



DESERT COMMUNITY ENERGY BOARD AGENDA

**Wednesday, July 31, 2019
2:30 PM**

**Coachella Valley Association of Governments
73-710 Fred Waring Drive, Room 119
Palm Desert, CA
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** [P3](#)
3. **PUBLIC COMMENTS**

Any person wishing to address the Desert Community Energy Board on items not appearing on the agenda may do so at this time.
4. **BOARD MEMBER / DIRECTOR COMMENTS**
5. **CONSENT CALENDAR**
 - A. **Approve June 17, 2019 Meeting Minutes** [P4](#)
 - B. **Approve Amendment #2 to the Consulting Services Agreement Between DCE and Don Dame to Provide Implementation and Operations Support for Desert Community Energy, for an amount not to exceed \$50,000** [P7](#)
6. **DISCUSSION / ACTION**
 - A. **Amendment #2 to Joint Powers Agreement – Tom Kirk** [P9](#)

Recommendation: Approve Amendment #2 to the Joint Powers Agreement and authorize the Executive Director to proceed with actions necessary to effect this change

- B. Amendment to Resources Management Agreement with The Energy Authority** – Katie Barrows [P11](#)
Recommendation: Approve the attached revisions to the Resource Management Agreement between Desert Community Energy and The Energy Authority, and associated Task Orders 1 and 2, to provide CCA launch, implementation, wholesale power procurement, and operational services for a Community Choice Aggregation program.
- C. DCE Program Launch Plans** – Katie Barrows [P39](#)
Recommendation: (1) Prepare for launch of Desert Community Energy in Palm Springs in September 2020, including submittal of load forecast to the CPUC by August 16, 2019; and (2) Consider addition of municipal load for Cathedral City and Palm Desert to be included in August 2019 load forecast.
- D. Community Advisory Committee Update** – Benjamin Druyon [P42](#)
Recommendation: Information only
- E. CARE / FERA Program Update** – Benjamin Druyon [P43](#)
Recommendation: Information only
- F. DCE Pro Forma and Financial Model Scenario Analysis** [P44](#)
Recommendation: Information only
- 7. CLOSED SESSION**
Conference with Legal Counsel – Anticipated Litigation
Initiation of Litigation Pursuant to Government Code Section 54956.9(d)(4)
Number of Cases: One
Recommendation: Conduct closed session
- 8. INFORMATION**
- A. Attendance Record** [P45](#)
- B. Unaudited Balance Sheet & Financial Statement, April 2018 – June 2019** [P46](#)
- C. Transfer of Funds to Higher Interest Earning Account with River City Bank** [P48](#)
- 9. ANNOUNCEMENTS**
Next DCE Board Meeting: September 16, 2019 at 2:30 pm
- 10. ADJOURN**

ITEM 2A

**Desert Community Energy Board
Member Roster
2019-2020**



VOTING MEMBERS	
City of Cathedral City	Mayor Pro Tem John Aguilar <i>Alternate: Councilmember Raymond Gregory</i>
City of Palm Desert	Councilmember Sabby Jonathan, Chair <i>Alternate: Councilmember Kathleen Kelly</i>
City of Palm Springs	Mayor Pro Tem Geoff Kors, Vice Chair <i>Alternate: Councilmember Lisa Middleton</i>

NON-VOTING MEMBER	
City of Desert Hot Springs	Vacant

STAFF	
Tom Kirk, Executive Director	
Katie Barrows, Director of Energy & Environmental Resources	
Benjamin Druyon, Management Analyst	
Libby Carlson, Program Assistant	

ITEM 5A

Desert Community Energy Board Meeting Minutes June 17, 2019



1. CALL TO ORDER

The meeting of the DCE Board was called to order by Chair Jonathan at 2:30 pm.

2. ROLL CALL

Roll call was taken and a quorum was present.

Members Present

Mayor Pro Tem John Aguilar
Councilmember Sabby Jonathan, Chair
Mayor Pro Tem Geoff Kors, Vice Chair

Agency

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

Others

Ryan Stendell
Patrick Tallarico
Heather Vaikona
Jovanna Rosen
Alan Carvalito
Alan Solomon
John Pick
Kim Floyd
Revone Bauwens
Shelley Kaplan
David Freedman
Brad Anderson

City of Palm Desert
City of Palm Springs
Lift to Rise
Lift to Rise
Cathedral City Resident
Palm Desert Resident
Palm Desert Resident
Sierra Club/Palm Desert Resident
Palm Desert Resident
Cathedral City Resident
Palm Springs Resident

DCE Staff & Consultants

Tom Kirk
Benjamin Druyon
Eric Felci
Libby Carlson
Don Dame

DCE Consultant

3. PUBLIC COMMENTS - None.

4. BOARD MEMBER / DIRECTOR COMMENTS - None.

5. CONSENT CALENDAR

A. Approve April 15, 2019 DCE Board Meeting Minutes.

IT WAS MOVED BY MAYOR PRO TEM AGUILAR AND SECONDED BY VICE CHAIR KORS TO APPROVE THE APRIL 15, 2019 DCE BOARD MEETING MINUTES.

THE MOTION CARRIED UNANIMOUSLY.

Mayor Pro Tem John Aguilar	Aye
Councilmember Sabby Jonathan, Chair	Aye
Mayor Pro Tem Geoff Kors, Vice Chair	Aye

6. DISCUSSION / ACTION

- A. CARE / FERA Program Update** - Heather Vaikona and Jovanna Rosen, Lift to Rise, presented a proposal for outreach and engagement activities to increase participation in the CARE and FERA financial assistance programs.

Brad Anderson, member of the public, addressed the Board in opposition to the staff recommendation.

Kim Floyd, Sierra Club, addressed the Board in support of referring the item to the Community Advisory Committee.

IT WAS MOVED BY VICE CHAIR KORS AND SECONDED BY MAYOR PRO TEM AGUILAR TO AUTHORIZE THE EXECUTIVE DIRECTOR TO PREPARE AND ISSUE A REQUEST FOR PROPOSALS FOR OUTREACH AND ENGAGEMENT TO INCREASE PARTICIPATION IN CARE/FERA PROGRAMS IN CONSULTATION WITH THE DESERT COMMUNITY ENERGY COMMUNITY ADVISORY COMMITTEE.

THE MOTION CARRIED UNANIMOUSLY.

Mayor Pro Tem John Aguilar	Aye
Councilmember Sabby Jonathan, Chair	Aye
Mayor Pro Tem Geoff Kors, Vice Chair	Aye

- B. Community Advisory Committee Update** – Benjamin Druyon provided background on the purpose, formation, recruitment, and next steps for the Community Advisory Committee.

Kim Floyd, member of the public, addressed the Board in support of diverse Committee membership.

IT WAS MOVED BY VICE CHAIR KORS AND SECONDED BY MAYOR PRO TEM AGUILAR TO APPOINT THE RECOMMENDED CANDIDATES TO THE DESERT COMMUNITY ENERGY COMMUNITY ADVISORY COMMITTEE.

THE MOTION CARRIED UNANIMOUSLY.

Mayor Pro Tem John Aguilar	Aye
Councilmember Sabby Jonathan, Chair	Aye
Mayor Pro Tem Geoff Kors, Vice Chair	Aye

- C. Desert Community Energy Fiscal Year 2019/2020 Budget** – Don Dame presented the proposed FY19/20 Budget, noting that it may need to be revised if the anticipated program launch date changes.

IT WAS MOVED BY MAYOR PRO TEM AGUILAR AND SECONDED BY VICE CHAIR KORS TO APPROVE THE DESERT COMMUNITY ENERGY FY2019/2020 BUDGET.

THE MOTION CARRIED UNANIMOUSLY.

Mayor Pro Tem John Aguilar	Aye
Councilmember Sabby Jonathan, Chair	Aye
Mayor Pro Tem Geoff Kors, Vice Chair	Aye

- D. Proposed Amendment to the Joint Powers Agreement** – Chair Jonathan requested that the amendment be revised to clarify that revenues generated will be reduced by direct expenses. Tom Kirk stated that the revised proposed amendment will be re-noticed for 30 days.

IT WAS MOVED BY MAYOR PRO TEM AGUILAR AND SECONDED BY CHAIR JONATHAN TO APPROVE THE AMENDMENT TO THE JOINT POWERS AGREEMENT, AS REVISED, AND AUTHORIZE THE EXECUTIVE DIRECTOR TO PROCEED WITH ACTIONS NECESSARY TO EFFECT THIS CHANGE.

THE MOTION CARRIED UNANIMOUSLY.

Mayor Pro Tem John Aguilar	Aye
Councilmember Sabby Jonathan, Chair	Aye
Mayor Pro Tem Geoff Kors, Vice Chair	Aye

Items 8 and 9 were addressed before Item 7.

8. INFORMATION

The following items were submitted for information only:

A. Attendance Record

B. Unaudited Balance Sheet & Financial Statements, April 2018 – May 2019

9. ANNOUNCEMENTS

The next DCE Board meeting is scheduled for Monday, July 15, 2019, at 2:30 pm.

7. CLOSED SESSION

No reportable action. The Board gave direction to staff.

10. ADJOURN - The meeting adjourned at 4:07 pm.

Respectfully submitted,
Libby Carlson

Desert Community Energy Board
July 31, 2019



STAFF REPORT

Subject: Amendment to contract with Don Dame for operations support for the community choice aggregation program

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

Recommendation: Approve Amendment #2 to the Consulting Services Agreement between DCE and Don Dame to provide implementation and operations support for Desert Community Energy, for an amount not to exceed \$50,000.

Background: In April 2017, the CVAG Executive Committee approved a contract with independent consultant Don Dame for not to exceed \$40,000. The contract was transferred to from CVAG to DCE on February 15, 2019.

Mr. Dame is an energy consultant with considerable expertise on energy issues and CCAs. His assistance has been invaluable to CVAG and DCE; he has assisted staff at every step of the process and most recently has prepared the DCE budget. Because of the technical nature of community choice issues and the need for technical assistance and expertise, staff would like to continue the contract with Mr. Dame.

The request is to approved Amendment #2 with Mr. Dame for a not to exceed amount of \$50,000.

Fiscal Impact: The original contract is for \$40,000. An additional \$30,000 was added on June 25, 2018 with Amendment #1, bringing the total contract amount to \$70,000. Since inception to June 6, 2019, Don Dame has been paid a total of \$65,416.84. Mr. Dame bills DCE on a monthly basis for time, travel and direct expenses base on the Fee Schedule included in Exhibit B. DCE's FY19 budget was approved at DCE's June 2018 Board meeting and includes the cost of the proposed amendment.

Attachments:

1. Amendment #2 to Consulting Services Agreement between DCE and Don Dame

DESERT COMMUNITY ENERGY
CONSULTING SERVICES AGREEMENT
AMENDMENT #2
with
DON DAME

The Consulting Services Agreement (the "Contract") by and between Desert Community Energy (DCE) and Don Dame, Independent Consultant (Contractor), is amended, effective July 31, 2019, as follows:

- 1) The contract amount for fiscal year 2019/2020 is amended to add a not to exceed amount of \$50,000 for professional consulting services to Desert Community Energy as described in Exhibit A of the original contract, incorporated herein by reference.

- 2) All other terms and conditions shall remain the same as stated in the original Contract.

Don Dame
Consultant

Sabby Jonathan
Chair, Desert Community Energy

ITEM 6A

Desert Community Energy Board July 31, 2019



STAFF REPORT

Subject: Amendment #2 to Joint Powers Agreement

Contact: Tom Kirk, Executive Director (tkirk@cvag.org)

Recommendation: Approve Amendment #2 to the Joint Powers Agreement and authorize the Executive Director to proceed with actions necessary to effect this change.

Background: At the June 2019 Board meeting, the DCE Board supported the proposed amendments to the Joint Powers Agreement that have been under discussion since March. This discussion followed the notice circulated to member agencies on April 19, 2019. The Board reviewed the proposed addition of language in Section 5.3.5 to address direct expenses. While the Board indicated their approval on June 19, Section 7.5 of the Joint Powers Agreement requires that, "DCE shall provide written notice to all Parties of amendments to this Agreement, including the effective date of such amendments, at least 30 days prior to the date upon which the Board votes on such amendments." On June 26, a second notice (see Attachment 1) was circulated to DCE member agencies, incorporating the suggested addition of language to indicate that revenues generated by an Active Member will be reduced by direct expenses. Action on the proposed amendment needs to occur 30 days after the June 26 notice was distributed. The July 31 meeting satisfies this requirement.

The proposed amendment includes the addition of Sections 5.3.5 language as follows:

Section 5.3.5 Accrual of Revenues When Program Launch Dates Vary. In the event that the Authority procures energy for and begins servicing load to ratepayers of one or more Members ("Active Members") before doing so for other Members ("Pending Members"), it shall implement an accounting system that records revenues generated by the Active Members. The Members agree that revenues generated by the Active Member(s), reduced by direct expenses, as well as Authority procurement obligations shall accrue solely to the ratepayers in the Active Member(s)' jurisdiction(s). At such time as all Members become active, revenues going forward will be treated as one and tracked accordingly. Notwithstanding the provisions of Section 3.17.5, amendment or excision of this Section 5.3.5 shall require a unanimous vote of the Authority Board.

As described in the April 19 notice, in order to cross-reference the unanimous vote addition in Section 5.3.5, a new Section 3.17.5(c) is proposed as follows:

Section 3.17.5 (c) Unanimous Voting Requirement Relating to Section 5.3.5. A decision to amend or remove Section 5.3.5 shall require a unanimous vote of all Directors.

Staff recommends the Board Approve Amendment #2 to the Joint Powers Agreement. With Board approval, the amendments will be incorporated in the JPA.

Fiscal Analysis: No Impact

Attachment:

1. June 26, 2019 Notice of Proposed Change to the DCE Joint Powers Agreement



NOTICE

TO: Desert Community Energy Member Agencies
FROM: Tom Kirk, Executive Director
SUBJECT: Proposed Change to Joint Powers Agreement (Amendment #2)
DATE: June 26, 2019

This is a follow-up to the notice provided to your city on April 19, 2019 regarding a proposed change to the Joint Powers Agreement (JPA) for Desert Community Energy (DCE). Following circulation of the April 19 notice, the DCE Chair, Palm Desert Councilmember Sabby Jonathan, contacted DCE staff with additional comments from Palm Desert on the proposed changes described in the notice. The proposed change to the JPA involves allocation of revenues in the event that one or more DCE members decide to launch prior to other members. The comment by Palm Desert related to addressing not just revenues but also how expenses incurred by the Active Member(s) would be treated. Pursuant to the DCE Joint Powers Agreement, we are providing you with the required 30-day notice in advance of a decision by the DCE Board.

As stated in Section 7.5 of the JPA, any change to the Agreement requires a written amendment approved by a vote of Board members as provided in Section 3.17.5. The DCE Board discussed the proposed amendment and comments expressed by Palm Desert at their June 17, 2019 meeting. The Board directed that the language to address the allocation of expenses, shown in underlined text, be included in the proposed amendment as follows:

Section 5.3.5 Accrual of Revenues When Program Launch Dates Vary. In the event that the Authority procures energy for and begins servicing load to ratepayers of one or more Members ("Active Members") before doing so for other Members ("Pending Members"), it shall implement an accounting system that records revenues generated by the Active Members. The Members agree that revenues generated by the Active Member(s), reduced by direct expenses, as well as Authority procurement obligations shall accrue solely to the ratepayers in the Active Member(s)' jurisdiction(s). At such time as all Members become active, revenues going forward will be treated as one and tracked accordingly. Notwithstanding the provisions of Section 3.17.5, amendment or excision of this Section 5.3.5 shall require a unanimous vote of the Authority Board.

As described in the April 19 memo, in order to cross-reference the unanimous vote addition in Section 5.3.5, a new Section 3.17.5(c) is proposed as follows:

Section 3.17.5 (c) Unanimous Voting Requirement Relating to Section 5.3.5. A decision to amend or remove Section 5.3.5 shall require a unanimous vote of all Directors.

The Board will consider the proposed Amendment #2 adding Section 5.3.5 to the Joint Powers Agreement at their next regular meeting that is at least 30 days after the date of this notice, either Monday, August 19 or Monday, September 17, 2019. Given summer meeting schedules, it is possible that the August meeting date may be moved or cancelled. The DCE Joint Powers Agreement is available by clicking here: [Joint Powers Agreement](#).

Please feel free to contact me (tkirk@cvag.org) or Katie Barrows (kbarrows@cvag.org) if you have any questions.

Desert Community Energy Board
July 31, 2019



STAFF REPORT

Subject: **Amendment to Resources Management Agreement with The Energy Authority**

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

Recommendation: Approve the attached revisions to the Resource Management Agreement between Desert Community Energy (DCE) and The Energy Authority (TEA), and associated Task Orders 1 and 2, to provide CCA launch, implementation, wholesale power procurement, and operational services for a Community Choice Aggregation (CCA) program.

Background: In January 2018, the Board approved a Resources Management Agreement (RMA) and associated task orders with The Energy Authority (TEA). Since then, TEA has been a trusted member of the DCE team. TEA provides power procurement, scheduling coordination, rate setting and other services to DCE. They also provide their credit and contracts for the procurement of power. DCE is responsible to pay for the power costs, after DCE starts serving customers and have revenue.

The proposed amendments to the RMA mostly relate to updates which clarify tasks that TEA will perform for and in cooperation with DCE, adjust the billing rates, and update the amount of financial reserves DCE is expected to maintain under our agreement with TEA. Here is a brief summary of the changes:

1. Amendment to Resource Management Agreement between TEA and DCE (Attachment 1)
 - The RMA creates the overarching framework for services provided to DCE. It has been structured with individual task orders for specific services as outlined below.
 - This is the first amendment to the RMA. The only change is to Section 3.2 which adjusts the commencement of operational services by TEA, including power procurement. The change is from March 26, 2018 to January 1, 2020.
2. 2019 Amended and Restated Task Order 1 for Phase II Core Services (Attachment 2)
 - Task Order 1 addresses the scope of services required to prepare for DCE deployment up to and including program launch.
 - The changes to Task Order 1 are minor, mostly updates to some activities
 - The Implementation Plan description in Section 2.2.1 has been deleted as the listed items have been completed.
 - Changes to regulatory functions in Section 2.2.2 are updated to more accurately reflect DCE needs and remove completed tasks.
3. 2019 Amended and Restated Task Order 2 for Phase II Core Services (Attachment 3)
 - Task Order 2 addresses the scope of services for DCE program operations focused on power procurement and scheduling coordination.

- The changes to this Task Order are to update specifics of operations tasks performed by TEA.
- Changes to section 1.1 related to power purchases include updated language regarding purchase of Resources Adequacy (1.1.1)
- Changes to section 1.2 related to regulatory/legal compliance are to update descriptions of regulatory filings which TEA prepares for DCE (Ryan)
- Changes to sections 2.1 (2) and 2.2 (2) update the lock box and reserve account amounts and address delayed launch of Palm Desert and Cathedral City (Ryan)
- Other changes are updates, minor edits.

Staff recommends the DCE Board approve the proposed amendments to the Resources Management Agreement and associated Task Orders 1 and 2 with The Energy Authority. At the time the agenda packet was finalized, DCE legal counsel was still reviewing the documents. The agreements included in the agenda packet may require minor changes pending final review and consultation with legal counsel and TEA. Any changes to the Resource Management Agreement and task orders will be presented at the July 31 meeting. Staff also requests that the Executive Director be authorized to make changes in consultation with the Chair if necessary.

Fiscal Analysis: The funding for CCA operations will come from payment of utility bills by customers once the CCA launch occurs and DCE begins 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 DCE. The costs for The Energy Authority Services are included in the Fiscal Year 2019/2020 budget approved in June 2019. A detailed repayment plan for cumulated DCE expenditures incurred during the pre-launch through approximately 3 months post launch period has also been included in the FY 2019/2020 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. Amendment No. 1 to Resource Management Agreement between TEA and DCE
2. 2019 Amended and Restated Task Order 1 for Phase II Core Services
3. 2019 Amended and Restated Task Order 2 for Phase III Core Services.

**Amendment No. 1 to Resource Management Agreement
between The Energy Authority, Inc. and Desert Community Energy**

This Amendment No. 1 (the “Amendment No. 1”) dated the ____ day of July, 2019 (the “Effective Date”) is made to the Resource Management Agreement dated January 22, 2018 (the “RMA”) between **The Energy Authority, Inc.**, a Georgia non-profit corporation (“TEA”) and the **Desert Community Energy** (“DCE” or “CCA”), a California joint powers authority comprised of the Cities of Palm Springs, Palm Desert, and Cathedral City (the “CCA Members”). TEA and DCE are sometimes referred to herein individually as a “Party,” or collectively as the “Parties.” Capitalized terms found in this Amendment No. 1, and not defined herein, shall have the meaning assigned to such terms in the RMA.

Recitals

WHEREAS, the Parties have previously entered into the RMA; and

WHEREAS, the Parties desire to amend the RMA as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the Parties enter into this Amendment No. 1 with the following terms.

Terms and Conditions

Section 1. RMA Incorporated.

Except as modified by Section 2 of this Amendment No. 1, all other terms and conditions of the RMA shall remain in full force and effect, and are incorporated herein by reference as of the Effective Date of this Amendment No. 1.

Section 2. Amendment to the RMA.

Pursuant to this Amendment No. 1, Section 3.2 of the RMA (“**Term and Effective Date**”) is hereby amended by replacing Section 3.2 in its entirety with the following:

“3.2 The initial Task Orders 1, 2, and 3 executed by the Parties are effective on the same Effective Date as this Agreement. However, the provision of Operational Services under Task Order 2 by TEA shall not commence until the 1st day of January 2020 (the “Phase III Commencement Date”). The provision of Services pursuant to any additional Task Order or amendment thereof shall commence, and terminate, as provided in each respective Task Order or amendment.”

Section 3. Governing Law.

This Amendment No. 1 will be governed by and construed in accordance with the Governing Law as described in the provisions of the RMA.

Section 4. Counterparts and Amendment.

This Amendment No. 1 may be executed and delivered in counterparts, all of which taken together shall constitute one and the same instrument. This Amendment No. 1 may only be amended by an instrument in writing signed by each Party's authorized representative.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 1 to be executed by their duly authorized representative, effective as of the date and year first written above.

THE ENERGY AUTHORITY, INC.

DESERT COMMUNITY ENERGY

By: _____

Name: Joanie C. Teofilo

Title: President and CEO

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

2019 Amended and Restated Task Order 1 for Phase II Core Services

~~TEA and DCE agree that the following terms and conditions constitute~~ This 2019 Amended and Restated Task Order 1 for Phase II Core Services (“Task Order 1”)-) dated the ____ day of July, 2019 (the “Task Order 1 Effective Date”), is made and entered into by and between TEA and DCE. TEA and DCE are sometimes referred to herein individually as a “Party,” or collectively as the “Parties.”

Recitals

WHEREAS, on January 22, 2018, the Parties entered into that certain Task Order 1 (“2018 Task Order 1”); and

WHEREAS, the Parties desire to amend and restate the 2018 Task Order 1 in its entirety.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the Parties agree to amend and restate 2018 Task Order 1, as follows:

Terms and Conditions

Section 1. Scope of Services for Phase I (Program Development)

This section is reserved.

Section 2. Scope of Services for Phase II (Program Launch)

During Phase II, TEA shall provide to DCE certain implementation services (hereinafter, the “Launch Services”) on a time and materials basis. For purposes of this Task Order 1, the Launch Services offered by TEA are separated into and described in Section 2.1 (Phase II Support Tasks), Section 2.2 (DCE Implementation Plan and Regulatory Functions), Section 2.3 (CCA Organizational Infrastructure), Section 2.4 (Procurement and Vendor Engagement), and Section 2.5 (Rate Setting and Policies).

Section 2.1 Phase II Support Tasks

TEA will provide tasks to support early formation efforts and prepare for Phase III launch to include the following:

- Coordinate and refine, with DCE, Calpine Energy Solutions (“CES”) and ~~LEAN Energy (“LEAN”)~~ other consultants (hereinafter, the “Core Team”), a project timeline and detailed project plan for CCA formation and launch. This will include mapping all of the steps and timing of CCA formation through customer enrollment and into early operations.
- Assist DCE ~~and LEAN~~, as necessary, with review of DCE’s Joint Powers Agreement and suggested CCA-related policy additions to support long-term Program operations and governance. ~~This may include consideration of certain JPA subcommittees and policies specific to the CCA Program.~~
- Assist DCE ~~and LEAN~~, as necessary, with drafting reports and preparing analysis related to governance and community outreach; and participate in DCE Board and other community meetings to present results.
- ~~Implement weekly~~ Participate in calls and/or WebEx meetings with DCE ~~and~~ the Core Team and SCE, as necessary, to ensure all TEA tasks are assigned and major milestones are being met.

Section 2.2 DCE Implementation Plan and Regulatory Functions

2.2.1 DCE Implementation Plan.

The DCE Implementation Plan (the “Plan”) is a California Public Utilities Commission (“CPUC”) requirement that covers the main aspects of the CCA plan of operations. It must be certified by the CPUC (within 90 days of submission) before the CCA can begin serving customers. TEA, in coordination with the Core Team, will draft the Implementation Plan in accordance with all CPUC requirements and established best practices. The DCE Implementation Plan will include a description of the following:

- ~~Communities participating in the Program, as determined by the passage of the necessary CCA ordinance;~~
- ~~CCA’s organizational structure, including the Program’s operations and funding;~~
- ~~CCA’s rate setting or pricing strategy, and other costs to participants;~~
- ~~Disclosure and due process requirements in setting rates and allocating costs among participants;~~
- ~~General description of CCA service offerings, including default supply product, voluntary green pricing option(s), and others, if applicable;~~
- ~~Identification of customer programs that will likely be developed, including net metering, feed-in tariffs, demand response, energy storage, or others;~~
- ~~Description of CCA organizational structure;~~
- ~~Methods for entering and terminating agreements with other entities;~~
- ~~Participant rights and responsibilities;~~
- ~~Procedure for termination of the Program; and~~
- ~~Description of third parties that will be supplying electricity under the Program, including information about financial, technical, and operational capabilities.~~

TEA will assist DCE, as necessary, with preparing an update to DCE’s Implementation Plan.

2.2.2 DCE Regulatory Functions.

The Parties agrees that certain regulatory steps must be facilitated during the Launch Phase and prior to Phase III (Program Operations) of the CCA. Accordingly, TEA will assist DCE with the completion of the following:

- ~~Prepare for CAISO market participant requirements, including identifying~~ Maintaining and/or updating any agreements between DCE and CAISO necessary to prepare for Program Operations;
- ~~Submitting a Statement of Intent~~ Additional registration requirements with the California Public Utilities Commission (“CPUC”);
- ~~Additional registration requirements with the CPUC;~~
- ~~Execution of CCA Service Agreement with SCE;~~
- ~~Posting of credit collateral with SCE;~~
- ~~Submitting a Binding Notice of Intent with SCE;~~
- Registration with California Air Resources Board (including CITSS registration); and

- Registration with Western Renewable Energy Generation Information System (“WREGIS”).

Section 2.3 CCA Organizational Infrastructure.

In order to implement an optimal organization that meets DCE’s requirements, TEA will collaborate with DCE staff to ensure that DCE is well positioned for Program launch and operations. This will include the development (or refinement) of a business operations plan, review of operational policies and procedures, committee structures and a staffing plan to ensure that all core functions are in place, either outsourced through the Core Team’s services or augmented by existing DCE staff and administrative infrastructure.

Section 2.4 Financial, Negotiation, and Procurement Services Engagement.

2.4.1 Financial Services.

~~DCE~~TEA will ~~require~~assist DCE with acquiring accounting, banking and auditing services for the CCA Program in order to maintain separation of duties and fiduciary oversight. ~~TEA, working in cooperation with the Core Team, is able to assist DCE in contracting for these services, to the extent such support does not create a conflict of interest.~~

2.4.2 Negotiation and Contracting Services.

This section is reserved.

2.4.3 Procurement Services.

TEA will ~~provide assistance~~assist DCE with ~~negotiations~~developing a power procurement strategy for acquiring the initial power supplies required to support Program launch ~~at to meet DCE’s stated Program goals and contracting with existing or new local generation facilities, which DCE may elect to pursue. At the appropriate time~~objectives. As part of this task, TEA will work with DCE to ~~procure the legal services required, if any, to supplement this effort.~~

~~2.4.3 Procurement Services~~

~~TEA is a power marketer and certified CAISO Scheduling Coordinator. TEA has established~~establish prudent power procurement policies, risk management policies, credit facilities and contracts in place with an extensive list of market participants in California and Western energy markets that it will utilize in procuring all of the initial power supply needs of DCE including energy, resource adequacy and RPS policies, and hedging guidelines.

DCE will have full transparency into procurement efforts including the counterparties from whom TEA ultimately receives offers on behalf of DCE and the ultimate prices paid by TEA for the different components of DCE’s power supply. The Parties agree that a ~~separate~~restated Task Order 2 will need to be executed between the Parties prior to TEA beginning to procure power and negotiate any contracts needed to enable such power procurement.

Section 2.5 Rate Setting and Policies

2.5.1 Rate Setting, ~~including policies to encourage distributed generation.~~

TEA will assist DCE with evaluating the factors involved in rate setting and rate policy making. TEA will assist DCE with a determination of (i) its overall revenue requirements, (ii) ~~rates based on a method (or methods) of allocating the cost of providing service to support viable rates,~~ (iii) development of the actual rates, and ~~(iv)~~ (iii) a verification method that the rates as designed will generate revenues sufficient to satisfy the overall revenue requirement for DCE.

2.5.2. Development of Retail Rates ~~(First Step)~~.

As a first step, TEA will assist DCE with evaluating all relevant cost data, including all applicable operating cost, capital cost, loan repayment, credit and reserve requirements. The revenue requirements will be allocated to the appropriate customer classes, which are currently expected to include the following classes (the “Customer Classes”):

- Residential
- Residential CARE
- Small Commercial
- Medium Commercial
- Large Commercial
- Agriculture

Rates will be designed for each of the customer rate schedules that are consistent with the methodology employed by SCE so as to be comparable to SCE rates. TEA’s recommendation is that a constant rate adjustment factor be applied uniformly across all rate classes to derive DCE generation rates. Testing will be conducted in order to verify that the rates will generate sufficient revenues to achieve the revenue requirements.

2.5.3 Development of FIT and NEM Rates ~~(Second Step)~~.

As ~~directed by the DCE Board a second step~~, TEA will assist with developing Feed in Tariff (“FIT”) and Net Energy Metering (“NEM”) rates that will be calculated using power cost data developed by TEA. A 100 percent renewable voluntary “opt-up” option may also be considered. TEA will work with DCE and other local parties to design FIT and NEM rates align with the goals and objectives of DCE and its member communities.

~~Within the second step, R~~renewable rates will be developed for each of the Customer Class rate schedules identified in the initial step. TEA will provide the cost data for the resources used to meet these requirements, as well as estimated sales and load information to facilitate rate development.

~~This section is reserved.~~

Section 3. Term and Termination of Task Order 1.

Section 3.1 Term of Task Order 1.

This Task Order 1 shall become effective and Services pursuant to this Task Order 1 shall commence on the Task Order 1 Effective Date of the Agreement, and shall continue until the Power Start Date (as defined in Task Order 2) (hereinafter, the “Task Order 1 End Date”). The expiration or termination of this Task Order 1 shall not affect the term of the Resource Management Agreement (“RMA”).

3.1.1 Term of Phase I.

This section is reserved.

3.1.2 Term of Phase II.

Phase II shall commence on the Effective Date of the RMA and continue until the Task Order 1 End Date.

Section 3.2 Termination.

Either Party may terminate this Task Order 1 by either (1) terminating the RMA; or (2) terminating this Task Order 1 pursuant to the terms of RMA Section 4 (“Events of Termination”) or RMA Section 25 (“Default”).

Section 4. Compensation for Services Provided in Task Order 1.

Section 4.1 Compensation for Phase I Services.

This section is reserved.

Section 4.2 Compensation for Phase II Services.

For the Launch Services defined in Section 2 of this Task Order 1, TEA will record the hours expended on a time and materials basis for all activities associated with Section 2 based on TEA’s Billing Rates (as provided in Section 8 herein) per hour incurred by TEA staff (the “Phase II Fees”). In consideration for the Launch Services performed by TEA hereunder, DCE shall pay TEA the amount of Phase II Fees.

Notwithstanding the foregoing, and provided there is no DCE Event of Default for either the RMA or this Task Order 1, the Parties agree to defer the amount owed to TEA for the Phase II Fees until Phase III. The amount owed by DCE for deferred Phase II Fees shall be amortized for payment in equal monthly amounts during the first ~~48~~twelve (12) months of Phase III operations, unless otherwise mutually agreed by the Parties.

During the term of the RMA and this Task Order 1, compensation and fees owed to TEA, excluding the deferred ~~Phase I Fees and~~ Phase II Fees, will be adjusted on an annual basis by the greater of (i) 3% or (ii) the U.S. Government Consumer Price Index for All Urban Consumers (the “CPI-U”) beginning on the second anniversary of the RMA Effective Date.

Section 5. Controlling Terms and Conditions.

The provisions of this Task order 1 are subject to the Terms and Conditions of the RMA between the Parties. If any provisions of this Task Order 1 conflict with any provisions in the RMA, the provisions of the RMA shall take precedence. Capitalized terms found in this Task Order 1, and not defined herein, shall have the meaning assigned to such terms in the RMA.

Section 6. Expenses and Reimbursement.

Actual out-of-pocket expenses for travel and participation in on-site meetings are in addition to the compensation outlined in Sections 1, 2 and 4 of this Task Order 1. Travel costs such as airfare, hotel, ground transportation, per diem or meals (hereinafter, “Expenses”) will be billed in the amount incurred by TEA for actual out-of-pocket cost, without any additional mark-up by TEA. 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 7. Payment Terms.

Section 7.1 Billing and Payment.

TEA billable hours will be traced and itemized for each month for TEA services performed under Task Order 1. TEA will submit to DCE an invoice for such hours, plus Expenses, if any, on a monthly basis (the “Invoice”). Except as provided in Section 4 (deferred fees) of this Task Order 1 or otherwise agreed to by the Parties, DCE shall pay each Invoice for services provided by TEA under this Task Order

1 within thirty (30) days from the receipt of each Invoice, and will send payment either via electronic funds transfer or mail payment to:

The Energy Authority, Inc.
301 W. Bay Street, Suite 2600
Jacksonville, Florida 32202
Attention: Lisa Bailey, Accounting

Section 7.2 DCE Failure to Pay.

DCE's failure to make timely payments to TEA hereunder shall be considered a breach. In the event such breach is not cured within three (3) days following written notice by TEA, then DCE shall be in default (an "Event of Default"). Upon the occurrence of an Event of Default, TEA may, without prejudice to any other remedies:

- (a) Apply any revenues or payments received by TEA for the benefit of DCE from any third party, if any, towards the outstanding amount owed to TEA;
- (b) Apply any monies from security posted by DCE, if any, towards the outstanding amount owed to TEA;
- (c) Defer collection or provide an extension of outstanding amounts owed to TEA; and/or
- (d) Terminate this Task Order 1 and all services provided for herein pursuant to the process outlined in RMA Section 25.2.

Section 7.3 Late Payments.

Any payment that is not received (exclusive of deferred ~~Phase I Fees and Phase II Fees~~) by TEA on or before the date required shall incur a monthly late fee, which shall be the total undisputed outstanding balance due multiplied by the 1.5% per month, or as allowable by state law (the "Late Fee").

Section 8. Billing Rates.

For all work performed by TEA under this Task Order 1, DCE will compensate TEA at the blended rate of ~~\$190.00~~ Two Hundred Dollars (\$200.00) per hour for actual hours worked by TEA staff. From time to time, DCE may request, and TEA may provide DCE with, additional services not enumerated herein, and specifically described in a separate scope of work agreed to in writing by DCE and TEA. For such additional work, the ~~Billing Rates in the table below will apply, unless otherwise mutually agreed upon by the Parties.~~

TEA 2018 Billing Rates

<u>TEA 20182019 Billing Rates</u> ⁽¹⁾	
Job Group	Billing Rate \$/hour
Principal Consultant	\$340 <u>\$315</u>
Senior Consultant / Project Manager	\$265
Consultant	\$195
Analyst	\$155
Clerical	\$95

⁽¹⁾~~Billing rates are~~ subject to change after December 31, ~~2018~~.
2019.

Section 9. Functions Performed by DCE.

Unless otherwise mutually agreed to by the Parties, activities not expressly provided for herein are considered not within the scope of services for Task Order 1 and shall be performed by DCE or other third party, unless otherwise addressed in a separate Task Order.

Section 10. Amendment. Entire Agreement.

As of the Task Order 1 Effective Date, this Task Order 1 supersedes the 2018 Task Order 1 between the Parties hereto.

Section 11. Amendment.

This 2019 Amended and Restated Task Order 1 may be amended by an instrument in writing signed by each Party's authorized representative.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties hereto have caused this 2019 Amended and Restated Task Order 1 to be executed in their respective names by their respective duly authorized representatives as of the date written in the first paragraph of this Task Order ~~herein~~.

DESERT COMMUNITY ENERGY

By: _____
Name: Sabby Jonathan
Its: Board Chair
Date: _____

ATTEST:
By: _____
Name: _____
Its: _____
Date: _____

THE ENERGY AUTHORITY, INC.

By: _____
Name: Joanie C. Teofilo
Its: President and CEO
Date: _____

TEA2019 Amended and Restated Task Order 2 for Phase III Core Services

~~TEA and DCE agree that the following terms and conditions constitute~~ This 2019 Amended and Restated Task Order 2 for Phase III Core Services (“Task Order 2”)-” dated the day of July, 2019 (the “Task Order 2 Effective Date”), is made and entered into by and between TEA and DCE. TEA and DCE are sometimes referred to herein individually as a “Party,” or collectively as the “Parties.”

Recitals

WHEREAS, on January 22, 2018, the Parties entered into that certain Task Order 2 (“2018 Task Order 2”); and

WHEREAS, on March 19, 2018, the Parties entered into that certain Amendment No. 1 to Task Order 2 (“Amendment No. 1”) and Amendment No. 2 to Task Order 2 (“Amendment No. 2”); and

WHEREAS, the Parties desire to amend and restate the 2018 Task Order 2 in its entirety, together with Amendment No. 1 and Amendment No. 2.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the Parties agree to amend and restate 2018 Task Order 2, as amended, as follows:

Terms and Conditions

Section 1 Scope of Services for Phase III (Program Operations).

During Phase III, TEA shall provide to DCE certain Program operation services (hereinafter, the “Operational Services” or “Program Operations”) as more particularly described herein. For purposes of this Task Order 2, the Operational Services provided by TEA are separated into and described in Section 1.1 (Power Purchases and Policies), Section 1.2 (Program Administration and Compliance), and Section 1.3 (Support Tasks):

Section 1.1 Power Purchases and Policies.

1.1.1 Power Purchases.

Subject to Resource Management Agreement (“RMA”) Section 6.6, TEA shall provide trading services on behalf of DCE with TEA acting as principal in the Transactions utilizing trading agreements between TEA and its counterparties, including but not limited to, transacting as principal in the Transaction with third parties or with CAISO. “Transaction” or “Transactions” means the purchase and sale of electricity products, including energy, resource adequacy capacity, ancillary services, carbon free energy and renewable energy ~~credits~~. Except as otherwise agreed to by the Parties, DCE will transact with TEA for all of its wholesale power requirements. DCE agrees that as long as TEA is providing trading services, as principal, DCE will not (i) execute a Transaction with another PPA Provider, or (ii) grant a security interest, other than to TEA, in the Lock Box or Reserve Account. An agreed exception is electricity products procured from specific generators, such as generation located in Riverside County, which the Parties agree will be procured directly by DCE (hereinafter, “Direct DCE Counterparties”). Other exceptions may be agreed upon by the Parties in writing.

1.1.1(a) Resource Adequacy.

Upon mutual agreement of the Parties (i) DCE may transact resource adequacy (“RA”) directly with Southern California Edison (“SCE”) (“Direct RA Transactions”), as necessary to meet RA requirements during Calendar Year 2020; (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.

1.1.2 Policies and Guidelines.

TEA will work with DCE to ~~establish prudent~~implement the power procurement policies, risk management policies, credit policies, and long-term hedging guidelines. ~~DCE policies will include the following: developed in Phase II.~~

- ~~Minimum and maximum hedge volumes by tenor which are dependent on expected headroom and opt-out rates;~~
- ~~Maximum hedge tenor;~~
- ~~Credit exposure metrics with policies to remediate exposure when necessary;~~
- ~~Minimum financial reserve targets held by DCE once operations commence and traditional commercial bank credit facilities become available; and~~
- ~~Other policies as deemed appropriate through discussions between the Parties.~~

Section 1.2 Program Administration and Compliance.

1.2.1 Regulatory and Legal Compliance.

TEA will ~~coordinate with the Core Team to provide~~perform the following: compliance related activities:

- ~~Relevant regulatory and legislative monitoring as it affects CCAs in California;~~
- Monthly~~Prepare and submit monthly~~ and annual Resource Adequacy (“RA”) showings to the California Public Utility Commission (“CPUC”);~~;~~
- ~~Prepare and~~
- Monthly~~submit historical load, monthly~~ and annual load forecasts to the CPUC and ~~or~~ California Energy Commission (“CEC”);~~;~~

~~In addition, TEA will coordinate with the Core Team to prepare~~Prepare and submit ~~compliance filings to the appropriate regulatory bodies as follows:~~

- ~~Annual Renewable Portfolio Standard (“RPS”) Progress Reports and RPS Procurement Plans;~~
- ~~Additional CPUC reporting including Annual EPS Attestation and Annual SSP filing;~~
- ~~Additional CEC reporting including Historical load, Year Ahead load forecasts, Integrated Energy Policy Report (“IEPR”) as applicable, routine quarterly reporting and annual power mix report to the CEC;~~
- ~~Greenhouse Gas (“GHG”) Annual Summary;~~
- Storage Biennial Progress~~Assist DCE with preparing the RPS Procurement plan;~~
- Assist DCE with preparing the REC Retirement Report;
- Assist DCE with preparing RPS Compliance Reports;
- Assist DCE with preparing the annual Power Source Disclosure report; and

- ~~Re-certification of CCA Implementation Plan, as needed.~~
- Assist DCE with preparing the annual Power Content Label report.

For the avoidance of doubt, TEA's contractual obligations under this Section 1.3 will be limited to performing the activities outlined above and preparing the required load and/or generation data in a format consistent with that established by the applicable regulatory agency and/or DCE's legal counsel. Certain compliance filings require DCE's legal counsel designated by DCE to assist with preparing written documentation and providing submittals to the appropriate service list.

TEA will monitor regulatory and compliance obligations and requirements associated with operating in the CAISO market. This effort includes performing a cross audit of supplier RA plans on a monthly basis. As Scheduling Coordinator ("SC"), (as defined by CAISO), TEA will collect all RA Supply Plans from the market and will settle any disputes in the RA showings with the supplier, CAISO and/or CPUC, as needed. This process is repeated monthly. As the SC, TEA will also perform the same cross audit function for the annual RA plan.

~~DCE and TEA recognize that the regulatory and legal compliance tasks outlined in this Section 1.2.1 will require the collective efforts of the Core Team.~~

1.2.2 Policy and Program Development.

TEA will work with DCE and the Core Team to design and expand programs appropriate for the customer base and load profile for DCE Members. These programs may include local renewable energy procurement, demand response, energy efficiency, energy storage, Net Energy Metering ("NEM"), and other financially sound energy-related programs~~Net Energy Metering ("NEM") program.~~

1.2.3 Ongoing Communications and Outreach to CCA Customers.

During the term of this Task Order 2, TEA will support efforts by DCE and the Core Team to develop promotional outreach materials, enroll additional cities, and expand DCE service to new communities by providing requested DCE data and information in the possession of TEA regarding energy services.

1.2.4 Accounting Services.

During the term of this Task Order 2, TEA will support DCE and the Core Team by providing requested DCE data and information in the possession of TEA necessary for financial accounting, settlement, DCE audits, or to support ongoing DCE operations.

1.2.5 Wholesale Power Procurement Operations.

TEA will be the Scheduling Coordinator (~~"SC"~~) in the CAISO market and will provide a comprehensive suite of SC and related services to fulfill the requirements of a SC. TEA will conduct the following activities while performing its duties and responsibilities as SC on DCE's behalf:

- **Maintain credit facilities with CAISO.** Subject to Section 2.0 contained herein, TEA will maintain credit with the CAISO sufficient to make payments to, and receive payments from, the CAISO on DCE's behalf.
- **Provide daily forecast of DCE hourly loads.** Each business day, TEA will generate an hourly forecast of loads for the next 7 days for DCE.
- **Submit demand bids to Day Ahead ("DA") market.** TEA will submit Demand Bids to the CAISO Day Ahead Market to meet DCE's forecasted load requirements. TEA will monitor and compare Demand Bid information resident in the CAISO portal with submitted information and use commercially reasonable efforts to validate Day Ahead Market data submissions.

- **Submit supply bids to DA market (both economic and self-schedule).** To the extent that TEA enters into agreements on behalf of DCE, or DCE directly enters into agreements with generators to acquire the output of a specific generating resource, TEA will provide the scheduling and settlement activities required to schedule DCE's supply agreements with CAISO. For any supply agreements linked to a specific generation source, DCE will require its counterparty to provide TEA with a forecast of expected hourly generation levels that TEA will use in submitting day-ahead supply offers to CAISO.
- **Register and maintain Commercial Model and Resource Adequacy ("RA").** TEA shall assist DCE in identifying DCE's information required to register and maintain DCE's assets, if any, in the CAISO commercial model. TEA shall assist DCE in identifying DCE's information required to comply with CAISO's resource adequacy requirements in accordance with Section 40 of the Tariff.
- **Settlement validation and allocation of costs.** TEA shall use reasonable efforts to validate CAISO invoices. Should TEA and DCE elect to dispute a CAISO invoice amount, TEA will file a dispute with CAISO pursuant to the CAISO tariff. Once a dispute determination has been made by CAISO, further appeals or action from TEA on DCE's behalf would be provided as requested and paid for by DCE on a time and materials basis using the billing rates provided in Section 8 herein.
- **Congestion Revenue Rights ("CRR") bid strategy development and implementation.** TEA will manage the annual CRR nomination and allocation process on behalf of DCE. Annually, TEA will provide DCE with an estimate of the dollar value of the potential CRRs based upon historic and forecasted Locational Marginal Prices for the source and sink pricing nodes associated with the applicable source and load pricing nodes, and TEA will consult with DCE to select the CRRs to nominate. Selection of any CRRs to nominate will be at DCE's sole discretion. TEA will nominate any CRRs selected by DCE and TEA will notify DCE of the CRRs awarded to TEA for DCE's account. TEA will review the settlement statements and invoices associated with the CRRs for accuracy.
- **CAISO Market Monitoring.** TEA will monitor the following CAISO committees and participate (in person or via phone) in the committee meetings and provide a summary to DCE of any discussion items that it reasonably believes may impact DCE's planned operations.
 - Market Surveillance
 - Audit
- **Perform Additional Tasks.** In addition to the above, TEA will provide the following:
 - Import schedule, as required, including preparing e-tags.
 - Coordination of unit outages with generation operators and CAISO.
 - IST for system power transactions.

1.2.6 Long-term Power Procurement.

Consistent with DCE's renewable and GHG goals, its Integrated Resource Plan and hedging strategies developed pursuant to this Task Order 2, TEA will issue RFPs for power supplies, as well as assist with evaluating bids and assist with negotiating power purchase agreements.

1.2.7 Financial Planning.

TEA will develop and maintain a financial model of DCE's income and cash flows that will form the basis for a variety of applications including, but not limited to, annual budgeting and financial planning,

ongoing risk analysis (both retail rate competitiveness and wholesale market risks), as well as form the basis for establishing DCE's annual revenue requirement. TEA anticipates that the rate design modules developed under Task Order 1 will be integrated with this financial planning model. TEA will include the following:

- **Financial Model:** TEA will build a financial model of DCE's financial projections which typically include load, resources with associated costs, market prices, various fixed costs and CAISO fees, executed short-term market transactions and any other variables, as necessary, to inform a complete cost picture for DCE. TEA will coordinate with DCE staff on all necessary inputs required to derive an accurate financial projection.

The financial model will be updated daily with the most recent market price information and hedge transactions. DCE will have on-demand access to the most recent financial model runs through a web portal.

- **Risk Model:** TEA has developed a modeling framework that will be applied to its risk analysis for DCE. The risk model generates scenarios by using inputs for several variables that may include market implied heat rates, natural gas prices, power prices, load variables, and other relevant inputs.

The risk model will be used as an important component to the entire risk management function, including calculating potential variability in DCE's cash flows. This information will be used in assessing the need for short-term hedging transactions, establishing adequate financial reserve funds, and for setting retail rates.

- **Monthly Risk Reports:** TEA will create monthly risk reports that will measure DCE financial performance and potential uncertainty therein. These reports will then inform discussions with DCE as part of the continual risk management process.

1.2.8 Undertaking Continual Risk Management.

TEA will assist DCE in establishing a formal framework for performing continual risk management that will be memorialized through a DCE Board of Directors-approved risk management policy and procedures document. TEA will also assist DCE in drafting risk reporting requirements. TEA will be available on a monthly basis for a meeting with DCE during which time CCA-related risks are reviewed, discussed, and as appropriate, risk mitigation strategies are reviewed and approved by DCE. The monthly meetings will include the appropriate DCE staff and TEA staff. TEA will compile all risk-related information available into a single document or presentation that can be reviewed and discussed at the monthly meeting. Upon approval by DCE, the results of the monthly meeting will serve as the approved strategy guide for TEA market activities on behalf of DCE for the prompt quarter. This agreed upon strategy will be prepared consistent with reliability requirements, DCE renewable and GHG goals, financial goals and risk policies and procedures. The strategy will incorporate TEA's current market outlook and discussion of expected DCE loads and resources. The Parties agree no strategy will be adopted which violates the risk policies of DCE or TEA.

Section 1.3 Additional Phase III Support Tasks.

TEA will provide additional Phase III tasks to include the following:

- Continue to coordinate and refine, with DCE and the Core Team, a project timeline and detailed project plan for CCA operations.
- Continue to assist DCE and the Core Team, as necessary, with review of DCE's Joint Powers Agreement and suggested CCA-related policy additions to support long-term program operations and governance. This may include consideration of certain Joint Powers Agency subcommittees and policies specific to the CCA program.
- Continue to assist DCE and the Core Team with community outreach; and participate in DCE Board and other community meetings, as necessary.
- Continue weekly standing calls and/or WebEx meetings with DCE, SCE and the Core Team, as necessary, to ensure all TEA tasks are assigned and major milestones are being met.
- Continue to assist DCE with ongoing regulatory functions.
- TEA will provide assistance with negotiations and contracting with existing or new local generation facilities, including direct DCE counterparties, if any, which DCE may elect to pursue.
- Continue to assist DCE with evaluating the factors involved in rate setting and rate policy making.
- Assist with exploration, analysis and deployment of other energy programs intended to promote development of local generation, storage, and energy efficiency measures.

Section 2. Credit Support.

During the Term of Task Order 2, DCE will acquire and provide credit support for power Transactions, ancillary services, and related attributes made by TEA on behalf of DCE. Notwithstanding the foregoing, and subject to the requirements described below, TEA will, during the Term of this Task Order 2, provide a credit solution to enable DCE to transact with wholesale market participants, including CAISO, for the procurement of power and related attributes on behalf of its DCE Members. This credit solution is subject to DCE meeting certain obligations, and establishing certain accounts and funding, as more particularly described in Sections 2.1 and 2.2, contained herein.

Section 2.1 Lock-Box Pledge Account.

Providing the credit solution is subject to the following Lock-Box Account requirements and DCE obligations:

(1) DCE hereby grants a present and continuing first priority security interest in and lien upon the funds, which are deposited by SCE from payments by DCE customers, in a lock box pledge account (the "Lock Box Account") as funding for ongoing energy purchases made by TEA on behalf of DCE. Accordingly, prior to TEA entering into Transactions on DCE's behalf, DCE shall execute and deliver a deposit account control agreement, substantially in the form attached hereto as Exhibit "A" (the "Control Agreement"), and other agreements as may be required. DCE shall direct SCE to deposit such funds and payments only into the Lock Box Account. The Lock Box Account shall be held at a commercial bank regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency ("OCC") (the "DCE Bank"). In addition, at all times the DCE Bank shall meet the following requirements: (i) the bank's lowest long-term deposit rating among Standard & Poor's, Moody's, and Fitch Rating Services must be at least an "A" or "A2" as applicable, (ii) the bank shall have assets of at least \$500 million, and (iii) the bank shall be a U.S. bank willing to issue standby letters of credit (the "Minimum Requirements"). DCE agrees that all funds transferred from SCE shall be first deposited in the Lock Box Account and that the priority of disbursement of funds from the Lock Box Account is such that no disbursement of funds shall be made prior to sufficient funding of the electronic withdrawals (i.e., direct debit or ACH payment) by TEA for billed power purchases (i.e. for weekly CAISO Transactions and monthly Bilateral Transactions) for prior month(s) activity and the current month estimated Transactions

(“Power Payments”). Payments shall be applied to oldest aged invoices first. On a monthly basis, DCE shall not make payments or pre-payments to any third party prior to paying TEA for Power Payments.

(2) During the Initial Term, DCE shall fund the current month, and any past due, Power Payments from the Lock Box Account. In addition, during the first ~~seven~~twelve months of power procurement for the City of Palm Springs, DCE shall retain excess funds in the Lock Box Account to establish a minimum balance of at least ~~\$1.04~~\$5.0 million dollars (the “Operating Funding”) by the end of the first ~~seven~~inserttwelve months. At such time as power procurement for the cities of Cathedral City and Palm Desert begins, the amount of excess funds to be retained in the Lock Box Account will be adjusted, subject to mutual agreement of the Parties in writing. DCE shall fund such Operating Funding as described in the Target Columns (a) and (b) on Schedule “A” attached hereto. After the seventh month, DCE shall continue to maintain a minimum daily balance at least equal to the Operating Funding (after the funding of all Power Payments) for the duration of the Initial Term. DCE shall provide TEA with the continuous ability to view the activity and balance of the Lock Box Account.

Section 2.2 Reserve Account

Providing the credit solution is subject to the following Reserve Account requirements and DCE obligations:

(1) DCE hereby grants a present and continuing first priority security interest in and lien upon (including the right of setoff against) the funds which are deposited by DCE in a reserve account (the “Reserve Account”) as security for power purchases made by TEA on behalf of DCE. Accordingly, prior to TEA entering into Transactions on DCE’s behalf, DCE shall execute and deliver a deposit account control agreement, substantially in the form attached hereto as Exhibit “B” (the “Reserve Control Agreement”). The Reserve Account shall be held at the DCE Bank in compliance with the Minimum Requirements. The Reserve Control Agreement shall limit the use of funds in such Reserve Account (i) to support counterparty or CAISO requests for collateral, (ii) for reimbursement in the event of a third party default, (iii) in the event the Lock Box Account is not sufficiently funded to pay for monthly Transactions; (iv) TEA’s request for collateral in the event of a material adverse change in DCE’s financial condition; or (v) for other purpose as mutually agreed by the Parties in writing. DCE shall provide TEA with the continuous ability to view the activity and balance of the Reserve Account.

(2) During the first twelve months of power procurement by TEA for the City of Palm Springs, DCE will deposit funds in the Reserve Account such that at least ~~\$13~~\$5.0 million dollars (the “Reserve Requirement”) is in the Reserve Account at the end of the first twelve months, and maintain such Reserve Requirement thereafter. At such time as power procurement for the cities of Cathedral City and Palm Desert begins, the Reserve Requirement will be adjusted, subject to mutual agreement of the Parties in writing. During the first twelve months of operations, DCE shall fund such Reserve Requirements as described in the Target Columns (c) and (d) on Schedule “A” attached hereto. In any month, fully funding the aggregate of the Operating Funding shall take precedence over funding the Reserve Requirement. Procedurally, the Reserve Requirement shall be funded by DCE on a monthly basis from CCA Revenue available after payment of the prior month’s billed and owed obligations for (i) SCE power related fees, if any, (ii) TEA power purchases and related charges, including TEA obligations to CAISO, (iii) monthly DCE administrative overhead (based on annual budgeted amounts related to CCA activities), (iv) payment of service fees to Core Team entities, and (v) amounts owed to Direct DCE Counterparties for energy purchases. DCE shall not make pre-payments to any third party, including Direct DCE Counterparties, prior to funding the monthly Reserve Requirement.

(3) After the first twelve months of power procurement, the Reserve Account will continue to serve as credit support for DCE power transactions through TEA. DCE shall fund and maintain the amount

in the Reserve Account to be equal or greater than the credit exposure as calculated by TEA. At least on an annual basis, TEA will reassess the credit exposure calculation based on factors, including the relationship of the parties, DCE's portfolio, and market conditions.

Section 2.3 CAISO Market Participation.

The Parties agree that DCE has reimbursed TEA for the full amount of the Security Deposit (as defined in Amendment No. 1) previously posted with CAISO. TEA hereby releases its present and continuing first-priority security interest as to only the CAISO Security Deposit. Accordingly, any amount of the Security Deposit refunded shall be returned to DCE, and TEA shall have no obligation with respect to the Security Deposit.

Section 3. Term and Termination of Task Order 2.

Section 3.1 Term of Task Order 2.

Operational Services provided under this Task Order 2 shall commence on the Phase III Commencement Date (as defined in RMA Section 3.2) and shall continue until the end of the Initial Term (as defined in RMA Section 3.1). Furthermore, during the Term of Task Order 2, the Parties agree that the delivery date for power procured by TEA on behalf of DCE shall be the later of either (i) the 1st day of ~~July, 2018~~September 2020, or (ii) a date mutually agreed upon by the Parties based on the necessary conditions precedent (the "Power Start Date"). After the Initial Term, this Task Order 2 shall renew on an annual basis (each a "Renewal Term"), unless and until terminated pursuant to Section 3.2 herein.

Section 3.2 Termination.

Either Party may terminate this Task Order 2 by (i) providing notice of termination at least one hundred eighty (180) days prior to the end of the Initial Term or any Renewal Term for termination effective on the last day of such Renewal Term, or (ii) pursuant to the terms of RMA Section 4 ("Events of Termination").

Section 3.3 Consistency with RMA.

The term of Task Order 2 shall not exceed the termination or expiration of the RMA.

Section 4. Compensation for Services Provided in Task Order 2.

Section 4.1 Compensation for Services.

4.1.1 Operational Services.

For the Operational Services, ~~excluding~~including the Credit Solution provided under this Task Order 2, DCE shall pay TEA, on a monthly basis, fixed fees in the amount of ~~fifty-one thousand eight hundred forty dollars~~one hundred seventy-seven thousand dollars (\$51,840¹177,000) as TEA monthly fees (the "~~Phase III~~Operational Fees"),¹ in addition to any deferred fees owed by DCE for Phase II Fees.

4.1.2 Credit Solution.

For the Credit Solution defined in Section 2.0 of this Task Order 2, DCE shall pay TEA on a monthly basis the amount of \$1.00 per megawatt hour for power procured by TEA to meet DCE load (the

¹ ~~The monthly total of \$177,000 is comprised of fees for operational services of \$51,840 and the remainder for credit solution and support fees.~~

“Credit Solution Fees”), in addition to any amounts owed under Section 4.1.1 contained herein. Collectively, the Operational Fees and Credit Solution Fees shall be referred to as “Phase III Fees.”

4.1.3 Changes in CCA Members of DCE.

The Parties agree to negotiate in good faith a change in the fixed rate of Phase III Fees upon the occurrence of changes to the DCE joint power authority, as follows: (i) negotiate to determine an increase in the amount of Phase III fees if a city or county joins DCE as a new CCA Member and requires TEA services, or (ii) negotiate to determine a decrease in the amount of Phase III Fees if a current CCA Member decides to separate from DCE and no longer requires TEA services.

4.1.34 Deferred Phase II Fees.

For the Deferred Phase II Fees, as described in Task Order 1, DCE shall pay TEA an amount which shall be amortized for payment in equal monthly amounts during the first ~~48~~12 months beginning on the Power Start Date. The Deferred Fees are in addition to any amounts owed under Section 4.1.1 contained herein.

4.1.45 Hourly Rate.

For additional services not provided for in this Task Order 2 and requested by DCE, DCE shall pay TEA on a time and materials basis using the hourly billing rates provided in Section 8 contained herein.

4.1.56 DCE Power Obligations.

DCE obligations to pay TEA for power procurement on behalf of DCE (“Power Obligations”) are separate from any fees owed to TEA for TEA Services. During the term of the RMA and this Task Order 2, compensation and Phase III Fees owed to TEA, ~~which exclude the~~excluding (i) Deferred Phase II Fees, (ii) Credit Solution Fees, and ~~(iii)~~ Power Obligations, will be adjusted on an annual basis by the greater of (i) ~~three percent (3.0 %%)~~ or (ii) the U.S. Government Consumer Price Index for All Urban Consumers (the “CPI-U”) beginning on the second anniversary of the RMA Effective Date.

Section 5. Controlling Terms and Conditions.

The provisions of this Task Order 2 are subject to the Terms and Conditions of the RMA between the Parties. If any provisions of this Task Order 2 conflict with any provisions in the RMA, the provisions of the RMA shall take precedence. Capitalized terms found in this Task Order 2, and not defined herein, shall have the meaning assigned to such terms in the RMA.

Section 6. Expenses and Reimbursement.

Actual out-of-pocket expenses for travel and participation in on-site meetings are in addition to the compensation outlined in Sections 1 and 4 of this Task Order 2. Travel costs such as airfare, hotel, ground transportation, per diem or meals (hereinafter, “Expenses”) will be billed in the amount incurred by TEA for actual out-of-pocket cost, without any additional mark-up by TEA. 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 7. Settlement, Billing, and Payment Terms.

Section 7.1 CAISO Settlement, Billing, and Payments.

TEA shall provide services as Scheduling Coordinator (“SC”) representing DCE in CAISO. TEA shall provide DCE with a statement of CAISO settlement activities on a regular basis in coordination with CAISO’s settlement calendar (i.e., currently weekly). Additionally, each month TEA shall provide DCE

with an aggregate or estimate of DCE Transactions based on available information from CAISO. For Transactions executed by TEA as principal in the Transaction for DCE's account within CAISO, DCE shall owe TEA for the Transactions, and TEA shall make weekly payments to CAISO in a timely matter contingent upon the following:

(1) Pursuant to Section 2.1, DCE shall maintain sufficient funds in the Lock Box Account to allow withdrawal of funds by TEA (or payment to TEA) at least one (1) business day in advance of TEA's weekly payment to CAISO for Transactions made on behalf of DCE (the "CAISO Payments"). The CAISO Payments will reflect actual weekly Transactions based on CAISO settlement invoices; and

(2) Any amounts received from CAISO on behalf of DCE will serve as a credit to the respective CAISO Payments due by DCE.

TEA shall use reasonable effort to validate CAISO invoices based on a review of actual CAISO charges. Should TEA and DCE elect to dispute a CAISO invoice amount, such dispute shall be in accordance with Section 1.2.5 of this Task Order 2.

Section 7.2 Direct DCE Counterparties.

During the Initial Term, DCE may request that TEA settle with one or more direct DCE counterparties, if any, pursuant to direct supply agreements between DCE and its direct DCE counterparties. If TEA is not precluded by market regulations, and upon either (i) pre-payment in full by DCE, or (ii) a comparable increase is made to the Operating Funding amount, then TEA will make timely payments to such Direct DCE Counterparties as agreed by the Parties for DCE's account.

Section 7.3 Physical Bilateral Power Transactions with TEA as Principal in the Transactions.

For Transactions executed by TEA as principal in the Transaction for DCE's account with counterparties other than CAISO (such non-CAISO counterparties referred to herein as "Bilateral Counterparties"), DCE shall owe TEA for the Transactions, and TEA shall make monthly payments to such Bilateral Counterparties, in a timely manner, contingent on the following:

(1) Pursuant to Section 2.1, DCE shall maintain sufficient funds in the Lock Box Account to allow withdrawal of funds by TEA at least five (5) business days in advance of TEA's monthly payment to Bilateral Counterparties (the "Monthly Payments"), as more particularly described in Section 7.3(2) below. The Monthly Payments will be based on the monthly settlements of Transactions with Bilateral Counterparties; and

(2) On or before the 5th business day of each month, TEA will provide DCE with an invoice or statement of the Monthly Payments owed, including immediately preceding month's activities and settlement due related to Transactions with Bilateral Counterparties during the monthly billing period. Monthly Payments owed shall include any related penalty, interest, payments, or credits. If an amount is due DCE, considering all amounts owed between the Parties under this Task Order 2, then TEA will deposit the funds into the Lock Box Account. If an amount is due TEA, DCE will have sufficient funds available in the Lock Box Account, to allow TEA to withdraw such amounts by the 15th of each month in immediately available funds.

Notwithstanding the above provision of this Section, billing and payment provisions for these Transactions are dependent upon the market rules or contracts governing the specific transactions. If said

billing and payment provisions require earlier payments than the provisions of this Section, then billing and payment shall be in accordance with the earlier payment provisions of such contracts or market rules.

Section 7.4 Other Products.

For any other products which are not covered in Sections 7.1 through 7.3, and which are procured or transacted by TEA on behalf of DCE, DCE shall make payments to TEA at least one (1) business day in advance of the date payment is due.

Section 7.5 Hourly Billing and Payments.

TEA billable hourly fees, if any, will be tracked and itemized for each month in which TEA services are performed under Task Order 2. TEA will bill DCE on a monthly basis for the amount of fees owed as Deferred Fees, Phase III Fees, or other billable hourly fees (hereinafter, "Compensation") pursuant to Section 4 of this Task Order 2, plus expenses, if any. If timing permits, such billable amounts will be itemized on the same monthly invoice(s) related to Transactions as described in Section 7.3 herein.

Except as provided in Section 4 (with respect to deferred fees) of this Task Order 2, DCE shall pay each invoice for Compensation related to TEA Services under this Task Order 2 the later of thirty (30) days after receiving the invoice from TEA or the first business day of the following month. DCE will send payment as designated in Section 7.5, or as otherwise designated by TEA. For the first month of operations, and until funds are first received by DCE from SCE into the Lock Box Account, then TEA shall give DCE a grace period of an additional thirty (30) days for the payment of Compensation by DCE.

Section 7.6 Payment Information.

Unless otherwise provided by TEA, DCE will send payment either via electronic funds transfer to TEA's bank account or via U.S. mail to:

The Energy Authority, Inc.
301 W. Bay Street, Suite 2600
Jacksonville, Florida 32202
Attention: Lisa Bailey, Accounting

The Parties agree to cooperate to develop and supplement the procedures related to billing and payments for the orderly implementation Sections 7.1 through 7.5; provided, however, that nothing herein shall require either Party to agree to an amendment to the terms of those sections.

Section 7.7 DCE Failure to Pay.

DCE's failure to make timely payments to TEA or fund amounts required in this Task Order 2 shall be considered a breach. In the event such breach is not cured within three (3) days following written notice by TEA, then DCE shall be in default (an "Event of Default"). Upon the occurrence of an Event of Default, TEA may, without waiving any other remedies:

- (a) Apply any revenues or payments received by TEA for the benefit of DCE from any third party, if any, towards the outstanding amount owed to TEA;
- (b) Apply any monies from security, including the Reserve Account or Lock Box Account, posted by DCE, towards the outstanding amount owed to TEA;

- (c) Defer collection or provide an extension of outstanding amounts owed to TEA; and/or
- (d) Terminate this Task Order 2 and all services provided for herein pursuant to the process outlined in RMA Section 25.2.

Section 7.8 Late Payments.

Any payment that is not received (exclusive of deferred Phase II Fees) by TEA on or before the date required shall incur a late fee, which shall be calculated by multiplying the total undisputed outstanding balance by the lesser of (i) the Interest Rate (as described in RMA Section 11.2), or (ii) the maximum rate allowable by state law (the “Late Fee”) for the number of days which the balance remains outstanding.

Section 8. Billing Rates.

The TEA ~~2018~~2019 Billing Rates are applicable to any work performed by TEA in calendar year 2019~~8~~ for which TEA is compensated on the basis of actual hours worked by TEA staff. Billing Rates are subject to annual adjustment and modification by TEA, and TEA agrees to provide DCE with written notice of any such revisions.

TEA 2018 Billing Rates

TEA 20182019 Billing Rates⁽¹⁾	
Job Group	Billing Rate \$/hour
Principal Consultant	\$340 315
Senior Consultant/ / Project Manager	\$265
Consultant	\$195
Analyst	\$155
Clerical	\$95
⁽¹⁾ Billing rates are subject to change after December 31, 2018 2019.	

From time to time, DCE may request, and TEA may provide DCE with, additional services not described herein, and specifically described in a separate scope of work agreed to in writing by DCE and TEA.

Section 9. Functions Performed by DCE.

Unless otherwise mutually agreed to by the Parties, activities not expressly provided for herein are considered not within the scope of services for Task Order 2 and shall be performed by DCE or other third party, unless otherwise addressed in a separate Task Order.

Section 10. Amendment. Entire Agreement.

As of the Task Order 2 Effective Date, this Task Order 2 supersedes the 2018 Task Order 2 between the Parties hereto.

Section 11. Amendment.

This 2019 Amended and Restated Task Order 2 may only be amended by an instrument in writing signed by each Party’s authorized representative.

Section ~~11~~12. Exhibits.

The following documents are attached hereto and incorporated herein:

1. Schedule A – Funding and Balance Requirements
2. Exhibit A - Deposit Account Control Agreement
3. Exhibit B - Deposit Account Control Agreement (Reserve Account)

[Signature Page to Follow]

IN WITNESS WHEREOF, the Parties hereto have caused this 2019 Amended and Restated Task Order 2 to be executed in their respective names by their respective duly authorized representatives as of the date written in the first paragraph of this Task Order herein.

DESERT COMMUNITY ENERGY

THE ENERGY AUTHORITY, INC.

By: _____

By: _____

Name: Sabby Jonathan

Name: Joanie C. Teofilo

Its: Board Chair

Its: President and CEO

Date: _____

Date: _____

ATTEST:

By: _____

Name: _____

Its: _____

Date: _____

DCE
Schedule “A”

	(a)	(b)	(c)	(d)
Month	Lock Box Operating Funding Target	Aggregate Lock Box Operating Minimum Balance	Monthly Minimum Reserve Account Funding Target	Aggregate Reserve Account Funding Target
1	\$1,000,000	\$0	\$0	<u>\$5,000,000</u>
2	\$0	\$0	\$0	\$0
3	\$0	\$0	\$0	\$0
4	\$0	\$0	\$0	\$0
5	\$0	\$0	\$0	\$0
6	\$1,000,000	\$1,000,000	\$0	\$0
7	\$3,000,000	\$4,000,000	\$0	\$0
8	\$0	\$4,000,000	\$3,000,000	\$3,000,000
9	\$0	\$4,000,000	\$2,000,000	\$5,000,000
10	\$0	\$4,000,000	\$3,000,000	\$8,000,000
11	\$0	\$4,000,000	\$2,000,000	\$10,000,000
12	\$0	\$4,000,000	\$3,000,000	\$13,000,000

ITEM 6C

Desert Community Energy Board July 31, 2019



STAFF REPORT

Subject: DCE Program Launch Plans

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

Recommendation:

1. Prepare for launch of DCE in Palm Springs in September 2020, including submittal of load forecast to the CPUC by August 16, 2019; and
2. Consider addition of municipal loads for Cathedral City and Palm Desert to be included in August 2019 load forecast.

Background: At the March 18 DCE meeting, the Board discussed the options for launch in 2020. On June 5, the Palm Springs City Council voted unanimously to support a 2020 program launch, choosing the 100% carbon-free product as the default. Palm Desert and Cathedral City are evaluating a launch in 2021 and still have the opportunity to include their respective municipal loads in 2020.

At the April 2019 meeting, the Board reviewed and discussed the advantages of a CCA program, noting that given the high summer bills on customers, the economic benefits of a CCA should continue to be a priority. A brief summary of the notable rate and economic benefits that CCAs and local control through the DCE Board offer include:

- Over time, publicly owned and controlled utilities exhibit lower average rates than IOUs
- Revenues from a CCA program would directly benefit member communities through locally focused programs (i.e. rebates for low income households, subsidized efficiency upgrades, or other incentives) at the discretion of the DCE Board
- CCAs can "buy" supply over time and build portfolios using tax exempt financing
- Locally managed utilities tend to be more conscious of operating costs. (Note: DCE will always be tuned into cost control and "doing more with less".)
- Potential for DCE to use future revenues to benefit the community through rate reductions, special programs or incentives (e.g. energy retrofits) or investment in local renewables.

Current Status: To begin serving customers in 2020 DCE must submit a final load forecast to the California Public Utilities Commission by August 16, 2019. This load forecast is used to identify DCE's resource adequacy (RA) obligation. A preliminary load forecast for Palm Springs was filed in April 2019 as required. The city of Palm Springs accounts for approximately 40% of DCE's aggregated electricity load and is "big enough" to be viable. The August 2019 final load forecast will allow for any adjustments since the April submittal. The option for Palm Desert and Cathedral City to consider starting with municipal electric accounts in 2020 could be added in the August filing.

Schedule Status: As we have discussed since the March Board meeting, SCE is working on a major upgrade to its billing software and plans to launch that upgrade in April 2020. This billing software launch will impact the 2020 launch schedules for all CCAs in SCE territory. Since those initial discussions, SCE has confirmed that DCE's preferred launch dates in March/April 2020 are

not feasible, given the support from SCE that is needed for DCE launch and the activities associated with their billing upgrade. Based on an analysis by TEA, the best month after July 2020 for DCE launch would be September 1. TEA will provide a review of the financial projections associated with a September 2020 launch at the July 31 meeting.

Based on continued discussions with SCE to resolve outstanding issues we expect that a September 2020 launch will be feasible. Staff will provide a verbal update at the meeting.

DCE Launch Approach: DCE staff continues to work with SCE and CPUC representatives to on a September 2020 CCA launch for Palm Springs, based on the following characteristics:

1. **Two Power Products:**
 - A. 100% carbon-free / 50% renewable default product
 - B. 35% renewable opt-down product.
2. **DCE Member Participation/Enrollment:**
 - Palm Springs: All accounts, 100% carbon free
 - Palm Desert: Municipal accounts, to be determined by city council
 - May consider 100% carbon-free
 - Residential/Commercial/Other accounts phased in at later date (2021)
 - Cathedral City: Municipal accounts, to be determined by city council
 - May consider 100% carbon-free
 - Residential/Commercial/Other accounts phased in at later date (2021)

Should Cathedral City and/or Palm Desert choose to include their municipal accounts only in the 2020 launch, there is an option for these accounts to be enrolled with the 100% carbon-free product, at a small premium. An estimate of the annual cost impact for 100% carbon-free municipal electricity will be provided at the July 31 meeting.

3. **Launch Timing** – Palm Springs launch in September 2020 for all accounts. Cathedral City and Palm Desert may choose to launch municipal loads in September 2020; launch of remaining accounts in 2021. Confirmation of final plans for 2020 launch will be needed before submittal of August 2019 load forecast to CPUC.

The suggested approach maintains active CCA program participation and interest among DCE's three members coupled with furthering the common goal of assisting qualified lower income community members to reduce monthly energy bills. Allocating CCA retail program costs based on load served, and greater CARE/FERA penetration efforts based on eligible customer count provide fair and transparent cost recovery mechanisms that could be subsequently adjusted by the Board, if warranted, based on program experience and results.

Recommendations:

- **Prepare for September 2020 Program launch**
 - Start date September 1, 2020
 - Palm Springs for all customers
 - Cathedral City and Palm Desert may consider starting with municipal accounts and add other customers in 2021.
- **Establish two power supply products:**
 - 35% renewable.
 - Priced at or below SCE base product.
 - 100% carbon-free, 50% renewable.
 - Priced approximately 5 to 9% above SCE base product.

- **Members individually select default product.**
 - 100% carbon-free selection will entail surcharge to maintain CARE and FERA neutrality for these customers.
- **DCE “costs/revenues/margins” consistent with amended JPA**
- **Community Advisory Committee to assist with outreach**
 - Include low income CARE/FERA energy programs outreach.
 - Staff to provide an updated outreach plan at next meeting
 - Ongoing work with Community Advisory Committee on outreach

Staff recommends that the Board authorize the Executive Director to prepare for launch of DCE for Palm Spring in early 2020, including submittal of load forecast to the CPUC. Addition of municipal loads for Cathedral City and Palm Desert may be added prior to August 2019.

Fiscal Analysis: No Impact

Item 6D

Desert Community Energy Board July 31, 2019



STAFF REPORT

Subject: Community Advisory Committee Update

Contact: Benjamin Druyon, Management Analyst, Energy & Environmental Resources
(bdruyon@cvaq.org)

Recommendation: Information only.

Background: At the June 17 meeting, the Board appointed members to the Community Advisory Committee (CAC). The appointments made to the Advisory Committee include a diverse group of individuals totaling 12 members. These members were notified of their appointment by email. Individuals who were not appointed were also notified.

The first meeting of the CAC was held on July 11. Given the summer schedule, not all members were able to attend but there was a good turnout. A Community Advisory Committee Orientation Manual was prepared and distributed to members prior to the meeting. An overview of Community Choice Aggregation and introduction to Desert Community Energy was presented at the meeting. This presentation prompted questions and a good discussion among the members about the benefits and opportunities for DCE. As directed by the Board, the CAC also discussed the CARE/FERA program as described in Item 6E.

The CAC also discussed additional members. There was particular interest in recruiting individuals to represent low-income communities, especially someone who speaks Spanish. From the discussion, it was suggested that the CAC could benefit greatly by recruiting one or more persons from community or faith-based organizations, who would provide trust in the community when DCE begins reaching out to low-income unenrolled customers. In terms of vacancies on the CAC, at the meeting Jeremy Roos indicated that he has moved from Cathedral City to Palm Desert. Mr. Roos would then fill the vacant position in Palm Desert, leaving two vacancies in Cathedral City. There is also a vacancy in Palm Springs due to a resignation. Committee members expressed a willingness to reach out to potential candidates to fill these vacancies. Staff also requests input from the Board on filling the vacancies. The appointees made by the Board include:

Cathedral City	Palm Desert	Palm Springs
<ul style="list-style-type: none">• Kathleen DeRosa• Patric Dixon• Theresa (Terry) Applegate• Vacant• Vacant	<ul style="list-style-type: none">• Berlinda Blackburn• Daniel Paris• Kim Floyd• Paul Murphy• Jeremy Roos	<ul style="list-style-type: none">• Carl Baker• David Freedman• Lani Miller• Noel Loughrin• Vacant

Staff is working with the CAC members to establish a regular meeting date that works for all members. Once that date is confirmed we will inform the Board. We anticipate holding monthly meetings at the start, but the meeting schedule can be modified as needed. The first meeting went very well; members are enthusiastic and ready to get involved with DCE.

Fiscal Analysis: None.

**Desert Community Energy Board
July 31, 2019**



STAFF REPORT

Subject: CARE/FERA Program Update

Contact: Benjamin Druyon, Management Analyst, Energy & Environmental Resources
(bdruyon@cvag.org)

Recommendation: Information only.

Background: At the June 17 Board meeting, the Board directed DCE staff to proceed with the release of a Request for Proposals to find a qualified organization to assist with increasing participation in the CARE and FERA programs in DCE's service territory. Through CARE (California Alternate Rates for Energy) and FERA (Family Electric Rate Assistance) qualifying low-income households receive approximately 30% and 18% discounts, respectively, off their electric bills. These programs are authorized by the CPUC and funded through local distribution surcharges to non-low-income customers.

As requested by the Board, the draft Scope of Work portion of the Request for Proposals was provided to the CAC prior to their July 11 meeting. The CAC reviewed and discussed the Scope of Work and made some recommendations. After incorporating the CAC's suggestions into the Scope of Work, the full Request for Proposals (RFP) was released on July 19. The RFP was distributed to 6 marketing firms and 12 non-profit/charitable organizations and posted on both CVAG and DCE websites. The RFP is available at the following link: <https://desertcommunityenergy.org/wp-content/uploads/2019/07/RFP-CARE-FERA.pdf>. Staff also distributed it to the CAC, asking them to forward it along to any other organizations they feel might be interested in submitting a proposal. DCE staff also coordinated with staff from Palm Springs, Cathedral City, and Palm Desert, asking them to post it on each of their city's websites. The Request for Proposals will be open until August 23.

As described in the Scope of Work, the RFP asks proposers to provide their strategy for reaching out to eligible CARE/FERA customers and increasing enrollment by set percentage goals. As previously reported to the Board, DCE staff estimates that up to 5,000 additional eligible accounts are not enrolled. SCE reports currently about 300 enrolled FERA accounts within DCE member communities and about 3,000 to 4,000 likely qualified additional accounts that are not enrolled. The RFP also asks for a plan for coordination with local agencies, community and faith-based organizations who share a common interest in helping low-income customers.

A subcommittee of three of the CAC members will review the proposals. Proposals will be scored based on experience, qualifications, description of their approach to accomplishing the program goals, and the proposed budget for accomplishing the tasks. Staff anticipates having a recommendation for the Board at the September 16 meeting.

Fiscal Analysis: A potential contract will be brought back to the Board for consideration at the September meeting. A fiscal analysis will be provided at that time, based on the cost proposal of the recommended contractor.

ITEM 6F

Desert Community Energy Board
July 31, 2019



STAFF REPORT

Subject: DCE Pro Forma and Financial Model Scenario Analysis

Recommendation: Information only.

Background: Jeff Fuller from The Energy Authority will present an overview of the updated DCE pro forma and financial model scenario analysis, based on the launch plans of member agencies.

ITEM 8A**DESERT COMMUNITY ENERGY BOARD
FY2018-2019 ATTENDANCE RECORD**

Voting Members	JUL 16	JUL 25	AUG 15	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
								(Held 02/04)					
City of Cathedral City	✓	✓	✓	*	*	✓	*	✓	✓	✓	✓	*	✓
City of Palm Desert	✓	✓	✓	*	*	✓	*	✓	✓	✓	✓	*	✓
City of Palm Springs	✓	✓	✓	*	*	✓	*	✓	✓	✓	✓	*	✓
Non-Voting Member													
City of Desert Hot Springs				*	*		*					*	

Ex Officio / Absent
No Meeting *

ITEM 8B

**DESERT COMMUNITY ENERGY
UNAUDITED BALANCE SHEET
FROM APRIL 1, 2018 TO JUNE 30, 2019 (15 MONTHS)**

ASSETS

River City Bank

- Operating Account	371.72	
- Money Market Account	4,448,447.35	
- Lockbox Account	2.00	
Total Cash		4,448,821.07

Deposits/Bonds

- CPUC	100,000.00	
- CA ISO	500,000.00	
Total Deposits/Bonds		600,000.00

TOTAL ASSETS**5,048,821.07****LIABILITIES**

Accounts Payable

12,895.27**TOTAL LIABILITIES****12,895.27****FUND BALANCE**

Fund Balance

5,035,925.80**TOTAL LIABILITIES AND FUND BALANCE****5,048,821.07**

ITEM 8B

DESERT COMMUNITY ENERGY
UNAUDITED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FROM APRIL 1, 2018 TO JUNE 30, 2019 (15 MONTHS)

REVENUES

Electricity Sales	28,868,420.00
Other Revenue	2.00
Investment Income	59,253.65
TOTAL REVENUES	28,927,675.65

EXPENDITURES

Cost of Electricity		
Electricity Purchase	22,288,651.25	
Low Carbon Settlement	105,800.00	
Renewable Energy Credit Settlement	76,500.00	
Market Charges	14,955.00	
Total Cost of Electricity		22,485,906.25
Accounting / Bank Services		30.00
Legal Services		17,496.02
Professional Services		
- Ace Printing	1,767.10	
- LSL CPAs	2,880.00	
- Probolsky Research	15,800.00	
Total Professional Services		20,447.10
Consultants		
- LEAN Energy	209,078.60	
- The Energy Authority	394,533.25	
- CVAG	605,053.11	
- Donald D. Dame	20,282.34	
Total Consultants		1,228,947.30
Postage		58,006.00
Printing		37,089.90
Registrations/Memberships		
- Western Electricity Coordinating Council	125.00	
- CA Community Choice Association	35,000.00	
Total Registration/Memberships		35,125.00
Interest Expense		8,702.28
TOTAL EXPENDITURES		23,891,749.85
Excess of Revenues over Expenditures		5,035,925.80
Fund Balance - Beginning of the Year		0.00
Fund Balance - End of the Year		5,035,925.80

**Desert Community Energy Board
July 31, 2019**



STAFF REPORT

Subject: Transfer of Funds to Higher Interest Earning Account with River City Bank

Contact: Benjamin Druyon, Management Analyst, Energy & Environmental Resources
(bdruyon@cvaq.org)

Recommendation: Information only.

Background: When DCE postponed launch in 2018, the energy previously procured was liquidated, resulting in a net from remarketing of almost \$6.4 million. After repayment of expenses to various agencies and consultants for their work performed, DCE was left with a reserve of approximately \$4.4 million. At that time, staff spoke with River City Bank to discuss options for earning interest on the reserve fund. It was determined that a simple Money Market account would be best, earning an annual yield of 2.18%. Recently, staff has had discussions with River City Bank about other options for the reserve funds, as well as for when DCE becomes operational. Currently, DCE has four accounts set up: 1) a Lockbox account, where revenue from the large power transactions will be deposited when we start receiving payments from Southern California Edison; 2) an Operational account, which DCE uses to pay all of its vendors and consultants; 3) a Money Market account, where the reserve funds of approximately \$4.4 million are currently held; and 4) an Insured Cash Sweep (ICS) account. The ICS account is already opened, but no funds have been transferred in.

The intent is to transfer a portion of the reserve fund currently held in DCE's Money Market account yielding 2.18% to the ICS account. River City Bank is offering to increase DCE's overall rate to match monthly LAIF rates (currently 2.43%) as long as at least 25% of DCE's total deposits are maintained in the ICS account. However, to comply with government code, the balance in the ICS account cannot exceed 30% of total deposits (please see Attachment 1 for reference). Since Desert Community Energy has minimal transactions on its accounts, at least for the time being until DCE launches next year, this will be relatively easy to accomplish. River City Bank will provide a daily report showing the percentage of funds in ICS vs. other accounts to help keep track of the requirements.

Here are some highlights of an Insured Cash Sweep account:

- Fully liquid deposit account with same day access to funds
- River City Bank's rate tracks LAIF – currently at 2.43%, compounded daily and paid monthly (slightly better than LAIF quarterly payment)
- No setup or annual fees for ICS account
- 100% FDIC insured via Promontory Interfinancial Network – see attached detailed product information

Fiscal Analysis: By transferring reserves from the Money Market account into the ICS account, DCE staff estimates an annual increase of investment income of \$3,125.

Attachment:

1. ICS Public Funds Sales Sheet.



Safety. Return. Freedom.

Through ICS[®], the Insured Cash Sweep[®] service, many public depositors can access multi-million-dollar FDIC insurance on funds placed into demand deposit accounts.

Through the ICS service, you can:

- **Enjoy peace of mind**
ICS funds are eligible for multi-million-dollar FDIC insurance that's backed by the full faith and credit of the United States government.
- **Earn interest**
Put excess cash balances to work.
- **Save time**
By providing access to FDIC insurance through a single bank relationship, ICS can help your public unit comply with investment policy mandates.
- **Access funds**
Enjoy unlimited program withdrawals from demand deposit accounts.
- **Support your community**
Feel good knowing that the full amount of your funds placed through ICS can stay local to support lending opportunities that build a stronger community.¹

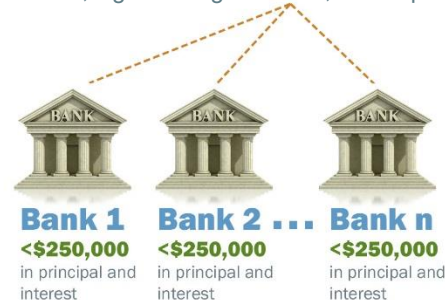
Simply put, with ICS, you can have it all.

How does ICS work?

Work directly with just us—an institution you already know and trust—to access coverage from many, receive one regular statement, and know that your confidential information remains protected.



Your public unit has or sets up a transaction account with our bank, signs the agreements, and deposits funds.



Deposits are sent to demand deposit accounts at other member institutions in amounts under the standard FDIC insurance maximum of \$250,000.²



River City Bank

Member
FDIC

Contact us today!

(Insert contact information here.)

[1] When deposited funds are exchanged on a dollar-for-dollar basis with other banks in the ICS Network, the relationship institution can use the full amount of a deposit placed through ICS for local lending, satisfying some depositors' local investment goals or mandates. In certain states, and with a depositor's consent, the relationship institution may choose to receive fee income instead of deposits from other Network members. Under these circumstances, deposited funds would not be available for local lending.

[2] Based on triggering events as set forth in the ICS Deposit Placement Agreement the depositor enters into with the relationship institution.

Placement of funds through the ICS service is subject to the terms, conditions, and disclosures in the service agreements, including the Deposit Placement Agreement ("DPA"). Limits and customer eligibility criteria apply. In the ICS savings option, program withdrawals are limited to six per month. Although funds are placed at destination banks in amounts that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA"), a depositor's balances at the relationship institution that places the funds may exceed the SMDIA (e.g., before ICS settlement for a deposit or after ICS settlement for a withdrawal) or be ineligible for FDIC insurance (if the relationship institution is not a bank). As stated in the DPA, the depositor is responsible for making any necessary arrangements to protect such balances consistent with applicable law. If the depositor is subject to restrictions on placement of its funds, the depositor is responsible for determining whether its use of ICS satisfies those restrictions. ICS and Insured Cash Sweep are registered service marks of Promontory Interfinancial Network, LLC.

Using ICS® for Public Funds

In the State of California



CALIFORNIA GOVERNMENT CODE

Title 5. Local Agencies

Division 2. Cities, Counties, and Other Agencies

Part 1. Powers and Duties Common to Cities, Counties, and Other Agencies Chapter 4. Financial Affairs

Article 1. Investment of Surplus

53600. As used in this article, "**local agency**" means **county, city, city and county**, including a chartered city or county, **school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.**

[SECTION 53635.8 is similar to Section 53601.8]

53601.8. Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:

- (a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.
- (b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
- (c) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring both of the following:
 - (1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
 - (2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.
- (d) The selected depository institution shall serve as a custodian for each such deposit.
- (e) On the same date that the local agency's funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).
- (f) Notwithstanding subdivisions (a) to (e), inclusive, no credit union may act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:
 - (1) The credit union offers federal depository insurance through the National Credit Union Administration.
 - (2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
- (g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
- (h) The deposits placed pursuant to this section and Section 53635.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.
- (i) This section shall remain in effect only until January 1, 2021, and as of that date is repealed.