

ATTENTION: DCE VOTING MEMBERS WILL RECEIVE A UNIQUE PANELIST LINK BY EMAIL. PLEASE USE THIS LINK TO PARTICIPATE IN THIS MEETING.



DESERT COMMUNITY ENERGY BOARD MEETING AGENDA

Monday, February 6, 2023

Closed Session: 3:00 p.m.

Regular Session: 3:15 p.m.

Pursuant to Assembly Bill 361 and the findings made by the DCE Board, this meeting will only be conducted via video/teleconferencing.

INSTRUCTIONS FOR PUBLIC PARTICIPATION

Online:

<https://us02web.zoom.us/j/87594952350?pwd=V1IUMkZYL0lnYnZ0akhHeG9HbXI5dz09>

Passcode: 830932

One tap mobile: +16694449171,,87594952350#

By Phone:

Dial In #: +1 669 900 9128

Webinar ID: 875 9495 2350

Passcode: 830932

This will provide listening access and ability to address the DCE Board when called upon.

IF YOU ARE UNABLE TO CONNECT VIA DIAL IN OPTION, PLEASE CALL 760-346-1127

Members of the public are encouraged to submit comment in connection with the Desert Community Energy meeting by email to: cvag@cvag.org by 5:00 p.m. on the day prior to the committee meeting. Comments intended to be read aloud into the record should be no more than 300 characters in length.

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

1. CALL TO ORDER –

2. CLOSED SESSION

A. Public Comment for Closed Session Items Only:

This is the time and place for members of the public to address closed session agenda. Please limit comments to two (2) minutes.

B. Closed Session

Conference with Legal Counsel – Anticipated Litigation
Initiation of litigation pursuant to Government Code Section 54956.9(d)(4)
Number of potential cases: 1

3. RECONVENE TO REGULAR SESSION & ROLL CALL – 3:15 p.m.

A. Report on Action from Closed Session

B. Member Roster

P5

4. AGENDA MODIFICATIONS (IF ANY)

5. PUBLIC COMMENTS ON AGENDA ITEMS

Any person wishing to address the Desert Community Energy Board on items appearing on this agenda may do so at this time. Please limit comments to 3 minutes. At the discretion of the chair, additional public comment time and/or opportunities during the meeting may be granted.

6. BOARD MEMBER / DIRECTOR COMMENTS

7. CONSENT CALENDAR

A. Approve Minutes from the November 18, 2022 Board Meeting

P6

B. Reaffirm that findings still exist, pursuant to Assembly Bill 361, and authorize continuation of remote teleconference/virtual meetings of Desert Community Energy

P9

8. DISCUSSION / ACTION

A. Election of DCE Officers – Tom Kirk

P10

Recommendation: Elect a Chair and Vice Chair for the Desert Community Energy Board of Directors

B. DCE 2023 Legislative Platform – Peter Carlstrom **P11**

Recommendation: Adopt DCE’s 2023 Legislative Platform to expand DCE’s advocacy efforts and support initiatives that are in alignment with DCE’s mission

C. Contract Amendments with Deer Creek Solar I, LLC for Deer Creek Solar +Storage Project – David Freedman **P18**

Recommendation: Authorize the Executive Director to negotiate and execute amendments to the Renewable Power Purchase Agreement and Renewable Energy Purchase and Sale Agreement with Deer Creek Solar I

D. DCE Financial Outlook – Jaclyn Harr

E. Carbon Free Commercial Customer Recognition Program – Burke Rix Communications **P27**

Recommendation: Information

F. Schedule of DCE Board Meetings – Erica Felci **P29**

Recommendation: Provide direction to staff on the DCE regular meeting schedule

9. INFORMATION

A. Attendance Record **P30**

B. CPUC Net Energy Metering 3.0 / Net Billing Tariff Decision **P31**

C. Unaudited Year-to-Year Financial Report as of December 31, 2022 **P33**

D. Mid-Term Reliability 2023 Request for Offers **P36**

E. January 2023 Rate Adjustment Summary **P39**

10. PUBLIC COMMENTS ON NON-AGENDA ITEMS

Any person wishing to address the Board on items not appearing on this agenda may do so at this time. Please limit comments to 2 minutes. At the discretion of the chair, additional public comment time and/or opportunities during the meeting may be granted.

11. ANNOUNCEMENTS

Pending Board guidance on Agenda Item 8F, the next DCE meeting will be held

March 20, 2023 at 3:00 p.m. with additional meeting logistics to be announced.

12. ADJOURNMENT



DESERT COMMUNITY ENERGY BOARD MEMBER ROSTER

Voting Members	Seat on Committee	Representative
City of Palm Desert		Veronica Chavez Finance Director <i>Alternate: Mayor Kathleen Kelly</i>
City of Palm Springs		Lisa Middleton Councilmember <i>Alternate: Mayor Pro Tem Jeffrey Bernstein</i>
DCE Staff		
Tom Kirk, Executive Director		
Kenyon Potter, Director of Energy & Sustainability		
David Freedman, Program Manager		
Liz Barnwell, Management Analyst		
Janice Reitman, Accounting Manager		

ITEM 7A

Desert Community Energy Board Meeting Minutes November 18, 2022



Held via Zoom videoconference

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

1. CALL TO ORDER

The meeting of the DCE Board was called to order by Chair Geoff Kors, City of Palm Springs, at 10:32 a.m. via Zoom videoconferencing, pursuant to Assembly Bill 361.

2. ROLL CALL

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

Members Present

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

Agency

City of Palm Springs
City of Palm Desert

3. AGENDA MODIFICATIONS (IF ANY)

None

4. PUBLIC COMMENTS ON AGENDA ITEMS

None

5. BOARD MEMBER / DIRECTOR COMMENTS

Director Katie Barrows reminded the Board that they would be meeting in closed session at the end of the meeting.

She also paid tribute to both Board members, who will be departing the Board as they did not seek re-election for their respective Councils. Ms. Barrows praised their leadership in launching DCE and unveiled plaques that will be placed at the windmills in their honor.

Chair Kors provided departing remarks that lauded the experience of launching an agency from its inception. He also thanked staff and applauded Vice Chair Jonathan's leadership. Finally, he thanked residents for their participation in the program and making a difference for a sustainable future.

Vice Chair Jonathan also provided departing remarks and thanked staff. He expressed pride in establishing DCE, including service in Palm Springs, and disappointment that the City of Palm Desert hasn't launched yet. He also praised Chair Kors' leadership.

6. CONSENT CALENDAR

IT WAS MOVED BY VICE CHAIR JONATHAN AND SECONDED BY CHAIR KORS TO:

- A. Approve Minutes from the September 28, 2022 Board Meeting**
- B. Reaffirm that findings still exist, pursuant to Assembly Bill 361, and authorize continuation of remote teleconference/virtual meetings of Desert Community Energy**

THE MOTION CARRIED WITH 2 AYES.

**Mayor Pro Tem Jonathan
Councilmember Kors**

**Aye
Aye**

7. DISCUSSION / ACTION

A. DCE's Audit for Fiscal Year 2021/22 and Related Reports – Claude Kilgore

Director of Finance/ Administration Claude Kilgore provided introductory remarks to the audit report, noting the challenging conditions over the last fiscal year, and provided a preview of conditions in the current fiscal year. He introduced Shannon Ayala from Davis Farr, who provided an overview of the audit and the unmodified opinion.

Member discussion ensued, with staff answering questions on the financial statement. Vice Chair Jonathan suggested that, in the future, DCE consider the use of an audit committee prior to Board review.

IT WAS MOVED BY VICE CHAIR JONATHAN AND SECONDED BY CHAIR KORS TO RECEIVE AND FILE THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022, REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING, AND THE AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

THE MOTION CARRIED WITH 2 AYES.

**Mayor Pro Tem Jonathan
Councilmember Kors**

**Aye
Aye**

8. INFORMATION

The following items were included in the agenda packet for members' information :

- A. Attendance Record**
- B. Unaudited Financial Report as of September 30, 2022**
- C. Unaudited Year-to-Year Financial Report as of September 30, 2022**
- D. Update on DCE's Distributed Energy Resources Program**

E. Carbon Free Commercial Customer Recognition Program

Chair Kors highlighted Item 8E, pointing out the opportunities for collaboration with the regional tourism efforts to promote sustainability and clean energy, and offered to participate in any related meetings prior to his Council term ending.

9. PUBLIC COMMENT ON NON-AGENDA ITEMS

None.

10. ANNOUNCEMENTS

The next DCE meeting will be held January 9, 2023 at 3:00 p.m. via Zoom webinar.

11. CLOSED SESSION – The Board adjourned to closed session at 11:01 a.m.

Conference with Legal Counsel – Anticipated Litigation

Initiation of litigation pursuant to Government Code Section 54956.9(d)(4)

Number of potential cases: 1

The closed session concluded at 11:25 a.m. DCE Program Manager David Freedman reported that there was no reportable action.

12. ADJOURNMENT –

On behalf of Chair Kors, Mr. Freedman adjourned the meeting at 11:26 a.m.

Respectfully submitted,

Erica Felci, Assistant Executive Director

ITEM 7B

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: Remote Teleconference/Virtual Meetings Pursuant to Assembly Bill 361

Contact: Erica Felci, Assistant Executive Director (efelci@cvag.org)

Recommendation: Reaffirm that findings still exist, pursuant to Assembly Bill 361, and authorize continuation of remote teleconference/virtual meetings of Desert Community Energy

Background: All meetings of the Desert Community Energy Board and its Community Advisory Committee are subject to the Ralph M. Brown Act (Gov. Code §§ 54950 *et seq.*), and must be open and public so that any member of the public may attend and participate in the meetings.

Starting in March 2020, Governor Newsom issued a series of executive orders aimed at preventing the spread of COVID-19, as it was determined that social distancing was an important factor addressing the pandemic. Among these were Executive Orders N-25-20, N-29-20 and N-35-20 (collectively, the “Brown Act Orders”) that waived the teleconferencing requirements of the Brown Act to allow legislative bodies to meet virtually.

On June 11, 2021, the Governor issued Executive Order N-08-21 to begin winding down some of the prior measures that were adopted to respond to COVID-19. Notably, this order rescinds the Brown Act Orders, effective September 30, 2021. On September 16, 2021, Governor Newsom signed Assembly Bill 361 (AB 361), which effective October 1, 2021, allows legislative bodies to meet virtually provided the legislative body makes specific findings.

Specific Findings Required under AB 361:

The DCE Board has previously made the following findings pursuant to AB 361:

1. A statewide state of emergency is currently in place;
2. State or local officials have imposed or recommended measures to promote social distancing in connection with COVID-19; and
3. Meeting in person would present imminent risks to the health or safety of attendees.

AB 361 continues until January 2024. Although there has been additional legislation related to the Brown Act, Legal Counsel’s guidance on the issue is that virtual meetings can continue under AB 361. With this item, staff is recommending the DCE Board confirm these findings still exist and continue virtual meetings, pursuant to AB 361.

Fiscal Analysis: There are no additional costs to DCE for hosting virtual meetings.

ITEM 8A

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: Election of DCE Officers

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

Recommendation: Elect a Chair and Vice Chair for the Desert Community Energy Board of Directors

Background: DCE formed in 2017 to provide customers with a local choice in their electricity service. On occasion, often as a result of changes in Board representation, the DCE Board has considered the election of a Chair and Vice Chair. The Joint Powers Agreement provides the following guidance for electing officers: *“The Directors shall select, from among themselves, a Chair, who shall be the presiding officer of all Board meetings, and a Vice Chair, who shall serve in the absence of the Chair. The Chair and Vice Chair shall serve at the pleasure of the Board. There shall be no limit on the number of terms held by either the Chair or Vice Chair.”*

The recent council elections in the Cities of Palm Springs and Palm Desert has resulted in a new makeup of the DCE Board. Under the previous Board, the Chair was then-Councilmember Geoff Kors of Palm Springs, who was chosen in October 2019 at a time when decisions were being made to launch in the City of Palm Springs. Palm Desert’s then-Mayor Pro Tem Sabby Jonathan served as DCE Vice Chair, after serving a term as Chair.

Staff recommends that DCE Board provide nominations and elect its officers.

Fiscal Analysis: There are no costs to DCE for electing officers.

ITEM 8B

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: DCE 2023 Legislative Platform

Contact: Peter Carlstrom, Management Analyst (pcarlstrom@cvag.org)

Recommendation: Adopt DCE's 2023 Legislative Platform to expand DCE's advocacy efforts and support initiatives that are in alignment with DCE's mission

Background: DCE is a member of the California Community Choice Association (CalCCA), a Community Choice Aggregator (CCA) advocacy organization, and has historically used the statewide organization to lead its advocacy efforts. On occasion, the Board has also taken official positions on legislation and regulatory issues through formal action at its meetings. Under certain circumstances, the DCE Board has delegated DCE's Executive Director to take action on time-sensitive regulatory and legislative matters. DCE is staffed by the Coachella Valley Association of Governments (CVAG), which has recently adopted a state and federal legislative platform to guide advocacy efforts in Sacramento and Washington. Such platforms provide guidance on emerging issues. DCE staff is now recommending DCE also adopt a legislative platform, which will help guide regional coordination through the legislative and regulatory and grant procurement processes.

Many other CCAs from across the state have adopted platforms that allow them to take positions on legislative and regulatory matters without receiving explicit board approval. Staff have developed a legislative platform for consideration by the DCE Board. The proposed platform recognizes a set of guiding principles consistent with DCE's mission, including its ambitious green and clean energy goals for combating climate change and its State-mandated Renewable Portfolio Standard (RPS) compliance requirements. If adopted, DCE staff would be able to take quick and efficient action on matters relevant to DCE's interests, such as supporting legislation and signing onto support and regulatory comment letters. Past examples of RPS-related advocacy include supporting ratepayer equity legislation in 2021 (SB 612). In 2022, the DCE Board adopted a resolution that supported the protection and expansion of rooftop solar.

The guiding principles were carefully selected after reviewing numerous CCA legislative platforms and consultation with energy experts. They reflect a commitment to decarbonization, renewable energy generation and procurement, and equity in the distribution of energy efficient technology. With this item, staff recommends that the Board adopt the attached DCE 2023 Legislative Platform.

DCE staff sent a draft of the DCE 2023 Legislative Platform to staff at the Cities of Palm Springs and Palm Desert. Palm Springs staff expressed support for the platform, while Palm Desert stated they reviewed the platform and did not request any additions or changes.

Fiscal Analysis: Drafting the legislative platform and taking advocacy positions consistent with the platform are covered by DCE staff time.

Attachment: Draft DCE 2023 Legislative Platform

Desert Community Energy

2023 Legislative Platform

Adopted: February 6, 2023



Desert Community Energy

Desert Community Energy (DCE) is a not-for-profit, publicly managed Community Choice Aggregator (CCA) currently providing power to residential, commercial, industrial and municipal customers in the City of Palm Springs, with the City of Palm Desert also being a member. DCE gives customers the option to buy cleaner, greener electricity at competitive prices while improving air quality and helping cities achieve their climate goals. DCE is governed by a Board of Directors from participating cities who set rates and determine where clean energy is sourced, allowing local elected officials to make decisions that affect ratepayers. DCE also has a Community Advisory Committee, composed of community members from participating cities, to advise the Board on programs, policy, and outreach.

The purpose of this document is to identify principles consistent with DCE's mission to guide advocacy efforts relating to legislative and regulatory matters at the state and federal levels. These principles will empower DCE staff to quickly and efficiently respond to opportunities for advocacy as they relate to CCAs, the development and procurement of carbon-free energy, and the expansion of clean energy technology. These actions may include, but are not limited to, signing on to letters and petitions, supporting legislation and ballot initiatives, taking positions on potential regulatory changes, and pursuing grant opportunities. This document will assist in facilitating the development of a strategic plan of action that advances DCE's objectives, addresses the needs of its customers, and promotes the expansion of clean energy production and procurement throughout DCE's territory and nearby areas.

DCE Members:

City of Palm Desert

City of Palm Springs

Desert Community Energy

73-710 Fred Waring Drive

Suite 200

Palm Desert, CA 92260

Tel: 855-357-9240

<https://desertcommunityenergy.org>

Guiding Principles



Decarbonization

Support initiatives that provide funding and incentives for clean energy, energy efficiency, decarbonization and green building programs.



Local Generation and Procurement

Support initiatives that would enhance the ability of DCE and other CCAs to invest in local and regional renewable energy resources.



Community Choice

Support initiatives that would maintain or improve the stability of CCAs by implementing an equitable regulatory structure.



Grid Capacity & Resilience

Support initiatives that increase grid capacity and strengthen its resilience during high demand.



Access to Clean Energy

Support initiatives that increase accessibility to clean energy technology for all households.



Electric Vehicles & Charging

Support initiatives that expand the adoption of electric vehicles and increase the deployment of electric vehicle charging infrastructure.



Education

Support initiatives that develop workforce training programs and educate the general public on energy efficiency principles.

Decarbonization

- Support legislation, policies, programs and initiatives that provide funding and incentives for clean energy, energy efficiency, decarbonization and green building programs.
- Support legislation, policies, programs and initiatives that contribute to the State's efforts to reduce the emission of greenhouse gases.
- Oppose legislation, policies, or regulatory efforts that would undermine the State's ambitious climate goals.
- Oppose legislation, policies, or regulatory efforts that would detrimentally impact DCE's ability to support or procure green energy for its customers.

Local Generation and Procurement

- Support legislation, policies, programs and initiatives that would enhance the ability of DCE and other CCAs to invest in local and regional renewable energy resources.
- Support legislation, policies, programs and initiatives that encourage and/or incentivize the development of distributed energy resources in the region.
- Support legislation, policies, programs and initiatives that encourage renewable energy generation, sustainably sourced battery storage, and/or a combination of generation plus storage.
- Support legislation, policies, programs, and initiatives that encourage community renewable energy projects to increase access to renewable energy generation for all communities.
- Oppose legislation, policies, or regulatory efforts that would discourage and/or disincentivize the development of distributed energy resources in the region.
- Oppose legislation, policies, or regulatory efforts that would hinder DCE's ability to procure locally sourced clean energy.

Community Choice

- Support legislation, policies, and funding that would maintain or improve the stability of CCAs by implementing an equitable regulatory structure that preserves local decision-making authority, such as setting rates and energy procurement.
- Oppose legislation, policies, and regulatory efforts that would weaken the ability of CCAs to achieve their missions and serve the communities in which they operate.

Increase Grid Capacity and Resilience

- Support legislation, policies, and funding to expand the deployment of renewable energy and storage to stabilize the grid during periods of excessive energy consumption.
- Support necessary infrastructure upgrades to enhance grid capacity and resilience.

-
- Support legislation, policies, funding and incentives to improve load management and load reduction as the preferred method of demand response to protect grid reliability and reduce the necessity and frequency of rolling outages.
 - Support policies that contribute to long-term grid resiliency, rather than reliance upon short-term solutions, such as Public Safety Power Shutoff events.
 - Promote efficient communication and dissemination of information to DCE customers as it relates to potential power shutoffs during periods of high grid-wide power consumption.
 - Support and incentivize legislation, policies, programs, and initiatives that encourage the development of microgrids for important and essential facilities that may remain operational in the event of a power outage.

Expand Access to Clean Energy Technology

- Support legislation, policies, funding and incentives to improve accessibility to clean building energy technology and appliances (e.g., heat pumps, induction cooktops, electric clothes dryers, etc.) for all households.
- Support policies, programs and funding that expand access for rooftop solar and battery storage for all households.
- Oppose legislation, policies, and regulatory efforts related to Net Energy Metering (NEM) that would disincentivize the adoption of rooftop solar and/or battery storage.
- Oppose legislation, policies, and regulatory efforts that would make clean energy technology, including rooftop solar and/or battery storage, less affordable and accessible.

Electric Vehicles (EVs) and EV Charging Infrastructure

- Support policies, programs, and funding for EV charging infrastructure and increased use of EVs in the region.
- Support policies, programs, and funding that promotes the adoption of EVs and the deployment of EV charging infrastructure in underserved communities.
- Oppose legislation, policies, and initiatives that would negatively impact the affordability and accessibility of EVs.

Support Education Initiatives regarding Clean Energy and Energy Efficiency Measures

- Support policies, programs, initiatives, and funding relating to workforce training in the energy efficiency and renewable energy space.
- Support policies, programs, initiatives, and funding relating to energy education centers in an effort to educate the community at large on energy efficiency measures.

ITEM 8C

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: Contract Amendments with Deer Creek Solar I, LLC for Deer Creek Solar + Storage Project

Contact: David Freedman, Program Manager (dfreedman@cvaq.org)

Recommendation: Authorize the Executive Director to negotiate and execute amendments to the Renewable Power Purchase Agreement and Renewable Energy Purchase and Sale Agreement with Deer Creek Solar I

Background: On February 25, 2021, the DCE Board approved a 20-year renewable power purchase agreement (PPA) with Deer Creek Solar I, LLC (Deer Creek) for the Deer Creek Solar + Storage Project in Tulare County, California. The Deer Creek project consists of a 50 MW solar component connected to a 50 MW/200 MWh battery storage component (i.e., a 50 MW battery that can discharge for four hours). The solar component of the project will generate nearly 190,000 MWh annually in its first year of operation, which is the equivalent of powering 15,500 homes with 100% carbon-free electricity. The battery storage component will allow for the solar power to be stored and discharged at the time power is most needed by the grid, such as during the evening peak, providing much need reliability and solar integration to the grid as well as significant financial value to DCE.

To assist DCE in meeting its obligations under Senate Bill 350 to procure at least 65% of its required renewable energy under long-term contracts, DCE and Deer Creek also signed a Renewable Energy Purchase and Sale Agreement (REPSA). Under the terms of this agreement, Deer Creek delivers to DCE PCC1 renewable energy from its portfolio equal to the expected Year 1 output of the Deer Creek solar component until Deer Creek becomes commercially operational. This energy is priced similarly to short-term PCC1 energy that The Energy Authority (TEA) could expect to procure on DCE's behalf on the open market.

In late 2021, Deer Creek, through its developer Vesper Energy (Vesper), informed DCE staff that delays imposed by Southern California Edison (SCE) in connecting the project to the SCE's transmission lines meant Deer Creek would not be able to achieve the Commercial Operation Date (COD) that was originally set out in the PPA. On February 14, 2022, the DCE Board authorized the Executive Director to negotiate and execute amendments to the PPA and REPSA.

Global circumstances led to many uncertainties during the negotiations. This includes global supply chain disruptions caused by the COVID pandemic and an anti-circumvention investigation launched by the US Department of Commerce into solar PV panel manufacturers in four Southeastern Asian countries that resulted in industry-wide price increases for the solar panels, batteries and other components of the project. As such, DCE staff and Deer Creek were not able to reach final agreement on the terms of the amendments, including the price to be paid by DCE for the renewable energy and storage capacity and whether Deer Creek would provide a cash

payment to assist DCE with the procurement of energy products, such as Resource Adequacy, to replace the products that would have been obtained from Deer Creek during the delay period.

Negotiations between the parties, together with their respective legal counsels and with financial advice to DCE from TEA, continued throughout 2022. During that time, global factors changed, including President Biden's two-year suspension of possible anti-circumvention duties and the passage of the Inflation Reduction Act in August 2022 that increased tax credits for renewable energy projects. In December 2022, DCE staff and Deer Creek reached a tentative agreement on financial terms, an extension of the COD and an increase in energy purchases under the REPSA.

Deer Creek and DCE staff have now finalized terms of an amendment to the PPA that extends the COD based on SCE's current estimate for completion of interconnection facilities and increases the prices to be paid by DCE for the renewable energy and battery storage to reflect current market conditions. If Deer Creek does not start construction as of the revised Guaranteed Construction Start Date for any reason, the amendment allows DCE, in its sole discretion, to draw down on the entire development security posted by Deer Creek and terminate the PPA upon 30 days written notice to Deer Creek. Deer Creek and DCE staff have also finalized the details of a draft amendment to the REPSA to reflect the increase in PCC1 renewable energy procurement.

While the Board previously approved amendments to the PPA and REPSA in February 2022, staff is coming back to the Board for reapproval of the amendments because their terms have changed. Much like the original agreements, the amendments contain proprietary information that has been redacted by DCE and Deer Creek's legal counsels. The amendments are attached with confidential pricing and other terms redacted.

With this item, DCE staff is seeking authorization for the Executive Director to execute the amendments to extend the COD and other contractual milestones, revise the prices to be paid by DCE and secure additional short-term PCC1 renewable energy procurement as well as long-term renewable energy and Resource Adequacy to enable DCE to meet its obligations under Senate Bill 1020 and the Mid-Term Reliability procurement order, which is further detailed under in the Board's agenda packet under Item 9D.

Fiscal Analysis: The amendment to the PPA would extend the COD based on SCE's current estimate for completion of interconnection facilities and increases the prices to be paid by DCE. A financial model prepared by TEA estimates the additional costs to DCE because of the delay to the interconnection facilities and the higher prices for renewable energy and battery storage to be paid by DCE. Initial estimates show that the additional costs of DCE's renewable energy and Resource Adequacy purchases caused by the COD delay are expected to be approximately \$11 million.

TEA will continue to seek opportunities to find replacement energy products at the most efficient cost. TEA also estimates that notwithstanding the higher prices to be paid by DCE under the PPA, the Deer Creek project remains economically beneficial to DCE and is in line with current market conditions.

Attachments:

1. Amendment No. 1 to Renewable Power Purchase Agreement
2. Amendment No. 1 to Renewable Energy Purchase And Sale Agreement

**AMENDMENT NO. 1
TO RENEWABLE POWER PURCHASE AGREEMENT**

This Amendment No. 1 (this “**Amendment**”) to the Renewable Power Purchase Agreement is entered into as of February __ 2023 (the “**Effective Date**”) by and between Desert Community Energy, a California joint powers authority (“**Buyer**”) and Deer Creek Solar I LLC, a Delaware limited liability company (“**Seller**”) (together, the “**Parties**” and each a “**Party**”). Capitalized terms used and not otherwise defined in this Amendment shall have the meanings ascribed to such terms in the Agreement (defined below).

RECITALS

WHEREAS, Buyer and Seller entered into that certain Renewable Power Purchase Agreement, dated April 16, 2021 (as amended, modified and supplemented from time to time, the “**Agreement**”).


WHEREAS, Buyer and Seller now wish to amend the Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree to the following:

AGREEMENT

1. Amendments.

- a. The “Cover Sheet” is amended to delete the Milestones table in its entirety and replace it with the following:

Milestone	Date for Completion
Evidence of Site Control	Complete
Executed Interconnection Agreement	Complete
CEC Pre-Certification Obtained	Complete
Conditional Use Permit	Complete
Distribution Upgrades Completed	
Expected Construction Start Date	
Guaranteed Construction Start Date	
Full Capacity Deliverability Status Obtained	
Initial Synchronization	

Milestone	Date for Completion
Expected Commercial Operation Date	
Guaranteed Commercial Operation Date	

- b. The Development Cure Period provisions of Section 4 of Exhibit B are of no further force and effect.
- c. The “Cover Sheet” is amended to delete the Contract Price tables in their entirety and replace them with the following:

The Renewable Rate shall be:

Contract Year	Renewable Rate
1 – 20	\$ /MWh (flat) with no escalation

The Storage Rate shall be:

Contract Year	Storage Rate
1 – 20	\$ /kW-mo (flat) with no escalation

2. Milestones.

- a. Procurement of Major Components. The defined term “**Construction Start**” will include the requirement that Seller .
- b. Progress Reports. In addition to the reporting requirements set forth in Section 2.3 of the Agreement, during the period from the date of this Amendment through the Guaranteed Construction Start Date, Seller will provide Buyer with monthly progress reports (due on the fifteenth day of each month) detailing the progress of Seller on achieving all requirements for Construction Start, including the execution of contracts for major components of the Facility as set forth in Section 2.a. above.
3. Failure to Achieve the Guaranteed Construction Start Date. In the event that Seller has not achieved Construction Start as of the Guaranteed Construction Start Date for any reason, then Buyer shall have the option, in its sole discretion, to terminate the Agreement upon thirty (30) days’ written notice to Seller and collect an amount from Seller equal to the Development Security. If Seller has not paid such amount within twenty (20) days after receiving notice of termination of this Agreement, then Buyer will have a right to draw down the entire Development Security. Upon the exercise of such termination right, the Agreement will terminate and be of no further force or effect, including the post-termination rights and obligations set forth in Section 11.8 of the Agreement. The Parties

acknowledge that the Development Security will be the sole and exclusive remedy of Buyer with respect to the exercise of the foregoing termination right and no other amount will be due or owing between Buyer and Seller.

4. Miscellaneous.

- a. Reservation of Rights. Each Party expressly reserves all of its respective rights and remedies under the Agreement.
- b. Legal Effect. Except as expressly modified by this Amendment, the Agreement remains unchanged and, as so modified, the Agreement shall remain in full force and effect.
- c. Governing Law. This Amendment and the rights and duties of the Parties hereunder shall be governed by and construed, enforced and performed in accordance with the laws of the State of California, without regard to principles of conflicts of law. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AMENDMENT.
- d. Further Amendments. This Amendment may only be amended, modified or supplemented by an instrument in writing executed by duly authorized representatives of the Parties.
- e. Counterparts; Electronic Signature. This Amendment may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original. The Parties may rely on electronic, facsimile or scanned signatures as originals.
- f. Electronic Delivery. Delivery of an executed signature page of this Amendment by electronic format (including portable document format (.pdf)) shall be the same as delivery of an original executed signature page.
- g. Binding Effect. This Amendment shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the Effective Date.

**Deer Creek Solar I LLC, a Delaware
limited liability company**

**Desert Community Energy, a California
joint powers authority**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**AMENDMENT NO. 1
TO RENEWABLE ENERGY PURCHASE AND SALE AGREEMENT**

This Amendment No. 1 (this “**Amendment**”) to the Renewable Energy Purchase and Sale Agreement is entered into as of February __, 2023 (the “**Effective Date**”) by and between Desert Community Energy, a California joint powers authority (“**Buyer**”) and Deer Creek Solar I LLC, a Delaware limited liability company (“**Seller**”) (together, the “**Parties**” and each a “**Party**”). Capitalized terms used and not otherwise defined in this Amendment shall have the meanings ascribed to such terms in the Agreement (defined below).

RECITALS

WHEREAS, Buyer and Seller entered into that certain Renewable Energy Purchase and Sale Agreement, dated April 16, 2021 (as amended, modified and supplemented from time to time, the “**Agreement**”).

WHEREAS, Buyer and Seller now wish to amend the Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree to the following:

AGREEMENT

1. Amendments.

- a. Exhibit A, “Confirmation Letter”, row “Contract Quantity” is amended to (i) delete “2023: [REDACTED] MWh” and replace it with “2023: [REDACTED] MWh”, and (ii) under the “Contingent” section, delete “2023: Up to [REDACTED] MWh from Facilities subject to written confirmation of a delivery obligation with the owner of such Facility at a Contract Price that is acceptable to Buyer;” and replace it with “2023: Up to [REDACTED] MWh from Facilities subject to written confirmation of a delivery obligation with the owner of such Facility at a Contract Price that is acceptable to Buyer;”.

2. Miscellaneous.

- a. Reservation of Rights. Each Party expressly reserves all of its respective rights and remedies under the Agreement.
- b. Legal Effect. Except as expressly modified by this Amendment, the Agreement remains unchanged and, as so modified, the Agreement shall remain in full force and effect.

- c. Governing Law. This Amendment and the rights and duties of the Parties hereunder shall be governed by and construed, enforced and performed in accordance with the laws of the State of California, without regard to principles of conflicts of law. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AMENDMENT.
- d. Further Amendments. This Amendment may only be amended, modified or supplemented by an instrument in writing executed by duly authorized representatives of the Parties.
- e. Counterparts; Electronic Signature. This Amendment may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original. The Parties may rely on electronic, facsimile or scanned signatures as originals.
- f. Electronic Delivery. Delivery of an executed signature page of this Amendment by electronic format (including portable document format (.pdf)) shall be the same as delivery of an original executed signature page.
- g. Binding Effect. This Amendment shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the Effective Date.

**Deer Creek Solar I LLC, a Delaware
limited liability company**

**Desert Community Energy, a California
joint powers authority**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ITEM 8E

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: Carbon Free Commercial Customer Recognition Program

Contact: Kenyon Potter, Energy & Sustainability Director (kpotter@cvag.org)

Recommendation: Information

Background: Since DCE's launch in 2020, the Board has expressed an interest in providing recognition to businesses that choose to remain Carbon Free customers. On April 13, 2022, DCE staff met with staff from Visit Greater Palm Springs and Palm Springs Convention Center & Bureau of Tourism along with then-DCE Board Chair Geoff Kors and Palm Springs Councilmember Lisa Middleton, the City's then-alternate to and current representative on the DCE Board, to discuss creating a program to recognize small, medium, and large commercial customers enrolled in DCE's Carbon Free program for doing their part for the environment.

DCE staff has been working with DCE's marketing consultant Burke Rix Communications to embark on a pilot program to reach out to businesses that already promote themselves as environmentally conscientious and to ascertain feedback from these businesses on concepts for a Carbon Free recognition program.

In November 2022, staff provided a brief update to the DCE Board on its activities to formulate a recognition program and planned to come back with an update on staff activities relating to the business recognition program. Staff has continued to research what other Community Choice Aggregation programs (CCAs) are doing to recognize carbon-free businesses and have learned that several CCAs have welcome kits for new commercial businesses. These CCAs also work with their respective business community leaders to showcase carbon-free businesses on websites and social marketing as well as performing other marketing activities including encouraging cross-promotion between businesses, many of which have innovative marketing strategies.

Burke Rix has outlined a marketing plan that will include welcome kits/mailouts, videos showcasing carbon-free businesses, and social media to recognize Carbon Free businesses in part based on what other CCAs in California are doing to recognize carbon free businesses to aid these businesses in reaching their target audiences. Representatives from Burke Rix will provide an update at the Board's February 6 meeting.

Among the goals DCE staff are focusing on for the recognition program:

- Encouraging Palm Springs businesses, including hotels, that opted down to DCE's Desert Saver program to opt back up to the Carbon Free program;
- Motivating these businesses and hotels as well as those remaining enrolled in the Carbon Free program to implement more energy efficiency and renewable measures to mitigate climate change impacts; and
- Developing and fostering opportunities to become a green destination for Coachella Valley visitors.

Staff are working on details of the Business Recognition Program and will come back to the DCE Board at a future meeting with a proposed budget and schedule, as well as details including program materials and partnership opportunities.

Fiscal Analysis: The costs associated with developing the Carbon Free Recognition Program are covered under the existing Burke Rix contract and staff time.

ITEM 8F

Desert Community Energy Board
February 6, 2023



STAFF REPORT

Subject: Schedule of DCE Board Meetings

Contact: Erica Felci, Assistant Executive Director (efelci@cvag.org)

Recommendation: Provide direction to staff on the DCE regular meeting schedule

Background: Each year, the DCE Board reviews its annual meeting calendar. The DCE Board's current schedule sets the regular meeting on the third Monday of the month at 3 p.m. For the remainder of the current fiscal year, meetings are currently scheduled for March 20, April 17, May 15 and June 12 (due to a holiday).


The DCE Board makeup has recently changed as a result of the Palm Springs and Palm Desert Council elections. It has come to staff's attention that the existing meeting schedule may create conflicts with the new Board members' other commitments. As such, staff is requesting feedback on a meeting schedule that can be used for the rest of this fiscal year and into the future.

Fiscal Analysis: There are no costs to DCE for adjusting the meeting calendar.

ITEM 9A

**DESERT COMMUNITY ENERGY BOARD
FY2022-2023 ATTENDANCE RECORD**

Voting Members	JUL*	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
City of Palm Desert	✓	*	✓	✓	✓	*	*					
City of Palm Springs	✓	*	✓	✓	✓	*	*					

Absent 
No Meeting *

* July was a special meeting. The regular July meeting was cancelled.

ITEM 9B

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: CPUC Net Energy Metering 3.0 / Net Billing Tariff Decision

Contact: David Freedman, Program Manager (dfreedman@cvaq.org)

Recommendation: Information

Background: Customers who install small solar, wind, biogas, and fuel cell generation facilities to serve all or a portion of onsite electricity needs are currently eligible to enroll in the small generation interconnection program known as Net Energy Metering (NEM) program adopted by the California Public Utilities Commission (CPUC). NEM allows customers who generate their own energy to serve their energy needs directly onsite and to receive a financial credit on their electric bills for any surplus energy fed back to their utility. NEM is designed to support the installation of customer-sited renewable energy generation, consistent with state law calling for the continued sustainable growth of such generation. This program applies to customers served by the state's three investor-owned utilities (IOUs): Pacific Gas & Electric, Southern California Edison (SCE), and San Diego Gas & Electric. Publicly owned utilities, such as Imperial Irrigation District, have their own NEM programs and are not subject to the CPUC's NEM rules.

The CPUC adopted the current NEM program, which is referred to as NEM 2.0, in Decision 16-01-044 on January 28, 2016. A previous NEM program, also known as NEM 1.0, is in effect for customers who were enrolled prior to the effective date of the 2016 decision. Through these NEM programs, customers receive bill credits for excess generation that is exported to the grid, offsetting energy costs. NEM customers also pay the same charges for public services as non-NEM customers.

As noted in previous DCE updates, the CPUC began a formal proceeding to update the current NEM structure in 2020. The new rulemaking was referred to as NEM 3.0 because this is the third iteration of the NEM program. It was approved on December 15, 2022, establishing a new billing tariff established that the CPUC now refers to as the Net Billing Tariff. The Net Billing Tariff will become effective on April 15, 2023.

The CPUC's approval of the Net Billing Tariff brings major changes to net metering. The key takeaway is the amount a customer is credited per kilowatt hour for feeding electricity to the grid will be reduced substantially. In essence, there is no longer "net" metering for new solar projects because customers will pay more for energy taken from grid than energy fed into the grid. While solar projects still have value, they need to be sized or configured differently or possibly in combination with battery storage. In its NEM 3.0 decision, the CPUC set a target payback period of nine years for residential solar-only customers on the Net Billing Tariff, compared with a payback period of three to five years for residential NEM 2.0 customers. The Net Billing Tariff payback period would be slightly shorter for customers who also install a battery storage system.

To be enrolled under the current NEM 2.0 program and true “net” metering, residential customers (or the contractor on their behalf) must by April 14 submit to SCE an interconnection application that is free of major deficiencies and includes:

- a complete application;
- a single-line diagram;
- a properly executed contract;
- a California Contractors License Board Solar Energy System Disclosure Document;
- a signed California Solar Consumer Protection Guide; and
- e-signature verification document/audit trail and oversizing attestation (if applicable).

Nonresidential customers also have until April 14 to submit an interconnection application that is free of major deficiencies and includes a complete application, a signed Authorization to Act on a Customer’s Behalf, a single-line diagram, and an oversizing attestation (if applicable).

There is no impact to existing customers enrolled under NEM 1.0 or NEM 2.0. As of December 2022, DCE had 5,120 such NEM customers, of whom 3,869 are residential and 1,251 are non-residential. These customers (and any new owners of their systems) will move to new billing rates under the Net Billing Tariff (or any successor tariff) 20 years after their original interconnection. After the Net Billing Tariff begins, existing NEM customers who increase their system size by 10 percent or 1kW, whichever is more, will be placed on the Net Billing Tariff. However, existing NEM customers can add battery storage at any time without affecting their NEM status.

Staff is monitoring the implementation of the Net Billing Tariff and is participating a working group of other Community Choice Aggregators (CCAs) to consider the operational impacts of the Net Billing Tariff. Staff has posted an FAQ on the DCE website about the Net Billing Tariff and will update it as more information becomes available.

Based on Board direction, staff continues to explore what measures DCE could take to encourage adoption of solar and battery storage systems while also generating financial benefits to DCE once the Net Billing Tariff takes effect. To this end, as noted elsewhere in this agenda packet, staff has already begun discussions with a distributed energy resource (DER) provider that would install solar panels connected to a battery at homes of DCE customers at no upfront cost or financial obligation to the homeowners.

Because of the longer payback period for nonresidential customers under the Net Billing Tariff compared with that under NEM 2.0, work on the nonresidential behind-the-meter solar and battery energy storage systems DER pilot program with TerraVerde Energy (TerraVerde) has been suspended, as those projects would not generate customer net savings. DCE and TerraVerde will continue to collaborate on a potential restructuring of the pilot program to increase viability and community interest of DER projects to support the DCE Board’s stated interest in pursuing local renewable energy projects within the DCE community.

Fiscal Analysis: The costs associated with monitoring the implementation of the Net Billing Tariff and related community outreach, such as its website and social media updates, are covered in staff time and DCE’s existing marketing and outreach contract with Burke Rix Communications. Staff will also work with its advisors to estimate the financial impact of the Net Billing Tariff on DCE in connection with the preparation of the Fiscal Year 2023-24 budget, which will be presented for approval in June 2023. Any contracts or incentive programs associated with promoting solar and storage projects will be brought to the Board for approval before execution.

Desert Community Energy
Unaudited Statement of Net Position Prev Year Comparison
As of December 31, 2022

	Dec 31, 22	Dec 31, 21	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
1100 · Unrestricted Funds				
1105 · Operating Account -8099	98,941	214,857	(115,917)	(53.95%)
1107 · ICS Account -0995	-	519,136	(519,136)	(100.00%)
1109 · DDM Marketplace Sweep - 0991	34	-	34	100.00%
1115 · Lockbox -4446	168,265	137,647	30,617	22.24%
Total 1100 · Unrestricted Funds	267,239	871,641	(604,402)	(69.34%)
1199 · Restricted Funds				
1110 · Money Market -5470	406,008	1,746,785	(1,340,777)	(76.76%)
1120 · FSR Letter of Credit Collateral	147,000	147,000	-	0.00%
Total 1199 · Restricted Funds	553,008	1,893,785	(1,340,777)	(70.80%)
Total Checking/Savings	820,247	2,765,426	(1,945,179)	(70.34%)
Accounts Receivable				
1221 · Accounts Receivable	12,238,563	8,248,644	3,989,919	48.37%
1223 · Accrued Accounts Receivable	1,532,648	1,580,590	(47,942)	(3.03%)
Total Accounts Receivable	13,771,212	9,829,234	3,941,977	40.11%
Other Current Assets				
1225 · Allowance for Doubtful Accounts	(2,836,226)	(1,237,629)	(1,598,597)	(129.17%)
1240 · Prepaid Expenses	4,420	-	4,420	100.00%
Total Other Current Assets	(2,831,806)	(1,237,629)	(1,594,177)	(128.81%)
Total Current Assets	11,759,652	11,357,031	402,622	3.55%
Other Assets				
1170 · Deposits/Bonds	210,584	-	210,584	100.00%
Total Other Assets	210,584	-	210,584	100.00%
TOTAL ASSETS	11,970,236	11,357,031	613,206	5.40%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
2110 · Accounts Payable	1,997,090	4,317,933	(2,320,844)	(53.75%)
2112 · Accrued Accounts Payable	4,500	63,317	(58,817)	(92.89%)
2120 · Due to Other Governments	298,953	563,921	(264,968)	(46.99%)
Total Accounts Payable	2,300,543	4,945,171	(2,644,628)	(53.48%)
Other Current Liabilities				
2230 · Taxes payable				
2231 · Utility Users Tax (UUT)	70,950	1,335,685	(1,264,735)	(94.69%)
2232 · Electric Energy Surcharge	2,787	4,955	(2,168)	(43.75%)
Total 2230 · Taxes payable	73,737	1,340,640	(1,266,903)	(94.50%)
2260 · Vendor Security Deposits				
2262 · PPA Development Security	225,000	1,680,000	(1,455,000)	(86.61%)
2263 · Contract Development Deposit	180,000	-	180,000	100.00%
Total 2260 · Vendor Security Deposits	405,000	1,680,000	(1,275,000)	(75.89%)
Total Other Current Liabilities	478,737	3,020,640	(2,541,903)	(84.15%)
Total Current Liabilities	2,779,280	7,965,811	(5,186,531)	(65.11%)
Total Liabilities	2,779,280	7,965,811	(5,186,531)	(65.11%)
Net Position				
31000 · Restricted Net Position	147,000	347,000	(200,000)	(57.64%)
32000 · Unrestricted Net Position	4,724,389	4,927,861	(203,472)	(4.13%)
Net Income	4,319,567	(1,883,642)	6,203,209	329.32%
Total Net Position	9,190,956	3,391,219	5,799,737	171.02%
TOTAL LIABILITIES & EQUITY	11,970,236	11,357,031	613,206	5.40%

Desert Community Energy
Unaudited Statement of Net Position Prev Year Comparison
As of December 31, 2022

1 **The application for approximately \$476k CAPP 2.0 COVID-19 relief funding for utility customers is in process.**

2 **SCE MCAM Resource Adequacy Settlement Reserve.**

3 **OhmConnect contract development security deposit.**

In addition to this financial statement, DCE Board agenda packets have regularly included an unaudited financial statement with year-to-date allocations divided between DCE as a whole and any member jurisdiction where DCE is actively serving customers. As there is only one city where DCE has launched, DCE staff is currently evaluating better ways to present that information. DCE staff intends to bring forward an update for consideration at a future meeting.

Desert Community Energy
Unaudited Changes to Net Position Prev Year Comparison
July through December 2022

	Jul - Dec 22	Jul - Dec 21	\$ Change	% Change
Revenue				
5010 · Electricity Sales				
5011 · Carbon Free	28,447,674	21,705,756	6,741,919	31.06%
5012 · Carbon Free- CARE / FERA	(358)	1,711,531	(1,711,889) ¹	(100.02%)
5013 · Desert Saver	6,040,965	1,981,963	4,059,002	204.80%
Total 5010 · Electricity Sales	34,488,281	25,399,249	9,089,032	35.79%
5100 · Other Revenue				
5120 · Energy Market Settlements	790,564	781,605	8,959	1.15%
5150 · Other Revenue	-	609,655	(609,655) ²	(100.00%)
Total 5100 · Other Revenue	790,564	1,391,260	(600,696)	(43.18%)
5900 · Investment Income	6,820	2,092	4,728	225.97%
Total Revenue	35,285,665	26,792,601	8,493,064	31.70%
Expense				
4100 · Cost of Electricity				
4105 · Electricity Purchase	19,563,989	17,909,641	1,654,349	9.24%
4110 · Resource Adequacy Settlement	5,885,450	4,545,421	1,340,029	29.48%
4115 · Low Carbon Settlement	-	1,113,500	(1,113,500)	(100.00%)
4120 · Renewable Energy Cr. Settlement	134,106	502,851	(368,745)	(73.33%)
4125 · Market Charges	2,858,328	2,671,380	186,948	7.00%
Total 4100 · Cost of Electricity	28,441,873	26,742,793	1,699,081	6.35%
4200 · Accounting / Bank Services	24,768	1,392	23,376 ³	1,678.76%
4353 · Insurance	4,420	7,793	(3,373)	(43.28%)
4423 · Office Supplies	1,200	-	1,200	100.00%
4425 · Legal Services	45,942	39,026	6,916	17.72%
4431 · Professional Services	39,610	40,885	(1,275)	(3.12%)
4432 · Consultants	1,232,102	881,616	350,486	39.76%
4433 · Outreach Services	26,337	22,505	3,831	17.02%
4435 · Technology Costs (IT)	1,906	497	1,409	283.68%
4440 · Postage	10,494	12,508	(2,014)	(16.10%)
4441 · Printing	11,349	13,835	(2,486)	(17.97%)
4450 · Sponsorships	2,436	-	2,436	100.00%
4455 · Customer Programs	-	20,615	(20,615)	(100.00%)
4500 · Registrations/Memberships	42,373	41,718	656	1.57%
4600 · Miscellaneous	283	-	283	100.00%
4610 · Interest Expense	46,220	89,082	(42,862)	(48.12%)
4750 · Bad Debt Expense	1,034,784	761,977	272,807	35.80%
Total Expense	30,966,098	28,676,244	2,289,855	7.99%
Excess of Revenue over Expenses	4,319,567	(1,883,642)	6,203,209	329.32%

¹ CARE/FERA was discontinued and converted to Desert Saver.

² The application for approximately \$476k CAPP 2.0 COVID-19 relief funding for utility customers is in process.

³ River City Bank fees for RLOC.

In addition to this financial statement, DCE Board agenda packets have regularly included an unaudited financial statement with year-to-date allocations divided between DCE as a whole and any member jurisdiction where DCE is actively serving customers. As there is only one city where DCE has launched, DCE staff is currently evaluating better ways to present that information. DCE staff intends to bring forward an update for consideration at a future meeting.

ITEM 9D

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: Mid-Term Reliability 2023 Request for Offers

Contact: David Freedman, Program Manager (dfreedman@cvaq.org)

Recommendation: Information

Background: In October 2021, the DCE Board of Directors approved the release of DCE's Mid-Term Reliability Request for Offers (RFO) to meet the needs required by California Public Utilities Commission (CPUC) Mid-Term Reliability (MTR) procurement order, Decision 21-06-035 from June 2021. This decision requires DCE, as well as other California load-serving entities (LSEs) including CCAs and Investor-Owned Utilities, to procure resources required to be online between 2023 and 2026 to meet electric system reliability needs.

The MTR procurement order is designed to achieve California's ambitious greenhouse gas emissions reduction targets for 2030 and to keep the state on a clear path to meeting the ultimate goal of 100 percent zero-carbon electricity resources by 2045. Eligible resources include solar, wind, battery storage, geothermal and other renewable resources, as well as demand response resources. The decision also states that the CPUC expects all the resources procured pursuant to that decision to be zero-emitting unless they otherwise qualify under renewables portfolio standard (RPS) eligibility requirements. More specifically, the 2021 MTR procurement order requires DCE to have 6 megawatts (MW) of long-lead-time (LLT) resources online by June 1, 2026, with half coming from long-duration storage (defined in the MTR procurement order as able to deliver at maximum capacity for at least eight hours from a single resource) and the other half from zero-emitting or RPS-eligible generation resources that must be able to deliver firm power (with a capacity factor of at least 80 percent).

DCE's Board has approved two projects that satisfy the MTR procurement order, which were submitted in the joint MTR RFO that DCE launched in January 2022 together with its CCA partners California Choice Energy Authority and Clean Energy Alliance. In June 2022, the DCE Board endorsed its first contract by authorizing the Executive Director to negotiate and execute a 10-year Western Systems Power Pool Resource Adequacy Confirmation with Resi Station, LLC, a subsidiary of OhmConnect, for resource adequacy benefits from aggregated demand response.

In September 2022, the DCE Board authorized the Executive Director to execute a Renewable Power Purchase Agreement with Cape Generating Station 1 LLC, a subsidiary of Fervo Energy (Fervo), for a geothermal project located in Beaver County, Utah. DCE's pro rata share of the project is 3 megawatts (MW) of the 20 MW average net capacity over a 15-year period, which satisfies the requirement for LLT firm, zero-emitting or RPS resources. Although this joint MTR RFO with DCE's CCA partners also sought long-duration storage projects, there were limited responses during the procurement process. Of these responses, the projects were either unviable or ineligible.

On January 13, 2023, the CPUC issued a Proposed Decision that extends more time to procurement by postponing the LLT procurement deadline until June 1, 2028. The Proposed Decision also orders supplemental MTR procurement by LSEs in 2026 and 2027; DCE's procurement obligation in each of those two years is 6 MW. The Proposed Decision would allow DCE to count the Fervo project towards its 2026 procurement obligation, but in that case DCE would need to procure another 3 MW of zero-emitting or RPS-eligible resources by June 1, 2028, to satisfy that part of its LLT procurement requirement. The CPUC is expected to vote on the Proposed Decision as soon as its February 23 meeting.

Accordingly, DCE staff now anticipates launching a new RFO to satisfy its long-duration storage and additional MTR procurement order obligations following expected approval of the Proposed Decision. As part of the RFO, DCE will request offers for renewable energy and storage projects including for distributed energy resources (DER) such as rooftop solar, with a preference for projects both locally in the DCE territory and within the inland region. This procurement will also help DCE comply with the State's ambitious RPS requirements including SB 1020, which was signed by Governor Newsom on September 16, 2022, and became effective on January 1, 2023. SB 1020 establishes State policy that eligible renewable energy resources and zero-carbon resources supply 90 percent of all retail sales of electricity to California end-use customers by December 31, 2035, 95 percent of all retail sales of electricity to California end-use customers by December 31, 2040, and 100 percent of all retail sales of electricity to California end-use customers by December 31, 2045.

Procurement of local and/or regional renewable energy and storage is in line with the procurement policy adopted by DCE's Board at its meeting of July 18, 2022. Since promotion of local job creation is one of the core goals of DCE, the procurement policy also includes a local preference based substantially on the Local Business Preference Program in effect in both the Cities of Palm Desert and Palm Springs. To this end, DCE staff has already begun discussions with developers of renewable energy and battery storage projects that are interested in locating in Palm Springs, including utility-scale projects in the Energy Industrial Zone in North Palm Springs and a DER provider that would install solar panels connected to a battery at homes of DCE customers at no upfront cost or financial obligation to the homeowners. DCE staff will also conduct outreach to other local renewable energy developers, including developers of geothermal resources in the Salton Sea area and developers of advanced long-duration energy storage technologies, to encourage them to participate in the RFO.

DCE staff has also begun discussions with another CCA to potentially partner in a solicitation as was the case for the January 2022 MTR RFO, rather than conducting a stand-alone solicitation. Such a collaboration would be pursued if it would be mutually beneficial for both DCE and a potential partner, allowing for the agencies to maximize their own resources and reach a broader audience. If a collaboration is successful, the RFO may be handled by another CCA with input from DCE. In that case, the RFO would not be released by DCE.

If the RFO is issued by DCE directly, staff will work with its consultant The Energy Authority (TEA) to prepare and release an RFO consistent with the 2022 MTR RFO and the renewable energy RFO that DCE released in 2020. The RFO will include information for potential respondents that will allow for a detailed quantitative analysis of all proposed projects to support the RFO evaluation and selection. One or more term sheets laying out DCE's preferred contracting terms will also be included for potential respondents to consider while developing their offer and pricing.

With this item, DCE staff will launch of the RFO process to meet DCE's MTR and RPS obligations, and secure zero-emitting energy supply for DCE's customers. Having a prompt release of the RFO will ensure execution of negotiated contracts in a timely manner.

Fiscal Analysis: The costs associated with launching this RFO are covered under the existing TEA contract and staff time. The procurement activities in the proposed RFO, when executed, will ensure that DCE is compliant with state requirements and meets the Board's objectives for procurement of local renewable energy and storage resources. DCE staff will work closely with TEA and DCE legal counsel to determine which contracts from this RFO will best allow DCE to meet the state compliance requirements and Board objectives while balancing fiscal concerns.

Any contracts associated with this RFO will be brought to the Board for approval before execution.

ITEM 9E

Desert Community Energy Board February 6, 2023



STAFF REPORT

Subject: January 2023 Rate Adjustment Summary

Contact: Don Dame, DCE Energy Consultant

Recommendation: Information

Background: On November 16, 2020, the Desert Community Energy (DCE) Board adopted a Rate Stabilization Schedule (RSS). The RSS authorizes staff to adjust DCE retail rates in response to changes in Southern California Edison (SCE) rates or the Power Charge Indifference Adjustment (PCIA, or exit fee) to maintain DCE Board-approved rate guidelines.

The RSS became effective on December 1, 2020. The Board's currently applied rate policies include designing Desert Saver rates within a 0-1% average total bill discount versus SCE's comparable bundled base product and designing DCE's 100% Carbon Free rates such that DCE's primary residential rate class, "Domestic," does not exceed an average 14% total bill premium versus SCE's comparable bundled base product.

Effective January 1, 2023, SCE implemented a generation rate increase averaging approximately 32.6%. SCE's average bundled residential customer bill is estimated to increase approximately \$13.31 monthly, based on average consumption of 564 kWh / month. For income-qualified households in the California Alternate Rates for Energy (CARE) Program or Family Electric Rate Assistance (FERA) Program, SCE's average bundled residential customer bill increases about \$9.42 monthly inclusive of an ongoing 30% average CARE/FERA total bill discount. The combined effect of increases in forecast 2023 fuel and purchased power costs contributed to a majority of the increase.

Working within DCE Board-approved financial policies and procedures, DCE has implemented a corresponding rate adjustment effective January 4, 2023. Other Community Choice Aggregators (CCAs) and electric utilities within SCE territory and throughout California are implementing similar adjustments to maintain adequate rate levels and respond to external cost pressures and Investor-Owned Utility (IOU) rate increases. These DCE rate adjustments are required to meet increasing power supply costs and build financial reserves, while adhering to Board approved rate guidelines.

The RSS requires DCE staff to prepare a summary report describing RSS-related rate adjustments and provide this information at the next scheduled Board meeting after such adjustments are implemented. This staff report provides that summary.

January 2023 Rate Adjustment Details:

- Rate Adjustment Effective Date: January 4, 2023

- Desert Saver average total bill discount compared to SCE's bundled base power product estimated to be within 0 – 1%.
- 100% Carbon Free total bill premium for residential customers average total bill premium approximately 14% compared with SCE's bundled base power product.
- The rate forecast period utilized is January 1, 2023 – December 31, 2023.
- Calculations and estimates are based on known and forecast costs and revenues throughout the rate forecast period.
- Any particular customer's average rates may vary somewhat depending on enrolled rate schedule and monthly electricity usage.

Staff continues to work with the California Community Choice Association (CalCCA) and other California CCAs to collectively address costs, legislative matters and California Public Utilities Commission (CPUC) actions impacting CCAs. In addition, DCE will continue to highlight the product choices that customers have as part of ongoing community engagement efforts. DCE's Desert Saver product continues to be the least cost choice for electricity service in the City of Palm Springs, and the Carbon Free rate is comparable to similar products offered by other CCAs within California.

Fiscal Analysis: DCE's January 2023 rate adjustment is designed to fully recover forecast power supply and operating costs, build financial reserves, address cash flow requirements, and ensure that DCE maintains fiscal prudence.

SCE and DCE customer retail rates have increased during January 2023. The average monthly bill of SCE bundled residential customers will increase about \$7.21 per \$100 usage; DCE Desert Saver residential customer bills will increase about \$7.18 per \$100 usage; and DCE Carbon Free residential customer bills will increase about \$8.22 per \$100 usage.