



**Meeting of the Board of Directors of the
Valley Clean Energy Alliance (VCEA)
Thursday, July 12, 2018
5:30 P.M.**

Woodland City Council Chambers, 2nd Floor, 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.

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

CONSENT AGENDA

- 4. Approval of Draft June 6, 2018 Meeting Minutes**
- 5. Receive Long Range Calendar**
- 6. Approval of VCEA Budget Policy**

7. **Approval of Financial Auditor Contract with James Marta and Company for auditing services for a three (3) year term (2018-2020) with an option to extend to fiscal year ending June 30, 2022**
8. **Receive Regulatory and Legislative Update**
9. **Receive Customer Enrollment Update**
10. **Receive CAC Meeting Update**
11. **Receive May 31, 2018 Financial Statements**

REGULAR AGENDA

12. **Net Energy Metering (NEM) Policy - Approve postponement of NEM Customer enrollment until 2019 (Action) and review preliminary amendment concepts to the current NEM policy (Informational).**
13. **Integrated Resource Plan (IRP) – Approve the IRP for submittal to the California Public Utilities Commission by August 1, 2018. (Action)**
14. **Legislative Positions (Senate Bill 100 and Assembly Bill 813) – Approve support for SB 100 and AB 813. (Action)**
15. **Board Member and Staff Announcements**

Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members at VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

The next VCEA Board meeting is scheduled for Thursday, August 9, 2018 at 5:30 p.m. at the Davis City Community Chambers, located at 23 Russell Blvd., Davis, CA 95616.

16. Adjournment (Approximately 7:00 p.m.)

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA's offices located at 604 2nd Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. Documents are also available on the Valley Clean Energy website located at: www.ValleyCleanEnergy.org.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager, VCEA
SUBJECT: Approval of Minutes from June 6, 2018 Board Meeting
DATE: July 12, 2018

RECOMMENDATION

Receive, review and approve the attached draft Minutes from the June 6, 2018 Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS
June 6, 2018**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their meeting scheduled for Wednesday, June 6, 2018 at 5:30 p.m. at the Davis City Community Chambers, 23 Russell Blvd., Davis CA 95616. Chairperson Lucas Frerichs established that there was a quorum present and began the meeting at 5:34 p.m.

Board Members Present: Lucas Frerichs, Robb Davis, Don Saylor, Tom Stallard, Skip Davies

Board Members Absent: Angel Barajas, Duane Chamberlain

Approval of Agenda Motion made by D. Saylor, seconded by R. Davis to approve the Agenda. Motion passed unanimously with Barajas and Chamberlain absent.

Public Comment Chairperson Frerichs opened the floor for public comment. No public comments were made.

Community Advisory Committee Chairperson Gerry Braun would like to supplement the CAC meeting notes in Item 10. There is work going on outside CAC in three Task Groups: 1) Outreach - helping staff clarify NEM information listed on the VCEA website; 2) Legislative/Regulatory - looking at things going on in the State and 3) Energy – taking the opportunity while reviewing the IRP to look at bulk versus local imports and portfolios, with a recommendation forthcoming. In addition, he anticipates that the CAC will have suggested action steps for the Board that will parallel with the IRP. He announced that in regard to the CAC’s recommendation PCC-2 split vote, the reason is that there is concern about environmental issues and would like to look at this more carefully. He also announced that CAC Member Kristov is engaged by CalCCA as an expert witness in the CPUC hearings, so the Board will get an insight into those proceedings at a future meeting. No other public comments.

Approval of Consent Agenda Motion made by R. Davis, seconded by D. Saylor to approve the Consent Agenda. Motion passed unanimously with Barajas and Chamberlain absent.

Appointment of Secretary to VCEA Joint Powers Agency Motion made by R. Davis, seconded by D. Saylor to approve the appointment of Alisa Lembke, VCEA Board Clerk/Administrative Analyst as secretary to VCEA Joint Powers Agency. Motion passed unanimously with Barajas and Chamberlain absent.

Approval of Minutes from May 10, 2018 Meeting Motion made by R. Davis, seconded by D. Saylor to approve the May 10, 2018 Board meeting minutes. Motion passed unanimously with Barajas and Chamberlain absent.



Long Range Calendar	Motion made by R. Davis, seconded by D. Saylor to receive the long range calendar. Motion passed unanimously with Barajas and Chamberlain absent.
Approval of VCEA Operating Budget for Fiscal Year 2018/2019 / Resolution 2018- 017	Motion made by R. Davis, seconded by D. Saylor to approve a resolution titled “Resolution of the Board of Directors of the Valley Clean Energy Alliance Adopting the Operating Budget for Fiscal Year 2018-2019”. Motion passed unanimously with Chamberlain and Davis absent.
Regulatory and Legislative Update	Motion made by R. Davis, seconded by D. Saylor to receive the regulatory and legislative report provided by LEAN Energy US. Motion passed unanimously with Barajas and Chamberlain absent.
Customer Enrollment Update	Motion made by R. Davis, seconded by D. Saylor to receive the customer enrollment update provided at this meeting by VCEA Staff. Motion passed unanimously with Barajas and Chamberlain absent.
Community Advisory Committee Meeting Update	Motion made by R. Davis, seconded by D. Saylor to receive the Community Advisory Committee’s (CAC) report summarizing their May 30, 2018 meeting. Motion passed unanimously with Barajas and Chamberlain absent.
Recognition of VCEA Board member Robb Davis for Service to Valley Clean Energy	Chairperson Frerichs presented Board Member Robb Davis with an honorary resolution recognizing and thanking him on behalf of the Communities of Davis, Woodland and Yolo County for all of his work leading up to the creation of VCEA. He thanked Mr. Davis for leading by example and serving on the VCEA Board. Each Board Member present thanked him and said a few words. Christine Shewmaker, Vice Chair of the Community Advisory Committee thanked him for the value he brought to the VCEA Board as a scientist, Council Member and resident. Mitch Sears on behalf of the Staff thanked him. Mr. Davis responded with a thank you for the kind words stating that he encourages everyone to continue with the “localism” of making decisions that fit the communities that VCEA serves. The goal of forming VCEA was to make it a county-wide entity which includes Davis, Woodland and Yolo County and he is very proud that he can tell others that this is a regional entity. He looks forward to seeing local governments work collectively together to achieve common goals.
Integrated Resource Plan 1) Review Draft Plan Results and Discuss Community Advisory Committee Feedback 2) review Prioritization of	Mr. Sears announced that there have been a series of discussion items with the CAC and the Board. Those discussions have focused on educating everyone on the purpose and the expectations of what is to be included in the IRP while outlining the objectives of VCEA and the communities it serves. Staff have had detailed discussions with the CAC, who will finalize their IRP recommendations at their next meeting. Their recommendations will then be presented to this Board at their next meeting scheduled for July 12, 2018; thereafter, Staff will submit the IRP to the CPUC by August 1 st . Mr. Sears introduced VCEA Staff Gary Lawson and Olof Bystrom.



Action Plan
Activities for Years
1-3

Mr. Bystrom (Slide 3 – IRP Basic Requirements) reviewed the IRP basic requirements. Per Mr. Bystrom, from a policy perspective (Slide 4) what is relevant is that the Board should focus on: 1) local balancing with cost competitiveness; 2) total renewable content portfolio; and, 3) identifying what programs VCEA would like to run (these programs will come later and are not part of the IRP). Mr. Bystrom reviewed (Slide 5) the IRP portfolio alternatives that the Board could consider: Basic, Cleaner, Clean Local and Cleaner VCEA. Slide 6 identifies the resource portfolio general mix. T. Stallard asked if Mr. Bystrom could define “short term”. Mr. Bystrom replied that short term means to meet 2019 demand. Chairperson Frerichs asked why are biomass and geothermal charted together on Slide 6 (generation mix)? Mr. Bystrom stated that it was merely to simplify the graph and commented that the potential for new resources of biomass and geothermal are limited.

Mr. Bystrom reviewed Slide 7 (estimated generation costs by portfolio) pointing out that the Clean Local portfolio contains biomass, geothermal, solar and local solar, the difference between the other portfolios is the cost. D. Stallard asked how “local” is local? Mr. Bystrom answered that it is not specific to a location, but biomass and geothermal around the county with solar being smaller scale facilities or parking lot structures. He also pointed out that the CAISO generation is more of a flat line on the graph as it is used as the benchmark for energy cost – it is what we would expect the market to be at. R. Davis asked why is the cost so much higher in the first year than the other portfolios? Mr. Bystrom explained that he used the year 2020 assumptions in which California’s natural gas is continued to be used so, in the model, supply and demand was used in conjunction with 2018 actual cost. Mr. Lawson commented that the CPUC would like CCE’s to use certain assumptions.

Mr. Bystrom continued with Slide 7 (general costs by portfolio) and pointed out that Cleaner Base is heavy local and renewable, but the cost goes up and that the Base portfolio is the lowest cost of all portfolios. He also noted that all of the portfolios cluster in 2030 because there is a lot of uncertainty and it is difficult to project out to the year 2030. However, there is an expectation that solar is the lowest cost resources, so this is why all portfolios cluster together in the year 2030.

Mr. Bystrom pointed out that on Slide 7, there is also an Incremental Impact chart of Cleaner Base and Cleaner Local showing that generation rates go up if using the Cleaner Local over years. T. Stallard asked if the increase is based on inflation? Mr. Bystrom said the increase is not due to inflation but rather the tightening of the market with natural gas prices expected to go up in 2030. T. Stallard asked if the regulatory requirements were driving the cost up. Mr. Bystrom answered yes. T. Stallard asked if this exercise is to help define VCEA’s future purchasing policies for resources? Mr. Bystrom answered yes. Mr. Lawson explained that the target portfolio will be defined in the IRP, but VCEA does not have to be held to it. The CPUC wants to see VCEA’s Action Plan in the IRP. Mr. Bystrom commented that VCEA will need to review and



update their IRP at the minimum every two (2) years. T. Stallard asked if VCEA was “locked in” for 30 years? Mr. Lawson said that procurements will be on going, but your base procurements will be.

Mr. Bystrom reviewed Slide 8 (observations and recommendations). D. Saylor asked to define “large scale”. Mr. Bystrom answered that it is not really large scale, but rather the amount of megawatts produced, which is 20 megawatts and above. He commented that the largest solar farm in California produces 200 megawatts, then referred to examples of sizes in Slides 14 (UC Davis), 15 (City of Woodland), 16 and 17 (SMUD facilities), and 18 (Antelope Valley, 230 megawatts, covering 1 mile by 1 mile in size).

R. Davis asked what the drivers are for biomass; is there a way to make it work; and, if it is feasible since it is such a high cost? Mr. Bystrom stated that SMUD did the research on biomass and it is a well-known technology, but costly: 3 times more than solar. However, if there are good offers to use biomass, then SMUD will look at it - there will be tradeoffs between the other sources. Mr. Bystrom reminded those present that the IRP will identify a portfolio, but the Action Plan outlines how you are going to get there - key deliverables for the next 1-3 years.

Mr. Lawson reviewed the IRP (Slide 10), which highlighted the main objectives of an IRP including an action plan that will identify key deliverables and procurement portfolio. A study of items will be looked at and can affect the Action Plan in the future. D. Saylor asked if facilities, such as warehouses, manufacturing sites, wine making businesses, could mobilize and install solar, thereby benefiting from this IRP? Mr. Lawson explained that the economy of scales would prevent VCEA from encouraging businesses/entities to purchase solar. He added that it is expensive, but there are ways to encourage businesses/entities to work together collectively so it would be more cost effective.

R. Davis stated that it would be helpful if the CPUC kept everyone informed as to what their end result expectations are of the CCE's; why it is important in the long term; and, what are the objectives or vision of the long term. He stated that as the Board moves forward, they should consistently remind themselves of VCEA's objectives and those of its customers.

Chairman Frerichs opened up the floor for public comment.

Community Advisory Committee Chairperson Gerry Braun offered one suggestion for the Board, which is that Staff and CAC Members consider other factors, such as economies of scale, environmental and process delays when looking at what is considered to be “local”. One suggestion is to look at the cost compared to the range of supply. D. Saylor commented that when we look at potential “local” sources, we may have to look at changing the local regulatory framework while considering agricultural goals and objectives. Mr. Lawson



pointed out that some areas are better than others, but SMUD will map those out to determine how much property would be available.

T. Stallard commented that there are choices available, but there are significant impacts and policy implications as the result of what is chosen. Mr. Bystrom informed those present that criteria, requirements and type of resources will be outlined in VCEA's procurement policy and within the request for proposals.

Approval of
Suspension of
Forward PCC-2
Renewable
Procurement /
Resolution 2018-
018

Mr. Lawson reviewed Slides 3 (effects of carbon intensity calculation and the REC offset value); 4 [suspension and California Energy Commission (CEC) AB1110 implementation]; and 5 (CEC staff proposal) with those present. He reminded those present that the CEC staff proposal for greenhouse gas emissions intensity proposal is not favorable to the treatment of PCC-2 renewable power imports. It is Staff's recommendation to suspend PCC-2 procurement to see what the CPUC adopts, said recommendation is outlined in Slide 7. R. Davis noted that in Slide 5 it lists PCC-1 along with PCC-2.

Chairperson Frerichs asked if there were any questions from the Board. R. Davis commented on CAC Chairperson Braun's comment about what is to be done if the CPUC does not adopt Staff's recommendation. R. Davis suggested that possibly the Resolution be amended to reflect that Staff is to return to the Board after the CPUC makes a decision for further Board discussion and direction.

Public comment: Christine Shewmaker, Vice Chair of the CAC, stated that she abstained from the CAC vote on this recommendation because she wanted to look into the environmental impacts.

R. Davis asked if the people who purchase PCC-2 renewables know its characteristics and if there is a premium price on PCC-2 renewables? Mr. Lawson answered that there is a premium for purchasing PCC-2's.

Moved by R. Davis to amend the Resolution titled "A Resolution of the Valley Clean Energy Alliance Suspending the Current Forward Procurement of PCC-2 Renewable Power Pending Outcome of the California Energy Commission's Effort to Update the Power Source Disclosure/Power Content Labeling Requirements for Load Servicing Entities" by directing VCEA Staff to return to the Board for further discussion and direction after the CPUC makes their decision on PCC-2's, seconded by Chairperson Frerichs. Amended motion passed by the following vote:

AYES: Frerichs, Davis, Saylor, Stallard, Davies

NOES: None

ABSENT: Barajas, Chamberlain

ABSTAIN: None



Board and Staff
Announcements

Chairperson Frerichs asked to go over the Customer Enrollment data (Agenda Item 9 above). Mr. Sears provide a quick update on behalf of Jim Parks (Customer Outreach) stating that there are approximately 1,700 opt outs, representing 2.6% of total customers and approximately 36 opt ups. We are looking at marketing campaign for customers, benefits and costs to opt up. Mr. Sears thoughts were that local generation will be of interest to people. S. Davies asked if there was a strategy for getting back those people that opted out? Mr. Sears stated that VCEA continues with community outreach efforts by doing presentations and making contacts with other community groups. He reminded those present that Customers are in the enrollment period and during this time basic outreach in the next sixty (60) days will continue. Staff are starting to look at where people are located that are opting up and developing program(s) to maintain customers through the website and social media outreach. Staff is also looking at target areas to get the word out to explain and assist in educating others.

Mr. Sears thanked all those who attended VCEA's launch party on Friday, June 1st. He thought it went well and good times were had by all.

Mr. Sears attended the Local Government Commission conference in Sacramento earlier this week. It was an excellent network opportunity with a broad representation of 350 plus attendees.

Chairperson Frerichs thanked Staff for putting on a great launch party.

Mr. Sears announced that the CPUC will be hosting a Public workshop on June 22, 2018 in San Francisco and CalCCA has asked Chairperson Frerichs to participate in this.

Announcements

The next VCEA Board meeting has been scheduled for Thursday, July 12, 2018 at 5:30 p.m. at the Woodland City Council Chambers, 2nd Floor, 300 1st Street, Woodland, CA.

Meeting was adjourned at 7:18 p.m.

Alisa Lembke
Board Clerk/Administrative Analyst

VALLEY CLEAN ENERGY ALLIANCE
Board of Directors Meeting

Staff Report Item – 5

TO: VCEA Board
FROM: Mitch Sears, Interim General Manager
SUBJECT: Long Range Calendar
DATE: July 12, 2018

Recommendation
Please find attached the long range calendar.

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

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

	DAVIS		
October 11, 2018	Board DAVIS	•	•
October 29, 2018	Advisory Committee WOODLAND	•	•
November 8, 2018	Board WOODLAND	•	•
December 3, 2018	Advisory Committee DAVIS	•	•
December 13, 2018	Board DAVIS	•	•

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 6

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Adoption of Budget Policy

DATE: July 12, 2018

RECOMMENDATION

Adopt a resolution approving the Budget Policy.

BACKGROUND AND ANALYSIS

The Board of Directors of Valley Clean Energy Alliance (VCE) has the authority and responsibility to adopt and oversee implementation of the VCE budget under the Joint Exercise of Powers Agreement approved October 25, 2016 and amended June 13, 2017.

The purpose of a budget policy includes the following:

1. To establish minimum requirements for preparation, management, content and timeframes of the VCE budget, and
2. To promote financial stability and long-term planning, and
3. To provide a context to guide decisions during the budget process and throughout the fiscal year.

The attached budget policy formalizes processes for developing budgets, measuring budget compliance, amending budgets, re-class contingency funds and other budgetary oversight procedures.

ATTACHMENT:

Resolution (Policy included as Resolution Exhibit A)

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE
ADOPTING THE BUDGET POLICY**

WHEREAS, Valley Clean Energy Alliance (“VCEA”), is a public agency formed in January 2017 under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq., between the County of Yolo and the City of Davis to provide Community Choice Energy (CCE) programs within the member agencies, and in June 2017, the City of Woodland also joined VCEA adding to the overall VCEA service territory;

WHEREAS, the VCE budget policy will formalize processes for developing budgets, measuring budget compliance, amending budgets, re-class contingency funds and other budgetary oversight procedures;

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a Budget Policy (Exhibit A).

PASSED, APPROVED AND ADOPTED at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____, 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Lucas Frerichs, VCEA Chair

ATTEST: _____
Alisa Lembke, VCEA Secretary

APPROVED AS TO FORM:

Eric May, Interim General Counsel

EXHIBIT A – Budget Policy

EXHIBIT A

Budget Policy



Valley Clean Energy Alliance Budget Policy

Adopted: July 12, 2018

Valley Clean Energy Alliance

A. LEGAL BASIS

The Board of Directors of Valley Clean Energy Alliance (VCE) has the authority and responsibility to adopt and oversee implementation of the VCE budget under the Joint Exercise Power Agreement and pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Sections 6500 et seq.) of the California Government Code.

B. PURPOSE

1. To establish minimum requirements for preparation, management, content and timeframes of the VCE budget, and
2. To promote financial stability and long-term planning, and
3. To provide a context to guide decisions during the budget process and throughout the fiscal year.

C. BUDGET REQUIREMENTS

1. The adopted final adjusted budgets must be balanced. Expenditures cannot be greater than the total anticipated unrestricted revenues and use of unrestricted net position.
2. The adopted budget shall provide for the presentation of data and information to include, at a minimum, estimated or actual amounts of the following items:
 - a. Net Position categorized by net investment in capital assets, restricted and unrestricted.
 - b. Operating revenues - For informational purposes the amounts shall be shown as follows:
 - 1) On an actual basis for the fiscal year two years prior to the budget year.
 - 2) On an actual basis, except for those sources that can only be estimated, for the fiscal year prior to the budget year.
 - 3) On an estimated basis for the budget year.
 - c. Operating expenses - For comparative purposes the amounts shall be shown as follows:
 - 4) On an actual basis for the fiscal year two years prior to the budget year.
 - 5) On an actual basis, except for those sources that can only be estimated, for the fiscal year prior to the budget year.
 - 6) On an estimated basis for the budget year.
 - d. Non-operating revenue and expenses.
 - e. Expenditures for contingencies.
 - f. The total annual expenditures limit.
3. There shall be a schedule in or supporting the adopted budget document or resolution, setting the following data for each position:
 - a. Salary rate or range, as applicable.
 - b. Total allocated positions approved by the Board.

D. AMENDING THE BUDGET

Staff may find it necessary to amend the budgets due to a change in estimates, change in economy, program changes, grant modifications, accounting changes, correction of budget errors, unanticipated revenue, etc. The budget adopted by the Board of Directors may be amended during the fiscal year within the parameters listed below:

Type of budget amendment	Official(s) authorized to approve amendment
Transfers not exceeding \$5,000 per month between any budget account group	Interim General Manager
Increase of staffing (authorized position) levels	Board of Directors by two-thirds vote (with at least one vote from each member agency)
Transfer > \$10,000/month from contingencies to account group	Board of Directors by two-thirds vote (with at least one vote from each member agency)
Unanticipated augmentation of the budget	Board of Directors by two-thirds vote (with at least one vote from each member agency)
Administrative corrections and revisions	Interim General Manager

E. BUDGET PRINCIPLES

The following will guide our budget and finance decisions:

1. Link budget to long-range plans - Each annual budget shall serve to connect successive budgets into a coherent strategy to realize long-term goals. The budget will be consistent with other long-term plans such as: Implementation Plan (IP), Long-term Procurement Plan (LTPP), and Integrated Resource Plan (IRP).
2. Regularly examine past spending patterns - Incremental budgeting should be used sparingly and each budget should include a critical review of past spending patterns.
3. Prioritize services - Budget decisions are based on prioritization of services and the priority will be linked to organizational goals and agency initiatives.
4. Performance Measurement - All programs and divisions shall develop performance measures that measure, community impact (effectiveness) and customer service (quality). Any new program requests shall include performance measures and anticipated outcomes.
5. Public Value - An appraisal of what is created by government on behalf of the public; the equivalent of shareholder value in public management. Adding public value means contributing both to what the public most values and also to what adds value to the public sphere.
6. Reserves - The budget shall fund reserves consistent with VCE’s Financial Reserve Policy

Valley Clean Energy Alliance

F. BASIC BUDGET DEVELOPMENT PROCESS ELEMENTS

The following process reflects VCE's incremental approach to budgeting with initial steps toward performance-based budgeting. Budget formulation, adoption, and execution involve year-round interaction of many people including staff, the Interim General Manager and the Director of Finance. Each year the budget development process will include, at minimum, the following elements:

1. The review of the IP, LTPP, IRP and the high priority enterprise risks established and developed by the Enterprise Risk Oversight Committee (EROC).
2. Revenue and expenditure forecasts used to establish guidelines for the basis of policy decisions developed to achieve the overall goals of the Board. Trends, patterns, indexes, growth, etc. will be compiled, analyzed, and applied in the preparation of detailed projections.
3. An annual meeting with the Interim General Manager and his/her staff and the Board to set goals and priorities for the coming fiscal year.
4. Interim General Manager review and analysis of all operating budgets, capital improvement projects, and revenue projections for accuracy, content, and compliance with the previously determined priorities and policies.
5. A final balanced budget approved by the Board by June 30 of each year.

G. CONTINGENCY EXPENDITURES

Contingency expenditures provide the first line of defense against uncertainty and are budgeted to cover minor unanticipated needs of a non-recurring nature that may arise throughout the year or provide for small increases in service delivery costs that were not anticipated during budget development. During the annual budget process, the Interim General Manager recommends a specific level of expenditures for contingency.

H. FINANCIAL PLANNING

The Interim General Manager and Director of Finance will annually prepare and present an update to the Financial Proforma to the Board of Directors including a long-range (three to five years) financial forecast. This forecast will provide a long-term overview of revenue, operating expense, and capital activity. The Financial Proforma will provide the fiscal link to the VCE's IP, LTPP, IRP, other strategic goals and priorities set by the Board during the year and will:

1. Ensure priorities aimed at achieving Board goals and VCE's mission and vision are funded
2. Ensure VCE attains financial sustainability
3. Ensure VCE has sufficient long term information to guide financial decisions
4. Ensure VCE has sufficient resources to provide the core programs and services in line with VCE mission
5. Ensure potential risks to on-going operations are identified by EROC and communicated on a regular basis

Valley Clean Energy Alliance

I. BUDGET CONTROL & ACCOUNTABILITY

In order to maintain the financial stability of VCE it is necessary for the Interim General Manager to review and control expenditures such that the rate of expenditure does not exceed the approved budget.

J. POLICY ADMINISTRATION

The Board must approve amendments to this Policy.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Approval of the Auditing Services Vendor and Contract for Auditing Services with James Marta & Co.

DATE: July 12, 2018

RECOMMENDATIONS:

Adopt a resolution:

1. Approving selection of James Marta & Co to provide VCE’s annual audit services;
2. Authorizing the VCEA Board Chair to approve and execute the Engagement Letter and Contract for Auditing Services.

BACKGROUND AND ANALYSIS

Staff released a Request for Quotation (RFQ) for audit services for VCE that closed on June 15, 2018. The RFQ were for audit services for the following periods:

- a) Inception (January 1, 2017) through June 30, 2018;
- b) Fiscal year ending June 30, 2019;
- c) Fiscal year ending June 30, 2020; and,
- d) Option to extend to Fiscal years ending June 30, 2021 and June 30, 2022.

The RFQ was sent to eighteen (18) Certified Public Accounting firms from a list of firms that Yolo County used in previous audit services RFQ’s. This list includes all firms known to provide special district audits in the County of Yolo and additional firms were added that were known in the area to have experience in either electric utilities or in CCA. There were one responsive proposal and two firms that declined to propose due to current workload and staffing. The one responsive proposal was submitted by James Marta & Co. (JMC)

General Requirements

The proposal met VCE’s general requirements set forth in the RFQ. The scope of services includes the following:

- 1) Perform an audit and provide a report on the general-purpose financial statements of VCEA under general accepted auditing standards.
- 2) The following are the expected reporting requirements resulting from the annual

audit of the general-purpose financial statements of VCE:

- a) Report of Independent Auditors
- b) Report in accordance with Government Auditing Standards
- c) Discussion and presentation of the audit with VCEA Board of Directors
- d) Management Letter (if necessary)

- 3) The audit report needs to be issued by October 31st after the fiscal year-end per bank covenants in the River City Bank credit agreement.

Experience

The RFQ requested specific experience in auditing Community Choice Aggregation (CCA) programs, electric utilities or Joint Power Agencies (JPA), as well as auditing clients that follow generally accepted accounting principles prescribed the Governmental Accounting Standards Board.

- JMC has extensive experience in providing audit and consulting services to JPAs and other government agencies.
- JMC partners with Baker Tilly Virchow Krause, LLP on the audit of SMUD and their JPA's (Co-generation Power plants).

Staff confirmed that SMUD's accounting staff have had a good experience working with the partner and senior manager of JMC on the SMUD JPA audits. Staff confirms JMC's qualifications and experiences related to the audits of JPAs as described in their proposal.

Pricing

The pricing of the audit services was reviewed against another similar CCA that is relative in size to VCE and was deemed reasonable and competitive. The pricing for the period from inception (January 1, 2017) to June 30, 2018, is substantially lower than the subsequent two fiscal years due to the limited amount of transactions and only one month of power operations.

Although staff received one responsive proposal, as described above staff performed the following:

- reviewed the qualifications and experiences of JMC
- confirmed through first-hand knowledge the public utility related JPA experience
- completed a reference inquiry with SMUD's Assistant Controller
- inquired with another CCA on the competitive pricing of the audits

RECOMMENDATION:

Staff is recommending the Board approve the selection of JMC to provide VCE's annual audit services and authorize the VCE Board Chair to approve and execute the Engagement Letter and Contract for Auditing Services between JMC and VCE.

RESOLUTION 2018-_____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE
APPROVING SELECTION OF JAMES MARTA & COMPANY, LLC TO PROVIDE AUDIT SERVICES
AND AUTHORIZING THE ENGAGEMENT LETTER AND LETTER AGREEMENT BETWEEN JAMES
MARTA & COMPANY, LLC. AND VCEA**

WHEREAS, Valley Clean Energy Alliance (“VCEA”), is a public agency formed in January 2017 under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq., between the County of Yolo and the City of Davis to provide Community Choice Energy (“CCE”) programs within the member agencies, and in June 2017, the City of Woodland also joined VCEA adding to the overall VCEA service territory;

WHEREAS, VCEA solicited competitive bids for qualified independent certified public accountants to provide auditing services.

WHEREAS, VCEA received one responsive proposal that staff reviewed and evaluated the qualifications, experience and pricing of the firm.

WHEREAS, VCEA has selected James Marta & Company, LLC to audit the general-purpose financial statements, issue the Report of Independent Auditors, prepare other associated reports, and provide other audit services as requested; and,

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

1. James Marta & Company, LLC is hereby approved as the Auditing Services vendor for VCEA.
2. The Chair of the Board is hereby authorized to approve and execute the Engagement Letter and Letter Agreement between James Marta & Company, LLC and VCEA.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____, 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Lucas Frerichs, Board Chair

ATTEST: _____
Alisa M. Lembke, Board Clerk

APPROVED AS TO FORM:

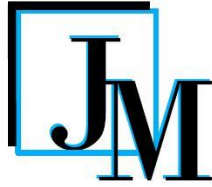
Eric May, Interim General Counsel

EXHIBIT A – Engagement Letter from James Marta & Company, LLC

EXHIBIT B – Letter Agreement between James Marta & Company, LLC and VCEA

EXHIBIT A

ENGAGEMENT LETTER FROM
JAMES MARTA & COMPANY, LLC.



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

June 29, 2018

Valley Clean Energy Alliance
604 2nd Street
Davis, CA 95616

We are pleased to confirm our understanding of the arrangements for our audit of the financial statements of Valley Clean Energy Alliance for the 18-month period ending June 30, 2018 and the fiscal years ending June 30, 2019 and 2020 with an option to extend through the fiscal years ending June 30, 2021 and 2022.

This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

Scope of Work

You have requested that we audit the Statement of Net Position of Valley Clean Energy Alliance as of June 30, 2018, 2019 and 2020, with an option to extend through the fiscal years ending June 30, 2021 and 2022, and the related Statements of Revenues, Expenditures and Changes in Net Position and Cash Flows for the 18-month period ended June 30, 2018 and the subsequent years then ended and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements. We will also provide assistance with the preparation of the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The RSI will be subjected to certain limited procedures but will not be audited.

We are not aware of any supplementary information other than RSI will accompany Valley Clean Energy Alliance's basic financial statements.

The Objective of an Audit

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards (GAAS) and in accordance with Government Auditing Standards and the State Controller's Minimum Audit Requirements for California Special Districts. The audit will include tests of the accounting records and other procedures we consider necessary to enable us to express an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express opinions or to issue a report as a result of this engagement.

General Audit Procedures

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement and are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. As such, our audit will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of Valley Clean Energy Alliance and other procedures we consider necessary. The procedures we determine necessary will depend on our "auditor's" judgment and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Internal Control Audit Procedures

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected by our firm, even though our audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you, or the appropriate level of management, of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of your entity's financial statements in order to design audit procedures that are appropriate in the circumstances. However, our audit procedures are not designed for the purpose of expressing an opinion on the effectiveness of your entity's internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Valley Clean Energy Alliance's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, management acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America remains with you. As such, management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

By your signature below, you also acknowledge that you are responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity that involves management, employees who have significant roles in internal control, and others where fraud could have a material impact on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the company complies with applicable laws and regulations. You agree that management will confirm its understanding of its responsibilities as defined in this letter to us in a management representation letter.

With regard to the required supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the required supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding required supplementary information; (c) to include our report on the required supplementary information in any document that contains the required supplementary information and that indicates that we have reported on such required supplementary information; and (d) to present the required supplementary information with the audited financial statements, or if the required supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the required supplementary information no later than the date of issuance by you of the required supplementary information and our report thereon.

Management's responsibilities also include designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we perform as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for them.

You further acknowledge and understand that management is responsible for providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; for the accuracy and completeness of the information that is provided to us; and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the organization from whom we may determine it necessary to obtain audit evidence, including access to your designated employees who will type all confirmations we request.

Reporting

We expect to issue a written report upon completion of our audit of Valley Clean Energy Alliance's basic financial statements. Our report will be addressed to the board of directors of Valley Clean Energy Alliance. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), and decline to express an opinion, or withdraw from the engagement.

We also will issue a written report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standard upon completion of our audit.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

James Marta, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising James Marta & Company LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our liability as auditors shall be limited to the period covered by our audit and shall not extend to later periods for which we are not engaged as auditors.

We expect to begin our audit on approximately July 15th of each fiscal year and to complete and issue our report no later than October 31st of each fiscal year. As such, we expect the deliverables to be provided to us by management at the following schedule in order for the timely completion of the audit:

- Trial balance by August 5th of each fiscal year
- Items requested from management and staff for audit review by August 20th of each fiscal year
- Draft of the financial statements, with Management Discussion and Analysis by September 30th of each fiscal year
- Issuance of the audit report by October 31st of each fiscal year

It is important that accounting and management personnel be available during fieldwork dates for interviews with the audit staff, and to respond to auditor inquiries and requests for information or supporting documentation. Whenever possible, your staff will be notified in advance to pull samples of specific documents for auditor review. The completion of fieldwork within the dates communicated is contingent of the entity's ability to provide all necessary support by the dates listed in Suralink. The deliverables may be delayed due to fieldwork not being completed for the reasons discussed above.

Record Retention

It is our policy to keep records related to this engagement for 7 years. However, James Marta & Company LLP does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the 7 year period James Marta & Company LLP shall be free to destroy our records related to this engagement.

Fees

Our fee for the audit will be \$18,000 for the 18-month period ending June 30, 2018, \$45,000 for 2019, and \$46,100 for 2020, with an option to extend for \$47,300 for 2021 and \$48,700 for 2022. We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year end audit fieldwork. Additional time and billing charges will incur if accounting service is provided for closing or reconciling accounting records.

Whenever possible, we will attempt to use your personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State of California issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. The fees listed above incorporate all GASB pronouncements through GASB 89. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be at our standard hourly rates for each person involved in the additional work.

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time

and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the governing board the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of James Marta & Company LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available pursuant to authority given to any regulator by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of James Marta & Company LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any regulator. They may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Mediation Provision

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. This letter will continue in effect until canceled by either party.

Respectfully,

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Valley Clean Energy Alliance

Authorized Signature: _____

Name: _____

Title: _____

Date: _____

EXHIBIT B

LETTER AGREEMENT BETWEEN JAMES MARTA & COMPANY, LLC
AND
VCEA

JULY 13, 2018

JAMES MARTA & COMPANY, LLC
701 HOWE AVENUE, SUITE E3
SACRAMENTO, CA 95825

Dear Mr. Marta:

Letter Agreement for Auditing Services

This letter shall be our Agreement (“Letter Agreement”) regarding the auditing services described below (“Services”) to be provided by **James Marta & Company, LLC**, a limited liability partnership (“Consultant”) as an independent contractor to **Valley Clean Energy Alliance** (“VCEA”). Consultant is retained as independent contractor and is not an employee of VCEA. VCEA and Consultant are sometimes referred to herein as “Party” or “Parties.”

The Services to be provided are more particularly described in the **Scope of Services** attached hereto as **Exhibit “A”** and are incorporated herein by reference. Services shall begin subsequent to the execution of this Letter Agreement and shall be completed by October 31st after each fiscal year, unless extended by VCEA in writing.

Exhibit “C” is the auditor engagement letter which outlines certain required responsibilities under auditing standards and outlines the deliverable dates by the auditor predicated on VCEA meeting certain time lines for the accounting information. **Exhibit “C”** serves to outline the responsibilities as required by professional standards but does not override the basic terms of the agreement.

Consultant shall perform all Services under this Letter Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California, and consistent with all applicable laws. Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including any required business license, and that such licenses and approvals shall be maintained throughout the term of this Letter Agreement.

Consultant has represented to VCEA that certain key personnel will perform and coordinate the Services under this Letter Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of equal competence upon written approval of VCEA. In the event that VCEA and Consultant cannot agree as to the substitution of key personnel positions, VCEA shall be entitled to terminate this Letter Agreement for cause. The key personnel for performance of this Letter Agreement are outlined in **Exhibit “B”**.

Compensation shall be based on the amounts specified in **Exhibit “B”**; however, if additional services or assignments are determined necessary and are within the Scope of Services and agreed upon by both VCEA and Consultant, services shall be billed at the hourly rate(s) described in the Consultant’s rate sheet, attached hereto as **Exhibit “B”** and incorporated herein by reference. The total compensation for services performed for the first three (3) years shall not exceed **\$109,100 (One hundred nine thousand, one hundred and no/100 dollars)** without written approval of

General Manager. Thereafter, should both VCEA and Consultant agree to extend the contract, compensation costs are not to exceed those outlined in **Exhibit "B"**. Consultant's invoices shall include a detailed description of the Services performed. Invoices shall be submitted to VCEA on a monthly basis as performance of the Services progresses. VCEA shall review and pay the approved charges on such invoices in a timely manner.

Consultant shall provide proof of commercial general liability, business auto liability, and professional liability/errors and omissions insurance to VCEA in amounts and with policies, endorsements and conditions required by VCEA for the Services. VCEA, its elected officials, officers, employees, agents and authorized volunteers shall be named as Additional Insureds on Consultant's policies of commercial general liability and automobile liability insurance. If Consultant is an employer or otherwise hires one or more employees during the term of this Letter Agreement, Consultant shall also provide proof of workers compensation coverage for such employees, which meets all requirements of State law, with endorsements and conditions required by VCEA.

VCEA may terminate this Letter Agreement with or without cause by giving written notice upon termination. If VCEA finds it necessary to terminate this Letter Agreement without cause before completion of services, Consultant shall be entitled to be paid in full for those Services adequately completed prior to the notification of termination. Consultant may terminate this Letter Agreement only upon 30 calendar days' written notice to VCEA only in the event of VCEA's failure to perform in accordance with the terms of this Letter Agreement through no fault of Consultant.

To the fullest extent permitted by law, Consultant shall defend, indemnify and hold VCEA, its directors, officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions of Consultant, its officials, officers, employees, subconsultants, consultants or agents in connection with the performance of the Consultant's Services or this Letter Agreement, including but not limited to violations of Prevailing Wage Laws or federal or state nondiscrimination laws, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Notwithstanding the foregoing, to the extent Consultant's Services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant. Consultant's obligation to indemnify shall survive expiration or termination of this Letter Agreement, and shall not be restricted to insurance proceeds, if any, received by VCEA, its officials, officers, employees, agents, or volunteers.

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

By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for

James Marta & Company, LLC

July 13, 2018

Page 3 of 8

Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services. Finally, Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment in violation of state or federal law.

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

This Letter Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Letter Agreement, the action shall be brought in a state court situated in Yolo County, State of California or federal court in the Eastern District (Sacramento). Consultant must comply with the claim procedures set forth in Government Code sections 900 et seq. prior to filing any lawsuit against VCEA. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by Consultant. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against VCEA.

Consultant shall not assign, sublet, or transfer this Letter Agreement or any rights under or interest in this Letter Agreement without the written consent of VCEA, which may be withheld for any reason. This Letter Agreement may not be modified or altered except in writing signed by both parties. Except to the extent expressly provided for in the termination paragraph, there are no intended third party beneficiaries of any right or obligation of the Parties.

This is an integrated Letter Agreement representing the entire understanding of the parties as to those matters contained herein, and supersedes and cancels any prior oral or written understanding or representations with respect to matters covered hereunder. Since the Parties or their agents have participated fully in the preparation of this Letter Agreement, the language of this Letter Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. The captions of the various paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Letter Agreement.

Consultant warrants that the individual who has signed this Letter Agreement has the legal power, right and authority to make this Letter Agreement and bind the Consultant hereto. If you agree with the terms of this Letter Agreement, please indicate by signing and dating where indicated below.

James Marta & Company, LLC

July 13, 2018

Page 4 of 8

VCEA

Approved By:

Mitch Sears
VCEA Interim General Manager

Date

Attested By:

Alisa Lembke, VCEA Board Clerk

Approved As To Form:

Harriet Steiner, VCEA Attorney

JAMES MARTA & COMPANY, LLC

Signature

Name

Title

Date

EXHIBIT A

Scope of Services

- 1) Consultant shall perform an audit and provide a report on the general-purpose financial statements of VCEA under general accepted auditing standards for:
 - a) Inception (January 1, 2017) through June 30, 2018;
 - b) Fiscal year ending June 30, 2019;
 - c) Fiscal year ending June 30, 2020; and,
 - d) Upon mutual agreement by both Parties, the Letter Agreement can be extended to Fiscal years ending June 30, 2021 and June 30, 2022.

- 2) The following are the expected reporting requirements resulting from the annual audit of the general-purpose financial statements of VCEA:
 - a) Report of Independent Auditors
 - b) Report in accordance with Government Auditing Standards
 - c) Discussion and presentation of the audit with VCEA Board of Directors
 - d) Management Letter (if necessary)

- 3) If necessary, Consultant will perform single audit procedures in accordance with the OMB Compliance Supplement (Uniform Guidance). Consultant will issue a SAS 114 letter on internal control over financial reporting and compliance. In addition, a management letter will be also be prepared, if necessary.

EXHIBIT B

Schedule of Audit Team and Charges/Payments

Consultant will invoice VCEA on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform VCEA regarding any out-of-scope work being performed by Consultant. The annual audit fees will be on a fixed fee agreement.

Audit Team will be comprised of the following individuals and positions:

- James Marta, CPA, CGMA, ARPM Engagement Partner
- David Becker, CPA, Technical Review Partner
- Jesse Deol, CPA, Senior Manager
- Alana Theiss, CPA Manager
- Mario da Costa, Senior
- Jefferson Gamir, Staff
- Cristina Patlan, Staff

Below is a summary of fees for each fiscal year:

Fixed fees for the following are as follows:

- For the 18-Month Period Ended June 30, 2018 - Fixed Fee * \$ 18,000
- For the Year Ended June 30, 2019 - Fixed Fee \$45,000
- For the Year Ended June 30, 2020 - Fixed Fee \$46,100

Should the option to extend be agreed upon, the Fixed fees are as follows:

- For the Year Ended June 30, 2021 - Fixed Fee \$47,300
- For the Year Ended June 30, 2020 - Fixed Fee \$48,700

** Since the initial year has a limited amount of transactions, the initial fee is based on 150-200 hours.*

Additional services are available at the same hourly rates by staff classification as seen at the schedule below; these rates are revised annually.

<u>CLASSIFICATION</u>	<u>HOURLY RATE</u>
Partner	\$ 275
Manager	\$ 185
Senior	\$ 130
Staff	<u>\$ 115</u>

The fees quoted are based upon several assumptions about the adequacy of the accounting records, the degree of assistance to be provided by your personnel, and current auditing and accounting standards. Our fees do not include any accounting services such as closing year-end accounts or account reconciliation. If, at any time during our engagement, extraordinary matters come to our attention (i.e. changes in your operations, material weakness in your internal controls) that requires an extension of our services, we will consult with you concerning additional work to be done by you or an adjustment to our fees. We will submit monthly progress billings during the audit process.

Exhibit C
Engagement Letter

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors
From: Mitch Sears, Interim General Manager
Subject: Regulatory Monitoring Report
Date: July 12, 2018

RECOMMENDATION: Receive regulatory monitoring report.

BACKGROUND & DISCUSSION:

In May, the Board approved contracting with Keyes and Fox to provide regulatory counsel to VCE. Beginning in July, the lead on regulatory monitoring, subsequent action items/filings, and providing regulatory updates to the Board transitioned from LEAN Energy to Keyes and Fox. Note: VCEA will continue as a CalCCA member participating in coordinated regulatory proceedings; providing coordinated legislative support with CalCCA in Sacramento; and, receiving the CalCCA quarterly report.

Regulatory Priorities

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

- CCA Reentry Fees: A June 7, 2018, CPUC decision sets a per-customer CCA reentry fee of \$4.24 for PG&E and a minimum financial security requirement of \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party. CCAs are required to file an advice letter with the CPUC providing notice of compliance with the financial security requirement and requesting return of any interim financial security posted with the CPUC. VCEA action: future Board item to address additional security requirement.
- Resource Adequacy (RA): A CPUC Track 1 decision issued June 22, 2018, requires all newly-formed CCAs to participate in all aspects of the year-ahead RA process for load they will serve in the following year, including submitting load forecasts and annual year-ahead filings. Track 2 testimony is due on July 10th, on topics including requiring Load Serving Entities like VCEA to procure RA for 3-5 years in advance (instead of only for the year ahead), as well as a “central buyer” model for local capacity requirements. VCEA action: participate in CalCCA actions to address issues associated with this proceeding.
- Renewables Portfolio Standard (RPS): A June 6, 2018, CPUC decision now requires CCAs to include in their RPS procurement plans forecasted transportation electrification, resource solicitation and cost information, and information on how their RPS procurement plan is consistent with previous CCA implementation or expansion plans, and, for expanding CCAs, how increased load will affect their procurement. VCEA

action: provide required information in future RPS procurement plan submittals to the CPUC.

- Integrated Resource Planning (IRP): A CPUC ruling issued June 18, 2018, adopted the final 2030 load forecast for VCEA (726 GWh, or 0.9% of 2030 load within PG&E's territory). VCEA's 2030 GHG Emissions Benchmark is 0.129 million metric tons. IRP filings are due August 1, 2018. VCEA action: incorporate updated load forecast into draft IRP.

Attachment:

Keyes & Fox July 6, 2018 Regulatory Memorandum

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance Board of Directors

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

Subject: Regulatory Update

Date: July 2, 2018

Summary

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

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

- Power Charge Indifference Adjustment (PCIA)
- CCA Reentry Fees & Financial Security Requirements
- PG&E's 2019 Energy Resource and Recovery Account (ERRA) Forecast
- Resource Adequacy (RA)
- Renewables Portfolio Standard (RPS) Procurement Plans
- RPS Compliance Reports
- Integrated Resource Plans
- California Customer Choice
- Tree Mortality Nonbypassable Charge (NBC)

Power Charge Indifference Adjustment (PCIA)

On June 12, 2018, the CPUC issued a Track 1 Proposed Decision (PD) that resolves PCIA exemption issues under consideration in the service territories of SCE and SDG&E only. (A Settlement Agreement is pending for PG&E's service territory and will be separately addressed by the CPUC.)

- **Background:** This proceeding has two tracks. Track 1 addresses the PCIA exemption currently in place for CCA customers participating in the California Alternate Rates for Energy (CARE) and Medical Baseline (MB) programs. Track 2 is considering alternatives to the current PCIA methodology.

In Track 1, PG&E filed a Settlement Agreement on behalf of several parties on March 28, 2018. The Settlement Agreement resolves the availability of the exemption for MB customers taking energy from CCAs in PG&E's service territory, and it will be addressed in a separate decision.

(Note: The CARE customer exemption from the PCIA, while still in place for SCE and SDG&E, was eliminated in PG&E's territory through a settlement agreement in its 2007 general rate case.)

In Track 2, parties submitted opening briefs, reply briefs and surreply briefs in June.

- **Details:** The PD would immediately eliminate current exemptions from paying the PCIA for SCE and SDG&E customers participating in the CARE and MB programs.
- **Analysis:** The PD does not directly impact VCEA or its customers, as the PCIA exemption for MB customers in PG&E's territory will be separately considered. However, it is worth noting that CCAs in SDG&E and SCE's service territories will see cost increases if the PD is adopted.
- **Next Steps:** With respect to the Track 1 PD, opening comments are due July 2, and reply comments are due July 9. The PD will be considered, at the earliest, at the CPUC's July 12, 2018, Business Meeting. A Track 2 Proposed Decision is scheduled to be mailed for comment in late July. Oral argument in Track 2 is tentatively scheduled for August 2.
- **Additional Information:** [PG&E Settlement Agreement](#) pending on MB customer PCIA exemption (March 28, 2018); Docket No. [R.17-06-026](#).

CCA Reentry Fees & Financial Security Requirements

On June 7, 2018, CPUC issued its written Decision establishing reentry fees and financial security requirements applicable to CCAs. This proceeding is now closed.

- **Background:** Reentry fees include utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to utility service. The financial security requirement is used to cover those potential costs.
- **Details:** The Decision adopts an administrative per-customer reentry fee of \$4.24 for PG&E (compared to \$1.12 for SDG&E and \$0.50 for SCE) and a minimum financial security requirement of \$147,000, which can be satisfied by letters of credit, surety bonds, or cash held by a third party. For purposes of calculating the financial security requirement, the reentry fee for incremental procurement costs is based on six months of incremental procurement.
- **Analysis:** This Decision provides some clarity on CCA reentry fees and financial security requirements for CCAs going forward, which will increase compared to current requirement. It also results in some uncertainty regarding when the updated requirements are due (the PD says "as soon as practicable") and which entity, the CCA or the utility, is responsible for calculating the incremental procurement costs.
- **Next Steps:** CCAs are directed to submit a compliance Tier 1 advice letter to Energy Division providing notice of compliance with the financial security requirement adopted in this Decision and requesting return of any interim financial security posted with the CPUC. Utilities are directed to file a Tier 1 Advice Letter that provides a detailed description of the specific services that are covered, their corresponding costs, and how those costs were calculated. Furthermore, the CPUC directed utilities to, in their next general rate case, identify the administrative fee as a separate item, describe its components and how it is calculated, and provide a comparison of its fee with that of the other major California utilities. PG&E is expected to file its next rate case on January 1, 2019.
- **Additional Information:** [D.18-05-022](#) establishing CCA reentry fees and financial security requirements (June 7, 2018); Docket No. [R.03-010-003](#).

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

On June 1, 2018, PG&E filed its 2019 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and GHG Forecast revenue and reconciliation application.

- **Background:** Utility ERRA proceedings establish the amount of the PCIA and other nonbypassable charges for 2019. More specifically, they determine fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates. This proceeding will determine PG&E's forecasted 2019 energy procurement revenue requirements, effective in rates on January 1, 2019.
- **Details:** Compared to its ERRA forecast filing last year, PG&E is forecasting a 22% decrease in sales and 18% decrease in peak demand, which it attributes primarily to departures via CCAs. PG&E is expecting that CCAs and Direct Access customers will serve 50% of its total system load in 2019. PG&E is forecasting a 2019 total revenue requirement of \$2.893 billion, comprised of \$1.597 billion related to its ERRA, plus three nonbypassable charges: the ongoing Competition Transition Charge (CTC), \$82.2 million; the Power Charge Indifference Adjustment (PCIA), \$1.068 billion; and the Cost Allocation Mechanism, \$146.1 million. PG&E also requested approval of its 2019 sales forecast, as well as its 2019 GHG-related forecasts, which includes a net GHG revenue return of \$314.2 million.
- **Analysis:** Unless the PCIA docket includes near-term reforms to the PCIA that will go into effect for 2019, this proceeding will establish the amount of the PCIA for VCEA's 2019 rates. VCEA likely will not know the potential final amount of any increase until November, when an update to PG&E's testimony will be provided, although estimates can be made from PG&E's initial testimony, which was filed with the application.
- **Next Steps:** Protests are due on July 5 (30 days after its June 4 [Notice](#) in the CPUC Daily Calendar, and accounting for the July 4 holiday). PG&E will update the requested revenue requirements, including NBCs, as well as more current CCA load forecast information, in its November Update. A Final Decision is requested by PG&E by December 2018 (but a procedural schedule has not yet been established).
- **Additional Information:** [PG&E's Application](#) (June 1, 2018); [PG&E's Testimony](#); Docket No. [A.18-06-001](#).

Resource Adequacy (RA)

On June 22, 2018, the CPUC issued two Track 1 Decisions adopting 2019 local and flexible capacity requirements and near-term RA program refinements.

- **Background:** This proceeding has three tracks, and, with the above Track 1 Decisions, will now be shifting from Track 1 to Track 2. [Track 1](#) addressed 2019 local RA capacity obligations and several near-term refinements to the RA program, as described above. [Track 2](#) issues include consideration of the adoption of multi-year local RA requirements, refinements to local RA rules, seasonal local capacity requirements, local RA penalty waiver requirements, and increased transparency regarding which resources are essential for local and sub-area reliability. [Track 3](#) issues include 2020 RA requirements, potential revisions to RA counting rules for weather-sensitive and local demand response resources, and other issues that arise.
- **Details:** A large portion of the Decision on local capacity requirements focused on how an LSE's RA obligations are determined given the rapid formation of new CCAs. The CPUC declined to adopt CCA proposals related to providing more precise treatment of intra-year departing load, costs, and how those costs are assigned. It did require that all newly formed CCAs participate in all aspects of the year-ahead RA process for load they will serve in the following year, including submitting load forecasts and annual year-ahead filings. The Decision also adopted CAISO's recommended local capacity requirements (LCR) values, but "with reservations and concerns" centered on the transparency of the CAISO's studies.

A separate Decision adopted flexible capacity requirements (FCR) as set forth in CAISO's report.

- **Analysis:** This proceeding affects VCEA's RA compliance obligations for 2019 and 2020, and could potentially result in a new RA procurement framework in California. Changes being considered include requiring LSEs like VCEA to procure RA for 3-5 years in advance instead of only for the year ahead, as well as moving to a central buyer model for local capacity requirements.
- **Next Steps:** Requests for rehearing of this Decision are due July 23. Opening testimony on Track 2 is due July 10, and a workshop on Track 2 issues will be held on July 19th. The June 22 Decision directed parties to propose a 3-5 year RA framework in their Track 2 proposals, to be implemented during the 2020 RA year, as well as Central Buyer proposals, under which utilities would procure the entirety of local RA requirements. Responsive testimony is due August 8, opening briefs are due September 19, and reply briefs are due October 5.
- **Additional Information:** [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](#).

Renewables Portfolio Standard (RPS) Procurement Plans

On June 6, 2018, the CPUC issued a Decision implementing provisions in SB 350 (2015) related to penalties and compliance waivers in the state's RPS program, and rejecting a pending Petition for Modification of a previous decision. On June 21, 2018 the CPUC issued a Ruling identifying the issues to be considered and setting the schedule for review of the 2018 RPS Procurement Plans.

- **Background:** CCAs and other retail sellers are required to submit annual RPS Procurement Plans to the CPUC. The maximum penalty for CCAs is 50% of its total compliance obligation (the Portfolio Quantity Requirement, or PQR) multiplied by the \$50/MWh shortfall penalty. The penalties apply to the larger of PQR shortfalls and shortfalls in Portfolio Balance Requirements (PBR), which require specified amounts of REC retirements for the individual Portfolio Content Categories (PCCs). Under the RPS statute, and expanded to additional situations by SB 350, the CPUC is permitted to waive non-compliance penalties under certain circumstances.
- **Details:** The CPUC's Decision keeps the \$50/MWh penalty for RPS shortfalls and associated maximum penalties intact, and maintains the existing protocols for requesting a waiver. It also creates a new reporting requirement, where all LSEs must explicitly reference forecasted transportation electrification in their procurement plans, provide a detailed description of the data and method used to support their forecast, and explain how they considered the CEC's Integrated Energy Policy Report transportation electricity demand forecast in creating their own forecast. In contrast to past requirements, CCAs and direct access providers will be required to file resource solicitation and cost information as part of their plans in 2018. For CCAs specifically, the plan section governing RPS supplies and demand must include information on how its procurement plan is consistent with previous CCA implementation or expansion plans, and for expanding CCAs, how increased load will affect its procurement. Additionally, the Ruling requests comments on several elements of RPS plans and planning related to energy storage.

Following issuance of this Ruling, PG&E, SCE, and SDG&E jointly requested an extension of the RPS Procurement Plan deadline until 60 days after the date on which the CPUC votes on a final PCIA reform decision, or until December 4, 2018, whichever occurs first, or, in the alternative, September 21, 2018. Numerous parties oppose the request, including other California CCAs. (The judge has not yet ruled on the request.)

- **Analysis:** This proceeding affect's VCEA's RPS Procurement Plan compliance obligations, including filing deadlines, and maintains the current penalties associated with non-compliance of

these obligations. The adopted decision created new reporting requirements that will apply to VCEA's RPS Procurement Plans going forward.

- **Next Steps:** Requests for rehearing of the Decision are due July 6. **RPS Procurement Plans are due July 20.** Comments on RPS Procurement Plans and Ruling questions are due August 17, and reply comments on RPS Procurement Plans are due August 31. Motions to update RPS Procurement Plans are due September 14.
- **Additional Information:** [Ruling](#) setting requirements and schedule for 2018 RPS Procurement filings (June 21, 2018); [D.18-05-026](#) implementing provisions in SB 350 (2015) related to penalties and compliance waivers (June 6, 2018); Docket No. [R.15-02-020](#).

RPS Compliance Reports

On June 22, 2018, the CPUC issued a Proposed Decision (PD) clarifying a numerical example from its previous decision that illustrated how penalties for RPS compliance shortfalls are calculated.

- **Background:** At issue is how total Portfolio Balance Requirement (PBR) shortfalls are calculated. For reference, PBRs refer to the different portfolio content categories (PCCs) of Renewable Energy Certificates (RECs) in California's RPS, with fully bundled RECs comprising "PCC 1," RECs from firm and shaped renewable products comprising "PCC 2," and all other RECs comprising "PCC 3" (i.e., "unbundled" RECs). The use of PCC 2 and PCC 3 RECs is limited in percentage terms, meaning most RECs used for compliance must be PCC 1 RECs.
- **Details:** In its PD, the CPUC disagreed with the utilities' assertion that the example in question was erroneous. Nevertheless, it reasoned that the language is confusing to readers and elected to strike it from the Decision.
- **Analysis:** This PD provides clarification on, but does not change, any current RPS compliance reporting obligations for VCEA.
- **Next Steps:** Comments on the PD are due July 12, reply comments are due July 17, and the PD may be considered for adoption, at earliest, at the CPUC's July 26 meeting. RPS Compliance Reports are due August 1, 2018.
- **Additional Information:** [Proposed Decision](#) clarifying an example used in a previous decision (June 22, 2018); Docket No. [R.11-05-005](#).

Integrated Resource Planning (IRP)

On June 18, 2018, the CPUC issued a Ruling adopting final load forecasts and greenhouse gas (GHG) emission benchmarks for individual load-serving entities (including VCEA) IRP filings for the 2017-2018 IRP cycle.

- **Background:** In February 2018, the CPUC established the 2017-2018 IRP filing requirements and statewide reference system plan. In May 2018, the CPUC adopted a methodology to apportion GHG emissions to load-serving entities based on their projected hourly demand. The focus going forward in this proceeding will be: (1) items necessary to support the filing of the actual LSE IRPs (due August 1, 2018), (2) consideration of those IRPs and the adoption of a Preferred System Plan (PSR), and (3) groundwork and preparation (e.g., policy issues) for the 2019-2020 IRP cycle.
- **Details:** The final 2030 load forecast for VCEA is 726 GWh, or 0.9% of 2030 load within PG&E's territory. Its 2030 GHG Emissions Benchmark is 0.129 million metric tons.
- **Analysis:** This Ruling provides the final load forecast and GHG emissions benchmark that VCEA is required to use in its IRP filing.

- **Next Steps:** IRP filings are due **August 1**, comments are due September 9, and reply comments are due September 26.
- **Additional Information:** [Ruling](#) adopting final load forecasts and GHG reduction benchmarks (June 18, 2018); [Ruling](#) adopting GHG accounting method and benchmarks (May 25, 2018); [D.18-02-018](#) adopting IRP reference plan and load-serving entity requirements (February 13, 2018); Docket No. [R.16-02-007](#).

California Customer Choice

On June 22, 2018 the CPUC held an En Banc on customer choice in California.

- **Background:** In large part due to the proliferation of CCAs, the CPUC has been engaged in broad discussions on how its regulatory models may need to adapt. In May 2018, the CPUC released a draft “Green Book” that evaluated regulatory framework options for an evolving electricity market. The draft has been criticized by CCAs for framing CCAs as problem, among other specific issues.
- **Details:** CCA elected officials and staff were among the panel speakers at the En Banc. A number of CCA priority issues were discussed in panels throughout the day, including resource adequacy procurement, potential changes to the provider of last resort, consumer protection, decarbonization, and customer choice.
- **Analysis:** This initiative could lay the groundwork for the opening of a formal CPUC rulemaking or provide support for state legislation that materially impacts CCA operations, its customers, and its relative competitiveness.
- **Next Steps:** The CEC is requesting comments by July 11 on the associated materials in the context of the scope of the 2018 Integrated Energy Policy Report (IEPR) update. The final Green Book is expected to be released in the coming months.
- **Additional Information:** [Notice of Request for Public Comments](#) (June 12, 2018); [Agenda](#) for and [Webcast](#) of the June 22 En Banc; [Draft Green Book](#); [CPUC California Customer Choice website](#)

Tree Mortality Nonbypassable Charge (NBC)

On June 18, 2018, the judge issued a Ruling extending certain procedural deadlines.

- **Background:** On November 14, 2016, PG&E, SCE, and SDG&E filed an application seeking a “Tree Mortality Non-Bypassable Charge,” and proposed cost recovery through the Public Purpose Program Charge. The utilities asserted that SB 859 (2016) required these costs be allocated to all customers, including unbundled customers. The utilities define the costs to be allocated as net costs factoring in all contract costs net of energy, ancillary service, and renewable energy credit values.
- **Details:** The Ruling only affects near-term deadlines in July for parties’ rebuttal testimony, motions for evidentiary hearings, and replies to motions for evidentiary hearings.
- **Analysis:** This proceeding could result in additional costs being recovered through the Public Purpose Program Charge on CCA and bundled customers.
- **Next Steps:** Parties file rebuttal testimony by July 18, motions for evidentiary hearings by July 19, and replies to the motions for evidentiary hearings by July 20. Closing briefs are due August 13, and reply briefs are due August 31.
- **Additional Information:** [Ruling](#) extending July deadlines (June 18, 2018); [Scoping Memo and Ruling](#) establishing the scope and procedural schedule (May 30, 2018); [Ruling](#) denying CalCCA’s



Motion to include consolidated cost recovery in the scope of this proceeding (March 14, 2018);
Docket No. [A.16-11-005](#).

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO: Valley Clean Energy Alliance Board of Directors
FROM: Mitch Sears, Interim General Manager
SUBJECT: Transmittal of Community Advisory Committee Report – July 2, 2018 meeting summary
DATE: July 12, 2018

This report transmits the Community Advisory Committee’s Report regarding its July 2, 2018 meeting.

Attachment

1. CAC Report

Valley Clean Energy Alliance
Community Advisory Committee Report to the Board
Summary of July 2nd CAC Meeting

Background: Following a Chair/Vice-Chair discussion in March 2018 with Mitch Sears, Gerry Braun, Christine Shewmaker, Lucas Frerichs and Tom Stallard, it was suggested that instead of a CAC report at the end of the Board meeting, that a brief written summary be included in the Board agenda materials. Included would be short explanations of votes, particularly when they were not unanimous.

- Net Energy Metering (NEM) Policy
 - Reviewed presentation on issues raised in community regarding current NEM policy.
 - Motion: Request to the VCE Board to postpone the NEM enrollment until 2019 to allow for Staff to develop/finalize a modified policy and billing systems and ask that the Board address the NEM policy at their scheduled August 9, 2018 meeting. Motion passed unanimously: 7-0-0.

- Integrated Resource Plan (IRP) and Action Plan
 - Reviewed final draft of IRP and Action Plan.
 - Motion: to 1) accept Staff's recommendation to approve the IRP adopting Cleaner Base as its preferred portfolio with Local being the alternative portfolio; 2) direct Staff to insert in the appropriate places that VCEA look at local renewable proactively and incorporate local renewables where feasible and cost effective; and 3) approve the IRP Action Plan. Motion passed unanimously: 7-0-0.
 - Discussed need to explore local renewables further and incorporate in future planning as VCE gains more experience and evolves as an organization. CAC will discuss options in a future meeting.

- SB100
 - Leg/Reg Task Group summarized the bill and their thoughts on it.
 - Reviewed Task Group and Staff recommendations – both were supportive (attached)
 - Motion: to accept Task Group's recommendation to recommend to the VCEA Board to support SB 100 (de Leon) Renewable Portfolio Standard GHG Emissions, consistent with CalCCA's position including the topics raised in CalCCA's letter dated January 16, 2018 to Honorable Kevin DeLeon that would result in withdrawal of support. Motion passed: 5-0-2. Abstentions due to uncertainty of impact on CCAs.

- AB813
 - Leg/Reg Task Group summarized the bill and their thoughts on it.
 - Reviewed Task Group recommendation for "No Position" and Staff recommendation for "Support as Amended" (attached)
 - Motion: to accept Task Group's recommendation to recommend to the VCEA Board to take "No Position" on AB 813 (Holden) Multi-State Regional Transmission System Organization. Motion passed: 6-0-1. One abstention due to complexity of issues.

CAC Leg/Reg Task Group Report to CAC
June 23, 2018

1. AB 813 (Holden). Multi-State Regional Transmission System Organization.

Summary of Bill. AB 813 would establish a process for the California Independent System Operator (CAISO) to initiate and/or join a multi-state regional transmission system organization (RTO), starting with replacement of the current California-appointed board of governors by a new fully independent board. The bill would specify certain criteria that must be met before CAISO could initiate or join such an organization. The formation of such an RTO is generally referred to as “regionalization” of the CAISO. In its current form, AB 813 would provide that the California Energy Commission would have the authority to certify (or not) the proposed governance structure.

Summary of Arguments in Support and Opposition.

Supporters. Supporters of AB 813, including CalCCA and some environmental groups, suggest such an RTO would help advance the demand for and growth of renewable energy, as well as the ability of the power system to integrate renewable energy, and thus promote development of renewable energy in California. Supporters also observe that a change in Cal-ISO’s governance structure, such as that proposed in AB 813, is necessary in order for such an RTO to be implemented.

Opponents. Opponents of AB 813, including some environmental groups, suggest that an RTO such as that motivating AB 813 would open up California to more fossil-fuel energy sources such as that generated by coal. They also express concerns that by participating in an RTO, California would be subject to the jurisdiction of the FERC (the Federal Energy Regulatory Commission) that could under-cut California’s renewable portfolio standard and efforts to reduce greenhouse gas emissions. Some attorneys note that the Supreme Court has ruled that the federal government prevails over state law.

CalCCA’s Position. Cal-CCA supports AB 813, as amended, in a May 11, 2018 letter. Cal-CCA notes, in part, that the bill...

“in its current form sets out a transparent process for creating and evaluating proposals to regionalize the independent system operator and ensure California can continue its ambitious renewable energy goals. Cal-CCA believes that a well-crafted plan will support the ability of CalCCA members to procure and build local renewable resources by creating a stronger renewable energy market...Regionalization is also likely to further reduce greenhouse gas emissions by exposing coal-fired power plants to competition from cheaper clean sources.”

CalCCA also notes its appreciation for the removal of objectionable provisions “that would have prevented public community choice providers from administering demand response programs.”

Comments from CAC-Leg/Reg Task Group. The Leg/Reg Task Group discussed the concept of an RTO and AB 813 twice, including during a conference call June 13, 2018 (with Christine, Lorenzo and Yvonne on the call). Individual members express the following comments during the call.

- SB 813 does not create a multi-state regional transmission system organization (RTO). All it does is permit and provide a process for the ISO to develop a new governance structure to take the place of the current ISO governing board consisting of 5 members appointed by the governor of CA and confirmed by the CA legislature. The new governing board would be “independent” meaning not affiliated with or subject to any state policy authorities or commercial interests in the power sector. The bill requires that the new governance structure shall not be implemented before January 1, 2021.
- The new governing board is viewed by other states as a necessary step for them to allow their jurisdictional electric utilities to participate in a CAISO-led RTO. With the new board in place, individual states could authorize or direct their jurisdictional utilities to join in forming an RTO, but these would be individual state and utility decisions that play out over years, rather than a single event in which the entire western interconnection becomes a single RTO.
- As a consequence of the above points, any effort to create a new multi-state regional transmission system organization pursuant to AB 813 or similar governance change will take at least three to five years before the new RTO begins formal operation with those utilities that decide to become initial members. This fact impacts any potential short-term benefits supporters suggest for increasing renewable energy sources and markets.
- Christine observed that the debate surrounding AB 813 seems to involve two main issues.
 - ✓ Does regionalization help or hurt the advancement of California’s renewable energy and greenhouse gas reduction policies?
 - ✓ Does regionalization put California at risk for increased intrusion by FERC?
- It should be noted that the environmental community is split on AB 813 and the concept of regionalization. NRDC and Union of Concerned Scientists support; the Sierra Club and some small grassroots groups (like 350 San Diego) oppose.
- Lorenzo pointed out that California is already regulated by FERC for its electricity transmission and wholesale market activities, and that the western grid is already an interconnected system covering 13 states and parts of Canada and Mexico, while every state has its own policies about greenhouse gas emissions and renewable energy sources. Problems arising from diverse states with diverse policies trying to control the outcomes of a single physically-interconnected electrical system exist today and will continue to exist

with an RTO. (An example is the great difficulty in calculating the carbon content of electricity entering CA over its interconnections with other states.)

- Christine questioned the need for doing this now. Especially given an uncertain Federal environment.
- Lorenzo, Christine and Yvonne all express dismay at the extreme and overblown rhetoric on both sides of AB 813 that obscures rational discussion of the pros and cons of the proposal.
- In a series of email exchanges after the conference call, Lorenzo, Christine and Yvonne exchanged comments about the issue legal challenges related to potential FERC intrusion into state energy issues. Although this topic is not the focus of the Leg/Reg Task Group's recommendation, it may be of interest to the rest of the CAC. An appendix to this write up includes a link to a discussion of a 2016 court case (provided by Christine) and a discussion of the broader topic offered by Lorenzo.

CAC Leg/Reg Task Group Recommendation. No Position. (Vote of 3-0 with one member absent.) If AB 813 is amended that raises new concerns, the Leg/Reg Task Group would review it again. (Note that "No Position" is a formally-recognized position to adopt under legislative conventions, and is not the same thing as simply not taking a position.)

The basis for the Leg/Reg Task Group's different recommendation than that of CalCCA is that any new regional transmission system organization would not be activated until at least three to five years, thus delaying the potential benefits for advancing renewables (again, the bill requires that the new governance structure shall not be implemented before January 1, 2021). Also, because of the rhetoric on both sides of the issue, we are uncomfortable having VCE get involved at this time. We appreciate that CalCCA secured an important amendment to remove an objectionable provision that would have limited the ability of CCAs to administer demand response programs.

2. SB 100 (de Leon). Renewable Portfolio Standard. GHG Emissions.

Summary: Establishes the 100 Percent Clean Energy Act of 2017 which increases the Renewables Portfolio Standard (RPS) requirement from 50% by 2030 to 60%, and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean electricity. (Note: SB 100 only deals with electricity.) SB 100 is now in the Assembly Energy and Utilities Committee with a hearing of July 3.

Supporters include environmental groups, faith based organizations, public health groups and some businesses including renewable energy companies, smaller businesses and a few larger companies whose business plans include sustainability. Opponents include PG&E, SCE, the California Chamber of Commerce, the agricultural community, Western States Petroleum Association and others.

CalCCA Position: CalCCA supports SB 100. In its January 16, 2018 support letter (which is attached), CalCCA listed topics that would cause it to withdraw its support if included in the bill.

CAC Leg/Reg Task Group Recommendation:

- Three members of the Task Group (Christine, Lorenzo and Yvonne) discussed SB 100 during a conference call June 21. (Tom Flynn did not make the call.)
- The Leg/Reg Task Group voted 2-0-1 (2 in support, none to oppose and one abstain) to recommend support of SB 100, consistent with CalCCA's position. The recommendation includes the topics raised in CalCCA's letter that would result in withdrawal of support.

Note: CalCCA's letter is attached.



Dawn Weisz, MCE
President

Geof Syphers, Sonoma Clean Power
Vice President

Jan Pepper, Peninsula Clean Energy
Secretary

Joseph Moon, Apple Valley Choice Energy
Treasurer

Barbara Hale, CleanPowerSF

Nick Chaset, East Bay Community Energy Authority

Cathy DeFalco, Lancaster Choice Energy

Bill Carnahan, Los Angeles Community Choice Energy

Tom Habashi, Monterey Bay Community Power Authority

Jenine Windeshausen, Pioneer Community Energy

Benjamin Cardenas, PRIME

Matthew Marshall, Redwood Coast Energy Authority

Lori Mitchell, San Jose Clean Energy

Don Eckert, Silicon Valley Clean Energy Authority

January 16, 2018

Honorable Kevin De León
President pro Tempore
California State Senate

RE: SB 100 and Community Choice Aggregation

Dear President pro Tempore De León:

Thank you for your leadership in introducing SB 100, which would usher California into an era of 100% carbon free electricity. CalCCA and its individual CCA members believe CCAs play a critical role in the achievement of California's carbon free electricity future. As we begin this new legislative year and continue to partner with the state in combating climate change, **we are pleased to continue supporting the concept of moving to 100% carbon free outlined in SB 100.** Cumulatively, the operating CCAs in this state have an average Renewable Portfolio Standard (RPS) of 50%, well exceeding any other load serving entities within the state.

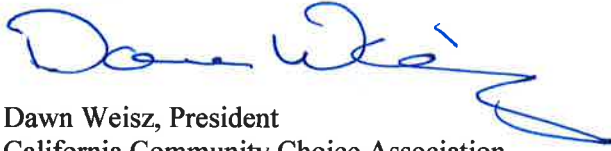
As SB 100 and any other bills surrounding this agreement are being considered in 2018, **CalCCA offers the following guidance** on topics which would cause CalCCA to withdraw support for SB 100:

- CCA local governance and the procurement authority of CCA governing boards must not be undermined by any provisions within the bill. Procurement authority could be undermined by, among other things, the imposition of non-bypassable charges, the assignment of new costs through P.U. Code 365.1, or through attempts to alter the coordination framework envisioned in SB 350's Integrated Resource Plan framework. Any attempt to undermine CCAs' local governance by their publicly elected board members will be vigorously opposed by CalCCA.
- Any attempt to create an uneven playing field or unfair cost allocation between CCAs and other load serving entities must not occur. This particularly affects low-income customers in CCA communities, who are offered universal, affordable access to renewable energy products through their CCAs.
- CalCCA opposes amendments that would give the IOUs control of the Distributed Energy Resources (DER) market-- including storage and other innovative technologies. Such proposed amendments shut out competition, are unrelated to the clean energy goals of SB 100, and undermine innovation that will lead to a carbon-free California.
- CalCCA opposes any concept requiring the IOUs to procure more renewable energy resources and pass these costs onto CCA customers. This effectively undermines CCA procurement, which is obligated by statute and is the reason of existence for many CCAs. CalCCA is open to amendments allowing CCAs to meet standards of procurement that apply to all load serving entities.

CCAs offer customers a choice in where their power comes from as an alternative to the IOUs. CCAs stand at the vanguard of offering innovative and affordable energy solutions to our communities. CCAs are also deeply committed to advancing the state's decarbonization goals in partnership with policymakers. CalCCA would be pleased to meet with you to further discuss these important issues.

Thank you again for your leadership.

Sincerely,



Dawn Weisz, President
California Community Choice Association

cc: Honorable Members of the California Senate and Assembly

APPENDIX

Discussion of the Relationship between FERC and State Authority (relative to AB 813)

Court Case of Interest

- ✓ *Huges v. Talen Energy Marketing* (text of the Supreme Court Decision)
https://www.supremecourt.gov/opinions/15pdf/14-614_k5fm.pdf
- ✓ *Hughes v. Talen Energy Marketing*. Analysis in SCOTUSBLOG. (offered by Christine)
<http://www.scotusblog.com/2016/04/opinion-analysis-u-s-energy-regulators-authority-grows/>
- ✓ Another resource related about the impact of *Huges v. Talen Energy Marketing* (offered by Lorenzo) more details on the Hughes v Talen case.
<https://www.utilitydive.com/news/what-the-hughes-v-talen-supreme-court-decision-means-for-state-power-incen/418046/>

Lorenzo's Comments

Some opponents of SB-813 raise the concern that forming a Regional ISO would increase potential for negative interference by the federal energy regulatory commission (FERC) and the federal government in general. Here are some important relevant facts.

First, the US Constitution gives the federal government authority over states in matters of interstate commerce (the "commerce clause" of the constitution). This is sometimes referred to as "federal pre-emption" and has had vast impacts in all sorts of arenas ever since the Constitution was adopted in 1789.

Second, the Federal Power Act (FPA) of 1935 designates wholesale electricity transactions and high-voltage electricity transmission as interstate commerce under the Constitution, and establishes FERC as the regulatory authority to implement the FPA. There have been important updates to the FPA through federal legislation over the years, most recently the Energy Policy Act of 1992 which paved the way for wholesale power markets operated by ISOs, and the Energy Policy Act of 2005 which created a new framework for ensuring power system reliability and security in the wake of a major blackout in 2003. But the underlying FPA framework has not changed substantively. FERC has been the implementing and regulatory authority over the relevant provisions of the 1992 and 2005 acts, and the regulator of all the ISOs in the US.

As a result, the CAISO is already a FERC-jurisdictional entity, and 100% of what it does is specified in its Tariff (book of everything CAISO does spelled out in formal legal language) which, per FERC approval, is incorporated into the FPA and is federal law governing the CAISO. So today if CAISO wants to implement something the state of CA wants, or that other stakeholders want, or to address a problem, CAISO conducts a public stakeholder process over several months, takes a final proposal to its Board of Governors in a public session, and if the Board approves submits a filing to FERC with proposed changes to the CAISO Tariff and arguments for why FERC should adopt the changes. Stakeholders get an opportunity to file written comments on the CAISO filing, and then FERC issues an order. FERC is supposed to assess the proposal as to whether it's consistent with existing federal law and FERC policy, and has to explain all this in its order. FERC's more formal definition of its role and jurisdiction is about

“rates, terms and conditions of wholesale energy markets, wholesale energy transactions and transmission service” to ensure that they are “just and reasonable.”

Forming a Regional ISO will not change any of FERC’s roles in this or the extent of its authority. The one thing SB 813 does change (not involving FERC) is the composition of the CAISO Board of Governors, which as noted is the intermediate decision maker or “filter” between the CAISO management/staff, who develop a proposal through the stakeholder process, and FERC.

Re the Board of Governors, as noted above any changes to the CAISO Tariff that are originated by the CAISO (in contrast to ones that are ordered by FERC) must have approval of the CAISO Board before being filed with FERC. Today’s CAISO board has 5 members appointed by the governor of CA and confirmed by the CA Senate. So there is a concern that a different Board that is not CA-appointed might make different decisions about what the Regional ISO can submit to FERC, and some of those decisions might be less favorable to California. That is a plausible scenario. But the new Board is required to be “independent” which means not to have any financial or political interests with market-participating entities or specific state or local governments in the Regional ISO’s territory. And in the end, FERC still has to rule on whatever is submitted to it, so has essentially the last word (unless the FERC decision is appealed in the courts, which happens sometimes).

The above should NOT be read to say that FERC regulation and authority are not problematic for states - they certainly can be. (And there are many other areas where federal “pre-emption” of state authority is problematic, but it’s not black and white.) But the question with regard to SB 813 is whether forming a Regional ISO, compared to the CAISO governance as it today, expands FERC’s authority or expands the ability of the federal government to over-rule or under-mine CA policy objectives. Personally I don’t see much merit to this argument against SB 813, but in the current federal political climate who knows? One relevant FERC story: The Dept. of Energy twice directed FERC to implement subsidy schemes for coal and nuclear power plants (last December and again in a different frame last month). Both times the FERC voted 5-0 to say NO to DOE, mainly related to their mission to protect competitive wholesale markets (4 of the 5 current commissioners were appointed by the post-Obama administration). In fact two states - New York and New Jersey - have passed subsidy schemes for their nuclear power plants, and FERC does not seem to be challenging them in any way so far.

By the way, Texas, Hawaii and Alaska are not subject to FERC regulation because they do not engage in interstate commerce for electricity. That’s probably obvious for HI and AK. In the case of Texas, it’s because they don’t do import and export transactions with other states; they’re essentially an electrical “island” for most of the state. Now that kind of thing is simply impossible for CA because we rely on imports for over 20% of our electricity supply annually.

Relative to Hughes v Talen (the court case Christine shared above) I don’t see how going from CAISO to Regional ISO changes anything about how FERC would deal with this kind of issue.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Update – May 31, 2018

DATE: July 12, 2018

RECOMMENDATIONS:

Accept the Financial Statements (unaudited) for the period of January 1, 2017 (Inception) to May 31, 2018.

BACKGROUND & DISCUSSION:

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

The Financial Statements include the following reports:

- Statement of Net Position as of May 31, 2018
- Statement of Revenues, Expenditures and Changes in Net Position for the Period of January 1, 2017 to May 31, 2018
- Statement of Cash Flows for the Period of January 1, 2017 to May 31, 2018

In the Statement of Net Position, VCEA as of May 31, 2018 has a total of \$517,594 in cash, of which \$283,102 are funds deposited and held by the Yolo County Treasurer in a fund restricted for VCEA and \$234,492 in a checking account with River City Bank. The VCEA has incurred obligations from Member agencies and SMUD and owes as of May 31, 2018 \$501,513 and \$531,273 respectively for a grand total of \$1,032,786. The repayments to the member agencies are deferred by the co-operation agreements until after the VCEA is revenue positive. The SMUD repayments are deferred until October 2018.

In June 2018 subsequent to this report, the following significant transactions/events occurred:

- The funds held by Yolo County Treasurer were transferred to the VCEA River City Bank account

- The River City Bank line of credit of \$11.0 million for the sole purpose of providing working capital to fund power purchases during seasonal differences in cash flow and reserves as needed to support power purchases was finalized
- The first draw on the line of credit of \$500,000 was issued to reimburse VCEA for the \$500,000 deposit made to the California Independent System Operator (CalISO) to be able to engage in power procurement activities
- VCEA launched June 1, 2018 and the June 2018 financial statements will reflect the first month of power operations

Attachment:

Financial Statements (Unaudited) for the period of January 1, 2017 to May 31, 2018



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1, 2017 TO MAY 31, 2018

PREPARED ON JULY 7, 2018

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
MAY 31, 2018
(UNAUDITED)

ASSETS

Current assets:	
Cash in Yolo County Treasury	\$ 283,102
Cash with fiscal agent	234,492
Other current assets and deposits	2,540
Total current assets	<u>520,134</u>
Noncurrent assets:	
Other noncurrent assets and deposits	600,000
Total noncurrent assets	<u>600,000</u>
TOTAL ASSETS	<u><u>\$ 1,120,134</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 153,383
Accrued payroll	917
Interest payable	9,313
Due to member agencies	501,513
Other accrued liabilities	531,273
Total current liabilities	<u>1,196,399</u>
Noncurrent liabilities	
Loans from member agencies	<u>1,500,000</u>
Total noncurrent liabilities	<u>1,500,000</u>
TOTAL LIABILITIES	<u><u>\$ 2,696,399</u></u>

NET POSITION

Net position:	
Restricted	\$ -
Unrestricted	<u>(1,576,265)</u>
TOTAL NET POSITION	<u><u>\$ (1,576,265)</u></u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF JANUARY 1, 2017 TO MAY 31, 2018
(UNAUDITED)

OPERATING REVENUE	
Electricity sales, net	\$ -
Other revenue	-
TOTAL OPERATING REVENUES	<u>-</u>
OPERATING EXPENSES	
Cost of electricity	-
Contract services	
Contractors	1,066,865
Member agencies	501,513
Staff compensation	9,341
General and administration	5,636
Depreciation	-
TOTAL OPERATING EXPENSES	<u>1,583,355</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	16,403
Interest and related expenses	(9,313)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>7,090</u>
CHANGE IN NET POSITION	(1,576,265)
Net position at beginning of period	-
Net position at end of period	<u><u>\$(1,576,265)</u></u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JANUARY 1, 2017 TO MAY 31, 2018
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments for security deposits with energy suppliers	\$ (600,000)
Payments for contract services	(382,209)
Payments for staff compensation	(8,424)
Payments for general and administration	(5,636)
Other cash payments	<u>(2,540)</u>
Net cash provided (used) by operating activities	<u><u>(998,809)</u></u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Loans from member agencies	<u>1,500,000</u>
Net cash provided (used) by non-capital financing activities	<u><u>1,500,000</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>16,403</u>
Net cash provided (used) by investing activities	<u><u>16,403</u></u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	517,594
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<u><u>\$ 517,594</u></u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE PERIOD OF JANUARY 1, 2017 TO MAY 31, 2018
(UNAUDITED)

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

Operating Income (Loss)	\$ (1,583,355)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in other assets and deposits	(602,540)
Increase (decrease) in accounts payable	153,383
Increase (decrease) in accrued payroll	917
Increase (decrease) in due to member agencies	501,513
Increase (decrease) in other accrued liabilities	531,273
Net cash provided (used) by operating activities	<u><u>\$ (998,809)</u></u>

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Valley Clean Energy Board of Directors

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

SUBJECT: Net Energy Metering Policy

DATE: July 12, 2018

RECOMMENDATION

1. Postpone enrollment of NEM customers until early 2019 while NEM policy amendments are drafted and finalized and associated billing system modifications are completed.
2. Review and provide feedback on preliminary concept amendments to the existing Net Energy Metering (NEM) policy for consideration at a future meeting.

BACKGROUND AND ANALYSIS

The NEM Policy was approved by the VCE Board on February 8, 2018. The policy was developed over a lengthy process that included input from the Community Advisory Committee (CAC), the public, SMUD staff and VCE staff. The policy includes incentives designed to increase solar adoption and provide benefits to existing and future NEM customers. Key features of the existing policy include moving from annual billing (PG&E model) to monthly billing (VCE and CCA model), and moving all true-up dates to the month of April. The existing NEM policy closely follows the policies of other CCAs.

A local solar contractor identified an issue where a significant portion of existing NEM customers are likely to pay more during their first year of service with VCE compared to their annual true-up with PG&E. This is due to the consolidated VCE true-up in April. After the first year of payments, customers would be on a cycle that closely mimics their annual cycle with PG&E, but a proportion of them would not recover the additional payments made during the first year within a reasonable timeframe, even after accounting for VCE incentives (i.e. higher compensation for excess energy buy back and the 2.5% generation rate discount).

Even though the contractor supports VCE, he has recommended that his NEM customers opt-out of VCE to avoid overpaying during the first year. VCE staff studied the issue and determined the claim has merit and may justify changes to the existing NEM policy.

POLICY DECISION

The immediate recommendation is to postpone accepting NEM customers into VCE service until 2019. This will allow time for the development and review of proposed policy amendments for consideration at a future Board meeting (anticipated to be the September Board meeting). It also allows time for public outreach and for any modifications to the billing system should changes be approved by the Board.

COMMUNITY ADVISORY COMMITTEE (CAC) RECOMMENDATION

On July 2nd the CAC considered the recommendation to postpone enrollment of NEM customers until 2019. Following discussion, the Committee voted 7-0 to support the staff recommendation to postpone the NEM enrollment until 2019 to allow for the development of a modified policy and billing systems. In addition, if the Board approved the recommendation, the CAC emphasized the need for communication with NEM customers on the postponement and any amendments to the policy.

POLICY AMENDMENT CONCEPTS

Following identification of the potential “true up” issue, staff reviewed several concepts in collaboration with the Outreach Subcommittee of the CAC. The general approach taken by staff was to keep the policy simple for NEM customers while minimizing financial impacts on VCE. Based on these general objectives, staff offers the following preliminary concepts for Board consideration and feedback:

- 1. Adopt the true-up schedule used by PG&E for the majority of existing NEM customers**
 - This will be seamless to customers and they will receive VCE benefits.
- 2. Shift some customers to monthly billing**
 - Shift the roughly 670 existing NEM customers (less than 10% of NEM customers), who consistently owe more than \$500/year from an annual payment to monthly payments with an April true-up date. This reduces the fiscal impact to VCE – see Financial Impacts section below.
- 3. New NEM Customers**
 - New customers will be put on annual billing and will be trued-up on the month they become a NEM customer, unless annual true-up exceeds \$500. This will be similar to the existing PG&E NEM structure.

FINANCIAL IMPACTS

There are financial impacts from the potential policy changes. As shown in Table 1 below, the cumulative net impacts to VCE over a three-year period (when placing >\$500 customers on monthly billing and all others on an annual cycle), is \$895,000 and represents the cash flow that VCE would carry for this customer class. These customer payments would eventually be

received by VCE at the NEM customers' annual "true up" but would not be available to VCE in full over the course of the year. This places a limitation on VCE's ability to deploy that cash for other business purposes (e.g. incentives, rate stabilization, etc.). In addition, VCE will incur the cost of upgrading the billing engine which is estimated at \$75k to \$100k and possible ongoing administrative costs associated with 12 "true up" periods in a year rather than a single one in April of each year.

Table 1 shows the net carrying cost impacts of placing customers on an annual billing cycle under four different scenarios: (1) all customers being on an annual billing cycle exactly the same as the existing PG&E NEM program schedule (Annual); (2) placing customers owing more than \$1000 annually on a monthly billing cycle (all others on their existing annual billing cycle); (3) customers owing more than \$750 annually; (4) customers owing more than \$500 annually. Generally speaking, keeping all NEM customers on the existing annual billing cycle simplifies the program but creates the largest financial carrying cost for VCE. This trade-off is the key policy question that staff will be bringing back to the CAC and Board for consideration at future meetings.

Table 1: Net Impacts of Annual Billing

Net Position: (Thousands of \$)						
Scenario	# of Customers (Percent of VCE NEM Customers)	2018	2019	2020	2021	Difference in net position
<i>Current VCE adopted NEM Policy</i>		\$ 2,071	\$ 10,377	\$ 17,927	\$ 22,261	
(1) Annual (same as PG&E NEM program)		\$ 2,126	\$ 9,431	\$ 16,250	\$ 20,622	\$ 1,639
(2) NEM Customers owing more than \$1000 annually	124 (1.7%)	\$ 2,126	\$ 9,504	\$ 16,508	\$ 20,882	\$ 1,379
(3) NEM Customers owing more than \$750 annually	255 (3.5%)	\$ 2,126	\$ 9,585	\$ 16,703	\$ 21,078	\$ 1,183
(4) NEM Customers owing more than \$500 annually	667 (9.3%)	\$ 2,126	\$ 9,767	\$ 16,988	\$ 21,366	\$ 895

Notes:

1. Approximate number of NEM Customers: 7,200
2. Revenues are not recorded until true-up.

OUTSTANDING ISSUES

The following initial set of issues have been identified and, based on Board direction, will be considered when developing the preliminary draft policy amendments.

- Keeping NEM program simple for customers (i.e. structure similar to existing PG&E program)
- Changes to VCE's cash flow.
- Proposed changes will require up-front costs to upgrade the billing and back-office systems.
- Changes may increase ongoing administrative costs for VCE by having to support multiple true-ups per year rather than one time in April.
- Changes will take time, delaying inclusion of NEM customers into VCE. Existing NEM customers would need to stay with PG&E for while policies and processes are put in place.
- Timing and cost of outreach to NEM customers.
- Outreach to solar installers.
- Other issues/ideas will arise—keeping it relatively simple may be difficult.

PROPOSED NEXT STEPS

- Schedule and conduct outreach to NEM customers/solar installers in late July/early August
- Finalize policy amendment concepts and present to the CAC at their July 30 meeting
- Finalize policy amendment concepts and present to the Board at the August 9 meeting
- If Board approves recommendation, send 2 letters to all NEM customers and contractors notifying them of the proposed changes—one for postponement (immediately), and one to notify of revised policy when it is finalized (September).
- Proceed with changes to billing/back-office systems if final policy amendments are approved by the Board
- Implement changes and enroll customers beginning in early 2019

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 13

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Olof Bystrom, Sacramento Municipal Utility District (SMUD)

SUBJECT: CPUC Integrated Resource Plan and Required Action Plan (IRP)

DATE: July 12, 2018

RECOMMENDATION

Staff is recommending that the Board adopt a resolution establishing the following:

- Approving the Integrated Resource Plan (IRP) in substantially the form attached, which includes the “Cleaner Base” portfolio as the Preferred Portfolio and the Action Plan identified therein, for submission to the California Public Utilities Commission (CPUC).
- Authorizing staff to make any non-substantial changes necessary to finalize the IRP document for filing.

BACKGROUND

In accordance with state Senate Bill (SB) 350 (2015, DeLeón), as well as modifications to those sections added by SB 338 (2016, Skinner) and Assembly Bill (AB) 759 (2017, Dahle) to implement Public Utilities Code Sections 454.51 and 454.52, the California Public Utilities Commission (CPUC) has enacted rulemakings requiring load servicing entities in the state over which the CPUC exercises regulatory authority to file Integrated Resource Plans by August 1, 2018. The IRP must be approved by the VCEA Board prior to submission to the CPUC, including the adoption of a “Preferred Portfolio” to indicate which of the alternative resource scenarios contained in the IRP is preferred by the VCEA Board. The IRP process calls for an update every two years, which means VCEA will have regular opportunities to adjust its plan.

In addition to the development of various possible renewable and clean portfolios, and the required selection of a preferred portfolio, the IRP report must also identify VCEA’s Action Plan for how it intends to achieve the objectives of the Preferred Portfolio.

ANALYSIS AND PREFERRED PORTFOLIO

The IRP report that is attached to this Staff Report provides a detailed analysis of long term resource options for VCEA, including specific resource portfolios of renewable energy such as solar, wind, biomass and geothermal resources. The report analyzes three portfolios:

- A “Base” portfolio that meets statutory requirements with respect to greenhouse gas emissions and the Renewable Portfolio Standard (RPS). This portfolio seeks to minimize costs for new resources without any additional emphasis on local energy or cleaner energy (beyond regulatory requirements). This portfolio can be seen as the minimum that VCEA must achieve in terms of renewable energy and greenhouse gas emissions.
- A “Cleaner Base” portfolio (*Staff Recommended*), that seeks higher amounts of RPS eligible renewable energy as well as procuring all of VCEA’s market-procured energy from non-GHG sources, resulting in a portfolio that uses 80% RPS eligible renewables by 2030. This portfolio is otherwise similar to the Base portfolio. Results suggest that the total cost for this portfolio is very similar to the Base portfolio.
- A “Local” portfolio that emphasizes the use of local solar, biomass and geothermal resources that are sourced from Yolo county and surrounding areas. The portfolio seeks to achieve the same level of clean energy and RPS as the Base portfolio. The cost of this portfolio exceeds the lowest cost portfolio by about 6%.

The three resource portfolios suggest that solar PV energy from large-scale solar installations is the lowest cost option for VCEA and that local, smaller installations come at a premium. This is especially true for biomass and geothermal resources that are considerably more costly than other resources. Thus, a resource portfolio that focuses on local resources will be more costly than other options. However, based on our assessment, the difference between a strict adherence to lowest cost principles and a more locally sourced portfolio need not be significant. We also note that there is significant uncertainty regarding the development of costs over the next 12 years that could impact the relative costs of the portfolios assessed as part of this IRP.

A key feature of the IRP is the Action Plan (discussed below) that will include issuing an RFP for long term procurement of renewables. Through this process it is expected that VCEA will gain insight into the detailed cost of both local resources and large scale renewables. VCEA will use this information to subsequently adjust its resource plan.

ACTION PLAN

The 3 year Action Plan outlines the actions VCEA plans to take to achieve the goals and objectives set out in the IRP. The Action Plan can, but is not required to, include additional actions contemplated by VCEA to achieve its short and long-term vision. The Action Plan was developed as an outcome of the public IRP workshop held on April 26, 2018 and has subsequently been reviewed and developed in collaboration with the Community Advisory Committee (CAC) at its May 30, 2018 and July 2, 2018 meetings.

The Action Plan, including prioritization of actions, has been reviewed and endorsed by the CAC and is included as Section 4 of the attached IRP report.

COMMUNITY ADVISORY COMMITTEE REVIEW

Staff reviewed the recommendations with the CAC on July 2, 2018, which voted on and unanimously approved staff's recommendations with the addition of language in the IRP emphasizing VCEA's desire to maximize incorporation of local renewables, to the extent feasible and economic.

CONCLUSION

Staff makes the specific aforementioned recommendations for the Board's consideration.

Attachments

- A. Integrated Resource Plan
- B. Resolution

Attachment A
Proposed Integrated Resource Plan



Valley Clean Energy Alliance

2018 INTEGRATED RESOURCE PLAN

Approved: _____, 2018

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1. Executive Summary

Valley Clean Energy Alliance, or Valley Clean Energy (VCE) is a joint powers authority working to implement a state-authorized Community Choice Energy (CCE) program. Participating VCE governments include the City of Davis, the City of Woodland and the unincorporated parts of Yolo County. The vision of VCE is to enable the participating jurisdictions to determine the sources, modes of production, and costs of the electricity they procure for the residential, commercial, agricultural, and industrial users in their areas. PG&E continues to deliver the electricity procured by VCE and to perform billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions have the choice not to participate in the VCE program. VCE’s vision as an organization and as adopted by its Board in 2017 is shown in **Error! Reference source not found.**

This report was prepared in accordance with decision D.18-02-018 by the California Public Utilities Commission (Commission) under proceeding R.16-02-007. The report follows the format laid out in Annex A to the Decision. The objective of this report is to provide materials to help the Commission perform its modeling of load and resources in the 2018-2030 period. VCE views this IRP report as an important but preliminary plan for its resource supply over the 2018-2030 period. Considering that VCE only started to serve load in June of 2018, VCE does not yet have any resources under long term contract – instead VCE relies on market purchases of energy, Resource Adequacy (RA), and Renewable Energy Credits (RECs) in order to serve its electric demand and meet regulatory requirements with respect to resource adequacy and renewable energy. Therefore, a key part of this report is the Action Plan contained in Section 4 of this report. The Action Plan lays out VCE’s near term plans for developing short and long term studies and supply contracts to meet its load while implementing its vision and complying with regulatory requirements.

Figure 1. VCE Vision

The near-term vision for VCE is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price premiums;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCE energy programs and mitigation of future energy costs and risks.

The long -term vision for VCE is to continuously improve the electricity choices available to VCE customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future; and
- Saving money for ratepayers on their energy bills.
- Remaining open to the participation of additional jurisdictions.

For the purposes of this report, VCE developed three resource portfolios, all of which conform to Commission and statutory requirements, and are consistent with the input assumptions and Reference System Plan identified by the Commission. The first portfolio, entitled Base, provides a continuation of VCE’s current service offering, namely 42% Renewable Portfolio Standard (RPS) eligible renewable energy and an overall portfolio that is supported by carbon-free sources for 75% of its annual energy content delivered to customers. Over the course of the 2018-2030 period, the renewable energy content of the portfolio is adjusted to meet statutory and regulatory RPS requirements as well as the Greenhouse gas benchmark values stipulated by the Commission.

The second portfolio, entitled Local, considers a resource path that covers more local and distributed resources. While somewhat more costly than the Base Portfolio, the Local portfolio is competitive with the Commission Reference System Plan RESOLVE model results, which were taken as a proxy for the overall generation costs in California for the 2018-2030 period.

The Third Portfolio, entitled Cleaner Base, considers a lowest cost resource portfolio that has more ambitious renewable energy targets and seeks to achieve 50% RPS-eligible renewable energy content by 2020 and 80% by 2030. In addition, this portfolio also seeks to supply all of its retail energy using carbon-free resources by 2022 through a combination of RPS-eligible resources and non-RPS clean energy sources such as hydro. The Cleaner Base is VCE’s Preferred Portfolio. However, to the greatest extent feasible and cost-effective, VCE intends to prioritize the development of local resources for its long term resource portfolio. Ultimately, the choice of resource path is uncertain and will to a large extent depend on future market and policy developments as well as on the evolving preferences of VCE customers. VCE’s resource plan may therefore be adjusted according to market developments over the next several years.

Figure 2 shows a comparison of the estimated generation costs for each of the Portfolios considered in this report in relation to the RESOLVE Reference System Plan results for the same period.

Figure 2. Annual Generation Costs by Resource Portfolio and Year¹



Figure 2 suggests that VCE’s portfolio costs would exceed the Reference System Plan by the year 2030. However, this result is likely driven largely by a discrepancy in assumptions – VCE is factoring in a gradual tightening of capacity markets driving up the cost of RA while at the same time the Commission requires that incremental solar capacity is given a near zero ELCC value. In contrast, VCE understands that the RESOLVE model results of the Reference System Plan do not factor in any costs for RA and use a higher

¹ The Reference Portfolio results are based on the RESOLVE model’s results for the “Generation” portion of the “Total Retail Rate by Component” as shown in the Results Viewer spreadsheet of the RESOLVE model for the Reference System Plan.

ELCC value for incremental solar capacity. If the discrepancies between these assumptions were adjusted for, the difference between the results in 2030 may not be material.

There are several important limitations and assumptions of VCE’s IRP analysis provided in this report that should be considered:

- The resource portfolios include only the type of renewable energy resources that VCE expects to contract with over the 2018-2030 period. VCE does not envision building, owning or entering into long term contracts for fossil-fueled generating sources and instead expects to meet such needs by purchasing electricity in the CAISO and bilateral electricity markets.
- The modeling and analysis is based on using assumptions and prices available in the Reference System Plan results for the RESOLVE model that were developed for the Commission and that were made public on April 23, 2018.²
- VCE considers the analyses and conclusions of this IRP report to be tentative and subject to adjustments as market conditions change and technology and customer preferences evolve.
- VCE’s analysis considers only the generation portion of electric services delivered to VCE’s customers since this is the only part for which VCE is responsible. It is anticipated that the IRP filing by PG&E will cover the other aspects, such as transmission, distribution, and Demand Side Management programs.
- VCE’s Action Plan includes several activities that are expected to enable VCE to fine-tune and adjust its resource plan, including issuing a solicitation for long term local renewable capacity and setting long term procurement policies and goals for the organization.

The estimated GHG emissions for VCE in 2030 using Commission’s Clean Net Short Tool is shown in Table 1 below for each of the resource portfolios considered, as well as the Commission GHG benchmark value of 129,000 tons per year for the year 2030.

Table 1. Estimated GHG Emissions in 2030 by Resource Portfolio using the Commission GHG Calculator (metric tons 000)

Commission Mandated Benchmark	Base	Cleaner Base	Local
129	91.5	73.0	90.5

VCE’s IRP analysis is based on a simplified hourly production cost model of VCE’s portfolio, where it is assumed that California as a whole follows the resource plan outlined in the Reference System Plan and that VCE can freely buy and sell energy into the CAISO electricity and ancillary service markets at the market prices expected in the Reference System Plan provided by the Commission. VCE’s analysis also uses the same assumptions that the Reference System Plan was based on, including the same assumptions regarding levelized costs for new generating resources and the same renewable energy resource classifications, renewable energy profiles, and geographical naming conventions (e.g. “Solano Wind” or “CAISO Solar for CAISO”).

VCE’s Action Plan outlines key activities over the next several years for VCE. Among the more important steps in the Action Plan is to conduct a public solicitation for long term renewable energy contracts that will help VCE to cost-effectively meet its load obligations in a manner that meets regulatory requirements and is consistent with VCE’s vision and strategy. The Action Plan also outlines other key activities over the

² <http://cpuc.ca.gov/General.aspx?id=6442457210>

next 1-3 years, including establishing long term greenhouse gas goals and key performance indicators that will allow VCE and its constituent members to track progress on key factors such as climate change, programs, and energy efficiency. Section 4 of this report describes VCE’s Action Plan in more detail.

Although, VCE has selected the Cleaner Base as its preferred resource portfolio, VCE considers local resources to be key in its long term procurement strategy to meet its long term vision of managing customized programs, local investments, and employment as well as helping participating jurisdictions achieve their long term climate and sustainability goals. VCE therefore aims to pursue local renewable projects when feasible and consistent with competitive customer rates.

2. Study Design

The study was designed to inform VCE, its Board, management, and community on the relative energy supply cost differences between portfolios that would meet the minimum required to achieve compliance with RPS requirements and the 2030 GHG target established by the Commission for VCE. Three portfolios were modeled:

1. A conforming portfolio that meets the minimum renewable content and GHG emissions requirement at least cost (“Base”)
2. An alternative portfolio with a higher percentage of RPS-eligible renewable energy content that is expected to be contracted at the lowest cost without considering the geographical location of resources (“Cleaner Base”)
3. A second alternative Portfolio that seeks to meet regulatory and statutory requirements with a higher percentage of local resources compared to the Base and Cleaner Base portfolios (“Local”)

VCE’s vision includes supplying electricity from local energy sources at prices that are competitive with PG&E rates – VCE therefore looked at these important aspects in evaluating portfolio alternatives.

The IRP study period required by the Commission covers 2018 through 2030. VCE began operations in June of 2018; therefore, 2018 is modeled for the June 1 – December 31 period. VCE’s approach is based on utilizing current market data for the front years of the IRP study period (2018-2021), and using available data and assumptions from Commission to the extent possible as a basis for resource portfolio choices in the 2022-2030 period.

Our modeling approach is based on considering VCE as a “price taker” in the CAISO market wherein it is assumed that VCE, due to its small peak load and energy demand relative to the rest of the CAISO market, cannot influence prices and therefore can buy and sell power at CAISO spot market prices, as represented by the RESOLVE model results for the 42 MMT Reference System Plan, wherein CO2 allowance prices are implicitly reflected in the CAISO price.

The GHG planning price is not used in the VCE model runs, because VCE does not propose to own or otherwise sign long term contracts for fossil-fueled generation. VCE’s only exposure to GHG avoidance costs is from the cost of GHG mitigation implicit in power market pricing for net purchases of load from the CAISO and for net sales of renewables into the CAISO market.

a. Objectives

The objective of the IRP is to provide guidance for VCE’s Board, executive management, and the public regarding the relative power supply cost impact of various long term resource options for meeting electric demand in the 2018-2030 period and to ensure that these options are strategically aligned with VCE’s short and long term vision (see **Error! Reference source not found.**).

The resource portfolios identified in this IRP illustrate tradeoffs in terms of costs and greenhouse gas emissions between different resource options and levels of ambition in terms of renewable sources and local generating sources used by VCE to meet its load obligations. Three portfolio scenarios are considered to reflect resource choice alternatives as well as potential outcomes in terms of load using the 2017 IEPR load forecast update for the mid AAEE and mid AAPV cases. The cases and resource portfolio choices are discussed in the assumptions section below.

b. Methodology

Based on the California Energy Commission's (CEC's) IEPR forecasts, annual electric consumption for VCE in the 2018-2030 period represents less than half a percent of the statewide electric consumption (0.28%). It is therefore expected that VCE will have little or no opportunity to influence market prices of any of the components of the electric supply for this IRP. In other words, VCE is a price taker. Under this expectation, VCE can transact energy, capacity, and resource adequacy and enter into short or long term contracts without impacting the overall market prices for these items. This philosophy is reflected in our methodology. In a further effort to make the IRP consistent with Commission's requirements and assumptions for California as a whole, our methodology for quantifying the costs and greenhouse gas impacts of portfolio alternatives relies exclusively on publicly available data provided by the Commission to support this IRP process as well as on CEC's updated 2017 IEPR forecast that includes a forecast of energy demand for VCE.

Three load and resource portfolios are considered in this IRP:

1. Base Portfolio (aka Conforming portfolio)
2. Cleaner Base Portfolio (aka Preferred Portfolio)
3. Local Portfolio (to reflect more ambitious local resource choices)

The detailed assumptions for each portfolio as well as the individual resource components of each portfolio are shown in the Modeling Approach Section below.

i. Modeling Tool(s)

VCE's resource plan is based on a simplified production cost modeling approach that utilizes publicly available data from the various tools provided by the Commission as well as the IEPR load forecast from the CEC. With this data, VCE developed a spreadsheet model that captures the expected costs of providing electricity to VCE's customers in the 2018-2030 period under different resource portfolio alternatives. Thus, no formal commercially available production cost model is used, but the analysis is consistent with the data and assumptions of the RESOLVE model, the GHG calculator, and the RPS calculator.

The RESOLVE model provides a simplified representation of the entire WECC system and performs a cost-based simulation and forecast for the 2018-2030 period that selects resources and provides estimates of total and marginal costs as well as emissions and reliability parameters. With this model, only 37 representative days per year are modeled and subsequently aggregated to provide an estimate of full-year impacts. In contrast, the spreadsheet model utilized by VCE assumes that prices and resources are given. VCE is treated as a price taker in the CAISO market, wherein VCE's objective is to minimize costs for meeting its resource needs at given prices for capacity, energy, and new resources. The input assumptions used for this model are drawn from RESOLVE model results and input assumptions as well as from the Commission's GHG Calculator tool and CEC's IEPR load forecast. This approach provides a view of VCE's resource costs and portfolio options in the 2018-2030 period that is consistent with the RESOLVE model.

For the purpose of this IRP and in order to capture the hourly impacts of using the Mid-Mid load forecast from the CEC, VCE uses the CEC published load shape for the PGE area as an approximation for VCE's hourly load. While VCE would consider it preferable to use a load shape that is more reflective of actual conditions in Yolo County, the CEC load shape was used to maintain consistency and to ensure the hourly impacts of AAEE and AAPV under the Mid-Mid Case are incorporated. VCE's load forecast

and load shape, as provided by the CEC, are based on a forecast for all 8760 hours of a normal year. The GHG Calculator is also based on using 8760 hours per year to calculate the clean net short and the GHG emissions using 8760 renewable energy profiles. Therefore, in order to be able to use the hourly RESOLVE marginal costs for CAISO power as a proxy for long term market prices, these were re-calculated to an 8760 price series, first compacting the RESOLVE prices into a monthly 24-hour power price and subsequently extrapolating to create an 8760 price series. With this approach, there are only 24 hourly prices in each month – every first hour of each day has the same price, and so on. While simplified, this approach provides a view of marginal electricity costs in the CAISO market that is consistent with the RESOLVE model results and also captures the impact of carbon prices on the CAISO market price for electricity.

ii. Modeling Approach

The IRP covers the period 2018-2030. However, not every year is modeled. For the first 3.5 years of the forecast, June 1, 2018 through December 31, 2021, our outlook is based on market forecasts and expectations of market prices rather than a production cost model. VCE believes that this provides a more realistic approach to near term resource costs. It is also expected that that in the 2018-2021 period, the majority of resources used to meet VCE’s load will be based on short term contracts and market purchases that will cover VCE’s need for energy, capacity and RPS-eligible renewable energy (and/or RECs).

For the period 2022-2030, VCE bases its analysis on the materials available from the Commission as described under Modeling Tools above, as well as in the assumptions section of this chapter. As a result, only the years 2022, 2026, and 2030 are analyzed at an hourly detail and only for these years are the detailed portfolio choices considered.

Resource Portfolio Alternatives Considered

VCE considered three alternative resource portfolios to provide a range of potential outcomes that will help guide future procurement and illustrate trade-offs in terms of costs, renewable energy contracting and the amount of energy bought in the CAISO market. All resource portfolios are designed to comply with California’s 2030 RPS goals as well as with the Commission GHG emissions benchmark of 129,000 tons by 2030.

The three scenarios considered were constructed around shifting three policy parameters that are important to VCE: The overall carbon footprint of the portfolio, the amount of RPS-eligible renewable energy, and the resource mix, including the amount of energy that is sourced from locally available renewable energy sources. Note that because VCE currently does not have any resources under ownership or long term contracts, the IRP portfolio alternatives are mainly for illustration of options and potential trade-offs.

As discussed in the Action Plan section of this report, actual resource trade-offs and costs will likely be discovered only following more detailed studies and evaluation of actual offers for long term supply. Table 2 below provides an overview of the Resource Portfolios.

Table 2. Resource Portfolios

Portfolio	Portfolio Aspect	2018	2022	2026	2030
Base (Conforming)	Load Forecast	IEPR			
	Resource Mix	Least cost California resources. Local renewables if cost effective.			
	RPS	42%	42%	45%	50%
	Carbon-free	75%	75%	75%	75%
Cleaner Base (Preferred)	Load Forecast	IEPR			
	Resource Mix	Least cost California resources. Local renewables if cost effective.			
	RPS	42%	60%	70%	80%
	Carbon-free	75%	100%	100%	100%
Local (Alternative)	Load Forecast	IEPR			
	Resource Mix	Expand local wind, biomass, geothermal and solar from 2022.			
	RPS	42%	42%	45%	50%
	Carbon-free	75%	75%	75%	75%

VCE plans to secure RPS resources from RPS-eligible California resources as well as through PCC1 RECs. Carbon-free resources are expected to be purchased under long or short term contracts that do not qualify for RPS but are otherwise carbon-free, such as large scale hydro resources from California or the Pacific Northwest. The carbon-free energy is also not synced with VCE’s load which means that even though VCE plans to directly or indirectly offset 75%-100% of its electricity consumption with energy from carbon-free sources, VCE will still have a carbon footprint when using the Commission GHG calculator tool. The detailed resource mix under each of these portfolios is shown in separate Excel files that are submitted together with this IRP. It should be noted, that for near term supply, VCE will rely on available generic non-resource-specific power in the CAISO market for energy and capacity and on RECs to meet RPS requirements.

Modeling Approach Details

For the 2018-2021 period, VCE models costs and resource portfolio impacts based on expected market conditions, as described by currently available price in bilateral markets for energy and capacity as well as electric power futures from the Intercontinental Exchange (ICE) for NP15. Electric demand is based on CEC’s 2017 IEPR Baseline Electric Mid Demand Mid AAEE and AAPV forecast, as published in April 2018³. Since CEC does not publish hourly demand profiles for VCE, VCE elected to use an hourly demand forecast for the PGE area that reflects the shape for the “Mid-Mid” case. It should be noted that the actual load shape for VCE’s service territory is likely different from PG&E’s overall shape because VCE’s service area is smaller, lacks geographic and climatological diversity, and also has a different climate compared to both the Bay Area and the rest of the Central Valley.

For the 2022-2030 period, VCE relies on data from the GHG calculator and the RESOLVE model’s updated results for the 42MMT Reference System Plan, as made available by the Commission in April 2018⁴. The following RESOLVE model results and assumptions were used: hourly CAISO market price forecast (extrapolated to cover 8760 hours per year), levelized costs of new entry of renewable energy

³ <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=17-IEPR-03>

⁴ <http://cpuc.ca.gov/General.aspx?id=6442457210>

capacity and lithium ion batteries, resource potential for new capacity in California. The resource alternatives and costs considered for each portfolio include

Table 3 Resource Options Used

Resource Type	RESOLVE (and GHG Calculator) resource name(s)	2022 Levelized Cost (2016 \$/MWh)	Note
Wind	Contracted_NW Wind Northern_California Wind Solano_Wind CAISO_Wind_for_CAISO	79	Same cost used for all wind resources considered ⁵
Solar	CAISO_Solar_for_CAISO Northern_California_Solar	51	Used interchangeably for large scale solar resources not located in Yolo County assuming same cost ⁵
Local Solar	Solano_Solar	139	Used to denote local small scale solar resources of less than 1 MW (e.g. parking lot and rooftop PV)
Local Solar	Central_Valley_North_Los_Banos_Solar	56	Used to denote local medium scale solar resources between 1 and 10 MW
Biomass	Biomass	158	Assumed to be in Yolo County or adjoining County
Geothermal	Geothermal	88	Assumed to be in county adjacent to Yolo
Small Hydro	Small Hydro	163	In Yolo county
Large Hydro	Large Hydro	N/A	Used as proxy for GHG free energy (non source-specific) in GHG Calculator
4h Energy Storage	Battery Storage	\$143 /kW-yr	

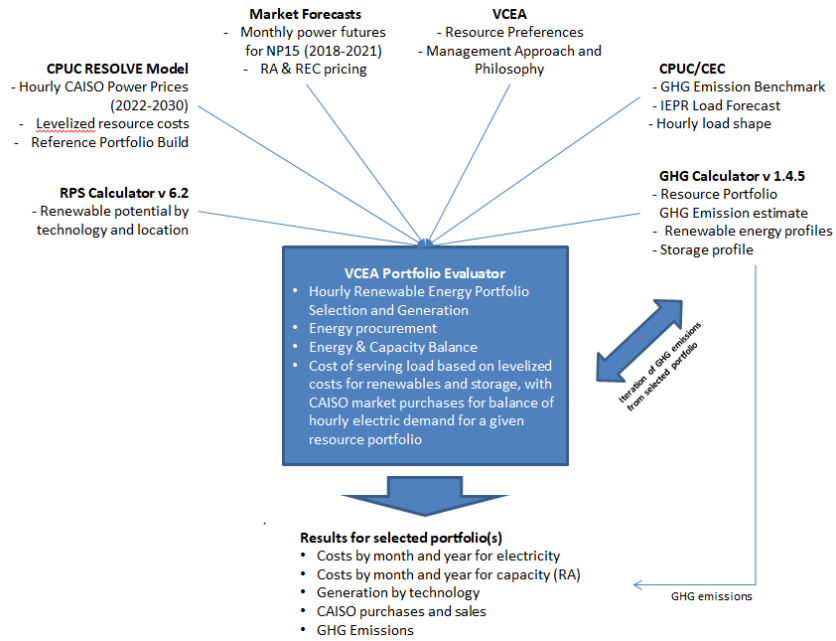
The spreadsheet model was developed based on existing tools and data from the Commission and uses renewable energy profiles from the GHG Calculator together with the resource selection under each resource portfolio to calculate the amount generated by resources under contract as well as the hourly need for additional energy from the CAISO market. CAISO energy purchases are then assumed to be made at the hourly marginal electricity prices developed by the RESOLVE model for the Reference System Plan.⁶

Figure 3 below provides an overview of the modeling methodology used in this IRP for the 2022-2030 period.

⁵ VCE does not have long term contracts in place – the exact sourcing of renewable energy will therefore depend on prices, deliverability and proximity to VCE’s service territory

⁶ While largely the same as the RESOLVE renewable energy profiles, the GHG calculator provides for full 8760 hour per year renewable energy profiles that are more useful for VCE’s mode.

Figure 3. Modeling Methodology



iii. Assumptions

Load

The load forecast is based on the “mid Baseline mid AAEE mid AAPV” version of Form 1.1c of the CEC’s adopted 2017 IEPR forecast that was published in February of 2018 (henceforth IEPR forecast).⁷ The annual energy demand in this forecast is shown in Table 4, below. No modification was made to this forecast other than fitting the annual energy demand to the hourly demand shape for PG&E that was also made available by CEC under the IEPR docket.⁸ This load shape is not specific to VCE and is likely to underestimate the “peakiness” and annual peak load for VCE, because Yolo County tends to have very warm summer peak temperatures while at the same time experiencing a significant cool off during the night time in the summer. VCE expects that these effects and other diurnal and or seasonal effects will be better captured in the next IRP update once VCE has gained operational experience and has a track record for its hourly load relative to PG&E’s. The expected annual energy and peak demand using the IEPR load forecast are shown in Table 4. Energy demand is unchanged across the resource portfolios considered in this IRP report.

⁷ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=222582>

⁸ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=222554>

Table 4. Updated IEPR retail demand forecast and VCE load forecast. (Annual Energy and Peak Demand) under the updated 2017 IEPR forecast Mid AAE, Mid AAPV case

	2018	2019	2020	2021	2022	2026	2030
2017 IEPR forecast Mid AAE, Mid AAPV case	456	762	756	753	752	738	726
Annual peak load in IEPR forecast (MW)	148	153	152	153	153	154	155

Expected Power Market Prices and Resource Costs

2018-2021

In the early part of the IRP planning horizon, covering the 2018-2020 period, VCE expects to rely mainly on short-term contracted resources to meet resource needs. By 2021, VCE will need to have in place long term renewable supply contracts of terms of at least 10 years in duration for at least 65% of its minimum RPS obligations. Those long term contracts are expected to begin phasing in during 2020. For the short term resource supply, VCE expects to procure them at current market prices and that these market prices will remain relatively stable in the 2018-2021 period. For this period, estimates of costs for generation are therefore based on current market conditions for electricity and RA.

For the 2020-2021 period, ICE power forwards for NP15 are used as an estimate of expected spot market prices. RA costs are assumed to remain stable in the 2018-2020 period and then start to increase as California supply and demand tightens. The latter assumption is supported by forecasts by CAISO and NERC that suggest that California reserve margins will remain above California’s 15% planning reserve margin until at least 2024 when the Diablo Canyon nuclear facility retires. Table 5, below shows the expected electricity prices, resource adequacy, and REC prices for the 2018-2021 period.

Table 5. Power, RA, REC and Carbon-free Prices 2018-2021

	2018	2019	2020	2021
Wholesale electric power prices (\$/MWh)	29.5	29.5	31.9	35.0
Resource Adequacy (\$kW-yr)	44.3	44.3	44.3	65.4
PCC1 RECs (\$/MWh)	16.0	16.0	16.0	16.0
Carbon-free Price Premium (\$/MWh)	2.3	4.0	4.0	4.0

For modeling purposes VCE does not expect that the long term renewable supply contracts put in place to meet the 2021 long term contracting requirement will deliver substantial quantities of energy much prior to 2021, and will therefore not have a material impact on power supply in the 2018-2020 period.

2022-2030

From 2022 onwards, the IRP relies on results and assumptions from the RESOLVE model as an approximation of expected market conditions, including CAISO power prices, value of additional capacity to meet planning reserve margins and local capacity margins, and the cost of new entry for new capacity with which VCE is assumed to be able to contract. Table 6. Power, RA, REC and Carbon-free Prices 2022-2030 Table 6 summarizes the annual expected values for power, RA, and the estimated price Premium for Carbon-free key energy for 2022, 2026, and 2030.

VCE’s assumption regarding the costs for resource adequacy is based on a combination of market pricing and costs of new resources reported in the RESOLVE model’s input assumptions. The RESOLVE model results for the Commission’s Reference Portfolio do not show any shortage of capacity in the forecast and consequently does not value resource adequacy (the shadow price of the reserve margin requirement). In this report, it is instead assumed that RA will continue to have a non-zero price and that RA prices will rise towards the cost of entry for new capacity by the middle of the next decade following the retirements of Diablo Canyon and California’s once-through cooling capacity. Based on the costs of new capacity shown in the input assumptions for the RESOLVE model, battery storage will also become the lowest cost source of RA and flexible capacity from the mid 2020’s. VCE therefore bases its RA cost assumptions on the predicted levelized cost for a 4-hour new lithium ion battery following a ramp up of capacity prices that result from a tightening of California reserve margins as noted above. VCE’s RA price assumptions will comprise about \$5-8/MWh of the all-in levelized power cost estimated for the 2025-2030 period. Table 6 shows the RA prices used during the 2022-2030 period.

The IRP portfolios analyzed in this report does not assume renewable energy from short term contracts in the 2022-2030 period, instead, all renewable energy capacity is modeled directly as long term power purchases from renewable resources using the templates and naming conventions devised by the Commission. As part of its 2018-2019 resource mix, VCE procures carbon-free energy from non-RPS resources to maintain a 75% carbon-free portfolio. VCE will likely continue procuring such clean resources in the future and assumes that the price premium for carbon-free energy will remain similar to today’s levels also during the 2022-2030 timeframe.

For new or existing renewable energy capacity that VCE will contract for in the 2022-2030 period, VCE relies on the RESOLVE model’s cost of new capacity entry. As part of the Action Plan described in Section 4 of this report, VCE expects to conduct a solicitation for new resource in 2018 and in 2019. As part of that process, it is anticipated that more detailed insights will be gained regarding near term costs for new capacity that will eventually replace the RESOLVE model assumptions used in this report. Note that in the 2022-2030 period, VCE only performs a detailed assessment of resource needs and resource portfolios for the years that were covered in the RESOLVE model, namely 2022, 2026 and 2030.

Table 6. Power, RA, REC and Carbon-free Prices 2022-2030

	2022	2026	2030
Wholesale electric power prices (\$/MWh)	36.8	47.9	99.1
Resource Adequacy (\$kW-yr)	83.6	116.4	110.2
Carbon-free Price Premium (\$/MWh)	4.0	4.0	4.0

VCE Market Modeling Assumptions

There are several assumptions that may influence the results of the IRP as shown in this study. For example, per the instructions offered in the guidelines to this IRP template provided by the Commission as attachment A to R.16-02-007 COM/LR1/lil/jt2, load serving entities (LSEs) are directed to “.. assume that other LSEs procure in a manner consistent with the Reference System Plan.” VCE is a small LSE that represent only 0.3% of the anticipated CAISO electricity consumption in the 2018-2030 period. It is therefore assumed that VCE’s resource decisions will not impact decisions by other LSEs, market prices for power, capacity, or new renewable energy resource costs during the 2018-2030 period. Thus, if other LSEs perform in accordance with the Reference System Plan, then VCE will be able to buy and sell power at the prices modeled in RESOLVE (as a price taker) and will be able to enter into long term contracts at the levelized cost levels shown in the RESOLVE model’s results for the Reference System plan.

VCE's resource plan assumes that its energy resources portfolio will include only RPS-eligible renewable and large hydro, and that the balance of its electricity and resource adequacy supply will be procured in CAISO electricity markets or by pursuing other bilateral procurement opportunities. Consistent with VCE's long term vision of increasingly procuring local resources and contributing to the development of new capacity, VCE expects its portfolio of renewable energy resources to be located primarily in northern California.

Planning Reserve Margins, Local RA, and Flexible Resource needs

All resource portfolios in this IRP are based on contracting and procuring energy and capacity to meet the annual energy demand as well as the expected monthly capacity need, including a 15% planning reserve margin to meet resource adequacy needs. It is also assumed that in procuring capacity to meet a 15% reserve margin, the procured capacity will be able to also meet local and flexible ramping needs. As a result, no additional capacity is envisioned to meet this need. This is consistent with the modeling results of RESOLVE for the Reference System Plan, which suggests that sufficient capacity will be available in CAISO and in the North Bay area without additional procurement (by VCE or other LSEs) of additional new thermal capacity. VCE expects to perform

Inflation

Unless otherwise indicated, all cost impacts shown in this IRP are in constant 2016 dollars. For the purpose of estimating nominal costs or for converting nominal dollars to real, the IEPR deflator posted on Commission's IRP website was used⁹.

Greenhouse Gas Planning Price and Emissions Benchmark

The greenhouse gas planning price is not explicitly used in this IRP because all of the resources identified by VCE are renewable resources not emitting any greenhouse gas. Instead, as an estimate of future GHG prices, RESOLVE's hourly CAISO prices for the Reference System Plan are used, in which the Greenhouse gas planning price is reflected implicitly and therefore does not need to be considered separately.

This IRP includes three resource plan options, of which VCE's Board has approved the Cleaner Base Portfolio as its Preferred Portfolio. All of the resource portfolios show that the expected greenhouse gas emissions are lower than the Greenhouse Gas Emissions Benchmark for VCE of 129,000 metric tons by 2030. This is a result of focusing mainly on renewable energy and storage as well as the stated policy of VCE to be at least 75% carbon-free – i.e. a portfolio that is 75% free of greenhouse gas emissions, through the use of RPS resources and hydroelectric energy which may or may not be matching the load shape for VCE. In VCE's modeling it is assumed that non RPS GHG free energy is procured in blocks that are not matched with VCE load and therefore does not offset all GHG emissions resulting from the use of Commission's Clean Net Short methodology. Enclosed with this IRP, VCE also submits the GHG calculator tool showing the estimated 2030 emissions from its 2030 Preferred Portfolio.

Pursuant to the May 25, 2018 ruling by the Commission regarding GHG Benchmarks, VCE calculated its estimated greenhouse gas emissions for 2030 using the Clean Net Short method by utilizing version 1.4.4 of the GHG Calculator tool (aka Clean Net Short calculator).

⁹

http://cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Energy/EnergyPrograms/ElectPowerProcurementGeneration/irp/2018/IEPR_dollar_deflator_series_2018-04.xlsx

3. Study Results

This section shows study results for the three different IRP portfolios that were considered by VCE. Detailed portfolio selection results are shown in Excel spreadsheets that were filed together with this IRP. Due to the fact that VCE just initiated operations in June of 2018 and the fact that VCE has not yet entered into any long term contracts for new or existing resources, the identified resource portfolios should be understood as preliminary options and broad direction rather than precise results. VCE expects that its resource and contracts portfolio will evolve significantly in the 2018-2021 period.

a. Portfolio Results

Three resource portfolios were considered by VCE in this IRP in order to obtain directional insights on future resource investment alternatives that are aligned with VCE’s long term vision for how to serve its customers in the future. VCE does not yet have any resources under contracts spanning beyond 2019. Therefore, the results shown in this section as well as in the attached spreadsheets that provide details on the portfolio selection, are necessarily approximations that should be viewed as options and guidance on general direction rather than providing specific detailed procurement targets. VCE expects that in the next 1-3 years, as it conducts additional studies and gains operational experience, it will develop more detailed procurement plans for short and long term contracting of resources. These planned activities are described in Section 4 of this report.

Table 7 below shows a summary of resource portfolio results for each of the three portfolios considered. All resource portfolios shown in Table 7 meet the Commission’s IRP requirements. VCE’s Board utilized these portfolios in its consideration of future resource policy. The portfolio entitled Cleaner Base was selected as VCE’s Preferred Portfolio and Section 3b provides a detailed overview of this portfolio and how it complies with regulatory and statutory requirements. The detailed resource choices for each portfolio are also shown in the following Excel files that were submitted together with this IRP: **INSERT NAMES OF XLS FILES**

Table 7. Portfolio results summary (MW Nameplate Capacity)

	Base (Conforming)				CleanerBase (Preferred)				Local (Alternative)			
	2018	2022	2026	2030	2018	2022	2026	2030	2018	2022	2026	2030
Wind	0	49	33	46	0	51	55	50	0	41	20	30
BTM Solar	0	39	52	65	0	39	52	65	0	39	52	65
Solar	0	69	91.5	91.5	0	120	140	173	0	22	22	22
Local Solar	0	0	0	0	0	0	0	0	0	30	42	44
Geothermal	0	0	0	0	0	0	0	0	0	6	6	6
Biomass	0	0	0	0	0	0	0	0	0	0	5	5
Small Hydro	2	2	2	2	0	0	0	0	2	2	2	2
4 hour Li-Ion Battery Storage	0	0	3	20	0	3	7	20	0	3	3	3

Percent RPS Delivered	42	42	45	50	42	60	70	80	42	42	45	50
Percent Carbon-free	75	75	75	75	75	100	100	100	75	75	75	75

b. Preferred Portfolio

VCE’s Board of Directors at its meeting on July 12, 2018, approved this resource plan, including the Cleaner Base Portfolio which was selected by the Board as its Preferred Portfolio. This portfolio represents an ambitious combination of renewable and carbon-free energy that will allow VCE to reach an 80% RPS level by 2030 and to offset up to 100 percent of its annual electric demand from zero emission sources by 2022 through a combination contracted renewable energy resources, REC purchases and procurement of energy from carbon-free resources such as large scale hydro. A summary of the resource choices in this portfolio is shown in Table 7, above. The resulting generation from the Preferred Portfolio as well as the estimated annual electric demand is summarized in Table 8, below. Portfolio details for the Preferred Portfolio are also shown in the Excel files **TBD and TBD**.

Table 8. Summary of annual electric demand and generation by resource group for the Preferred Portfolio Cleaner Base (MWh).

	2018	2022	2026	2030
Retail Electric Demand	456,000	752,000	738,000	726,000
Wholesale Energy Demand (accounting for losses)	487,920	804,640	789,660	776,820
CAISO Energy	147,402	59,647	57,967	77,845
Carbon-free Energy¹⁰	147,340	296,472	221,312	142,081
Wind	187,884	141,461	153,647	139,579
Solar	-	302,390	356,593	434,078
Small Hydro	5,600	6,450-	6,450-	6,450-
Storage	-	(1,780)	(6,309)	(23,213)
RPS Delivered (% of Retail load)	42	60	70	80
Percent Carbon-free Energy (of Retail Load)	75	100	100	100
Estimated Portfolio GHG Emissions (MT 000)	N/A	29	49	82

The portfolio generation summarized in Table 8, above, shows the performance of a tentative resource portfolio for VCE that is consistent with VCE’s long term vision while at the same time meeting Commission and statutory requirements as well as delivering a cost-effective portfolio. The resource

¹⁰ Carbon-free Energy is supply of electricity that is certified to be carbon-free but typically not RPS eligible. Sources likely include in state or out of state large hydro facilities

choices are based on estimated short term and long term costs for energy, capacity, renewables and carbon-free energy.

VCE's long term operational goals include maintaining electricity prices that are competitive with PG&E retail prices while at the same time delivering a supply portfolio that is both cleaner and more locally sourced than PG&E's portfolio. Considering these priorities, the long term portfolio mix is likely to be adjusted compared to the above in line with changes in market prices.

Based on the levelized cost estimates that were included in the RESOLVE model, VCE expects solar PV along with wind to be the lowest cost supply alternative for supply from existing and new sources in the 2018-2030 period. As part of VCE's action plan that is described in Section 4 of this report, VCE plans to conduct a solicitation for long term renewable energy supply, which is expected to result in PPAs for VCE's future supply. As part of this process, additional insight into what resources can be developed locally and the estimated costs for such resources is also expected to be gained. It should therefore be emphasized that the specific resource groups identified in the Excel files submitted with this IRP (Large Hydro, Northern California Solar, etc) are only indicative sources of potential supply that may change depending on availability and price of resources – if VCE were to have the opportunity to secure lower cost renewable energy supply from other sources, those would most likely be considered and contracted for.

In line with many other industry analysts, the RESOLVE model's levelized costs for battery storage also suggests a long term declining trend. Declining costs for battery storage suggest that in the next ten years, batteries are likely to become the most cost-effective means of meeting VCE's resource adequacy needs, surpassing traditional gas-fired generation in terms of resource costs. Therefore, the Preferred Portfolio includes up to 20MW of battery capacity by 2030, far surpassing the statutory mandate of 1 percent of VCE's demand. If battery storage costs decline faster than anticipated, VCE may consider increasing its reliance on batteries, and conversely, if battery costs remain at close to 2018-2020 levels, then VCE is likely to rely more on market purchases for its RA needs.

The estimated Greenhouse gas emissions from the Preferred Portfolio are far below the 2030 Greenhouse Gas Emissions Benchmark that was mandated by Commission in its April 3, 2018 ruling on GHG benchmarks, which stipulated a GHG Emissions Benchmark for VCE of 129,000 tons per year. There are two reasons why VCE's GHG emissions are expected to be significantly below this benchmark. First, the modeling performed by VCE suggests that higher RPS levels can be achieved at little or no incremental cost compared to other more carbon intensive portfolios. This result is of course a direct result of the expected market prices for energy and the expected levelized costs for new renewable energy resources - should costs change significantly, VCE expects to also re-prioritize its portfolio. Second, VCE already delivers electricity that is 75% carbon-free. By increasing its procurement of carbon-free energy, VCE hopes to be able to fully offset its retail energy sales with RPS eligible energy or carbon-free resources. Procurement of carbon-free (non RPS) is approximated in the GHG Calculator as "Large Hydro" carbon-free. VCE's reliance on carbon-free resources is however contingent on a continued low to moderate price premium for carbon-free energy. If demand for carbon-free energy were to increase significantly, VCE may need to adjust its portfolio to ensure that costs of serving load remain competitive,

Based on using the GHG Calculator tool, the estimated GHG emissions from VCE's portfolio increases in the 2022 to 2030 time frame even as the RPS content of the portfolio increases. This result is driven by the expectation that solar resources will gradually displace less fossil-fueled energy during its hours of operation as the penetration of clean energy resource increases. This is shown in the GHG Calculator

tool as an hourly system emission factor that is zero for many more hours in 2030 compared to 2022 or 2026.

c. Alternative Portfolio

VCE, while having selected the Cleaner Base as its Preferred Portfolio, has as a long term vision, the goal of emphasizing local renewable resource development. Therefore, to the greatest extent possible where feasible and economic it will rely on local renewable resources. VCE views the Local portfolio as a desirable Alternate Portfolio to the Preferred Portfolio.

d. Statutory Requirements under PUC 454.52 (a) (1)

Section 454.52 (a) (1) of the Public Utility Code sets out a number of requirements which LSE's must demonstrate that they meet in their IRP:

- **Meet GHG emissions reduction targets established by the State Air Resources Board.** VCE's Preferred Resource Portfolio shows estimated GHG emissions of 82,000 metric tons per year by 2030, which is well below the 129,000 tons per year planning target established for VCE.
- **Procure at least 50 percent eligible renewable energy resources by December 31, 2030.** All portfolios considered in this IRP will meet the statutory RPS requirements. The Preferred Portfolio will significantly exceed the RPS mandate by getting 80 of its energy supply from RPS-eligible renewable energy by 2030. As noted above, the actual level achieved is subject to continuous evaluation by VCE and will depend on how market conditions and prices for renewable energy evolve. While VCE has a strong commitment to a clean local supply of energy, maintaining competitive retail electric prices are also a key consideration in the balancing of priorities for VCE.
- **Minimize impacts on ratepayers' bills.** See section 3.b.ii below.
- **Ensure system and local reliability.** Since VCE is not a distribution utility, most of the obligations 7in this area do not apply. However, VCE, in its resource plan incorporates the need for providing system and local RA at 115% of the expected monthly peak load for VCE. The estimated costs for such capacity are incorporated in the resource costs for all portfolios, including the Preferred Portfolio. Additionally, VCE will incorporate into its long term power purchase agreements with intermittent renewable resources the ability to curtail output in the face of negative market prices.
- **Enhance distribution systems and demand-side energy management.** At this point in its short existence, VCE has not taken any action regarding demand side energy management. As highlighted in the Action Plan in section 4 below, VCE plans to conduct studies regarding commencing programs that could include energy efficiency, demand response and other incentives for VCE customers, once VCE accrues sufficient financial reserves to start such activities. Until such time that VCE starts any demand or efficiency programs, all such activities and programs will be the responsibility of PG&E as the distribution utility for VCE.
- **Minimize localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.** See section 3.b.i below.

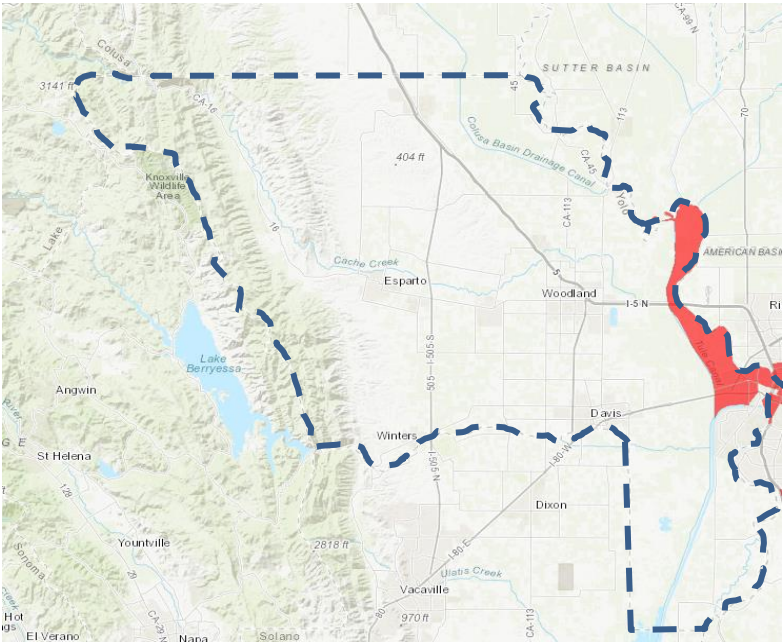
i. Local Air Pollutant Minimization

VCE’s Preferred Portfolio includes only renewable energy resources. These will be supplemented by additional market purchases of energy and resource adequacy to ensure a complete supply portfolio. VCE’s contract portfolio is therefore not expected to include any resources that adversely impact local air pollution.

CalEnviroScreen 3.0 shows that within Yolo County there are four census tracts that meet the Commission’s criteria of identifying the top 25% of impacted areas as disadvantaged communities. Of these, only one, namely area 101.02 is partially located in VCE’s service territory. The total number of households in this census tract was 2,408 in 2016¹¹. Based on a cross-comparison with VCE customer addresses in this area, it is estimated that less than 100 VCE customer service accounts are located within this impacted area. According to the CalEnviroScreen 3.0 tool¹², the key reasons for this census tract falling within the top 25% appears to be risks associated with a combination of low income and environmental factors such as groundwater risks, cleanup sites, hazardous waste and air pollution. There are no power plants in this area. It should also be noted that the impacted areas are situated close to major transportation hubs that likely contribute to the rating.

VCE owns no fossil fuel-fired generation, has no plans to procure energy under long term contract from, or to construct and own, fossil fuel-fired generation. Instead, VCE will be procuring resources with a focus on renewable and carbon-free energy which are not expected to have a significant impact on the census tracts identified by the CalEnviroScreen. To the extent there are any impacts on disadvantaged communities in VCE’s service territory, such impacts are expected to be beneficial through an overall focus on cleaner energy.

Figure 4. CalEnviroScreen 3.0 Results for Yolo County



¹¹ 2016 US Census Bureau statistics for census tract 101.02 (<https://www.census.gov/data/data-tools.html>)

¹² <https://oehha.ca.gov/media/downloads/calenviroscreen/document/ces3results.xlsx>

VCE’s rate is designed to provide economic benefits for all rate payers, including disadvantaged communities. As part of the Action Plan described in chapter 4, VCE also plans to conduct studies to determine suitable programs and incentives that can be launched once VCE accumulates sufficient financial reserves and cash flow to be able to run programs. Until further notice, PG&E will continue to make its programs for energy efficiency and demand response available to VCE customers.

ii. Cost and Rate Analysis

VCE’s cost and rate analysis includes only an assessment of generation costs. VCE recognizes that while areas such as transmission, distribution, and programs are very important for the overall energy cost for VCE customers, PG&E is responsible for the energy delivery infrastructure and any costs associated with this will likely be covered in PG&E’s IRP filing.

Figure 5, shows a comparison of the estimated generation costs for VCE in each of the years, 2018, 2022, 2026, and 2030 for the Preferred Portfolio as well as the other portfolios considered. The Figure also contrasts the estimated costs for VCE’s generation supply with the expected generation costs reported in the RESOLVE model’s Reference System Plan. The results for VCE’s portfolios were derived by using the Commission provided tools, including the GHG Calculator and the RESOLVE modeling results and assumptions, as described in Section 2, above. Table 9 shows these results in Table format.

Figure 5. Estimated annual generation costs by resource portfolio (2016 \$/MWh)

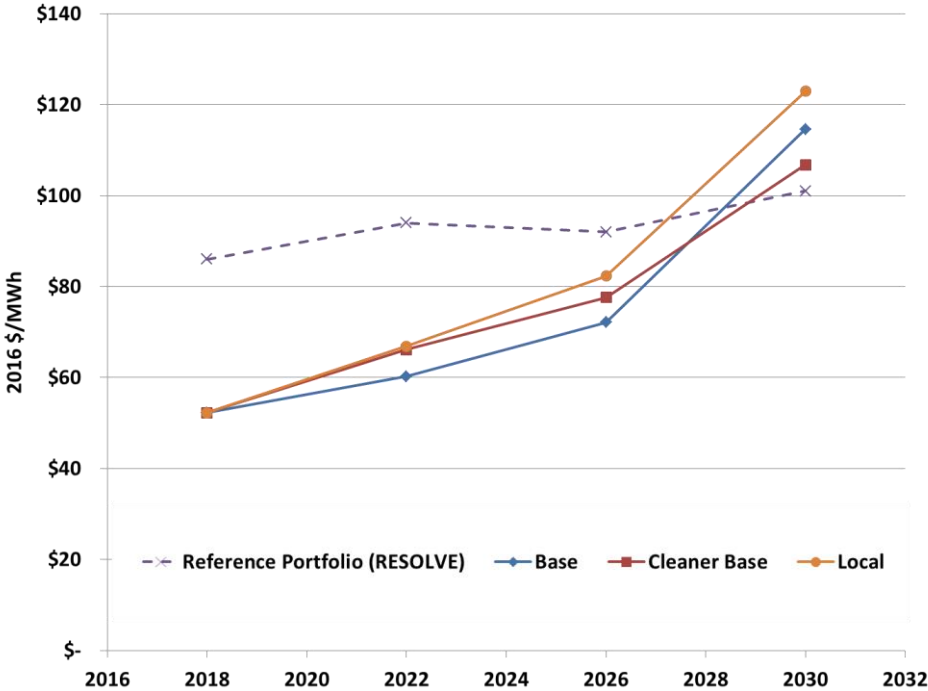


Table 9. Estimated annual generation costs (\$/MWh)

Resource Portfolio	2018	2022	2026	2030
--------------------	------	------	------	------

Base	\$52.25	\$60.23	\$72.13	\$114.61
Cleaner Base	\$52.25	\$66.18	\$77.61	\$106.81
Local	\$52.25	\$66.87	\$82.32	\$122.97
Reference System Plan (RESOLVE)	\$86.00	\$94.00	\$92.00	\$101.00

Table 9 and Figure 5 show that the Preferred Portfolio will remain below the RESOLVE model’s estimated generation costs for the Reference System Plan except in the year 2030 when the Preferred Portfolio will be slightly above the Reference System Plan’s modeled generation costs. The main reason that VCE’s estimated portfolio costs exceed the results of the RESOLVE model, is likely that VCE’s model assumes that new capacity and RA will be procured at costs that are at or close to the levelized fixed cost of new storage whereas the RESOLVE model appears to have a (near) zero value for capacity in 2030. This implies that if electricity markets get constrained to the point of needing new investments in capacity by 2030, market costs for energy and RA could be substantially higher than those approximated by the RESOLVE curve. Conversely, if the electricity market remains over-supplied with capacity as a result of declining demand and/or investments in capacity that are not motivated by reserve margin needs, the estimated costs for VCE’s portfolio alternative could go down to levels that are at or below the RESOLVE model generation cost benchmark.

VCE’s estimated costs include the estimated levelized costs for resources under contract. It is assumed that all renewable resources, existing or new, can be contracted at the estimated levelized costs for new resources of the RESOLVE model. It is further assumed that VCE will get access to all attributes of resources that are under contract – energy, RA, RECs, local RA and ramping. VCE plans to rely on market purchases for all energy and capacity needed beyond the renewable energy and capacity that will be under contract.

For market purchases, it is assumed that in the 2018-2021 period, energy and RA will be available at prices indicated through current RA prices in bilateral (or OTC) markets. Energy is expected to be available at prices corresponding to ICE’s power futures prices for NP15. In the 2022-2030 period, it is assumed that energy can be procured at the estimated hourly CAISO price reported for RESOLVE’s Reference System Plan. It is also assumed that RA can be secured at a capacity corresponding to the lowest capacity cost between the traditional provider of capacity, a Gas-fired combustion turbine, and the emerging capacity resource - 4-hour lithium ion batteries. Cost estimates displayed in the RESOLVE model suggests that from 2022 onwards, 4 hour battery storage capacity will be a lower cost alternative than conventional gas fired generation. This expectation is based on the assumption that the RA resource will operate for energy only infrequently and that sufficient resources will be available in the system to meet night time and winter energy demand.

When compared to the RESOLVE model’s results, the Preferred portfolio compares favorably in terms of generation costs and by extension also rate impacts over the forecast period. However, the difference in the estimated costs of VCE’s portfolio and the RESOLVE model results implies that other LSEs could find a lower cost solution than the RESOLVE Reference System Plan, mainly due to new renewable resources having lower costs than the marginal cost of CAISO power. This, in turn, makes the RESOLVE model outcome increasingly unlikely as a market outcome and could potentially leave existing assets unable to recover their full costs. VCE recommends that the Commission looks into this potential outcome to better understand overall results when aggregating individual LSE IRPs.

The 2018 Year Ahead CAM List Final Allocation published by the Commission, indicates that there is a total of 1375.36MW of CAM resources available for the month of August¹³. Using the estimated VCE load share for 2030 published by the Commission in its 2030 GHG Benchmark ruling, VCE would benefit from 0.9% of this capacity, or about 12MW, which in turn corresponds to about 5% of VCE’s anticipated RA requirement in the 2018-2030 period¹⁴. The financial costs or benefits of using CAM resources rather than generally available resources to meet VCE’s RA need in the forecast has not been accounted for in this IRP, but it is anticipated that the difference in cost should be small.

a. Deviations from Current Resource Plans

At the time this report was prepared, there were no deviations from any other filed plans, considering that VCE commenced operations only in June of 2018.

d. Local Needs Analysis

VCE is not located in a defined Local Capacity Area. Furthermore, the CAISO’s 2017-2018 Transmission Plan as well as the most recent local capacity assessment by the CAISO, suggests that the Central Valley where VCE is located will not have any shortage of local capacity for the 2018-2027 period. However, VCE will continue to procure its share of Resource Adequacy from defined constrained Local Capacity Areas as required by Resource Adequacy mandates. This may include Resource Adequacy available from renewable projects that VCE may procure the output of that happen to be located in Local Capacity Areas within the NP-15 zone. VCE expects that sufficient local capacity and flexible capacity will be available in the market throughout the forecast period.

¹³ <http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442454905>

¹⁴ <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M214/K459/214459514.PDF>

4. Action Plan

VCE only started to serve load for its customers on June 1, 2018. VCE's Initial operations are entirely based on energy and capacity procurement under short term contracts. VCE also does not yet administer any programs relating to energy efficiency, demand response, or programs to stimulate electrification.

VCE envisions its long term services to contribute to the development of more local renewables and customer cost savings while at the same time enabling a transition towards a zero carbon power supply. (See Figure 1). Over the next 3 years, VCE plans to perform a number of studies and resource solicitations to firm up VCE's long term planning, resource choices, and strategy. In particular, key issues such as what resource types to focus on, the importance of a local resource supply and potential trade-offs between resource costs and other portfolio attributes still remain to be analyzed. The action plan items below highlights the key near term actions to be taken in the next 1-3 years, including activities to be performed in 2018.

a. Proposed Activities

VCE expects that solar PV and battery storage will likely be key resources in any resource portfolio. However, the extent to which VCE pursues local solar resources and the level of battery deployment will depend in part on the costs for solar and battery storage in different locations and at different scales. Developing better information on costs for local resources and the criteria under which VCE wishes to engage contracting counterparties are therefore key actions in this Action Plan.

i. Long Term Renewable Procurement

VCE will be conducting a long term solicitation in 2018 in which it will be seeking renewable power from RPS-qualifying renewable energy projects, with an expectation that power purchase agreements will be executed in early 2019. In support of this solicitation, VCE will:

- Develop criteria/information requests to evaluate new renewables for projects implementing responsible siting practices (both environmental and land use). Develop associated evaluation criteria.
- Develop criteria for acceptable and preferred renewable technologies and locations (e.g. local vs. remote).
- Develop position on procuring out-of-state resources. Develop criteria defining limits on which states VCE will procure long term renewables from.
- Develop a position on the definition of "local" for renewable resource procurement.
- Determine whether to include battery or other storage options in solicitation.
- Develop criteria for assessing the portfolio content of local versus non local for short-list selection.
- Do a literature review on the economic impacts/value of locally sited renewable resources.

As part of the siting criteria established for the solicitation, VCE will require that bidders identify whether their projects are located in areas with disadvantaged communities. For proposed projects located in disadvantaged communities, as defined in PUC 399.13(a)(7)(A-B), that can demonstrate that their project will provide environmental and economic benefits to that community, additional credit may be given in the selection scoring and ranking.

This long term renewable procurement directly supports achievement of the Preferred Portfolio, and will help make sure VCE identifies sufficient capacity to meet RPS requirements for long term contracts.

ii. Establish Long Term Renewable and GHG Targets for 2030

VCE's Preferred Portfolio is presented as a planned target for VCE to achieve compliance with RPS requirements and the Commission's GHG emissions target and go beyond statutory mandates. One of VCE's long term goals is to exceed the renewable portfolio content and have lower GHG emissions intensity than PG&E, the legacy utility for Yolo County. VCE will continue to assess the most cost-effective ways to achieve a cleaner supply portfolio and plan on using the results from resource solicitations to discover the local cost of renewable energy options and storage in Yolo County and surrounding areas. This activity will also involve

- Assess whether VCE should bifurcate its portfolio to meet the varying sustainability goals of its Members
- Conduct document review of other entities' climate action plans to inform on extent of aggressive goals established by other entities
- Develop policy proposal for tradeoffs between costs, GHG emissions, local renewable content, impact to different stakeholder groups and disadvantaged communities, etc

iii. Key Portfolio Performance Indicators

Develop metrics to track aspects of the portfolio performance relative to a baseline/comparison metrics. These indicators are also intended to facilitate member jurisdiction's work on their own policy such as Climate Action Plans and impact on disadvantaged communities.

iv. Evaluate impacts of electrification on Load Forecast

Evaluate methods for incorporating electrification initiatives (e.g., all electric buildings, clean local mobility services, ag pumping conversion, etc) on expected future loads (load profiles as well as peak loads).

v. Evaluate Impacts of Climate Change on Load Forecast

Evaluate methods for incorporating the impacts of climate change on expected future loads (particularly peak loads).

vi. Evaluate Options for Assuming Responsibility for Energy Efficiency/Demand Side Programs from PG&E

Evaluate the scope and costs of effort to assume control of energy efficiency and demand side management programs required by CPUC or other regulations, and what kinds of programs VCE would implement if it assumed control.

vii. Investigate Non-Battery Storage Technologies and Demand Response Options

Investigate other demand response program options and non-battery storage technologies and their cost effectiveness.

- Identify trends that may impact VCE's long term demand forecast and/or load shifting opportunities.
- Determine program options or investments consistent with market and technology trends and cost of service goals.

b. Barrier Analysis

VCE does not own any generating assets and does not, nor does it have any long term power purchase agreements with existing facilities. VCE expects to enter into long term contracts for renewable energy capacity in 2018 and 2019 to meet its resource needs in line with the Preferred Portfolio identified in this report. It is anticipated that sufficient competitive offers are submitted. If costs are higher or resource offers fewer than anticipated, this could trigger changes in the Preferred Portfolio.

One of the challenges for VCE as a recently formed JPA is to obtain and manage the financial security required by counterparties to successfully enter into the amount of long term contracts for renewable energy required by SB350 (399.13 (b)). This cost will be factored in the evaluation of proposed projects during the solicitation process.

An ongoing risk for VCE as well as all parties entering into long term contracts in line with the requirement in PUC Section 399.13 (b) is falling costs of new renewable energy and battery storage. If costs for new resources continue to fall in line with historical trends, there is a risk that VCE and other CCAs entering into long term contracts will eventually encounter above-market costs in their contracted portfolios that need to be accounted for through the PCIA or similar mechanism by which CCA customers opting out of a CCA program can be subject to PCIA charges in the same manners as IOUs use the PCIA today.

VCE plans to only enter into long term contracts for renewable energy resources and procure the remaining balancing capacity and energy needed for its load through short term contracts and spot market purchases of energy, and capacity. This exposes VCE to market price risks. In line with the results shown in the RESOLVE model as well as recent work by the CAISO for RA, VCE expects sufficient energy and capacity resources to be available throughout the 2018-2030 period. Natural gas market forecasts also suggest that gas prices (and thereby marginal power prices) are expected to remain low over the foreseeable future, which means electric power prices also should remain low or moderate. Should market conditions tighten, for example through gas price increases or faster than expected tightening of the supply and demand balance in California's power markets, this could result in higher costs for meeting load and therefore also higher rates. VCE plans to manage this risk by continuously assessing risks and opportunities associated with contracting in line with its risk policy.

b. Proposed Commission Direction

Not Applicable. VCE is not seeking direction from the Commission at this time

5. Data

In this report, VCE has considered three resource portfolios. The files with resource templates for new and existing resources are referenced below and were submitted separately using the Commission mandated spreadsheet templates. For the purposes of this IRP, VCE has not modified the IEPR load forecast or any of the associated load modifiers, including the load shape, which is based on PG&E's hourly load shape.

³ Available at: <http://www.cpuc.ca.gov/irp/filingtemplates/>.

⁴ Available at: <http://www.cpuc.ca.gov/irp/filingtemplates/>.

a. Baseline Resource Data Template

To be completed

b. New Resource Data Template

To be completed

c. Other Data Reporting Guidelines

6. Lessons Learned

As a newly formed CCA, VCE has not had sufficient time to develop many policies relating to its long term resource options. Therefore this initial IRP lays out how VCE will go about studying and developing key policies that will guide it for the future. The results shown in this report are therefore subject to significant uncertainty.

Regarding the modeling, the CPUC instructed that the LSE in formulating its portfolio could assume that other LSEs follow the Reference System Plan. However, this plan is not specific in terms of who contracts for what resources and there is significant uncertainty in terms of what new resources will actually be developed. VCE selected in its conforming portfolio to use the same resource names as those included for new resources in the RESOLVE model results but note that these selections might be different in reality – for example Southern Nevada solar, could be Northern California solar. VCE therefore encourages the CPUC to view the resource categories and their geography as uncertain and subject to change

Glossary of Terms

Alternative Portfolio – LSEs are permitted to submit “Alternative Portfolios” developed from scenarios using different assumptions from those used in the Reference System Plan. Any deviations from the Conforming Portfolio must be explained and justified.

Conforming Portfolio – Each LSE must produce a “Conforming Portfolio” that is demonstrated to be consistent with the Reference System Portfolio according to the following criteria: (1) use of either the GHG Planning Prices or the LSE-Specific 2030 GHG Emissions Benchmark, and (2) use of input assumptions matching those used in developing the Reference System Portfolio

Data Template – Data provided by the LSE should be reported in the “Baseline Resource Data Template” and the “New Resource Data Template” provided by the Commission. “Baseline” means existing resources and costs, including resources already contracted but not yet online. “New” means any new (incremental to the baseline) resources and costs associated with a particular LSE portfolio.

Disadvantaged Communities – For the purposes of IRP, and consistent with the results of the California Communities Environmental Health Screening Tool Version 3 (CalEnviroScreen 3.0), “disadvantaged communities” refer to the 25% highest scoring census tracts in the state along with the 22 census tracts that score in the highest 5% of CalEnviroScreen’s pollution burden, but which do not have an overall CalEnviroScreen score because of unreliable socioeconomic or health data.

GHG Emissions Benchmark – Each LSE filing a Standard LSE Plan must use either the GHG Emissions Benchmark or GHG Planning Price in developing its Conforming Portfolio. The LSE-specific benchmarks and calculation method are provided in Table B. If the total emissions attributable to the LSE’s Preferred Portfolio exceed its GHG Emissions Benchmark for 2030, the LSE must explain the difference and describe additional measures it would take over the following 1 - 3 years to close the gap, along with the cost of those measures.

GHG Planning Price –The GHG Planning Price is equivalent to the marginal cost of GHG abatement associated with the 42 MMT Scenario for the years 2018 to 2026 (i.e., a curve that slopes upward from ~\$15/ton to ~\$23/ton), followed by a straight-line increase from ~\$23/ton in 2026 to \$150/ton in 2030, as shown in Table A. Each LSE must use either the GHG Planning Price or GHG Emissions Benchmark in developing its Conforming Portfolio.

IRP Planning Horizon – The IRP Planning Horizon will typically cover 20 years. However, for the purposes of this IRP 2017-18 cycle, the IRP Planning Horizon will cover only up to the year 2030.

Long term – 10 or more years (unless otherwise specified)

Portfolio – A portfolio is a set of supply and/or demand resources with certain attributes that together serve a particular level of load.

Preferred Portfolio – Among all the portfolios developed by the LSE, the LSE will identify one as the most suitable to its own needs, deemed its “Preferred Portfolio.” Any deviations from the Conforming Portfolio must be justified and explained.

Reference System Plan – The Reference System Plan refers to the Commission-approved integrated resource plan that includes an optimal portfolio (Reference System Portfolio) of future resources for serving load in the CAISO balancing authority area and meeting multiple state goals, including meeting GHG reduction and reliability targets at least cost.

Reference System Portfolio – The Reference System Plan refers to the Commission-approved portfolio that is responsive to statutory requirements per Pub. Util. Code 454.51; it is part of the Reference System Plan.

Scenario – A scenario is a portfolio together with a set of assumptions about future conditions.

Short term – 1 to 3 years (unless otherwise specified)

Standard LSE Plan – A Standard LSE Plan is the type of integrated resource plan that an LSE is required to file if its assigned load forecast is ≥ 700 GWh in any of the first five years of the IRP planning horizon.

Standard LSE Plan Template – Each LSE required to file a Standard LSE Plan must use the Standard LSE Plan Template according to the instructions provided herein.

RESOLUTION 2018-_____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE
APPROVING THE VCEA INTEGRATED RESOURCE PLAN AND ASSOCIATED ACTION PLAN
FOR SUBMISSION TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

WHEREAS, Valley Clean Energy Alliance (“VCEA”), is a public agency formed in January 2017 under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq., between the County of Yolo and the City of Davis to provide Community Choice Energy (“CCE”) programs within the member agencies, and in June 2017, the City of Woodland also joined VCEA adding to the overall VCEA service territory;

WHEREAS, in accordance with state Senate Bill (SB) 350 (2015, DeLeón), as well as modifications to those sections added by SB 338 (2016, Skinner) and Assembly Bill (AB) 759 (2017, Dahle) to implement Public Utilities Code Sections 454.51 and 454.52, the California Public Utilities Commission (CPUC) has enacted rulemakings requiring load servicing entities in the state over which the CPUC exercises regulatory authority to file Integrated Resource Plans (IRP) by August 1, 2018;

WHEREAS, the IRP must be approved by the VCEA Board prior to submission to the CPUC, including the adoption of a “Preferred Portfolio” to indicate which of the alternative resource scenarios contained in the IRP is preferred by the VCEA Board;

WHEREAS, the IRP process calls for an update every two years, which means VCEA will have regular opportunities to adjust its plan; and,

WHEREAS, in addition to the development of various possible renewable and clean portfolios, and the required selection of a preferred portfolio, the IRP report must also identify VCEA’s Action Plan for how it intends to achieve the objectives of the Preferred Portfolio.

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

1. Approve the Integrated Resource Plan in substantially the form attached, which includes the “Cleaner Base” portfolio as the Preferred Portfolio and the associated Action Plan identified therein, for submission to the California Public Utilities Commission; and,
2. Authorize staff to make any non-substantial changes necessary to finalize the IRP document for filing.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____, 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Lucas Frerichs, Board Chair

ATTEST: _____
Alisa M. Lembke, Board Clerk

APPROVED AS TO FORM:

Interim General Counsel

EXHIBIT A – Integrated Resource Plan

EXHIBIT A
INTEGRATED RESOURCE PLAN

**VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING**

Staff Report - Item 14

TO: VCEA Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Community Advisory Committee (CAC) Recommendation to the Board on AB813 and SB100

DATE: July 12, 2018

Recommendation

1. Support CalCCA position on AB 813 of support as amended.
2. Support CalCCA position on SB 100 of support.

Background and Analysis

On July 2nd, the Community Advisory Committee (CAC) received, reviewed and took action on the CAC's Legislative/Regulatory Task Group's recommendation on two Bills: 1) Assembly Bill 813 ["AB 813" (Holden) Multi-State Regional Transmission System Organization and Senate Bill 100 ["SB 100" (de Leon) Renewable Portfolio Standard. GHG Emissions. The CAC Task Group's analysis and recommendation to the CAC is attached.

In summary, SB 100 establishes the 100 Percent Clean Energy Act of 2017 which would increase the State's Renewables Portfolio Standard (RPS) requirement and create the planning policy to meet the goal of 100% renewable energy for the state's retail electricity supply mix by the year 2045; and AB 813 sets a process to examine the formation of a multi-state regional transmission system organization (RTO).

CAC's Recommendations

The Advisory Committee accepted the recommendation of its Leg/Reg Task Group and passed the following recommendations to the Board:

- 1) Support SB 100 consistent with CalCCA's position (5-0-2). The recommendation includes the topics raised in CalCCA's correspondence dated January 16, 2018 to the Bill author that would result in withdrawal of support if certain provisions are modified.

- 2) Take a “No Position” on AB 813 (6-0-1 vote). (Note: “No Position” is a formally-recognized position to adopt under legislative conventions and is not the same thing as simply not taking a position.)

Staff concurs with the CAC’s support recommendation for SB 100.

Staff also concurs with the analysis of the Task Group on AB 813 but reaches a different conclusion on the final recommendation. While the “No Position” recommendation has merit, the following points edge staff’s recommendation to support:

- The current version of AB 813 has the potential to reduce reliance on fossil generation (e.g., natural gas and coal) and reduce ratepayer costs.
- As the CalCCA position materials point out, a significant challenge in building local renewable resources is ensuring sufficient value to support the cost of construction, and a significant risk to value is the expected curtailment and negative wholesale prices. A broader and more effective western market through regionalization could lower these risks for local renewable projects.
- Any proposal for regionalization will need to ensure California retains its autonomy to determine its electric power sources.
- The Bill does not decide the matter of regionalization itself, but rather sets out a process for developing and reviewing a proposal.
- The Bill would require that a future proposal for regionalizing the grid would need to be developed in an open, transparent way, and reviewed broadly by the public, the CEC, the CPUC and CARB prior to considering any actual regionalization.

For these reasons, staff is recommending the Board support the CalCCA support as amended position on AB 813.

Attachment

1. CAC Leg./Reg. Task Group Report, including CalCCA’s January 16, 2018 correspondence to Senator Kevin de Leon

CAC Leg/Reg Task Group Report to CAC
June 23, 2018

1. AB 813 (Holden). Multi-State Regional Transmission System Organization.

Summary of Bill. AB 813 would establish a process for the California Independent System Operator (CAISO) to initiate and/or join a multi-state regional transmission system organization (RTO), starting with replacement of the current California-appointed board of governors by a new fully independent board. The bill would specify certain criteria that must be met before CAISO could initiate or join such an organization. The formation of such an RTO is generally referred to as “regionalization” of the CAISO. In its current form, AB 813 would provide that the California Energy Commission would have the authority to certify (or not) the proposed governance structure.

Summary of Arguments in Support and Opposition.

Supporters. Supporters of AB 813, including CalCCA and some environmental groups, suggest such an RTO would help advance the demand for and growth of renewable energy, as well as the ability of the power system to integrate renewable energy, and thus promote development of renewable energy in California. Supporters also observe that a change in Cal-ISO’s governance structure, such as that proposed in AB 813, is necessary in order for such an RTO to be implemented.

Opponents. Opponents of AB 813, including some environmental groups, suggest that an RTO such as that motivating AB 813 would open up California to more fossil-fuel energy sources such as that generated by coal. They also express concerns that by participating in an RTO, California would be subject to the jurisdiction of the FERC (the Federal Energy Regulatory Commission) that could under-cut California’s renewable portfolio standard and efforts to reduce greenhouse gas emissions. Some attorneys note that the Supreme Court has ruled that the federal government prevails over state law.

CalCCA’s Position. Cal-CCA supports AB 813, as amended, in a May 11, 2018 letter. Cal-CCA notes, in part, that the bill...

“in its current form sets out a transparent process for creating and evaluating proposals to regionalize the independent system operator and ensure California can continue its ambitious renewable energy goals. Cal-CCA believes that a well-crafted plan will support the ability of CalCCA members to procure and build local renewable resources by creating a stronger renewable energy market...Regionalization is also likely to further reduce greenhouse gas emissions by exposing coal-fired power plants to competition from cheaper clean sources.”

CalCCA also notes its appreciation for the removal of objectionable provisions “that would have prevented public community choice providers from administering demand response programs.”

Comments from CAC-Leg/Reg Task Group. The Leg/Reg Task Group discussed the concept of an RTO and AB 813 twice, including during a conference call June 13, 2018 (with Christine, Lorenzo and Yvonne on the call). Individual members express the following comments during the call.

- SB 813 does not create a multi-state regional transmission system organization (RTO). All it does is permit and provide a process for the ISO to develop a new governance structure to take the place of the current ISO governing board consisting of 5 members appointed by the governor of CA and confirmed by the CA legislature. The new governing board would be “independent” meaning not affiliated with or subject to any state policy authorities or commercial interests in the power sector. The bill requires that the new governance structure shall not be implemented before January 1, 2021.
- The new governing board is viewed by other states as a necessary step for them to allow their jurisdictional electric utilities to participate in a CAISO-led RTO. With the new board in place, individual states could authorize or direct their jurisdictional utilities to join in forming an RTO, but these would be individual state and utility decisions that play out over years, rather than a single event in which the entire western interconnection becomes a single RTO.
- As a consequence of the above points, any effort to create a new multi-state regional transmission system organization pursuant to AB 813 or similar governance change will take at least three to five years before the new RTO begins formal operation with those utilities that decide to become initial members. This fact impacts any potential short-term benefits supporters suggest for increasing renewable energy sources and markets.
- Christine observed that the debate surrounding AB 813 seems to involve two main issues.
 - ✓ Does regionalization help or hurt the advancement of California’s renewable energy and greenhouse gas reduction policies?
 - ✓ Does regionalization put California at risk for increased intrusion by FERC?
- It should be noted that the environmental community is split on AB 813 and the concept of regionalization. NRDC and Union of Concerned Scientists support; the Sierra Club and some small grassroots groups (like 350 San Diego) oppose.
- Lorenzo pointed out that California is already regulated by FERC for its electricity transmission and wholesale market activities, and that the western grid is already an interconnected system covering 13 states and parts of Canada and Mexico, while every state has its own policies about greenhouse gas emissions and renewable energy sources. Problems arising from diverse states with diverse policies trying to control the outcomes of a single physically-interconnected electrical system exist today and will continue to exist

with an RTO. (An example is the great difficulty in calculating the carbon content of electricity entering CA over its interconnections with other states.)

- Christine questioned the need for doing this now. Especially given an uncertain Federal environment.
- Lorenzo, Christine and Yvonne all express dismay at the extreme and overblown rhetoric on both sides of AB 813 that obscures rational discussion of the pros and cons of the proposal.
- In a series of email exchanges after the conference call, Lorenzo, Christine and Yvonne exchanged comments about the issue legal challenges related to potential FERC intrusion into state energy issues. Although this topic is not the focus of the Leg/Reg Task Group's recommendation, it may be of interest to the rest of the CAC. An appendix to this write up includes a link to a discussion of a 2016 court case (provided by Christine) and a discussion of the broader topic offered by Lorenzo.

CAC Leg/Reg Task Group Recommendation. No Position. (Vote of 3-0 with one member absent.) If AB 813 is amended that raises new concerns, the Leg/Reg Task Group would review it again. (Note that "No Position" is a formally-recognized position to adopt under legislative conventions, and is not the same thing as simply not taking a position.)

The basis for the Leg/Reg Task Group's different recommendation than that of CalCCA is that any new regional transmission system organization would not be activated until at least three to five years, thus delaying the potential benefits for advancing renewables (again, the bill requires that the new governance structure shall not be implemented before January 1, 2021). Also, because of the rhetoric on both sides of the issue, we are uncomfortable having VCE get involved at this time. We appreciate that CalCCA secured an important amendment to remove an objectionable provision that would have limited the ability of CCAs to administer demand response programs.

2. SB 100 (de Leon). Renewable Portfolio Standard. GHG Emissions.

Summary: Establishes the 100 Percent Clean Energy Act of 2017 which increases the Renewables Portfolio Standard (RPS) requirement from 50% by 2030 to 60%, and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean electricity. (Note: SB 100 only deals with electricity.) SB 100 is now in the Assembly Energy and Utilities Committee with a hearing of July 3.

Supporters include environmental groups, faith based organizations, public health groups and some businesses including renewable energy companies, smaller businesses and a few larger companies whose business plans include sustainability. Opponents include PG&E, SCE, the California Chamber of Commerce, the agricultural community, Western States Petroleum Association and others.

CalCCA Position: CalCCA supports SB 100. In its January 16, 2018 support letter (which is attached), CalCCA listed topics that would cause it to withdraw its support if included in the bill.

CAC Leg/Reg Task Group Recommendation:

- Three members of the Task Group (Christine, Lorenzo and Yvonne) discussed SB 100 during a conference call June 21. (Tom Flynn did not make the call.)
- The Leg/Reg Task Group voted 2-0-1 (2 in support, none to oppose and one abstain) to recommend support of SB 100, consistent with CalCCA's position. The recommendation includes the topics raised in CalCCA's letter that would result in withdrawal of support.

Note: CalCCA's letter is attached.



Dawn Weisz, MCE
President

Geof Syphers, Sonoma Clean Power
Vice President

Jan Pepper, Peninsula Clean Energy
Secretary

Joseph Moon, Apple Valley Choice Energy
Treasurer

Barbara Hale, CleanPowerSF

Nick Chaset, East Bay Community Energy Authority

Cathy DeFalco, Lancaster Choice Energy

Bill Carnahan, Los Angeles Community Choice Energy

Tom Habashi, Monterey Bay Community Power Authority

Jenine Windeshausen, Pioneer Community Energy

Benjamin Cardenas, PRIME

Matthew Marshall, Redwood Coast Energy Authority

Lori Mitchell, San Jose Clean Energy

Don Eckert, Silicon Valley Clean Energy Authority

January 16, 2018

Honorable Kevin De León
President pro Tempore
California State Senate

RE: SB 100 and Community Choice Aggregation

Dear President pro Tempore De León:

Thank you for your leadership in introducing SB 100, which would usher California into an era of 100% carbon free electricity. CalCCA and its individual CCA members believe CCAs play a critical role in the achievement of California's carbon free electricity future. As we begin this new legislative year and continue to partner with the state in combating climate change, **we are pleased to continue supporting the concept of moving to 100% carbon free outlined in SB 100.** Cumulatively, the operating CCAs in this state have an average Renewable Portfolio Standard (RPS) of 50%, well exceeding any other load serving entities within the state.

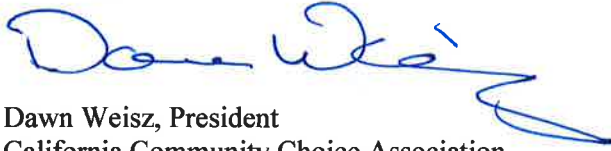
As SB 100 and any other bills surrounding this agreement are being considered in 2018, **CalCCA offers the following guidance** on topics which would cause CalCCA to withdraw support for SB 100:

- CCA local governance and the procurement authority of CCA governing boards must not be undermined by any provisions within the bill. Procurement authority could be undermined by, among other things, the imposition of non-bypassable charges, the assignment of new costs through P.U. Code 365.1, or through attempts to alter the coordination framework envisioned in SB 350's Integrated Resource Plan framework. Any attempt to undermine CCAs' local governance by their publicly elected board members will be vigorously opposed by CalCCA.
- Any attempt to create an uneven playing field or unfair cost allocation between CCAs and other load serving entities must not occur. This particularly affects low-income customers in CCA communities, who are offered universal, affordable access to renewable energy products through their CCAs.
- CalCCA opposes amendments that would give the IOUs control of the Distributed Energy Resources (DER) market-- including storage and other innovative technologies. Such proposed amendments shut out competition, are unrelated to the clean energy goals of SB 100, and undermine innovation that will lead to a carbon-free California.
- CalCCA opposes any concept requiring the IOUs to procure more renewable energy resources and pass these costs onto CCA customers. This effectively undermines CCA procurement, which is obligated by statute and is the reason of existence for many CCAs. CalCCA is open to amendments allowing CCAs to meet standards of procurement that apply to all load serving entities.

CCAs offer customers a choice in where their power comes from as an alternative to the IOUs. CCAs stand at the vanguard of offering innovative and affordable energy solutions to our communities. CCAs are also deeply committed to advancing the state's decarbonization goals in partnership with policymakers. CalCCA would be pleased to meet with you to further discuss these important issues.

Thank you again for your leadership.

Sincerely,



Dawn Weisz, President
California Community Choice Association

cc: Honorable Members of the California Senate and Assembly

APPENDIX

Discussion of the Relationship between FERC and State Authority (relative to AB 813)

Court Case of Interest

- ✓ *Huges v. Talen Energy Marketing* (text of the Supreme Court Decision)
https://www.supremecourt.gov/opinions/15pdf/14-614_k5fm.pdf
- ✓ *Hughes v. Talen Energy Marketing*. Analysis in SCOTUSBLOG. (offered by Christine)
<http://www.scotusblog.com/2016/04/opinion-analysis-u-s-energy-regulators-authority-grows/>
- ✓ Another resource related about the impact of *Huges v. Talen Energy Marketing* (offered by Lorenzo) more details on the Hughes v Talen case.
<https://www.utilitydive.com/news/what-the-hughes-v-talen-supreme-court-decision-means-for-state-power-incen/418046/>

Lorenzo's Comments

Some opponents of SB-813 raise the concern that forming a Regional ISO would increase potential for negative interference by the federal energy regulatory commission (FERC) and the federal government in general. Here are some important relevant facts.

First, the US Constitution gives the federal government authority over states in matters of interstate commerce (the "commerce clause" of the constitution). This is sometimes referred to as "federal pre-emption" and has had vast impacts in all sorts of arenas ever since the Constitution was adopted in 1789.

Second, the Federal Power Act (FPA) of 1935 designates wholesale electricity transactions and high-voltage electricity transmission as interstate commerce under the Constitution, and establishes FERC as the regulatory authority to implement the FPA. There have been important updates to the FPA through federal legislation over the years, most recently the Energy Policy Act of 1992 which paved the way for wholesale power markets operated by ISOs, and the Energy Policy Act of 2005 which created a new framework for ensuring power system reliability and security in the wake of a major blackout in 2003. But the underlying FPA framework has not changed substantively. FERC has been the implementing and regulatory authority over the relevant provisions of the 1992 and 2005 acts, and the regulator of all the ISOs in the US.

As a result, the CAISO is already a FERC-jurisdictional entity, and 100% of what it does is specified in its Tariff (book of everything CAISO does spelled out in formal legal language) which, per FERC approval, is incorporated into the FPA and is federal law governing the CAISO. So today if CAISO wants to implement something the state of CA wants, or that other stakeholders want, or to address a problem, CAISO conducts a public stakeholder process over several months, takes a final proposal to its Board of Governors in a public session, and if the Board approves submits a filing to FERC with proposed changes to the CAISO Tariff and arguments for why FERC should adopt the changes. Stakeholders get an opportunity to file written comments on the CAISO filing, and then FERC issues an order. FERC is supposed to assess the proposal as to whether it's consistent with existing federal law and FERC policy, and has to explain all this in its order. FERC's more formal definition of its role and jurisdiction is about

“rates, terms and conditions of wholesale energy markets, wholesale energy transactions and transmission service” to ensure that they are “just and reasonable.”

Forming a Regional ISO will not change any of FERC’s roles in this or the extent of its authority. The one thing SB 813 does change (not involving FERC) is the composition of the CAISO Board of Governors, which as noted is the intermediate decision maker or “filter” between the CAISO management/staff, who develop a proposal through the stakeholder process, and FERC.

Re the Board of Governors, as noted above any changes to the CAISO Tariff that are originated by the CAISO (in contrast to ones that are ordered by FERC) must have approval of the CAISO Board before being filed with FERC. Today’s CAISO board has 5 members appointed by the governor of CA and confirmed by the CA Senate. So there is a concern that a different Board that is not CA-appointed might make different decisions about what the Regional ISO can submit to FERC, and some of those decisions might be less favorable to California. That is a plausible scenario. But the new Board is required to be “independent” which means not to have any financial or political interests with market-participating entities or specific state or local governments in the Regional ISO’s territory. And in the end, FERC still has to rule on whatever is submitted to it, so has essentially the last word (unless the FERC decision is appealed in the courts, which happens sometimes).

The above should NOT be read to say that FERC regulation and authority are not problematic for states - they certainly can be. (And there are many other areas where federal “pre-emption” of state authority is problematic, but it’s not black and white.) But the question with regard to SB 813 is whether forming a Regional ISO, compared to the CAISO governance as it today, expands FERC’s authority or expands the ability of the federal government to over-rule or under-mine CA policy objectives. Personally I don’t see much merit to this argument against SB 813, but in the current federal political climate who knows? One relevant FERC story: The Dept. of Energy twice directed FERC to implement subsidy schemes for coal and nuclear power plants (last December and again in a different frame last month). Both times the FERC voted 5-0 to say NO to DOE, mainly related to their mission to protect competitive wholesale markets (4 of the 5 current commissioners were appointed by the post-Obama administration). In fact two states - New York and New Jersey - have passed subsidy schemes for their nuclear power plants, and FERC does not seem to be challenging them in any way so far.

By the way, Texas, Hawaii and Alaska are not subject to FERC regulation because they do not engage in interstate commerce for electricity. That’s probably obvious for HI and AK. In the case of Texas, it’s because they don’t do import and export transactions with other states; they’re essentially an electrical “island” for most of the state. Now that kind of thing is simply impossible for CA because we rely on imports for over 20% of our electricity supply annually.

Relative to Hughes v Talen (the court case Christine shared above) I don’t see how going from CAISO to Regional ISO changes anything about how FERC would deal with this kind of issue.