



DESERT COMMUNITY ENERGY

Board Meeting Agenda and Sentinel Energy Center Tour

Monday, November 19, 2018

Meeting: 2:30 p.m.

Tour: 3:30 p.m. (approx.)

Dress Code Requirement: See Notice

***[Note the change in meeting location]**

Sentinel Energy Center

15775 Melissa Lane

North Palm Springs, CA 92258

Phone: (760) 288-7900

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

1. **CALL TO ORDER**
2. **ROLL CALL**
- A. **Member Roster**
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**
 - A. Recognition
5. **CONSENT CALENDAR**
 - A. Approve DCE Board meeting minutes of July 16 and DCE Special Board meeting minutes of July 25 and August 15, 2018 P5
 - B. Approve Amendment #1 to LEAN Energy US Services Contract which will:
 - 1) Authorize the Executive Director to shift the not to exceed amounts for LEAN, Green Ideals, and BurkeRix consistent with program needs budget; and
 - 2) Extend the contract expiration date to December 31, 2020, due to the launch delay.P12
 - C. Approve Amendment #2 to the cost-sharing agreement with Western Riverside Council of Governments for CCA-related legal services to:
 - 1) Remove Los Angeles Community Choice Energy (now Clean Power Alliance); and
 - 2) Transfer the agreement from Coachella Valley Association of Governments to Desert Community Energy; and
 - 3) Increase the DCE share of the costs for a not to exceed amount of \$60,000
6. **DISCUSSION / ACTION** P17
 - A. DCE Power Liquidation and Account Settlement – Tom Kirk
RECOMMENDATION: Review summary DCE power liquidation and account settlement. P21
 - B. Power Charge Indifference: Impact to DCE – Jeff Fuller, TEA
RECOMMENDATION: Information only P25
 - C. Desert Community Energy Launch Schedule Considerations – Don Dame/ Katie Barrows P26
RECOMMENDATION: No formal Board action is requested at this time. In preparation for a possible early 2020 CCA program start, however, staff requests Board direction on DCE activities as further discussed in this staff report.
7. **INFORMATION**
 - 1) Attendance Roster P28
 - 2) Report on CalCCA Annual Meeting P29
8. **ANNOUNCEMENTS**

Discuss DCE Board meeting schedule for remainder of the year.
9. **ADJOURNMENT**



DESERT COMMUNITY ENERGY

Board Meeting
November 19, 2018

NOTICE

Subject: Sentinel Energy Center Dress Code

Contact: Katie Barrows (kbarrows@cvag.org)

Recommendation: Information only

Please be advised that for the Sentinel Energy Center Tour the facility requires that a dress code be adhered to. Members and staff touring the facility must wear:

- 1) Long pants
- 2) No open-toed shoes
- 3) The facility will provide hard hats

Location: Sentinel Energy Center LLC
15775 Melissa Lane
North Palm Springs, CA 92258
(760) 288-7900

ITEM 2A



DESERT COMMUNITY ENERGY

Board Meeting
November 19, 2018

Desert Community Energy Board Members	
City of Cathedral City	Shelley Kaplan, Chair Councilmember
City of Palm Desert	Sabby Jonathan, Vice Chair Mayor
City of Palm Springs	Geoff Kors Councilmember

Ex-Officio / Non-Voting Members	
City of Desert Hot Springs	Vacant

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

July 16, 2018

1. CALL TO ORDER

The meeting of the Desert Community Energy Board was called to order by Chair Kaplan at 2:32 p.m. on July 16, 2018.

2. ROLL CALL

Roll call was taken and a quorum was present.

Members Present

Councilmember Shelley 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
Ryan Stendell
Jay Virata
Kim Floyd

City of Cathedral City
City of Palm Desert
City of Palm Springs
Sierra Club

Ex-Officio / Non-Voting Member Absent

Vacant

City of Desert Hot Springs

DCE Staff and Consultants

Tom Kirk
Katie Barrows
Benjamin Druyon
Erica Felci
Linda Rogers
Shehzad Wadalawala (teleconference)

The Energy Authority/TEA

3. PUBLIC COMMENTS

Kim Floyd representing the Sierra Club addressed the DCE Board regarding AB813 and distributed a copy of a position paper on the Sierra Club's opposition to the Regional Grid Bill. Mr. Kirk advised that further discussion or comments would be addressed under Item 7.2 – Legislative Update.

4. BOARD MEMBER / DIRECTOR COMMENTS

None.

5. CONSENT CALENDAR

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

- A. Approve minutes of June 18, 2018 Desert Community Energy Board meeting**
- B. Adopt by motion the following Desert Community Energy Financial Policies:**
 - 1) Pulled from Consent Calendar
 - 2) Policy #18-11 Delinquent Accounts, Collections and Bad Debt
 - 3) Policy #18-12 Rate Setting
 - 4) Policy #18-13 Budget and Accounting

THE MOTION CARRIED WITH 3 AYES ON 5A AND 5B.2 through 5B.4.

Councilmember Shelley Kaplan	AYE
Mayor Sabby Jonathan	AYE
Councilmember Geoff Kors	AYE

Item 5B.1 - Policy #18-10 Financial Reserve was pulled from the Consent Calendar for discussion. A copy of the modified policy was distributed, and Katie Barrows provided a clarification for the Board.

IT WAS MOVED BY MAYOR JONATHAN AND SECONDED BY COUNCILMEMBER KORS TO APPROVE ITEM 5B.1 ADOPTING DESERT COMMUNITY ENERGY POLICY #18-10 FINANCIAL RESERVE.

THE MOTION CARRIED WITH 3 AYES ON ITEM 5B.1.

Councilmember Shelley Kaplan	AYE
Mayor Sabby Jonathan	AYE
Councilmember Geoff Kors	AYE

6. DISCUSSION / ACTION

A. Update on Progress

Tom Kirk provided an update on DCE's progress. Mr. Kirk reported on two new CVAG hires that will be working for DCE and are scheduled to start in approximately three weeks. Other key points covered were both Cathedral City and Palm Desert have decided to opt up to 100% carbon free service. Mr. Kirk discussed the schedule of enrollment notices with a focus on encouraging larger users to opt up to 100% carbon free.

B. Desert Community Energy 2018 Integrated Resource Plan

IT WAS MOVED BY COUNCILMEMBER KORS, SECONDED BY MAYOR JONATHAN, TO APPROVE RESOLUTION 2018-03 APPROVING THE DESERT COMMUNITY ENERGY 2018 INTEGRATED RESOURCE PLAN AND AUTHORIZE THE EXECUTIVE DIRECTOR TO MAKE ANY CHANGES AND COMPLETE ALL ACTIONS NECESSARY FOR SUBMITTAL TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION.
THE MOTION CARRIED WITH 3 AYES.

Councilmember Shelley Kaplan
Mayor Sabby Jonathan
Councilmember Geoff Kors

AYE
AYE
AYE

C. Net Energy Metering program for Desert Community Energy

Benjamin Druyon provided an update on the Net Energy Metering Program approved at the last meeting.

7. INFORMATION

1) Attendance Roster

2) Legislative Update – staff provided an update on AB813 which is now in the Senate Appropriations Committee. Kim Floyd addressed his concerns regarding the bill. Mr. Kirk added that the bill is complicated and did not recommend taking a position on it at this time but indicated staff will continue to track it.

8. ANNOUNCEMENTS

The next Board meeting of Desert Community Energy is scheduled for Monday, August 20, 2018 at 2:30 p.m.

9. ADJOURNMENT

The meeting adjourned at approximately 3:15 pm.

Respectfully submitted,

Linda Rogers

Linda Rogers
Program Assistant II

ITEM 5A



DESERT COMMUNITY ENERGY

Special Board Meeting Minutes

July 25, 2018

1. CALL TO ORDER

The meeting of the Desert Community Energy Board was called to order by Chair Kaplan at 2:01 p.m. on July 25, 2018.

2. ROLL CALL

Roll call was taken and a quorum was present.

Members Present

Councilmember Shelley Kaplan, Chair
Councilmember Kathleen Kelly
Councilmember Lisa Middleton

Agency

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

Others Present

Charlie McClendon
Ryan Stendell
Jay Virata
Lauri Aylaian
David Herman
Councilmember John Aguilar

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

Ex-Officio / Non-Voting Member Absent

Vacant

City of Desert Hot Springs

DCE Staff and Consultants

Tom Kirk
Katie Barrows
Benjamin Druyon
Erica Felci
Don Dame
Jeff Fuller

DCE Consultant
The Energy Authority/TEA

3. PUBLIC COMMENTS

None.

4. **DISCUSSION / ACTION**

A. **Pre-Launch Review**

IT WAS MOVED BY COUNCILMEMBER KELLY, SECONDED BY COUNCILMEMBER MIDDLETON, TO ADOPT THE RESOLUTION TO DELAY LAUNCH, WITH THE ADDITION OF A CLAUSE STATING: DCE WILL CONTINUE ITS COMMITMENT TO COMMUNITY CHOICE AGGREGATION AND TO LAUNCHING WHEN CONDITIONS, SUCH AS EXIT FEES AND MARKET PRICES, ALLOW DCE TO MAXIMIZE BENEFITS TO ITS CUSTOMERS.

THE MOTION WAS UNANIMOUSLY CARRIED WITH 3 AYES

Councilmember Shelley Kaplan	AYE
Councilmember Kathleen Kelly	AYE
Councilmember Lisa Middleton	AYE

5. **ADJOURNMENT**

The meeting adjourned at approximately 2:45 pm.

Respectfully submitted,

Benjamin Druyon

Benjamin Druyon
Management Analyst

ITEM 5A



DESERT COMMUNITY ENERGY

Special Board Meeting Minutes

August 15, 2018

1. CALL TO ORDER

The meeting of the Desert Community Energy Board was called to order by Chair Kaplan at 11:17 a.m. on August 15, 2018.

2. ROLL CALL

Roll call was taken and a quorum was present.

Members Present

Councilmember Shelley Kaplan, Chair
Councilmember Sabby Jonathan (by phone)
Councilmember Geoff Kors

Agency

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

Others Present

Kim Floyd
Ryan Stendell

Palm Desert Resident
City of Palm Desert

Ex-Officio / Non-Voting Member Absent

Vacant

City of Desert Hot Springs

DCE Staff and Consultants

Tom Kirk
Katie Barrows
Benjamin Druyon
Erica Felci
Don Dame (by phone)
Jeff Fuller (by phone)

DCE Consultant
The Energy Authority/TEA

3. PUBLIC COMMENTS

Kim Floyd commented on a recent story in the Desert Sun newspaper and a letter he wrote complimenting the Board on its responsible decision to postpone launch.

4. DISCUSSION / ACTION

A. Discussion of DCE Launch Delay

Tom Kirk briefly summarized the result of the last board meeting. Don Dame presented an update on current market conditions. Vice Chair Jonathan asked for an explanation of why gas prices affect electricity prices; he also asked why SCE can propose to lower prices if we are all affected by gas prices. Councilman Kors asked about the impact of the Resource Adequacy commitment if DCE should move forward. Tom asked consultant Jeff Fuller for clarification on the financial impacts if DCE were to plan to launch in 2019 and have to delay again.

The Board gave direction to staff to delay the launch of the DCE Community Choice Energy program until 2020.

5. ADJOURNMENT

The meeting adjourned at approximately 12:05 pm.

Respectfully submitted,

Benjamin Druyon

Benjamin Druyon
Management Analyst

ITEM 5B



DESERT COMMUNITY ENERGY

Board Meeting
November 19, 2018

Staff Report

Subject: LEAN Energy US Contract Amendment

Contact: Benjamin Druyon, Management Analyst (bdruyon@cvag.org)

Recommendation: Approve Amendment #1 to LEAN Energy US Services Contract which will:

- 1) Authorize the Executive Director to shift the not to exceed amounts for LEAN, Green Ideals, and BurkeRix consistent with program needs budget; and
- 2) Extend the contract expiration date to December 31, 2020, due to the launch delay.

Background: LEAN Energy US was selected as a consultant for DCE effective January 1, 2018. LEAN contracted with Green Ideals and BurkeRix to perform a number of outreach and communications tasks described in the Service Contract and Scope of Work (Exhibit A). In the Scope of Work, a not to exceed amount was established for each firm, based on the estimated time and materials for them to complete their respective tasks. The proposed Amendment #1 would provide flexibility in the allocation of funds to LEAN and subconsultants Green Ideals and BurkeRix, as the options for DCE launch are considered and outreach needs refined.

When the decision was made to delay the DCE launch, staff requested that Green Ideals perform additional work to help us inform customers about the delay and the reasons for it. They completed an update to the website and created a new mailer to inform residents of the sudden change in launch date. At that point, Green Ideals had completed all of the tasks described in their Scope of Work and had nearly reached their not to exceed amount. Completion of these additional tasks put Green Ideals over their not to exceed amount by \$2,393.75. Since their contract amount was exceeded an amendment is necessary to allow payment of this amount.

Once the plans for DCE launch are confirmed and finalized, we will need to update our plan for outreach. Depending on these outreach needs, the extent to which we will need the service of LEAN, Green Ideals, and BurkeRix may change. Most of the pre-launch outreach tasks were completed by Green Ideals and BurkeRix prior to the decision to delay. In order to provide flexibility as future outreach plans are shaped, staff requests that the Board authorize the Executive Director to allocate funds under the LEAN contract appropriately. Staff is requesting approval of Amendment #1 to the LEAN Services Contract which will: 1) authorize the Executive Director to shift the not to exceed amounts for LEAN, Green Ideals, and BurkeRix consistent with program needs; and 2) extend the contract expiration date to December 31, 2020.

Fiscal Analysis. There is no additional fiscal impact as the contract amount was in the Fiscal Year 2018/2019 budget approved by the Board in June 2018. The total amount of the contract was approved at \$383,675, with not to exceed amounts of \$85,000 for LEAN, \$85,375 for Green Ideals, and \$213,300 for Burke Rix. To date, \$209,078.60 has been expended, with \$174,596.40 remaining on the total contract.

Attachment:

1. Amendment #1 to LEAN Energy US contract

DESERT COMMUNITY ENERGY
AMENDMENT #1
to
SERVICES CONTRACT BETWEEN
DESERT COMMUNITY ENERGY AND
LEAN ENERGY US

The Services Contract (the "Agreement") dated January 1, 2018 by and between Desert Community Energy (DCE) and LEAN Energy US (LEAN) is amended as follows:

1. On page 1 of said Agreement under section 1. "Term" reads as follows:
This Agreement shall commence on January 1, 2018 and shall remain and continue in effect until tasks described herein are completed, but in no event later than December 31, 2019, unless sooner terminated or extended pursuant to the provisions of this Agreement.

This Amendment #1 will extend the agreement and will read as follows:
This Agreement shall commence on January 1, 2018 and shall remain and continue in effect until tasks described herein are completed, but in no event later than December 31, 2020, unless sooner terminated or extended pursuant to the provisions of this Agreement.

2. Section 2 of the Scope of Services, Compensation and Expenses (Exhibit A) is amended to authorize the Executive Director to adjust the not to exceed amounts for LEAN, Green Ideals, and BurkeRix consistent with DCE program implementation needs.
3. All other terms and conditions shall remain the same as stated in the original Agreement.

Shelley Kaplan
Chair

Tom Kirk
Executive Director

Exhibit A
Scope of Services, Compensation and Expenses
LEAN Energy US

LEAN Energy US (LEAN) and Desert Community Energy (DCE) agree that the following terms and conditions constitute Exhibit A of DCE's contract for LEAN Services which includes sub-consultant services in the areas of marketing and regulatory support.

Section 1. Scope of Services.

Section 1.1 Program Implementation Services

LEAN will work with staff from Coachella Valley Association of Governments (CVAG) and other service vendors to provide program advisory services, administrative and logistical support for the organizational start-up of Desert Clean Energy (DCE). Tasks under this scope area include but are not limited to:

- Review JPA Agreement, recommend amendments, and provide support for governance issues that may arise
- Update and track project implementation timeline to ensure all project partners are completing their various tasks within identified timeframes
- Support local government outreach and information requests as needed
- Work with staff and Board to define program goals and objectives
- Support interview and selection process of local marketing/communications firm
- Manage marketing subcontracts
- Draft relevant DCE policies to guide operations and program administration
- Serve as a CCA information resource for DCE, working with CVAG staff and the DCE Board, responding to questions and research tasks as needed
- Review and assist with submission of DCE implementation Plan
- Assist staff with completion of utility forms including service agreement, et al
- Work with DCE staff on budget and staffing plan, including preparation and posting of job descriptions and hiring process
- Support solicitation and selection of bank/credit partner(s)
- Participate in weekly team calls and planning meetings as requested
- Handle any requests or tasks as may be required by Client during DCE start up and launch phase.

Section 1.2 Regulatory and Legislative Support

LEAN will collaborate with Cal-CCA, the statewide CCA trade association and engage, as approved by Client, the services of Braun Blasing Smith and Wynne, PC, to provide regulatory monitoring and support to DCE. Tasks under this scope area may include but are not limited to:

- Regulatory tracking of key regulatory proceedings before the California Public Utilities Commission (CPUC).
- E-mails, phone calls, and action alerts to DCE staff regarding priority issues and recommended actions on regulatory actions or bill(s) before the CA legislature.
- Respond to regulatory or legislative questions/research as requested by Client.

Section 1.3 Marketing and Communications

LEAN will engage the services of Burke Rix Communications and Green Ideals to provide marketing, branding, communications, collateral and web design, community outreach and customer noticing, as detailed in the attached Scopes of Services for Burke Rix and Green Ideals. Tasks under this scope area include, but are not limited to:

- Finalize communications and outreach strategies and identify specific task lists and budget(s)
- Design DCE logo, product branding and program style guide
- Email and social media design and content
- Website content and design
- Video content and design
- Core messaging and content development for program collateral and customer notifications
- Content development and execution of public outreach/paid and earned media campaign
- Manage and implement customer noticing and mailing process, requirements and timelines
- Development of ongoing/post-launch media and communications strategy

Section 2. Compensation for Services.

Section 2.1 DCE shall pay LEAN Energy the following amount as fees (“Service Fees”) for the Services provided in Exhibit A, as follows:

- Costs for services provided by LEAN Energy US shall be billed on a time and materials basis and shall not exceed \$85,000, inclusive of a 5% sub contract management fee, during the initial term of this Contract. 2018/2019 Hourly rates are as follows:
 - Executive Director - \$186 per hour.
 - Administrative Assistant – \$60 per hour.
- Pre-authorized, regulatory services provided by BBSW shall be billed on a time and materials basis at the following 2018 rates:
 - Senior Partner - \$405 per hour.
 - Junior Partner - \$335 per hour.
 - Senior Associates - \$295 per hour.
 - Junior Associates - \$265 per hour.
- Costs for services provided by Green Ideals shall be billed on a time and materials basis and shall not exceed a total of \$85,375 during the initial term of this Contract. 2018/2019 hourly rates are as follows:
 - Principal, Communication Strategist, Project Director - \$175 per hour
 - Design Director – \$150 per hour
 - Website Development Director – \$125 per hour
- Costs for services provided by Burke Rix shall be billed on a time and materials basis and shall not exceed \$213,300 during the initial term of this Contract. 2018/2019 hourly rates are as follows:
 - Senior Partner- \$185 per hour
 - Senior Associate - \$145 per hour

- Associate - \$110 per hour
- Photography - \$100 per hour
- Design sub consultant - \$125 per hour
- Videographer sub consultant - \$150.00 per hour

Section 2.2 For Compensation under this Section, LEAN, BBSW, Green Ideals, and Burke Rix shall each shall provide an itemized invoice which reflects the amount due and a description of the services performed on a monthly basis, unless the parties agree upon a different billing period or terms.

Section 2.3 Budget estimates in Exhibit A do not include direct costs associated with paid advertising and media buys, printing or mail-house/postage costs. Those expenses will be direct billed to DCE.

Section 3. Pricing Assumptions.

The Service Fees defined in Section 2 of Exhibit A include only the services and items expressly set forth in Exhibit A. Unless otherwise agreed to by the Parties in an amendment to the Contract or this Exhibit A, the cost of any additional deliverables provided by LEAN, BBSW, Green Ideals or Burke Rix for CCA services shall be billed at the labor rates outlined above, inclusive of agreed-upon CPI or percentage increase for work beyond 2018, plus out-of-pocket costs incurred by LEAN and its subcontracts (without mark-up), provided, however, that such additional deliverables must be authorized in writing by DCE.

Section 4. Expenses and Reimbursement.

Reasonable, actual out-of-pocket expenses for travel and participation in on-site meetings, authorized by DCE, will be reimbursed in addition to the compensation outlined in this Exhibit A. Travel costs such as airfare, hotel, ground transportation, per diem or meals (hereinafter, "Expenses") will be billed in the amount incurred by LEAN for actual out-of-pocket cost, without any additional mark-up. Any Expenses incurred shall be billed for the month in which the Expenses are incurred. Air travel will be purchased at coach class fares, with advance purchase discounted tickets used when scheduling permits. Expense reports detailing all Expenses, along with receipts, will be presented to DCE for reimbursement.

Section 5. Amendment.

This Exhibit A may only be amended by an instrument in writing signed by each Party's authorized representative.

ITEM 5C



DESERT COMMUNITY ENERGY

**Board Meeting
November 19, 2018**

Subject: Amendment to Cost-sharing Agreement between CVAG, Western Riverside Council of Governments and Los Angeles Community Choice Energy for legal services related to regulatory issues associated with community choice aggregation programs.

Contact: Katie Barrows, Director of Environmental Resources (kbarrows@cvaq.org)

Recommendation: Approve Amendment #2 to the cost-sharing agreement with Western Riverside Council of Governments for CCA-related legal services to:

- 1) Remove Los Angeles Community Choice Energy (now Clean Power Alliance);
- 2) Transfer the agreement from Coachella Valley Association of Governments to Desert Community Energy; and
- 3) Increase the DCE share of the costs for a not to exceed amount of \$60,000.

Background: In order to provide cost efficiencies, agreements were developed for cost-sharing of legal services for the regulatory matters related to Community Choice Aggregation with Western Riverside Council of Governments (WRCOG) and Los Angeles Community Choice Energy (LACCE/CPA). These agreements were approved by the DCE Board in October 2017 and by the CVAG Executive Committee in December 2017 for work on the PCIA and related matters, for CVAG's share of up to \$20,000 for each agreement. In June 2018, the DCE Board and CVAG approved Amendment #1 to the Agreement, increasing the total budget to \$130,000 and CVAG's share of this amount to \$43,333. WRCOG handles the administrative aspects of this agreement.

The proposed Amendment #2 would remove LACCE/CPA from the agreement at their request. It transfers the agreement from CVAG to DCE. WRCOG will also transfer their interest to Western Community Energy (WCE), their CCA program which is expected to launch in 2020. Finally, this amendment increases the amount allocated for CVAG's share of legal services related to CCA regulatory matters, including the PCIA by \$60,000.

Staff recommends the DCE Board approve the staff recommendation, to approve the Amendment #2 to the cost-sharing agreement for legal services between Desert Community Energy and Western Community Energy. The legal services are provided by Best Best & Krieger.

Fiscal Analysis: As of October 1, 2018, the DCE share of legal costs is \$58,747.60 for the period from October 2017 to September 30, 2018. This includes invoices paid by CVAG in the amount of \$45,718.16 and invoices due to WRCOG/WCE by DCE in the amount of \$13,029.44. Payment of this \$13,029.44 will leave \$46,970.56 of the requested increase. It is anticipated that legal expenses will be lower than they were for 2017/2018.

Invoices from WRCOG indicate whether costs are shared among the three parties or are billed specifically to one of the parties. Costs shared by the three parties are split evenly three ways, then agency specific charges are added. With the removal of LACCE/CPA, shared costs will be

split between DCE and WCE. Costs associated with this contract paid by CVAG will be reimbursed by DCE and are included in Desert Community Energy's FY 2018/2019 budget.

Attachments:

1. Amendment #2 to Cost Sharing Agreement for legal consulting services between DCE and WCE.

Contract Finalization: The Executive Director and/or legal counsel are authorized to make non-substantive changes or revisions to the agreement as necessary to address minor issues.

**AMENDMENT #2
TO COST SHARING AGREEMENT
FOR LEGAL SERVICES**

THIS SECOND AMENDMENT TO THE LEGAL SERVICES COST-SHARING AGREEMENT (“**Amendment**”) is made as of _____, 2018 (“**Effective Date**”), by and between the WESTERN COMMUNITY ENERGY (“**WCE**”), a California joint powers authority, and DESERT COMMUNITY ENERGY (“**DCE**”), a California joint powers authority.

RECITALS

A. Western Riverside Council of Governments (WRCOG), Coachella Valley Association of Governments (CVAG) and Los Angeles Community Choice Energy (LACCE/Clean Power Alliance) have previously entered into that certain agreement entitled *Cost Sharing Agreement for Legal Services*, dated November 1, 2017, agreeing to share certain costs for legal services with respect to regulatory issues associated with the respective development and implementation of their community choice aggregation programs.

B. The Parties are affected by and are parties to several California Public Utilities Commission proceedings that have a direct impact on the launch of their programs, and they desire to increase the budget for legal services.

AGREEMENT

NOW, THEREFORE, the Parties hereby agree as follows:

1. Change in Parties. The Parties agree to remove Los Angeles Community Choice Energy/Clean Power Alliance from this Agreement and transfer the Agreement from CVAG to DCE and from WRCOG to WCE.
2. Shared Costs. The Parties hereby agree to increase the budget for legal counsel by \$120,000, including the share for DCE at \$60,000.
3. Capitalized Terms. Any capitalized terms not defined herein shall have the meanings set forth in the Agreement.
4. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.
5. Full Force. Except as expressly set forth herein, the Agreement shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

WESTERN COMMUNITY ENERGY

Approved By:

Rick Bishop, Executive Director

Date

Approved As To Form:

General Counsel

DESERT COMMUNITY ENERGY

Approved By:

Tom Kirk, Executive Director

Date

Approved As To Form:

General Counsel

ITEM 6A



DESERT COMMUNITY ENERGY

**Board Meeting
November 19, 2018**

Staff Report

Subject: DCE Power Liquidation and Account Settlement

Contact: Tom Kirk (tkirk@cvag.org)

Recommendation: Review summary DCE power liquidation and account settlement.

Background: As part of the action at the July 25 Special Meeting to delay the launch of Desert Community Energy (DCE), the Board authorized the Executive Director, in consultation with The Energy Authority (TEA), to liquidate DCE hedge positions as appropriate. The total notional amount of all power procured on DCE's behalf was \$24 million. All power procured for 2018 was sold by TEA in late July/early August resulting in a net amount of \$6,394,148.75, including the sale of renewable and carbon free energy. The complete settlement of these transactions will take some time before the net residual funds will be transferred to DCE. To date \$4,193,918.75 has been transferred by TEA to DCE's account. TEA anticipates settling the remainder of the proceeds to DCE, by the end of the year. The following summary and Table 1 provide staff's best estimate of DCE accrued obligations as of November 1, 2018. These obligations were included in the DCE budget for Fiscal Year 2018/2019, approved at the June 2018 meeting.

The approved budget included funds advanced to DCE by CVAG, TEA and Calpine prior to service commencement, with the intent that these obligations would be repaid over time from DCE revenue streams. The net funds from power liquidation are available to repay outstanding obligations. Table 1 summarizes estimated expenses incurred by DCE to date. Actual repayments will be adjusted based on final invoices from CVAG and Calpine. Staff is also working with TEA and Calpine to identify any necessary contract changes to address the delayed launch and ongoing vendor activities. These contract changes will be brought before the Board at a future meeting.

The obligations due to The Energy Authority are listed under Item A in Table 1. These include \$500,000 minimum requirements posting with the California Independent System Operator (CAISO). This amount was repaid to TEA in September 2018. The \$500,000 deposit will remain with CAISO for the interim period before our potential 2020 launch. Other costs payable to TEA include the preparation of the Integrated Resource Plan (IRP), and operational service fees associated with power procurement activity and fees for pre-launch services. The \$354,000 fee shown in Table 1 is equivalent to two months of Operational Service Fees under the agreement with TEA. As noted in Table 1, DCE has repaid all outstanding obligations due to TEA as of November 1, 2018.

Table 1. Estimated accrued obligations for DCE Implementation/Operations.

DCE ACCRUED OBLIGATIONS (estimated as of November 1, 2018)		
Description	Amount	Notes
A. The Energy Authority (TEA)		
1. CAISO Deposit	\$ 500,000.00	Refunded to TEA (10/2018) but deposit remains with CAISO
2. Pre-launch Services (11/2017 – 12/2018)	--	Included in A.4
3. Integrated Resource Plan	\$ 40,533.25	Prepare IRP; TEA paid (10/2018)
4. Pre-Launch and Operational Fees (11/2017 – 12/2018)	\$ 354,000.00	Core and Power/Credit services (task orders 1 and 2); TEA paid (11/2018)
<i>Amount repaid to TEA as of 11/1/2018</i>	\$ 894,533.25	
B. Calpine Energy Solutions		
1. CPUC Bond	\$ 100,000.00	DCE registration
2. Calpine - Outreach, website, enrollment notice printing/mailing	\$ 323,523.80 (interest to date \$ 5,950.93)	Amount of loan (+ 5% interest per annum)
<i>Calpine Subtotal</i>	\$ 429,474.73	
C. Coachella Valley Association of Governments (CVAG)		
1. CVAG Implem/Mgmt Services (2016-2018)	\$ 225,000.00	Salary/benefits, legal, admin expenses (<i>estimate</i>)
2. Don Dame Contract	\$ 41,654.87	Implem/operations
3. Legal Cost Share – WRCOG	\$ 45,718.16	PCIA, regulatory work by BB&K
4. Technical Cost Share – Clean Power Alliance	\$ 19,670.00	PCIA, technical analysis
5. EES Consulting –technical analyses	\$ 6,808.35	Feasibility study
6. Other – membership dues	\$ 1,500.00	CalCCA
<i>CVAG Subtotal</i>	\$ 340,351.38	
D. Southern California Edison		
1. SCE – enrollment process	\$ 10,322.90	Enrollment fees
Total Estimated Outstanding DCE Obligations	\$ 1,674,682.26	

Table 2. Estimated proceeds from DCE power liquidation.

2018 power hedges – Net from Remarketing	\$ 6,394,148.75	
Less CAISO Grid Management Charges	\$ 14,392.00	Monthly thru 2018
Net from Power Liquidation	\$ 6,379,756.75	
Total DCE Obligation	\$ 1,674,682.26	
Residual from Power Liquidation	\$ 4,705,074.49	

The agreement between DCE and Calpine Energy Solutions provided for a start-up loan of up to \$500,000 incurring 5% APR interest. These Calpine funds have been used to pay LEAN Energy US, including subcontracts with our outreach team to develop the website, outreach materials, and enrollment notices. Calpine related funds were also used to pay printing and mailing costs for enrollment notices and other communications with DCE customers. Funds were requested from Calpine on an as needed basis. The estimated amount due to Calpine is \$323,523.80, plus an estimate of the 5% interest, which may change based on the repayment date. We expect to receive an invoice from Calpine this month so that DCE can pay the final amount due on this loan. Calpine also provided the \$100,000 bond deposited with the CPUC which is required for all operational Community Choice Energy programs. DCE will provide the bond funds to the CPUC and the \$100,000 bond will be returned to Calpine per the terms of our agreement. The bond amount needs to remain on deposit with the CPUC to maintain DCE's CCA status.

CVAG has also provided support for the start-up of Desert Community Energy, summarized under Item C in Table 1. CVAG expenditures include a share of the cost of the original 2016 CCA feasibility study, contract with energy consultant Don Dame, as well as CVAG staff time, legal support, and administrative expenses (share of office costs). Payments made to Western Riverside Council of Governments (WRCOG) and Clean Power Alliance (Los Angeles/Ventura Counties, cities) will be repaid to CVAG consistent with contracts approved by the DCE Board and CVAG Executive Committee. These expenses include cost-sharing agreements for legal and technical services related to the PCIA and other regulatory matters. The repayment amount to CVAG will include interest at CVAG's current investment rate of return; average returns are less than 1%. CVAG expects to invoice DCE for the Fiscal Year 2017/2018 expenses by the end of 2018.

Southern California Edison will also be issuing an invoice to DCE for the enrollment fees related to the first two notices sent to DCE customers prior to August 1. The SCE fees are from its standard fee schedule for CCAs and are based on the number of accounts.

Table 2 provides an estimate of the proceeds from DCE power liquidation. It also indicates the estimated residual from power liquidation pending repayment of obligations.

This summary is provided for your information and reflects the current best estimate of DCE obligations as of November 1, 2018. There may be adjustments to the obligations identified in Table 1. As noted, staff is working with Calpine and TEA to determine any necessary changes to our services agreements and any contract changes will be brought back to the Board for approval.

Fiscal Analysis. The estimated payments to satisfy these obligations are consistent with approved contracts and the DCE approved budget for FY 2018/2019 and as such, do not require

additional authorization from the Board. Staff will provide regular updates on the status of power supply liquidation and settlement of these accounts at future board meetings.

ITEM 6B



DESERT COMMUNITY ENERGY

**Board Meeting
November 19, 2018**

Staff Report

Subject: Power Charge Indifference Adjustment: Impact to DCE

Contact: Katie Barrows (kbarrows@cvaq.org)

Recommendation: Information only

Background: In June of 2017, the California Public Utilities Commission initiated a proceeding to “Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment.” The Power Charge Indifference Adjustment (PCIA) is the exit fee, also referred to as a “departing load charge,” which is charged to CCA customers and other customers to allocate the costs of power purchased on their behalf prior to their departure from their current utility. The PCIA would be included in the charges to DCE customers on their SCE bill. The CPUC proceeding has involved workshops, data provided by the IOUs, and comment letters submitted from all sides of the issue.

At their October 11, 2018 meeting, the CPUC voted unanimously to implement the Alternative Proposed Decision (APD). At the time the decision was made, CalCCA released a statement expressing concern that the CPUC decision will result in a sharp increase in PCIA rates for CCA customers. CalCCA also expressed concerns about the ability for new CCAs to launch, and for CCAs to accelerate efforts to reduce carbon emissions, promote renewable energy and better tailor electric service to meet the needs of local communities. At a minimum, the CPUC decision on the PCIA substantially reduces the ability of CCAs, including DCE, to provide rate benefits to its customers.

The Energy Authority will provide an oral update on the impacts of the changes to the PCIA to DCE, including an updated financial pro forma. Jeff Fuller will join the meeting by phone to present this update and answer questions. In addition, we will review the impacts of a current CPUC proceeding regarding SCE’s Energy Resource Recovery Account (ERRA) in which SCE is requesting approval of additional costs to be included in its 2019 retail rates and also as input to the PCIA calculation. The CPUC held a November 8 workshop regarding the ERRA proceeding (A.18-05-003) and data have just become available to complete the analysis. TEA will be including estimated ERRA impacts in its updated pro forma discussion at the meeting. The outcome of the ERRA proceeding will also have implications for DCE.

Fiscal Analysis. To be presented at meeting.

ITEM 6C



DESERT COMMUNITY ENERGY

**Board Meeting
November 19, 2018**

Staff Report

Subject: Desert Community Energy Launch Schedule Considerations

Contact: Don Dame, Energy Consultant
Katie Barrows, Director of Environmental Resources (kbarrows@cvag.org)

Recommendations: No formal Board action is requested at this time. In preparation for a possible early 2020 Community Choice Aggregation (CCA) program start, however, staff requests Board direction on the following activities as further discussed in this staff report:

1. Continue to monitor regulatory and power market conditions, PCIA impacts, SCE's 2019 rate schedules, and periodically re-run the DCE pro forma business model to assess projected DCE CCA program economics (TEA to provide current update today);
2. Remain active with CalCCA and other similarly situated parties to review, evaluate, and interface as necessary on CCA related regulatory and legislative matters;
3. Prepare a detailed outline and timeline of necessary actions, responsibilities and costs associated with an early 2020 DCE program start;
4. Examine credit requirements and possible funding sources ancillary to an early 2020 DCE program launch;
5. Investigate the estimated timeline and cost to undertake a survey within the DCE service area to better understand local consumer perspectives on electricity pricing, environmentally responsible power supply, and local power decision making;
6. Explore the potential benefits and burdens of DCE implementing a CCA program via affiliation with Clean Power Alliance (CPA) or some other existing CCA organization;
7. Explore other locally beneficial energy activities DCE might undertake in the event future power supply, regulatory and or economic conditions erode the business case for establishing a local CCA; and
8. Other activities as directed by the Board.

Background: DCE had undertaken all preparatory steps to launch its Community Choice Aggregation program commencing August 1, 2018. Primarily due to significant and unexpected power and natural gas market volatility occurring during July 2018 (but also noting pending revisions to the PCIA calculation and SCE rates), DCE conducted a special Board meeting on July 25, 2018 to review the efficacy of CCA program commencement given the Board's stated objective of offering customers rate savings and the increasingly uncertain forecast of DCE's economic results. After substantial consideration, the Board unanimously acted to delay program start. At a special meeting on August 15, the Board gave direction to staff to delay the launch of the DCE Community Choice Energy program until 2020.

DCE service vendors have liquidated forward market purchases associated with program start and after compensating outstanding financial obligations, DCE should have a positive capital balance of about \$4 million. The delay of the DCE Community Choice Aggregation program avoided potentially negative near-term economic outcomes and left DCE in a positive cash position. The DCE Board must now consider how, when and if it should reformulate its CCA program implementation schedule or consider other alternatives.

Recent Events:

On October 11, 2018 the CPUC unanimously voted to implement the Alternative Proposed Decision (APD) regarding the Power Charge Indifference Adjustment (PCIA), as described in item 6A. While the full implementation details and cost impact of this decision have yet to be defined, the approved revisions suggest essential parity of power supply costs for CCAs and incumbent IOUs. And although CCA power supply costs should be competitive with IOU costs over the longer-term, this change substantially diminishes a CCA's ability to provide rate benefits to its customers.

Additional information will be provided to the Board at the November 19 meeting under item 6A, regarding the impacts of the changes to the PCIA and Southern California Edison's Energy Resource Recovery Account (ERRA).

DCE CCA Rationale:

There are multiple reasons why a community might establish and support a CCA. The DCE Board has previously indicated a primary DCE objective is to provide electric power at discount to SCE. The recent PCIA decision effectively neutralizes this cost reduction objective but other CCA considerations include enhanced green power utilization/environmental responsibility and greater local energy control and focus. If the Board were to shift its emphasis to the latter concerns or other objectives, establishing a CCA may remain appropriate and beneficial even at cost parity with SCE.

Summary: The DCE Board is in the process of reviewing how, when and if it should proceed with establishing a CCA for its service area. If DCE were to conclude that there is insufficient economic or environmental justification to establish a new and separate CCA, the Board may want to consider affiliating with another operational CCA and or utilize its positive cash balance to undertake other local energy related activities for its constituency. Whatever path DCE Board members elect to travel, a firm decision will likely be needed by March 2019.

Staff recommends the Board direct staff to timely investigate and evaluate items 1 – 7 enumerated in the first section of this staff report together with any other tasks identified at today's meeting, and for staff to report in more detail on these matters at the next Board meeting. The overall focus is to provide ample analysis and information for the Board, by the end of March 2019, to affirm a 2020 DCE CCA program start or to take other actions deemed appropriate. Staff will also provide an overview of an estimated schedule for decisions and actions for a 2020 launch.

ITEM 7.1

**Desert Community Energy
Attendance Roster
2018**

Jurisdictions											
Voting Members	Jan	Feb	Mar	April	May	June	July	Aug	Nov	Dec	
Cathedral City	X	X	X	X	X	X	X	X			
Palm Desert	X	X	X	X	X	X	X	X			
Palm Springs	X	X	X	X	X	X	X	X			

Ex Officio Member											
Desert Hot Springs											

(X)	Voting member present
	Ex Officio member - vacant
(A)	Absent

ITEM 7.2



DESERT COMMUNITY ENERGY

Board Meeting
November 19, 2018

Staff Report

Subject: Report on CalCCA Annual Meeting

Contact: Katie Barrows (kbarrows@cvaq.org)

Recommendation: Information only

Background: The California Community Choice Association (CalCCA) held their annual meeting on September 5 and 6 at the Asilomar Conference Center in Pacific Grove, near Monterey. The annual meeting is a gathering of representatives of existing and future Community Choice Aggregation agencies, CCA vendors, advocacy groups, energy-related state agencies, and CCA partners. This year's meeting focused on the Power of Partnerships, including positive and innovative examples of the programs/projects being pursued by CCAs throughout the state.

Here's a brief summary of the highlights:

- Breaking Down the PCIA: What Does it Mean for Your CCA? A summary of the Proposed Decision and Alternate Proposed Decision. Lots of discussion about impacts to CCAs. Concerns that alternate decision will drive CCAs to more short-term power procurement.
- Designing Rates: Art or Science? including ways to design rates that are more understandable to customers, use rate setting as a tool to help customers control energy use, to influence customer behavior, incentivize demand for solar and other clean energy products.
- Partnerships Driving Innovation. Some great examples of programs and partnerships such as:
 - Redwood Coast Energy Authority developing microgrid at their airport; also public/private partnership for offshore wind project
 - Lancaster Clean Energy has a transportation electrification program focused on electric buses, in partnership with the Antelope Valley Transit Authority. Buses are manufactured in Lancaster. Also installed EV charging stations on street lights – very popular!
 - Sonoma Clean Power has a program to assist fire recovery victims to rebuild with more energy efficient homes, including cash incentives for above Title 24. Also electric vehicle incentives in partnership with local car dealerships = \$2,000 to \$4,000 customer incentive; resulted in increased sale of EVs.
- Affordable Reliability: Getting the Policy Right. Discussed the role of CCAs in promoting renewable energy, how to increase energy storage options and how CCAs can incentivize microgrids and storage.
- From Competition to Partnerships. How CCAs can collaborate with utilities, private partners. A lot of interest from private sector in collaboration with CCAs. Private partners noted benefits of CCAs as more flexible, nimble, putting community first.

The meeting provided some inspiring examples of great programs CCAs can offer to their communities. Despite the PCIA worries, the overall outlook for CCAs was positive and forward looking.