



## DESERT COMMUNITY ENERGY

# Desert Community Energy Board Meeting Agenda Monday, March 19, 2018 2:30 p.m.

Coachella Valley Association of Governments  
73-710 Fred Waring Drive, Palm Desert  
Suite 200 Conference Room  
(760) 346-1127

THIS MEETING IS HANDICAPPED ACCESSIBLE.  
ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA.

1. **CALL TO ORDER**

2. **ROLL CALL**

A. **Member Roster**

P 4

3. **PUBLIC COMMENTS**

This is the time and place for any person wishing to address Desert Community Energy on items not appearing on the agenda to do so.

4. **BOARD MEMBER / DIRECTOR COMMENTS**

5. **CONSENT CALENDAR**

A. **Approve minutes of February 26, 2018 Desert Community Energy Board meeting**

P 5

**6. DISCUSSION / ACTION**

- A. Update on Our Progress**– Tom Kirk P 8  
Information only.

- B. Desert Community Energy Launch Schedule and Product Offerings** P 10  
- Benjamin Druyon

**RECOMMENDATION:**

1. Approve launch of DCE in July/August 2018, pending completion of CPUC Waiver process, and
2. Approve DCE Product Offerings and Rate Discount to include Cost Saving choice and 100% Carbon-Free choice.

- C. Authorization to submit SCE Service Agreement and CPUC Bond** P 13  
– Katie Barrows

**RECOMMENDATION:** Authorize the Executive Officer to execute a Service Agreement with Southern California Edison Company and provide for posting of \$100,000 performance bond to the California Public Utilities Commission (CPUC) as required for Desert Community Energy to commence service.

- D. Amendments to The Energy Authority Task Order 2** – Katie Barrows P 14

**RECOMMENDATION:** Approve and authorize the Chair to sign two amendments to Task Order 2 between The Energy Authority and Desert Community Energy; Amendment No. 1 provides for TEA to provide a \$500,000 Security Deposit to the California Independent System Operator (CAISO) and Amendment No. 2 provides for DCE to transact Resource Adequacy directly with Southern California Edison, using TEA as agent.

- E. Authorization to negotiate DCE Credit and Banking Services Agreement** – Benjamin Druyon P 18

**RECOMMENDATION:** Authorize the Executive Officer, in consultation with DCE Legal Counsel, to negotiate an agreement with the credit and banking services vendor recommended by the selection committee and authorize the DCE Board Chair to approve and execute the agreement to meet the timeline for July/August 2018 launch.

- F. Conflict of Interest Code** – Katie Barrows P 19

**RECOMMENDATION:** Adopt DCE Policy Number 18-01 approving a Conflict of Interest Code for Desert Community Energy.

- G. Executive Officer/Executive Director Spending Authority and Authority to Sign** – Katie Barrows P 23

**RECOMMENDATION:** Adopt Policy 18-02 authorizing DCE’s Executive Officer/ Executive Director to execute agreements up to \$100,000 without prior Board approval when certain conditions are met, consistent with Section 3.13 of the Joint Powers Agreement, and to sign standard documents necessary to implement routine CCA functions.

H. **Delegation of Authority for Legislative and Regulatory Actions** P 25

**RECOMMENDATION:** Adopt Resolution 18-03 delegating authority to DCE's Executive Officer/Executive Director to take action on time-sensitive Regulatory and Legislative Matters impacting DCE, in consultation with the Chair.

7. **INFORMATION**

1) Attendance Roster P 27

8. **ANNOUNCEMENTS**

Upcoming Meetings at 73-710 Fred Waring Drive, Suite 200, Palm Desert

The next Board Meeting of Desert Community Energy will be on April 16, 2018 at 2:30 p.m.

9. **ADJOURNMENT**

ITEM 2A



# DESERT COMMUNITY ENERGY

Board Meeting

March 19, 2018

| Desert Community Energy Board Members |   |
|---------------------------------------|---|
| City of Cathedral City                | <b>Shelley Kaplan, Chair</b><br>Councilmember |
| City of Palm Desert                   | <b>Sabby Jonathan, Vice Chair</b><br>Mayor    |
| City of Palm Springs                  | <b>Geoff Kors</b><br>Councilmember            |

| Ex-Officio / Non-Voting Members |                                      |
|---------------------------------|--------------------------------------|
| City of Desert Hot Springs      | <b>Yvonne Parks</b><br>Councilmember |

| Staff  |
|--|
| Tom Kirk, Executive Director                       |
| Katie Barrows, Director of Environmental Resources |
| Erica Felci, Governmental Projects Manager         |
| Benjamin Druyon, Management Analyst                |

ITEM 5A



# DESERT COMMUNITY ENERGY

## Board Meeting Minutes

### February 26, 2018

The audio file for this meeting can be found at: <http://www.cvag.org/audio.htm>

1. **CALL TO ORDER**

The meeting of the Desert Community Energy Board was called to order by Chair Kaplan at 2:34 p.m. on February 26, 2018.

2. **ROLL CALL**

Roll call was taken and it was determined that a quorum was present.

**Members Present**

Councilmember Shelly Kaplan, Chair  
Mayor Sabby Jonathan. Vice Chair  
Councilmember Geoff Kors

**Agency**

City of Cathedral City  
City of Palm Desert  
City of Palm Springs

**Others Present**

Charlie McClendon  
Councilmember Kathleen Kelly  
Ryan Stendell  
Jay Virata  
Jeff Fuller  
Kim Floyd  
Steve Fleming  
Patti Fleming

City of Cathedral City  
City of Palm Desert  
City of Palm Desert  
City of Palm Springs  
The Energy Authority  
Sierra Club  
River City Bank  
River City Bank

**Ex-Officio / Non-Voting Member Absent**

Councilmember Yvonne Parks

City of Desert Hot Springs

**CVAG Staff**

Tom Kirk  
Katie Barrows  
Benjamin Druyon

3. **PUBLIC COMMENTS**

This is the time and place for any person wishing to address Desert Community Energy on items not appearing on the agenda to do so.

4. **BOARD MEMBER / DIRECTOR COMMENTS**

Mayor Sabby Jonathan introduced Councilmember Kathleen Kelly and named her as his alternate.

**5. CONSENT CALENDAR**

**IT WAS MOVED BY COUNCILMEMBER KORS, SECONDED BY MAYOR JONATHAN, TO:**

- A. Approve minutes of January 22, 2018 Desert Community Energy Board meeting**

**THE MOTION PASSED WITH 3 AYES.**

|                             |     |
|-----------------------------|-----|
| Councilmember Shelly Kaplan | Aye |
| Mayor Sabby Jonathan        | Aye |
| Councilmember Geoff Kors    | Aye |

**6. DISCUSSION / ACTION**

- A. Update on Our Progress/Status of CPUC Decision**

Tom Kirk provided a brief update regarding the DCE activities, the CPUC waiver process to allow a 2018 launch, and negotiations with SCE. Councilmember Kaplan commented on his activities regarding the CPUC hearing. Mayor Jonathan inquired if Rule 20A credits for a city with respect to undergrounding SCE utility lines; he asked if these credits will be affected by joining a CCA and asked staff to get a definitive answer.

- B. Approve Services Agreements with Lean Energy US and Calpine Energy Solutions, LLC**

**IT WAS MOVED BY COUNCILMEMBER KORS, SECONDED BY MAYOR JONATHAN, TO APPROVE SERVICES AGREEMENTS BETWEEN DESERT COMMUNITY ENERGY AND LEAN ENERGY US (LEAN), AND DESERT COMMUNITY ENERGY AND CALPINE ENERGY SOLUTIONS, LLC (CALPINE), TO PROVIDE OPERATIONAL SERVICES FOR A COMMUNITY CHOICE AGGREGATION (CCA) PROGRAM AND AUTHORIZE EXECUTIVE DIRECTOR TO MAKE CHANGES TO THE CONTRACT LANGUAGE IN CONSULTATION WITH THE CHAIR. THE MOTION INCLUDED DIRECTION TO STAFF TO INCLUDE THE CORRECT EQUAL EMPLOYMENT CLAUSE IN THIS AND ALL FUTURE CONTRACTS.**

**THE MOTION PASSED WITH 3 AYES.**

|                             |     |
|-----------------------------|-----|
| Councilmember Shelly Kaplan | Aye |
| Mayor Sabby Jonathan        | Aye |
| Councilmember Geoff Kors    | Aye |

- C. Authorize release of Request for Proposals for Banking Services**

**IT WAS MOVED BY MAYOR JONATHAN, SECONDED BY COUNCILMEMBER KORS, TO AUTHORIZE DCE STAFF TO RELEASE REQUEST FOR PROPOSALS FOR BANKING SERVICES.**

**THE MOTION PASSED WITH 3 AYES.**

|                             |     |
|-----------------------------|-----|
| Councilmember Shelly Kaplan | Aye |
| Mayor Sabby Jonathan        | Aye |

**D. Review of DCE Schedule Prior to Launch and Upcoming Decisions**

Jeff Fuller described activities needing completion each month prior to launch. Mayor Jonathan requested we register the DCE business name. Councilmember Kaplan suggested purchase of DCE business cards.

**7. INFORMATION**

- 1) Attendance Roster
- 2) 2018 DCE Board Meeting schedule (possible change to the March meeting date)

**8. ANNOUNCEMENTS**

Upcoming Meetings at 73-710 Fred Waring Drive, Suite 200, Palm Desert

The next Board Meeting of Desert Community Energy will be on March 19, 2018 at 2:30 p.m.

**9. ADJOURNMENT**

The meeting adjourned at 3:30 pm.

Respectfully submitted,

Benjamin Druyon  
Management Analyst



# DESERT COMMUNITY ENERGY

Board Meeting  
March 19, 2018

## Staff Report

**Subject:** Update on Our Progress

**Contact:** Tom Kirk, Executive Director ([tkirk@cvag.org](mailto:tkirk@cvag.org))

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**Recommendation:** Information only.

**Background:** Here is a brief summary of our progress and upcoming activities.

**Implementation Plan:**

- **December 4, 2017** - The Board approved and authorized submittal of the DCE Implementation Plan.
- **December 8, 2017** - California Public Utilities Commission (CPUC) staff released a Draft Resolution E-4907.
- **December 11, 2017** – DCE submitted its Implementation Plan to the CPUC.
- **February 8, 2018** – A modified version of Resolution E-4907 was released and was unanimously approved by the CPUC.
- **March 9, 2018** - DCE received certification of its Implementation Plan from the CPUC.
- **Now** – Negotiations with SCE continue regarding purchase of Resource Adequacy (RA).

**PCIA/Exit Fee – CPUC Proceeding R. 17-06-026:** The CPUC continues with the proceeding on the Power Cost Indifference Adjustment (PCIA), the “exit fee” charged to customers leaving the incumbent utility to join a CCA. The intent of the proceeding is to revise the methodology for calculating the PCIA. CVAG/DCE is a part to the proceeding and staff continues to be involved in meetings and workshops. A 2-day public workshop held on January 16/17 provided a forum for discussion of data provided by the IOUs, cost responsibilities, and solutions to address concerns of utilities and stakeholders. This discussion is ongoing.

**Community Outreach:** Given the uncertainty introduced by the CPUC draft resolution, continued work on community outreach has been paused. The presentation on the marketing program requested by the Board at the December 4 meeting will be postponed to a later meeting.

In the near future, a full website will be unveiled that includes interactive features, information about electricity options (lower rates, 100% renewable or carbon-free), information for residential and business customers, a way to opt out, as well as background information about CCA. The website will launch in early 2018, coinciding with outreach materials mailed to individual customers. A Frequently Asked Questions/FAQ is available on the CVAG website to answer common questions about CCAs. The marketing team will also handle development of collateral and information for potential customers, including a minimum of four opt-out notices explaining how a CCA works and their choices to join the CCA or stay with SCE.

**Other Steps to CCA Implementation.** We continue to move toward our goal of launching the program in summer 2018. Coordination with SCE has been ongoing since 2016. SCE has



reviewed the Implementation Plan and has developed a schedule for DCE to provide for launch in July 2018, pending the outcome of the Resolution E-4907 proposal. A meeting with SCE and our consultant team occurs weekly to initiate key launch activities and keep us on schedule for our launch date.

Community Advisory Committee. At a prior meeting, the Board suggested that staff look into the potential for formation of a Community Advisory Committee. A number of existing CCA programs statewide have established Community Advisory Committees to provide input and guidance, assist with community outreach, and involve stakeholders in CCA implementation. At the direction of the Board, staff will prepare a recommendation for an advisory committee and bring that back at a future meeting.

CVAG staff appreciates the commitment of time and valuable input by elected officials and jurisdiction staff throughout this process

**Fiscal Analysis:** No impact.



# DESERT COMMUNITY ENERGY

Board Meeting

March 19, 2018

## Staff Report

**Subject:** Desert Community Energy Launch Schedule and Product Offerings

**Contact:** Benjamin Druyon, Management Analyst, CVAG ([bdruyon@cvag.org](mailto:bdruyon@cvag.org))

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**Recommendation:**

1. Approve launch of DCE in July/August 2018, pending completion of CPUC Waiver process; and
2. Approve DCE Product Offerings to include Cost Saving choice and 100% Carbon-Free choice.

**Background:** Staff continues to move forward with all implementation tasks and DCE is still on schedule to launch in the Summer of 2018. The CPUC Resolution E-4907 has caused some delays, but the potential for a positive outcome in the waiver process is in view. Staff requests direction on whether to proceed with our planned summer launch schedule, and the product options DCE will offer customers.

**CPUC Resolution E-4907 and Waiver Process:** On March 9, DCE received certification of its Implementation Plan from the California Public Utilities Commission (CPUC). CPUC certification is a required action for us to proceed. The certification letter states that in order to launch in 2018, we need to participate in the waiver process approved by the CPUC on February 8. To keep our options open, we have been pursuing both Options A and B under the CPUC waiver process, though there have been challenges with both paths. Negotiations with Southern California Edison to procure Resource Adequacy (RA) (Option A) continue and there may be an opportunity for a positive outcome. We expect to have an update on March 19. CPUC Option B is available if negotiations with SCE are unsuccessful; DCE would need to agree to be bound by a future CPUC determination of cost responsibility in the RA proceeding. Option B has uncertainty about both the price for Resource Adequacy and the timing for determination of the price by the CPUC. We have requested clarification from CPUC staff and the preliminary response indicates that a decision under Option B would not likely occur before June 2018, making a 2018 launch very difficult.

We have asked our consultant team at The Energy Authority (TEA) to fully analyze our options, taking into consideration the uncertainty of price for Resource Adequacy. This analysis includes evaluating the financial impacts of launching in July/August versus a launch in 2019 and running a few scenarios to compare them. The analysis includes a “worst-case scenario” assumption of a higher price for Resource Adequacy; we anticipate a better price may be available under Option A. The analysis also assumed a rate savings of 3% compared to SCE. Based on their analysis, it was determined that a launch in July/August 2018 would still provide DCE with net benefits, positive cash flow, and revenue of approximately \$2.1 million dollars. If DCE were to wait to launch in January 2019, we would lose six months of revenue that could never be recouped. The following describes some of the benefits of a July/August 2018 launch:

- Summer electric bills for customers are painfully high; offering customers a savings from their SCE bill during the summer months gives them relief during the hottest months, emphasizing the benefits of CCA
- Beginning to collect revenue in summer 2018 gets DCE started on the path to building reserves; these reserves provide a critical hedge against future price uncertainty.
- Net income on electric bills for DCE is higher during the summer months, allowing DCE to earn more per customer and thus accumulate additional revenues
- Net revenues for 2018, based on a July 2018 launch would be approximately \$2.1 million, based on a worst-case scenario estimate of the cost of Resource Adequacy. TEA's analysis indicates that DCE would also lose these revenues if we postponed launch to January 2019
- Our outreach/marketing team has developed a viable schedule for summer 2018 launch
- Once "in business" DCE will have customers and revenues that will help maintain momentum for community choice energy

With a January 2019 launch scenario DCE would lose \$2.1 million in net revenues that would be collected from July to December 2018. Launch in January 2019 leaves DCE with potential uncertainty of unexpected changes to the CCA program, such as occurred in December with CPUC action. Thus, delay could engender further delay.

Staff requests direction from the DCE Board on moving forward with a summer 2018 launch. As negotiations to resolve our course under the CPUC waiver process are still underway, staff will provide a thorough update at the March 19 meeting.

**Selection of Energy Product Choices:** At the February 26 DCE board meeting, staff introduced two product names to be offered to DCE customers, Desert Choice as the basic, default rate that all customers would automatically be enrolled in, and Desert Peak as the 100% green energy option. Desert Choice is the option priced below SCE, with higher renewable content and more carbon-free electricity. The 100% green option is an "opt-up" choice for customers who would pay more for this option. The Board asked the question: what is the difference between 100% carbon-free and 100% renewable and should we have an option for both? The differences between renewable and carbon-free electricity sources are briefly summarized below:

Carbon-free portfolio: Incorporates resources from large hydropower and nuclear power.

Renewable portfolio: Incorporates resources from wind, solar, and geothermal power.

It does take a little digging to understand why large hydropower (> 30MW (megawatt), e.g. dams, pumped storage) isn't considered as green. Based on our research and input from The Energy Authority, the reason is two-fold. Since the goal of the Renewable Portfolio Standard (RPS) is to encourage the development of new renewable energy sources, most states including California don't let existing hydropower qualify as renewable. Given that there is already so much hydro out there, counting all hydropower would significantly lessen the impact of the RPS standards. For large hydropower, the other concern is the environmental impact, especially the impact of dams on fisheries and water flows. As you are probably aware, large dams block migrating fish from reaching their spawning grounds. Dam reservoirs impact flows, temperatures and silt loads of rivers and streams. But, while large hydro-electric dams are not classified as eligible renewable energy technologies in California, the electricity they produce is considered to be greenhouse gas, or carbon-free. By contrast, in California, small hydroelectric facilities –those producing 30MW or less – are eligible under the RPS standard as they are not considered to have negative impacts on in-stream beneficial uses.

One of the main drivers for other CCA's to offer a carbon-free option is price. Typically, carbon-free options allow a property owner to lower their impact on the environment at a lower price than is available for a renewable energy option. As indicated by the Board from the start, rate savings is a priority for our residents and business owners.

DCE could also offer a 100% renewable product. In choosing this option, it would seem the effect on the environment would be more impactful per customer, but if only a handful of customers chose this option over the carbon-free option, it seems less impactful. It would be more likely that a higher percentage of people would opt to save money and the environment. Additionally, staff suggests that offering two 100% options would cause confusion for customers on which option to choose. Staff recommends that DCE offer two product choices – a basic (default) choice and a 100% carbon-free choice. There is an option to add additional choices in the future; other CCAs have added an option for solar customers which DCE may want to consider once we get off the ground. With the selection of the two products, we can proceed with DCE outreach efforts. Staff will incorporate the Board feedback and present a recommended rate structure for the two product options at the April Board meeting.

**Fiscal Analysis:** The funding for CCA operations will come from payment of utility bills by customers once the CCA launch occurs and we begin serving customers. The initial expenses will cover the first months of operations, staffing, legal and other administrative functions until a revenue stream is established. A primary goal will be development of a reserve fund to hedge against changing conditions and to build credit worthiness for the CCA. CVAG is tracking all expenses related to initial formation of the DCE CCA; these costs would be reimbursed once the CCA collects sufficient revenues. CVAG, in concert with TEA, will track all TEA and subconsultant expenses prior to and after program launch. CVAG/DCE and TEA staffs will track such costs, prepare budget estimates and budget tracking procedures, and periodically report to the DCE Board. Staff will provide additional financial analysis pending the outcome of RA discussions.



# DESERT COMMUNITY ENERGY

Board Meeting  
March 19, 2018

## Staff Report

**Subject:** Authorization to submit SCE Service Agreement and CPUC Bond

**Contact:** Katie Barrows, Director of Environmental Resources ([kbarrows@cvag.org](mailto:kbarrows@cvag.org))

**Recommendation:** Authorize the Executive Officer to execute a Service Agreement with Southern California Edison Company and provide for posting of \$100,000 performance bond to the California Public Utilities Commission (CPUC) as required for Desert Community Energy to commence service.

**Background:** In order to become a registered retail electricity provider, DCE is statutorily required to complete three steps:

1. Receive CPUC certification of its Implementation Plan
2. Enter into a service agreement with SCE
3. Deposit a \$100,000 bond with the CPUC

The DCE Implementation Plan outlined DCE's basic program information to assure the CPUC that DCE is able to meet the needs of its customers at competitive rates. The Plan was submitted to the CPUC on December 11, 2017 and we receive a certification letter on March 9, 2018.

Submittal of the Service Agreement with SCE is required to set the foundation for how the data/information and funds will be exchanged between the two parties. SCE provides a boilerplate form for the Service Agreement which has been approved by the CPUC to provide the necessary step for CCA programs to move forward to service provision. The service agreement was completed by DCE staff and has been reviewed by SCE's CCA team. Once the service agreement is approved, DCE will complete the final steps to become a registered retail supplier to its customers.

CCA's are also required to post a performance bond in the amount of \$100,000 to the California Public Utilities Commission pursuant to Resolution E-4133. This funding acts as a form of insurance and stays in place for the life of the CCA program to cover such costs as potential re-entry fees (return of service to SCE), penalties for failing to meet operation deadlines, and errors in forecasting.

**Fiscal Analysis:** The \$100,000 Bond is being provided by Calpine Energy Solutions LLC under the terms of the Calpine-DCE Professional Services Agreement approved by the DCE board on February 26, 2018. Calpine will satisfy the bond requirement on DCE's behalf until we begin service and are generating revenues.

**Attachments:** None.

## **ITEM 6D**



# DESERT COMMUNITY ENERGY

Board Meeting  
March 19, 2018

## Staff Report

**Subject:** Amendments to The Energy Authority Task Order 2

**Contact:** Katie Barrows, Director of Environmental Resources ([kbarrows@cvag.org](mailto:kbarrows@cvag.org))

**Recommendation:** Approve and authorize the Chair to sign two amendments to Task Order 2 between The Energy Authority and Desert Community Energy; Amendment No. 1 provides for TEA to provide a \$500,000 Security Deposit to the California Independent System Operator (CAISO) and Amendment No. 2 provides for DCE to transact Resource Adequacy directly with Southern California Edison, using TEA as agent.

**Background:** At the January 22 meeting, the Desert Community Energy (DCE) Board approved a Resource Management Agreement and associated task orders with The Energy Authority (TEA). DCE staff are working with TEA on implementation tasks in preparation for DCE to begin service to customers. The proposed Amendments No. 1 and 2 to Task Order 2 are necessary to complete this start up process.

Amendment No. 1 provides for TEA to provide a \$500,000 Security Deposit to the California Independent System Operator (CAISO) on a temporary basis, extending to six months after DCE's power start date. This is necessary because DCE does not meet the CAISO minimum capitalization requirements of \$1 million net worth or total assets of \$10 million. Please see attached Amendment No. 1 to Task Order 2 between The Energy Authority and Desert Community Energy, for the \$500,000 security deposit with CAISO.

Amendment No. 2 provides for DCE to transact directly with Southern California Edison (SCE) for Resource Adequacy (RA) in calendar year 2018, and for TEA to handle such RA transactions as agent. This amendment is necessary for compliance with CPUC Resolution E-4907 and the operation of the CCA in 2018. In the Amendment, we incorporated the RA transactions to be included within definition of the term "Transactions", which will protect TEA's interests. Please see attached Amendment 2 to Task Order 2 between TEA and DCE.

**Fiscal Analysis:** TEA will provide the \$500,000 Security Deposit on DCE's behalf. As described in Amendment No. 1, "Unless otherwise agreed by the Parties, by the end of the Interim Period, DCE will either (i) meet CAISO's minimum capitalization requirements and obtain release of Security Deposit held by CAISO, (ii) reimburse TEA for the amount of Security Deposit posted by TEA, or (iii) take other reasonable steps to allow CAISO to release such Security Deposit. Upon return by CAISO to DCE of the Security Deposit, including accrued interest paid by CAISO, if any, DCE will return such Security Deposit without delay to TEA. Until the Security Deposit is returned to TEA in full, as provided herein, DCE hereby grants to TEA a present and continuing first-priority security interest in the Security Deposit."

**Contract Finalization:** Authorize the Executive Director and/or CVAG legal counsel to make minor changes/revisions to the agreement as needed for clarification purposes.

### **Attachments:**

1. Amendment No. 1 to TEA Task Order 2
2. Amendment No. 2 to TEA Task Order 2

## **Amendment No. 1 to Task Order 2**

This **Amendment No. 1 to Task Order 2** (“Amendment No. 1”) is entered into effective as of the 19<sup>th</sup> day of March, 2018 (the “Effective Date”), subject to the terms and conditions of the Resource Management Agreement (“RMA”) and Task Order 2 (“Task Order 2”) dated January 22, 2018, between **The Energy Authority, Inc.** (“TEA”), and **Desert Community Energy** (“DCE”). TEA and DCE are sometimes referred to herein individually as a “Party,” or collectively as the “Parties.”

### **Recitals**

**WHEREAS**, the Parties have previously entered into Task Order 2; and

**WHEREAS**, the Parties wish to further amend Task Order 2, as hereinafter provided.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the Parties agree to amend Task Order 2, as follows:

### **Terms and Conditions**

#### **1. Amendment to Task Order 2.**

The following is hereby added to the end of Section 2 (Credit Support):

“Section 2.3 CAISO Market Participation.

Pursuant to the requirements of CAISO, new market participants which do not meet the CAISO minimum capitalization requirements of \$1 million tangible net worth or \$10 million total assets (the “MCR”), are required to deposit up to \$500,000 of financial security (the “Security Deposit”) with CAISO. As Scheduling Coordinator to CAISO, TEA will provide such Security Deposit on a temporary basis, beginning on or after the Effective Date of this Amendment No. 1, and extending until six (6) months after the Power Start Date (the “Interim Period”). Unless otherwise agreed by the Parties, by the end of the Interim Period, DCE will either (i) meet CAISO’s MCR requirements and obtain release of Security Deposit held by CAISO, (ii) reimburse TEA for the amount of Security Deposit posted by TEA, or (iii) take other reasonable steps to allow CAISO to release such Security Deposit. Upon return by CAISO to DCE of the Security Deposit, including accrued interest paid by CAISO, if any, DCE will return such Security Deposit without delay to TEA. Until the Security Deposit is returned to TEA in full, as provided herein, DCE hereby grants to TEA a present and continuing first-priority security interest in the Security Deposit.”

#### **2. Representations.**

Each Party agrees that all representations made by it pursuant to Task Order 2 and this Amendment No. 1 are true and accurate as of the Effective Date.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Amendment No. 1 to be executed by their respective authorized representatives to be effective as of the date first above written.

**THE ENERGY AUTHORITY, INC.**

**DESERT COMMUNITY ENERGY**

By: \_\_\_\_\_  
Name: Joanie C. Teofilo  
Title: President and CEO

By: \_\_\_\_\_  
Name: Shelley Kaplan  
Title: Board Chair

## **Amendment No. 2 to Task Order 2**

This **Amendment No. 2 to Task Order 2** (“Amendment No. 2”) is entered into effective as of the 19th day of March, 2018 (the “Effective Date”), subject to the terms and conditions of the Resource Management Agreement (“RMA”) and Task Order 2 (“Task Order 2”) dated January 22, 2018, between **The Energy Authority, Inc.** (“TEA”), and **Desert Community Energy** (“DCE”). TEA and DCE are sometimes referred to herein individually as a “Party,” or collectively as the “Parties.” Capitalized terms used, which are not defined herein, shall have the meanings ascribed to them in the RMA and Task Order 2.

### **Recitals**

**WHEREAS**, the Parties have previously entered into the RMA and Task Order 2;

**WHEREAS**, on February 8, 2018, the California Public Utilities Commission (“CPUC”) adopted Resolution E-4907 which involves 2018 resource adequacy (“RA”);

**WHEREAS**, Section 6.6.1 of the RMA provides that TEA shall provide trading services for Transactions, which include resource adequacy capacity;

**WHEREAS**, Section 1.1.1 of Task Order 2 to the RMA provides that “Except as otherwise agreed to by the Parties, DCE will transact with TEA for all of its wholesale power requirements.”;

**WHEREAS**, the Parties desire to invoke such exception and agree that DCE may transact RA directly with Southern California Edison Company (“SCE”) for 2018; and

**WHEREAS**, the Parties wish to further amend Task Order 2, as hereinafter provided.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the Parties agree to amend Task Order 2, as follows:

### **Terms and Conditions**

#### **1. Amendment 2 to Task Order 2.**

The following is hereby added to the end of Section 1.1.1 (Power Purchases):

**“Section 1.1.1(a) 2018 Resource Adequacy.**

Notwithstanding the foregoing, the Parties agree that during calendar year 2018: (i) DCE will transact RA directly with SCE (“Direct RA Transactions”), as necessary for compliance with CPUC Resolution E-4907 and the operation of the CCA in 2018; (ii) any such Direct RA Transactions shall be included in the definition of “Transactions” for all purposes under the RMA and Task Order 2; (iii) TEA will act as agent for such Direct RA Transactions for purposes of invoicing and settlement (including facilitating payment, as necessary) between DCE and SCE; and (iv) DCE shall provide authorization to SCE for TEA to perform as agent for such Direct RA Transactions. Unless otherwise extended by the Parties, this Section 1.1.1(a), and the obligations to perform under Section 1.1.1(a), will expire on March 31, 2019, and such expiration shall have no other effect upon the RMA or Task Order 2.”

#### **2. Representations.**

Each Party agrees that all representations made by it pursuant to Task Order 2 and this Amendment No. 2 are true and accurate as of the Effective Date.

*[Signature Page to Follow]*



**IN WITNESS WHEREOF**, the Parties hereto have caused this Amendment No. 2 to be executed by their respective authorized representatives to be effective as of the date first above written.

**THE ENERGY AUTHORITY, INC.**

**DESERT COMMUNITY ENERGY**

By: \_\_\_\_\_  
Name: Joanie C. Teofilo  
Title: President and CEO

By: \_\_\_\_\_  
Name: Shelley Kaplan  
Title: Board Chair



# DESERT COMMUNITY ENERGY

Board Meeting

March 19, 2018

## Staff Report

**Subject:** Authorization to negotiate DCE Credit and Banking Services Agreement

**Contact:** Benjamin Druyon, Management Analyst, CVAG ([bdruyon@cvag.org](mailto:bdruyon@cvag.org))

**Recommendation:** Authorize the Executive Officer, in consultation with DCE Legal Counsel, to negotiate an agreement with the credit and banking services vendor recommended by the selection committee and authorize the DCE Board Chair to approve and execute the agreement to meet the timeline for July/August 2018 launch.

**Background:** Desert Community Energy (DCE) is now about four months from its planned launch date and there are many items that will need to be addressed before then. A priority item is an agreement with a credit and banking vendor. At the DCE Board's direction a Request for Proposals (RFP) for Credit and Banking Services was released on March 5, 2018 with a final submittal date of March 19, 2018. The RFP was sent out to 12 local banks as well as 23 out-of-area banks. A selection panel is being formed to include individuals with banking experience, a finance director from one of the DCE member agencies, CVAG's Deputy Director, and other members as appropriate. The selection committee will be asked to review proposals by March 23 and interviews of the strongest candidates will be conducted before or during the week of March 26. A recommendation for a vendor will be made by the selection committee as soon as possible.

Timing for selection of a Banking Services vendor is critical, as several steps are currently awaiting DCE's banking account information. A special meeting in late March or early April is possible as the regular meeting on April 16 is too late. However, in order to continue on our planned schedule and meet our timeline for DCE launch, staff is seeking authorization from the Board for the following process:

1. Recommendation by the selection committee of a preferred vendor for DCE Credit and Banking Services.
2. Authorization for the Executive Officer, in consultation with DCE Legal Counsel, to negotiate an agreement with the selected vendor for credit and banking services, including for deposit (deposit of public funds) services; and
3. Authorization for the DCE Board Chair to approve and execute the agreement.

**Fiscal Analysis:** Significant needs for the banking vendor include the ability to receive funds from DCE revenues through a "lock box" system, secured accounts for daily deposits from SCE of revenues from DCE customers and monthly payment to the power suppliers under contract. The selected banking vendor must be a member of the Federal Reserve System or the Federal Deposit Insurance Corp; a qualified depository for public funds pursuant to the applicable State codes; and must provide online reporting that includes a detailed report of prior day transactions.

**Attachments:** None.

**ITEM 6F**



# DESERT COMMUNITY ENERGY

Board Meeting

March 19, 2018

## Staff Report

**Subject:** Conflict of Interest Code

**Contact:** Katie Barrows, Director of Environmental Resources ([kbarrows@cvag.org](mailto:kbarrows@cvag.org))

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**RECOMMENDATION:** Adopt DCE Policy Number 18-01 approving a Conflict of Interest Code for Desert Community Energy.

**BACKGROUND:** Government Code Section 87300 requires that every agency adopt and promulgate a local Conflict of Interest Code that applies to officers, employees, and consultants who are involved in the making of governmental decisions.

An agency may choose to adopt the Model Conflict of Interest Code prepared by the Fair Political Practices Commission and codified in Section 18730 of Title 2 of the California Code of Regulations. The Conflict of Interest Code must list the positions within the agency that are considered “designated positions” and must identify the “disclosure categories” applicable for each designated position. The attached Policy 18-01, Conflict of Interest Code includes two appendices, which list the Agency’s designated positions and identify the applicable disclosure categories for each designated position.

Only persons holding designated positions listed in Appendix A to the Conflict of Interest Code need to file Statements of Economic Interest (“Form 700s”). All persons holding a designated position must file an initial Form 700 no later than 30 days after the adoption of the Conflict of Interest Code.

The Secretary of the Board will coordinate the preparation of a revised Conflict of Interest Code in succeeding even-numbered years, or within 90 days of the creation of a new position that must file a Form 700, in accordance with the requirements of Government Code Sections 87306 and 87306.5. The revised Code should reflect any changes in employee designations. If in an even-numbered year no revisions to the Code are required, the Secretary of the Board shall submit a report no later than October 1<sup>st</sup> of the same year, stating that amendments to the Code are not required.

The attached Conflict of Interest Code for Desert Community Energy is being presented for your consideration as DCE Policy 18-01. Because DCE is a “less-than-county-wide” but a “more-than-city-wide” agency, our Code Reviewing Body is the County of Riverside.

Desert Community Energy members and other designated positions will be asked to complete a Form 700 Statement of Economic Interests for 2018 prior to the deadline of April 1, 2018 and each year they serve on DCE. The Form 700 is the same form completed by members for their agencies. The completed Form 700 statements for DCE are kept on file at CVAG.



## **DCE POLICY # 18-01**

### **Conflict of Interest Code for Desert Community Energy**

Desert Community Energy was formed on October 30, 2017 pursuant to a Joint Powers Agreement to implement, operate, and manage a Community Choice Aggregation program in the Coachella Valley in Riverside County, CA. In conformance with Government Code Sections 87300 et seq., **DESERT COMMUNITY ENERGY** hereby adopts and promulgates this Conflict of Interest Code.

Reference is hereby made to California Administrative Code Section 18730, and by this reference said section, as it now reads and as it may hereafter be duly amended by the Fair Political Practices Commission, is incorporated herein as if set forth in full.

Attached hereto as Appendix A is a list of designated officers and employees, together with disclosure categories assigned to each such designated officer or employee.

Attached hereto as Appendix B is a schedule of disclosure categories identifying the economic interests which must be disclosed by designated officers or employees within each such category. Each designated officer or employee shall file statements of economic interests at the times and in the manner prescribed by law.

The Secretary or other official charged with the duty of maintaining the official records of Desert Community Energy shall be the filing officer for such statements. All officials and employees required to submit a statement of economic interests shall file their statements with the Agency's Filing Official. The Filing Official, or his or her designee, shall make and retain a copy of all statements filed with the Agency. All retained statements, original or copied, shall be available for public inspection and reproduction (Gov. Code Section 81008).

The Board of Directors of the Desert Community Energy Agency hereby directs the Secretary of the Board to coordinate the preparation of a revised Conflict of Interest Code in succeeding even-numbered years in accordance with the requirements of Government Code Sections 87306 and 87306.5. Future revisions to the Conflict of Interest Code should reflect changes in employee or official designations.

The County of Riverside shall be the Code Reviewing Body for this agency.

#### **CERTIFICATE OF AGENCY APPROVAL**

I, Tom Kirk, hereby certify that the foregoing Conflict of Interest Code, together with attached appendices, was adopted by **DESERT COMMUNITY ENERGY** on **March 19, 2018**, and is submitted to the Code Reviewing Body for approval. I further certify that said Code has been prepared, promulgated and adopted in conformity with the provisions of Government Code Sections 87301, 87309 and 87311.

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Shelley Kaplan  
Chair

**APPENDIX A  
DESERT COMMUNITY ENERGY  
CONFLICT OF INTEREST CODE  
DESIGNATED EMPLOYEES/POSITIONS**

| <b>TITLE</b>  | <b>DISCLOSURE CATEGORY</b> |
|---|----------------------------|
| Member of Board of Directors of Desert Community Energy (DCE) | 1                          |
| Member of Board of Directors (Alternate)                      | 1                          |
| Any other standing committee created by DCE                   | 1                          |
| Executive Director/Executive Officer                          | 1                          |
| Program Director  | 1                          |
| DCE General Counsel   | 1                          |
| Accountant/Financial Officer                                  | 2                          |
| Program Assistant   | 2                          |
| Accounting Assistant  | 2                          |
| *Consultants and New Positions                                | 1                          |

\* Individuals serving as a Consultant as defined in FPPC Reg 18701 or in a new position created since this Code was last approved that makes or participates in making of governmental decisions that may foreseeably have a material effect on any financial interest of the position-holder, and which specific position title is not yet listed in the Authority's Conflict of Interest Code, is included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the Code, subject to the following limitation: The Chief Executive Officer of the Authority may determine in writing that a particular newly created position, although a "designated position," is hired to perform a range of duties that are limited in scope and thus is not required to fully comply with the broadest disclosure requirements, but instead must comply with more tailored disclosure requirements specific to that newly created position. Such written determination shall include a description of the newly created position's duties and, based upon that description, a statement of the extent of disclosure requirements. The Chief Executive Officer's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Section 81008.)

Within 90 days of the creation of a newly created position that must file a statement of economic interests, the Authority shall update this Conflict of Interest Code to add the actual position title in its list of designated positions.

## **APPENDIX B**

### **DESERT COMMUNITY ENERGY CONFLICT OF INTEREST CODE DISCLOSURE CATEGORIES**

#### **CATEGORY 1**

Filers in this category shall disclose the following:

- a) All investments, business positions in business entities and sources of income, including gifts, loans and travel payments.
- b) Interests in real property located in the jurisdiction.

#### **CATEGORY 2**

Filers in this category shall disclose the following:

- a) All investments, business positions in business entities and income, including gifts, loans, and travel payments from sources that provide leased facilities, goods, equipment, vehicles, machinery, or services, including training or consulting services, of the type utilized by the Agency.



# DESERT COMMUNITY ENERGY

Board Meeting  
March 19, 2018

## Staff Report

**Subject:** Executive Officer/Executive Director Spending Authority and Authority to Sign

**Contact:** Katie Barrows, Director of Environmental Resources ([kbarrows@cvag.org](mailto:kbarrows@cvag.org))

**Recommendation:** Adopt DCE Policy # 18-02 authorizing DCE's Executive Officer/Executive Director to execute agreements up to \$100,000 without prior Board approval when certain conditions are met, consistent with Section 3.13 of the Joint Powers Agreement, and to sign standard documents necessary to implement routine CCA functions.

**Background:** The Desert Community Energy (DCE) Joint Powers Agreement (JPA) provides the Executive Officer the power to approve agreements up to \$100,000 in any fiscal year. Section 3.13 of the JPA states, ". . . The Executive Officer shall report directly to the Board and serve as staff to DCE. Except as otherwise set forth in this Agreement, the Executive Officer may exercise all powers of DCE, including the power to hire, discipline and terminate employees as well as the power to approve any agreement if the total amount payable under the agreement is less than \$100,000 in any fiscal year, or such higher amount as may be established by the Board from time to time, by resolution of the Board, except the powers specifically set forth in Section 3.11 or those powers which by law must be exercised by the Board of Directors. The Executive Officer shall serve at the pleasure of the Board."

The spending authority may be necessary at times in order to conduct DCE business and assure efficient operation of the Community Choice Aggregation program. The proposed Policy 18-02 authorizes the Executive Officer to approve any agreement up to \$100,000, provided that: (1) the expenditures authorized by these agreements are consistent with the Agency's approved budget; (2) the agreements are approved as to form by DCE's general counsel; and (3) agreements are reported at the next Board meeting. The policy also provides authorization for the Executive Officer to sign standard forms, applications, and documents required by regulatory agencies (CPUC, CAISO), Southern California Edison, and other agencies as necessary to implement routine CCA functions. To provide the Executive Officer the ability to act consistent with the JPA, staff recommends adoption of the attached DCE Policy # 18-02.

**Fiscal Analysis:** DCE Policy # 18-02 applies to agreements that are consistent with DCE's approved budget.

**Contract Finalization:** Authorize the Executive Director and/or CVAG legal counsel to make minor changes/revisions to the agreement as needed for clarification purposes.

**Attachments:**

1. DCE Policy # 18-02



## **DCE POLICY # 18 - 02**

### **Executive Officer / Executive Director Spending Authority**

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**Subject:** Authorization for Desert Community Energy's Executive Officer/Executive Director to execute agreements up to \$100,000 without prior Board approval when certain conditions are met.

**Policy:** DCE's Executive Officer shall have limited delegation of authority in accordance with Section 3.13 of the Joint Powers Authority (JPA) Agreement which authorizes the Executive Officer to approve any agreement if the total payable under the agreement is less than \$100,000 in any fiscal year, or such higher amount as may be established by the Board from time to time, by resolution of the Board. This authority may be exercised by the Executive Director, provided that: (1) the expenditures authorized by these agreements are consistent with the Agency's approved budget; (2) the agreements are approved as to form by DCE's general counsel; and (3) agreements are reported at the next Board meeting.

The Board further authorizes the Executive Officer to sign any and all routine documents, including regulatory forms, applications, and agreements necessary for implementation of a Community Choice Aggregation program for DCE.





# DESERT COMMUNITY ENERGY

Board Meeting  
March 19, 2018

## Staff Report

**Subject:** Delegation of Authority for Legislative and Regulatory Actions

**Contact:** Katie Barrows, Director of Environmental Resources ([kbarrows@cvag.org](mailto:kbarrows@cvag.org))

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**Recommendation:** Adopt DCE Policy # 18-03 delegating authority to DCE's Executive Officer/Executive Director to take action on time-sensitive Regulatory and Legislative Matters impacting DCE, in consultation with the Chair.

**Background:** Legislative and regulatory actions at the State level can have significant impacts on the success of CCA programs. Desert Community Energy (DCE) would benefit from a policy that directed the timely and effective response to legislative and regulatory matters. The attached policy provides delegation of authority to the DCE Executive Officer/Executive Director to take action on proposed and time-sensitive legislation and regulations that would affect DCE. The policy provides for this action to be taken if it is consistent with DCE's mission, necessary before the next regular or special board meeting, consistent with positions of other California CCAs, and done in consultation with the DCE Board Chair.

Staff recommends adoption of DCE Policy # 18-03 to allow the Executive Officer/Executive Director to take action on behalf of DCE on time sensitive legislative and regulatory matters.

**Fiscal Analysis:** No impact.

**Contract Finalization:** Authorize the Executive Director and/or CVAG legal counsel to make minor changes/revisions as needed for clarification purposes.

**Attachments:**

1. DCE Policy # 18-03: Delegation of Authority to DCE Executive Officer/Executive Director for Regulatory and Legislative Matters



## **DCE POLICY # 18-03**

### **Delegation of Authority to DCE Executive Officer/Executive Director for Regulatory and Legislative Matters**

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**Subject:** Delegation of authority to DCE Executive Officer/Director and his/her designee(s) to take action on regulatory and legislative matters impacting DCE.

**Purpose:** On occasion, the Executive Officer is approached with a time-sensitive request to sign a letter of support (or opposition) regarding regulatory, legislative, or other initiatives related to Desert Community Energy's mission and operations. This policy is intended to delegate authority to the DCE Executive Officer and/or relevant designee(s) to take necessary action for various regulatory matters and proceedings and respond to legislative matters on behalf of Desert Community Energy when certain conditions are met.

**Policy:** Desert Community Energy hereby delegates its authority to the Executive Officer and his/her relevant designees to sign regulatory and legislative documents or related materials on behalf of Desert Community Energy, when the following conditions are met:

1. The regulatory, legislative, or related action is directly related to and consistent with DCE's mission and operations.
2. Because of time constraints, bringing the matter to the Board of Directors at a special meeting or its next scheduled meeting is not practical.
3. The Executive Officer/Director has investigated the positions of (1) other California CCAs; (2) state and federal legislators representing the Coachella Valley and its cities.
4. The Executive Officer/Director has conferred with the Chair of the Board (or Vice Chair in the Chair's absence) and both the Director and the Chair/Vice Chair agree that: (a) the position that the Executive Officer/Director intends to take is consistent with the mission of DCE; (b) bringing the matter to the Board at its next scheduled meeting or at a special meeting is not practical or appropriate under the circumstances; and (c) taking the position without a vote of the Board is appropriate under the circumstances.
5. The Executive Officer/Director reports positions taken pursuant to this policy at the next regularly scheduled Board of Directors meeting as part of the Executive Officer/Director's Report or Regulatory/Legislative Report.

Desert Community Energy  
Attendance Roster  
2018

| <b>Jurisdictions</b>     |     |     |     |       |     |      |      |      |     |     |     |
|--------------------------|-----|-----|-----|-------|-----|------|------|------|-----|-----|-----|
| <b>Voting Members</b>    | Jan | Feb | Mar | April | May | June | July | Sept | Oct | Nov | Dec |
| Cathedral City           | X   | X   |     |       |     |      |      |      |     |     |     |
| Palm Desert              | X   | X   |     |       |     |      |      |      |     |     |     |
| Palm Springs             | X   | X   |     |       |     |      |      |      |     |     |     |
| <b>Ex Officio Member</b> |     |     |     |       |     |      |      |      |     |     |     |
| Desert Hot Springs       | (A) | (A) |     |       |     |      |      |      |     |     |     |

|            |                           |
|------------|---------------------------|
| <b>(X)</b> | Voting member present     |
| <b>(E)</b> | Ex Officio member present |
| <b>(A)</b> | Absent                    |