasonable use of the services under this Agreement to be seriously endangered or disrupted, Consultant shall, at Consultant's option and expense, either: (i) procure for VCE the right to continue using the services without infringement or (ii) replace or modify the services so that they become non-infringing but remain functionally equivalent.

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

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

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

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

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

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

Consultant: NewGen Strategies and Solutions, LLC
225 Union Boulevard, Suite 450
Lakewood, CO 80228
Attn: Brian Dickman, Partner

VCE: Valley Clean Energy Alliance
604 2ND Street
Davis, CA 95616
Attn: Mitch Sears, Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

6.16 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. If required, Consultant further agrees to file, or shall cause its employees or subconsultants to file, a Statement of Economic Interest with the VCE 's Filing Officer as required under state law in the performance of the Services. For breach or violation of this warranty, VCE shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of the VCE, during the term of his or her service with the VCE, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

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

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

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

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

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

[Signatures on following page]

SIGNATURE PAGE TO CONSULTANT SERVICES AGREEMENT

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

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VALLEY CLEAN ENERGY ALLIANCE

By: ______________________

Mitch Sears
Chief Executive Officer

NewGen Strategies and Solutions, LLC

DocuSigned by:

By: Brian Dickman

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Its: Partner

Printed Name: Brian Dickman

APPROVED AS TO FORM:

By: Inder Khalsa

Inder Khalsa, Attorney
Richard, Watson & Gershon
VCE Legal Counsel

EXHIBIT A

SCOPE OF SERVICES

General Rate and Regulatory Consulting

Consultant will provide general regulatory and rates consulting, including but not limited to evaluation of PCIA-related issues affecting California CCAs and VCE's competitive position. Work will be undertaken as requested by VCE and agreed to in writing between VCE and Consultant, up to the budgeted not to exceed amount.

As part of this task, Consultant will assist with preparation for and participate in PCIA / Rates workshop presentation(s) to VCE staff and board members as requested by VCE.

Develop Multi-Year Financial Outlook Model

Consultant will develop a multi-year (5 year) financial proforma model in MS Excel that will enable VCE to evaluate the impact on its net position and cash reserves due to changes in forecasted expenses and customer revenue. Target model functionality includes:

- Calculate VCE's annual operating costs based on detailed departmental budgets prepared by VCE and power supply costs provided by VCE power supply consultants.
- Calculate customer revenue at current average rates by customer class using projected customer sales volumes provided by VCE or its consultants.
- Evaluate changes in average rates required to recover VCE's costs and meet targets for program funding over time.
- Calculate VCE performance against existing or requested key performance indicators (e.g., minimum days cash on hand or other reserve policies).
- Analyze the impact on net margin and cash reserves, and the need for changes in VCE average rates, given changes to model inputs.
- Compare projected VCE average retail rates to PG&E average rates on an annual basis.
- Evaluate impact on VCE competitive position based on projected changes to PG&E bundled generation and PCIA rates.

Consultant will work with VCE and its customer data provider to develop a model that uses VCE historical customer billing data to calculate current average retail rates by customer class, using effective rates for VCE and PG&E.

Consultant will train and support VCE staff in the use of the multi-year financial outlook model.

EXHIBIT B

FACILITIES, EQUIPMENT, AND OTHER MATERIALS PROVIDED BY VCE

Not Applicable

EXHIBIT C

SCHEDULE OF SERVICES

Task	Timeline
General Regulatory and Rates Support	March 1 – December 31, 2025
Develop Multi-Year Financial Outlook Model	March 1 – December 31, 2025

EXHIBIT D

BUDGET, PAYMENT, RATES

VCE shall compensate Consultant for professional services in accordance with the terms and conditions of this Agreement based on the rates and compensation schedule set forth below. Compensation shall be calculated on a time and materials basis up to the not to exceed budget amount set forth below.

Compensation to be paid to Consultant under this Agreement for all services described in Exhibit A and reimbursable expenses **shall not exceed a total of $75,000**, as set forth below.

Task	**NTE Budget**
General Regulatory and Rates Support	$10,000
Develop Multi-Year Financial Outlook Model	$65,000
Total	**$75,000**

Consultant will provide monthly invoices based on actual hours worked at billing rates as of the date of the invoice and expenses incurred at cost. The Consultant's current billing rates are shown below.

NewGen Strategies and Solutions
2025 Billing Rates

Position	Hourly Billing Rate
Partner	$280 – $425
Principal	$265 – $425
Senior Manager	$235 – $295
Manager	$205 – $245
Senior Consultant	$180 – $205
Consultant	$165 – $180
Administrative Services	$135

Note: Billing rates are subject to change based on annual reviews and salary increases.

Consultant will submit monthly invoices to VCE describing the services performed and the applicable charges (including a summary of the work performed during that period, personnel who performed the services, hours worked, task(s) for which work was performed). VCE shall pay all undisputed invoice amounts within thirty (30) calendar days after receipt up to the maximum compensation set forth herein.

Administrative, overhead, secretarial time or overtime, word processing, photocopying, in house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2025- ____

A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE TO RATIFY CONSULTANT AGREEMENT WITH NEWGEN STRATEGIES AND SOLUTIONS FOR ENERGY ADVISORY SERVICES.

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

WHEREAS, VCE worked with NewGen Strategies and Solutions for energy advisory services directly for past projects; and,

WHEREAS, NewGen Strategies and Solutions for energy advisory services has disrect knowledge and understanding of Power Charge Indifference Adjustment (PCIA)/ Energy Resource Recovery Account (ERRA– IOU rate setting) proceeding and forecasting**;** and**,**

WHEREAS, VCE and partners SMUD and the energy authority are familiar with NewGen forecasting tools; and,

WHEREAS, in March of 2025, VCE staff has agreed to engage with NewGen Strategies and Solutions for energy advisory services; and,

WHEREAS, the Chief Executive Officer signed the agreement with NewGen Strategies and Solutions effective March 20, 2025; and

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

1. Ratifies VCE entering into a services agreement with NewGen Strategies and Solutions for energy advisory services for VCE, for an amount not to exceed $75,000, terminating December 31, 2025.

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PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ___ day of _____________ 2025 by the following vote:
AYES:
NOES:
ABSENT:
ABSTAIN:

____
Bapu Vaitla, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

Attachment A: Consultant Agreement with NewGen Strategies and Solutions

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Board of Directors

FROM: Edward Burnham, Chief Financial Officer
Rebecca Boyles, Director of Customer Care and Marketing

SUBJECT: Approve 3rd Amendment to Contract with Polaris Inc. for implementation of the AgFIT (Flexible Irrigation Technology) dynamic pricing pilot program

DATE: April 10, 2025

RECOMMENDATIONS

1. Approve Resolution No. 2025-XXX approving a Third Amendment with Polaris Inc. for implementation support of the AgFIT (Flexible Irrigation Technology) dynamic pricing pilot program.

2. Authorize the Executive Officer and/or his designee to execute and take all actions necessary to implement the Third Amendment substantially in the form attached hereto on behalf of VCE, and in consultation with legal counsel, to approve minor changes to the services contract so long as the term and amount are not changed.

BACKGROUND AND ANALYSIS

More than 85% of VCE's service territory is designated for agricultural use. Due to this high concentration, the agricultural sector represents approximately 18% of VCE's total annual load and 16% of its peak demand.

At its December 2, 2021, meeting, the CPUC issued decision 21-12-015 authorizing VCE's proposed dynamic rate pilot ("Pilot") to be made available to customers taking electric service on irrigation pumping tariffs. The Pilot includes automation of agricultural pumping loads to respond to dynamic prices set by VCE and implementation of an experimental rate that incorporates energy and delivery costs in hourly prices. Customers who successfully respond to the prices and shift load out of expensive hours—typically the ramp hours—are projected to enjoy bill savings of up to 10% while contributing to grid reliability when it is most needed. A significant amount of the State's agricultural irrigation pumping load is shiftable, presenting an important opportunity for California's grid and environment.

The Pilot is a unique undertaking that requires a combination of technical knowledge, electricity rate structuring that is matched with practical expertise in the agricultural sector that is exceedingly uncommon. Polaris was awarded a grant by the California Energy Commission that is the precursor study for the Pilot and provides them with the prerequisite skills and knowledge to support the Pilot.

Pilot Program Consultant Support – Contract Amendment
At its February 10, 2022, meeting the VCE Board approved a contract with Polaris for support services related to the Pilot. As the Pilot has evolved over the past two years, amendments to the original contact have been identified. These include amendments to reflect a larger engineering scope, as well as to subtract amounts already spent in the automation incentives budget. The First Amendment to the contract was approved February 9, 2023.

Since the First Amendment, the Pilot partners have identified issues with the AgFIT tariff's subscription component (a pricing component based on past usage, which can be highly variable with agricultural customers) in which the end result was that customers' usage shift was not strongly correlated with their Pilot tariff savings. One of the key goals in the Pilot was to closely correlate customers shifting usage off-peak with their bill savings, to provide ample incentive for the desired behavior change.

The Pilot partners, along with the Energy Division of the California Public Utilities Commission, evaluated several tariff modification options to better correlate usage shift to savings. The decision among the group was to pursue a new approach called "AgFIT 2.0," which resulted in an increased scope for Polaris. At its March 10, 2023, meeting the VCE Board approved the Second Amendment to compensate Polaris for the change in scope.

Based on the final Pilot evaluations and discussions between Pilot partners, the Pilot requires to re-processing certain scopes, close out tasks, and preparing reports that were part of the original scope of activities. VCE and Polaris have agreed to increase the integration and automation by $407,926 and reporting by $10,000 for a total increase of $417,926 to finalize the activities and close out the original Pilot. These activities were included and accounted for in 2024, so there is a net neutral revenue impact on VCE's budget.

CONCLUSION
Staff recommends the Board approve the Third Amendment with Polaris for support of the Pilot.

ATTACHMENT
1. 3rd Amendment to Polaris (AgFIT) Consultant Agreement
2. Resolution 2025-XXX

THIRD AMENDMENT

TO THE AGREEMENT FOR CONSULTANT SERVICES

BETWEEN

VALLEY CLEAN ENERGY ALLIANCE AND

POLARIS ENERGY SERVICES, INC.

This Third Amendment to the Consultant Services Agreement ("Third Amendment"), is made and entered into as of this _________ day of April 2025 ("Effective Date"), by and between Valley Clean Energy Alliance, a Joint Powers Authority existing under the laws of the State of California with its principal place of business at 604 2nd Street, Davis, California 95616 ("VCE") and Polaris Energy Services), Inc., a corporation, with its principal place of business at 411 Woodbridge Street, San Luis Obispo, California 93401 ("PES" or "Consultant"). VCE and Consultant are sometimes individually referred to as "Party" and collectively as "Parties."

Recitals.

1. WHEREAS on March 10, 2022, VCE and Consultant entered into an "Agreement for Consultant Services" ("Agreement") via Resolution 2022-007, for the purpose of retaining Consultant to provide program design, customer recruitment and enablement, program execution, analysis and reporting, non-recurring engineering, and pricing in connection with the Agricultural Pumping Dynamic Rate Pilot project ("AgFIT"). The Agreement was for a term starting March 10, 2022 expiring March 1, 2025 for a total amount not to exceed $1,250,000.

   WHEREAS, on February 9, 2023, the VCE Board of Directors ("Board") approved Resolution 2023-002 approving Amendment No. One to that Agreement, which expanded the engineering scope, reduced the not to exceed amount to $1,137,559 and extended the term through May 1, 2025; and, on June 15, 2023, the Board approved Resolution 2023-007 approving Amendment No. Two, increasing the not to exceed amount by $87,750 for a new not to exceed the amount of $1,225,309.

2. VCE and Consultant now desire to amend the Agreement to increase the integration and automation by $ 407,926 and reporting by $10,000 for a total increase of $ 417,926 for a new not to exceed the amount of $1,643,235.

Now therefore, for good and valuable consideration, the amount and sufficiency of which is hereby acknowledged, the Parties agree as follows:

3. Amendment. Section 4.1 of the Agreement is hereby amended in its entirety to read as follows:

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 an additional Four Hundred Seventeen Thousand, Nine Hundred Twenty-six and no/100 dollars ($417,926), or a total cumulative amount of One Million, Six Hundred Forty-three Thousand, Two Hundred Thirty-five and no/100 dollars ($1,643,235) without written approval of VCE. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

6. Except as amended by this Third Amendment, all other provisions of the Agreement will remain in full force and effect.

7. If any portion of this Third Amendment is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

[Signatures on Next Page]

SIGNATURE PAGE FOR THIRD AMENDMENT TO THE AGREEMENT FOR CONSULTANT SERVICES BETWEEN VALLEY CLEAN ENERGY ALLIANCE AND POLARIS ENERGY SERVICES, INC.

IN WITNESS WHEREOF, the Parties have entered into this Third Amendment as of the Effective Date.

VALLEY CLEAN ENERGY ALLIANCE

By: ___________________________
Mitch Sears
Chief Executive Officer

POLARIS ENERGY SERVICES, INC.

By: ________________________________

Its: ________________________________

Printed Name: _________________________

APPROVED AS TO FORM:

By: _________________________
Inder Khalsa
VCE Attorney

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2025-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE APPROVING ENTERING INTO A THIRD AMENDMENT TO THE POLARIS ENERGY SERVICES AGREEMENT FOR SERVICES FOR THE AGRICULTURAL FLEXIBLE IRRIGATION TARIFF PILOT (AgFIT) AND AUTHORIZING CHIEF EXECUTIVE OFFICER IN CONSULTATION WITH LEGAL COUNSEL TO EXECUTE AND SIGN THE THIRD AMENDMENT

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

WHEREAS, at its December 2, 2021, meeting the California Public Utilities Commission issued decision 21-12-015 authorizing Valley Clean Energy's proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs, with a budget of $2.5M to be overseen by VCE; and

WHEREAS, in support of VCE's significant agricultural sector, the Board adopted a 3-year Programs Plan on June 10, 2021, that included an agricultural demand-side program which evolved into the AgFIT dynamic rate pilot program ("Pilot"); and,

WHEREAS, on March 10, 2022, the Board approved Resolution 2022-007 for a Consultant Agreement with Polaris ("Polaris Agreement") for support services related to the Pilot for a term starting March 10, 2022, expiring March 1, 2025, and for a total amount not to exceed $1,250,000; and

WHEREAS, on February 9, 2023, the Board approved via Resolution 2023-002 the First Amendment to the Polaris Agreement for an increased scope of support services related to the Pilot, reducing the not to exceed amount to $1,137,559 and extended the term through May 1, 2025; and

WHEREAS, on June 15, 2023, the Board approved via Resolution 2023-007 the Second Amendment to the Polaris Agreement to provide additional services necessary to implement the pilot, for an increased amount of $87,750 for a new not to exceed amount of $1,225,309; and

WHEREAS, as the Pilot is nearing completion, additional scope, and an increase to the integration and automation category of $407,926 and an increase for part of the closeout of $10,000 has been identified; and

WHEREAS, the increased scope would result in a net-neutral revenue effect for VCE's budget; and,

WHEREAS, staff recommends that VCE enter into a Third Amendment with Polaris in order to most efficiently complete the pilot.

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

1. Authorize the Executive Officer, in consultation with legal counsel, to execute a Third Amendment with Polaris to provide services necessary to implement the pilot, for an increased amount of $417,926 and not to exceed the amount of $1,643,235.

PASSED, APPROVED AND ADOPTED, at a special meeting of the Valley Clean Energy Alliance held on the ______ day of April 2025, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Bapu Vaitla, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

Attachment A: Third Amendment to Polaris Energy Services, Inc. Consultant Agreement

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Board of Directors

FROM: Edward Burnham, Chief Financial Officer
Mitch Sears, Chief Executive Officer

SUBJECT: Receive and approve draft audited December 31, 2024 financial statements presented by James Marta & Company

DATE: April 10, 2025

RECOMMENDATIONS

1. Accept and approve the Audited Financial Statements for the period of January 1, 2024, to December 31, 2024;
2. Accept the Communication with Governance Letter; and
3. Accept the Internal Control Letter

BACKGROUND & DISCUSSION

As part of VCE's Board approved transition to a fiscal year aligned with the calendar year, VCE has commissioned a financial audit to align its annual financial audit with its new January to December fiscal year. The attached financial statements were audited by VCE's Independent Auditor, James Marta & Company.

The Financial Statements include the following reports:

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

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

- Governance letter
- Internal Control Letter

This report and attachments constitute the auditor's communication to the Board.

AUDITOR'S FINDINGS

During the course of the audit, the auditor's found no material concerns over the financial statements and no material weakness in our internal controls. Specifically:

- VCE received an unqualified ("clean") audit opinion, meaning the financial statements present VCE's financial position fairly and appropriately
- VCE's internal controls over financial reporting were considered by the auditor, with no material weakness in internal controls over financial reporting
- No significant issues were identified in working with our management team or performing the audit

Attachments:

1. Audited Financial Statements for the period of January 1, 2024 to December 31, 2024
2. Communication with Governance Letter
3. Internal Control Letter

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2024 AND 2023

VALLEY CLEAN ENERGY ALLIANCE

TABLE OF CONTENTS

DECEMBER 31, 2024

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Clean Energy Alliance
Davis, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valley Clean Energy Alliance (VCE), which comprise the statements of net position as of and for the years ended December 31, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of VCE as of the years ended December 31, 2024 and 2023, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VCE's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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www.jpmcpa.com jmarta@jpmcpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VCE's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the VCE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of the VCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the VCE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VCE's internal control over financial reporting and compliance.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 24 ,2025

MANAGEMENT DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Valley Clean Energy Alliance's (VCE) financial activities for the years ended December 31, 2024 and December 31, 2023. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

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

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

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

In June 2018, VCE began providing service to approximately 56,000 customer accounts as part of its initial enrollment phase. In calendar year 2020, VCE phased in approximately 7,000 Net Energy Metering (NEM) customers. In January 2021, VCE phased in approximately 7,100 customers from its new City of Winters jurisdiction.

Since its formation, VCE has operated with a fiscal accounting year ending on June 30, aligned with the Member Jurisdictions' Fiscal Year. Since early 2020, VCE has seen high volatility in the energy sector and overall economy primarily driven by uncertainty associated with the COVID-19 pandemic and power market costs. VCE has built cash reserves and grown its financial strength (as envisioned in the Strategic Plan) in preparation for its initial investment grade credit rating scheduled for 2025.

Financial Reporting

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

Contents of this Report

This report is divided into the following sections:

- Management's Discussion and Analysis, which provides an overview of operations.
- The Basic Financial Statements, which offer information on VCE's financial results.
- The Statement of Net Position includes all of VCE's assets, liabilities, and net position using the accrual basis of accounting. The Statement of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

- The Statement of Revenues, Expenses, and Changes in Net Position report all of VCE's revenue and expenses for the period shown.
- The Statement of Cash Flows report the cash provided and used by operating activities, as well as other sources and payments, such as debt financing.
- Notes to the Basic Financial Statements, which provide additional details and information pertaining to the financial statements.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table is a comparative summary of VCE's assets, liabilities, and net position.

	December 31, 2024	December 31, 2023	% change from 2023 to 2024	December 31, 2022	% change from 2022 to 2023
Current assets	$ 66,069,072	$43,363,001	52%	$ 20,172,977	115%
Noncurrent assets	6,206,446	2,993,604	107%	3,961,586	-24%
Total Assets	72,275,518	46,356,605	56%	24,134,563	92%
Current liabilities	9,011,806	10,073,964	-11%	8,542,745	18%
Noncurrent liabilities	-	-	0%	181,284	-100%
Total Liabilities	9,011,806	10,073,964	-11%	8,724,029	15%
Net Position					
Designated – Local Programs	1,085,585	840,000	29%	224,500	274%
Restricted	1,100,000	1,100,000	0%	3,809,273	-71%
Unrestricted	61,078,127	34,342,641	78%	11,376,761	202%
Total Net Position	$ 63,263,712	$36,282,641	74%	$ 15,410,534	135%

Assets

Current assets ended December 31, 2024, at approximately 66.1 million, an increase of approximately $22.7 million compared to December 31, 2023. The primary contributor to the overall increase in current assets was an increase in cash resulting from setting competitive rates compared to PG&E and the building of operating cash reserves. The VCE Board adopted a cost-based rate policy and automatic rate adjustment policy to continue to preserve and build cash reserves in preparation for obtaining our initial investment grade credit rating.

Overall, non-current assets increased approximately $3.2M on December 31, 2024 due to a increase in restricted cash for power purchase reserves related to energy market deposits.

Liabilities

Current liabilities at December 31, 2024, were comprised primarily of the accrued cost of electricity, accounts payable, other accrued liabilities, and security deposits. Current liabilities decreased by $ 1.1M for the year ended December 31, 2024 due to decreased power costs for the winter of 2024.

Non-current liabilities decreased $181K in the year ended December 31, 2023 related to VCE early payoff of the River City Bank (RCB) term loan scheduled to mature in 2024.

The following table is a summary of VCE's results of operations:

	December 31, 2024	December 31, 2023	% change from 2023 to 2024	December 31, 2022	% change from 2022 to 2023
Operating revenues	$ 97,979,268	$ 95,429,498	3%	$ 86,661,734	10%
Investment income	949,832	327,157	190%	46,501	604%
Total Income	98,929,100	95,756,655	3%	86,708,235	10%
Operating Expenses	71,948,029	74,869,670	-4%	80,897,469	-7%
Interest and related expenses	-	14,878	-100%	86,468	-83%
Total Expenses	71,948,029	74,884,548	-4%	80,983,937	-8%
Change in Net Position	$ 26,981,071	$ 20,872,107	29%	$ 5,724,298	265%
Net Position - Beginning	36,282,641	15,410,534	135%	9,686,236	59%
Net Position - Ending	$ 63,263,712	$ 36,282,641	74%	$ 15,410,534	135%

Operating Revenues

In the year ended December 31, 2024, VCE's operating revenues were approximately $8.0M below budgeted amount. VCE's customers energy use in most sectors were lower than forecasted in the spring of 2024. For example, two large sectors showed lower than forecast energy use: (1) residential and (2) commercial use related to agriculture due to a wet winter and mild spring temperatures. VCE's operating revenue is driven from the sale of electricity to its customer base.

Operating Expenses

In the year ended December 31, 2024, VCE's operating expenses were 13% below budget due to lower energy usage by customers and reduced power market costs. Some budgeted programs were deferred to 2025, while contract services, staff compensation, and general administrative expenses remained on budget.

ECONOMIC OUTLOOK

As a CCA in its sixth year of operations and post COVID-19 pandemic, VCE continues to focus on limiting customer opt outs by keeping rates competitive, increasing brand recognition, and providing a superior customer experience. VCE has recently started to procure power through long-term power purchase agreements to assist in stabilizing renewable power costs in the future and help VCE accomplish its mission of providing renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers. VCE faces significant budgetary pressures that have been subject to regulatory and market pressures outside of direct control, including rising Power Charge Indifference Adjustment (PCIA) costs and increasing market costs to procure resource adequacy supplies.

VCE's Board adopted a rate policy in November 2021 to set customer rates to recover operating costs and build reserve funds and an automatic rate adjustment policy to address environmental and regulatory changes within a budget year. VCE has also adopted a base green product to maintain its competitiveness with PG&E by offering a least-cost option to it customers. VCE has recovered from COVID, continues to build cash reserves, and maintained its credit lines for liquidity in 2023. Longer-term, A majority of VCE's long-term fixed-price renewable PPA's that began delivery in 2023. VCE customer rates, including PCIA costs, have been reduced to near zero in 2023 and 2024. As forecasted average forward market energy prices decease, PCIA costs are forecasted to increase for 2025. Current customer rates are forecasted to decrease due to normalized resource adequacy (RA) and renewable energy credit (REC) costs.

REQUESTS FOR INFORMATION

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

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2024 AND 2023

		2024		2023
ASSETS				
Current assets				
Unrestricted Cash	$	51,943,413	$	27,479,933
Accounts receivable, net of allowance		8,769,456		10,599,982
Accrued revenue		3,449,298		3,434,034
Prepaid expenses		100,022		42,169
Other current assets and deposits		1,806,883		1,806,883
Total Current Assets		66,069,072		43,363,001
Restricted assets:				
Cash in - debt service reserve fund		1,100,000		1,100,000
Total Restricted assets		1,100,000		1,100,000
Noncurrent Assets				
Other noncurrent assets and deposits		5,106,446		1,893,604
Total Noncurrent Assets		5,106,446		1,893,604
TOTAL ASSETS	$	72,275,518	$	46,356,605
LIABILITIES				
Current Liabilities				
Accounts payable	$	749,431	$	446,056
Accrued cost of electricity		4,504,376		5,743,525
Accrued payroll		151,475		58,367
Due to member agencies		-		4,132
Other accrued liabilities		3,606,524		3,821,884
Total Current Liabilities		9,011,806		10,073,964
NET POSITION				
Net position				
Designated - local program reserves		1,085,585		840,000
Restricted		1,100,000		1,100,000
Unrestricted		61,078,127		34,342,641
TOTAL NET POSITION	$	63,263,712	$	36,282,641

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUE		
Electricity sales, net	$ 97,905,798	$ 94,681,216
Other revenue	73,470	748,282
TOTAL OPERATING REVENUES	97,979,268	95,429,498
OPERATING EXPENSES		
Cost of electricity	64,722,705	68,527,737
Contractors	3,132,155	3,063,635
Staff compensation	1,700,719	1,450,487
Program expenses	1,328,152	1,014,792
General and administrative	1,064,298	813,019
TOTAL OPERATING EXPENSES	71,948,029	74,869,670
TOTAL OPERATING INCOME (LOSS)	26,031,239	20,559,828
NONOPERATING REVENUES (EXPENSES)		
Investment income	949,832	327,157
Interest and related expenses	-	(14,878)
TOTAL NONOPERATING REVENUES (EXPENSES)	949,832	312,279
CHANGE IN NET POSITION	26,981,071	20,872,107
Net position at beginning of period	36,282,641	15,410,534
Net position at end of period	$ 63,263,712	$ 36,282,641

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

VALLEY CLEAN ENERGY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 99,737,078	$ 95,146,830
Payments for security deposits with energy suppliers	(3,212,842)	(1,741,291)
Payments to purchase electricity	(65,977,872)	(67,426,248)
Payments for contract services, program expenses, general, and administration	(5,498,575)	(3,896,896)
Payments for staff compensation	(1,607,611)	(1,508,405)
Other cash payments	73,470	748,282
Net Cash Provided (Used) by Operating Activities	23,513,648	21,322,272
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of debt	-	(712,252)
Interest and related expense	-	(17,127)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(729,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	949,832	327,157
Net Cash Provided (Used) by Investing Activities	949,832	327,157
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,463,480	20,920,050
Cash and cash equivalents at beginning of period	28,579,933	7,659,883
Cash and cash equivalents at ending of period	$ 53,043,413	$ 28,579,933
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ 26,031,239	$ 20,559,828
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	1,830,526	485,105
(Increase) decrease in net accrued revenue	(15,264)	(3,637)
(Increase) decrease in prepaid expense	(57,853)	(42,169)
(Increase) decrease in other assets and deposits	(3,212,842)	(1,741,291)
Increase (decrease) in accounts payable	303,375	46,527
Increase (decrease) in accrued payroll	93,108	(57,918)
Increase (decrease) in due to member agencies	(4,132)	(21,028)
Increase (decrease) in accrued cost of electricity	(1,255,167)	1,101,489
Increase (decrease) in other accrued liabilities	(215,360)	1,011,220
Increase (decrease) in user taxes and energy surcharges	16,018	(15,854)
Net Cash Provided by Operating Activities	$ 23,513,648	$ 21,322,272

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, VCE defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. Cash and cash equivalents include restricted cash which were the amounts restricted for debt collateral and power purchase reserve.

DEPOSITS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING AND NON-OPERATING REVENUE

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

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity costs include the cost of energy and ancillary services arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from VCE's participation in the California Independent System Operator's centralized market. The cost of electricity and ancillary services are recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position. In 2022, VCE entered a three (3) year contract with The Energy Authority (TEA) for the electrical power purchased contract and completely transitioned to The Energy Authority by the end of 2023. As of December 31, 2023, $677,754 was accrued as payable to SMUD, comprised of $494,296 in accrued electricity costs and $183,458 in accrued contractual services. As of December 31, 2023, $3,880,145 was accrued as payable to TEA, comprised of $3,813,945 in accrued electricity costs and $66,200 in accrued contractual services as of December 31, 2023. As of December 31, 2024, $3,425,004 was accrued as payable to TEA, comprised of $3,356,754 in accrued electricity costs and $68,250 in accrued contractual services payable as of December 31, 2024.

RENEWABLE ENERGY CREDITS

To comply with the State of California's Renewable Portfolio Standards (RPS) and self- imposed benchmarks, VCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). VCE obtains Certificates with the intent to retire them, and does not sell or build surpluses of Certificates. An expense is recognized at the point that the cost of the RPS eligible energy is billed by the supplier. VCE is in compliance with external mandates and self-imposed benchmarks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STAFFING COSTS

VCE pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. VCE is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. VCE provides compensated time off, and the related liability is recorded in these financial statements.

COMPENSATED ABSENCES

The VCE accrues a liability for unpaid vacation, compensatory time and sick pay. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. The VCE recognizes all sick pay benefits as they accrue to employees rather than only recognizing the accrued and vested balances. As of December 31, 2024 and 2023, accrued vacation and sick leave benefits totaled $114,543 and $62,823, respectively.

INCOME TAXES

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

ESTIMATES

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

NET POSITION

VCE reports net position balances in the following categories: Designated, Restricted, and Unrestricted. Local program reserves are designated funds as approved by the board in support of the VCE's mission and programs plan. Restricted funds are those restricted to a particular purpose, and that restriction is set out in the Contract Agreement. Unrestricted funds support the operating expenses or projects of the organization.

The following are the components of VCE’s Net Position at December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Designated - local program reserves	$ 1,085,585	$ 840,000
Restricted	1,100,000	1,100,000
Unrestricted	61,078,127	34,342,641
Totals	$ 63,263,712	$ 36,282,641

2. CASH AND CASH EQUIVALENTS

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

3. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable were as follows:

	December 31, 2024	December 31, 2023
Accounts receivable from customers	$ 9,768,856	$ 12,019,166
Allowance for uncollectible accounts	(999,400)	(1,419,184)
Accounts receivable, net	$ 8,769,456	$ 10,599,982

The majority of account collections occur within the first few months following customer invoicing. VCE estimates that a portion of the billed accounts will not be collected. VCE records reserves for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statement of Revenues, Expenses and Changes in Net Position. Charges to reserve for uncollectible accounts for the year ended December 31, 2024 and 2023 were $1,338,250 and $954,200, respectively.

Accrued revenue presented in the Statements of Net Position represents revenue from customer electricity usage that has not been billed at the end of the period. Accrued revenue recognized for the years ended December 31, 2024 and 2023 was $3,449,298 and $3,434,034, respectively.

4. DEBT

LINE OF CREDIT AND TERM LOAN

In May 2018, VCE entered into a non-revolving, $11,000,000 Credit Agreement (Agreement) with River City Bank (RCB) for the purpose of providing working capital to fund power purchases during seasonal differences in cash flow and reserves as needed to support power purchases. RCB requires collateral for the line of credit of $1.1 million which is reported as restricted cash. Interest accrues on the outstanding balance and is payable each month and computed at One-Month LIBOR plus 1.75% per annum, subject to a floor of 1.75% per annum. The Agreement expired on May 15, 2019 with an option to extend the line for another six months. VCE extended the line of credit and the Agreement to November 15, 2019, with continuing extensions granted until August 31, 2020. At the expiration of the Agreement, any outstanding balance can be converted to an amortizing term loan which matures up to five years from conversion date. The Agreement contains various covenants that include requirements to maintain certain financial ratios, stipulated funding of debt service reserves, and various other requirements including the subordination of the member agency loans.

LINE OF CREDIT AND TERM LOAN (CONTINUED)

At the October 10, 2019 Board meeting the Board authorized VCE to convert an existing $1,976,610 Credit Agreement balance to an amortizing 5-year term loan. VCE converted the Agreement to the loan and has paid the loan down to $0 as of December 31, 2023. The interest rate was 3.57% fixed for the loan term. No new loan has been issued as of December 31, 2024.

At the March 10, 2022 board meeting, the board approved an Amended and Restated Credit Agreement with RCB including the following amendments:

Line of Credit

- Cash Facility - $2,000,000 increase in cash from $5,000,000 to $7,000,000
- Letter of Credit Facility - $4,000,000 increase from $7,000,000 to $11,000,000
- Maturity: March 1, 2024
- Interest Rate: 2.00% (unchanged)

Term Loan

- Maturity: March 1, 2024 (Paid in full as of December 31, 2023)
- Interest Rate: Fixed 3.57% (unchanged)

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

(a) terminate any obligation to extend any further credit hereunder (including but not limited to Advances) on the date (which may be the date thereof) stated in such notice;

(b) declare all Advances and all indebtedness under the Notes then outstanding (including all outstanding principal and all accrued but unpaid interest), and all other Obligations of Borrower to Lender, to be immediately due and payable without further demand, presentment, protest or notice of any kind; and

(c) exercise and enforce any and all rights and remedies contained in any other Loan Document or otherwise available to Lender at law or in equity.

Debt principal activity and balances for all notes and loans were as follows:

	Beginning	Addition	Payments	Ending
Year Ended December 31, 2023				
River City Bank - Loan	712,252	-	(712,252)	-
Total	$ 712,252	$ -	$ (712,252)	$ -
Amounts due within one year				-
Amounts due after one year				$ -
Year Ended December 31, 2024				
River City Bank - Loan	-	-	-	-
Total	$ -	$ -	$ -	$ -
Amounts due within one year				-
Amounts due after one year				$ -

5. DEFINED CONTRIBUTION RETIREMENT PLAN

VCE provides retirement benefits to eligible employees through a 401(a) discretionary defined contribution plan and 457(b) deferred compensation plan (Plans). The Plans are administered by International City Management Association Retirement Corporation (ICMA-RC). At December 31, 2024, VCE had 6 plan participants. VCE contributes 7% of covered payroll and up to an additional 3% of covered payroll as a match to employee tax deferred contributions (into the 457(b) deferred compensation plan) into the 401(a) discretionary defined contribution plan.

For the years ended December 31, 2024 and 2023, VCE contributed $109,451 and $76,681, respectively. The Plans' provisions and contribution requirements as they apply to VCE are established and may be amended by the Board of Directors.

6. OPERATING LEASE

In 2018, VCE entered into a nine-month lease for its office space with the City of Davis. The most recent lease agreement renewal with the City covers the twelve months ending January 2025. Rental expenses under this lease were $24,180 and $26,376 for the year ending December 31, 2024, and 2023, respectively. This lease is renewed on an annual basis, agreed with both parties, with a fixed escalator of 3% per year. The total for future minimum lease payments are shown below:

Year	Payments
2025	24,905
2026	25,653
Total	$ 50,558

Management has reviewed lease agreements related to the lease accounting rules under GASB 87. It has been determined that the office rent and a copier lease are the only operating leases for the period and are not material for the implementation of the new lease accounting requirements.

6. RELATED PARTY TRANSACTIONS

VCE entered into a cooperative agreement with each respective member agency to provide management, legal, accounting and administrative services. The services billed from the Member Agencies to VCE outstanding for the year ending December 31, 2024 and 2023 totaled $- and $4,132, respectively. The total services billed from the Member Agencies to VCE for the years ending December 31, 2024 and 2023 totaled $32,501 and $31,061, respectively.

7. RISK MANAGEMENT

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

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

VCE is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability and workers' compensation. Once VCE's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA) provide coverage for amounts in excess of YCPARMIA's limits. YCPARMIA provides workers' compensation insurance coverage up to statutory limits, above VCE's self-insurance limit of $1,000 per occurrence, and general and auto liability coverage of $40,000,000, above VCE's self-insurance. For the year ended December 31, 2024 and 2023, VCE contributed $93,926 and $36,470 for coverage, respectively. Audited financial statements are available from YCPARMIA their website www.ycparmia.org. Condensed information for YCPARMIA for the most recent available year end is as follows:

	YCPARMIA June 30, 2024	
Total Assets	$	38,012,618
Deferred Outflows of Resources	$	676,675
Total Liabilities	$	40,117,221
Deferred Inflows of Resources	$	260,098
Net Position	$	(1,688,026)
Total Revenues	$	27,919,223
Total Expenses	$	31,786,182
Change in Net Position	$	(3,866,959)

The June 30, 2024, were the most recent audited financial statements available at the time of the preparation of this report.

8. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its period ended December 31, 2024 through March 24, 2025 the date the financial statements were issued. Management is not aware of any subsequent events, other than the one discussed below, that would require recognition or disclosure in the accompanying financial statements.

In March 2025, the VCE closed a prepay transaction with the California Community Choice Financing Authority to achieve meaningful energy procurement cost savings. This initial transaction will amount to approximately $500 million of procurement costs running through the prepay with an initial 10 year savings of 14.4% discount from the original power purchase agreement prices which translates to ~$35M total/$2.5 million annual savings for VCE.

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Valley Clean Energy Alliance
Davis, California

We have audited the financial statements of Valley Clean Energy Alliance as of and for the years ended December 31, 2024 and 2023, and have issued our report thereon dated March 24, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 4, 2022 our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our consideration of Valley Clean Energy Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in a separate letter to you dated March 24, 2025.

Planned Scope and Timing of the Audit

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

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www.jpmcpa.com jmarta@jpmcpa.com

Compliance with All Ethics Requirements Regarding Independence

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

We follow the AICPA Ethics Standard Rule 201C, in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

Significant Risks Identified

We have identified the following significant risks:

- Receivables

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Valley Clean Energy Alliance is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. However, there are upcoming Governmental Accounting Standards that we have listed in Attachment A.

Significant Accounting Estimates

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

Management's estimate of the allowance for doubtful accounts is based on actual revenues earned for the year which may not be collectible. We evaluated the key factors and assumptions used to develop the estimate of doubtful accounts and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the accrued revenue is based on actual revenues earned but not yet billed for December 2024. We evaluated the key factors and assumptions used to develop the estimate of accrued revenue and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

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

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. The following significant unusual transactions identified as a result of our audit procedures were brought to the attention of management:

None.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. See attachement B

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We have provided a listing of the misstatements identified by us as a result of our audit procedures and corrected by management which were material, either individually or in the aggregate, to the financial statements taken as a whole. See Attachment B for adjusting and reclassifying journal entries identified as a result of our audit procedures or provided by management.

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affected the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 24, 2025. (Attachment C)

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Services

We have assisted management in preparing the financial statements of Valley Clean Energy Alliance in conformity with U.S. generally accepted accounting principles based on information provided by management.

Management's responsibilities for other services included designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we performed as part of this engagement. Management has represented that they have evaluated the adequacy and results of those services and is accepting responsibility for them.

This report is intended solely for the information and use of the Board of Directors and management of Valley Clean Energy Alliance and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 24, 2025

As of December 31, 2024

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Valley Clean Energy Alliance in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Valley Clean Energy Alliance. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB Statement No. 102, Certain Risk Disclosures
Effective for the fiscal year ending December 31, 2025

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

Valley Clean Energy Alliance is currently assessing the financial statement impact of GASB 102.

GASB Statement No. 103, Financial Reporting Model Improvements
Effective for the fiscal year ending December 31, 2026

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Valley Clean Energy Alliance is currently assessing the financial statement impact of GASB 103.

GASB Statement No. 104, Disclosure of Certain Capital Assets
Effective for the fiscal year ending December 31, 2026

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

Valley Clean Energy Alliance is currently assessing the financial statement impact of GASB 104.

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 2			
PBC - Adjust the Lockbox Account to the outstanding PG&E AMP payment balance.			
13120-0000	CASH - LOCKBOX	288,400	
44210-0000	UNCOLLECTABLE ACCOUNTS		288,400
Total		**288,400**	**288,400**
Adjusting Journal Entries JE # 3			
PBC - to correct miscellaneous duplicated adjustment.			
13710-0000	BILLED REVENUES	1,950	
30110-0000	RESIDENTIAL SALES		1,170
30120-0000	COMMERCIAL & INDUSTRIAL SALES		780
Total		**1,950**	**1,950**
Adjusting Journal Entries JE # 4			
PBC - Accrue for Year End Sick Leave Liabilities			
45110-0000	WAGES	22,432	
22810-0000	VACATION		22,432
Total		**22,432**	**22,432**

Reclassifying Journal Entries

Account	Description	Debit	Credit
Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 5			
PBC - to reclass the cash balance to program reserve.			
12310-0000	Cash - Local Program Reserve	1,085,585	
13110-0000	CASH - CHECKING		1,085,585
Total		**1,085,585**	**1,085,585**

Uncorrected Journal Entries

Account	Description	Debit	Credit
Proposed Journal Entries			
Proposed Journal Entries JE # 6			
To reclass rental expenses prepaid payments portion to prepaid expense other.			
14530-0000	OTHER	12,453	
45710-0000	HUNT BOYER MANSION		12,453
Total		**12,453**	**12,453**

VALLEY
CLEAN ENERGY

MANAGEMENT REPRESENTATION LETTER

March 24, 2025

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

This representation letter is provided in connection with your audit of the Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Net Position and the statement of cash flows of Valley Clean Energy Alliance for the periods ended December 31, 2024 and 2023, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Valley Clean Energy Alliance in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

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

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 24, 2025:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 4, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and the proposed journal entry at Attachment 1.
- We have reviewed summary of uncorrected financial statement misstatements on Attachment 1.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- With respect to preparation of the financial statements we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained controls, including a process to monitor the system of internal control.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Valley Clean Energy Alliance has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Valley Clean Energy Alliance is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Valley Clean Energy Alliance has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Edward Burnham, Director of Finance & Internal Operations

Attachment 1

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 2			
PBC - Adjust the Lockbox Account to the outstanding PG&E AMP payment balance.			
13120-0000	CASH - LOCKBOX	288,400	
44210-0000	UNCOLLECTABLE ACCOUNTS		288,400
Total		**288,400**	**288,400**
Adjusting Journal Entries JE # 3			
PBC - to correct miscellaneous duplicated adjustment.			
13710-0000	BILLED REVENUES	1,950	
30110-0000	RESIDENTIAL SALES		1,170
30120-0000	COMMERCIAL & INDUSTRIAL SALES		780
Total		**1,950**	**1,950**
Adjusting Journal Entries JE # 4			
PBC - Accrue for Year End Sick Leave Liabilities			
45110-0000	WAGES	22,432	
22810-0000	VACATION		22,432
Total		**22,432**	**22,432**

Reclassifying Journal Entries

Account	Description	Debit	Credit
Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 5			
PBC - to reclass the cash balance to program reserve.			
12310-0000	Cash - Local Program Reserve	1,085,585	
13110-0000	CASH - CHECKING		1,085,585
Total		**1,085,585**	**1,085,585**

Uncorrected Journal Entries

Account	Description	Debit	Credit
Proposed Journal Entries			
Proposed Journal Entries JE # 6			
To reclass rental expenses prepaid payments portion to prepaid expense other.			
14530-0000	OTHER	12,453	
45710-0000	HUNT BOYER MANSION		12,453
Total		**12,453**	**12,453**

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Board of Directors
Valley Clean Energy Alliance

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Valley Clean Energy Alliance, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements, and have issued our report thereon dated March 24, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
March 24, 2025