Special Meeting of the Valley Clean Energy Alliance
Board of Directors
Monday, June 17, 2019 at 5:30 p.m.
City of Woodland Council Chambers
300 1st Street, Woodland, CA 95695

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

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

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

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

**5:30 p.m. Call to Order**

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

**CLOSED SESSION**

4. Conference with Legal Counsel – Existing Litigation
   (Paragraph (1) of subdivision (d) of Section 54956.9)
   Name of Case: In re PG&E Corporation, Debtor; Chapter 11; US Bankruptcy Court, Northern District of California San Francisco Division, Case No. 19-30088(DM) and Case No. 19-300889(DM)

**CONSENT AGENDA**

5. Approval of draft April 11, 2019 Board Meeting Minutes.
8. Receive June 7, 2019 Regulatory Update provided by Keyes & Fox.
9. Receive Legislative Update.
11. Receive Community Advisory Committee’s April 25, 2019 and May 23, 2019 Meeting Summaries.
12. Consider Community Advisory Committee’s recommendation of positions on legislative bills (AB 56, AB 144, SB 520 and SB 288). (Action)
13. Consideration of Reappointment/Appointment of Community Advisory Committee Members. (Action)
14. Approval of extending the waiving of opt-out fees for one more year. (Action)
15. Approval of Task Order 6 of the Sacramento Municipal Utilities District Professional Services Agreement - expansion of Valley Clean Energy service to Winters, CA. (Action)
16. Approval of extension of Consultant Donald Dame contract to expire June 30, 2020 and increase the contract amount by $18,000. (Action)
17. Authorize Interim General Manager to enter into a legal services agreement to continue legal services with Harriet Steiner from Best, Best & Krieger as Valley Clean Energy’s co-counsel. (Action)

REGULAR AGENDA

18. Approval of Valley Clean Energy’s (VCE’s) New Rate Structure and Dividend Program Guidelines and Amendment 11 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utilities District Professional Services Agreement for the implementation of VCE’s annual Dividend Program. (Action)
19. Approval of 1) the enrollment of residential and non-residential Net Energy Metering (NEM) legacy accounts beginning January 2020; 2) a minor revision to the approved NEM Policy; and, 3) Amendment 12 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utilities District Professional Services Agreement for the implementation of enrollment of NEM legacy accounts. (Action)
20. Approval of Fiscal Year 2019/2020 Operating Budget. (Action)
22. Approval of Amendment #1 to the VCE Wholesale Energy Risk Management Policy (Action)
23. Update on Long Term Renewable Solicitation Short List. (Informational)
24. Board Member and Staff Announcements: Action items and reports from member of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

The next VCEA Board meeting is scheduled for Thursday, July 13, 2019 at 5:30 p.m. at the City of Woodland Council Chambers, 2nd floor, 300 1st Street, Woodland, CA 95695.

25. Adjournment: Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA’s offices located at 604 Second Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. The documents are also available on the Valley Clean Energy website located at: https://valleycleanenergy.org/about-us/meetings/
TO: Valley Clean Energy Alliance Board of Directors
FROM: Alisa Lembke, VCEA Board Clerk/Administrative Analyst
SUBJECT: Approval of Minutes from April 11, 2019 Board Meeting
DATE: June 17, 2019

RECOMMENDATION

Receive, review and approve the attached draft Minutes from the April 11, 2019 Board meeting.
MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING
THURSDAY, APRIL 11, 2019

The Board of Directors of the Valley Clean Energy Alliance duly noticed their meeting scheduled for Thursday, April 11, 2019 at 5:30 p.m. at the City of Davis Community Chambers located at 23 Russell Boulevard, Davis, California 95616. Chairperson Tom Stallard established that there was a quorum present and began the meeting at 5:30 p.m.

Board Members Present: Tom Stallard, Gary Sandy, Don Saylor, Dan Carson, Angel Barajas (arrived at 5:37 p.m.)

Members Absent: Lucas Frerichs

Approval of Agenda

Director Saylor made a motion to approve the April 11, 2019 Agenda, seconded by Director Sandy. Motion passed unanimously with Director Frerichs absent.

Public Comment

Chairperson Stallard opened the floor for public comment.

Larry Guenther, Board Member of Tree Davis and resident of Davis, announced to those present that Tree Davis’s goals and mission are in alignment with Valley Clean Energy’s and can assist VCE in meeting their goals. On Thursday, May 2nd is a “day of giving”. Mr. Guenther asked the Board to partner with Tree Davis by contributing funds to Tree Davis, which they will match.

CLOSED SESSION:

Conference with Legal Counsel – Anticipated Litigation

The Board adjourned their meeting to go into Closed Session at 5:38 p.m. The Board returned to their regular Agenda at 6:41 p.m. Chairperson Stallard reported that the Board had no reportable action out of closed session. Chairperson Stallard then moved on to the Consent Agenda.

Approval of Consent Agenda

Director Saylor requested to make a comment on Item #6, long range calendar. Director Saylor is interested in the Board having a “visioning” retreat. Director Sandy made a motion to approve the Consent Agenda, seconded by Director Saylor. Motion passed unanimously with Director Frerichs absent. The following consent items were approved:

- Item 5 – Approval of draft March 14, 2019 Board meeting minutes;
- Item 6 – Receive 2019 Long Range Calendar;
- Item 7 – Receive Financial Update – February 28, 2019 (unaudited) financial statement;
- Item 8 – Receive April 4, 2019 Regulatory Update provided by Keyes & Fox;
- Item 9 – receive April 4, 2019 Customer Enrollment Update and Monthly Call Center Report as of March 24, 2019;
- Item 10 – Receive Community Advisory Committee’s March 28, 2019 Meeting Summary;
- Item 11 – Receive copy of signed Amendment 7 to Task Order 4 (operational services) of the SMUD Master Professional Services Agreement;
- Item 12 – Approval of Amendment 8 to Task Order 4 (operational services); Amendment 9 to Task Order 3 (wholesale energy services); and Amendment 10 to Task Order 2 (data management and call center services) via Resolution 2019-004 authorizing Interim General Manager to sign the Amendments;
- Item 13 – approval of extension of the River City Bank revolving line of credit via Resolution 2019-005; and,
- Item 14 – Receive information report on the reimbursable Staff expenses from member Agencies.

Update on CPUC’s Decision on Energy Resource Recovery Account, including Power Charge Indifference Adjustment (Informational)

Interim General Manager Mitch Sears reported that the CPUC decision on PCIA rates have been pushed out. Per legal counsel it is anticipated that the 2019 implementation will occur no earlier than July 1st, with the potential of the date being pushed out to September 2019. Pending VCE evaluation, it is difficult to know what the financials will look like with unknown rates. No public comments.

Review Long-Term Renewable Solicitation Short List Results and Pending Recommendation to Board (Informational)

Mr. Sears introduced this item. Staff Gary Lawson reviewed the background of this item reminding those present that in August 2018 a long-term renewables solicitation was issued with a due date of September 17, 2018. Mr. Lawson reviewed: siting, development status, out of state resources, and interconnection. He provided a summary of the bids received citing project bid capacity, projects meeting pass criteria and rejection applications stats. A short list was created after applying screening factors, ranking the projects, and listing the key reasons why the projects were selected. He reviewed potential impacts to VCE’s renewable portfolio of those projects that made the short list. He summarized the next
steps: completing the short list, negotiating Power Purchase Agreements (PPAs), and looking for Board approval at their June 2019 meeting. Mr. Sears informed those present that this same presentation was given to the Community Advisory Committee at their March 28, 2019 meeting and they provided positive feedback.

Board Members asked questions and commented about: what happens if there are scheduling delays, results of solicitation better than expected, what are the effects of PG&E bankruptcy on the projects, experience of the Developer with Community Choice Aggregators (CCAs), and credit rating of VCE. Mr. Lawson commented that both developers’ trend is towards building projects with CCAs, stating that CCAs are their future market.

Christine Shewmaker, Vice Chair of the Community Advisory Committee, commented that when the CAC discussed the short list, storage was discussed, and she suggested that the Board evaluate storage capacity of the projects. Mr. Lawson informed those present that storage was part of the criteria listed within the solicitation; however, the scale of the local projects did not include storage.

Staff Gary Lawson reviewed: the background of the California Energy Commission’s 2019 biannual Integrated Energy Planning Report Long-Term Load Forecast filings due April 19, 2019, customer count by “rate class”, the starting basis of load forecast, and the evaluation of growth forecasts. He reviewed annual growth rates, customer specific load shapes, load modification due to Net Energy Metering (NEM) installations and electric vehicle purchases, peak load versus energy load, and possible future considerations, to look at and apply (slide 12). A brief discussion on the impact of cannabis growth operations, large scale greenhouses for food production, and increase in energy usage to process food, may be areas of future consideration when looking at the future load forecast.

Christine Shewmaker commented that electrification of everything inside a home and business, will have an impact on the long- and short-term load forecast.

Mr. Sears reviewed key legislative items, informed those present that he attended the CalCCA Lobby Day last week on April 3rd and that CalCCA is currently tracking 44 bills in 26 different categories. Mr. Sears provided a brief summary of several different bills currently being discussed and monitored.
Director Carson informed those present that the City of Davis Council recently approved a “reach code” (electricity/building code) bringing commercial and residential up to standards”.

Director Stallard informed those present that he will be attending the May 23, 2019 Community Advisory Committee meeting to answer questions and provide feedback when asked.

Mr. Sears informed those present that Legislative Day (Lobby Day) was a success, attended by CalCCA staff and CCA staff and consultants. The high representation of CCA’s was impressive and made an impact. Mr. Sears commented that education on how PCIA and other factors play into Net Energy Metering enrollment needs to be shared with others, including Sacramento staff.

Mr. Sears informed those present that Staff Jim Parks represented VCE at the City of Stockton Council meeting and that the City Council unanimously voted to move forward with a feasible study for their community. Stockton will be using Sonoma Clean Energy grant monies for a feasibility study.

Adjournment

Chairperson Stallard adjourned the meeting to the next meeting scheduled for Thursday, May 9, 2019 at 5:30 p.m. at the City of Woodland Council Chambers, located at 300 1st Street, Woodland.

Meeting was adjourned at 7:35 p.m.

Alisa M. Lembke
VCEA Board Secretary
TO: VCEA Board
FROM: Mitch Sears, Interim General Manager
SUBJECT: Long Range Calendar 2019
DATE: June 17, 2019

Recommendation

Please find attached the Board and Community Advisory Committee long-range calendar for 2019.
# VALLEY CLEAN ENERGY

## 2019 Meeting Dates and Proposed Topics – Board and Community Advisory Committee

<table>
<thead>
<tr>
<th>MEETING DATE</th>
<th>TOPICS</th>
<th>ACTION</th>
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<tbody>
<tr>
<td>January 10, 2019</td>
<td>Board WOODLAND</td>
<td>Action</td>
</tr>
<tr>
<td>January 23, 2019</td>
<td>Special Meeting scheduled for <strong>Wednesday, January 23rd</strong>, at 5:30 p.m. at Yolo County Board of Supervisors Chambers, Woodland</td>
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<tr>
<td></td>
<td>• Procurement Authority / Procure Energy for 2020</td>
<td>Informational</td>
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<tr>
<td></td>
<td>• Schedule of New Rate Structure / Rebate Program</td>
<td></td>
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<tr>
<td>January 24, 2019</td>
<td>Advisory Committee WOODLAND</td>
<td>Discussion / Formation of Task Group / timeline</td>
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<tr>
<td></td>
<td>Thursday, January 24th at City of Woodland Council Chambers, Woodland</td>
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<tr>
<td></td>
<td>• Preliminary Discussion on New Rate Structure / Rebate Program (Dividend)</td>
<td></td>
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<tr>
<td>February 14, 2019</td>
<td>Board DAVIS</td>
<td>Discussion</td>
</tr>
<tr>
<td></td>
<td>• ERRA/PCIA/PG&amp;E</td>
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<tr>
<td>February 28, 2019</td>
<td>Advisory Committee DAVIS</td>
<td>Action: Draft Recommendation</td>
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<td></td>
<td>• New Rate Structure / Dividend Program – Draft Recommendation</td>
<td>Informational</td>
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<tr>
<td></td>
<td>• Net Energy Metering (NEM) Enrollment – Reassessment</td>
<td>Action: Approve plan / Introduction to Green Ideals</td>
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<td></td>
<td>• Updated Outreach Plan / Videoconference with Green Ideals (marketing and outreach)</td>
<td>Informational</td>
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<td></td>
<td>• Task Groups – Present Tasks/Projects</td>
<td>Informational</td>
</tr>
<tr>
<td></td>
<td>• Update on Regulatory Assistance Project</td>
<td>Informational</td>
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<tr>
<td>March 14, 2019</td>
<td>Board WOODLAND</td>
<td>Review</td>
</tr>
<tr>
<td></td>
<td>• Preliminary FY19/20 Operating Budget (Regular)</td>
<td>Review and provide feedback</td>
</tr>
<tr>
<td></td>
<td>• New Rate Structure / Dividend Program – Review Preliminary</td>
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<tr>
<td></td>
<td>Recommendation and Staff Report</td>
<td></td>
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<tr>
<td>March 28, 2019</td>
<td>Advisory Committee WOODLAND</td>
<td>Action: Finalize Recommendation to Board</td>
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<tr>
<td></td>
<td>• New Rate Structure / Dividend Program – Finalize</td>
<td>Discussion</td>
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<tr>
<td></td>
<td>Recommendation</td>
<td>Discussion</td>
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<td></td>
<td>• Net Energy Metering (NEM) Enrollment – Reassessment</td>
<td>Informational</td>
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<tr>
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<td>• Time of Use Rate Classes</td>
<td>Informational</td>
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<tr>
<td></td>
<td>• Long Term Load Forecast – Biannual 2019 Integrated Energy Planning Report</td>
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<tr>
<td>Date</td>
<td>Activity/Committee</td>
<td>Meetings/Reports/Recommendations</td>
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</table>
| April 11, 2019 | **Board DAVIS**    | Long Term Renewable Solicitation Short List  
Ideas of Possible Local Programs  
Long Term Renewable Solicitation Short List | Information  
Information/Discussion |
| April 25, 2019 | **Advisory Committee DAVIS** | Net Energy Metering (NEM) Enrollment – Reassessment – Finalize Report and Recommendation  
New Rate Structure / Dividend Program – Finalize Report and Recommendation | Action: Finalize  
Action: Finalize |
| May 9, 2019 | **Board WOODLAND** | Net Energy Metering (NEM) Enrollment Reassessment CAC Recommendation and Information Presented  
Residential Time of Use Rate Classes (PG&E Presentation)  
New Rate Structure / Dividend Program  
Long Term Renewable Solicitation Short List | Informational  
Informational  
Action: Approve  
Action: Approve |
| May 23, 2019 | **Advisory Committee WOODLAND** | PG&E Presentation on Residential Time of Use Rate Classes  
Possible Local Programs  
Net Energy Metering (NEM) Enrollment Reassessment Report – final review  
Information related to 2019 Integrated Resource Plan Update | Informational  
Informational  
Action  
Informational |
| **June 13, 2019**  | **Board DAVIS Woodland** | Final Approval of FY19/20 Operating Budget  
Net Energy Metering (NEM) Enrollment Reassessment Report from CAC  
New Rate Structure / Dividend Program  
Long Term Renewable Solicitation Short List  
Extension of Waiver of Opt-Out Fees for one more year  
Re/Appointment of Members to Community Advisory Committee | Approval  
Action  
Action: Approve  
Action  
Action |
| June 27, 2019 | **Advisory Committee DAVIS** | Residential Time of Use Rate Classes  
Local Resource Development  
Expiration of Position Terms expiring June 2019 | Discussion  
Discussion  
Action |
| July 11, 2019 | **Board WOODLAND** | Debit Collection Policy (tentative) | Informational |
| July 25, 2019 | **Advisory Committee WOODLAND** | Residential Time of Use Rate Classes (Draft Report)  
Local Resource Development | Discussion  
Discussion |
<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Board/Advisory Committee</th>
<th>Action/Information/Discussion</th>
<th>Action/Information/Discussion</th>
</tr>
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<tbody>
<tr>
<td>August 8, 2019</td>
<td>Board</td>
<td>DAVIS</td>
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<tr>
<td>September 12, 2019</td>
<td>Board</td>
<td>WOODLAND</td>
<td>Residential Time of Use Rate Classes Report, Discussion on River City Bank Revolving Line of Credit</td>
<td>Action Discussion</td>
</tr>
<tr>
<td>September 26, 2019</td>
<td>Advisory</td>
<td>Committee WOODLAND</td>
<td>Committee Evaluation of Calendar Year End (Draft Report), Revised Procurement Guide – Review Draft Recommendation</td>
<td>Discussion Discussion</td>
</tr>
<tr>
<td>October 10, 2019</td>
<td>Board</td>
<td>DAVIS</td>
<td>Approval of FY18/19 Audited Financial Statements (James Marta &amp; Co.), Update on Integrated Resource Plan, River City Bank Revolving Line of Credit</td>
<td>Action Information Discussion/Action</td>
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<tr>
<td>October 24, 2019</td>
<td>Advisory</td>
<td>Committee DAVIS</td>
<td>Committee Evaluation of Calendar Year End (Draft Report), Revised Procurement Guide- Review Draft Recommendation, Update on Integrated Resource Plan</td>
<td>Discussion Discussion Information</td>
</tr>
<tr>
<td>November 14, 2019</td>
<td>Board</td>
<td>WOODLAND</td>
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<tr>
<td>November 28, 2019</td>
<td>Advisory</td>
<td>Committee WOODLAND</td>
<td>Committee Evaluation of Calendar Year End (Draft Report), Revised Procurement Guide – Finalize Recommendation to Board</td>
<td>Discussion Action: Recommendation to Board</td>
</tr>
<tr>
<td>December 12, 2019</td>
<td>Board</td>
<td>DAVIS</td>
<td>Election of Officers for 2020</td>
<td>Nominations</td>
</tr>
<tr>
<td>December 26, 2019</td>
<td>Advisory</td>
<td>Committee DAVIS</td>
<td>Election of Officers for 2020, Finalization of Committee Calendar Year End Report</td>
<td>Nominations Approve Report</td>
</tr>
<tr>
<td>January 9, 2020</td>
<td>Board</td>
<td>WOODLAND</td>
<td>Receive CAC Calendar Year End Report, Approve Revised Procurement Guide</td>
<td>Receive Report Action</td>
</tr>
<tr>
<td>January 23, 2020</td>
<td><strong>Advisory Committee WOODLAND</strong></td>
<td>• Review and Discuss Task Groups</td>
<td>• Discuss/Action</td>
<td></td>
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TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
       Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – March 31, 2019 and April 30, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending April 30, 2019

DATE: June 17, 2019

RECOMMENDATION:
Accept the following Financial Statements (unaudited):

1. For the period of March 1, 2018 to March 31, 2018 (with comparative year to date information).
2. For the period of April 1, 2019 to April 30, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending April 30, 2019.

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 April 30, 2019.

Financial Statements for the period March 1, 2019 – March 31, 2019
In the Statement of Net Position, VCEA as of March 31, 2019 has a total of $5,642,897 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $473,789 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of March 31, 2019 $621,745 and $1,272,901 respectively for a grand total of $1,894,646. VCEA began paying SMUD for the monthly operating expenditures.
(starting with November 2018 expenditures) and repayment of the deferred amount of $1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in March 2019 and repayment of the deferred amount of $556,188 over a 12-month period. The outstanding line of credit balance with River City Bank at March 31, 2019 totaled $1,976,610. At March 31, 2019, VCE’s net position is $3,666,766.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $2,718,026 of revenue (net of allowance for doubtful accounts) of which $2,925,664 was billed in March and ($191,054) represent estimated unbilled revenue (net February and March). The cost of the electricity for the March revenue totaled $1,898,737, which is lower than February 2019 due to timing of CAISO fees (credits). For March, VCEA’s gross margin is approximately 30.15% and operating income totaled $564,639. The year-to-date change in net position was $5,090,619.

In the Statement of Cash Flows, VCEA cash flows from operations was $522,475 due to March cash receipts of revenues exceeding the monthly operating expenses.

Financial Statements for the period April 1, 2019 – April 30, 2019
In the Statement of Net Position, VCEA as of April 30, 2019 has a total of $6,017,018 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $548,641 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of April 30, 2019 $613,896 and $1,210,259 respectively for a grand total of $1,824,155. VCEA began paying SMUD for the monthly operating expenditures (starting with November 2018 expenditures) and repayment of the deferred amount of $1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in March 2019 and repayment of the deferred amount of $556,188 over a 12-month period. The outstanding line of credit balance with River City Bank at April 30, 2019 totaled $1,976,610. At April 30, 2019, VCE’s net position is $3,989,795.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $2,680,925 of revenue (net of allowance for doubtful accounts) of which $2,818,614 was billed in April and $249,408 represent estimated unbilled revenue (net March and April). The cost of the electricity for the April revenue totaled $2,056,611, which is higher than March 2019 due to timing of CAISO fees (credits). For April, VCEA’s gross margin is approximately 23.29% and operating income totaled $327,754. The year-to-date change in net position was $5,413,648.

In the Statement of Cash Flows, VCEA cash flows from operations was $454,691 due to April cash receipts of revenues exceeding the monthly operating expenses.
Actual vs. Budget Variances for the year to date ending April 30, 2019

Below are the financial statement line items with variances >$25,000 and 5%:

Electric revenues - ($3,428,812) and (8%) - actual electric revenues are down from budget due to the mild summer weather which led to lower retail customer usage than forecasted load and the deferral of NEM customers until 2020.

Purchased Power – ($2,982,832) and (9%) – due to customer load is down due to decrease in electric revenues and deferral of NEM customers until 2020.

Labor & Benefits – ($319,787) and (28%) – the decrease is due to the budgeted Assistant general manager (AGM) position has not been filled. Beginning September 2018, SMUD’s Task Order 4 was amended to have SMUD provide proxy AGM services which is included in Contract Labor.

SMUD – Credit Support – ($72,466) and (14%) – due to the contracted amount is based on wholesale load which is down as explained in Purchased power explanation above.

SMUD – Wholesale Energy Services - $33,190 and 7% - due to additional costs related to LT renewable procurement and other services.

SMUD – Call Center – ($83,947) and (13%) – due to lower retail customers from the deferral of NEM customers.

Legal - $41,604 and 117% - due to the increase legal costs related to PG&E bankruptcy case in 2019.

Legislative/Regulatory – ($75,371) and (38%) – the decrease is due to no legislative expenditures incurred until February 2019 when VCE contracted for lobbying services.

Accounting Services – ($62,032) and (83%) – due to Yolo County’s accounting department providing accounting services along with the VCE Director of Finance oversight which is ~$6,000/month less than an outside accounting firm’s fees that were budgeted.

Audit fees – ($42,000) and (70%) – the decrease is due to the audit fees for the 2017/18 fiscal year were $18,000 due to only one month of operations compared to the budget of $60,000.

Marketing Collateral – ($88,844) and (51%) – the decrease is due to the selection of a new marketing firm made in November.

PG&E Data Fees – ($125,406) and (39%) – due to timing of the billing from PG&E and the deferral of the NEM customers that were included in the budget.
Contingency – ($393,411) and (100%) – due to the inclusion of 10% of operating expenses for contingency in the VCE budget.

Interest on RCB loan – ($343,745) and (79%) – due to lower outstanding Line of credit balance than originally budgeted.

**Attachments:**
1) Financial Statements (Unaudited) March 1, 2019 to March 31, 2019 (with comparative year to date information.)
2) Financial Statements (Unaudited) April 1, 2019 to April 30, 2019 (with comparative year to date information.)
3) Actual vs. Budget for year to date ending April 30, 2019
VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

PREPARED ON APRIL 30, 2019
# VALLEY CLEAN ENERGY ALLIANCE
## STATEMENT OF NET POSITION
### AS OF MARCH 31, 2019
#### (UNAUDITED)

## ASSETS

**Current assets:**
- Cash and cash equivalents $5,642,897
- Accounts receivable, net of allowance $3,179,039
- Accrued revenue $1,304,115
- Prepaid expenses $2,070
- Inventory - Renewable Energy Credits $185,527
- Other current assets and deposits $2,540

**Total current assets** $10,316,188

**Restricted assets:**
- Debt service reserve fund $1,100,000
- Power purchase reserve fund $473,789

**Total restricted assets** $1,573,789

**Noncurrent assets:**
- Other noncurrent assets and deposits $100,000

**Total noncurrent assets** $100,000

**TOTAL ASSETS** $11,989,977

## LIABILITIES

**Current liabilities:**
- Accounts payable $414,963
- Accrued payroll $4,351
- Interest payable $100,107
- Due to member agencies $621,745
- Accrued cost of electricity $2,387,821
- Other accrued liabilities $1,272,901
- User taxes and energy surcharges $44,713

**Total current liabilities** $4,846,601

**Noncurrent liabilities:**
- Line of credit $1,976,610
- Loans from member agencies $1,500,000

**Total noncurrent liabilities** $3,476,610

**TOTAL LIABILITIES** $8,323,211

## NET POSITION

**Net position:**
- Restricted
  - Local Programs Reserve $50,905
  - Unrestricted $3,615,861

**TOTAL NET POSITION** $3,666,766
## Statement of Revenues, Expenditures and Changes in Net Position

**For the Period of March 1, 2019 to March 31, 2019**

(With comparative Year To Date Information)

(UAUNITED)

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity sales, net</td>
<td>$2,718,026</td>
<td>$36,737,449</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$2,718,026</td>
<td>$36,737,449</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of electricity</td>
<td>$1,898,737</td>
<td>$28,777,715</td>
</tr>
<tr>
<td>Contract services</td>
<td>$142,967</td>
<td>$1,708,247</td>
</tr>
<tr>
<td>Staff compensation</td>
<td>$81,222</td>
<td>$737,893</td>
</tr>
<tr>
<td>General, administration, and other</td>
<td>$30,461</td>
<td>$288,390</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$2,153,387</td>
<td>$31,512,245</td>
</tr>
<tr>
<td><strong>Total Operating Income (Loss)</strong></td>
<td>$564,639</td>
<td>$5,225,204</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$4,198</td>
<td>$23,335</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>$(25,725)</td>
<td>$(157,920)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenues (Expenses)</strong></td>
<td>$(21,527)</td>
<td>$(134,585)</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>$543,112</td>
<td>$5,090,619</td>
</tr>
<tr>
<td>Net position at beginning of period</td>
<td>$3,123,654</td>
<td>$(1,423,853)</td>
</tr>
<tr>
<td>Net position at end of period</td>
<td>$3,666,766</td>
<td>$3,666,766</td>
</tr>
</tbody>
</table>
# VALLEY CLEAN ENERGY ALLIANCE

## STATEMENTS OF CASH FLOWS

FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2019

(WITH COMPARATIVE YEAR TO DATE INFORMATION)

(UNAUDITED)

### FOR THE PERIOD ENDING MARCH 31, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from electricity sales</td>
<td>$2,960,969</td>
<td>$35,119,167</td>
</tr>
<tr>
<td>Payments for security deposits with energy suppliers</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Payments to purchase electricity</td>
<td>(1,952,287)</td>
<td>(28,812,772)</td>
</tr>
<tr>
<td>Payments for contract services, general, and adminstration</td>
<td>(405,232)</td>
<td>(1,305,722)</td>
</tr>
<tr>
<td>Payments for staff compensation</td>
<td>(80,975)</td>
<td>(627,951)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>$522,475</td>
<td>$4,872,722</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw of line of credit</td>
<td>-</td>
<td>$4,376,610</td>
</tr>
<tr>
<td>Principal payments of Line of Credit to bank</td>
<td>-</td>
<td>(4,000,000)</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>(21,318)</td>
<td>(119,369)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by non-capital financing activities</strong></td>
<td>(21,318)</td>
<td>257,241</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>4,198</td>
<td>23,335</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by investing activities</strong></td>
<td>4,198</td>
<td>23,335</td>
</tr>
</tbody>
</table>

### NET CHANGE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>6,711,331</td>
<td>2,063,388</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$7,216,686</td>
<td>$7,216,686</td>
</tr>
</tbody>
</table>

Cash and cash equivalents included in:

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,642,897</td>
<td>$5,642,897</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>1,573,789</td>
<td>1,573,789</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$7,216,686</td>
<td>$7,216,686</td>
</tr>
</tbody>
</table>
## RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2019</th>
<th>Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>$564,639</td>
<td>$5,225,204</td>
</tr>
<tr>
<td>(Increase) decrease in net accounts receivable</td>
<td>39,318</td>
<td>(3,173,368)</td>
</tr>
<tr>
<td>(Increase) decrease in accrued revenue</td>
<td>191,055</td>
<td>1,520,375</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>8,757</td>
<td>(2,070)</td>
</tr>
<tr>
<td>(Increase) decrease in inventory - renewable energy credits</td>
<td>(26,863)</td>
<td>251,060</td>
</tr>
<tr>
<td>(Increase) decrease in other assets and deposits</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>(52,323)</td>
<td>277,488</td>
</tr>
<tr>
<td>Increase (decrease) in accrued payroll</td>
<td>247</td>
<td>2,727</td>
</tr>
<tr>
<td>Increase (decrease) in due to member agencies</td>
<td>(125,699)</td>
<td>87,106</td>
</tr>
<tr>
<td>Increase (decrease) in accrued cost of electricity</td>
<td>(26,687)</td>
<td>(286,118)</td>
</tr>
<tr>
<td>Increase (decrease) in other accrued liabilities</td>
<td>(62,539)</td>
<td>435,607</td>
</tr>
<tr>
<td>Increase (decrease) in user taxes and energy surcharges</td>
<td>12,570</td>
<td>34,711</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td><strong>$522,475</strong></td>
<td><strong>$4,872,722</strong></td>
</tr>
</tbody>
</table>

---

**Note:** The statements are presented on an unaudited basis.
VALLEY CLEAN ENERGY ALLIANCE
FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
PREPARED ON MAY 30, 2019
### ASSETS

**Current assets:**
- Cash and cash equivalents: $6,017,018
- Accounts receivable, net of allowance: 2,724,557
- Accrued revenue: 1,554,664
- Prepaid expenses: 18,343
- Inventory - Renewable Energy Credits: 135,446
- Other current assets and deposits: 2,540
- **Total current assets:** $10,452,568

**Restricted assets:**
- Debt service reserve fund: 1,100,000
- Power purchase reserve fund: 548,641
- **Total restricted assets:** 1,648,641

**Noncurrent assets:**
- Other noncurrent assets and deposits: 100,000
- **Total noncurrent assets:** 100,000

**TOTAL ASSETS:** $12,201,209

### LIABILITIES

**Current liabilities:**
- Accounts payable: $450,193
- Accrued payroll: 4,531
- Interest payable: 99,114
- Due to member agencies: 613,896
- Accrued cost of electricity: 2,298,494
- Other accrued liabilities: 1,210,258
- User taxes and energy surcharges: 58,318
- Line of credit: 1,976,610
- **Total current liabilities:** 6,711,414

**Noncurrent liabilities:**
- Loans from member agencies: 1,500,000
- **Total noncurrent liabilities:** 1,500,000

**TOTAL LIABILITIES:** $8,211,414

### NET POSITION

**Net position:**
- Restricted
  - Local Programs Reserve: $54,135
- **Unrestricted:** 3,935,660
- **TOTAL NET POSITION:** $3,989,795
<table>
<thead>
<tr>
<th></th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>APRIL 30, 2019</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity sales, net</td>
<td>2,680,925</td>
<td>$ 39,418,374</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>2,680,925</td>
<td>39,418,374</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of electricity</td>
<td>2,056,611</td>
<td>30,834,326</td>
</tr>
<tr>
<td>Contract services</td>
<td>185,664</td>
<td>1,893,911</td>
</tr>
<tr>
<td>Staff compensation</td>
<td>80,581</td>
<td>818,474</td>
</tr>
<tr>
<td>General, administration, and other</td>
<td>30,315</td>
<td>318,705</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>2,353,171</td>
<td>33,865,416</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING INCOME (LOSS)</strong></td>
<td>327,754</td>
<td>5,552,958</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>4,172</td>
<td>27,507</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>(8,897)</td>
<td>(166,817)</td>
</tr>
<tr>
<td><strong>TOTAL NONOPERATING REVENUES (EXPENSES)</strong></td>
<td>(4,725)</td>
<td>(139,310)</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position at beginning of period</td>
<td>3,666,766</td>
<td>(1,423,853)</td>
</tr>
<tr>
<td>Net position at end of period</td>
<td>$ 3,989,795</td>
<td>$ 3,989,795</td>
</tr>
</tbody>
</table>
## CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from electricity sales</td>
<td>$2,898,463</td>
<td>$38,017,630</td>
</tr>
<tr>
<td>Payments for security deposits with energy suppliers</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Payments to purchase electricity</td>
<td>(2,095,857)</td>
<td>(30,908,629)</td>
</tr>
<tr>
<td>Payments for contract services, general, and administration</td>
<td>(267,514)</td>
<td>(1,573,236)</td>
</tr>
<tr>
<td>Payments for staff compensation</td>
<td>(80,401)</td>
<td>(708,352)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>454,691</td>
<td>5,327,413</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw of line of credit</td>
<td>-</td>
<td>4,376,610</td>
</tr>
<tr>
<td>Principal payments of Line of Credit to bank</td>
<td>-</td>
<td>(4,000,000)</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>(9,890)</td>
<td>(129,259)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by non-capital financing activities</strong></td>
<td>(9,890)</td>
<td>247,351</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>4,172</td>
<td>27,507</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by investing activities</strong></td>
<td>4,172</td>
<td>27,507</td>
</tr>
</tbody>
</table>

## NET CHANGE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>7,216,686</td>
<td>2,063,388</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$7,665,659</td>
<td>$7,665,659</td>
</tr>
</tbody>
</table>

Cash and cash equivalents included in:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,017,018</td>
<td>$6,017,018</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>1,648,641</td>
<td>1,648,641</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$7,665,659</td>
<td>$7,665,659</td>
</tr>
</tbody>
</table>
### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>FOR THE PERIOD ENDING APRIL 30, 2019</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>$ 327,754</td>
<td>$ 5,552,958</td>
</tr>
<tr>
<td>(Increase) decrease in net accounts receivable</td>
<td>$ 454,482</td>
<td>($2,718,886)</td>
</tr>
<tr>
<td>(Increase) decrease in accrued revenue</td>
<td>($250,549)</td>
<td>$1,269,826</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>($16,273)</td>
<td>($18,343)</td>
</tr>
<tr>
<td>(Increase) decrease in inventory - renewable energy credits</td>
<td>$ 50,081</td>
<td>$301,141</td>
</tr>
<tr>
<td>(Increase) decrease in other assets and deposits</td>
<td>$ -</td>
<td>$500,000</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>$ 35,230</td>
<td>$312,718</td>
</tr>
<tr>
<td>Increase (decrease) in accrued payroll</td>
<td>$ 180</td>
<td>$ 2,907</td>
</tr>
<tr>
<td>Increase (decrease) in due to member agencies</td>
<td>($7,849)</td>
<td>$ 79,257</td>
</tr>
<tr>
<td>Increase (decrease) in accrued cost of electricity</td>
<td>($89,327)</td>
<td>($375,445)</td>
</tr>
<tr>
<td>Increase (decrease) in other accrued liabilities</td>
<td>($62,643)</td>
<td>$372,964</td>
</tr>
<tr>
<td>Increase (decrease) in user taxes and energy surcharges</td>
<td>$13,605</td>
<td>$ 48,316</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td><strong>$ 454,691</strong></td>
<td><strong>$ 5,327,413</strong></td>
</tr>
</tbody>
</table>
## VALLEY CLEAN ENERGY

### ACTUAL VS. BUDGET FYE 6-30-2019

FOR THE YEAR TO DATE ENDING April 30, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2019 Actuals</th>
<th>FY2019 Budget</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4/30/2019</td>
<td>4/30/2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric Revenue</td>
<td>$39,418,374</td>
<td>$42,847,186</td>
<td>$(3,428,812)</td>
<td>-8%</td>
</tr>
<tr>
<td>Interest Revenues</td>
<td>27,508</td>
<td>71,763</td>
<td>(44,255)</td>
<td>-62%</td>
</tr>
<tr>
<td>Purchased Power</td>
<td>30,834,326</td>
<td>33,817,158</td>
<td>(3,982,832)</td>
<td>-9%</td>
</tr>
<tr>
<td>Labor &amp; Benefits</td>
<td>818,472</td>
<td>1,138,259</td>
<td>(321,787)</td>
<td>-28%</td>
</tr>
<tr>
<td>Salaries &amp; Wages/Benefits</td>
<td>279,156</td>
<td>625,686</td>
<td>(346,530)</td>
<td>-55%</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>529,743</td>
<td>502,433</td>
<td>27,310</td>
<td>5%</td>
</tr>
<tr>
<td>Human Resources &amp; Payroll</td>
<td>9,573</td>
<td>10,140</td>
<td>(576)</td>
<td>-6%</td>
</tr>
<tr>
<td>Office Supplies &amp; Other Expenses</td>
<td>95,700</td>
<td>157,718</td>
<td>(62,018)</td>
<td>-39%</td>
</tr>
<tr>
<td>Technology Costs</td>
<td>6,963</td>
<td>19,180</td>
<td>(12,217)</td>
<td>-64%</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,714</td>
<td>1,008</td>
<td>706</td>
<td>70%</td>
</tr>
<tr>
<td>Travel</td>
<td>1,787</td>
<td>25,450</td>
<td>(23,663)</td>
<td>-93%</td>
</tr>
<tr>
<td>CalCCA Dues</td>
<td>83,431</td>
<td>102,000</td>
<td>(18,569)</td>
<td>-18%</td>
</tr>
<tr>
<td>Memberships</td>
<td>1,805</td>
<td>10,080</td>
<td>(8,275)</td>
<td>-82%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>1,893,911</td>
<td>2,263,124</td>
<td>(369,213)</td>
<td>-16%</td>
</tr>
<tr>
<td>LEAN Energy</td>
<td>3,996</td>
<td>12,000</td>
<td>(8,005)</td>
<td>-67%</td>
</tr>
<tr>
<td>Don Dame</td>
<td>9,544</td>
<td>3,000</td>
<td>6,544</td>
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</tr>
<tr>
<td>SMUD - Credit Support</td>
<td>443,240</td>
<td>515,706</td>
<td>(72,466)</td>
<td>-14%</td>
</tr>
<tr>
<td>SMUD - Wholesale Energy Services</td>
<td>503,190</td>
<td>470,000</td>
<td>33,190</td>
<td>7%</td>
</tr>
<tr>
<td>SMUD - Call Center</td>
<td>561,263</td>
<td>645,210</td>
<td>(83,947)</td>
<td>-13%</td>
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<tr>
<td>CirclePoint</td>
<td>54,915</td>
<td>72,801</td>
<td>(17,886)</td>
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<td>Legal</td>
<td>77,234</td>
<td>35,630</td>
<td>41,604</td>
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<td>124,629</td>
<td>200,000</td>
<td>(75,371)</td>
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<tr>
<td>Accounting Services</td>
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<td>75,000</td>
<td>(62,032)</td>
<td>-83%</td>
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<td>18,000</td>
<td>60,000</td>
<td>(42,000)</td>
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<td>Marketing Collateral</td>
<td>84,933</td>
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<tr>
<td>Rents &amp; Leases</td>
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<td>-51%</td>
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<td>14,199</td>
<td>8,400</td>
<td>5,799</td>
<td>69%</td>
</tr>
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</table>
| Future Office Space                  | -               | 20,400         | (20,400)          | -100%
| Other A&G                            | 200,391         | 341,506        | (141,115)         | -41%|
| PG&E Data Fees                       | 199,780         | 325,186        | (125,406)         | -39%|
| Community Engagement Activities & Sponsorships | 601    | 10,020        | (9,419)          | -94%|
| Green-e Certification                | -               | 2,500          | (2,500)           | -100%|
| Banking Fees                         | 10              | 3,800          | (3,790)           | -100%|
| Miscellaneous Operating Expenses     | 8,416           | 5,000          | 3,416             | 68% |
| Contingency                          | -               | 393,441        | (393,441)         | -100%|
| **TOTAL OPERATING EXPENSES**         | **$33,865,415** | **$38,145,005**| **$(4,279,590)** | **-11%**|
| Interest Expense - Munis             | 49,100          | 39,750         | 9,350             | 24% |
| Interest on RCB loan                 | 93,582          | 437,328        | (343,745)         | -79%|
| Interest Expense - SMUD              | 20,807          | 16,248         | 4,559             | 28% |
| **NET INCOME**                       | **$5,413,648**  | **$4,280,618** | **$1,133,029**    | **26%**|
To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: June 17, 2019

Please find attached Keyes & Fox’s May 2019 Regulatory Memorandum dated June 7, 2019, 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 June 7, 2019
Valley Clean Energy Alliance
Regulatory Monitoring Report

To: Valley Clean Energy Alliance ("VCE") Board of Directors

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

Subject: Regulatory Update

Date: June 7, 2019

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

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

- **Renewables Portfolio Standard Rulemaking:** The judge issued a Ruling extending the procedural schedule, establishing a June 21, 2019, deadline for retail sellers like VCE to file their RPS Procurement Plans. The CPUC also issued a Proposed Decision on the implementation of SB 100, which will affect future RPS compliance requirements.

- **Resource Adequacy Rulemaking:** The judge issued a Proposed Decision that would adopt local capacity requirements for 2020-2022 and flexible capacity requirements for 2020, while making a number of changes to the RA program, including relating to load forecasting, accounting for load migration, and adjusting the RA penalty structure and waiver process.

- **Utility Wildfire Mitigation Plans Rulemaking:** The CPUC issued Decisions approving the wildfire mitigation plans filed by PG&E and other entities, as well as a Guidance Decision applicable to all entities filing wildfire mitigation plans. PG&E filed an Advice Letter establishing a Wildfire Plan Memorandum Account to track its costs for implementing its Wildfire Safety Plan.

- **Wildfire Cost Recovery Methodology Rulemaking:** The judge issued a Proposed Decision for adopting criteria and a methodology for wildfire cost recovery, referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay – but it would not apply to utilities like PG&E that have filed for Chapter 11 bankruptcy.

- **Investigation into PG&E’s Organization, Culture and Governance:** The judge issued a Proposed Decision that would order PG&E to report on the safety experience and qualifications of the PG&E Board of Directors and establish an advisory panel on corporate governance.

- **Power Charge Indifference Adjustment Rulemaking:** Working Groups One (Benchmark True-Up and Other Benchmarking Issues) and Two (Prepayment) held meetings in May. As directed by the CPUC, PG&E and CalCCA submitted their final report on Brown Power, RPS and RA True-Up issues, identifying areas of consensus and non-consensus.
• **PG&E’s 2020 Energy Resource Recovery Account Forecast:** PG&E filed its 2020 Energy Resource and Recovery Account forecast application, which will determine VCE customers’ 2020 PCIA. Protests are due July 5, 2019.

• **PG&E’s 2019 Energy Resource Recovery Account Forecast:** A group of CCAs jointly protested PG&E’s Advice Letters related to the implementation of the 2019 ERRA Forecast revenue requirement, including a true-up of the 2018 PCIA rates to reflect 2018 brown power costs and revenues. PG&E also filed an Advice Letter notifying the CPUC that its ERRA balance has surpassed the four percent Trigger Amount, but it did not request rate changes.

• **PG&E’s 2018 Energy Resource Recovery Account Compliance:** The judge held a prehearing conference, and the Assigned Commissioner issued a Scoping Memo and Ruling.

• **PG&E’s Phase 1 General Rate Case:** The judges issued a Ruling establishing a series of public participation hearings to be held throughout the summer across PG&E’s service territory.

• **2018 Rate Design Window:** Parties filed testimony in Phase III of this proceeding, which considers the IOUs’ proposals for fixed charges and/or minimum bills.

• **2019 Rate Design Window:** The CPUC issued a Decision approving the filed settlement agreement relating to agricultural rates and closing the proceeding.

• **Integrated Resource Planning Rulemaking:** No updates this month.

• **Other Regulatory Developments:**
  - **CPUC President Announces Retirement.** CPUC President Michael Picker announced he would retire from the CPUC as early as July, but likely later to allow Governor Newsom time to appoint a successor to fill his seat.
  - **SB 237 Direct Access Rulemaking.** The CPUC issued a Decision in Phase 1 of this proceeding, increasing the annual cap on non-residential direct access enrollment by 4,000 GWh (1,873 GWh in PG&E’s service territory). The adopted Decision includes a revision to the original Proposed Decision, responsive to CCA comments, that pushes the beginning of direct access service for the new load allocation from January 1, 2020 to January 1, 2021. CCAs will receive a first notification of the amount of departing load by September 10, 2019 and a final notice by February 10, 2020.

### Renewables Portfolio Standard (RPS) Rulemaking

On May 7, 2019, the judge issued a Ruling extending the procedural schedule, establishing a June 21, 2019, deadline for retail sellers like VCE to file their RPS Procurement Plans. On May 22, 2019, the CPUC issued a Proposed Decision (PD) on the implementation of SB 100, which increased the state’s RPS target to 60% of retail sales by 2030, with interim targets of 44% by 2024 and 52% by 2027. On May 29, 2019, PG&E, SCE, and SDG&E jointly filed an informational-only Time-of-Delivery (TOD) proposal.

- **Background:** In February 2019, the CPUC issued D.19-02-007, approving RPS Procurement Plans filed in 2018 by retail sellers, including VCE. Remaining issues to be addressed in this proceeding are threefold: (1) implementing existing and new statutory requirements (e.g., SB 100) that are mandated or may be mandated during the course of this proceeding; (2) continuing and completing specific tasks identified in R.15-02-020 (the now-closed previous RPS docket), but not completed prior to the issuance of this new Order Instituting Rulemaking (OIR); and (3) continuing, monitoring, reviewing, and improving elements of the RPS program that have previously been put in place, including identifying additional program elements that could be developed. A Ruling issued in April 2019 identified 2019 RPS Procurement Plan filing requirements for all retail sellers, including VCE.

- **Details:** The PD would continue the past practice of using a straight-line method to establish MWh target quantities (procurement quantity requirements) for years in between the statutory target years. However, as in past years, compliance is only measured for the entire multi-year
compliance period. The PD elects to continue the 60% target for the 2031-2033 compliance period.

The Ruling only modestly revises the schedule for the filing and review of 2019 RPS Plans, generally extending the schedule by three weeks.

The joint utilities’ TOD proposal was filed in response to a directive from the CPUC in its February 2019 Decision (D.19-02-007) requiring the utilities to develop informational-only TOD requirements. Historically, TOD factors have been applied to utility contract prices paid to sellers to reflect the higher value of generation supplied during the on-peak hours and the lower value of generation supplied during the off-peak hours, with each utility setting its own TOD factors. PG&E has inserted these factors into executed RPS contracts, where they impact the payment for each hour of production, and used the proprietary energy price forecasts upon which these TOD factors were based in order to assess the value of RPS bids in PG&E’s Least-Cost Best-Fit evaluation. In line with that CPUC decision, the Joint IOUs have proposed multiple sets of informational-only TOD “heat maps” in a month-hour matrix for different years. For example, PG&E’s 2020 Informational TOD Heat Map shows that, on weekdays, the lowest TOD factors (mostly in the 0.03 to 0.50 range) are in the months of March-June during the hours of 9am-4pm, and the highest TOD factors (1.42 to 2.67) are in the months of July-December during the hours of 6pm-10pm. Utilities will update TOD factors with each new Phase 2 GRC filing using the public electricity price forecast provided therein, rather than use the Joint IOUs’ confidential proprietary energy price forecast information.

- **Analysis:** The PD’s approach to implementing SB 100 was expected and unlikely to be seen as controversial, as it continues the methods and approach it previously established for compliance related to RPS targets.

With respect to the judge’s Ruling, CCAs had requested a longer extension than was granted. For reference, there are additional requirements applicable to CCAs for this year’s filing, making the CCA filing requirements more substantial.

The joint utilities’ TOD proposal will impact the costs of RPS contracts, and could therefore impact the costs paid by new departing load customers in the future through the PCIA.

Remaining issues to be addressed in this proceeding could also impact RPS compliance obligations and above-market costs for the PCIA calculation. For instance, the April 2019 Ruling proposed a process that would allow LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2020 by using its 2020 IRP filing instead.

- **Next Steps:** Comments on the PD are due June 11, replies are due June 17, and the PD may be adopted, at earliest, at the June 27 CPUC meeting.

Proposed RPS Procurement Plans are due June 21, 2019. Comments and reply comments, respectively, on RPS Procurement Plans are due July 19, 2019 and August 2, 2019. Motions requesting an evidentiary hearing are due August 2, 2019. Motions to update RPS Procurement Plans are due August 23, 2019.

Comments on the Joint Utilities’ information-only TOD proposal are due June 18, 2019, and reply comments are due June 28, 2019.

- **Additional Information:** [Proposed Decision](#) on implementing SB 100 (May 22, 2019); [Ruling](#) extending procedural schedule (May 7, 2019); [Ruling](#) identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); [PG&E Final, Conforming 2018 RPS Procurement Plan](#) (March 15, 2019); [D.19-02-007](#) (February 28, 2019); [Ruling](#) requesting comments on SB 100 implementation (February 11, 2019); [Scoping Ruling](#) (November 9, 2018); [D.18-11-004](#) on interconnection rules in the BioMAT program per AB 1923 (November 8, 2018); [Ruling](#) on revised RPS Procurement Plans (September 19, 2018); [Order Instituting Rulemaking](#) (July 23, 2018); [R.18-07-003](#).
Resource Adequacy (RA) Rulemaking

On May 15, 2019, and May 22, 2019, Track 2 Central Buyer workshops were held. On May 24, 2019, the judge issued a Proposed Decision that would adopt local capacity requirements for 2020-2022 and flexible capacity requirements for 2020, while making a number of changes to the RA program. Also on May 24, 2019, The Alliance for Retail Energy Markets (AREM) filed a Petition for Modification of the Track 2 Decision, D.19-02-022.

- **Background:** This proceeding has three tracks, and is currently focused on remaining central buyer issues in Track 2 and on Track 3. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program and is closed. In Track 2, the CPUC adopted multi-year Local RA requirements and declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019). As ordered by D.19-02-022, parties are holding workshops and filing informal comments in 2019 to further address the development of a Local RA central buyer mechanism, with the CPUC indicating it would act by late 2019 if parties did not come to a consensus. It is our understanding that settlement negotiations are underway with respect to these issues.

In Track 2, on March 18, 2019, Shell Energy filed a Petition for Modification (PFM) of D.19-02-022, which adopted multi-year local RA requirements beginning for the 2020 RA year, as well as a number of corresponding modifications to the RA program. Shell requested changes to two components of the decision: (1) the establishment of the multi-year RA requirements even though the CPUC did not designate a central procurement entity, and (2) RA reporting by the Energy Division of LSE-specific resources. The PFM is currently pending.

Track 3 of the proceeding addresses further refinements to the RA program, including the load forecasting methodology, which impacts VCE’s RA requirements and associated procurement costs. CalCCA submitted a Track 3 proposal on March 22, 2019 incorporating VCE’s suggestions to push back the timeline for load forecasting, provide earlier notice to LSEs of California Energy Commission (CEC) plausibility adjustments and an opportunity for LSEs to contest these, penalize LSEs for under-forecasting and compensate impacted LSEs. The CalCCA proposal would also tailor RA purchases to actual month-to-month forecast load.

- **Details:** The PD would adopt CAISO’s recommended 2020-2022 LCR values and CAISO’s 2020 flexible capacity requirements and would make no changes to the System capacity requirements. It would establish an IOU load data sharing requirement, whereby each non-IOU LSE would annually request data by January 15 and the IOU would be required to provide it by March 1. The data would include hourly load data for each customer in the LSE’s territory for the prior year, and corrections to such data for the two years prior to that. The PD would also adopt the Energy Division’s “binding notice of intent” proposal such that an LSE’s initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becomes a binding obligation of that LSE, regardless of additional changes in an LSE’s implementation to new customers.

In addition, the PD would make a number of changes to the RA penalty structure and waiver process, including increasing the penalty for local RA deficiencies, clarifying penalty calculations for LSEs incurring both system and flexible RA deficiencies, increasing the local RA waiver trigger price, changing the process for requesting a local RA waiver to a Tier 2 Advice Letter filing, and reiterating that requests for waivers of system or flexible RA will be summarily dismissed.

Furthermore, the PD would allow load migration to be the only reason for differences between initial and final year ahead load forecasts. Finally, the PD would require the Energy Division to convene a working group to evaluate improvements and refinements prior to the development of the 2021-2023 local Resource Adequacy requirements.

AREM’s Petition for Modification of D.19-02-022 takes issue with that Decision’s direction to disaggregate the local RA contracts for resources in PG&E Other for years 2020 and beyond.
executed prior to the effective date of the Decision can fully utilize them for RA compliance for the duration of the original contract term.

- **Analysis:** The PD would decline to adopt numerous changes to the RA process requested by CCAs to increase transparency, accountability and market efficiency. Instead, it would adopt several modest reforms that generally keep in place the current RA framework and process. D.19-02-022 affected VCE’s Local RA compliance obligations beginning in 2020 by requiring procurement over a three-year period instead of an annual period. The design, scope, and implementation timeline of a RA central procurement entity remains uncertain. Moving to a central procurement entity would impact VCE’s ability to procure some or all Local RA on its own behalf. If pending petitions for reconsideration by Shell or AReM are granted, VCE’s Local RA compliance obligations could be further impacted.

- **Next Steps:** In Track 2, a final decision regarding the central buyer is anticipated for Q4 2019. In Track 3, comments and reply comments, respectively, on the PD are due June 13, 2019, and June 18, 2019. The earliest date that the CPUC could vote on the PD is June 27, 2019.

- **Additional Information:** Proposed Decision adopting local and flexible capacity requirements (May 24, 2019); AReM Petition for Modification (May 24, 2019); Final Flexible Capacity Needs Assessment (May 15, 2019); Final Local Capacity Technical Analysis (May 1, 2019); Shell Energy Petition for Modification of D.19-02-022 (March 18, 2019); D.19-02-022 (March 4, 2019); Amended Scoping Memo and Ruling (January 29, 2019); 2017 Resource Adequacy Report (August 3, 2018); D.18-06-030 setting local capacity requirements and resource adequacy program revisions and D.18-06-031 adopting flexible capacity requirements for 2019 (both on June 22, 2018); Scoping Memo and Ruling (January 1, 2018; modified in part on May 2, 2018); Docket No. R.17-09-020.

### Utility Wildfire Mitigation Plans Rulemaking

Comments and reply comments, respectively, were filed by parties on May 20, 2019 and May 28, 2019 on Proposed Decisions regarding wildfire mitigation plans filed by PG&E and other entities. D.19-05-036, a Guidance Decision applicable to all entities filing wildfire mitigation plans, and D.19-05-037, a PG&E-specific Decision, were issued on June 3, 2019, and June 4, 2019, respectively. On June 5, 2019, PG&E filed Advice Letter (AL) 5555-E to create a memorandum account to track wildfire safety plan costs.

- **Background:** This proceeding implements electric utility Wildfire Mitigation Plans pursuant to SB 901 (2018). PG&E’s Wildfire Mitigation Plan provided an expanded use by PG&E of its Public Safety Power Shutoff (PSPS) program to prevent wildfires from occurring during extreme weather events and dry vegetation conditions, with the number of electric customer premises potentially impacted by PSPS events increasing year-over-year from 570,000 to 5.4 million. The Plan also included increasing vegetation management (removing 375,000 trees in 2019, up 235% from 2017); more frequent inspections of transmission and distribution system infrastructure; 150 circuit miles of system hardening (e.g., undergrounding power lines); enhanced situational awareness through additional weather stations and cameras; and resilience zones. PG&E planned to use pre-installed interconnection hubs (PIH), to be able to quickly and safely connect temporary mobile generation to energize an isolated Resilience Zone to provide service to central community resources like grocery stores when PG&E de-energizes power lines in the area due to wildfire risk conditions. PG&E suggested that the PIHs could evolve into Resilience Zone Microgrids over time, as preferred resource combinations begin to meet technical requirements, and as PG&E’s capability to operate these systems matures.

- **Details:** The Guidance Decision (D.19-05-036) addressing issues that are common to all of the Wildfire Mitigation Plans, orders all IOUs to collect data and file reports on this year's Wildfire Mitigation Plans, initiates a process to establish metrics to evaluate the Wildfire Mitigation Plans, and establishes a process for 2020 Wildfire Mitigation Plans. D.19-05-036 stresses the importance of IOUs focusing on outcomes, i.e., mitigating the risk of catastrophic wildfires, rather than emphasizing inputs like number of trees removed or miles of conductor installed. It rejects as
incorrect the IOUs’ assertion that substantial compliance with their Wildfire Mitigation Plans ensures cost recovery, finding that cost recovery issues are reserved for consideration in the IOUs’ General Rate Cases. D.19-05-036 directs CPUC’s Safety and Enforcement Division to initiate a process beginning in Fall 2019 to work with all stakeholders to develop a common template for tracking key metrics.

The separate Decision on PG&E’s Wildfire Mitigation Plan (D.19-05-037) approved the plan subject to specific reporting, metrics, data and advice letter requirements identified. The CPUC did not act on the second amended Wildfire Mitigation Plan distributed by PG&E on April 25, 2019, deferring consideration to Phase 2 of this proceeding. D.19-05-037 also imposes additional requirements on PG&E for its 2020 Wildfire Mitigation Plan.

PG&E’s AL 5555-E proposes to establish a Wildfire Plan Memorandum Account (WPMA) effective May 30, 2019. The WPMA will track costs incurred to implement PG&E’s Wildfire Safety Plan. AL 5555-E notes that cost recovery for costs recorded to the WPMA will likely occur either through a general rate case or future application.

- **Analysis**: PG&E’s Wildfire Mitigation Plan established its management approach to preventing wildfires in the future and included provisions impacting the quality of service experienced by VCE customers (e.g., PG&E’s procedures for de-energizing electrical lines) and costs paid by VCE customers (e.g., PG&E’s expenditures related to maintaining its transmission and distribution systems are paid by all distribution customers, including VCE customers). While wildfire plans can influence the approach and investments made by utilities like PG&E to mitigate the risk of catastrophic wildfires, cost recovery issues are generally outside the scope and will be separately addressed through utility GRCs.

- **Next Steps**: Protests of AL 5555-E are due June 25, 2019. D.19-05-036 establishes a number of follow-up actions required of entities filing Wildfire Mitigation Plans, including filing Tier 3 advice letters six months and twelve months after the effective date of the decision describing concerns about the effectiveness of any program in their Wildfire Mitigation Plans (“off ramps”) and filing a report by July 30, 2019 on data collection for Wildfire Mitigation Plans that includes proposed metrics for assessing their results (party comments on the reports are due August 21, 2019). The CPUC’s Safety and Enforcement Division is authorized to convene one or more workshops in 2019 for the purpose of initiating the 2020 Wildfire Mitigation Plan process.

In addition, PG&E specifically is required to file a Tier 1 Advice Letter within 30 days of issuance of a final decision specific to its Wildfire Mitigation Plan that articulates a plan for communicating the fire and weather data and modeling information from its Wildfire Safety Operations Center in real time during potential or actual emergency events to affected agencies, governments, and first responders.

- **Additional Information**: AL 5555-E establishing Wildfire Plan Memorandum Account (June 5, 2019); D.19-05-037 PG&E-specific decision on 2019 Wildfire Mitigation Plan (June 4, 2019); D.19-05-036 Guidance Decision on 2019 Wildfire Mitigation Plans (June 3, 2019); PG&E Second Amendment to Wildfire Mitigation Plan (April 25, 2019); PG&E Wildfire Mitigation Plan (February 6, 2019); Ruling on independent evaluator (January 30, 2019); Scoping Memo and Ruling (December 7, 2018); Order Instituting Rulemaking (October 25, 2018); R.18-10-007.

### Wildfire Cost Recovery Methodology Rulemaking

On May 24, 2019, the judge issued a Proposed Decision (PD) for adopting criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay (i.e., borne by shareholders rather than ratepayers).

- **Background**: SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility’s rates and charges are “just and reasonable.” In addition, and notwithstanding this basic rule, the CPUC must “consider the electrical corporation’s financial status and determine the maximum amount the corporation can
pay without harming ratepayers or materially impacting its ability to provide adequate and safe service.” Costs that would ordinarily be disallowed as not being “just and reasonable” may not exceed this maximum amount. This proceeding will implement the provisions of SB 901 by adopting criteria and a methodology for use by the CPUC in future applications for cost recovery of wildfire costs. The OIR will not adopt a specific financial outcome for purposes of cost recovery in a future wildfire cost recovery application by a utility. Furthermore, the scope of this proceeding does not include the consideration of cost recovery for any specific wildfire.

- **Details:** The PD first notes that the Stress Test cannot be applied to a utility that has filed for Chapter 11 bankruptcy protection (i.e., PG&E) because under those circumstances the CPUC cannot determine essential components of the utility’s financial status. In that instance, the PD states that a reorganization plan will inevitably address all pre-petition debts, include 2017 wildfire costs, as part of the bankruptcy process.

The framework proposed for adoption in the PD is based on an April 2019 Staff Proposal, with some modifications. The framework is targeted at requiring a utility to pay the greatest amount of costs while maintaining an investment grade rating, as follows:

- A utility requests application of the Stress Test to determine if disallowed wildfire costs should be allocated to ratepayers, either via a new application or in a second phase of a proceeding in which costs were disallowed.
- The CPUC applies a three-factor evaluation to determine the maximum amount a utility can pay (the “customer harm threshold”). The amount allocated to ratepayers equals the total Stress Test Costs minus the customer harm threshold.
- The CPUC considers potential ratepayer protection measures as conditions of cost recovery, with an intention of mitigating ratepayer impacts because the Stress Test determination will be final and not subject to future revision.

The PD requires utilities to propose ratepayer protection measures in Stress Test applications and establishes two options for doing so. Under Option #1, the utility must submit a proposal for providing ratepayers with "equity warrants” that provide ratepayers with a portion of the upside of increase share prices. The equity warrants are to be held in a special purpose fund or trust to offset rate impacts of Stress Test costs. The revised Staff Proposal appears to require that ratepayers receive an incremental 1% of the upside for each $500 million in wildfire liability that they are responsible for, up to a maximum of 15%. Option #2 allows a utility to propose its own ratepayer protection measures that offer equivalent or greater protections to ratepayers compared to the equity warrant concept.

- **Analysis:** This proceeding will establish the methodology the CPUC will then use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E, if the PD is adopted in its current form) may recover associated with 2017 or future wildfires.

- **Next Steps:** Comments on the PD are due June 13, 2019, replies are due June 18, 2019, and the PD may be considered for adoption by the CPUC, at earliest, at its June 27, 2019, meeting.

- **Additional Information:** [Proposed Decision](#) (May 24, 2019); [Assigned Commissioner’s Ruling releasing Staff Proposal](#) (April 5, 2019); [Scoping Memo and Ruling](#) (March 29, 2019); [Order Instituting Rulemaking](#) (January 18, 2019); R.19-01-006. See also SB 901, enacted September 21, 2018.

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

On May 7, 2019, the judge issued a Proposed Decision (PD). Parties filed comments on the PD on May 28, 2019, and replies on June 3, 2019.
• **Background:** On December 21, 2019, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E’s organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

• **Details:** The PD would order PG&E to report on the safety experience and qualifications of the PG&E Board of Directors and establish an advisory panel on corporate governance. The PD is brief. It requires PG&E to, within 20 days after the effective date of a decision, provide a variety of information on each PG&E and PG&E Corporation Board member, involving safety training, related work experience, previous positions held, and current professional commitments. The newly established CPUC Advisory Panel is likewise addressed only briefly and no information on how members will be selected is provided. However, an Appendix provides bios for a number of people who spoke at two April 2019 CPUC forums on governance, management, and safety culture.

• **Analysis:** Given the broad initial scope, and limited scope of the PD, this proceeding could have a range of possible impacts on CCAs and their customers. The scoping memo, while focused on PG&E, raised a series of questions regarding the future of the existing models of electricity generation, transmission and distribution in California and the entities participating in providing these services.

• **Next Steps:** The PD may be adopted, at earliest, at the June 13, 2019, CPUC meeting.

• **Additional Information:** Proposed Decision (May 7, 2019); Joint Ruling (March 28, 2019); Joint CCA Comments (February 13, 2019); Scoping Memo (December 21, 2019); I.15-08-019.

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**PCIA Rulemaking**


• **Background:** D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

A Phase 2 Scoping Memo and Ruling relies primarily on a working group process to further develop a number of PCIA-related proposals. It provides that three types of issues are within the Phase 2 scope: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

• **Details:** Working Group One’s Report addresses Issues 1-7, which concern methodologies to calculate and true-up the PCIA market price benchmarks (MBPs). The report identifies areas of remaining disagreement between PG&E and CalCCA, as well as presents consideration of a proposal submitted by TURN.

• **Analysis:** Phase 2 of this proceeding could further affect the PCIA paid by VCE’s customers in future (post-2019) years, as well as other important PCIA issues that could impact CCAs such as prepayment.

• **Next Steps:** A Working Group One meeting regarding a proposal for Load Forecasting, Rate Design, and Tariff Changes is scheduled for June 7, 2019. Working Group One’s second report on remaining high priority issues is due July 1, 2019. Working Group Two’s next progress report is due July 26, 2019. Parties may request evidentiary hearings by filing a motion within ten working days of a working group report being filed; therefore, such a request is due June 10,
2019, for the first Working Group One Report. A Proposed Decision (PD) on the Brown Power, RPS and RA true-ups are anticipated in September 2019, with a separate PD issued later Fall 2019 on other Working Group One issues.

- **Additional Information:** Working Group One Report on Brown Power, RPS and RA True-Up (May 31, 2019); Phase 2 Scoping Memo and Ruling (February 1, 2019); D.18-10-019 Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); D.18-09-013 Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. R.17-06-026.

**PG&E’s 2020 Energy Resource and Recovery Account Forecast**

On June 1, 2019, PG&E filed its 2020 Energy Resource and Recovery Account (ERRA) forecast application.

- **Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year. They determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates.

- **Details:** PG&E is forecasting a 2020 total revenue requirement of $2.908 billion, comprised of $2.426 billion related to its ERRA, plus four non-bypassable charges, less the costs of utility-owned generation. The non-bypassable charges and associated forecasted revenue requirements are: (1) the Competition Transition Charge (CTC), $62.2 million; (2) the PCIA, $2.549 billion; (3) the Cost Allocation Mechanism, $147.4 million; and (4) the Tree Mortality Non-Bypassable Charge, $92.6 million. The utility-owned generation revenue requirement is forecasted at $2.368 billion. PG&E also requested approval of its 2020 sales forecast, as well as its 2020 GHG-related forecasts, which includes a net GHG revenue return of $391.5 million. PG&E seeks a January 1, 2020 effective date for its rate proposals associated with its proposed electric procurement-related revenue requirements.

- **Analysis:** This proceeding will establish the amount of the PCIA for VCE’s 2020 rates and the level of PG&E’s generation rates for bundled customers.

- **Next Steps:** Protests are due July 5, 2019. PG&E will serve supplemental testimony on July 29, 2019, (the “July Supplement”) to update the ERRA Application revenue requirements to reflect (1) the establishment of the Portfolio Allocation Balancing Account (PABA); (2) forecasts of 2019 year-end balancing account balances; and (3) updated 2020 forecasted rates. In November 2019, PG&E will update its 2020 ERRA Forecast revenue requirements, forecasted end of year balancing account balances, electric sales forecast.

- **Additional Information:** Application (June 3, 2019); Testimony available on PG&E’s regulatory webpage (June 3, 2019); Docket No. A.19-06-001.

**PG&E’s 2019 Energy Resource and Recovery Account Forecast**

On May 8, 2019, a group of CCAs jointly filed a protest of PG&E’s Advice Letter (AL) 5527-E, which implements the 2019 ERRA Forecast revenue requirement, including a true-up of the 2018 PCIA rates to reflect 2018 brown power costs and revenues. On May 15, 2019, PG&E submitted AL 5527-E-A in response to an Energy Division staff request for PG&E to provide PCIA calculations in a similar manner to those provided by SCE. On May 20, 2019, the CCAs filed a protest of AL 5527-E-A. On May 28, 2019, PG&E filed AL 5549-E, notifying the CPUC that its ERRA balance has surpassed the four percent Trigger Amount.

- **Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year. More specifically, they determine fuel and purchased power costs associated with serving bundled
customers that utilities may recover in rates. The CPUC’s March 2019 Decision (D.19-02-023) granted the brown power true-up for target year 2018, resulting in a total 2019 PCIA revenue requirement that decreases further from the $1.043 billion in the Proposed Decision (PD), which itself was a decrease of $122 million. It also revised the methodology for calculating the brown power true-up, which will likely reduce the amount of the true up compared to original estimates. The exact further amount of the reduction is determined in Advice Letter 5527-E.

- **Details:** According to the calculations of the CCAs, the correct Brown Power True-Up should be $163.8 million, rather than $36.3 million calculated by PG&E. For reference, in AL 5527-E, PG&E proposed 2019 PCIA rates based in part on its Brown Power True-Up calculation, resulting in an average PCIA of $0.02871/kWh for 2018 vintage customers and $0.02891/kWh for 2019 vintage customers. For residential customers, the PCIA rates calculated by PG&E are $0.02960/kWh for 2018 vintage customers and $0.02993/kWh for 2019 vintage customers.

In AL 5527-E-A, PG&E performed the alternate calculation requested by the Energy Division, which contains a revenue-only update to the PCIA calculation presented in Advice 5527-E and removes the cost component of the PCIA brown power true up for 2018. PG&E asserts that the alternate revenue calculations requested by staff are contrary to the PCIA Decision (D.18-10-019) and the CPUC’s direction in the ERRA Forecast proceeding, and requests approval of AL 5527-E as filed.

In AL 5549-E, PG&E notified the CPUC that its ERRA balance has surpassed the four percent Trigger Amount based on a $282.5 million balance (overcollection) as of April 30, 2019, or 4.9 percent of PG&E’s prior year recorded generation revenues. PG&E does not recommend a change in rates at this time, noting that the number of accounting, rate, and other changes that are expected to occur in the next 60-75 days and proposing to update this advice letter no later than July 29, 2019.

- **Analysis:** This proceeding implements the October Track 2 Decision from the PCIA docket and establishes the amount of the PCIA for VCE’s 2019 rates and the level of PG&E’s generation rates for bundled customers. Any under or over-collections between January 1, 2019 and the date of the PG&E’s Annual Electric True-Up implementing the ERRA will be recovered in 2020 rates.

- **Next Steps:** We anticipate PG&E will be filing a second supplemental advice letter, AL 5527-B. PG&E requests an effective date of June 1, 2019, for AL 5527-E. Protests of AL 5549-E are due June 17, 2019.

- **Additional Information:** AL 5549-E (May 28, 2019); AL 5527-E-A (May 15, 2019); AL 5528-E-A and AL 5528-E (April 26, 2019 and April 19, 2019); AL 5527-E (April 18, 2019); D.19-02-023 (March 4, 2019); PG&E’s Application (June 1, 2018); PG&E’s Testimony (June 1, 2018); Docket No. A.18-06-001.

**PG&E’s 2018 Energy Resource and Recovery Account Compliance**

A prehearing conference was held on May 8, 2019, and a Scoping Memo and Ruling was issued on June 3, 2019.

- **Background:** ERRA compliance review proceedings review the utility’s compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRA balancing account. In its application, PG&E requested that the CPUC find that it 2018 PG&E complied with its CPUC-approved Bundled Procurement Plan (BPP) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources, as well as that it managed its utility-owned generation (UOG) facilities reasonably. PG&E also requested recovery of $4.7 million for Diablo Canyon seismic study costs.
Details: The Scoping Memo and Ruling provides that this proceeding will investigate whether PG&E has complied with its CPUC-approved bundled procurement plan (BPP). The Ruling rejected as outside of the scope of this proceeding two issues raised by a group of CCAs: (1) the reasonableness of PG&E’s portfolio management strategies, and (2) the impact of PG&E’s bidding behavior on market prices. The Ruling also establishes a procedural schedule, as described below.

Analysis: This proceeding will address whether PG&E correctly calculated and accounted for the actual costs it incurred in 2018 and whether it managed its portfolio of contracts and UOG in a reasonable manner.

Next Steps: Intervenor testimony and reply testimony is due July 12, 2019 and July 24, 2019, respectively. PG&E rebuttal testimony is due August 2, 2019. Evidentiary Hearings are scheduled for August 19-23, 2019. Briefs and reply briefs are due October 4, 2019, and October 25, 2019, respectively. A Proposed Decision is anticipated in Q1 2020.

Additional Information: Scoping Memo and Ruling (June 3, 2019); Notice of Prehearing Conference (April 17, 2019); Response of EBCE and PCE (April 5, 2019); Resolution categorizing proceeding as ratesetting (March 14, 2019); PG&E Application (February 28, 2019); Docket No. A.19-02-018.

PG&E Phase I General Rate Case (GRC)

On May 7, 2019, the judges issued a Ruling establishing a series of public participation hearings to be held throughout the summer across PG&E’s service territory.

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

Overall, more than half of PG&E’s proposed increase in this GRC is directly related to wildfire prevention, risk reduction, and additional safety enhancements. Specifically, PG&E proposes expanding its integrated wildfire mitigation strategy, the Community Wildfire Safety Program, which PG&E established following the October 2017 North Bay wildfires to mitigate wildfire threats, with plans to spend an incremental $5 billion between 2018-2022. PG&E is also requesting a two-way balancing account for insurance premiums and other financial-risk transfer instruments, under which it would be permitted to recover up to $2 billion in insurance costs.

Significantly, PG&E is proposing to shift substantial hydroelectric generation costs into a non-bypassable charge, arguing that its hydro facilities provide benefits beyond electricity generation. PG&E proposes to shift costs associated with these alleged public benefits from its generation rates (applicable only to bundled customers) to a non-bypassable charge (e.g., the Electric Public Purpose Programs charge). Examples of current and future costs that would be recovered through the non-bypassable charge include, but are not limited to: (1) protection of the natural habitat of fish, wildlife, and plants; (2) outdoor public recreation; (3) protection of historic resources; (4) compliance with conservation easements on the watershed lands; (5) post-decommissioning activities that are a result of FERC orders. PG&E estimates that the unrecovered historic costs that it would shift to the non-bypassable electric charge are $83.1 million for fish and wildlife and recreation values, plus tens of millions in forecasted future costs, with new license compliance (~$59 million in 2021-2022) expected as the largest subcategory of future expenses.
Details: N/A.

Analysis: PG&E’s GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which would negatively affect the competitiveness of VCE’s rates relative to PG&E’s.

Next Steps: Nine public participation hearings are scheduled for July and August, beginning with a July 9, 2019, hearing in San Francisco. Public Advocates Office testimony is due June 28, 2019, followed by intervenor testimony on July 26, 2019. Public participation hearings will be held in July/August 2019. An evidentiary hearing is scheduled to begin September 23, 2019. A proposed GRC Phase 1 decision is targeted for Q1 2020. PG&E will propose its cost allocation and rate design in its 2020 GRC Phase 2 proceeding, which PG&E plans to file by November 22, 2019.

Additional Information: Ruling setting public participation hearings (May 7, 2019); Scoping Memo and Ruling (March 8, 2019); Joint CCAs’ Protest (January 17, 2019); Application and PG&E GRC Website (December 13, 2018); A.18-12-009.

2018 Rate Design Window (RDW)

On May 31, 2019, parties filed testimony in Phase III of this proceeding.

Background: The IOUs’ RDW applications have been consolidated into one proceeding. This proceeding is divided into three phases, with the second phase further bifurcated. A May 2018 Phase I Decision granted PG&E approval to begin transitioning eligible residential customers to TOU rates beginning in October 2020. A December 2018 Phase IIA Decision addressed PG&E restructuring of the CARE discounts into a single line item percentage discount to the customer’s total bill.

The proceeding is currently focused on Phase IIIB and Phase III. Phase IIIB addresses PG&E’s rate design proposals and implementation, including a number of issues impacting CCA customers (e.g., PG&E’s CCA rate comparison tool and TOU rate design roll out to CCA customers). Phase III considers the IOUs’ proposals for fixed charges and/or minimum bills.

Details: N/A.

Analysis: This proceeding will impact the timing, details, and implementation of residential TOU rates for bundled PG&E customers as well as VCE customers via rate design changes to the distribution component of customer bills. It could affect the level of VCE’s rates compared to PG&E’s, and to the extent VCE mirrors PG&E’s residential rate design, lead to changes in the way VCE structures its residential rates.

Next Steps: In Phase IIIB, a Proposed Decision is expected in June 2019. In Phase III, rebuttal testimony due June 28, 2019, with evidentiary hearings scheduled for August 5-16, 2019. Phase III briefs and reply briefs, respectively, are due September 13, 2019, and October 4, 2019, with a Proposed Decision expected in Q1 2020.

Additional Information: PG&E Phase III Revised Testimony on fixed charges (April 12, 2019, and March 29, 2019); D.18-12-004 on Phase IIA Issues (December 21, 2018); Ruling requesting supplemental testimony on GHG reduction cost estimates (August 17, 2018); PG&E Supplemental Testimony (August 17, 2018); Ruling clarifying scope (July 31, 2018); D.18-05-011 (Phase I) on the timing of a transition to default TOU rates (May 17, 2018); Amended Scoping Memo (April 10, 2018); PG&E Rate Design Window Application & Testimony (December 20, 2017); Docket No. A.17-12-011 (consolidated).
2019 RDW

In May 20, 2019, the CPUC issued D.19-05-010, approving the filed settlement agreement and closing the proceeding.

- **Background**: This proceeding stems from PG&E’s recently completed 2017 Phase 2 general rate case (GRC), where a new set of default rates (AG-A, AG-B, and AG-C) and opt-in rates (AG-RA, AG-RB, and AG-RC) were adopted to replace the legacy set of agricultural rate schedules. The associated settlement required PG&E to file a 2019 RDW proposal seeking bill mitigation measures for “highly impacted” customers, defined as those that would see bill increases over 7% and $100 per year.

- **Details**: The Decision grants a petition for modification filed by PG&E regarding a decision issued in its previous Phase 2 General Rate Case (D.18-08-013 in docket A.16-06-013) with respect to grandfathered rates applicable to agricultural solar customers, and it approves the settlement agreement previously filed in this proceeding. Settling Parties agreed to rate modifications to the 2017 GRC Phase 2 rates proposed in PG&E’s 2019 RDW testimony, including the addition of time-of-use differentiation to the distribution component, modification of Schedule AG-C demand charges, and addition of a higher load factor rate for customers under 35 kW. As part of a transition from connected load to metered demand (which can adversely affect some agricultural customers when their metered demand exceeds their connected load used for billing), parties also agreed to transition all AG-A customers who are not highly-impacted to the new 2019 RDW rates in March 2021, and to transition all highly-impacted AG-A customers to the new 2019 RDW rates in March 2022. However, highly impacted customers are not eligible for this delay in transitioning to new rates if they are CCA, direct access, or net metering customers beginning service on or after August 9, 2018.

- **Analysis**: This proceeding resulted in changes, or will result in future changes, to rates for PG&E’s agricultural customers, including impacting the distribution rate design applicable to agricultural customers under specific schedules. It also resulted in a beneficial extended transition period for certain customers, but prohibits new CCA customers (since August 9, 2018) from being eligible.

- **Next Steps**: N/A.

- **Additional Information**: D.19-05-010 (May 20, 2019); Ruling canceling procedural schedule (March 13, 2019); Settlement Agreement (March 5, 2019); Scoping Memo and Ruling (January 24, 2019); PG&E Application (November 26, 2018); A.18-11-013.

Integrated Resource Planning (IRP) Rulemaking

There are no updates this month.

- **Background**: VCE submitted its IRP on August 1, 2018, and its next IRP filing is due May 1, 2020. In the CPUC’s IRP process, it adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. In May 2019, the CPUC issued D.19-04-040, which rejected an aggregation of each of the LSEs’ IRPs (the Hybrid Conforming Portfolio) as the statewide PSP, adopting instead a modified version of the Reference System Plan adopted in D.18-02-018 as its PSP. D.19-04-040 opens a new “procurement track” of the proceeding to determine how LSEs are to procure resources to satisfy the PSP by 2030. Specifically, the decision clarifies that the priorities for this track will be to (1) develop mechanisms for a “backstop” procurement in the event an LSE or LSEs fail to procure resources identified in their IRPs, and (2) address procurement that may require collective action. The procurement track will evaluate the need for the following types of resources: diverse renewable resources in the near term, to reduce reliance on fossil-fueled generation and at levels sufficient to reach the 2030 optimized portfolio, in coordination with the RPS program; near-term resources with load-following and hourly or intra-hour renewable integration capabilities; existing natural gas resources at minimal levels consistent with reliability needs; and long-duration storage resources,
approached in a technology-neutral manner. The approved revised PD said some CCAs’ “attitude[s]” regarding the IRP process was “[v]ery concerning.”

The decision also found that VCE’s 2017-18 IRP filed in August 2018 is not yet approved, and required VCE to file a Tier 2 Advice Letter to provide best available estimates of emissions of particulate matter associated with all emitting resources used to serve load for the years of 2018, 2022, 2026, and 2030. (This requirement applies to 16 other CCAs as well.)

- **Details:** N/A.
- **Analysis:** The procurement track of this proceeding could potentially diminish VCE’s authority and control over its resource procurement decisions, although the scope of centralized procurement is now limited to establishing a procurement backstop mechanism and procurement of resources requiring collective action.

With the exception of this procurement track, this proceeding is focused on addressing issues that will be relevant to VCE’s 2020 IRP filing. VCE will be required to disclose additional contractual and development status of its resource choices in its 2020 IRP filing, as well a section describing its plans to address the retirement of the Diablo Canyon Generation Plant and the characteristics of its energy output, including flexible baseload and/or firm low-emission energy.

- **Next Steps:** The procurement track will begin Summer 2019. VCE’s Advice Letter updating its 2018 IRP with best available estimates of emissions of particulate matter associated with all emitting resources used to serve load, including system power, is due on June 14, 2019. VCE must make a separate filing by August 16, 2019, including the contractual status and the development status of each resource. CPUC staff will develop the exact data request format and template, and will also subsequently produce a public progress chart about the contractual and project status data submitted by LSEs. The CPUC is also expected to issue a new Order Instituting Rulemaking on the 2019-2020 IRP cycle in 2019.

- **Additional Information:** D.19-04-040 on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Ruling seeking comments on the Reference System Plan scenarios and analysis for 2019-2020 IRPs (February 11, 2019); Ruling and attachments on Proposed Preferred System Portfolio for 2017-2018 and Proposed IRP Portfolios for 2019-2020 CAISO Transmission Planning Process (January 11, 2019); Ruling seeking comments on reliability issues (November 16, 2018); Ruling finalizing production cost modeling approach and schedule (November 15, 2018); VCE’s 2018 IRP (August 1, 2018); D.18-02-018 adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. R.16-02-007.

**Other Regulatory Developments**

- **CPUC President Announces Retirement.** CPUC President Michael Picker announced he would retire from the CPUC as early as July, but likely later to allow Governor Newsom time to appoint a successor to fill his seat, local media reported. When asked about his tenure at the CPUC, Picker responded, “It’s the most frustrating job I’ve ever had.”

- **SB 237 Direct Access Rulemaking.** On June 3, 2019, the CPUC issued D.19-05-043 in Phase 1 of this proceeding (Docket No. R.19-03-009), increasing the annual cap on non-residential direct access enrollment by 4,000 GWh (1,873 GWh in PG&E’s service territory). The adopted Decision includes a revision to the original Proposed Decision that pushes the beginning of direct access service for the new load allocation from January 1, 2020 to January 1, 2021. The revision was made in response to party comments arguing that a 2020 start date coupled with the timing of California’s resource adequacy (RA) cycle for LSEs could cause cost shifts to CCA and bundled utility customers. This could occur because LSEs were required to submit preliminary 2020 load forecasts on April 19, 2019, which form the basis of the allocation of RA requirements. Since those load forecasts would not capture future customer departures to direct access service, a 2020 start date could result in CCAs and utilities having procured more RA capacity than they actually require for 2020 (i.e., incurring costs for customers that they end up not serving in 2020).
Due to this change, the Decision incorporated corresponding changes that eliminate a two-year phased approach for allowing new direct access enrollment (50% for service beginning in 2020 and 50% in 2021) and revises the schedule for customers to enroll in direct access and for departing load to be reported to the customers’ current energy provider. CCAs will receive a first notification of the amount of departing load by September 10, 2019 and a final notice by February 10, 2020 after customers have signed contracts with their respective retail access providers, in time for the CCAs to prepare their April 2020 preliminary load forecast filing for the 2021 RA year.
Pacific Policy Group, VCE’s lobby services consultant, continues to work with Staff and the Community Advisory Committee’s Regulatory and Legislative Task Group on numerous legislative bills. Below is a summary of the key bills that are currently being monitored:

1. **AB 56 (Garcia, Eduardo) Electricity: procurement by the California Alternative Energy and Advance Transportation Financing Authority.** Would authorize the Public Utilities Commission, if it makes certain findings, to authorize the California Alternative Energy and Advanced Transportation Financing Authority to undertake procurement of electricity to meet the state’s climate, clean energy, and reliability goals that are not satisfied by load-serving entities. The bill would authorize the authority to undertake procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. The bill would provide for the reduction in procurement compliance obligations for load-serving entities for the electricity procured by the authority.

2. **SB 155 (Bradford) California Renewables Portfolio Standard Program: Integrated resource plans.** Current law requires the Public Utilities Commission to direct each retail seller to prepare and submit an annual report to the commission that includes specified information on the retail seller’s compliance with requirements related to eligible renewable energy resource procurement. This bill would require the commission to review each annual compliance report filed by a retail seller, to notify a retail seller if the commission has determined, based upon its review, that the retail seller may be at risk of not satisfying the renewable procurement requirements for the then-current or future compliance period, and to provide recommendations in that circumstance regarding satisfying those requirements.

3. **SB 350 (Hertzberg) Electricity: resource adequacy: multiyar centralized resource adequacy mechanism.** Would authorize the Public Utilities Commission to consider a multiyear centralized resource adequacy mechanism, among other options, to most efficiently and equitably meet specified resource adequacy objectives.

4. **SB 515 (Caballero) California Renewables Portfolio Standard Program: bioenergy renewable feed-in-tariff.** Pursuant to current law, the Public Utilities Commission has
adopted resolutions establishing fuel or feedstock procurement requirements for generation from bioenergy projects intended to reduce wildfire risks that are applicable to the state’s 3 largest electrical corporations. This bill would expand the fuels and feedstocks that are eligible to meet these wildfire risk reduction fuel and feedstock requirements to include biomass diverted from specified higher fire-risk zones.

5. **SB 520 (Hertzberg D) Electrical services: provider of last resort.** Under existing law, a public utility has a duty to serve, including furnishing and maintaining adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons and the public. This bill would provide that an incumbent electrical corporation, as defined, is the provider of last resort, as defined, unless provided otherwise in a service territory boundary agreement approved by the commission pursuant to existing law or as designated by the Public Utilities Commission pursuant to the bill.

6. **SB 774 (Stern D) Electricity: microgrids.** Would require each electrical corporation to collaborate with the Office of Emergency Services, local governments and other interested parties in its service territory to identify locations where sources of back-up electricity may provide increased electrical distribution grid resiliency. The bill would authorize electrical corporations to file applications with the commission to invest in, and deploy, microgrids to increase that resiliency, and would prohibit the PUC from approving microgrid applications that use a cost-recovery mechanism that recovers costs from all of an electrical corporation’s ratepayers unless certain requirements are met.
TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Customer Enrollment Update and Call Center Report (Information)
DATE: June 17, 2019

RECOMMENDATION

Receive and review the attached Customer Enrollment update as of June 6, 2019 and the monthly Call Center report as of May 26, 2019.
Enrollment Update

Status Date: 6/6/19

Approximately 7,000 NEM customers are pending enrollment with VCE and are included in the eligible total.

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TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager
SUBJECT: Transmittal of Community Advisory Committee Reports – April 25, 2019 and May 23, 2019 meetings
DATE: June 17, 2019

This report transmits the Community Advisory Committee’s Summary Reports regarding its April 25, 2019 and May 23, 2019 meetings.

Attachment
1. April 25, 2019 CAC Meeting Summary Report
2. May 23, 2019 CAC Meeting Summary Report
Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of April 25th CAC Meeting
All CAC members were in attendance

- Solar Home and Business (NEM) Enrollment Update
  - M. Baird provided an overview of an updated report that the Rates and Services task group prepared regarding NEM enrollment which incorporated information requested by CAC members at the last meeting as well as new information. She discussed the task group’s recommendations. M. Sears expanded on some items in the report and L. Limcaco presented new financials based on latest PCIA numbers and PG&E rates. M. Sears then provided an overview of the Staff report and recommendations. Task group member C. Shewmaker offered additional or counter comments on the Staff recommendations and each CAC member provided their perspective. Board member L. Frerichs made a public comment.
  - Motion: to recommend that the Board initiate steps as needed to begin enrolling legacy NEM customers starting in January 2020, and if NEM enrollment perceived to create negative financial impacts to find alternatives rather than postponing legacy NEM enrollment. Motion passed: 7-1-0.
  - The motion was based on the task group’s recommendation and clarifications suggested by CAC members. No action was taken on the task group report or the Staff report. The Rates and Services Task Group will prepare a modified report for the CAC meeting in May.

- Rate Structure/Dividend Program
  - The Rates and Services task group reviewed their recommendation to add one more guideline to the Dividend program.
  - Motion: to recommend to the Board to support the Dividend Guidelines presented by VCE Staff with one addition – the CAC recommends that dividends should not be paid out until the enrollment process for the legacy NEM accounts (accounts with solar installations prior to June 2018) in the VCE service area has begun. Motion passed: 8-0-0.

- Interactions with other CCA Advisory Groups
  - M. Sears has mentioned at several CalCCA meetings that VCE’s Advisory Committee would like to interact with other Advisory Committees, but he has not gotten much response, positive or negative. M. Sears stated that CAC members could reach out to their counterparts if they so choose. C. Shewmaker stated that she will start with one or two.
Valley Clean Energy Alliance
Community Advisory Committee (CAC) Report to the Board
Summary of May 23rd CAC Meeting

- **PG&E Presentation of Residential Time of Use (TOU)**
  - Jessica Chancellor, PG&E’s CCA liaison reviewed slides covering PG&E’s new residential time of use rate which will be rolled out next year. The information was basically the same as what was presented by Jim Parks at the March CAC meeting. PG&E is recommending CCAs adopt the rate structure.

- **Solar Home and Business (NEM) Enrollment Update**
  - M. Baird provided an overview of a revised report that the Rates and Services task group prepared regarding NEM enrollment which incorporated information suggested by Staff as well as updated financial data.
  - **Motion:** to approve the report and recommendation (the Board initiate steps as needed to begin enrolling legacy NEM customers starting in January 2020, and if NEM enrollment perceived to create negative financial impacts to find alternatives rather than postponing legacy NEM enrollment.) **Motion passed:** 5-0-0.

- **General Rate Setting and other issues identified by Staff during NEM enrollment discussions**
  - M. Sears reviewed his list of three topics. The topics include planning for future additional NEM penetration, valuing the benefit of GHG reduction by Solar/NEM, and ways to minimize Resource Adequacy costs.

- **Leg/Reg Task Group Summary Report**
  - L. Kristov reviewed the Leg/Reg task group’s findings on four key bills: AB 56, AB 144, SB 520, and SB 288.
  - **Motion:** to accept the report and convey the report to the Board with one modification: SB 288 recommendation changed to “Monitor” instead of “Support in concept.” **AB 56:** Oppose unless amended; **AB 144:** Support in concept; **SB 520:** Monitor. **Motion passed:** 5-0-0.

- **Presentation on potential local energy and efficiency programs**
  - D. Springer began a complete presentation on the topic by outlining scenarios for VCE engagement in delivering energy efficiency programs. There was lots of interest and questions related to the information. The remainder of D. Springer’s presentation will be on the June CAC meeting agenda.

- **Analysis of economic benefits of local clean energy deployment**
  - G. Braun’s slide deck on the topic was included in the agenda package. The item was deferred to the June meeting in order to end the May meeting on time.
TO: VCEA Board of Directors
FROM: Mitch Sears, Interim General Manager
SUBJECT: Community Advisory Committee (CAC) Recommendation to the Board on AB 56, AB 144, SB 520 and SB 288
DATE: June 17, 2019

Staff Recommendation

Support the Community Advisory Committee’s recommendation of positions on four (4) key legislative bills as outlined in this report.

Background and Analysis

On May 23, 2019, the Community Advisory Committee (CAC) received, reviewed and took action on the CAC’s Legislative/Regulatory (Leg/Reg) Task Group’s recommendation of positions on the following four (4) bills:

1. AB 56 (Garcia). California Clean Electricity Authority;
3. SB 520 (Hertzberg). Electric Service. Provider of Last Resort; and,

The CAC Task Group’s analysis and recommendation to the CAC is attached.

In summary:

- AB 56 would authorize the Public Utilities Commission to authorize the California Alternative Energy and Advance Transportation Financing Authority to procure electricity to meet the State’s goals that are not satisfied by load-serving entities including Community Choice Aggregates (CCAs) such as VCE.
- AB 144 would direct the Strategic Growth Council in consultation with stakeholders and permitting agencies to prepare and submit a scoping plan for the State to meet its organic waste management.
- SB 520 would establish a provider of last resort (POLR) as an electric load serving entity (LSE) to ensure electric service for customers not otherwise served by another LSE.
- SB 288 supports the deployment of energy storage systems for interconnection to the grid.
CAC’s Recommendations

The Advisory Committee accepted (5-0-3) the recommendations of its Leg/Reg Task Group on the following bills:

1. Oppose unless amended AB 56 (Garcia).
2. Support in concept AB 144 (Aguiar-Curry).
3. Monitor SB 520 (Hertzberg).

Regarding the Leg/Reg Task Group’s recommendation on SB 288 (Wiener and Nielsen) which is to *support in concept*, the CAC voted (5-0-3) to modify the recommendation to *monitor* this bill.

Staff concurs with the CAC’s recommendation.

Attachment

1. CAC Leg/Reg Task Group Report dated May 23, 2019
Background

The 2019 CAC Leg/Reg Task Group consists of Lorenzo Kristov and Yvonne Hunter (chair). Since VCE now has a lobbying firm, Pacific Policy Group (PPG), to represent it in the California Legislature, the Task Group’s process for reviewing bills and recommending positions has been enhanced. Over the last few months, the Task Group has met three times in person with PPG and VCE staff (as well as through email exchanges) to consider how best to work together to select and review bills, benefit from the insights and analyses of PPG, and make recommendations to the CAC on VCE positions.

PPG is coordinating, as appropriate, with CalCCA and shares with the Task Group information about CalCCA’s legislative agenda and approach. Having PPG share “on the ground” information with staff and the Task Group is very helpful as the Task Group considers pending legislation and what positions, if any, to take.

While we are still working out the process to ensure it works smoothly, the Task Group is confident that VCE’s ability to effectively engage in the legislative process will be significantly improved. Besides emphasizing four to six key bills that PPG (and CalCCA) consider critical (such as those that would harm VCE’s ability to serve its customers and achieve its mission), the Task Group will consider other bills that may be of importance to VCE and the customers it serves.

It is important to remember that besides adopting positions on legislation through the Task Group-CAC-Board process, the Interim General Manager can also go directly to the Board Legislative Committee for action on those items that need more immediate action.

2019-2020 Legislative Session

The new, two-year legislative session started in January with a flurry of new bills introduced. With PPG’s help, we have reviewed top tier bills that at this time warrant review and possible action. Several bills for which we might have recommended an oppose position have been amended thanks to the efforts of CalCCA and it appears that these bills are no longer problematical and do not need a VCE position at this time. For several bills, we are waiting for CalCCA’s review of recent amendments (and whether CalCCA will remove its opposition) to determine whether or not VCE needs to weigh in on these bills.

Beginning in late May, the Task Group, VCE staff and PPG will begin analysis of several additional bills that may be ripe for a VCE position. CAC members who have bills they think we should review are encouraged to let us know the bill numbers and why they think VCE should review the legislation.
Leg/Reg Task Group Recommendations

The Leg/Reg Task Group recommends that the CAC adopt the recommendations listed below for the following 4 bills. The Task Group reached these recommendations with an eye to maximizing VCE’s strategic position and legislative involvement, and in consultation with VCE staff and lobbyists, Pacific Policy Group.

1. **AB 56 (Garcia). California Clean Electricity Authority.**

   **Summary:** This bill would authorize the Public Utilities Commission, if it makes certain findings, to authorize the California Alternative Energy and Advanced Transportation Financing Authority to undertake procurement of electricity to meet the state’s climate, clean energy, and reliability goals that are not satisfied by load-serving entities (including CCAs). The bill would authorize the Authority to undertake procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. The bill would provide for the reduction in procurement compliance obligations for load-serving entities for the electricity procured by the Authority.

   **Discussion:** While many agree that some sort of centralized electricity procurement system may be a good idea, this bill, as currently written, goes too far. CalCCA is working on amendments to limit the scope of the Authority to purchasing electricity for residual Resource Adequacy needs only.

   **CalCCA Position:** Oppose.

   **Leg/Reg Task Group Recommendation:** Oppose Unless Amended. The Task Group is not recommending that the CAC formally propose specific amendments to the bill at this time, but one key concern is to limit the scope of a central buyer to procurement needed to satisfy residual Resource Adequacy needs. This is consistent with amendments that CalCCA is working on.


   **Summary:** Among other provisions related to directing the Forest Management Task Force to develop recommendations regarding siting of new wood product manufacturing facilities, AB 144 would require Strategic Growth Council, by December 31, 2020, in consultation with stakeholders and relevant permitting agencies, to prepare and submit a report to the Legislature that provides a scoping plan for the state to meet its organic waste management mandates, goals, and targets. Elements that would be considered in the plan include, for example, plans that address forest waste from high or very high fire hazard zones, organic and agricultural waste, beneficial reuse of organic waste compared to other practices, air quality impacts, job creation and carbon emissions.
Discussion: This bill, which as of this writing is on the Assembly Suspense File\(^1\), is authored by Assembly Cecelia Aguiar-Curry, VCE’s Assembly Member. It addresses a serious statewide problem that has impact within VCE’s service territory, especially related to agricultural waste. Unlike Assembly Member Aguiar-Curry’s biomass-related bill last year (which would have required all load serving entities, including VCE, to procure a specific amount of biomass generated electricity), AB 144 takes a comprehensive, statewide approach to study and prepare a plan to address California biomass.

CalCCA Position: None at this time.

Leg/Reg Task Group Recommendation: Support in Concept. Work with the author and other stakeholders to craft a bill that both addresses the statewide biomass challenge and benefits VCE’s electricity customers and businesses. Even if the bill remains on the Suspense File and becomes a two-year bill, this would give VCE an opportunity to continue to work with the author and stakeholders on the issue for next year.

3. **SB 520 (Hertzberg). Electric Service. Provider of Last Resort.**

Summary: Under existing law, a public utility (such as PG&E) has the duty to serve the public and meet certain service criteria (such as reliable service at just and reasonable rates and maintaining equipment). This bill would establish a provider of last resort (POLR) as an electric load serving entity (LSE) that meets specified requirements, including those determined by the California Public Utilities Commission (CPUC), to ensure electric service for customers not otherwise served by another LSE. The bill would define the provider of last resort as the incumbent electric utility (IOU) unless another entity, such as a CCA, is approved by the IOU and the CPUC as the POLR.

Discussion: The issue of who is the POLR and how is it selected and regulated is an important one, with numerous questions that need thoughtful consideration and resolution. Today the IOUs are the POLR for their respective service areas. This was an element of AB 1890 (1996), the bill that restructured the electric industry in the IOU areas. POLR was specified for the opening of retail competition — non-utility companies offering electricity supply contracts to customers — to address the need to continuously provide electric service to a customer whose non-utility provider goes out of business. With the rise of CCAs taking 50% or more of the IOUs’ retail customers, alternative ways to address POLR need to be explored. For example, if an IOU no longer is able to serve customers (because it goes bankrupt), who serves those customers? Can a CCA be a POLR, and what does that require of the CCA? What happens if a CCA no longer is able to provide service? Can a group of CCAs form a POLR for an IOU service area? The

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\(^1\) The Suspense Files are placeholders for bills pending in the Senate and Assembly Appropriations Committees that have a cost to the State of $100,000 or more. These measures either remain on the Suspense File (and become two year bills or dead bills) unless they are amended to reduce the cost to the state or by a vote of the majority of the committee for other reasons.
author has expressed interested in working through these and other issues as the bill moves ahead.

**CalCCA Position:** None yet at this time. CalCCA is currently determining what position to take and is working with the author and others to find common ground.

**Leg/Reg Task Group Recommendation:** Monitor bill for now, while negotiations are underway. Be prepared to consider an oppose position on SB 520 if the stakeholder collaborations are not successful and CalCCA adopts an oppose position.


**Summary:** This bill would require a number of provisions to support the deployment of customer-sited distributed energy resources, specifically energy storage systems, including requiring electric utilities to establish standardized processes to interconnect to the electric grid, requiring new tariffs and compensation to sell stored energy to the grid and into the wholesale electricity market.

**Discussion:** This bill deals, in part, with interconnection rights of different types of customers, including NEM customers. VCE’s delay of legacy NEM customers was raised during legislative discussions of the bill. The bill’s co-author is Senator Jim Nielsen, who represents Butte County, north of VCE’s service territory.

**CalCCA Position:** CalCCA does not yet have a position on SB 288.

**Leg/Reg Task Group Recommendation:** Support in Concept. Work with authors and others to ensure the bill reflects the needs of VCE to serve its existing and potentially new customers.
TO: Valley Clean Energy Alliance (VCE) Board of Directors

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

SUBJECT: Reappointment/appointment of Community Advisory Committee Members

DATE: June 17, 2019

Recommendation
Reappoint the following Community Advisory Committee (CAC) Members for a three (3) year term to expire 2022:

   County of Yolo – David Springer
   City of Woodland – Mark Aulman
   City of Davis – Yvonne Hunter

Background
The VCE Board of Directors on December 13, 2016 via Resolution #2016-006 formed a Community Advisory Committee (CAC); on September 13, 2018, the Board approved the terms of service and officer position of members who serve on the Community Advisory Committee; and on October 18, 2018, the Board approved a three-year term for Community Advisory Committee members, how to determine the terms of service of current CAC members, and criteria for new member recruitment, solicitation and selection.

On November 15, 2018 the Board adopted Resolution 2018-030 which summarized VCE’s solicitation and appointment process to the CAC and appointed the following Members. Note: As a result of a prior advertisement and solicitation of two vacant positions (City of Woodland and Yolo County), Ms. Christine Casey was appointed to the City of Woodland vacancy in December 2018.

CLASS 1 – term expiring June 2019
Yolo Rep. – David Springer
Woodland Rep. – Mark Aulman
Davis Rep.– Yvonne Hunter

CLASS 2 – term expiring June 2020
Yolo Rep.– Marsha Baird
Woodland Rep. – Christine Shewmaker
Davis Rep.– Gerry Braun
CLASS 3 – term expiring June 2021
Yolo Rep.– Vacant
Woodland Rep. - Christine Casey (appointed Dec 2018)
Davis Rep.– Lorenzo Kristov

Those Members whose term expires this month (Class 1) have submitted their interest to be reappointed.

There were no applications received for the Yolo County vacancy and to date, the advertisement for this vacancy remains on the VCE website. Lastly, an unsolicited application was received from a City of Davis resident in December 2018, which per VCE’s policy has been provided to the Board subcommittee and will be kept on file for two years.
TO: Board of Directors

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

SUBJECT: Deferral of Opt-Out Fees

DATE: June 17, 2019

RECOMMENDATION
Board to approve the deferral of opt-out fees for another year, until June 30, 2020.

BACKGROUND
Prior to beginning service in June 2018, the VCE board of directors waived opt-out fees for VCE’s first year of operation. Opt-out fees ($5 for residential and $25 for non-residential) were designed to partially recover the cost of processing opt-outs.

Community choice aggregators (CCAs) differ in their approach to opt-out fees. Several have waived the fee. Some have kept the fee and have had few complaints. Others have kept the fee and had significant complaints.

UPDATE
After a full year of operation, staff recommends that opt-out fees be deferred for another year, until June 30, 2020 based on:

• VCE back-office systems are in place to automate opt-outs/opt-ins, so administrative costs are low.

• Financial impacts are minimal. Now that we’re fully operational, the opt-out numbers have dropped dramatically compared to start-up, minimizing impacts on revenue.

• Customers that are aware of the opt out fees are irritated by them.
To: Valley Clean Energy Alliance Board of Directors
From: Mitch Sears, Interim General Manager
Subject: Approval of Task Order 6 of the SMUD Professional Services Agreement - Expansion of VCE service to Winters, CA
Date: June 17, 2019

RECOMMENDATION
Adopt a resolution authorizing the Interim General Manager to sign Task Order 6 of the Sacramento Municipal Utility District Professional Services Agreement – Expansion of VCE service to Winters, CA.

BACKGROUND
At the September 13, 2018 Board meeting, the Board invited the City of Winters and the City of West Sacramento to join VCE and approved the new member application policy. The City of Winters communicated with VCE Staff indicating their interest in joining VCE in 2019 for customer enrollment in 2021. Under the new member terms, VCE would conduct an updated load analysis and prepare an amended Implementation Plan to be filed by December 31, 2019. Task Order 6 to SMUD agreement is to support VCE with the addition of a new jurisdiction to their service territory. SMUD support will include updates to the load forecast, financial model, and implementation plan. It will also include the enrollment of Winters customers, including the mass enrollment of NEM customer with the rest of the City of Winters no earlier than January 2021.

The fee is based on the assumptions outlined in the Scope of Work and will be billed on a time and material basis an amount not to exceed $25,000. The $25,000 is budgeted in the operating budget for fiscal year 2019/2020. The term of this task is estimated to be twenty-four (24) months or December 31, 2021.

CONCLUSION
Staff is recommending the VCE Board adopt the attached resolution authorizing the Interim General Manager to approve Task Order 6 – Expansion of VCE service to Winters, CA in substantially the same form as attached.

Attachments
1. Resolution Authorizing Interim General Manager to sign Task Order 6 of the VCE-SMUD Professional Services Agreement – Expansion of VCE service to Winters, CA
2. Task Order 6 – Expansion of VCE service to Winters, CA
WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, on August 31, 2017, the VCEA Board considered a proposal by the Sacramento Municipal Utilities District (“SMUD”) to provide program launch and operational services and subsequently directed VCEA staff to negotiate a services agreement between VCEA and SMUD for consideration and action by the VCEA Board; and

WHEREAS, on September 21, 2017, the SMUD Board of Directors authorized its CEO to enter into a contract with VCEA to provide CCA support services; and

WHEREAS, on October 12, 2017 the VCEA Board approved the Master Professional Services Agreement and Task Order 1 and Task Order 2 to provide program launch and operational services consistent with the SMUD proposal and VCEA Board direction; and

WHEREAS, on November 16, 2017 the VCEA Board approved Task Order 3 to provide Wholesale Energy Services consistent with the SMUD proposal and VCEA Board direction; and

WHEREAS, on December 14, 2017 the VCEA Board approved Task Order 4 to provide Operational Staff Services to VCEA for program launch and operations.

WHEREAS, on May 10, 2018 the VCEA Board authorized the Interim General Manager to negotiate and execute Task Order 5 to the VCEA-SMUD Master Professional Services Agreement for SMUD to provide long term renewable procurement services to VCEA.

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

1. authorize the Interim General Manager to sign Task Order 6 of the Sacramento Municipal Utility District Professional Services Agreement – Expansion of VCEA service to Winters, California.
ADOPTED, this ____________ day of ______________, 2019, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

____________________________________  
Tom Stallard, VCEA Chair

__________________________________________  
Alisa M. Lembke, VCEA Secretary

Attached:  EXHIBIT A - Task Order 6 of the SMUD Master Professional Services Agreement – Expansion of VCEA Service to Winters, California
EXHIBIT A

Task Order 6 to SMUD Master Professional Services Agreement
– Expansion of VCEA Services to Winters, California
SMUD and VCEA agree to the following services, terms and conditions described in this Task Order. This Task Order 6 is for the Expansion of VCE Service to Winters, CA (Task Order 6), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any provisions of this Task Order 6 conflict with any provisions in the Agreement, the provisions of this Task Order 6 shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Task Order 6 is the date of the last signature below.

1. PURPOSE

This Task Order 6 is to support Valley Clean Energy (VCE) in the addition of a new jurisdiction to their service territory. VCE intends to begin serving the City of Winters, California (Winters) in January 2021. SMUD support for the VCE addition of Winters will include updates to VCE’s load forecast, financial model, and implementation plan. It will also include the enrollment of Winters customers, with the option to either mass enroll NEM customers with the rest of the City of Winters in January 2021, or on a defined cadence throughout the year, on or near their existing NEM true-up date.

2. SCOPE OF WORK

2.1 Update Implementation Plan

The California Public Utilities Commission (“CPUC”) requires Community Choice Aggregators (CCAs) to update their Implementation Plan to reflect the addition of new member jurisdictions. The Implementation Plan must be received by January 1 of the year before the CCA intends to start serving new customers for the updated load forecast to be factored in to the annual Resource Adequacy (RA) process.

In support of this requirement, SMUD will complete the following tasks in coordination with VCE.

- Using the 2018 Item 16 Billing Data, provided by PG&E, determine the City of Winters eligible customer count per class.
- Update VCE’s existing load forecast by applying a percentage increase to each rate class load forecast based on Winters customers per class relative to existing VCE customers per class. This methodology is reasonable for the small incremental increase of Winters customers.
• Use the updated load forecast to update the RA model and pro forma. The pro forma update will include increased costs for energy, RA, Renewable Energy Certificates, and specified source supply.
• Review the updated financials with VCE staff, the VCE Board, and the Community Advisory Committee (CAC).
• Revise VCE’s Implementation Plan text and figures to incorporate the City of Winters customers.
• Support VCE in reviewing the updated Implementation Plan with VCE’s Board, CAC, and the City of Winters.
• Following review with all stakeholder parties, finalize the VCE Implementation Plan update and provide to VCE for submittal to the CPUC by December 31, 2019.

2.2 Ongoing Wholesale Energy Services

The additional tasks of wholesale power procurement for Winters customers are included in Task Order 3, Wholesale Energy Services, and will be provided to VCE at no additional cost.

2.3 Customer Enrollment

Following the CPUC-required wait period, SMUD will complete the following tasks to enroll the Winters customers into VCE service.

1. Train call center representatives on the City of Winters enrollment schedule.
2. Configure and test the application of a new customer mass enrollment date using the Winters Town or Territory (TOT) code, which is a unique identifier PG&E provides for each TOT in the CCA service territory.
3. Ingest the updated 4013 including Winters customers into VCE’s CRM, applying existing VCE eligibility rules, programs, and policies to create customer records ready for enrollment.
4. Provide address lists to VCE’s mail house for each mandatory pre and post enrollment notification.
5. Submit the mass Community Choice Aggregation Service Request (CCASR) file to PG&E to identify City of Winters customers eligible for enrollment into VCE service.
6. Process EDI connect files for each City of Winters customer as PG&E cuts them over to VCE service on their January 2021 bill cycle.
7. Send manual Opt Out notifications to PG&E during the cutover period.
8. Monitor enrollment exceptions and coordinate with PG&E as necessary.

2.3 Net Energy Metering (NEM) Customer Enrollment

SMUD recognizes that VCE must balance NEM customer experience with the cost of each mass enrollment effort. Tasks 4-8 described above are required for each mass enrollment effort. Therefore, SMUD is providing option pricing for the enrollment of VCE NEM customers. NEM
customers are trued-up with PG&E annually based on their interconnect date. It is a preferred customer experience to avoid off-cycle NEM true-ups. PG&E will true the customer up when they are cut over to CCA service, regardless of whether they cut over in their normal true-up month. Common CCA cadences for NEM mass enrollment include monthly, bi-monthly, or quarterly. SMUD can support NEM customer enrollment en masse in January 2021 or on a cadence defined by VCE.

2.4 Ongoing Data Management and Call Center Services

The provision of ongoing Data Management and Call Center Services for Winters customers is included in Task Order 2, *Data Management and Call Center Services*, and will be provided to VCE at no additional cost.

3. DELIVERABLES SCHEDULE

The following milestones and due dates are applicable to the Scope of Work in this Task Order 6.

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Responsible Party</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Task Order approval</td>
<td>VCE</td>
</tr>
<tr>
<td>2</td>
<td>Load forecast update initiated</td>
<td>SMUD</td>
</tr>
<tr>
<td>3</td>
<td>Final Implementation Plan update provided to VCE for CPUC submittal</td>
<td>SMUD</td>
</tr>
<tr>
<td>4</td>
<td>Pre-enrollment period start</td>
<td>SMUD</td>
</tr>
<tr>
<td>5</td>
<td>Winters mass enrollment start</td>
<td>SMUD</td>
</tr>
<tr>
<td>6</td>
<td>Optional: NEM mass enrollment completion</td>
<td>SMUD</td>
</tr>
</tbody>
</table>

4. APPROVAL PROCESS / ACCEPTANCE

Both Parties agree to perform tasks, reviews, and approvals in a timely manner in order to maintain agreed upon timelines as set forth in Section 3, Deliverables Schedule. SMUD will provide deliverables to VCEA’s Interim General Manager for review by VCEA. Deliverables that require VCEA Board review and approval will be identified and sufficient time will be allocated in the project schedule.
5. TERM AND TERMINATION

5.1 Term of Task Order 6

Task Order 6 is effective on the Effective Date of this Task Order and shall remain in effect until December 31, 2021, unless terminated in accordance with the Agreement or extended by mutual agreement of the Parties. Task Order 6

The expiration of this Task Order 6 shall not affect the term of the Agreement.

5.2 Termination

This Task Order 6 may be terminated pursuant to Section 4 (“Term and Termination”) of the Agreement.

6. COMPENSATION FOR SERVICES

6.1 Estimated Hours and Fees

Based upon the assumptions outlined in the Scope of Work, the estimated total fee for this task order is $25,000, plus $715 for each NEM enrollment, as itemized below:

<table>
<thead>
<tr>
<th>Task List</th>
<th>Principal</th>
<th>Senior Analyst</th>
<th>IT Subcontractor</th>
<th>Out</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Load Forecast Update</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Analyze eligible customer count/class from 2018 Item 16 and 4013</td>
<td>1</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.2 Scale up existing forecast to include Winters load</td>
<td>1</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Update RA model and pro forma</td>
<td>5</td>
<td></td>
<td></td>
<td>975</td>
<td>Assumes VCE provides good financial model base case</td>
</tr>
<tr>
<td>1.4 Review updated financials with VCE</td>
<td>6</td>
<td></td>
<td></td>
<td>1,170</td>
<td>Includes VCE staff, CAC, and Board</td>
</tr>
<tr>
<td>2.0 Implementation Plan Update</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Revise Implementation Plan text and figures</td>
<td>2</td>
<td>8</td>
<td></td>
<td>1,630</td>
<td></td>
</tr>
<tr>
<td>2.2 Support Board/CAC/City of Winters updates</td>
<td>4</td>
<td></td>
<td></td>
<td>780</td>
<td></td>
</tr>
<tr>
<td>2.3 Submit to CPUC and track certification</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>Submittal due 12/31/19, assumes VCE will manage</td>
</tr>
<tr>
<td>3.0 Customer Enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Train Call Center on Winters enrollment schedule</td>
<td>1</td>
<td></td>
<td></td>
<td>195</td>
<td></td>
</tr>
<tr>
<td>3.2 Configure, test, and deploy Winters Go-Live in DMS</td>
<td>4</td>
<td>11</td>
<td>85</td>
<td>13,960</td>
<td></td>
</tr>
<tr>
<td>3.3 Review initial Winters customer data load for accuracy</td>
<td>1</td>
<td></td>
<td></td>
<td>155</td>
<td></td>
</tr>
<tr>
<td>3.4 Enrollment Notification Address Lists</td>
<td>2</td>
<td></td>
<td></td>
<td>310</td>
<td>2 pre-enrollment notices, 2 post-enrollment notices</td>
</tr>
<tr>
<td>3.5 Mass CCASR file transfer &amp; PG&amp;E coordination</td>
<td>4</td>
<td></td>
<td></td>
<td>1,295</td>
<td></td>
</tr>
<tr>
<td>3.6 Process new connects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Processing new connects is automated</td>
</tr>
<tr>
<td>3.7 Manually Opt Outs during enrollment window</td>
<td>2</td>
<td></td>
<td></td>
<td>985</td>
<td></td>
</tr>
<tr>
<td>3.8 Enrollment exception handling</td>
<td>2</td>
<td></td>
<td></td>
<td>985</td>
<td></td>
</tr>
<tr>
<td>Subtotal - Base Scope</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$17,885.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0 NEM Enrollment (per enrollment event)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Includes mass enrollment of all customers in same month</td>
</tr>
<tr>
<td>4.1 Enrollment Notification Address Lists</td>
<td>0.5</td>
<td></td>
<td></td>
<td>77.50</td>
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</tr>
<tr>
<td>4.2 Mass CCASR File Transfer &amp; PG&amp;E Coordination</td>
<td>0.5</td>
<td>2</td>
<td></td>
<td>347.50</td>
<td></td>
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<tr>
<td>4.3 Process New Connects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Processing new connects is automated</td>
</tr>
<tr>
<td>4.4 Manual Opt Outs during Enrollment Window</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
<td>145.00</td>
<td></td>
</tr>
<tr>
<td>4.5 Enrollment Exception Handling</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
<td>145.00</td>
<td></td>
</tr>
<tr>
<td>Subtotal - Optional per NEM Enrollment Scope</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 715.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.2 Hourly Rates

Services performed under this Task Order 6 are to be performed on a time and materials basis, at the hourly rates shown below, calculated monthly. SMUD shall receive compensation, including authorized reimbursements, for Services rendered under this Task Order at the rates set forth in below.

Activities described herein will be billed at the hourly rates shown below. Hourly Rates below are effective July 1, 2019 and are fixed through June 30, 2020. Hourly Rates are subject to annual escalation at U.S. Department of Commerce, Bureau of Labor Statistics, “Consumer Price Index-All Urban Consumers less food and energy” Series ID: CUUR0000SA0LIE for the immediately prior 12-month period and will be rounded to the nearest dollar.

Professional Services Hourly Rates

<table>
<thead>
<tr>
<th>Resources</th>
<th>Hourly Rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMUD CEO/VP</td>
<td>$255.00</td>
</tr>
<tr>
<td>Principal</td>
<td>$195.00</td>
</tr>
<tr>
<td>Senior Analyst/Specialist</td>
<td>$155.00</td>
</tr>
<tr>
<td>Analyst/Specialist</td>
<td>$102.00</td>
</tr>
<tr>
<td>Administrative</td>
<td>$82.00</td>
</tr>
</tbody>
</table>

Technology Subcontractor hours will be billed at a rate of $135.

* For the purposes of the estimated fee, given that the services will be provided after the July 1, 2019 rate escalation action, an estimated escalation percentage was applied to SMUD’s hourly rates in this Task Order 6. The actual escalation percentage will be applied to the hourly rates as of July 1, 2019, and the Services in this Task Order 6 will be billed accordingly.

7. PAYMENT TERMS

Invoices for fees incurred under this Task Order 6, will be submitted to VCE monthly. For services under this Task Order 6, VCEA shall pay all undisputed portions of invoices within thirty (30) calendar days of the date of the invoice, and payment will be subject to Section 8 of the Agreement.

8. TASK AMENDMENT

This Task Order 6 may only be amended or otherwise modified with the written agreement of the Parties, and approved by each Party’s governing body where required by law or policy.
It is mutually understood that business requirements, resources, and dates may change subject to the applicable terms of Task Order 6. Any changes to the scope defined in Task Order 6 will be addressed through a task amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

9. SIGNATURES

The Parties have executed this Task Order 6 and it is effective as of the date of last signature below.

Valley Clean Energy Alliance
By: ________________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

Approved as
to Form: ______________________________

Sacramento Municipal Utility District
By: ________________________________
Name: Arlen Orchard
Title: Chief Executive Officer and General Manager
Date: ______________________________

Approved as
to Form: ______________________________
TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Finance and Operations Director, VCEA
      Mitch Sears, Interim General Manager, VCEA

SUBJECT: Consultant Donald Dame Contract Extension and Increase Not to Exceed Amount

DATE: June 17, 2019

RECOMMENDATION:

Authorize the Interim General Manager to extend the contract with Donald Dame, Consultant, to June 30, 2020 and increase the contract amount by $18,000.

BACKGROUND & DISCUSSION:

The contract with Consultant Donald Dame was to terminate on or around VCEA’s launch date, which was in June 2018. In September 2018, the contract was extended to expire December 31, 2018 thereafter in January 2019, the contract was extended to expire June 30, 2019.

Donald Dame continues to provide professional consulting services, technical review, electric utility expertise, and program implementation assistance among other related skills.

VCE has expended all monies within Mr. Dame’s contract for Fiscal Year 2018-2019. Staff are requesting that the current contract be extended for one year and increased by $18,000.

CONCLUSION:

Staff continues to use Donald Dame’s consultant services within the contract terms and recommends to the Board that 1) the contract term expire on June 30, 2020 and 2) increase the amount of the contract by $18,000. The increase in the contract amount has been budgeted in VCE’s Fiscal Year 2019-2020 operating budget.
TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Legal Services – General Counsel

DATE: June 17, 2019

RECOMMENDATION
Authorize the Interim General Manager to enter into a legal services agreement to continue to retain the legal services of Harriet Steiner from Best, Best & Krieger as co-general counsel for Valley Clean Energy.

BACKGROUND and ANALYSIS
Valley Clean Energy (VCE), began its pre-launch feasibility phase in 2015/16 with legal services provided jointly by the two entities involved in the formation of the CCA at that time: Yolo County and the City of Davis. Each provided strengths and depth of subject matter such as JPA formation, countywide perspective, utility formation (e.g. Clean Water District), electricity utility formation (e.g. SMUD annexation), and experience during PG&E’s 2001/02 bankruptcy. VCE’s legal services needs have evolved but are still well served by the joint approach and are specifically managed to minimize duplicative efforts.

Recently the City of Davis transitioned to another legal firm to provide City Attorney services. This triggered the need to assess VCE legal services. VCE staff believe that the combination of continuity, depth of knowledge, and cost effectiveness of retaining Harriet Steiner from Best, Best & Krieger (BBK), as co-general counsel for VCE warrants the staff recommendation. Staff would note that these legal services would continue to be retained at the current discounted local agency rate of $213/hr with a CPI based adjustment in January 2020; for reference, typical public agency rates range from $225 to $450/hr. In addition, the letter agreement allows for reconsideration of these services at the sole discretion of VCE (e.g. transition of legal staff, etc.).

If approved, the contract would be retroactive to June 1, 2019 to coincide with the ending of BBK’s contract with the City of Davis.

CONCLUSION
Staff believes that the combination of continuity, depth of knowledge, and cost effectiveness of retaining Harriet Steiner from Best, Best & Krieger (BBK), as co-general counsel for VCE provides a strong value for the organization.

ATTACHMENT
Legal Services Agreement – Harriet Steiner/BBK
May 29, 2019

BY EMAIL & U.S. MAIL

Mitch Sears
Interim General Manager
Valley Clean Energy
604 Second Street
Davis, CA  95616

Re:  Legal Services Agreement

Dear Mitch:

ABOUT OUR REPRESENTATION

Best Best & Krieger LLP is pleased to represent Valley Clean Energy Alliance ("VCEA") Specifically, we will represent VCEA as co-general counsel, together with the Yolo County Counsel. I will be the assigned VCEA co-general counsel. This letter constitutes our agreement setting the terms of our representation.

CONFIDENTIALITY AND ABSENCE OF CONFLICTS

An attorney-client relationship requires mutual trust between the client and the attorney. It is understood that communications exclusively between counsel and the client are confidential and protected by the attorney-client privilege.

To also assure mutuality of trust, we have maintained a conflict of interest index. The California Rules of Professional Conduct defines whether a past or present relationship with any party prevents us from representing your firm. Similarly, VCEA’s name will be included in our list of clients to ensure we comply with the Rules of Professional Conduct with respect to VCEA.

We have checked the following names against our client index: Pacific Gas & Electric, and the Sacramento Municipal Utilities District ("SMUD") As you are aware there are existing waivers regarding SMUD that continue in place. Based on that check, we can represent VCEA. Please review the list to see if any other persons or entities should be included. If you do not tell us to the contrary, we will assume that this list is complete and accurate. We request that you
update this list for us if there are any changes in the future. In addition, as you are aware, if as we take on additional matters for VCEA, we will continue to review potential conflicts prior to taking on new matters for VCEA.

**EFFECTIVE DATE**

The Agreement is effective June 1, 2019. If we have performed legal services at your request while waiting for VCEA to sign and return this Agreement, VCEA will still be required to pay for those services even if VCEA decides not to sign and return this Agreement.

**YOUR OBLIGATIONS ABOUT FEES AND BILLINGS**

We have already discussed the fee arrangement with you. We will continue to represent VCEA at the current rate of $213/hour for general counsel work. Absent our request and your consent to a different fee structure, this fee will adjust by the change in the cost of living or CPI on January 1 of each year.

To the extent that VCEA requires any additional specialized work (such as pension or personnel work), we will notify you and that work will be at the then current public agency standard rates for the attorney doing the work. Standard public agency rates range from $225 to $450 per hour. As we discussed, BBK reviews its rates periodically. Should BBK desire a fee increase or modification in the future, we will contact you and discuss the proposed revised rates with you before implementing any change.

Attached to this letter is a memorandum that describes the other aspects of our firm's billing policies. You should consider this memorandum part of this agreement as it binds both of us. For that reason, you should read it carefully.

**INSURANCE**

We are also pleased to let you know that Best Best & Krieger LLP carries errors and omissions insurance with Lloyd's of London. After a standard deductible, this insurance provides coverage beyond what is required by the State of California.

**NEW MATTERS**

Based on our engagement as co-general counsel, we would anticipate representing VCEA on a variety of matters. Routine general counsel matters will be included under this engagement letter. Specialty work will be discussed in advance and new matters may be set up for each such
matter. In addition, as appropriate, we may determine that a particular new matter should have a new signed supplement to this agreement.

HOW THIS AGREEMENT MAY BE TERMINATED

You, of course, have the right to end our services at any time. If you do so, you will be responsible for the payment of fees and costs accrued but not yet paid, plus reasonable fees and costs in transferring the case to you or your new counsel. By the same token, we reserve the right to terminate our services to you upon written notice, order of the court, or in accordance with our attached memorandum. This could happen if you fail to pay our fees and costs as agreed, fail to cooperate with us in this matter, or if we determine we cannot continue to represent you for ethical or practical concerns.

CLIENT FILE

If you do not request the return of your file, we will retain your file for five years. After five years, we may have your file destroyed. If you would like your file maintained for more than five years or returned, you must make separate arrangements with us.

CONFLICT WAIVER

In a large firm with multiple offices representing public and private clients, actual or possible conflicts sometimes arise between existing or potential clients. We may be required to ask for a conflict waiver in that event. BB&K asks for your understanding and cooperation if we request a conflict waiver in order to undertake or continue representation of another client in a manner that will not be specifically detrimental or adverse to you in any matter in which another BB&K attorney represents you.

THANK YOU

On a personal note, we are pleased that you have selected us to continue to represent VCEA. We look forward to a long and valued relationship with you and appreciate your confidence. If you have any questions at any time about our services or billings, please do not hesitate to call me.
If this letter meets with your approval, please sign and date it, and return the original to us. As we have discussed, upon approval the effective date of this agreement will be June 1, 2019. We have enclosed a separate signed copy of this letter for your records.

Sincerely,

Harriet A. Steiner
of BEST BEST & KRIEGER LLP

AGREED AND ACCEPTED:

By: ____________________________________________
    Mitch Sears

Dated: ___________________________________________

Approved as to form:

_______________________________________________

Eric May
VCEA Co-General Counsel
BEST BEST & KRIEGER LLP’S BILLING POLICIES

Our century of experience has shown that the attorney-client relationship works best when there is mutual understanding about fees, expenses, billing and payment terms. Therefore, this statement is intended to explain our billing policies and procedures. Clients are encouraged to discuss with us any questions they have about these policies and procedures. Clients may direct specific questions about a bill to the attorney with whom the client works or to our Accounts Receivable Department. Any specific billing arrangements different from those set forth below will be confirmed in a separate written agreement between the client and the firm.

Fees for Professional Services

Unless a flat fee is set forth in our engagement letter with a client, our fees for the legal work we will undertake will be based in substantial part on time spent by personnel in our office on that client's behalf. In special circumstances which will be discussed with the client and agreed upon in writing, fees will be based upon the novelty or difficulty of the matter, or the time or other special limitations imposed by the client.

Hourly rates are set to reflect the skill and experience of the attorney or other legal personnel rendering services on the client's behalf. Time is accrued on an incremental basis for such matters as telephone calls (minimum .3 hour) and letters (minimum .5 hour), and on an actual basis for all other work. Our attorneys are currently billed at public agency rates from $225 to $450 per hour, and our administrative assistants, research assistants, paralegals and law clerks are billed at rates from $170 to $220 per hour. These hourly rates are reviewed annually to accommodate rising firm costs and to reflect changes in attorney status as lawyers attain new levels of legal experience. Any increases resulting from such reviews will be instituted automatically and will apply to each affected client, after advance notice.

Fees For Other Services, Costs and Expenses

We attempt to serve all our clients with the most effective support systems available. Miscellaneous expenses are covered by a standard administrative charge, currently set at 4%, which compensates the cost of normal photocopying, long distance telephone calls, regular mail postage, telecopy charges and other expenses as to which individual itemization in impractical. Costs specific to your matter such as investigation and filing fees, process server fees, required costs of travel, out-of-town lodging and meals, mileage at the current IRS-approved rate per mile, courier and express delivery and mail services, deposition and court reporter fees, computerized legal research, major photocopying, conference calls and staff overtime, as needed, are itemized and will appear on your monthly statement as separate items.

No separate charge is made for secretarial or word processing services; those costs are included within the above hourly rates.

We may need to advance costs and incur expenses on your behalf on an ongoing basis. These items are separate and apart from attorneys' fees and, as they are out-of-pocket charges, we need to have sufficient funds on hand from you to pay them when due. We will advise the
client from time to time when we expect items of significant cost to be incurred, and it is required that the client send us advances to cover those costs before they are due.

**Monthly Invoices and Payment**

Best Best & Krieger LLP provides our clients with monthly invoices for legal services performed and expenses incurred. Invoices are due and payable upon receipt.

Each monthly invoice reflects both professional and other fees for services rendered through the end of the prior month, as well as expenses incurred on the client’s behalf that have been processed by the end of the prior month. Processing of some expenses is delayed until the next month and billed thereafter.

Our fees are not contingent upon any aspect of the matter and are due upon receipt. All billings are due and payable within ten days of presentation unless the full amount is covered by the balance of an advance held in our trust account. If a bill is not paid within 30 days, a late charge of one percent per month on the unpaid invoice shall be added to the balance owed, commencing with the next statement and continuing until paid.

It is our policy to treat every question about a bill promptly and fairly. It is also our policy that if a client does not pay an invoice within 60 days of mailing, we assume the client is, for whatever reason, refusing to pay. We will then advise the client by letter that the client may pay the invoice within 14 days or the firm will take appropriate steps to withdraw as attorney of record. If the delay is caused by a problem in the invoice, we must rely upon the client to raise that with us during the 14-day period. This same policy applies to fee arrangements which require the client to replenish fee deposits or make deposits for anticipated costs.

From time to time clients have questions about the format of the bill or description of work performed. If you have any such questions, please ask them when you receive the bill so we may address them on a current basis.

**BEST BEST & KRIEGE LLLP**
TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Lisa Limcaco, Director of Finance & Internal Operations

SUBJECT: Approval of VCE’s New Rate Structure and Dividend Program Guidelines and Amendment 11 to Task Order 2 (Data Management and Call Center Services) of the SMUD Professional Services Agreement

DATE: June 17, 2019

RECOMMENDATION
Adopt a resolution:
1. Approving the establishment and implementation of VCE’s New Rate Structure and Dividend Program Guidelines, effective July 1, 2019.
2. Authorizing the Interim General Manager to sign Amendment 11 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement

BACKGROUND
At the November 15, 2018 board meeting, staff recommended a package of policy modifications that work together to address PCIA volatility and resulting budget challenges anticipated for 2019 and 2020. One of the policy modifications approved by the Board in November was to study adoption of a new rate structure starting in July 2019 (VCE’s 2020 Fiscal Year).

Initially VCE’s rate structure provided customers with a pre-determined, up front rate discount relative to PG&E service. An alternative presented by Staff to the Board in late 2018 was to consider setting identical rates to that of PG&E and move from a monthly fixed rate discount structure to a yearly “dividend” rate structure where bill credits are awarded annually if VCE meets certain financial thresholds. This is a similar rate structure currently employed by Monterey Bay Community Power (MBCP). The Board provided direction to staff to explore the dividend rate structure alternative.

Community Advisory Committee Review/Recommendation
In January 2019, staff recommended that the Community Advisory Committee (CAC) create a task group to collaborate with staff to develop a new rate structure and dividend program for VCE’s 2020 fiscal year. The CAC created a Rates and Services Task Group that would review
rate, service and program projects that includes collaboration with staff in developing this Dividend program. Staff presented a draft Dividend program to the CAC for consideration at their February 28th meeting. The CAC provided their feedback and suggestions which were incorporated in the draft Dividend program presented to the Board of Directors at their March 14th meeting. At the April 25th CAC meeting, the Committee approved the Rates and Services Task Group recommendation to approve the Dividend Guidelines with the addition that dividends should not be paid out until the enrollment process for the legacy NEM accounts (accounts with solar installations prior to June 2018) in the VCE service area has begun.

**ANALYSIS & DISCUSSION**

Key considerations identified by staff in analyzing a move to a dividend rate structure included:

- Rate design impacts on customer opt-outs
- Trigger for payment of customer dividend – minimum net margin
- Impact on financial stability of VCE
- Allocation of revenue to reserves, dividends, and local program development/implementation
  - Short-term consideration of NEM Enrollment

**Rate Design**

During MBCP’s analysis, the direct correlation between rate structure (i.e. “dividend”) and opt-out rates were uncertain. MBCP concluded that rate structure factors were not the major driver of customer opt-outs based on feedback from customers who chose to opt out of the CCA. A super majority of MBCP’s customers who opted out cited dissatisfaction with being automatically switched from PG&E without their consent and that neither the lower price nor sourcing of cleaner energy seemed to affect that decision. Similarly, a majority of VCE customers that chose to opt out cited dislike of being automatically enrolled into VCE as the reason for their decision.

By setting rates that generally match PG&E, VCE can shift the focus from rate comparisons and rate design to the goals that define the reasons VCE was established in the first place. Namely, cleaner energy resources, local control, custom tailored programs responsive to community needs, and improving the local economy by investing in clean power resources and returning some of the annual savings back to the customers.

**Financial Stability**

**Minimum Net Margin**

Net margin is the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of net income that a business can derive from its total sales and is intended to be a measure of the overall success of a business. Net margins vary greatly across different industries and sectors. Based on Staff research, the Electric Utility industry average net margin for 2017 ranged from 8%-10%. VCE is one of the smaller CCAs with a smaller customer base than other CCAs. Thus, VCE will require higher margins to cover its costs and still build reserves to offer local programs and customer incentives. Therefore, staff believes that VCE should maintain a minimum net margin (after any bank debt principal payment) of 5% before Board consideration of customer dividends.
Cash Reserves
VCE needs sufficient funds to provide for operating capital reserves, rate stabilization, and sufficient credit to support long-term investments in renewable resources. It is prudent business practice to build up reserves that target a level of 90 days cash. In November 2018, the Board approved a reserve policy to build toward a 90-day cash level reserve within the next 4 years.

The speed at which reserves are accumulated is very important. The Board has provided direction in the reserve policy that VCE should dedicate the majority of operating surplus in the early years to reserves. Under the Dividend program, gradually, the portion of the surplus dedicated to reserves should be reduced until the target reserve is met; then, the allocation of the surplus would be dedicated to custom local programs and customer dividends. In addition, staff is recommending that the portion of the surplus dedicated to cash reserves would be determined annually by the Board of Directors.

Local Programs
Consistent with VCE’s adopted Mission, VCE is working to establish its own portfolio of programs that will be designed specifically for local customers to help further reduce energy use and GHGs associated with transportation and other sectors of the local economy. Based on Board direction, VCE currently allocates a minimum of 1% of net margin to a local programs reserve. Under the dividend program, in lieu of this allocation, any surplus above the 5% minimum net margin would be allocated between the local programs reserve and customer dividends at a percentage determined annually by the Board of Directors.

Customer Dividends (Bill Credits)
CCA are community oriented public power programs and are managed and directed by a local Board representing its customers. It is therefore reasonable to provide a return/dividend to VCE customers at the end of each fiscal year as a bill credit if the organization is in a strong, stable financial position. Under the recommended VCE dividend program, any surplus above the 5% minimum annual net margin would be allocated between internal reserves, local program reserves and customer dividends at a percentage determined annually by the Board of Directors. As recommended, customer dividends would not be paid out until the enrollment process for the legacy NEM accounts (accounts with solar installations prior to June 2018) in the VCE service area has begun.

As the VCE fiscal year is July to June, the dividends would be calculated based on the audited financial statements and would be announced in September and credited annually in October. Customers will have an option to apply their dividend to the Local Program reserve. By allocating the dividend or credit annually, VCE would be able to pay out on a “performance basis,” and build customer satisfaction and loyalty as well. Note: non-residential customers would receive two installments of their dividend credit – once in October and once in April.

SMUD TASK PROPOSAL
SMUD’s Task Proposal - Amendment 11 to SMUD agreement Task Order 2 (data management and call center services) is for the development of the technology enhancement to support
VCE’s annual dividend program. With this enhancement, VCE will be able to provide residential customers their dividend payment on their October bill and non-residential customers 50% of their dividend payment in October, 50% the following April. The enhancement will be in place by the end of VCE’s fiscal year in 2020.

The fixed fee for this scope of work is $75,000 and is budgeted in the operating budget for fiscal year 2019/2020. The term of this task is estimated to be twelve (12) months to develop and implement the technical enhancement. The ongoing operation of the dividend program is included in the services defined in Task Order 2: Data Management and Customer Call Center Services.

CONCLUSION
Staff believes that a well-designed dividend rate structure can help VCE improve financial stability while building customer trust and loyalty. Based on Board feedback and direction, staff recommends that the Board approve the attached New Rate Structure and Dividend Program Guidelines and authorize the Interim General Manager to approve and sign Amendment 11 to Task Order 2 (Data Management and Call Center Services) in substantially the same form as attached.

ATTACHMENTS
1. VCE New Rate Structure and Dividend Program Guidelines
2. Amendment 11 to Task Order 2 (Data Management and Call Center Services)
Valley Clean Energy Alliance

New Rate Structure and Dividend Program Guidelines

Purpose: VCE is setting a new rate structure and dividend program to help VCE improve financial stability and maintain focus on its primary goals: a cleaner environment, meeting the members’ climate action goals, building agency reserves, offering custom tailored programs, and awarding customers for their loyalty and trust.

Program Guidelines:
• Match PG&E electric generation rates less PCIA exit fee
• Require a minimum 5% annual net margin (less principal debt payments) before any dividends are paid to VCE customers
• Require the enrollment process for the legacy NEM accounts (accounts with solar installation prior to June 2018) in the VCE service area has begun before any dividends are paid to VCE customers
• Annually based on the audited financial statements:
  • Calculate the Annual Net margin less principal debt payments
  • If Annual Net margin < 5% - no customer dividends and Board determine allocation of net margin to Cash reserves and & Local Program reserves
  • If Annual Net margin > 5% - Board determine allocation of any surplus (over 5%) to Cash reserves, Local Program reserves and Customer Dividends
• Guidelines of Allocation of Annual Net Margin
  • Annual Net Margin <= 5%
    • Up to 95% to Cash Reserves (Until 90-days of cash reserves met)
    • At least 5% to Local Program Reserves
  • Annual Net Margin > 5%
    • Follow guidelines for Annual Net Margin up to 5%
    • Annual Net margin in excess of 5%:
      • At least 50% to Cash Reserves (Until 90-days cash reserves met)
      • Remaining excess allocated between Cash Dividends and Local Programs Reserve at the discretion of the Board annually

Adopted: _____________________
• Board approves allocation of Annual Net Margin on or around the September Board meeting

• Any surplus allocation to customer dividends will appear as bill credits or the customer may have the option to apply their dividend to the Local Program Reserve. Any customer dividends will appear as bill credits as follows:
  
  • Residential customers – annually in October bill
  
  • Non-residential customers – bi-annually in October and April bills

Adopted: _____________________
AMENDMENT 11 TO EXHIBIT A: Scope of Services

A.4 Task Order 2 – Data Management and Customer Call Center Services

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 11 to Exhibit A, Task Order No. 2 (Amendment 11), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 11 conflict with any general provisions in the Agreement or Task Order 2, the provisions of this Amendment 11, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Amendment 11 is the date of last signature below.

1. Section 1, SCOPE OF WORK, is amended to include Sections 1.9 below:

“1.9 ANNUAL DIVIDEND PROGRAM IMPLEMENTATION

SMUD will implement a technology solution to support VCE’s dividend policy.

1.9.1 If a dividend is earned, a bill credit will be applied annually on the October bill for residential customers and applied in two payments of 50% each on the October and April bills for non-residential customers.

1.9.2 The bill line item will state “Your VCE dividend is $#.##”.

1.9.3 The dividend value will be provided by VCE to SMUD as percentage multiplier to apply to payments received during VCE’s fiscal year, defined as July 1 through June 30, regardless of the associated bill periods. VCE will provide the dividend percentage no later than September 20. The bill credit amounts will be calculated and staged in the billing system for application to the appropriate bills:

- 100% in October for residential customers
- 50% in October and 50% in April for non-residential customers.

1.9.4 Credits are only applied for DA_XREFs that are still active as of defined dividend month(s). Customers who move out or opt out prior to the dividend months will not receive that portion of their dividend payment.

1.9.5 The dividend floor will be configurable but set by default to $0.00. If VCE chooses to set a floor greater than $0.00, the floor value must be provided to SMUD no later than September 20. There will be no negative dividend for NEM customers.

1.9.6 The dividend amount will only be applied to the dividend payment month bills. A running balance will not be maintained for application to future bills if the dividend amount exceeds the bill amount.

1.9.7 Dividends will show in accounting reports when applied to the bill (when usage data is received from PG&E), not when they are staged in the billing system. Therefore, dividend amounts that are calculated but never applied, due to a move out or opt out, will not show on accounting reports.

1.9.8 Customers with no payment remitted to VCE will receive no dividend.

1.9.9 NEM customers receive no special treatment. Customers with an annual net payment
remitted to VCE will receive a dividend. Customers with no payment remitted will not receive a dividend. Their benefit will be from the retail and wholesale $0.01 adders.

Deliverables and Due Dates

The schedule for the implementation of the Annual Dividend Program is estimated to be twelve (12) months, and includes the following milestones and due dates:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Responsible Party</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development complete</td>
<td>SMUD</td>
<td>June 12, 2020</td>
</tr>
<tr>
<td>User testing complete</td>
<td>SMUD</td>
<td>June 26, 2020</td>
</tr>
<tr>
<td>Enhancement release date</td>
<td>SMUD</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td>Provide dividend amount and floor to SMUD</td>
<td>VCE</td>
<td>September 20, 2020</td>
</tr>
<tr>
<td>Dividends begin appearing on customer bills</td>
<td>SMUD</td>
<td>October 1, 2020</td>
</tr>
</tbody>
</table>

Section 4, COMPENSATION FOR SERVICES is amended to add Section 4.5, Annual Dividend Program Implementation, as follows:

“The fixed fee for the Annual Dividend Program Implementation is $75,000. Ongoing support of the Annual Dividend Program is included in the fixed fee for Data Management and Call Center Services as described in Section 4.1 of this Task Order 2.”

Section 5, PAYMENT TERMS, is amended to add the following.

“SMUD will invoice the fixed fee for the Annual Dividend Program Implementation upon completion, and payment will be due net thirty (30) days from date of the invoice.”

[Signature Page follows]
SIGNATURES

The Parties have executed this Amendment 11, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: __________________________________________
Name: _______________________________________
Title: _________________________________________
Date: _________________________________________

Sacramento Municipal Utility District

By: __________________________________________
Name: _______________________________________
Title: _________________________________________
Date: _________________________________________

Approved as to Form: _________________________________________
RESOLUTION NO. ______

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING A
NEW RATE STRUCTURE AND DIVIDEND PROGRAM GUIDELINES AND APPROVING
AMENDMENT 11 TO TASK ORDER 2 (DATA MANAGEMENT AND CALL CENTER SERVICES) TO
THE SACRAMENTO MUNICIPAL UTILITIES DISTRICT PROFESSIONAL SERVICES AGREEMENT

WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established
under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500
et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating
the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis
(“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study,
promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, initially VCEA’s rate structure provided customers with a pre-determined, up
front rate discount relative to PG&E service; and

WHEREAS, an alternative would be to generally match PG&E rates and move from a
monthly fixed rate discount structure to an annual dividend rate structure; and

WHEREAS, the New Rate Structure and Dividend Program Guidelines will help VCEA
improve financial stability and maintain focus on its primary goals: a cleaner environment,
meeting the members’ climate action goals, building agency reserves, offering custom tailored
programs and awarding customers for their loyalty and trust.

WHEREAS, on August 31, 2017, the VCEA Board considered a proposal by the
Sacramento Municipal Utilities District (“SMUD”) to provide program launch and operational
services and subsequently directed VCEA staff to negotiate a services agreement between VCEA
and SMUD for consideration and action by the VCEA Board;

WHEREAS, on September 21, 2017, the SMUD Board of Directors authorized its CEO to
enter into a contract with VCEA to provide CCA support services;

WHEREAS, on October 12, 2017 the VCEA Board approved the Master Professional
Services Agreement and Task Order 1 and Task Order 2 to provide program launch and
operational services consistent with the SMUD proposal and VCEA Board direction;

WHEREAS, on April 11, 2019 the VCEA Board approved Amendment 10 to Task Order 2
(data management and call center services) adding detail to SMUD’s invoicing methodologies
in the Compensation for Services section; and,
NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. Adoption of the New Rate Structure and Dividend Program Guidelines, effective July 1, 2019 (Exhibit A).

2. Authorizes VCEA Interim General Manager to approve and execute Amendment 11 to Task Order 2 (Data Management and Call Center Services) for the development of the technology enhancement to support VCE’s annual dividend program.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _________, 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_________________________    _________________________
Tom Stallard, VCEA Chair       Alisa M. Lembke, VCEA Secretary

EXHIBIT A – New Rate Structure and Dividend Program Guidelines
EXHIBIT B - Amendment 11 to SMUD Master Professional Services Agreement Task Order 2
EXHIBIT A

New Rate Structure and Dividend Program Guidelines
EXHIBIT B

Amendment 11 to SMUD Master Professional Services Agreement Task Order 2
TO: VCE Board of Directors

FROM: Mitch Sears, Interim General Manager
Lisa Limcaco, Director of Finance and Internal Operations
Jim Parks, Director of Customer Care and Marketing

SUBJECT: Net Energy Metering (NEM) Customer Enrollment

DATE: June 17, 2019

RECOMMENDATION

Adopt a resolution:

1. approving the enrollment of net energy metered customers beginning January 2020.
2. approving a minor revision to the approved NEM policy related to net excess generation.
3. authorizing the Interim General Manager to sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) of the Sacramento Municipal Utility District Professional Services Agreement.

BACKGROUND

The enrollment of existing Net Energy Metered (NEM) customers into VCE has been delayed twice. The first time was due to issues that were identified with the original NEM policy. In that case, VCE staff worked with the Community Advisory Committee, VCE Board and the public to develop recommendations to revise the policy and submitted the new policy to the VCE Board. The revised policy was approved at the board meeting of September 13, 2018 and existing NEM customers were scheduled to start service with VCE on their true-up date in 2019.

The second delay came as the result of a decision by the California Public Utilities Commission (CPUC) on October 11, 2018. The decision changed the methodology for calculating the Power Charge Indifference Adjustment (PCIA), or exit fee, that CCAs pay to cover the stranded generation costs of the incumbent investor-owned utilities. The change in methodology was expected to yield a PCIA increase of approximately 30% ($5 million), causing consideration of phasing in NEM customers who were not yet enrolled. Other factors included increased resource adequacy and energy procurement costs. As a result of these issues, staff recommended delaying NEM enrollments for at least one additional year. The VCE board approved the delay at their November 15, 2018 meeting.
UPDATE

In February 2019, the CPUC issued a decision approving the PG&E’s 2019 Energy Resource Recovery Account (ERRA) with modifications. The modification that impacted the calculation of PCIA, required PG&E to true-up the brown power value included in the indifference calculation used to determine PCIA rates, commencing with 2018. In June 2019, PG&E provided supplemental analysis that resulted in approximately $79 million PCIA refund related to the brown power true-up. Based on the 2019 ERRA decision with supplemental modifications, the PG&E generation rate increased an average of 5.68% and PCIA remained flat for VCE’s customer load.

In November 2018, staff summarized that the financial impacts of PCIA and policy modifications to the VCE net income projected for FYE 2019 and 2020 were $3.8 million and $2.6 million, respectively. In comparison, based on the 2019 ERRA decision with supplemental modifications described above, enrolling the legacy NEM customers beginning January 2020, updates in VCE load forecasts, and update in VCE Power costs, the VCE net income projected for FYE 2019 and 2020 are $8.5 million and $7.6 million, respectively. This improved fiscal outlook puts VCE in a position to enroll NEM customers beginning in January 2020.

Table 1 below provides a comparison of the financial impacts with the Board approved policy modifications from November 2018 and updated with the current 2019 ERRA information.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income before policy modifications</strong></td>
<td>$ 2,259</td>
<td>$ (911)</td>
</tr>
<tr>
<td>Postpone NEM enrollment</td>
<td>779</td>
<td>1,767</td>
</tr>
<tr>
<td><strong>Net income after Postponement of NEM</strong></td>
<td>3,038</td>
<td>856</td>
</tr>
<tr>
<td>Match PG&amp;E generation rate</td>
<td>783</td>
<td>1,744</td>
</tr>
<tr>
<td><strong>Net income after modification of rate discount</strong></td>
<td>$ 3,821</td>
<td>$ 2,600</td>
</tr>
<tr>
<td>Enroll Legacy NEM customers (1)</td>
<td>-</td>
<td>(600)</td>
</tr>
<tr>
<td>Changes to 2019 PCIA, PG&amp;E rates, load forecasts &amp; operating costs</td>
<td>4,744</td>
<td>5,631</td>
</tr>
<tr>
<td><strong>Net income with 2019 ERRA &amp; NEM enrollment January 2020</strong></td>
<td>$ 8,565</td>
<td>$ 7,631</td>
</tr>
</tbody>
</table>

(1) - Enroll Legacy NEM customers beginning January 2020

Community Advisory Committee Recommendation

The Community Advisory Committee (CAC), considered the NEM enrollment issue beginning earlier this year. At their April 2019 meeting the Committee considered a report from their assigned Task Group and adopted the following Board recommendation:

That the Board initiate steps as needed to begin enrolling legacy NEM customers starting in January 2020, and if NEM enrollment is perceived to create negative financial impacts, to find alternatives rather than postponing legacy NEM enrollment.

At their May 2019 meeting the CAC adopted their final Task Group report on NEM enrollment which is attached.

Based on the improved financial outlook, Staff is also recommending that the VCE Board
approve legacy NEM enrollments beginning January 2020. These NEM customers will transfer to VCE during their true-up month, meaning it will take the entire year of 2020 to bring in all eligible NEM customers. The customers will be enrolled monthly to limit the number of enrollment batches that costs $4,475 per batch, while still maintaining the customer’s annual true-up month.

**REVISION TO APPROVED NEM POLICY**

The approved NEM policy is attached to this staff report. Staff recommends one modification to the policy. The intent of the policy change is to ensure that NEM customers are paid for net excess generation on a monthly basis, not by TOU period. This policy change makes that correction:

10. Customers on time-of-use (TOU) rate schedules will receive a $0.01/kWh credit for net excess generation during any TOU period on a monthly basis.

**SMUD TASK PROPOSAL**

SMUD developed a Task Proposal to provide VCE with the ability to enroll most legacy NEM customers into a policy that mirrors PG&E NEM billing. Customers with an estimated annual balance below the threshold set by VCE will settle annually on their existing NEM true-up date. In contrast, under VCE’s current policy for all new NEM customers who either installed solar after joining VCE or were new construction after VCE’s launch date of June 2018, enrolled NEM customers settle monthly and true up in February. All NEM customers, regardless of policy, will be compensated for their monthly surplus generation and trued-up on an annual basis.

The schedule to implement this scope of work is estimated to be six (6) months, and includes the following milestones and due dates:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Responsible Party</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Task Proposal approved</td>
<td>VCE</td>
<td>June 17, 2019</td>
</tr>
<tr>
<td>2 Requirements gathering initiated</td>
<td>SMUD</td>
<td>July 1, 2019</td>
</tr>
<tr>
<td>3 Customer list to mass enroll on each policy approved</td>
<td>VCE</td>
<td>September 30, 2019</td>
</tr>
<tr>
<td>4 Development complete</td>
<td>SMUD</td>
<td>October 3, 2019</td>
</tr>
<tr>
<td>5 User testing complete</td>
<td>SMUD</td>
<td>October 25, 2019</td>
</tr>
<tr>
<td>6 CRM go-live: Customers begin pre-enrollment period on proper NEM policy</td>
<td>SMUD</td>
<td>November 1, 2019</td>
</tr>
<tr>
<td>7 Billing go-live: Customers begin receiving bills on proper NEM policy</td>
<td>SMUD</td>
<td>January 1, 2020</td>
</tr>
</tbody>
</table>

The fixed fee for this scope of work is $100,000 and is budgeted in the operating budget for fiscal year 2019/2020. The ongoing operation of the NEM program is included in the services defined in Task Order 2: Data Management and Customer Call Center Services.
Staff recommends the Board authorize the Interim General Manager to approve and sign Amendment 12 to Task Order 2 (Data Management and Call Center Services) in substantially the same form as attached.

ATTACHMENTS
1. VCE Net Energy Metering (NEM) Policy
2. Amendment 12 to Task Order 2 (Data Management and Call Center Services)
3. CAC Task Group Report - Net Energy Metering Customer Enrollment
1. Residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle unless their annual balance exceeds $500.

2. Residential NEM customers with solar systems installed prior to June 2018 with annual balances exceeding $500 will be transitioned to monthly billing with a February true-up date.

3. Residential customers with solar systems installed prior to June 2018 that have been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than $500 per year for a consecutive two-year period.

4. Non-residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle, unless their annual balance exceeds $5,000.

5. Non-residential NEM customers with annual balances exceeding $5,000 may be transitioned to monthly billing with a February true-up.

6. NEM customers may choose a monthly billing cycle with February true-up in lieu of an annual billing and true-up cycle.

7. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.

8. The transition from PG&E to VCE will occur on the customer’s true-up date in 2019.

9. NEM customers with less than $100 in credits will have the credit balance roll over to the next billing cycle (with no loss of credits). NEM customers with a credit balance exceeding $100 on their annual true-up date will be cashed-out, unless they choose to roll over the balance or donate the funds.

10. NEM customers that generate excess energy on a monthly basis will receive the retail value plus a $0.01/kWh credit for the excess generation, without additional compensation for participation in renewable programs.

11. Customers on time-of-use (TOU) rate schedules will receive a $0.01/kWh credit for excess generation during any TOU period on a monthly basis.

12. NEM customers that generate excess energy on an annual basis will receive the wholesale value of net surplus generation, plus a $0.01/kWh adder.
13. NEM customers may opt-out of VCE’s NEM program and return to PG&E at their discretion.

14. Residential customers adding solar systems beginning June 1, 2018 will be placed on monthly billing with an annual true-up date in February.

15. Non-residential customers adding solar systems beginning June 1, 2018 may be placed on monthly billing with an annual true-up in February.
AMENDMENT 12 TO EXHIBIT A: Scope of Services

A.4 Task Order 2 – Data Management and Customer Call Center Services

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 12 to Exhibit A, Task Order No. 2 (Amendment 12), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 12 conflict with any general provisions in the Agreement or Task Order 2, the provisions of this Amendment 12, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

The Effective Date of this Amendment 12 is the date of last signature below.

1. Section 1, SCOPE OF WORK, is amended to add Section 1.10 below:

“1.10 IMPLEMENTATION OF SECOND NEM TRUE-UP POLICY

1.10.1. Scope of Work

Currently, VCE has one NEM True-up Policy which provides for NEM Customers to have monthly settlements and a true-up that occurs annually in February (Policy 1). With the introduction of the second NEM True-up Policy, Policy 1 will be available only to customers with an estimated annual balance above a dollar threshold that will be established by VCE. The second NEM True-up Policy will provide the ability to enroll the majority of legacy NEM customers according to a methodology that mirrors PG&E NEM billing, wherein customers with an estimated annual balance below the dollar threshold set by VCE will settle annually on their existing NEM true-up date (“Policy 2”). All NEM customers, regardless of whether they are enrolled in Policy 1 or Policy 2, will be compensated for their monthly surplus generation and trued-up on an annual basis.

SMUD will implement a technology solution to support Policy 2 and to update the NEM adder methodology for all NEM customers. Both policies will be technically available to all customers but the placement of customers on either Policy 1 or Policy 2 will be dictated by VCE’s business rules.

A. Policy 2 is detailed below:
   • Customers retain annual billing cycles and keep their existing true-up dates.
     o The true-up date is the month of the “True-up End Period” from the PG&E provided 4013 file.
     o The true-up will run in the first bill of that month every year.
     o VCE’s true-up date will not change if PG&E changes their true-up date in the 4013.
     o SMUD will coordinate with PG&E to seek a list of true-up dates for any NEM customers whose true-up date does not appear in the 4013.
   • Customers receive an informational bill each month, but settlement is not required outside the customer’s true-up month.
B. The business process for determining customers’ applicable policy is defined below:

- Legacy NEM customers on a list approved by VCE will be defaulted to VCE’s existing NEM policy, defined as monthly settlement, annual true-up in February.
  - This customer list will be developed by evaluating customers’ 2018 historical usage data. The analysis to compile this list is not included in this scope of work.
- All new move-ins will be defaulted to Policy 1.
- All new solar installations (existing VCE customer converting from non-NEM to NEM) will be defaulted to Policy 1.
- If a customer request to change policies is approved by VCE, the policy change will be applied as directed by VCE:
  - Effective retroactively, since last true-up, or if no true-up has occurred, since beginning of enrollment. This would result in rebilling all periods on/after the effective date of the retroactive switch.
  - Effective on next bill cycle, triggering a true-up on the customer’s next bill.
  - Effective on the next true-up of customer’s current policy. Customer is billed and trued-up according to their current policy, then begins billing on the new policy following their true-up.
- After a customer is enrolled in Policy 1 or Policy 2, their status will not be automatically re-evaluated, and the customer will not be moved from one policy to another unless an evaluation of qualification for policy change is requested by the customer. Customers may request a policy change through the call center. Customer requests to move from Policy 2 to Policy 1 will be honored and the customer will change policies effective on either their next bill cycle or next true-up. Customer requests to move from Policy 1 to Policy 2, or customer requests for retroactive policy switch, will require approval from VCE. The policy switch can be made effective the next bill cycle after VCE approval, on the customer’s next true-up date, or retroactive to the date approved by VCE.

Regardless of whether they are enrolled in Policy 1 or Policy 2, Legacy NEM customers will be enrolled on their true-up month beginning in January 2020.

The excess generation monthly compensation method will be updated to net billing determinants together prior to applying the penny adder. As a result, customers on time-of-use (TOU) rate schedules that generate excess energy on a monthly basis will receive the retail value plus a $0.01/kWh credit for their excess generation. This updated methodology will apply to Policy 1 and Policy 2.

1.10.2. Deliverables and Due Dates

The schedule for the implementation of Policy 2 is estimated to be six (6) months, and includes the following milestones and due dates:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Responsible Party</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td></td>
<td>Development complete</td>
<td>SMUD</td>
</tr>
<tr>
<td>---</td>
<td>----------------------</td>
<td>------</td>
</tr>
<tr>
<td>5</td>
<td>User testing complete</td>
<td>SMUD</td>
</tr>
<tr>
<td>6</td>
<td>CRM go-live: Customers begin pre-enrollment period on proper NEM policy</td>
<td>SMUD</td>
</tr>
<tr>
<td>7</td>
<td>Billing go-live: Customers begin receiving bills on proper NEM policy</td>
<td>SMUD</td>
</tr>
</tbody>
</table>

### 1.10.3. Schedule

It is estimated that the Scope of Services in this task will be completed in six (6) months from the effective date of this Amendment 6, and SMUD will finalize the system requirements and implement the technical solution prior to January 2020.”

**Section 4, COMPENSATION FOR SERVICES** is amended to add Section 4.6, Implementation of a Second NEM True-up Policy, as follows:

“The fixed fee for the Implementation of a second NEM True-up Policy is $100,000. Monthly enrollment of NEM customers during 2020 and the ongoing maintenance of Policy 1 and Policy 2 are included in the included in the fixed fee for Data Management and Call Center Services as described in Section 4.1 of this Task Order 2.”

**Section 5, PAYMENT TERMS**, is amended to add the following.

“SMUD will invoice the fixed fee for the Implementation of the second NEM True-up Policy upon completion, and payment will be due net thirty (30) days from date of the invoice.”

[Signature Page follows]
SIGNATURES

The Parties have executed this Amendment 12, and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: 

Name: 

Title: 

Date: 

Approved as to Form: 

Sacramento Municipal Utility District

By: 

Name: 

Title: 

Date: 

Approved as to Form: 
NEM Enrollment Reassessment Report and Recommendation
Rates and Services Task Group
5/23/19 CAC Meeting

Background:
There are approximately 7,000 residential and commercial solar accounts in the VCE service area with installations prior to VCE’s launch in June 2018. These future VCE customers will represent 11% of VCE’s 65,000 customers.

The enrollment of the legacy solar accounts has been delayed twice by VCE. First, in May 2018 solar enrollment was delayed from June 2018 to January 2019 in order to develop a revised NEM policy to incorporate some of the aspects of PG&E’s NEM policy. VCE originally prepared a NEM policy that was similar to other CCAs’ policies, with all NEM accounts having a true-up in April and all having monthly billing. This was different from what NEM customers experience with PG&E, which has an annual true-up date based on the date of solar installation and annual billing. After VCE was approached by a local solar provider as well as some solar accounts and shown that VCE’s NEM policy would create one-time costs for many of the legacy NEM customers, causing them to potentially opt-out of VCE’s service, VCE decided to revise its NEM policy to keep existing true-up dates for accounts and offering annual billing for most.

In December 2018 solar enrollment was further delayed. The second NEM postponement was a financially-based decision intended to mitigate the budgetary impacts of the expected increase in PCIA exit fees, increased power costs and increased resource adequacy (RA) requirements. Already enrolled VCE customers were also affected by the budget impacts as VCE decided to remove the 2.5% discount to PG&E’s rates. In December 2018 the legacy solar residential and commercial accounts received a letter stating their enrollment would be delayed for at least one year. The letter further stated that the policy would be reviewed in mid-2019 at which time the VCE Board would decide whether to end or extend the deferral.

This report covers thoughts and considerations prepared by the Rates and Services task group of the Community Advisory Committee and is intended to provide input to VCE Staff and Board on the issue as they review and make a decision as to whether to end or extend the deferral of NEM enrollment.

Key Points to Consider:

1. Financial uncertainty related to PCIA exit fees, power costs, resource adequacy (RA), and PG&E’s rates will continue, especially with the PG&E bankruptcy. PG&E has asked for numerous delays in calculating the revised PCIA exit fees and PG&E rates for 2019, which has made financial planning difficult. Additionally, the range of fees and rates presented to the CPUC has varied widely. For example, PCIA exit fees have varied from a 30% increase to no increase for 2019. While the planning context is challenging, VCE needs to develop financial strategies that will allow it to offer service to all of its customers regardless of the volatility and uncertainty in the business. One such strategy that is currently being considered by VCE is the Dividend Program. VCE originally offered a discount to PG&E’s rates, but due the budgetary impacts of the expected increase in PCIA exit fees announced in November 2018 as well as increases in power costs, VCE decided to remove the discount and match PG&E rates. The Dividend Program allows VCE to give back to customers only after the financials are known which will allow more financial security and flexibility. Another
strategy that could assist VCE with the volatility, is to prepare alternative financial scenarios outlining the various assumptions used so that alternate planning can be done in advance rather than last minute. What the task group feels is not productive in times of uncertainty is to focus mitigation on a customer type thought to be more costly to serve and causing VCE financial strain, as was done with the legacy NEM accounts.

2. Due to the delays by the CPUC and PG&E in finalizing the PCIA exit fees and PG&E rates for 2019, VCE’s financial outlook for FY18/19 is much better than previously estimated. The current operating budget shows an estimated Net Income of $8,231 for FY18/19 vs $3,821 estimated in November 2018. VCE is building reserves in FY18/19, with the Net Margin currently estimated to be 16%, well above the target 5%. (See Tables 1 & 2). The outlook for FY19/20 and FY20/21 is also currently estimated to be much better than the financials presented in November 2018 as it is now expected that there will be no increase in PCIA exit fees for 2019.

VCE Staff has prepared two scenarios with preliminary forecasts for FY19/20 and FY20/21, and looked at the effects of NEM enrollment starting in January 2020. (See Table 3) The first scenario’s assumptions are what is currently expected to be approved by the CPUC. Staff also created a “worst case” scenario to show effects on financials with less favorable assumptions in future years. In both scenarios, the financials are strong with NEM enrollment beginning January 2020. The task group also considered a number of potential changes to the NEM policy, such as removing the additional one cent per kWh for excess generation, and bringing in residential customers first, then commercial. The financial impact of these potential changes was minimal (see Table 4).

3. Solar customers are natural partners for VCE. They bring zero carbon energy to the grid and to their community. Solar residential and commercial accounts in Yolo County generated an estimated 160 GWh in 2018, or 9 percent of Yolo County electricity usage. This percentage will increase as more and more residential and commercial VCE customers add solar. As the number of solar customers increase, VCE can partner with them in the implementation of local programs such as local storage. Solar customer investment and decisions should be recognized and acknowledged by VCE as a major, quantifiable economic and decarbonization benefit to Yolo County and the VCE member communities. A new proposed bill AB-961 directs the CPUC to define and prioritize non-energy benefits in clean energy and energy efficiency programs. Enrolling the legacy solar accounts and partnering with them on initiatives will provide such benefits while also benefitting VCE.

4. While the task group is aware of the financial advantages of long-term contracts that begin in 2021 and the additional financial security these will provide VCE, we don’t think the average customer will factor that into his/her opinion of VCE. We believe an extension of the deferral for another year will have a negative impact on VCE’s public image and will bring negative criticism to VCE at a time when the marketing team is working to build the VCE brand. There has already been criticism of VCE with respect to the current NEM enrollment deferral in Sacramento.

Recommendation:

The Rates and Services Task Group recommends that VCE Staff and the Board initiate steps as needed to begin enrolling legacy NEM customers starting in January 2020, and if NEM enrollment is perceived to create negative financial impacts to find alternatives rather than postponing legacy NEM enrollment.

Note: Additional issues that have been identified by staff during this process will be discussed as a separate agenda item with the CAC.
### Table 1. Financial Impacts of PCIA and Policy Modifications (Presented to Board November 15, 2018)

<table>
<thead>
<tr>
<th>Policy Modification Action</th>
<th>Fiscal Impact ($1,000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>Net income before policy modifications</td>
<td>$2,259</td>
</tr>
<tr>
<td>Postpone NEM enrollment</td>
<td>$779</td>
</tr>
<tr>
<td>Match PG&amp;E generation rate</td>
<td>$783</td>
</tr>
<tr>
<td><strong>Net income after policy modifications</strong></td>
<td><strong>$3,821</strong></td>
</tr>
</tbody>
</table>

### Table 2. VCE Preliminary Operating Budget

**VALLEY CLEAN ENERGY**

**PRELIMINARY OPERATING BUDGET**

**FY 2019/2020**

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL YTD</th>
<th>APPROVED BUDGET</th>
<th>PRELIMINARY BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MAR 31, 2019 (9 MO)</td>
<td>FY 2018/2019</td>
<td>MAR 31, 2019 (9 MO)</td>
</tr>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
<td>$54,314</td>
<td>$51,253</td>
<td>$54,047</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Electricity</td>
<td>41,103</td>
<td>39,083</td>
<td>41,797</td>
</tr>
<tr>
<td>Contract Services</td>
<td>2,719</td>
<td>2,318</td>
<td>2,826</td>
</tr>
<tr>
<td>Staff Compensation</td>
<td>1,358</td>
<td>1,018</td>
<td>1,200</td>
</tr>
<tr>
<td>General, Administration and other</td>
<td>1,094</td>
<td>448</td>
<td>655</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>46,274</td>
<td>42,867</td>
<td>46,478</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING INCOME</strong></td>
<td>8,040</td>
<td>8,386</td>
<td>7,569</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>89</td>
<td>41</td>
<td>120</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(590)</td>
<td>(196)</td>
<td>(155)</td>
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<tr>
<td><strong>TOTAL NONOPERATING REVENUE (EXPENSES)</strong></td>
<td>(500)</td>
<td>(155)</td>
<td>(35)</td>
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<tr>
<td><strong>NET MARGIN</strong></td>
<td>$7,539</td>
<td>$8,231</td>
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<tr>
<td><strong>NET MARGIN %</strong></td>
<td>13.88%</td>
<td>16.06%</td>
<td>13.94%</td>
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Table 3. Two Scenarios: Preliminary Forecasts prepared by VCE Staff

Scenario 1: Expected Forecast

<table>
<thead>
<tr>
<th>Wholesale Power</th>
<th>NP-15 04/05/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Disc (entry on Ann Summ sh t)</td>
<td>0.00%</td>
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<tr>
<td>Resource Portfolio</td>
<td>E-Alt</td>
</tr>
<tr>
<td>PG&amp;E Scenario</td>
<td>ERRA/-3/3</td>
</tr>
<tr>
<td>PCIA Scenario</td>
<td>ERRA/9%/-9%</td>
</tr>
</tbody>
</table>

Assumptions:

PG&E Rates:
2019 – ERRA – 5.68%
2020 - -3%
2021 - + 3%

PCIA Exit Fee:
2019 – ERRA – 0%
2020 – +9%
2021 - -9%
Scenario 2: "Worst case" Forecast

Assumptions:

PG&E Rates:
- 2019 – ERRA – 5.68%
- 2020 – -3%
- 2021 – 0%

PCIA Exit Fee:
- 2019 – ERR
- 2020 – +18% (Cap)
- 2021 – -9%
Table 4. Sample analysis of financial impact of potential change to NEM policy of removing the additional one cent for excess solar production, using previous forecast data. The task group also considered enrolling residential accounts, then commercial which also showed minimal financial impact.

Valley Clean Energy

<table>
<thead>
<tr>
<th></th>
<th>Current Forecast</th>
<th>Current Forecast elim $.01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROLL IN 2020</strong></td>
<td></td>
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<tr>
<td>Revenue</td>
<td>47,147</td>
<td>47,172</td>
</tr>
<tr>
<td>Power Costs</td>
<td>40,997</td>
<td>40,997</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>6,150</td>
<td>6,175</td>
</tr>
<tr>
<td>Operating costs</td>
<td>4,497</td>
<td>4,497</td>
</tr>
<tr>
<td>Net income</td>
<td>1,653</td>
<td>1,678</td>
</tr>
<tr>
<td>Net Margin %</td>
<td>3.5%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
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<td>52,801</td>
<td>47,172</td>
<td>52,881</td>
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<tr>
<td>Power Costs</td>
<td>40,997</td>
<td>45,933</td>
<td>40,997</td>
<td>45,933</td>
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<tr>
<td>Gross Margin</td>
<td>6,150</td>
<td>6,868</td>
<td>6,175</td>
<td>6,948</td>
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<tr>
<td>Operating costs</td>
<td>4,497</td>
<td>4,740</td>
<td>4,497</td>
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<tr>
<td>Net income</td>
<td>1,653</td>
<td>2,128</td>
<td>1,678</td>
<td>2,208</td>
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<tr>
<td>Net Margin %</td>
<td>3.5%</td>
<td>4.0%</td>
<td>3.6%</td>
<td>4.2%</td>
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</table>

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>47,098</td>
<td>48,174</td>
<td>47,098</td>
<td>48,200</td>
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<td>Power Costs</td>
<td>40,407</td>
<td>41,657</td>
<td>40,407</td>
<td>41,657</td>
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<tr>
<td>Gross Margin</td>
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<td>6,517</td>
<td>6,691</td>
<td>6,543</td>
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<td>Operating costs</td>
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<td>4,438</td>
<td>4,554</td>
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<tr>
<td>Net income</td>
<td>2,253</td>
<td>1,963</td>
<td>2,253</td>
<td>1,989</td>
</tr>
<tr>
<td>Net Margin %</td>
<td>4.8%</td>
<td>4.1%</td>
<td>4.8%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>DIFFERENCE</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Revenue</td>
<td>49</td>
<td>4,627</td>
<td>74</td>
<td>4,681</td>
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<tr>
<td>Power Costs</td>
<td>590</td>
<td>4,276</td>
<td>590</td>
<td>4,276</td>
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<tr>
<td>Gross Margin</td>
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<td>351</td>
<td>-516</td>
<td>405</td>
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<tr>
<td>Operating costs</td>
<td>59</td>
<td>186</td>
<td>59</td>
<td>186</td>
</tr>
<tr>
<td>Net income</td>
<td>-600</td>
<td>165</td>
<td>-575</td>
<td>219</td>
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</table>

Forecast Assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Current Forecast</th>
<th>Current Forecast elim $.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCIA Fee</td>
<td>2019, 17%</td>
<td>2019, 17%</td>
</tr>
<tr>
<td></td>
<td>2020, -0.5%</td>
<td>2020, -0.5%</td>
</tr>
<tr>
<td></td>
<td>2021, -1%</td>
<td>2021, -1%</td>
</tr>
<tr>
<td>PG&amp;E rates</td>
<td>2019, -2%</td>
<td>2019, -2%</td>
</tr>
<tr>
<td>(same for all 3 scenarios)</td>
<td>2020, 0%</td>
<td>2020, 0%</td>
</tr>
</tbody>
</table>
A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE
ENROLLMENT OF LEGACY NET ENERGY METERING (NEM) CUSTOMERS AND REVISION
TO REVISED NEM POLICY OF SEPTEMBER 13, 2018; AND, APPROVING AMENDMENT 12
TO TASK ORDER 2 (DATA MANAGEMENT AND CALL CENTER SERVICES) OF THE
SACRAMENTO MUNICIPAL UTILITY DISTRICT PROFESSIONAL SERVICES AGREEMENT

WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under
the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.)
(“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley
Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the
City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop,
conduct, operate, and manage energy programs; and

WHEREAS, in order to carry out its Mission, VCEA is setting Net Energy Metering (NEM) rates and
associated administrative policies to encourage local generation of renewable energy.

WHEREAS, on February 8, 2018, the Board of Directors adopted via Resolution 2018-005 a NEM
policy and procedures setting rates and associated administrative policies for the purpose of
encouraging and incentivizing local renewable energy production.

WHEREAS, on September 13, 2018 the Board of Directors approved an updated NEM Policy (see
attached as Exhibit A) and delayed enrollment of existing (“legacy”) NEM customers to start
service with VCEA on their true-up date in 2019.

WHEREAS, due to a decision by the California Public Utilities Commission (CPUC) on October 11,
2018 changing the methodology for calculating the Power Charge Indifference Adjustment
(PCIA), or exit fee, that Community Choice Aggregates, such as VCEA, pay to cover the stranded
generation costs of the incumbent investor-owned utilities, resulting in an anticipated increase in
PCIA costs, the Board of Directors on November 15, 2018 postponed enrollment of legacy NEM
customers until at least January 2020 with a reassessment of enrollment date in mid-2019.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby:
1. approve the enrollment of net energy metered customers beginning January 2020;
2. approve a change to Item #10 of the September 13, 2018 adopted NEM Policy as follows:
   “10. Customers on time-of-use (TOU) rate schedules will receive a $0.01/kWh credit for
   net excess generation during any TOU period on a monthly basis.”; and,
3. authorize the Interim General Manager to sign Amendment 12 to Task Order 2 (Data
   Management and Call Center Services) of the Sacramento Municipal Utility District
   Professional Services Agreement.
ADOPTED, this ____________ day of ______________, 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____________________________________
Tom Stallard, VCEA Chair

________________________________________
Alisa M. Lembke, VCEA Secretary

EXHIBIT A - Revised Net Energy Metering Policy
EXHIBIT A

Revised Net Energy Metering Policy
VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 20

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, Director of Finance & Internal Operations
       Mitch Sears, Interim General Manager

SUBJECT: Operating Budget Fiscal Year 2019/2020

DATE: June 17, 2019

RECOMMENDATION
Adopt a resolution approving the Operating Budget of $54.1M of operating revenues and $46.4 M of operating expenses for fiscal year 2019-2020.

BACKGROUND AND ANALYSIS
Operating Budget FY 2018/2019
In June 2018, the Board approved the Operating Budget of $46.3 M for fiscal year 2018-2019 and includes purchased power and other operating expenses. The operating budget was based on the following:

• VCEA rates set at a 2.5% discount from PGE&E’s generation rates placed into effect March 1, 2018, net of PCIA and Franchise Fees
• Power Mix of 42% renewable, 75% clean for the default product
• Contingency of 10% of other operating expenses due to uncertainty surrounding initial year of operations

Year to Date Actual plus Forecast
The year to date (YTD) actual operating expenses for the 10 months ending April 30, 2019 plus the forecast for the remaining part of fiscal year 2018/2019 are below the approved budget mainly due to the following:

• Power Costs decreased due to the reduction of wholesale and retail load due to 1) Deferral of Net Energy Metering customers and 2) Customer KWh usage down from forecasted load. This decrease was netted against an increase in the Resource Adequacy allocation by CEC for 2019
• Other operating costs are lower than expected due reduction in VCE staffing, marketing costs and operating costs based on customer counts and load
• Reduced the contingency % for the forecast to 5% of operating expenses
Operating Budget FY 2019/2020

In November 2018, the Board approved several policy modifications to address the PCIA exit fee volatility and budget shortfalls due to the anticipated increase in power costs for 2019 and 2020.

Rates – The policy modifications included structural changes to the rate design where VCE eliminated any up-front rate discount from PG&E’s generation rates net of PCIA and Franchise fees and simply matched the PG&E rates. The revenue budget is based on the following assumptions:

- PG&E generation rates will increase by an overall average of 5.68% for 2019 and decrease 3% for 2020
- PCIA will be flat compared to 2018 at 2.75 cents per KWh in 2019 and increase 9% (1/2 of the 2020 PCIA cap determined in the CPUC Alternative Proposed Decision) to approximately 3.0 cents per KWh in 2020. We assumed only a 9% increase based on the forecasted Brown Power costs are increasing in 2020 and 2021.

The 2019 operating revenues are based on PG&E’s Advice Letter (AL) for the 2019 Energy Resource Recovery Account (ERRA) forecasted generation rates and PCIA exit fee that was filed on April 18, 2019.

Another policy modification included delaying NEM enrollments for at least one additional year to January 2020. Based on the increase in PG&E generation rates and flat PCIA exit fees for 2019, the operating revenues includes enrolling legacy NEM customers beginning January 2020.
**Power Costs/Mix** – The power mix remains unchanged from the prior year’s budget with 42% renewable and 75% clean content. The load forecast has been updated for 2019 and 2020 using actual load data, opt-out rates and opt-up rates. The retail load forecast for the FY 2019/2020 is estimated at 690 GWh. Energy cost includes system energy, eligible renewables and carbon free attributes which are estimated at $34.16 M, or 82.15% of the total power costs. Resource adequacy cost is forecasted at $7.42 M, or 17.85% of the total power costs.

**Other Operating Expenses** – Staff has reviewed the other operating expenses and have updated the budget based on the following:

- Increase in head count of 1 part-time program assistant and 1 student intern to assist in developing customer programs for VCE and outreach for new member jurisdictions ~ $4,000 per month.
- Costs related to the addition of new member jurisdictions.
- Services currently under contract.
- Anticipation of increase legal costs due to PG&E bankruptcy.
- Increase in Joint CCA regulatory costs related to 2020 ERRA proceeding.
- 2.2% annual inflation rate on all expense not under contract.
- 5% contingency rate for unanticipated operating expenses.

**CONCLUSION**

The operating budget reflects a 14.1% net margin which meets VCE’s 5% minimum annual net margin goal to maintain financial health. Staff has prepared the operating budget for FY 2019/2020 based on the best available information on PG&E generation rates and PCIA exit fees. Staff recommends Board adoption of the attached FY 2019/2020 budget resolution.

**ATTACHMENT**

Operating Budget for Fiscal Year 2019-2020
<table>
<thead>
<tr>
<th>Description</th>
<th>July-19</th>
<th>August-19</th>
<th>September-19</th>
<th>October-19</th>
<th>November-19</th>
<th>December-19</th>
<th>January-20</th>
<th>February-20</th>
<th>March-20</th>
<th>April-20</th>
<th>May-20</th>
<th>June-20</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Revenue</td>
<td>$7,477,615</td>
<td>$6,755,475</td>
<td>$5,763,971</td>
<td>$4,850,209</td>
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<td>$3,331,576</td>
<td>$3,126,409</td>
<td>$2,797,524</td>
<td>$2,814,315</td>
<td>$2,747,524</td>
<td>$1,832,859</td>
<td>$2,785,797</td>
<td>$34,049,106</td>
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<td>Interest Revenues</td>
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<td>$7,763</td>
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<td>$12,698</td>
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<td>$11,334</td>
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<td>Purchased Power</td>
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<td>$4,762,464</td>
<td>$4,251,780</td>
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<td>$3,689,916</td>
<td>$3,016,536</td>
<td>$2,963,311</td>
<td>$2,796,804</td>
<td>$2,615,759</td>
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<td>$3,331,576</td>
<td>$41,574,848</td>
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<td>Salaries &amp; Wages/Benefits</td>
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<td>$50,735</td>
<td>$50,735</td>
<td>$50,735</td>
<td>$50,735</td>
<td>$50,735</td>
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<td>$50,735</td>
<td>$50,735</td>
<td>$513,018</td>
<td></td>
</tr>
<tr>
<td>Human Resources &amp; Payroll</td>
<td>$1,050</td>
<td>$1,050</td>
<td>$1,050</td>
<td>$1,050</td>
<td>$1,050</td>
<td>$1,050</td>
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<td>$12,600</td>
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<td>CalCCA Dues</td>
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<td>$8,500</td>
<td>$8,500</td>
<td>$8,500</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$5,886,760</td>
<td>$5,172,531</td>
<td>$4,651,256</td>
<td>$3,294,021</td>
<td>$2,982,982</td>
<td>$2,986,577</td>
<td>$4,086,579</td>
<td>$3,432,030</td>
<td>$3,009,780</td>
<td>$2,413,858</td>
<td>$1,832,859</td>
<td>$2,785,797</td>
<td>$46,389,236</td>
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<td>Interest Expense - Muni</td>
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<td>$4,605</td>
<td>$4,614</td>
<td>$4,624</td>
<td>$4,634</td>
<td>$4,643</td>
<td>$4,653</td>
<td>$4,662</td>
<td>$4,672</td>
<td>$4,681</td>
<td>$4,691</td>
<td>$4,701</td>
<td>$55,775</td>
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<td>Interest on RCB Loan</td>
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<td>$7,264</td>
<td>$7,264</td>
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<td>$6,779</td>
<td>$6,658</td>
<td>$8,534</td>
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<td>Interest Expense - SMUD</td>
<td>$1,703</td>
<td>$1,938</td>
<td>$1,492</td>
<td>$1,387</td>
<td>$1,281</td>
<td>$1,176</td>
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<td>$857</td>
<td>$751</td>
<td>$644</td>
<td>$537</td>
<td>$13,459</td>
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<tr>
<td>NET INCOME</td>
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<td>$1,107,270</td>
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<td>$75,176</td>
<td>$343,958</td>
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<td>$684,324</td>
<td>$195,894</td>
<td>$356,191</td>
<td>$1,832,859</td>
<td>$943,435</td>
<td>$7,631,012</td>
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</tbody>
</table>
TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Amendment #1 to the VCE Wholesale Energy risk Management Policy

DATE: June 17, 2019

RECOMMENDATION

Recommend that the VCE Board of Directors adopt the resolution approving Amendment #1 to the VCE Wholesale Energy risk Management Policy which Amendment is shown in Attachment 1.

BACKGROUND

On December 14, 2017, the Board adopted the current VCE Wholesale Energy Risk Management Policy (“Policy”). Up to this point, the guidelines and limits in this Policy have served VCE well. This includes the credit limit for any power supplier of $1.5 million as detailed in Section 6.1 of the Policy. The purpose of this provision is to limit the exposure of VCE to a concentration of power procurements with any one supplier. The way the exposure is determined is to calculate Counter Party Credit Exposure. Should Credit Exposure to any counter party increase to a level greater than the $1.5 million limit, no more power transactions would be entered into with that counter party.

COUNTER PARTY CREDIT EXPOSURE

The way that the counterparty credit exposure is calculated, is to ask and answer the question, “What would VCE have to pay for a replacement power contract, should a counter party fail to deliver under a contract?” The basic formula for counter party credit exposure is:

\[
\text{Counter Party Credit Exposure} = \text{Cost of Possible Replacement Power Contract} - \text{Total Existing Contract Value}
\]

This can be calculated simply by taking the contract volume and multiplying that by the difference between the current market price, and the contract price, as shown in the following formula:

\[
\text{Counter Party Credit Exposure} = \text{Contract Volume} \times (\text{Current Market Price} - \text{Contract Price})
\]
To explain, we provide an example energy transaction with Counter Party “A” the details of which are shown below in Table 1.

<table>
<thead>
<tr>
<th>Table 1. Counter Party “A” Transaction Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Volume, MWh</td>
</tr>
<tr>
<td>Delivery Term</td>
</tr>
<tr>
<td>Contract Price, $/MWh</td>
</tr>
<tr>
<td>Contract Execution Date</td>
</tr>
<tr>
<td>Total Contract Value, $</td>
</tr>
<tr>
<td>Market Price at time of Contract, $/MWh</td>
</tr>
<tr>
<td>Market Price on 12/1/2019, $/MWh</td>
</tr>
</tbody>
</table>

Table 2 below shows the credit exposure calculation made at the time the contract was signed (6/1/2019), and then 6 months later, on 12/1/2019, after the market price had increased.

<table>
<thead>
<tr>
<th>Table 2. Counter Party “A” Credit Exposure Calculations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time of Calculation</td>
</tr>
<tr>
<td>At Time of Contract</td>
</tr>
<tr>
<td>12/1/2019</td>
</tr>
</tbody>
</table>

In this example, under the Credit Policy SMUD would not enter into any new contracts with Counter Party “A” because credit exposure has risen to levels greater than the $1.5 Million limit. In general, this is a good thing, to spread credit risk over many counter parties.

**DISCUSSION**

The problem created by the current credit exposure limit of $1.5 million relates to purchases of Resource Adequacy (“RA”) capacity. The supply of RA capacity itself is tight, there are a limited number of counter parties in the RA market, and the single largest RA supplier to the power market in northern California is Pacific Gas & Electric.

The existing credit exposure limit could hinder VCE’s ability to procure the required Resource Adequacy.

The proposed Amendment #1 targets only VCE purchases of RA by eliminating the credit exposure limit of $1.5 million just for RA. No other power product is impacted by the change.

**ENTERPRISE RISK OVERSIGHT COMMITTEE REVIEW**

Staff reviewed the recommendation with VCE’s Enterprise Risk Oversight Committee on May 24, 2019 which approved sending staff’s recommendation to the Board for approval.
CONCLUSION

Staff makes the proposed specific recommendations in the aforementioned resolution.

Attachment
1. Proposed Edits for Amendment #1 of the VCE Wholesale Energy Risk Management Policy
Attachment 1
Proposed Edits for Amendment #1 of the VCE Wholesale Energy Risk Management Policy
6 Credit Policy

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

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

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

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

6.1 Credit Limit and Monitoring

In executing transactions on VCEA’s behalf, the WESP will observe a pass-through counterparty credit maximum limit equal to $1.5 million, with an exception for Resource Adequacy capacity purchase/buy transactions, which will not be included in this credit limit.

The WESP Credit Manager will continuously monitor the current credit exposure for each counterparty with whom the WESP transacts on behalf of VCEA and include such exposure in the current counterparty Credit Exposure Report. This report will be made available, reviewed and communicated to the EROC pursuant to the reporting requirements outlined in Section 7.
WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

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

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

WHEREAS, on December 14, 2017, the Board of Directors adopted a Wholesale Energy Risk Management Policy.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts

1. Amendment #1 to the VCE Wholesale Energy Risk Management Policy (Attachment 1), said Amendment in Section 6.1 Credit Limit and Monitoring, page 15, targets only VCE purchases of Resource Adequacy by eliminating the credit exposure limit for Resource Adequacy only.
ADOPTED, this ____________ day of ______________, 2019, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____________________________________
Tom Stallard, VCEA Chair

________________________________________
Alisa M. Lembke, VCEA Secretary

Exhibit A: Amendment #1 of the VCE Wholesale Energy Risk Management Policy, Section 6.1 Credit Limit and Monitoring, page 15 only
EXHIBIT A

Amendment #1 of the VCE Wholesale Energy Risk Management Policy