SILICON VALLEY CLEAN ENERGY

svcleanenergy.org

333 W El Camino Real
Suite 290
Sunnyvale, CA 94087

Silicon Valley Clean Energy
Finance and Administration Committee Meeting

Tuesday, September 3, 2019
12:00 pm

Silicon Valley Clean Energy Office
Conference Room
333 W El Camino Real, Suite 290
Sunnyvale, CA

AGENDA

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda

The public may provide comments on any item not on the Agenda. Speakers are limited to 3 minutes each.

Consent Calendar

1a) Approve Minutes from the August 6, 2019 Finance and Administration Committee Meeting

1b) Approve to Recommend Board Authorization to the CEO to Execute Agreement with Braun Blaising Smith Wynn P.C. ("BBSW")

1c) Approve to Recommend Board Authorization to the CEO to Execute Renewal Agreement with Pacific Printing for Printing Services

1d) Approve to Recommend Board Authorization to the CEO to Execute Renewal Agreement with Maher Accountancy for Accounting Services

Regular Calendar

2) Long-term Power Prepay Agreement (Discussion)

3) Credit Rating Update (Discussion)

4) Recommend Approval of Proposed FY 2019-20 Operating Budget (Action)

5) Approve Recommendation to Renew $35 million Line of Credit with River City Bank (Action)

6) CEO Update (Discussion)

Committee/Staff Remarks

Adjourn

SILICON VALLEY CLEAN ENERGY

Silicon Valley Clean Energy
Finance and Administration Committee Meeting

Tuesday, August 6, 2019
12:00 pm

Silicon Valley Clean Energy Office
Conference Room
333 W El Camino Real, Suite 290
Sunnyvale, CA

DRAFT MINUTES

Call to Order

Committee Chair Miller called the meeting to order at 12:08 p.m.

Roll Call

Present:
Committee Chair Howard Miller, City of Saratoga
Committee Vice Chair Rob Rennie, Town of Los Gatos
Director Liz Gibbons, City of Campbell (participating by teleconference from 55 Alder Lane, North Falmouth, MA 02556)
Director Javed Ellahie, City of Monte Sereno
Committee member Maria Öberg, County of Santa Clara

Absent
Director Bob Nuñez, City of Milpitas

Committee Chair Miller confirmed the agenda had been posted at Director Gibbon's teleconference location.

Public Comment on Matters Not Listed on the Agenda

No speakers.

Consent Calendar

MOTION: Committee Vice Chair Rennie moved and Director Ellahie seconded the motion to approve the consent calendar.

The motion carried unanimously by roll call vote with Director Nuñez absent.

1a) Approve Minutes from the June 17, 2019 Finance and Administration Committee Meeting
1b) Approve to Recommend Human Resources Policy 5, Paid Time Off Cash-Out Option Policy
1c) Approve to Recommend Authorization to CEO to Execute Agreement with Richards, Watson & Gershon for Legal Services

SILICON VALLEY CLEAN ENERGY

Regular Calendar

2) Recommend Approval of Proposed FY 2019-20 Operating Budget (Action)

Director of Finance and Administration Don Eckert introduced the item, presented a PowerPoint presentation, and responded to committee member questions.

The committee discussed and provided feedback on the presentation which included recommended changes to the PowerPoint slides.

Management Analyst Nik Zanotto provided information on SVCE's cybersecurity plans.

Committee members discussed the proposed personnel additions, future SVCE staffing needs, and the compensation study to be completed in the summer of 2020. The committee was in consensus to request staff research metrics on staffing in other municipalities and CCAs to compare employee headcounts.

Committee Chair Miller restated a request that a legend be included on the organization chart which includes the total number of fulltime employees, interns, and consultants.

Committee members requested the first slide of the presentation show the absolute numbers for the current and previous budget years, including midyear adopted budget and proposed budget for big line items.

Director Ellahie requested staff consider purchasing an office building.

MOTION: Committee Vice Chair Rennie moved and Committee member Öberg seconded the motion to recommend the Proposed Operating Budget for FY 2019-20 to the Board of Directors.

The motion carried unanimously by roll call vote with Director Nuñez absent.

3) Long-term Power Prepay Agreement (Discussion)

Director of Finance and Administration Eckert provided a verbal update on the long-term power prepay agreement.

4) Approve Regular Meeting Schedule of the Finance and Administration Committee (Action)

Director of Finance and Administration Eckert introduced the item.

MOTION: Committee Vice Chair Rennie moved and Director Ellahie seconded the motion to approve the regular meeting date and time for the remainder of the 2019 calendar year as Tuesday, September 3, 2019 and Tuesday, October 1, 2019 from noon to 2pm at the SVCE office.

The motion carried unanimously by roll call vote with Director Nuñez absent.

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5) CEO Update (Discussion)

CEO Balachandran provided a brief report on future topics for the Finance and Administration committee.

Committee/Staff Remarks

None.

Adjournment

Committee Chair Miller adjourned the meeting at 1:49 p.m.

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 1b

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 1b:	**Approve to Recommend Board Authorization to the CEO to Execute Agreement with Braun Blaising Smith Wynne P.C. ("BBSW")**
Date:	9/3/2019

RECOMMENDATION

Staff recommends that the Finance and Administration Committee recommend the Board approve and authorize the CEO to execute an agreement with Braun Blaising Smith Wynne P.C. ("BBSW") for regulatory and legislative legal counsel services for an amount not to exceed $330,000.

BACKGROUND

BBSW has been SVCE's primary provider of regulatory counsel services since 2016. As one of the earliest firms serving CCAs in that capacity, their team has extensive knowledge about CCA regulatory issues. This agreement would refresh SVCE's contract with BBSW, which will now provide for $165,000/year over the next two fiscal years. This reflects a continuation of current services combined with an increase over the previous annual budget ($135,000) in order to expand engagement at the California Independent System Operator (CAISO) and address new emerging issues in the regulatory space.

ANALYSIS & DISCUSS

BBSW provides "bread and butter" legal services for SVCE's regulatory activities. This includes monitoring CPUC activities; drafting, editing, and/or filing regulatory and compliance documents; legal research and advising on topics of interest to SVCE staff and leadership; and coordinating joint filings with other CCAs. BBSW's history with the CCA community gives them a great depth of knowledge on CCA issues, and their work with other CCAs in the region facilitates the regulatory collaboration that has been an important part of CCAs' approach at the CPUC.

The increase in annual budget reflects the increasing complexity of the regulatory space for CCAs. The confluence of increasing GHG mitigation requirements, fossil generation and nuclear retirements, proliferation of CCAs, expansion of direct access, and the ongoing challenge of the duck curve has created extensive crossover between formerly disparate regulatory activities. This new reality requires nuanced and proactive engagement to navigate, including outreach to stakeholders beyond the CPUC. In particular, SVCE would like to increase our activity and engagement at the California Independent System Operator (CAISO) in the coming years. While CCAs do not have direct regulatory compliance obligations to the CAISO as we do to the CPUC, the CAISO is responsible for the system-wide studies and directives that the CPUC eventually translates into compliance requirements for individual load-serving entities. The unprecedented complexity and rapid pace of change in today's energy industry means that system needs are changing faster than compliance requirements of programs such as Resource Adequacy can adapt to reflect them. The CAISO has explicitly requested greater CCA engagement in order to increase shared understanding of system status and needs and adapt to change more quickly, and SVCE would like to step up.

STRATEGIC PLAN

Approving this contract will directly support Goal 8 of SVCE's Strategic Plan, "Engage regulators and legislators in developing policy that protects CCA rights and facilitates CCA contributions to decarbonization, grid reliability, affordability, and social equity."

ALTERNATIVE

If the Board does not approve this contract, SVCE will have a significant need for regulatory counsel services that cannot be filled by current SVCE staff. SVCE would need to either issue an RFP and identify a different legal firm to provide these services, or hire more internal staff with legal expertise in CCA regulatory matters.

FISCAL IMPACT

The total budget request for these services is $330,000.00.

ATTACHMENT

1. Draft agreement with Braun Blaising Smith Wynne P.C.

Second Legal Services Agreement

This **Second Legal Services Agreement** (Agreement), effective as of latest date set forth in the signature block, is entered into by and between **Silicon Valley Clean Energy Authority** (Client), and **Braun Blaising Smith Wynne, P.C.**, a California professional corporation (Firm). The Firm and the Client shall be collectively referred to herein as the Parties.

A. The Firm provides regulatory and legal services related to, among other things, rates, rules, policies and regulations affecting Community Choice Aggregation (CCA) programs.

B. The Parties entered into a legal services agreement, dated January 1, 2017 (First Agreement), by which the Firm has been providing legal and regulatory services in support of the Client's CCA program, including the provision of certain joint services provided by the Firm to the Client and other CCA clients (CCA Group).

C. The Parties are interested in entering into this Agreement to replace the First Agreement and to set forth the terms and conditions, and budgetary limitation, associated with the Firm's provision of legal and regulatory services.

- Agreement -

The Parties agree as follows:

1. **Term and Termination**. This Agreement shall be effective on October 1, 2019 and shall continue in effect through September 30, 2021, unless earlier terminated as described below. The First Agreement shall terminate on the effective date of this Agreement. For the avoidance of doubt, it is the intention of the Parties that this Agreement shall succeed and replace services provided under the First Agreement, such that there is no lapse in services provided by the Firm to the Client. Either Party may terminate this Agreement by providing no less than 30 days written notice.

2. **General Scope of Services**. The Firm shall provide (a) regulatory and legal services, as directed and authorized by the Client, in support of the Client's CCA program, as described further in Section 3(a), (b) joint representation of Client and other participants in the CCA Group on matters before California regulatory agencies, as described further in Section 3(b), and (c) joint reporting services provided by the Firm to the Client and to the CCA Group, as described further in Section 3(c).

3. **Fees and Description of Services**.

(a) Individual Client Services: For services provided under this Agreement directly to the Client, as requested and authorized by the Client, the Client shall pay the Firm in accordance with the following hourly rates for the following categories:

Senior Shareholders:	$420
Junior Shareholders:	$360

Senior Associates:	$310
Junior Associates:	$275
Paralegal / Law Clerk:	$165
Administrative Assistant:	$60

(b) Joint Representation: As authorized by the Client and other clients in the Firm's CCA Group, the Firm shall provide joint representation on various regulatory matters at the California Public Utilities Commission (CPUC). The Client's share of such joint services shall generally be its pro-rata share, but in any event shall be described to and authorized by the Client. Costs associated with joint representation shall generally be setup as a separate matter in the Firm's accounting system. Further information regarding joint representation is described in Section 8.

(c) Regulatory Reports and Summaries: The Firm provides a variety of regulatory reporting services. On a fixed-fee basis, the Firm shall continue to provide regulatory reports on the same basis as provided under the First Agreement, namely (1) a bi-weekly, comprehensive regulatory report, (2) alternate week email regulatory bulletins, (3) agenda summaries of energy-related items on the CPUC's meeting agenda and (4) an email report on the outcome of energy-related items on the CPUC's meeting agenda. The current monthly fee for this service is $1,750 but may be adjusted upward or downward based on mutual written agreement of the Parties. In addition to these regulatory reports, the Firm also provides regulatory summaries of issues and activities of interest to the CCA Group. The cost of this service will be shared on a pro-rata basis among participating clients. At any time, upon written notice from the Client, the Client may suspend or modify the scope of either the regulatory reports or the regulatory summaries.

(d) Hourly Rates: All office, research, travel and meeting time shall be billed at the hourly rates set forth above; provided, however, travel time shall be billed at 50% of actual time.

(e) Annual Adjustment: The hourly rates for services provided under this Agreement, including the hourly rate for any contract attorney(s), are reviewed annually by the Firm on or about June 1, and are subject to adjustment on no less than 30 days written notice.

(f) Not to Exceed Budget: The total amount of charges under this Agreement shall not exceed $165,000 per contract year (or a total of $330,000) without the express written consent of the Client.

(g) Other Attorney(s): As needed and as authorized by the Client, the Firm may contract with other attorney(s) to provide services under the guidance and direction of the Firm's assigned attorney (Scott Blaising). The Firm will provide advance notice to the Client of the hourly rates for attorneys with whom the Firm has contracted for services provided under this Agreement. The Client will be billed at the specified hourly rate for the contract attorney(s) regardless of the amount of charge to the Firm for services provided by the contract attorney(s).

(h) Other Providers: As needed and as authorized by the Client, the Firm may contract with electric industry professionals (*e.g.*, rate consultants, *etc.*) (Other Provider(s))

in order to perform Client-directed tasks. In the event that such tasks are authorized and the Client wishes the Firm to pay Other Providers on the Client's behalf, the Client and the Firm will agree on a reasonable administrative fee for consolidated billing, not to exceed 10%.

4. **Costs and Expenses**. In addition to the fees set forth above, the Client shall reimburse the Firm for all pre-approved out-of-pocket costs and expenses actually incurred by the Firm in connection with the legal services provided by the Firm. Out-of-pocket costs and expenses include, but are not necessarily limited to, travel expenses, and reproduction and postage costs associated with representation of the Client in regulatory or other legal proceedings. Reproduction and postage costs otherwise incurred in the normal course of business are considered Firm overhead and will not directly be charged to the Client.

5. **Billing and Payment**. The Firm shall provide monthly invoices to the Client for all fees and expenses. The invoice shall be itemized to include, at a minimum, the time spent by each service provider, the total time spent by each service provider, a description of services performed, and a description and itemization of costs and expenses. The Firm shall bill the Client in minimum increments of 1/10th of an hour. Invoices shall be considered due and payable upon receipt, and shall be overdue after 30 days of receipt.

6. **Notices**. All notices, invoices, reports or other communication required herein shall be properly given if delivered via electronic mail, or other mutually acceptable means, to the following addresses:

Client:	**Silicon Valley Clean Energy Authority** Attention: Don Eckert don.eckert@svcleanenergy.org
Firm:	**Braun Blaising Smith Wynne, P.C.** Attention: Scott Blaising blaising@braunlegal.com

7. **Independent Contractor**. The Firm is and shall be considered an independent contractor with respect to the performance of services under this Agreement.

8. **Joint Representation and Conflict Waiver**.

(a) The Firm currently represents several clients that have operational CCA programs. The Firm also represents the California Community Choice Association, an association of CCA programs. (*See* Exhibit A, which reflects the Firm's current list of clients.) Together with the Client, these CCA clients shall be referred to below as "CCA Clients." The Firm anticipates that it will from time to time provide joint representation of the CCA Clients before the CPUC, whether directly or indirectly through a coalition or other organizational structure. This section generally describes the contemplated joint representation and requests written consent to the Firm's joint representation. This section also describes potential conflicts and requests written consent to the Firm's continuing representation in such circumstances.

(b) The Firm does not believe that the Firm's joint representation of the CCA Clients presently involves any *actual* conflicts of interest. The Client should be aware, however, that such representation may involve *potential* conflicts and that the interests and objectives of each of the participants individually on certain issues may, at some time in the future, become inconsistent with the interests and objectives of the other participants. The Firm's joint representation has implications, which the Client should consider. For example, rather than vigorously asserting a single participant's interest on an issue, it is likely that the Firm will balance interests between the participants represented. Because individual participants may have different talents, energy, personal goals, and financial resources, sole representation of one participant could result in more aggressive advocacy, and hence more favorable treatment, for that participant compared to the more even-handed approach the Firm may follow in representing multiple interests. Joint representation may also result in the loss of the attorney-client privilege for communications between you and members of the Firm, because anything disclosed by one participant on a matter of common interest could be disclosed to a jointly represented client in a civil proceeding between the two participants.

(c) The Firm will make every effort during the course of joint representation to confirm that the participants continue to have a commonality of interest in connection with the positions asserted. If interests diverge during the course of joint representation, further disclosure and waiver of the conflict, or withdrawal from representation, could be necessary.

(d) In addition to the joint representation described above, the Firm also represents numerous public agencies in California on diverse matters of energy law and regulation. Therefore, it is possible that, while the Firm is representing the Client, certain types of conflicts may arise in matters unrelated to the present engagement for which the Firm requests the Client's consent and waiver now. Present or future clients, including clients who rely upon the Firm for general representation, may ask the Firm to represent them in transactions or litigation adverse to the Client. The Firm would decline the other representation if the Firm believes there is a risk of misuse of the Client's confidential information.

(e) By signing this Agreement, the Client confirms (i) that the Client has been informed as to the nature of potential conflicts that may arise as a result of the Firm's joint representation and the Firm's representation of other clients; (ii) that the Client has been provided a reasonable opportunity to seek the advice of independent counsel regarding potential conflicts and waiver thereof; (iii) that the Client understands an actual conflict may arise in the future that would require an additional disclosure and waiver, or, alternatively, withdrawal by the Firm; (iv) that the Client agrees that the Firm may represent other clients as described herein, including clients in *unrelated* matters adverse to the Client; and (v) that the Client hereby waives any claim of conflict of interest arising from such representation.

9. **Insurance**

(a) Malpractice Insurance. Without limiting the provisions of this Agreement relating to indemnification and defense, the Firm, at its expense, shall maintain in full force and effect during the period of performance of this Agreement and for three years thereafter, professional malpractice insurance that covers the services provided pursuant to this Agreement in the amount of not less than $1,000,000, with an insurance carrier authorized to do business in California.

(b) Other Insurance. The Firm, at its expense, shall also maintain during the period of performance of this Agreement and for three years thereafter, insurance as follows:

(1) General liability: (with coverage at least as broad as ISO form CG 00 01 10 01) coverage in an amount not less than $2,000,000 general aggregate and $1,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

(2) Automobile liability: (with coverage at least as broad as ISO form CA 00 01 10 01, for "any auto") coverage in an amount not less than $1,000,000 per accident for personal injury, including death, and property damage.

(3) Workers' compensation and employer's liability: coverage shall comply with the laws of the State of California.

(c) Primary. The Firm's insurance is primary to any other insurance available to the Client with respect to any claim arising out of this Agreement. Any insurance maintained by the Client shall be excess of the Firm's insurance and shall not contribute with it. The Firm's endorsement of insurance shall include a waiver of any rights of subrogation against the Client, and its directors, officers, employees and agents.

10. **Miscellaneous**.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, exclusive of conflict of laws provisions.

(b) This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof.

(c) This Agreement may not be modified or amended without the express written agreement of the Parties.

(d) This Agreement may be executed in any number of counterparts, including through facsimile signatures, and upon execution by the Parties, each executed counterpart shall have the same force and effect as an original document and as if the Firm and the Client had signed the same document. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form but having attached to it one or more signature pages.

(e) This Agreement may be scanned and stored in electronic format. Neither Party shall object to the admissibility of an electronic version of this Agreement on the basis that such was not originated or maintained in documentary form.

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11. **Signature**. In witness whereof, the Parties have caused this Agreement to be executed by their duly authorized representatives.

Client	**Firm**
_____	_____
Girish Balachandran	Scott Blaising
Title: CEO	Title: Principal/Shareholder
Date: _____	Date: _____

Exhibit A

List of Clients
Braun Blaising Smith Wynne, P.C.
(August 2019)

Balancing Authority of Northern California (BANC)
California Choice Energy Authority (CCEA)
California Community Choice Association (CalCCA)
California Municipal Utilities Association (CMUA)
Clean Power Alliance of Southern California
City of Cerritos
City of Colton
City of Corona
Eastside Power Authority
City of Escondido
Friant Power Authority
Lamb Energy
Lathrop Irrigation District
Local Energy Aggregation Network (LEAN)
City of Los Angeles, Department of Water and Power
Marin Clean Energy
Merced Irrigation District
Minter Field Airport District
Monterey Bay Community Power
Monterey County Water Resources Agency
City of Moreno Valley
City of Needles
Orange Cove Irrigation District
City of Pasadena
City of Pittsburg (Pittsburg Power Company)
Peninsula Clean Energy Authority
Pioneer Community Energy
Port of Stockton
Power and Water Resources Pooling Authority (PWRPA)
City of Rancho Cucamonga
City of Redding
Redwood Coast Energy Authority
City of Roseville
Sacramento Municipal Utility District (SMUD)
Salt River Project
City of San Jose
City of Shasta Lake
Silicon Valley Clean Energy
Sonoma Clean Power Authority
The Energy Authority (in its role as service provider to CCA programs)
Turlock Irrigation District
City of Victorville

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 1c

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 1c:	**Approve to Recommend Board Authorization to the CEO to Execute Renewal Agreement with Pacific Printing for Printing Services**
Date:	9/3/2019

RECOMMENDATION

Staff recommends the Finance and Administration Committee recommend the Board of Directors approve and authorize the Chief Executive Officer to execute a 3-year renewal agreement with Pacific Printing for $150,000.00 through September 2022.

BACKGROUND

SVCE has been utilizing Pacific Printing since 2018 to provide print services for collateral materials to support all SVCE departments. The FY 2018-2019 contract with Pacific Printing totaled $80,000, but the rate of spending is on track to be closer to $50,000 annually.

ANALYSIS & DISCUSSION

Pacific Printing is a union printing company offering a variety of printing services including business cards, brochures, booklets, flyers and banners. SVCE utilizes Pacific Printing for print services for a variety of collateral needs such as business cards, flyers, brochures, window clings and banners. These services are an ongoing need for SVCE as a means for effectively communicating with customers. Staff solicited several bids from local printers for these services, and Pacific Printing costs, customer service and sustainable printing options are competitive and a great option for SVCE, and the company has a proven track record for these services.

Effectively communicating SVCE's mission, community benefits and upcoming programs is an ongoing need. With customer programs launching on a rolling basis, SVCE needs to continue utilizing printing services to advertise and promote new decarbonization efforts for customers. In addition to launching programs, there are various ongoing projects where SVCE needs to continue utilizing the services of a professional printer. Customer awareness and education efforts align with several SVCE communications strategies and tactics.

STRATEGIC PLAN

SVCE's Board-adopted Strategic Plan includes the following Goals related to customer awareness and education.

- Maintain competitive rates to acquire and retain customers (Goal 2)
- Promote customer awareness (Goal 3)

ALTERNATIVE

Do not approve the extended contract with Pacific Printing. Staff will pursue a new print services vendor.

FISCAL IMPACT

This recommendation results in a fiscal impact of $150,000 over 3 years.

ATTACHMENTS

1. Agreement with Pacific Printing for printing services

AGREEMENT BETWEEN THE SILICON VALLEY CLEAN ENERGY AUTHORITY AND PACIFIC PRINTING FOR PRINTING SERVICES

THIS AGREEMENT, is entered into this 1st day of October 2019, by and between the SILICON VALLEY CLEAN ENERGY AUTHORITY, an independent public agency, ("Authority"), and Pacific Printing, a California corporation whose address is 1445 Monterey Highway, San Jose, CA 95110 (hereinafter referred to as "Consultant") (collectively referred to as the "Parties").

RECITALS:

A. Authority is an independent public agency duly organized under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") with the power to conduct its business and enter into agreements.

B. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement pursuant to the terms and conditions described herein.

C. Authority and Consultant desire to enter into an agreement for printing services upon the terms and conditions herein.

NOW, THEREFORE, the Parties mutually agree as follows:

1. **TERM**

The term of this Agreement shall commence on October 1, 2019, and shall terminate on September 30, 2022, unless terminated earlier as set forth herein.

2. **SERVICES TO BE PERFORMED**

Consultant shall perform each and every service set forth in Exhibit "A" pursuant to the schedule of performance set forth in Exhibit "B," both of which are attached hereto and incorporated herein by this reference.

3. **COMPENSATION TO CONSULTANT**

Consultant shall be compensated for services performed pursuant to this Agreement in a total amount not to exceed one-hundred fifty-thousand dollars and no/100 ($150,000.00) based on the rates and terms set forth in Exhibit "B," which is attached hereto and incorporated herein by this reference.

4. **TIME IS OF THE ESSENCE**

Consultant and Authority agree that time is of the essence regarding the performance of this Agreement.

5. **STANDARD OF CARE**

Consultant agrees to perform all services required by this Agreement in a manner commensurate with the prevailing standards of specially trained professionals in the San Francisco Bay Area and agrees that all services shall be performed by qualified and experienced personnel.

6. **INDEPENDENT PARTIES**

Authority and Consultant intend that the relationship between them created by this Agreement is that of an independent contractor. The manner and means of conducting the work are under the control of Consultant, except to the extent they are limited by statute, rule or regulation and the express terms of this Agreement. No civil service status or other right of employment will be acquired by virtue of Consultant's services. None of the benefits provided by Authority to its employees, including but not limited to, unemployment insurance, workers' compensation plans, vacation and sick leave are available from Authority to Consultant, its employees or agents. Deductions shall not be made for any state or federal taxes, FICA payments, PERS payments, or other purposes normally associated with an employer-employee relationship from any fees due Consultant. Payments of the above items, if required, are the responsibility of Consultant.

7. **NO RECOURSE AGAINST CONSTITUENT MEMBERS OF AUTHORITY.**

Authority is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 et seq.) pursuant to a Joint Powers Agreement dated March 31, 2016, and is a public entity separate from its constituent members. Authority shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement. Contractor shall have no rights and shall not make any claims, take any actions or assert any remedies against any of Authority's constituent members in connection with this Agreement.

8. **NON-DISCRIMINATION**

Consultant agrees that it shall not harass or discriminate against a job applicant, an Authority employee, or Consultant's employee or subcontractor on the basis of race, religious creed, color, national origin, ancestry, handicap, disability, marital status, pregnancy, sex, age, sexual orientation, or any other protected class. Consultant agrees that any and all violations of this provision shall constitute a material breach of this Agreement.

9. **HOLD HARMLESS AND INDEMNIFICATION**

Consultant shall, to the fullest extent allowed by law indemnify, defend, and hold harmless the Authority and its members, officers, officials, agents, employees and volunteers from and against any and all liabilities, claims, actions, causes of action, demands, damages and losses whatsoever against any of them, including any injury to or death of any person or damage to property or other liability of any nature, whether physical, emotional, consequential or otherwise, arising out of or related to the negligence or willful misconduct of Consultant or Consultant's employees, officers, officials, agents or independent contractors in the performance of this Agreement, except where caused by the sole or active negligence or willful misconduct of Authority or its members, officers, officials, agents, employees and volunteers. Such costs and expenses shall include reasonable attorneys' fees of counsel of Authority's choice, expert fees and all other costs and fees of litigation. The acceptance of the services provided by this Agreement

by Authority shall not operate as a waiver of the right of indemnification. The provisions of this Section survive the completion of the services or termination of this Agreement.

10. **INSURANCE**:

A. General Requirements. On or before the commencement of the term of this Agreement, Consultant shall furnish Authority with certificates showing the type, amount, class of operations covered, effective dates and dates of expiration of insurance coverage in compliance with the requirements listed in Exhibit "D," which is attached hereto and incorporated herein by this reference. Such insurance and certificates, which do not limit Consultant's indemnification obligations under this Agreement, shall also contain substantially the following statement: "Should any of the above insurance covered by this certificate be canceled or coverage reduced before the expiration date thereof, the insurer affording coverage shall provide thirty (30) days' advance written notice to the Authority by certified mail, Attention: Chief Executive Officer." Consultant shall maintain in force at all times during the performance of this Agreement all appropriate coverage of insurance required by this Agreement with an insurance company that is acceptable to Authority and licensed to do insurance business in the State of California. Endorsements naming the Authority as additional insured shall be submitted with the insurance certificates.

B. Subrogation Waiver. Consultant agrees that in the event of loss due to any of the perils for which he/she has agreed to provide comprehensive general and automotive liability insurance, Consultant shall look solely to his/her/its insurance for recovery. Consultant hereby grants to Authority, on behalf of any insurer providing comprehensive general and automotive liability insurance to either Consultant or Authority with respect to the services of Consultant herein, a waiver of any right to subrogation which any such insurer of Consultant may acquire against Authority by virtue of the payment of any loss under such insurance.

C. Failure to secure or maintain insurance. If Consultant at any time during the term hereof should fail to secure or maintain the foregoing insurance, Authority shall be permitted to obtain such insurance in the Consultant's name or as an agent of the Consultant and shall be compensated by the Consultant for the costs of the insurance premiums at the maximum rate permitted by law and computed from the date written notice is received that the premiums have not been paid.

D. Additional Insured. Authority, its members, officers, employees and volunteers shall be named as additional insureds under all insurance coverages, except any professional liability insurance, required by this Agreement. The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on this policy or any extension thereof. Any other insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance provided by this policy.

E. Sufficiency of Insurance. The insurance limits required by Authority are not represented as being sufficient to protect Consultant. Consultant is advised to confer with Consultant's insurance broker to determine adequate coverage for Consultant.

F. Maximum Coverage and Limits. It shall be a requirement under this Agreement that any available insurance proceeds broader than or in excess of the specified minimum Insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be the minimum coverage and limits specified in this

Agreement, or the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured, whichever is greater.

11. **CONFLICT OF INTEREST**

Consultant warrants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, that would conflict in any way with the performance of this Agreement, and that it will not employ any person having such an interest. Consultant agrees to advise Authority immediately if any conflict arises and understands that it may be required to fill out a conflict of interest form if the services provided under this Agreement require Consultant to make certain governmental decisions or serve in a staff Authority, as defined in Title 2, Division 6, Section 18700 of the California Code of Regulations.

12. **PROHIBITION AGAINST TRANSFERS**

Consultant shall not assign, sublease, hypothecate, or transfer this Agreement, or any interest therein, directly or indirectly, by operation of law or otherwise, without prior written consent of Authority. Any attempt to do so without such consent shall be null and void, and any assignee, sublessee, pledgee, or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. However, claims for money by Consultant from Authority under this Agreement may be assigned to a bank, trust company or other financial institution without prior written consent. Written notice of such assignment shall be promptly furnished to Authority by Consultant.

The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Consultant, or of the interest of any general partner or joint venturer or syndicate member or cotenant, if Consultant is a partnership or joint venture or syndicate or cotenancy, which shall result in changing the control of Consultant, shall be construed as an assignment of this Agreement. Control means fifty percent (50%) or more of the voting power of the corporation.

13. **SUBCONTRACTOR APPROVAL**

Unless prior written consent from Authority is obtained, only those persons and subcontractors whose names are attached to this Agreement shall be used in the performance of this Agreement.

In the event that Consultant employs subcontractors, such subcontractors shall be required to furnish proof of workers' compensation insurance and shall also be required to carry general, automobile and professional liability insurance in substantial conformity to the insurance carried by Consultant. In addition, any work or services subcontracted hereunder shall be subject to each provision of this Agreement.

Consultant agrees to include within their subcontract(s) with any and all subcontractors the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, to the extent they apply to the scope of the subcontractor's work. Subcontractors hired by Consultant shall agree to be bound to Consultant and Authority in the same manner and to the same extent as Consultant is bound to Authority under this Agreement. Subcontractors shall agree to include these same provisions within any sub-subcontract. Consultant shall provide a copy of the Indemnity and Insurance provisions of this Agreement to any subcontractor. Consultant shall require all subcontractors to provide valid certificates of insurance and the required endorsements prior to commencement of any work and will provide proof of compliance to Authority.

14. **REPORTS**

A. Each and every report, draft, work product, map, record and other document, hereinafter collectively referred to as "Report", reproduced, prepared or caused to be prepared by Consultant pursuant to or in connection with this Agreement, shall be the exclusive property of Authority. Consultant shall not copyright any Report required by this Agreement and shall execute appropriate documents to assign to Authority the copyright to Reports created pursuant to this Agreement. Any Report, information and data acquired or required by this Agreement shall become the property of Authority, and all publication rights are reserved to Authority. Consultant may retain a copy of any Report furnished to the Authority pursuant to this Agreement.

B. All Reports prepared by Consultant may be used by Authority in execution or implementation of: (1) The original Project for which Consultant was hired; (2) Completion of the original Project by others; (3) Subsequent additions to the original project; and/or (4) Other Authority projects as Authority deems appropriate in its sole discretion.

C. Consultant shall, at such time and in such form as Authority may require, furnish reports concerning the status of services required under this Agreement.

D. All Reports shall also be provided in electronic format, both in the original file format (e.g., Microsoft Word) and in PDF format.

E. No Report, information or other data given to or prepared or assembled by Consultant pursuant to this Agreement that has not been publicly released shall be made available to any individual or organization by Consultant without prior approval by Authority.

15. **RECORDS**

Consultant shall maintain complete and accurate records with respect to costs, expenses, receipts and other such information required by Authority that relate to the performance of services under this Agreement, in sufficient detail to permit an evaluation of the services and costs. All such records shall be clearly identified and readily accessible. Consultant shall provide free access to such books and records to the representatives of Authority or its designees at all proper times, and gives Authority the right to examine and audit same, and to make transcripts therefrom as necessary, and to allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a minimum period of five (5) years after Consultant receives final payment from Authority for all services required under this agreement

16. **PARTY REPRESENTATIVES**

The Chief Executive Officer shall represent the Authority in all matters pertaining to the services to be performed under this Agreement. Andrew Goett shall represent Consultant in all matters pertaining to the services to be performed under this Agreement.

17. **CONFIDENTIAL INFORMATION**

Consultant shall maintain in confidence and not disclose to any third party or use in any manner not required or authorized under this Agreement any and all proprietary or confidential information held by Authority or provided to Consultant by Authority.

18. **NOTICES**

All notices, demands, requests or approvals to be given under this Agreement shall be given

in writing and conclusively shall be deemed served when delivered personally or on the second business day after the deposit thereof in the United States Mail, postage prepaid, registered or certified, addressed as hereinafter provided.

All notices, demands, requests, or approvals shall be addressed as follows:

TO AUTHORITY:
333 W. El Camino Real
Suite 290
Sunnyvale CA 94087
Attention: Chief Executive Officer

TO CONSULTANT:
Andrew Goett
Pacific Printing
1445 Monterey Highway
San Jose, CA 95112

19. **TERMINATION**

In the event Consultant fails or refuses to perform any of the provisions hereof at the time and in the manner required hereunder, Consultant shall be deemed in default in the performance of this Agreement. If Consultant fails to cure the default within the time specified (which shall be not less than 10 days) and according to the requirements set forth in Authority's written notice of default, and in addition to any other remedy available to the Authority by law, the Chief Executive Officer may terminate the Agreement by giving Consultant written notice thereof, which shall be effective immediately. The Chief Executive Officer shall also have the option, at its sole discretion and without cause, of terminating this Agreement by giving seven (7) calendar days' prior written notice to Consultant as provided herein. Upon receipt of any notice of termination, Consultant shall immediately discontinue performance.

Authority shall pay Consultant for services satisfactorily performed up to the effective date of termination. Upon termination, Consultant shall immediately deliver to the Authority any and all copies of studies, sketches, drawings, computations, and other material or products, whether or not completed, prepared by Consultant or given to Consultant, in connection with this Agreement. Such materials shall become the property of Authority.

20. **COMPLIANCE**

Consultant shall comply with all applicable local, state and federal laws.

21. **CONFLICT OF LAW**

This Agreement shall be interpreted under, and enforced by the laws of the State of California. The Agreement and obligations of the parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this Agreement (or the successors of those authorities). Any suits brought pursuant to this Agreement shall be filed with the Superior Court of the County of Santa Clara, State of California.

22. **ADVERTISEMENT**

Consultant shall not post, exhibit, display or allow to be posted, exhibited, displayed any signs, advertising, show bills, lithographs, posters or cards of any kind pertaining to the services performed under this Agreement unless prior written approval has been secured from Authority to do otherwise.

23. **WAIVER**

A waiver by Authority of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein, whether of the same or a different character.

24. **INTEGRATED CONTRACT**

This Agreement represents the full and complete understanding of every kind or nature whatsoever between the Parties, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by a written document signed by both Authority and Consultant.

25. **AUTHORITY**

The individual(s) executing this Agreement represent and warrant that they have the legal Authority and authority to do so on behalf of their respective legal entities.

26. **INSERTED PROVISIONS**

Each provision and clause required by law to be inserted into the Agreement shall be deemed to be enacted herein, and the Agreement shall be read and enforced as though each were included herein. If through mistake or otherwise, any such provision is not inserted or is not correctly inserted, the Agreement shall be amended to make such insertion on application by either party.

27. **CAPTIONS AND TERMS**

The captions in this Agreement are for convenience only, are not a part of the Agreement and in no way affect, limit or amplify the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed as of the date set forth above.

RECOMMENDED FOR APPROVAL

_____

Don Bray, Director of Account Services & Community Relations

RECOMMENDED FOR APPROVAL

_____
Don Eckert, Director of Finance & Administration

CONSULTANT NAME
PACIFIC PRINTING

By: _____
Name: Andrew Goett
Title: President
Date: _____

SILICON VALLEY CLEAN ENERGY AUTHORITY
A Joint Powers Authority

By: _____
Name: Girish Balachandran
Title: Chief Executive Officer
Date: _____

APPROVED AS TO FORM:

_____
Counsel for Authority

ATTEST:

_____
Authority Clerk

Exhibit A
Scope of Services

Silicon Valley Clean Energy will utilize Pacific Printing for print services for a variety of collateral needs such as business cards, flyers, brochures, window clings and banners. A list of expected items and estimates are provided in Exhibit B.

History of Pacific Printing:

With a combined experience of over 35 years, Pacific Printing brings to you unparalleled service and cost-effective savings, backed by a 100% guarantee. And because we work so closely with labor unions, we are sensitive to the demands and needs of your busy schedule and budget.

Here are some reasons why you should allow us to help you with your printing needs:

- We are a union printer that helps fuel union printing needs
- We are family owned and operated
- We serve both local and out-of-state unions
- We use top quality paper stock and inks
- We use industry-trusted presses
- All of our work is 100% guaranteed

Since we are a union printing company, you can be assured that the men and women who work on your printed materials receive decent wages and benefits. So, when you patronize our services, you are helping to maintain the union advantage in the printing industry.

Exhibit B
Schedule of Performance

This schedule may be modified with the written approval of the Authority.

Item Description	Specs	Quote (in quantity breakdowns)
Flyers	100lb matte text - 100% Recycled 8.5x11 Full Color 2 Sides	500 - $471.00 1,000 - $621.00 2,500 - $812.00 5,000 - $1074.00
Business Cards	80lb uncoated cover - 100% Recycled 2 Sides 3.5x2 2 PMS Colors	250 - $150.00 500 - $200.00
Brochures	100lb matte text - 100% Recycled 8.5x11 Full Color 2 Sides Tri-Fold	500 - $340.00 1,000 - $420.00 2,500 - $710.00 5,000 - $1,000.00
Booklets	16 pages including the cover Insides – 80lb matte text – 100% Recycled Cover – 80lb matt cover - 100% Recycled Full Color 11x17 Saddle Stitch to 8.5x11	10,000 - $9,200.00 12,000 - $10,400.00 15,000 - $12,200.00 20,000 - $15,250.00
Pinwheel	100lb dull text – 100% Recycled Full color 1 Side Die Cut	2,500 - $775.00 5,000 - $1,500.00
Info postcards	5x7 Full Color 2 sides 100lb dull cover – 100% Recycled	1,000 - $411.00 2,500 - $746.00 5,000 - $1090.00
Pop-Up Banners	Full Color 33x78 inches	$250 each

Exhibit C
Compensation

Authority shall compensate Consultant for professional services in accordance with the terms and conditions of this Agreement based on the rates and compensation schedule set forth below. Compensation shall be calculated based on the hourly rates set forth below up to the not to exceed budget amount set forth below.

The compensation to be paid to Consultant under this Agreement for all services described in Exhibit "A" and reimbursable expenses shall not exceed a total of one hundred fifty thousand dollars and no/100 ($150,000.00), as set forth below. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to Authority unless previously approved in writing by Authority.

Task	Not to Exceed Amount
Printing	$150,000.00
Total	$150,000.00

Rates:
Depends on project, see Exhibit B

Invoices:

Monthly Invoicing: In order to request payment, Consultant shall submit monthly invoices to the Authority describing the services performed and the applicable charges (including a summary of the work performed during that period, personnel who performed the services, hours worked, task(s) for which work was performed).

Reimbursable Expenses:
Administrative, overhead, secretarial time or overtime, word processing, photocopying, in house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. Travel expenses must be authorized in advance in writing by Authority and shall only be reimbursed to the extent consistent with Authority's travel policy.

Additional Services:

Consultant shall provide additional services outside of the services identified in Exhibit A only by advance written authorization from Authority's Chief Executive Officer prior to commencement of any additional services. Consultant shall submit, at the Chief Executive Officer's request, a detailed written proposal including a description of the scope of additional services, schedule, and proposed maximum compensation.

Exhibit D
Insurance Requirements and Proof of Insurance

Proof of insurance coverage described below is attached to this Exhibit, with Authority named as additional insured.

Consultant shall maintain the following minimum insurance coverage:

A. **COVERAGE**:

(1) **Workers' Compensation**:
Statutory coverage as required by the State of California.

(2) **Liability**:
Commercial general liability coverage with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate for bodily injury and property damage. ISO occurrence Form CG 0001 or equivalent is required.

(3) **Automotive**:
Comprehensive automotive liability coverage with minimum limits of $1,000,000 per accident for bodily injury and property damage. ISO Form CA 0001 or equivalent is required.

(4) **Professional Liability**
Professional liability insurance which includes coverage for the professional acts, errors and omissions of Consultant in the amount of at least $1,000,000.

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 1d

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 1d:	**Approve Recommendation to Renew Agreement with Maher Accountancy for Accounting Services**
Date:	9/3/2019

RECOMMENDATION

Staff recommends the Finance and Administration Committee recommend the Board of Directors approve and authorize the Chief Executive Officer to execute a renewal agreement with Maher Accountancy for $227,670.00 through September 2020.

BACKGROUND

SVCE has been utilizing the services of Maher Accountancy since March 2017 with the current agreement expiring on September 30, 2019. The difference in cost between the proposed agreement and the current agreement is inflationary change and the support of hosting a new portal system to assist with contracts management.

Maher Accountancy services strengthens internal controls and provides institutional knowledge based on years of experience with other Community Choice Aggregators.

ANALYSIS & DISCUSSION

Maher Accountancy shall provide accounting services and financial operational assistance to the Authority for a fixed monthly fee. Services include (See Exhibit A of Attachment 1):

1. Maintenance of the General Ledger including reconciling customer data management reports of customer activity and accounts receivable and reconciliation of the agency's financial institution for cash activity and balances.
2. Assist staff with the development of the operating budget.
3. Manage accounts payable by providing a cloud-based accounts payable document management system that enhances internal controls.
4. Manage compliance with fiscal provisions of vendor contracts including the verifying of time periods, rates, and financial limits before payment is released.
5. Monitor expenditures budget compliance and make timely suggestions and budget amendments when necessary.
6. Financial reporting including periodic and year-to-date accrual basis financial statements.
7. Present financial information to Board of Directors, as needed.
8. Assist the treasury function.
9. File various compliance reports for state and local agencies, such as user taxes, energy surcharges, and state controller reports
10. File annual information returns such as 1099's/1096's.
11. Provide hosting and portal to assist with contracts management.

Maher Accountancy shall also assist with coordination of an independent auditor for the annual audit and prepare annual financial statements.

FISCAL/BUDGETARY IMPACT

This recommendation results in a $227,670 fiscal impact to the agency but is offset with the avoidance of SVCE in hiring staff to perform these duties.

ATTACHMENTS

1. Draft Agreement with Maher Accountancy

AGREEMENT BETWEEN THE SILICON VALLEY CLEAN ENERGY AUTHORITY AND MAHER ACCOUNTANCY FOR ACCOUNTING SERVICES

THIS AGREEMENT, is entered into this 1st day of October, 2019, by and between the SILICON VALLEY CLEAN ENERGY AUTHORITY, an independent public agency, ("Authority"), and MAHER ACCOUNTANCY, a California Corporation whose address is 1101 Fifth Avenue, Suite 200, San Rafael, CA 94901 (hereinafter referred to as "Consultant") (collectively referred to as the "Parties").

RECITALS:

A. Authority is an independent public agency duly organized under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") with the power to conduct its business and enter into agreements.

B. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement pursuant to the terms and conditions described herein.

C. Authority and Consultant desire to enter into an agreement for Accounting Services upon the terms and conditions herein.

NOW, THEREFORE, the Parties mutually agree as follows:

1. **TERM**

The term of this Agreement shall commence on October 1, 2019, and shall terminate on September 30, 2020, unless terminated earlier as set forth herein.

2. **SERVICES TO BE PERFORMED**

Consultant shall perform each and every service set forth in Exhibit "A" which is attached hereto and incorporated herein by this reference.

3. **COMPENSATION TO CONSULTANT**

Consultant shall be compensated for services performed pursuant to this Agreement in a total amount not to exceed two hundred twenty-seven thousand and six hundred seventy dollars ($227,670.00.) based on the rates and terms set forth in Exhibit "B," which is attached hereto and incorporated herein by this reference.

4. **TIME IS OF THE ESSENCE**

Consultant and Authority agree that time is of the essence regarding the performance of this Agreement.

5. **STANDARD OF CARE**

Consultant agrees to perform all services required by this Agreement in a manner commensurate with the prevailing standards of specially trained professionals in the San Francisco Bay Area and agrees that all services shall be performed by qualified and experienced personnel.

6. **INDEPENDENT PARTIES**

Authority and Consultant intend that the relationship between them created by this Agreement is that of an independent contractor. The manner and means of conducting the work are under the control of Consultant, except to the extent they are limited by statute, rule or regulation and the express terms of this Agreement. No civil service status or other right of employment will be acquired by virtue of Consultant's services. None of the benefits provided by Authority to its employees, including but not limited to, unemployment insurance, workers' compensation plans, vacation and sick leave are available from Authority to Consultant, its employees or agents. Deductions shall not be made for any state or federal taxes, FICA payments, PERS payments, or other purposes normally associated with an employer-employee relationship from any fees due Consultant. Payments of the above items, if required, are the responsibility of Consultant.

7. **NO RECOURSE AGAINST CONSTITUENT MEMBERS OF AUTHORITY.**

Authority is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 et seq.) pursuant to a Joint Powers Agreement dated March 31, 2016, and is a public entity separate from its constituent members. Authority shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement. Contractor shall have no rights and shall not make any claims, take any actions or assert any remedies against any of Authority's constituent members in connection with this Agreement.

8. **NON-DISCRIMINATION**

Consultant agrees that it shall not harass or discriminate against a job applicant, an Authority employee, or Consultant's employee or subcontractor on the basis of race, religious creed, color, national origin, ancestry, handicap, disability, marital status, pregnancy, sex, age, sexual orientation, or any other protected class. Consultant agrees that any and all violations of this provision shall constitute a material breach of this Agreement.

9. **HOLD HARMLESS AND INDEMNIFICATION**

Consultant shall, to the fullest extent allowed by law indemnify, defend, and hold harmless the Authority and its members, officers, officials, agents, employees and volunteers from and against any and all liabilities, claims, actions, causes of action, demands, damages and losses whatsoever against any of them, including any injury to or death of any person or damage to property or other liability of any nature, whether physical, emotional, consequential or otherwise, arising out of or related to the negligence or willful misconduct of Consultant or Consultant's employees, officers, officials, agents or independent contractors in the performance of this Agreement, except where caused by the sole or active negligence or willful misconduct of Authority or its members, officers, officials, agents, employees and volunteers. Such costs and expenses shall include reasonable attorneys' fees of counsel of Authority's choice, expert fees and all other costs and fees of litigation. The acceptance of the services provided by this Agreement

by Authority shall not operate as a waiver of the right of indemnification. The provisions of this Section survive the completion of the services or termination of this Agreement.

10. **INSURANCE**:

A. General Requirements. On or before the commencement of the term of this Agreement, Consultant shall furnish Authority with certificates showing the type, amount, class of operations covered, effective dates and dates of expiration of insurance coverage in compliance with the requirements listed in Exhibit "D," which is attached hereto and incorporated herein by this reference. Such insurance and certificates, which do not limit Consultant's indemnification obligations under this Agreement, shall also contain substantially the following statement: "Should any of the above insurance covered by this certificate be canceled or coverage reduced before the expiration date thereof, the insurer affording coverage shall provide thirty (30) days' advance written notice to the Authority by certified mail, Attention: Chief Executive Officer." Consultant shall maintain in force at all times during the performance of this Agreement all appropriate coverage of insurance required by this Agreement with an insurance company that is acceptable to Authority and licensed to do insurance business in the State of California. Endorsements naming the Authority as additional insured shall be submitted with the insurance certificates.

B. Subrogation Waiver. Consultant agrees that in the event of loss due to any of the perils for which he/she has agreed to provide comprehensive general and automotive liability insurance, Consultant shall look solely to his/her/its insurance for recovery. Consultant hereby grants to Authority, on behalf of any insurer providing comprehensive general and automotive liability insurance to either Consultant or Authority with respect to the services of Consultant herein, a waiver of any right to subrogation which any such insurer of Consultant may acquire against Authority by virtue of the payment of any loss under such insurance.

C. Failure to secure or maintain insurance. If Consultant at any time during the term hereof should fail to secure or maintain the foregoing insurance, Authority shall be permitted to obtain such insurance in the Consultant's name or as an agent of the Consultant and shall be compensated by the Consultant for the costs of the insurance premiums at the maximum rate permitted by law and computed from the date written notice is received that the premiums have not been paid.

D. Additional Insured. Authority, its members, officers, employees and volunteers shall be named as additional insureds under all insurance coverages, except any professional liability insurance, required by this Agreement. The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on this policy or any extension thereof. Any other insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance provided by this policy.

E. Sufficiency of Insurance. The insurance limits required by Authority are not represented as being sufficient to protect Consultant. Consultant is advised to confer with Consultant's insurance broker to determine adequate coverage for Consultant.

F. Maximum Coverage and Limits. It shall be a requirement under this Agreement that any available insurance proceeds broader than or in excess of the specified minimum Insurance coverage requirements and/or limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be the minimum coverage and limits specified in this

Agreement, or the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured, whichever is greater.

11. **CONFLICT OF INTEREST**

Consultant warrants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, that would conflict in any way with the performance of this Agreement, and that it will not employ any person having such an interest. Consultant agrees to advise Authority immediately if any conflict arises and understands that it may be required to fill out a conflict of interest form if the services provided under this Agreement require Consultant to make certain governmental decisions or serve in a staff Authority, as defined in Title 2, Division 6, Section 18700 of the California Code of Regulations.

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Consultant shall not assign, sublease, hypothecate, or transfer this Agreement, or any interest therein, directly or indirectly, by operation of law or otherwise, without prior written consent of Authority. Any attempt to do so without such consent shall be null and void, and any assignee, sublessee, pledgee, or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. However, claims for money by Consultant from Authority under this Agreement may be assigned to a bank, trust company or other financial institution without prior written consent. Written notice of such assignment shall be promptly furnished to Authority by Consultant.

The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Consultant, or of the interest of any general partner or joint venturer or syndicate member or cotenant, if Consultant is a partnership or joint venture or syndicate or cotenancy, which shall result in changing the control of Consultant, shall be construed as an assignment of this Agreement. Control means fifty percent (50%) or more of the voting power of the corporation.

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In the event that Consultant employs subcontractors, such subcontractors shall be required to furnish proof of workers' compensation insurance and shall also be required to carry general, automobile and professional liability insurance in substantial conformity to the insurance carried by Consultant. In addition, any work or services subcontracted hereunder shall be subject to each provision of this Agreement.

Consultant agrees to include within their subcontract(s) with any and all subcontractors the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, to the extent they apply to the scope of the subcontractor's work. Subcontractors hired by Consultant shall agree to be bound to Consultant and Authority in the same manner and to the same extent as Consultant is bound to Authority under this Agreement. Subcontractors shall agree to include these same provisions within any sub-subcontract. Consultant shall provide a copy of the Indemnity and Insurance provisions of this Agreement to any subcontractor. Consultant shall require all subcontractors to provide valid certificates of insurance and the required endorsements prior to commencement of any work and will provide proof of compliance to Authority.

14. **REPORTS**

A. Each and every report, draft, work product, map, record and other document, hereinafter collectively referred to as "Report", reproduced, prepared or caused to be prepared by Consultant pursuant to or in connection with this Agreement, shall be the exclusive property of Authority. Consultant shall not copyright any Report required by this Agreement and shall execute appropriate documents to assign to Authority the copyright to Reports created pursuant to this Agreement. Any Report, information and data acquired or required by this Agreement shall become the property of Authority, and all publication rights are reserved to Authority. Consultant may retain a copy of any Report furnished to the Authority pursuant to this Agreement.

B. All Reports prepared by Consultant may be used by Authority in execution or implementation of: (1) The original Project for which Consultant was hired; (2) Completion of the original Project by others; (3) Subsequent additions to the original project; and/or (4) Other Authority projects as Authority deems appropriate in its sole discretion.

C. Consultant shall, at such time and in such form as Authority may require, furnish reports concerning the status of services required under this Agreement.

D. All Reports shall also be provided in electronic format, both in the original file format (e.g., Microsoft Word) and in PDF format.

E. No Report, information or other data given to or prepared or assembled by Consultant pursuant to this Agreement that has not been publicly released shall be made available to any individual or organization by Consultant without prior approval by Authority.

15. **RECORDS**

Consultant shall maintain complete and accurate records with respect to costs, expenses, receipts and other such information required by Authority that relate to the performance of services under this Agreement, in sufficient detail to permit an evaluation of the services and costs. All such records shall be clearly identified and readily accessible. Consultant shall provide free access to such books and records to the representatives of Authority or its designees at all proper times, and gives Authority the right to examine and audit same, and to make transcripts therefrom as necessary, and to allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a minimum period of five (5) years after Consultant receives final payment from Authority for all services required under this agreement

16. **PARTY REPRESENTATIVES**

The Chief Executive Officer shall represent the Authority in all matters pertaining to the services to be performed under this Agreement. Maher Accountancy shall represent Consultant in all matters pertaining to the services to be performed under this Agreement.

17. **CONFIDENTIAL INFORMATION**

Consultant shall maintain in confidence and not disclose to any third party or use in any manner not required or authorized under this Agreement any and all proprietary or confidential information held by Authority or provided to Consultant by Authority.

18. **NOTICES**

All notices, demands, requests or approvals to be given under this Agreement shall be given in writing and conclusively shall be deemed served when delivered personally or on the second

business day after the deposit thereof in the United States Mail, postage prepaid, registered or certified, addressed as hereinafter provided.

All notices, demands, requests, or approvals shall be addressed as follows:

TO AUTHORITY:
333 W. El Camino Real
Suite 290
Sunnyvale CA 94087
Attention: Chief Executive Officer

TO CONSULTANT:
Michael Maher, CPA
Maher Accountancy
1101 Fifth Avenue, Suite #200
San Rafael, CA 94901

19. **TERMINATION**

In the event Consultant fails or refuses to perform any of the provisions hereof at the time and in the manner required hereunder, Consultant shall be deemed in default in the performance of this Agreement. If Consultant fails to cure the default within the time specified (which shall be not less than 10 days) and according to the requirements set forth in Authority's written notice of default, and in addition to any other remedy available to the Authority by law, the Chief Executive Officer may terminate the Agreement by giving Consultant written notice thereof, which shall be effective immediately. The Chief Executive Officer shall also have the option, at its sole discretion and without cause, of terminating this Agreement by giving seven (7) calendar days' prior written notice to Consultant as provided herein. Upon receipt of any notice of termination, Consultant shall immediately discontinue performance.

Authority shall pay Consultant for services satisfactorily performed up to the effective date of termination. Upon termination, Consultant shall immediately deliver to the Authority any and all copies of studies, sketches, drawings, computations, and other material or products, whether or not completed, prepared by Consultant or given to Consultant, in connection with this Agreement. Such materials shall become the property of Authority.

20. **COMPLIANCE**

Consultant shall comply with all applicable local, state and federal laws.

21. **CONFLICT OF LAW**

This Agreement shall be interpreted under, and enforced by the laws of the State of California. The Agreement and obligations of the parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this Agreement (or the successors of those authorities). Any suits brought pursuant to this Agreement shall be filed with the Superior Court of the County of Santa Clara, State of California.

22. **ADVERTISEMENT**

Consultant shall not post, exhibit, display or allow to be posted, exhibited, displayed any signs, advertising, show bills, lithographs, posters or cards of any kind pertaining to the services performed under this Agreement unless prior written approval has been secured from Authority to do otherwise.

23. **WAIVER**

A waiver by Authority of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein, whether of the same or a different character.

24. **INTEGRATED CONTRACT**

This Agreement represents the full and complete understanding of every kind or nature whatsoever between the Parties, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by a written document signed by both Authority and Consultant.

25. **AUTHORITY**

The individual(s) executing this Agreement represent and warrant that they have the legal Authority and authority to do so on behalf of their respective legal entities.

26. **INSERTED PROVISIONS**

Each provision and clause required by law to be inserted into the Agreement shall be deemed to be enacted herein, and the Agreement shall be read and enforced as though each were included herein. If through mistake or otherwise, any such provision is not inserted or is not correctly inserted, the Agreement shall be amended to make such insertion on application by either party.

27. **CAPTIONS AND TERMS**

The captions in this Agreement are for convenience only, are not a part of the Agreement and in no way affect, limit or amplify the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed as of the date set forth above.

RECOMMENDED FOR APPROVAL

_____
Don Eckert, Director of Finance & Administration

CONSULTANT NAME
MAHER ACCOUNTANCY

By: _____
Name: _____
Title: _____
Date: _____

SILICON VALLEY CLEAN ENERGY AUTHORITY
A Joint Powers Authority

By: _____
Name: Girish Balachandran
Title: Chief Executive Officer
Date: _____

APPROVED AS TO FORM:

_____
Counsel for Authority

ATTEST:

_____
Authority Clerk

Exhibit A
Scope of Services

Monthly Financial Operational Assistance:

1. Assist in development of operating budget in collaboration with management and technical consultants.
2. Maintain the general ledger by:
    a. Posting billings, accrued revenue, cash receipts, accounts payable, cash disbursements, payroll, accrued expenses, etc.
    b. Prepare or maintain the following monthly analysis regarding general ledger account balances:
        i. Reconciliation to statements from Authority's financial institution for cash activity and balances;
        ii. Reconcile customer data manager reports of customer activity and accounts receivable;
        iii. Estimated user fees earned but not billed as of the end of the reporting period;
        iv. Schedule of depreciation of capital assets;
        v. Aged schedule of accounts payable;
        vi. Schedules of details regarding all remaining balance sheet accounts.
3. Manager accounts payable: Consultant utilizes a cloud-based accounts payable document management system to provide for documentation of management review, proper segregation of duties, and access to source data. Consultant ensures that required authorization is documented, and that account coding is correct. SVCEA staff then authorizes the release of payment by an independent payment service in order to provide an additional safeguard.
4. Manage compliance with fiscal provisions of vendor contracts: Before submitting vendor invoices for management approval, Consultant verifies that a vendor invoice with contract provisions regarding time periods, rates, and financial limits.
5. Monitor expenditure budget compliance. Consultant monitors budget available and will make timely suggestions for any necessary budget amendments.
6. Provide periodic and year-to-date accrual basis financial statements with comparison to projections.
7. Provide modified accrual basis financial statement with comparison to budget.
8. Filing annual information returns such as form 1099/1096's.
9. Present financial information to Board of Directors, as needed.
10. Assist the treasury function.
11. Provide services to meet the requirements of applicable laws and regulations relating to the provisions of accounting services for Authority.
12. File various compliance reports for state and local agencies, such as user taxes, energy surcharges, and state controller reports
13. Provide hosting and portal management for the contracts management portal.

Prepare annual financial statements and coordination with independent auditor

Exhibit B
Compensation

Authority shall compensate Consultant for professional services in accordance with the terms and conditions of this Agreement based on the rates and compensation schedule set forth below. compensation shall be calculated based on the hourly rates set forth below up to the not to exceed budget amount set forth below.

The compensation to be paid to Consultant under this Agreement for all services described in Exhibit "A" and reimbursable expenses shall not exceed a total of two hundred twenty-seven thousand and six hundred seventy dollars ($227,670.00), as set forth below. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to Authority unless previously approved in writing by Authority.

This schedule may be modified with the written approval of the Authority.

Task	**Not to Exceed Amount**
1. Monthly Accounting Services	$201,136.00
2. Prepare annual financial statements and coordinate with external auditor.	$14,534
3. Contract Portal Management (1k/per month)	$12,000
Total	$227,670

Invoices

Monthly Invoicing: In order to request payment, Consultant shall submit monthly invoices to the Authority describing the services performed and the applicable charges (including a summary of the work performed during that period, personnel who performed the services, hours worked, task(s) for which work was performed).

Reimbursable Expenses: Administrative, overhead, secretarial time or overtime, word processing, photocopying, in house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. Travel expenses must be authorized in advance in writing by Authority.

Additional Services: Consultant shall provide additional services outside of the services identified in Exhibit A only by advance written authorization from Authority's Chief Executive Officer prior to commencement of any additional services. Consultant shall submit, at the Chief Executive Officer's request, a detailed written proposal including a description of the scope of additional services, schedule, and proposed maximum compensation.

Exhibit C
Insurance Requirements and Proof of Insurance

Proof of insurance coverage described below is attached to this Exhibit, with Authority named as additional insured.

Consultant shall maintain the following minimum insurance coverage:

A. **COVERAGE**:

(1) **Workers' Compensation**:
Statutory coverage as required by the State of California.

(2) **Liability**:
Commercial general liability coverage with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate for bodily injury and property damage. ISO occurrence Form CG 0001 or equivalent is required.

(3) **Automotive**:
Comprehensive automotive liability coverage with minimum limits of $1,000,000 per accident for bodily injury and property damage. ISO Form CA 0001 or equivalent is required.

(4) **Professional Liability**
Professional liability insurance which includes coverage for the professional acts, errors and omissions of Consultant in the amount of at least $1,000,000.

(5) **Cyber Coverage**
Cyber Coverage with an aggregate limit of liability of 1 million dollars ($1,000,000).

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 2

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 2:	**Long-term Power Prepay Agreement**
Date:	9/3/2019

This item will be addressed in the form of an oral report to the Finance and Administration Committee from the Director of Finance and Administration.

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 3

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 3:	**Credit Rating Update**
Date:	9/3/2019

This item will be addressed in the form of an oral report to the Finance and Administration Committee from the Director of Finance and Administration.

ATTACHMENTS

1. Summary of Topics, Moody's Investor Service
2. Press Release: Fitch Ratings Assigns 'BBB' IDR to Marin Clean Energy, CA
3. Moody's Investor Service Rating Methodology: US Municipal Joint Action Agencies

SILICON VALLEY CLEAN ENERGY

PRESENTATION TO MOODY'S INVESTORS SERVICE

SUMMARY OF TOPICS [AUGUST 29, 2019]

- Presentation Participants & Contact Information
- Agenda
- Overview of SVCE
  - Purpose
  - Governance
  - Senior Management
  - Organizational Structure
  - Service Territory & Regional Characteristics
    - Economics & Demographics – Ratings of Members
  - Underlying Structure
    - Authorizing Legislation
    - Governing JPA
    - Launch
    - Strategic Initiatives - IRP
- Customers
  - Mix of: Residential / Commercial / Industrial
  - Customers by Location / Top 10 Customers / Large Contracts
  - Opt-Outs (History; Stable; Trend)
- Power Resources
  - Highlights, Including Service Options
  - Resource Mix
  - Pro-Forma Resource Mix
  - Contracts
    - Existing Positions and Collateral Posting
  - Procurement and Hedging Policies/Strategies
  - Community Programs
  - Wildfire – Impact and Policy

BARCLAYS

SILICON VALLEY CLEAN ENERGY

PRESENTATION TO MOODY'S INVESTORS SERVICE

SUMMARY OF TOPICS [AUGUST 29, 2019]

- Rates
  - Current, Including Policy on How Rates are Set
  - History
  - Comparison
  - Future
- Operations and Financial Performance
  - Current Financials - Operating Results and Balance Sheet
  - 3-Year Historical Financials - Operating Results and Balance Sheet
  - Management Discussion – Recent Highlights
  - 5-Year Projected Operating Results and Balance Sheet
  - Assumptions
  - Financial Risk Management Policies
- Regulatory Issues
  - PCIA and Solutions
  - Regulatory Risk Management Policies
  - Stress Tests
    - Wildfire, Customer Loss, PCIA, PG&E Bankruptcy, Etc.
- Conclusion – Key Credit Strengths
  - JPA Structure – Member Must Make SVCE "Whole" Before Exiting
  - Autonomous Rate-Making Authority
    - Capacity and Willingness for Cost Recovery and Financial Metrics
  - Strong Management
  - Conservative Management of Power Resources
  - Competitive Rates
  - Sustained Financial Strength and Liquidity
  - Well Positioned to Meet Regulations

Item 3
Attachment 2
REVISED

FitchRatings

Fitch Assigns 'BBB' IDR to Marin Clean Energy, CA; Outlook Stable

Fitch Ratings-Austin-29 August 2019: Fitch Ratings has assigned a 'BBB' Issuer Default Rating (IDR) to Marin Clean Energy, CA's (MCE). The IDR generally reflects the ability of MCE to meet its financial obligations. MCE has no direct debt outstanding.

The Rating Outlook is Stable.

SECURITY
Fitch's rating considers payment of all the financial obligations of MCE from its combined net revenues.

ANALYTICAL CONCLUSION

The 'BBB' IDR reflects MCE's role of providing default generation service as a Community Choice Aggregator (CCA) and the inherent credit weaknesses in the CCA business model, which include a customer base that can elect service from another generation provider (Pacific Gas & Electric; PG&E) and the resulting pressure to retain rates competitive with PG&E. To date, MCE has successfully retained over 85% of the customers in its service area that are eligible to opt out. Positively, the restricted scope of MCE's business, which is limited to the procurement of power and energy efficiency services, largely eliminates any material capex needs given current practices in securing power supply. MCE's rating is further supported by a solid financial profile that reflects adequate liquidity levels and partially offset the competitive pressures. However, MCE's strong leverage profile is less of a consideration in the rating given the absence of direct debt obligations.

Fitch views management's implementation in July 2019 of increased rates to near PG&E levels in order to bolster reserves and increase financial margins as a positive credit development. The rating incorporates higher reserves anticipated by year end fiscal 2020 equal to MCE's financial target of 140 days cash and liquidity. MCE's increasing liquidity position should serve as a temporary buffer against the potential risk of volatile operating costs in the future.

KEY RATING DRIVERS

Revenue Defensibility: Weaker
MCE's weaker revenue defensibility assessment reflects a customer base that can opt out from MCE at any time and at minimal cost, and competitive pressure on MCE not to exceed PG&E's rates as the rival supplier given customers' expected sensitivity to rates. These weaknesses are not fully mitigated by MCE's independent authority to set and adjust rates, MCE's product differentiation or MCE's legal ability to impose an exit fee on departing customers. The assessment also reflects MCE's lack of control over the Power Cost Indifference Adjustment (PCIA) charged to its customers and established by the California Public Utilities Commission.

Operating Risk: Midrange
MCE's operating risk assessment reflects the narrowly defined scope of MCE's business objectives, a contracted and predominately fixed-price power supply, and minimal capital needs. The assessment also incorporates the long-term financial risk associated with right-sizing a power supply for a potentially variable

customer base, given the state requirement established by Senate Bill 350 that requires 65% of total power supply by CCAs to be secured under 10 year or longer contracts by 2021.

Financial Profile: Stronger
MCE's midrange financial profile reflects the power supplier's liquidity levels that are expected to increase over the next few years following recent rate increases and very low leverage metrics. Cash flow improved substantially in fiscal 2019 with the addition of Contra Costa County to the service area, based on unaudited financial results. Strong levels of cash flow are projected to continue over the next few years, which will strengthen cash balances.

Asymmetric Risk Additive Considerations
No material asymmetric risk factors affected the overall rating.

RATING SENSITIVITIES
Leverage Above Expectations: MCE has a very limited capacity for financial leverage given its revenue defensibility and operating risk profile. A material increase in MCE's net leverage profile, either through a reduction in available cash or the issuance of debt, could result in negative rating action.

Liquidity Below Reserve Policy: The current rating incorporates Fitch's expectation that MCE will achieve and maintain its stated reserve target of 140 days cash. Maintenance of sub-target liquidity could result in negative rating pressure.

Competitive Landscape: A significant change in the competitive landscape for MCE, particularly given the potential for changes that may be brought on by PG&E's bankruptcy filing, could enhance or detract from the business prospects of MCE, which may warrant consideration of a rating change.

CREDIT PROFILE

MCE is a California joint powers authority (JPA) that was created on Dec. 19, 2008 for the purposes of implementing a community choice aggregation (CCA) program. Since then, the JPA has grown from its initial eight members located within Marin County to include all of the following (as of March 31, 2019): Marin and Napa Counties (including all cities and towns), unincorporated Contra Costa County, and the cities and towns of Benicia, Concord, Danville, El Cerrito, Lafayette, Martinez, Moraga, Oakley, Pinole, Pittsburg, Richmond, San Pablo, San Ramon, and Walnut Creek. Unincorporated Solano County will join MCE beginning April 1, 2020 (fiscal 2021).

Within its service area, MCE provides generation-only services directly to all retail customers of Pacific Gas & Electric (PG&E), unless those customers opt out and elect PG&E as their provider. PG&E still delivers the energy to the customers of MCE over PG&E transmission and distribution lines and provides metering and billing services as MCE's collection agent. The flow of MCE revenues collected by PG&E has been protected following the PG&E bankruptcy filing in early 2019. One of the first actions of the bankruptcy court maintained the existing collection arrangements between PG&E and CCAs, including MCE. PG&E remits the funds daily to MCE.

REVENUE DEFENSIBILITY

MCE's weak revenue defensibility is rooted in the ability for retail customers to opt-out of purchasing services from MCE.

MEMBERSHIP REQUIREMENTS

New members (i.e. counties, cities and towns) may elect, by a vote of their City Council or County Board of Supervisors, to join MCE. Once part of the JPA, participating cities and counties are required under the agreement establishing MCE to remain part of MCE or pay the costs incurred on their behalf prior to their departure. In addition, any municipality seeking to leave the JPA must provide one year's notice. Although legally untested, Fitch believes this requirement could act as a potential restriction on communities seeking to exit the JPA.

DEFAULT PROVIDER; CUSTOMERS CAN OPT OUT

Upon joining the CCA, MCE becomes the default option for all retail customers within the member's service area. MCE provides generation-only services directly to retail customers. The customers are automatically switched to MCE as the generation provider when the city or county (unincorporated areas) joins MCE. However, retail customers retain the ability to opt out of service from MCE and revert to being a generation customer of PG&E at any time, potentially undermining the long-term stability of demand, and weakening Fitch's assessment of revenue defensibility as a whole. Customers who opt out of MCE within the initial 60 days of being enrolled as an MCE customer are able to opt back into MCE at any time. Customers who opt out of MCE after the initial 60-day period are required to remain a PG&E customer for one year prior to being eligible to opt back to MCE.

PG&E RISK AS COLLECTION AGENT IS LIMITED

PG&E delivers the energy purchased from MCE to the retail customers over PG&E's transmission and distribution lines and bills the retail customer on a combined bill in the role of MCE's billing agent. The flow of MCE revenues collected by PG&E is protected following the PG&E bankruptcy filing in early 2019. One of the first actions of the bankruptcy court maintained the existing collection arrangements between PG&E and CCAs, including MCE. PG&E remits the funds daily to MCE.

EXIT FEE

If a customer opts out after 60 days of service, MCE charges a one-time $5 (residential) or $25 (commercial) administrative fee. No administrative fee is charged if the customer opts out within the first 60 days of service. MCE is legally able to impose an exit fee on customers switching back to PG&E, but this rate has been set to $0. The exit fee could be increased to either stem departures or capture the costs incurred to serve departing load. While legally permissible, this mechanism has not been used extensively and Fitch expects that any effort by MCE to sharply raise its exit fee could be met with some level of political backlash. Fitch views the legal ability to implement an exit fee as a potentially important tool, but insufficient on its own to raise MCE's overall demand characteristics.

GROWING CUSTOMER BASE

MCE reports that it serves approximately 86% of the customers within its service territory, implying that approximately 14% of the customer base has selected PG&E as their power provider. MCE's IRP notes that participation rates have varied by area served, with the initial communities (2010-2011) at approximately 78% and the more recent communities (2016-2018) ranging from 89%-91%.

MCE's customers are viewed as non-concentrated. Demand growth is expected to track economic trends in the region due to MCE's position as the default electric provider in the service area. Electric sales to the existing customer base are expected to remain relatively flat on a per customer basis, given industry advancements in energy efficiency and conservation, but usage will fluctuate with weather and economic conditions in-line with typical electric utility customer usage.

MCE's current customer count is approximately 470,000, following an approximately 80% increase in April 2018 (fiscal 2019) as service was expanded into Contra Costa county. The customer base will continue increasing if additional communities elect to join. Unincorporated Solano County will be served by MCE beginning on April 1, 2020. The addition is expected to provide approximately 11,000 additional customers and 186,000 MWh sales (about 3.5% of current annual sales). Solano County may increase MCE's sales to industrial customers due to several large customers and irrigation loads in the area, but should not create meaningful concentration in the overall customer base.

PRIMARY PRODUCTS

MCE offers customers three products: 1) default 60% renewable "light green" option; 2) 100% renewable "deep green" option; and 3) 100% local solar option. Customers also have the option to enroll in MCE's programs, such as residential load shifting, energy efficiency, electrical vehicle incentives and net energy metering. Customers will be able to participate in MCE's forthcoming demand response services and programs. The vast majority of customers participate in the light green program. MCE's integrated resource plan outlines the goal to increase the light green renewable content to 70% by 2030, subject to product availability and cost.

The higher renewable content of the power supply appears to be the consideration that has garnered political and customer support for MCE (and other CCAs). However, Fitch does not view MCE's product differentiation as sufficient to offset the otherwise weaker demand characteristic, as customers are assumed to be rate sensitive. In addition, PG&E (along with other California IOUs) are legally mandated to continue raising their power supply's renewable content over time, reducing MCE's current competitive advantage of having a higher renewable content.

INDEPENDENT RATE SETTING

MCE has independent ability to adjust rates to fully recover costs. The board makes rates decisions that are not subject to external review. While all participating municipalities have a representative on the MCE board, MCE is not under the local authority of participating member city and town councils.

COMPETITIVE PRESSURES ON PRICING

Fitch assumes that customers are rate sensitive over time due to the competitive pressure presented by PG&E as a potential alternate electricity provider and the lack of switching costs for customers, which together impose a practical limitation rate setting. However, as long as MCE's rates remain below or equal to those of PG&E, Fitch expects the vast majority of customers will decide not to opt out given the economic incentives to remain with MCE and the community support for the current product offerings. In a situation where MCE's costs were persistently higher than PG&E's, Fitch expects some level of load departure from customer opt outs. There have been short periods (less than one year) since MCE's inception when PG&E rates were lower than MCE, but MCE responded with a rate reduction to bring their rates in line with PG&E.

JULY 2019 RATE ACTION

MCE's board recently adopted rate increases effective July 1, 2019. The increases were designed to absorb nearly all of the headroom between PG&E's rising rates and MCE customer rates, while preserving MCE's cost advantage at approximately 0.3% on average for each customer class. This pricing advantage is based on the highest PCIA vintage charged to MCE customers. The result was an average increase in monthly electric charges of approximately 6.5% across all customer classes. The rate increases are designed to use the increased revenues to increase MCE's financial margins and bolster reserves according to recently adopted financial policies.

POWER COST INDIFFERENCE ADJUSTMENT LIMITS COMPETITIVE PRICING

MCE does not have ultimate control over one component of its rates further limiting rate flexibility. MCE's customers are charged a PCIA that is determined by the California PUC. The PCIA is adjusted annually and varies by the year and date that the customer joined the CCA, as well as the customer's rate class. For example, a residential customer that began being served by MCE in 2015 would have the same '2015 vintage PCIA' charged to all other 2015 vintage residential customers. The PCIA is charged on a per kWh basis and is intended to reflect the difference in the cost of PG&E's portfolio developed to serve the departing customer, less the market value of the portfolio, leaving PG&E 'indifferent' to the loss of that customer's generation load. PCIA charges have increased over the past few years as market prices have decreased, widening the gap between PG&E's portfolio cost and the market value for that power. MCE and the statewide CCA trade association have challenged the methodology used in calculating the PCIA. However, MCE does not have direct recourse to alter the PCIA charged to its customers. The PCIA will gradually become less relevant for MCE's customers as PG&E's legacy contracts mature (or are potentially terminated through PG&E's bankruptcy).

OPERATING RISK

LIMITED BUSINESS SCOPE REDUCES COST VARIABILITY

MCE's role in serving its customer base is essentially restricted to power supply procurement; the distribution, delivery and transmission of power remain an obligation of PG&E as well as billing and collections. As such, MCE's capex needs are negligible as MCE does not own any generation; all power supply resources are contracted. Positively, this means MCE generally does not bear the development, construction, operating or system risks experienced by generation resource owners, integrated utilities, or distribution utilities. A change in MCE's operating risk profile through the development and/or ownership of generation resources could lead to a revision of the assessment.

OPERATING COST FLEXIBILITY

Operating costs are largely restricted to the cost of power, marketing, and general administration and operating expenses. MCE's cost of power is largely known as power supply is contracted primarily through fixed price (or moderately escalating price), multi-year contracts. MCE's power procurement guidelines, as outlined by its 2019 integrated resource plan (IRP), target the procurement of between 70% and 100% of the current year power supply under fixed-price contract, between 60% and 95% of power supply in the following year and up to 70% in the third year and beyond. The practice is designed to reduce exposure to market price risk and allow for annual rate setting.

While the cost of power per MWh is generally known, the volumes necessary to serve load along with potential fluctuations in energy received under each contract (particularly for intermittent renewables) creates some uncertainty regarding the actual price at any point in time and increases the need to maintain adequate liquidity. The risk of intermittent renewable supplies are partially mitigated by requirements for load-serving entities in California, such as MCE, to demonstrate a 15% reserve margin above its projected peak demand and the use of flexible capacity.

CCAs are subject to several legal and regulatory mandates that could increase costs and potentially raise operational risks, if not well managed. These include mandates to procure energy storage equivalent to 1% of projected 2020 peak load, fully comply with the CPUC's resource adequacy requirements and submit the IRP to the CPUC for certification. Proposed legislation to adopt a centralized procurement agency, which has been deferred to the 2020 legislative session, and consideration of breaking up PG&E, could negatively affect MCE's rating if the changes are expected to result in significantly higher operating costs.

RESOURCE MANAGEMENT RISK

Robust power supplies are generally available to MCE with good transmission infrastructure in place. MCE's location within the CAISO, the prevalence of renewable generation in surrounding areas, the diversity of potential suppliers, and the geographical dispersion of potential resources position MCE well in terms of securing sufficient and adequately priced power to meet its needs.

DIVERSIFIED, CONTRACTED POWER SUPPLY

MCE's power supply is currently met by over 60 PPAs with various suppliers incorporating multiple technologies and fuel types, including renewable, conventional and GHG-free. Contracted resources are geographically diverse. System energy is projected to be greater than 60% renewable in calendar year 2019, which is well above state mandates and the renewable content available in PG&E's power supply.

MCE's IRP notes that an additional 25 MW of new renewable resources are expected within its service area by 2021. MCE states that it may consider direct investment or ownership of generation resources. The development of owned generation would change MCE's operating profile and increase MCE's exposure to risks that are currently immaterial, including operating and construction risks.

BALANCING LOAD BIGGEST RISK GIVEN REQUIREMENT FOR LONG-TERM CONTRACTS

MCE's largest resource risk is balancing its power supply with a potentially variable customer base, given MCE's lack of the exclusive right to provide generation. MCE has adopted a formal risk management plan that seeks to limit the potential risk of being either short or long power supply in any particular year. MCE's practice is to contract to fill short positions at years 1-5 to prevent significant pricing risks to emerge. MCE's practices call for it to have between approximately 90%-115% of its energy needs under fixed price contract during the current calendar year and successively lower amounts in each of the following four years.

Balancing supply and demand is further complicated by certain legislative mandates. CCAs must secure at least 65% of the RPS compliant power under contracts that extend 10 years or longer by 2021. While California's RPS compliance targets are well below the actual renewable content of MCE's power supply, the long-lived nature of the contracts pose challenges to adjusting power supply costs if significant load departure occurs. This risk is mitigated by MCE's demonstrated trend to date of maintaining customers through periods when PG&E rates were lower than MCE and the ability to maintain the other 35% of supply from short-term contracts.

MCE's capital needs are limited and do not include plans to build self-owned generation in the next five years, although it remains a possibility. Fitch has not included any debt financing of capital needs in this analysis.

FINANCIAL PROFILE

MCE's leverage profile is supportive of the rating but is less of a consideration than the revenue defensibility and operating risk assessments. Fitch's leverage metric includes fixed obligations, such as debt and pension liabilities (of which MCE has neither) minus cash reserves as compared to cash flow. Given the absence of fixed obligations, Fitch's net leverage calculation for MCE is negative.

MCE's liquidity profile is neutral to the rating but the planned increases in cash reserves in fiscal 2020 will directly improve MCE's net leverage profile and financial profile in general. The system's available cash balance at the end of fiscal 2018 was modest at approximately $34.4 million or 63 days. Available cash increased to $60.8 million by the end of fiscal 2019 (unaudited), or 69 days. The increase in expenditures in fiscal 2019 coincided with the approximately 80% increase in customers as the service territory was expanded to include

Contra Costa county in fiscal 2019.

Liquidity levels are enhanced by the use of lines of credit. The most recent line of credit was amended to a revolving credit agreement in July 2017 and at the time was increased to $25 million from $20 million. Cash balances increased in fiscal 2019 (unaudited actuals), increasing days cash on hand to 83 days. Additional increases are expected in fiscal 2020.

Management adopted a revised liquidity policy that targets building cash reserves to 40% of operating costs, or 140 days cash, including available lines of credit. MCE expects to reach its liquidity target by the end of fiscal 2020 with an estimated $113 million in cash reserves and the $25 million line of credit.

GOVERNANCE AND MANAGMENT

MCE is governed by a 28-member Board of Directors. The board members are elected city council members or supervisors from each of the member cities and counties served by MCE. While they are not elected to the MCE board, the representatives have been elected to represent their respective communities. The board has appointed experienced, executive leadership to run daily operations of MCE. MCE has approximately 60 employees.

The legal and regulatory environment for CCAs continues to evolve. Fitch does not currently view the legal and regulatory regime as an asymmetric additive risk factor that affects the overall rating, but changes could present a rating risk in the future.

Contact:

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In addition to the sources of information identified in the applicable criteria specified below, this action was informed by information from Lumesis.

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com
Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 28 May 2019)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form
Solicitation Status
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INFRASTRUCTURE

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RATING METHODOLOGY

US Municipal Joint Action Agencies

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Summary

This rating methodology replaces "US Municipal Joint Action Agencies" last revised on October 3, 2012. We have updated some outdated links and removed certain issuer-specific information.

This methodology explains our approach to credit ratings assigned to revenue bonds of US municipal Joint Action Agencies (JAA). JAAs are formed by a group of U.S. municipal utilities (participants) to provide reliable and competitively priced energy or energy related services typically through asset ownership. The methodology identifies the four key ratings drivers for take-or-pay projects and five key rating drivers for all-requirement agencies as shown below:

- Participant Credit Quality and Cost Recovery Framework
- Asset Quality (Take-or-Pay) / Resource Risk Management (All-Requirement)
- Competitiveness
- Financial Strength and Liquidity
- Willingness to Recover Costs With Sound Financial Metrics (All-Requirement)

This methodology is intended as a reference tool to use when evaluating credit profiles within the industry, helping companies, investors, and other interested market participants understand how key qualitative and quantitative risk characteristics are likely to affect rating outcomes.

This methodology should enable the reader to understand the qualitative considerations and financial information and ratios that are usually most important for ratings in this sector.

This report includes a detailed rating grid, the purpose of which is to provide a reference tool that can be used to approximate credit profiles within the JAA sector. The grid provides summarized guidance for the factors that are generally most important in assigning ratings to these issuers. The weights shown for each factor in the grid represent an approximation of their importance for rating decisions but actual importance may vary significantly. In addition, ratings are based on our forward-looking expectations, which may be different than historical results. As a result, a grid-indicated rating is not expected to match the actual rating of each issuer.

The publication includes the following sections:

» About the Rated Universe: An overview of the Joint Action Agency sector

» About the Rating Methodology: A description of our rating methodology, including a detailed explanation of each of the key factors that drive our ratings

» Grid Limitations and Other Considerations: Comments on the rating methodology's limitations, including a discussion of other rating considerations that are not included in the grid

» Appendices: Tables including the scorecard, issuers covered in this update and definitions of key ratios

About the Rated Universe

Joint Action Agencies are formed by a group of U.S. municipal utilities (participants) to provide reliable and competitively priced energy or energy related services. Most rated JAAs were formed to provide power, though we also rate JAAs that provide natural gas, electric transmission, or telecommunications services for energy assets. The participating municipal utility systems share an obligation established through a long-term contractual arrangement to cover the JAA's operating, capital, and debt service costs. Some JAA issuers have multiple distinct project ratings that are rated on a standalone basis.

The credit quality of the JAA sector averages in the 'A' category primarily due to the member participants' strong credit quality, JAA's unregulated rate setting ability and long-term contracts with participants. Competitive rates, sound asset quality and conservative resource risk management are other factors supportive of the average sector rating. This business model suggests a fundamentally high probability of timely debt service payment.

Take-or-Pay Projects

Our approach to rating the sector divides JAAs into two broad types consisting of take-or-pay projects or all-requirement agencies. Typical characteristics of take-or-pay projects are contracts that extend to at least debt maturity, a single asset or group of assets defined upfront for the life of the debt, fixed participants' share for the life of the contract, no firm obligation by the project to deliver any energy resource, and participants' obligation to pay their respective share of all costs including debt service even if the project is not completed, operating, or capable of operating.

All-Requirement Agencies

All-requirement agencies also generally obligate participants to take the underlying energy resource and pay for their respective share of the JAA's costs through at least debt maturity similar to take-or-pay projects. That said, all-requirement agencies share many similarities with Generation and Transmission Cooperatives (G&T Cooperatives) such as an obligation to meet all of the energy resource needs of its participants. Some partial-requirements agencies are sufficiently similar to all- requirement agencies and they fall within this methodology.

Given its supply obligation, an all-requirement agency will have an energy resource portfolio typically consisting of an evolving mixture of supply contracts and physical assets to match the energy resource requirements of its participants. The evolving resource needs of the participants expose the all- requirement agency to the potential for insufficient or excess energy resource. Additionally, a participant's share of a JAA could change over time depending on a participant's energy resource needs relative to other members. Furthermore, the entrance of new members or the exit of existing members could also change participants'

shares. All-requirement contracts sometimes include a provision allowing a participant member to end its participation though that member typically remains responsible for its share of the outstanding debt.

While this methodology primarily applies to JAAs, we will consider applying this methodology to municipal energy projects that have identical or substantially similar characteristics to a JAA take-or- pay project.

However, this methodology does not apply to municipal energy projects that do not have typical 'take- or-pay' contract terms (e.g. unconditional payment obligation of the participants to pay for operating, capital, and debt service cost irrespective of whether the project is completed, operating, or capable of operating). For example, for a project with an offtake contract that has conditional payments or material limitations on the obligation by its participants, Moody's will apply the 'Power Generation Projects', 'Generic Project Finance', or other appropriate methodology. These methodologies may be accessed through a link provided in the Related Research section below.

About This Rating Methodology

Our approach to rating Joint Action Agencies for both take-or-pay projects and all-requirement agencies as outlined in this rating methodology, incorporates the following steps:

1. Identification of the Key Rating Factors

We have identified the following four key rating factors when assigning ratings to take-or-pay projects.

Take-or-Pay Projects

» Participant Credit Quality and Cost Recovery Framework (45%)

» Asset Quality (15%)

» Competitiveness (15%)

» Financial Metrics (25%)

- Adjusted Days Liquidity on Hand (10%)
- Debt Ratio (5%)
- Fixed Obligation Charge Coverage Ratio (10%)

All-requirement agencies broadly share similar factors to take-or-pay projects; however, the 'Ability and Willingness to Recover Costs and Maintain Financial Metrics' is incorporated as Factor 5.

All-Requirement Agencies

» Participant Credit Quality and Cost Recovery Framework (25%)

» Resource Risk Management (10%)

» Competitiveness (15%)

» Financial Metrics (25%)

- Adjusted Days Liquidity on Hand (10%)
- Debt Ratio (5%)
- Fixed Obligation Charge Coverage Ratio (10%)

Willingness to Recover Costs With Sound Financial Metrics (25%)

2. Measurement or Estimation of Factors in the Scorecard

We explain below how each factor and sub factor are calculated or estimated for the grid and the weighting for each individual factor and sub factor. We also explain the rationale for using each particular factor, and the ways in which we apply them during the rating process. The information used in scoring the factors and sub factors in the grid is found in or calculated from information in company financial statements, derived from other observations or estimated by our analysts.

Our ratings are forward looking and incorporate our expectations for future financial and operating performance. In assigning ratings, we attempt to look through the energy industry's characteristically volatile financial metrics, which can be caused by weather variations and fuel or commodity price changes. The rating process also makes extensive use of historic financial statements. Such historic results help us understand the pattern of a JAA's financial and operating performance and how a joint action agency compares to its peers. Analysts will use three-year average results to assess financial metrics, in order to mitigate one-time factors that might skew results. We also utilize financial projections to ascertain management's planning capability better, as well as expectations for future financial performance, rate levels, and capital and debt requirements. All financial measures incorporate our standard adjustments to the balance sheet and income statement.

3. Mapping Factors to Rating Categories

After identifying the measurement criteria for each factor, we match a JAA's performance on each factor and sub-factor to one of our rating categories ranging from 'Aaa' to 'B'. In this report, we provide a range or description for each of the measurement criteria. For example, we specify what level of fixed obligation charge coverage ratio is generally representative of an 'Aa' versus an 'A' rating. In other words, there is only one rating from the grid for each factor, multiple rating choices for sub-factors are not incorporated. We will further determine the JAA's position within the rating category for Factor 1. For example, participant credit quality at 'A1' is at the high end of the 'A' category and would thus score at 'A1'.

4. Determining the Overall Grid-Indicated Rating

To determine the overall grid-indicated rating, each of the assigned scores for the factors and sub- factors generally is converted into a numeric value based on the following scale:

Aaa	Aa	A	Baa	Ba	B
1	3	6	9	12	15

For the scoring of participant credit quality, we will utilize the interpolated numeric value that corresponds to the applicable participant credit quality. For example, participant credit quality of A1 would be scored at the interpolated numeric score of 5. The ability to distinguish between a strongly or weakly positioned participant credit quality remains an important driver of JAA ratings especially for take-or-pay projects.

Once each factor and sub-factor is scored, each factor's or sub-factor's corresponding numeric value is multiplied by its assigned weight and then summed to produce a composite weighted average score. This weighted average score is then mapped to the ranges specified in the table below, and the alpha- numeric rating is determined based on where the total score falls within the ranges.

Grid-Indicated Rating	Aggregate Weighted Total Factor Score
Aaa	x < 1.5
Aa1	1.5 ≤ x < 2.5
Aa2	2.5 ≤ x < 3.5
Aa3	3.5 ≤ x < 4.5
A1	4.5 ≤ x < 5.5
A2	5.5 ≤ x < 6.5
A3	6.5 ≤ x < 7.5
Baa1	7.5 ≤ x < 8.5
Baa2	8.5 ≤ x < 9.5
Baa3	9.5 ≤ x < 10.5
Ba1	10.5 ≤ x < 11.5
Ba2	11.5 ≤ x < 12.5
Ba3	12.5 ≤ x < 13.5
B1	13.5 ≤ x < 14.5
B2	14.5 ≤ x < 15.5
B3	15.5 ≤ x < 16.5
Caa1	16.5 ≤ x < 17.5
Caa2	17.5 ≤ x < 18.5
Caa3	18.5 ≤ x < 19.5
Ca	x ≥ 19.5

As an example of how the grid works, an issuer with a composite weighted average score of 5.8 would have a grid-indicated rating of A2. We use the same procedure to derive the grid-indicated rating for each of the factors that are embedded in the discussion of the methodology. The composite weighted grid-indicated rating is then reviewed against the current rating and against any of the outlier factors that may have skewed the rating higher or lower. This comparison allows us to better assess the reasoning behind the weighting of a particular factor.

5. Limitations of the Grid and Other Rating Considerations

This section discusses limitations in the use of the grid to map against actual ratings and additional factors that are not included in the grid that can be important in determining ratings.

The Broad Rating Factors

Our analysis of a take-or-pay project focuses on four broad factors while the analysis of an all- requirement agency incorporates an additional fifth factor:

» Participant Credit Quality and Cost Recovery Mechanism

» Asset Quality (Take-or-Pay Project) or Resource Risk Management (All-Requirement Agency)

» Competitiveness

» Financial Strength and Liquidity

» Willingness to Recover Costs With Sound Financial Metrics (All-Requirement Agency)

Rating Factor 1: Participant Credit Quality and Cost Recovery Mechanism

Why It Matters

Fundamental to the credit rating of a joint action agency is the long-term contract with its participants that allows the JAA to recover all of its costs including debt service. Since the participants typically bear all of the operating, capital, and debt service costs, the underlying participant credit quality is a major driver of the JAA's credit quality, especially for take-or-pay projects.

Given the importance of the participant credit quality, a typical JAA's rating will generally be capped to no more than two notches higher than the weighted average participant credit quality since the participants are the primary source of cash flow. If the weighted average participant credit quality is near or at speculative grade, the JAA's rating is likely to be capped at the weighted average participant credit quality for all requirement agencies or at the 'weak link' participant credit quality for a take-or- pay project (see section 'How We Measure Participant Credit Quality and Cost Recovery Framework for the Grid' for definition of 'weak link' participant).

Factor 1 also considers the joint action agency's cost recovery framework. Most joint action agencies and their participants have the statutory authority to establish their own rates and charges locally without external regulation, which provides greater certainty to timely and full cost recovery. This strength is further bolstered for most JAAs by minimum bond security covenants that require current revenues to match current expenses, including payment of debt service.

On the other hand, cost recovery or governance issues that complicate timely and full cost recovery will override the participants' credit strength since these issues become the prevailing risk consideration. To the extent the scoring for Factor 1 is 'Baa' or lower due to cost recovery or governance issues, we will likely place greater weight on Factor 1.

Although Southern Montana Electric Generation and Transmission (not rated) is not a JAA, its default in late 2011 which was partially caused by extensive member disputes serves as a recent example of the importance of proper governance and cost recovery. The largest example remains Washington Public Power Supply System's (WPPSS) Projects 4 and 5 defaults caused by members challenging their contractual obligations. A rate regulated JAA or a JAA whose participants are rate regulated would be viewed as having a weaker cost recovery framework since any rate changes will need third party regulatory approvals. The bankruptcy filings of Cajun Electric Power Cooperative, Wabash Valley Power Association and Big Rivers Electric Corporation in the 1980's and 1990's were partially due to insufficient rate relief by its state regulators. While these examples are of G&T cooperatives, they still represent worthy examples of the added uncertainty and risk caused by third party rate regulation.

We emphasize the relatively stronger importance of participant credit quality for take-or-pay projects vs all-requirements projects in two ways. First, for take-or-pay projects we give Factor 1a weight of 45% versus a 25% weighting for all-requirement agencies, reflecting the take-or-pay project's narrow business profile and stronger contract terms. Second, the final score for each of Factors 2, 3, and 4 for take-or-pay projects is generally arrived at in two steps. In the first step, we determine scores for each of the underlying asset quality (Factor 2), competitiveness (Factor 3) and financial strength (Factor 4). We call these initial scorings the 'baseline factor assessments'. The second step involves comparing each of the baseline factor assessments to the Factor 1 score. The scores for Factors 2, 3, and 4 are then adjusted to be the higher of either the baseline factor assessment or the Factor 1 score. As noted below, there are certain exceptions.

Thus, if the assessment of Factor 1 is higher than that of the baseline factor assessments of Factors 2, 3, and 4, for a well performing, competitive take-or-pay project with strong contracts, participant credit quality

will effectively represent 100% of the weight in the scorecard before notching considerations. For example, a take-or-pay project with 1.1x fixed charge coverage ratio (Factor 4(c)) would have a baseline factor assessment of 'Baa' for Factor 4(c); however, assuming Factor 1 was mapped to 'A', the final scoring for Factor 4(c) would be 'A'. The same process would be followed for Factors 4(a) and 4(b), as well as for Factors 2 and 3. The approach described above only applies if the individual baseline factor assessment is at least commensurate with a 'Baa' category and the approach does not apply if the baseline factor assessment is 'Ba' category or lower. This reflects our view that speculative grade characteristics such as poor asset quality or uncompetitive costs increase the probability that the underlying take-or-pay contract could ultimately be challenged or that some other credit negative action might be taken.

For all-requirement agencies, we incorporates a fifth factor, 'Willingness to Recover Costs With Sound Financial Metrics' (see Factor 5) given the lower weight attributed to Factor 1.

How We Measure Participant Credit Quality and Cost Recovery Framework for the Grid

We compute the weighted average participant credit quality by multiplying the percentage of the municipal utility's share in the joint action agency by the participant's credit rating or equivalent assessment, using the 10-year global corporate idealized probability of default curve. We use our published credit ratings as a measure of participant credit quality and in the absence of an underlying published credit rating, we utilize multiple approaches to assess participant credit quality (see section 'Evaluating Unrated Participants in JAAs').

For take-or-pay projects, we will generally cap Factor 1 to the lower of (a) the weighted average participant credit quality or (b) no more than 2 notches above the weak link participants' credit quality. Typically, the 'weak link' is the participant that straddles the lower 20th percentile and upper 80th percentile of all participants ranked by credit quality. We selected this threshold since the typical 25% step up provision in a take-or-pay contract allows participants aggregating up to a 20% share to default. The limit of two notches above the weak link participant reflects the higher default probability associated with weaker participant credit quality. For example if the average participant credit quality was Aa2 but the 'weak link' participant was rated A3, Factor 1 would likely be scored at A1. If the step up is lower than 25%, we will consider the appropriate threshold to arrive at the 'weak link' participant. For example, a take-or-pay project with a 15% step up would allow for participants with an aggregate 13% share to default. Thus, in this example, we would factor in the credit quality of a participant that straddles the lower 13th percentile and upper 87th percentile of all participants ranked by credit quality.

Take-or-Pay Projects (45% weight)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 1: Participant Credit Quality and Cost Recovery Framework	45%	Participant credit quality at cap is at 'Aaa'. JAA & participant rates are unregulated.	Participant credit quality at cap is 'Aa'. JAA & participant rates are unregulated.	Participant credit quality at cap is 'A'. JAA & participant rates are unregulated.	Participant credit quality at cap is 'Baa' OR JAA or majority of participant rates are regulated.	Participant credit quality at cap is 'Ba' OR Below average governance or cost recovery.	Participant credit quality at cap is 'B' OR Consistent record of poor governance or cost recovery.

We will also consider whether the JAA or its participants are rate regulated and the extent of the rate regulation. If the JAA or the majority of its participants are fully rate regulated, Factor 1 could be scored in the 'Baa' category even if the participant credit quality is higher than the 'Baa' category since a JAA's regulated rate setting could pose challenges to timely cost recovery.

Additionally, we will consider the cost recovery framework and governance issues that have led or could lead to extensive delays in rate changes, under-recovery of costs, member challenges to their contractual obligations, or other credit negative outcomes. For example, participants challenging their contractual obligation are likely to map at the 'B' category and override participant credit quality.

For all-requirement agencies, Factor 1 does not explicitly incorporate the weakest participant since participants' shares can change over time due to changing resource requirements or the exit and entrance of new participants over time. Likewise, many contracts do not explicitly cap non-defaulting member step up obligations, so stronger participants may be asked to increase contributions in case a weak participant fails to pay. Additionally, an all-requirement agency's contract allows the JAA to raise rates to recover its costs and often its contract will contain an explicit provision that allows the JAA to raise rates due to a defaulting member. If the all-requirement agency is unable to recover a defaulted participant's share of the JAA costs, we may place greater weight on the weakest participant's credit quality in scoring Factor 1.

All-Requirement Agencies (25% weight)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 1: Participant Credit Quality and Cost Recovery Framework	25%	Weighted average 'Aaa' participant credit quality. JAA & participant rates unregulated.	Weighted average 'Aa' participant credit quality. JAA & participant rates unregulated.	Weighted average 'A' participant credit quality. JAA & participant rates unregulated.	Weighted average 'Baa' participant credit quality. OR JAA or majority of participant rates are regulated.	Weighted average 'Ba' participant credit quality. OR Below average governance or cost recovery.	Weighted average 'B' participant credit quality. OR Consistent record of poor governance or cost recovery.

Rating Factor 2: Asset Quality (Take-or-Pay Project) or Resource Risk Management (All-Requirement Agency)

Why it Matters

The primary rationale for the creation of a joint action agency is the cost effective delivery of an energy resource such as power, natural gas, or some other energy related service such as electric transmission. The underlying quality of the asset or resource risk management has a direct impact on quality of service, leverage capacity, competitiveness and customer satisfaction. Participant support for the JAA rooted in customer satisfaction can translate into greater willingness to establish the revenue requirements needed to keep the JAA in sound financial condition. JAAs must keep the confidence of their governing board and the participants. A lack of operational success could lead to questions as to the rationale for establishing the JAA in the first place. Poorly operating assets or poor resource risk management are likely to drive higher all-in costs for the energy resource while also potentially inducing participants to seek alternate energy resources to meet their needs. An inability of the joint action agency to ultimately deliver its resource at competitive rates could cause the participants to challenge their contractual obligations.

If a take-or-pay project's baseline factor assessment scores to at least 'Baa', the final scoring for Factor 2 will generally be the higher of (a) the score used in Factor 1 or (b) the baseline factor assessment. This

approach reflects our view that the strong asset quality minimizes the likelihood that the participants could seek to challenge their obligations under the take-or-pay contract.

However, certain assets with significant event risk such as nuclear plants or assets with 'Ba' or lower characteristics do not benefit from the typical positive lift of its participant credit quality in the final scoring for Factor 2. For these types of assets, the scoring will be at the baseline factor assessment. This reflects our view that the increased asset risk could lead to asset non-performance and ultimately increases the possibility that participants will challenge their contractual obligations or take some other negative action.

Factor 2 has a slightly higher weight for take-or-pay projects relative to all-requirement agencies since take-or-pay projects typically are a single asset, which heightens operating risk. On the other hand, all-requirement agencies typically have a portfolio approach with a combination of assets, contracts and market purchases.

How We Measure Asset Quality or Resource Risk Management for the Grid

When considering asset quality for take-or pay projects, we will consider the asset diversity, technology of the project, and the quality of the operator. While take-or-pay projects are typically single assets, we consider multiple assets a credit positive since the operational diversity reduces the negative impact of a single asset outage. The underlying technology or equipment providing the resource is also a major consideration and we review aspects such as the equipment provider, equipment warranties, and operational history. We will also consider the resource operator's ability to operate the asset to ensure cost-effective and reliable operations. To the extent possible, we review the JAA's operating statistics for the relevant energy resource. For example, we will review statistics such as availability factor (% of time a unit is operational); capacity factor (% of rated capacity the generation unit runs); and heat rates (efficiency of a generator to convert fuel into electrical energy) for power generation assets.

For take-or-pay projects, the 'Aaa' and 'Aa' categories generally apply to simple, proven assets with little to no moving components such as electric transmission lines. An 'A' category would typically represent a diverse portfolio of proven, strongly operating assets covering a range of technologies. portfolios with limited diversification or single asset such as a well operating gas fired plant with a known and reputable operator would likely be scored in the 'Baa' category. Assets that would typically be in the 'Ba' or 'B' categories could include but are not limited to assets with poor operating history; projects with new, unproven technology; or projects that require sizeable new investment to meet new regulatory rules.

Take-or-Pay Projects (15% weight)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 2: Asset Quality	15%	Diversified portfolio of simple, proven assets and minimal reinvestment requirement.	Simple, proven asset(s) and minimal reinvestment requirement.	Diverse portfolio of proven assets across technologies	Standard, commercially proven asset(s).	Asset(s) with some operating challenges.	Largely unproven technology or poorly performing asset(s).

For all-requirement agencies, we assess energy resource risk management, which is broader than asset quality since all-requirement agencies typically meet their participants' resource requirements through a combination of assets and short to long-term contracts or mostly contractual arrangements. To assess resource risk management, we will consider the overall energy resource supply mix, asset quality, energy resource supply contract terms and counterparties, and the JAA's strategic plans to ensure affordable and reliable energy resource for its participants. In the context of the overall energy resource supply mix, maintaining a diverse energy resource mix increases the JAA's flexibility to manage resource demand while

limiting the JAA's exposure to volatile commodity and energy market prices, disruptions in the delivery of a single resource, or increased costs associated with a particular asset, like the cost of environmental compliance.

If an all-requirement agency heavily relies on third party resource suppliers under short and long-term contracts, we will consider the diversity and quality of the energy resource suppliers. Additionally, key underlying terms of supply contracts such as maturity, payment provisions, and amount of contracted resource will be assessed. For Factor 2, the 'Aaa' and 'Aa' rating category will be considered for all-requirement agencies that have long term supply contract(s) that typically have the following characteristics: strong 'Aaa' or 'Aa' counterparties; contract terms that extends to at least debt maturity; prices at or below market prices; and a supply contract covering all or most of the all-requirement agency's load. If counterparties are typically rated in the 'A' category and the all-requirement agency maintained a portfolio of medium to long term contracts on a rolling basis to ensure energy resource supply and price stability, the scoring for Factor 2 could be commensurate with an 'A' category. A supply portfolio with 'Baa' counterparties and consisting mostly of shorter term contracts would be commensurate with 'Baa'. The 'Ba' or 'B' category for Factor 2 typically reflect suppliers rated below investment grade or poor resource management such as high exposure to short term markets or expensive supply contracts.

For all-requirement agencies, we score Factor 2 typically based on the weakest element in the JAA's resource risk management. For example, if a power JAA had single asset or fuel concentration ranging from 56% to 75% but had wholesale market purchases at 10%, we would likely score Factor 2 in the 'Baa' category since the asset or fuel concentration is the dominant risk.

All-Requirement Agencies (10% weight)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 2: Resource Risk Management	10%	Exceptional energy resource risk management Less than 10% market purchases. OR Diverse, proven assets. Single asset or fuel less than 20% of supply. OR Long-term, competitive supply contract with Aaa rated supplier.	Very strong energy resource risk management. 10-20% from market purchases. OR Diverse, proven portfolio. Single asset or fuel comprises 20-40% of the energy resource mix. OR Long-term, competitive supply contract with Aa rated supplier.	Strong energy resource risk management. 20-30% from market purchases. OR Proven assets. Single asset or fuel comprises 41- 55% of the energy resource mix. OR Well managed portfolio of supply contracts with 'A' rated suppliers.	Average energy resource risk management. 30-40% from market purchases. OR Single asset or fuel provides 56-75% of the energy resource mix. OR Adequately managed supply portfolio with 'Baa' rated suppliers.	Below average energy resource risk management. 40-60% from market purchases. OR Single asset or fuel provides over 76 - 100% of the energy resource mix. OR Adequately managed supply portfolio with 'Ba' or lower rated suppliers.	Poor energy resource risk management. More than 60% from market purchases. OR Assets with unproven technology or history of problems OR Poorly managed supply portfolio with 'Ba' or lower rated suppliers.

Rating Factor 3: Competitiveness

Why it Matters

An important credit factor in JAA ratings is the competitiveness of the energy resource provided to its participants. Competitive resource costs represent a core rationale for a participant's role as offtaker in a JAA. We view a combination of both legal and economic incentives serving as the strongest leverage for participants to pay. Competitive prices also provide the JAA greater flexibility to raise rates compared to a JAA whose rates are already high.

On the other hand, high rates could cause pressure on the JAA's management to either lower rates or not raise rates when necessary. High rates also could negatively affect the credit quality of the participants since energy resource costs typically represent the majority of the final cost to the retail customers. High energy costs could negatively affect the participant distribution utility's ability to retain retail customers leading to lower load and higher rates to spread the same fixed costs over a lower sales base.

In the worst case scenario, participants could challenge their obligations to a joint action agency. WPPSS's $2.25 billion bond default in 1983 on Projects 4 and 5 remains an iconic example of a successful challenge.

We also recognize the ability of a JAA's participants to access major wholesale energy markets over the last decade. The increased alternatives for participants have increased the importance of price competitiveness as a key credit factor. Because of these greater supply options, we expect municipally- owned utilities to evaluate the financial benefits of a relationship with a JAA more closely.

How We Measure Competitiveness for the Grid

Our evaluation of a take-or-pay project's cost competitiveness takes into consideration the project's rate (including debt service) to its members relative to what a participant would have to pay in the wholesale market on a historic and forward-looking basis, typically over a 3-year period. In volatile market conditions, we will consider longer periods spanning a commodity price cycle that seeks to smooth the market ups and downs to determine the long-term future competitive position of the asset. We estimate regional market price benchmarks from publicly available industry data such as the Energy Information Administration (EIA) and third party data service providers, as well as data from across our portfolio of other rated issuers. We will consider other benefits that a take-or-pay project provides to its participants such as renewable power that helps meet state or local renewable portfolio standards, the project's fit within the overall participants' energy resource portfolio, or the participants' need for the asset for reliability purposes. These other benefits could result in the scoring of a project's baseline competitiveness up to the 'Baa' category even though its rates relative to market are commensurate with 'Ba' or lower. For example, a wind project with all-in costs substantially above the prevailing market price of power could be scored at 'Baa' if the wind project is an important renewable asset that allows the municipal utility participants to meet their state-mandated renewable portfolio requirements.

For take-or-pay projects, an asset that has competitive rates through all parts of the market cycle would be in the 'A' to 'Aaa' categories depending on the extent of its low rates. Assets typically in the 'Baa' category are competitive in an average market environment but could be up to 50% more expensive relative to market prices during a cyclical downturn. The 'Ba' is typically for assets that are competitive only in a high price environment while the 'B' category represents uncompetitive rates in nearly all conditions.

Take-or-Pay Projects (15% total)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 3: Competitive-ness	15%	Extremely competitive asset through market cycle.Rates more than 50% below market. OR Very strong monopoly position with no alternative.	Very competitive asset through market cycle. Rates more than 30% to 50% below market. OR Strong monopoly position with very unlikely alternatives over the long term.	Competitive asset through market cycle. Rates 0% to 30% below market. OR Quasi monopoly with plausible alternatives over the medium to long term.	Competitive asset during average market. Rates up to 50% above market lows.	Competitive asset during market highs. Rates could be 100% above market lows.	Uncompetitive asset in nearly all price environments. Rates more than 100% above market lows.

As the competitiveness of a take-or-pay project or all-requirement agency falls into the 'Ba' category or lower, the rating committee could attribute greater weight to Factor 3 given the increased probability of adverse outcomes such as participants challenging their contract obligations.

If there is no wholesale market benchmark for the underlying characteristics of the assets (e.g. electric transmission lines), we will consider the asset's monopoly position, the benefit that the asset provides to the participants, and the importance of the asset.

If a take-or-pay project's baseline factor assessment scores to at least 'Baa', the final scoring for Factor 3 will generally be the higher of (a) the score used in Factor 1 or (b) the baseline factor assessment. This approach reflects our view that the asset's competitive position minimizes the likelihood that the participants could seek to challenge their obligations under their take-or-pay contract. Baseline factor assessments at 'Ba' or lower do not benefit from this approach.

For all-requirement agencies, we will primarily consider rates charged by comparable energy resource providers in the region on a historic and forward-looking basis typically over a 3-year period. For power all-requirement agencies, we will consider peer rates charged by other power all- requirement agencies, G&T cooperatives, or other comparable rates. To the extent wholesale energy market information or peer rate data is unavailable, we also evaluate a JAA participants' retail rates against regional competitors as an indirect measure of the JAA's competitiveness since energy costs typically represent a sizeable component of retail rates.

Take-or-Pay Projects (15% total)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 3: Competitiveness	15%	Rates more than 25% below average	Rates below average by more than 10% to 25%	Rates 10% below average to less than 5% above average	Rates above average by 5% to less than 25%	Rates above average by 25% but not more than 50%	Rates at least 50% above average

Rating Factor 4: Financial Strength and Liquidity

We have identified three key financial ratios that we consider the most useful in evaluating a JAA's financial profile. The three ratios measure liquidity, leverage, and cash flow coverage:

» Adjusted Days Liquidity on Hand Ratio

» Debt Ratio

» Fixed Obligation Charge Coverage Ratio

Why it Matters

We evaluate the financial performance and position of a JAA to determine its ability to manage business risks while assuring payment of debt service. Strong liquidity and cash flow metrics indicate greater resiliency by a JAA to withstand unexpected events such as asset outages, volatility of commodity prices, economic downturn, deterioration in participants' credit quality or even disputes among participants. Strong financial metrics also provides an issuer with more time to implement any necessary rate changes and also to change rates over a longer period of time to minimize rate impact. Conversely, low liquidity and cash flow metrics force greater emphasis on a JAA's rate setting, possibly leading to more frequent and larger rate changes.

Additionally, we utilize the debt ratio as a measure of an issuer's leverage which indicates the extent of debt service costs embedded in a JAA's overall cost structure. The higher the debt and debt service, the higher the likely all-in costs and ultimately the rates a JAA will have to charge its members to recover costs. Additionally, the debt ratio indicates the extent of asset coverage for bondholders.

Furthermore, joint action agencies typically are obligated under their bond documents to meet certain financial parameters such as minimum fixed charge or debt service coverage and we take a positive view of financial performance that exceeds the minimum requirements. We review several years of financial statements in order to assess a JAA's track record over time. We also evaluate ratios to determine trends and to assess the relationships to peer medians while seeking to balance quantitative measures with qualitative factors discussed in this report.

As described in Factor 1, if a take-or-pay project's baseline financial metrics score to at least 'Baa', the final scoring for Factor 4 will generally be the higher of (a) the score used in Factor 1 or (b) the baseline factor assessment, which reflects our view that the take-or-pay project is performing equal to or better than the base case expectations.

How We Measure Financial Strength for the Grid

Financial Strength: Liquidity – Adjusted Days Liquidity on Hand Ratio (10% weight)

The assessment of liquidity to meet day-to-day operating cash flow requirements and as a cushion against unexpected situations is a key element in the financial analysis of a JAA and includes both internal and external sources of liquidity. The sources of funds are compared to the JAA's operating cash flow needs over the next year and beyond. We use a measure called the adjusted days liquidity on hand ratio which is calculated based on a JAA's available adjusted liquidity, including unrestricted cash and investments and unrestricted bank lines of credit, times 365 days divided by the JAA's annual operating and maintenance expenses.

The primary difference between the traditional days cash on hand ratio and the new adjusted days liquidity on hand ratio is the inclusion of unrestricted bank lines and certain legally required reserves as available

liquidity. We may review each bank line agreement on a case-by-case basis to determine whether or not the agreement satisfies our criteria in order to be included in our assessment of a JAA's liquidity.

The highest "Aaa" and "Aa" scores under this sub-factor would be assigned to those JAAs that are financially strong with robust levels of internal liquidity and little to no reliance on external funding sources such as bank lines.

Evaluation of a Bank Line

We will incorporate available bank lines into the calculation of a JAA's liquidity based on the strength of the bank line. As part of the assessment, we will typically consider three main factors: the tenor, the counterparty's credit quality, and any restriction or covenants that could affect the bank line's availability during periods of unexpected market events or JAA credit stress.

We will consider the bank line provider's credit quality as part of our assessment since the liquidity benefit of the bank line is limited if the bank is unable to provide funds when needed by the JAA. As such, we will likely exclude bank lines provided by banks of unknown or weak credit quality.

We will also evaluate the tenor of the agreement since shorter dated credit lines represent greater renewal risk. Typically, longer dated tenors are more favorable from a credit perspective. If the external liquidity line is expiring in less than a year and we view a renewal or replacement as unlikely, the external liquidity line could be excluded even if it is free from draw restrictions or covenants.

Additionally, our analysis includes a review of loan documentation for any language that might weaken the quality of the facility by potentially blocking a borrower's access, such as a material adverse change (MAC) clause. A MAC clause is a legal provision within a credit agreement that gives lenders the right to refuse to fund a commitment should the borrower experience sufficiently adverse business or economic developments. These adverse conditions can include numerous undefined factors the bank could cite to delay or avoid the funding requirement. We will include the bank line only to the extent we believe the terms of the bank line contain no material restrictions to ensure the line's availability at the time of a potential draw on the facility.

Financial Strength: Leverage -Debt Ratio (5% weight)

We utilize the debt ratio to measure the JAA's leverage (the ratio of net funded debt divided by net fixed assets plus net working capital). We also compare the absolute level of the JAA's current debt ratio to the median for similar JAAs and evaluate the likely future trend in the ratio. Net working capital is defined as cash and investments plus receivables expected to be collected minus current liabilities unrelated to debt.

We recognize that a JAA's capital structure is heavily reliant on debt since a joint action agency is typically all debt funded at inception. As a result, a JAA's debt ratio is usually much higher than other municipal infrastructure issuers such as public power utilities with generation. The ratings can accommodate higher relative leverage because of the participants' contractual obligation to the JAA to pay for all costs including debt service and timely cost recovery process given the lack of third party rate regulation.

A JAA that is highly leveraged may have less financial flexibility and higher, less competitive rates compared to a less leveraged JAAs with similar amounts of owned resources relative to their size. High leverage may also prevent or limit a JAA's ability to construct or acquire new energy sources or maintain existing facilities.

Financial Strength: Cash Flow Coverage - Fixed Obligation Charge Coverage Ratio (10% weight)

We analyze short and long-term trends in financial performance to assess the stability and resiliency of the JAA. We use the fixed obligation charge coverage ratio to measure a JAA's ability to repay annual debt

service costs from recurring revenues net of recurring expenses, excluding one-time revenues or extraordinary charges. The fixed charge coverage ratio is similar to debt service coverage ratio but also incorporates "debt like "obligations related to the ownership of resource assets through a take-or-pay contact.

Our fixed obligation charge coverage ratio subtracts the debt portion of the take-or-pay contractual payment from the JAA's operating expenses when calculating net revenues, and subsequently adds the debt portion of the take-or-pay contractual payment to the total debt service costs when calculating coverage.

The fixed obligation charge coverage ratio facilitates uniform comparisons of JAAs that finance generation assets on balance sheet with JAAs that finance assets off balance sheet through a separate take-or-pay project. We use the fixed obligation charge coverage ratio in the analysis of financial results to provide a more consistent comparison of JAAs, regardless of the approach to financing energy resource ownership.

A consistent and stable fixed obligation charge coverage ratio provides increased resiliency to withstand revenue and expense volatility. A stable or improving fixed obligation charge coverage ratio is an important indicator of financial stability. Declines in the coverage ratio could be indicative of financial strain or an unwillingness or inability to raise rates to fully recover the cost of service, which, in turn, could contribute to a weakening in credit quality.

For take-or-pay projects, financial performance with fixed obligation charge coverage ratios below 1.0 are modeled as 'B' for Factor 4(c) and the rating scorecard output is unlikely to be reliable to within 1-2 notches of an actual rating. A take-or-pay project that sustains below 1.0 times fixed obligation charge coverage is not consistent with investment grade characteristics and violates a fundamental assumption of timely and full cost recovery. Under-recovery of actual costs by a take-or- pay project will also likely result in Factor 1 being scored at 'Ba' or lower since difficulties in cost recovery override participant credit quality. That said, we would adjust the fixed obligation charge coverage ratio calculation for any technical factors such as accounting adjustments, timing of payments or other unusual technical issues, which could obfuscate the in-substance level of coverage.

The difference in scoring for financial metrics for all-requirement agencies and take-or-pay projects reflects the fundamentally different approaches between take-or-pay projects and all-requirement agencies as outlined in this methodology. For take-or-pay projects, the typically stronger metrics for a given sub factor reflect greater comparability to project financings especially at the higher end of the range of financial metrics. Additionally, all-requirement agencies' financial metric ranges were set to provide greater comparability to G&T cooperatives, which have many similarities to all-requirement agencies that provide power, and public power with generation.

Take-or-Pay Projects (25% total)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 4(a): Adjusted Days Liquidity on Hand (days)	10%	≥ 250	175 ≤ x < 250	100 ≤ x < 175	30 ≤ x < 100	15 ≤ x < 30	< 15
Factor 4(b): Debt ratio (%)	5%	< 25%	25% ≤ x < 50%	50% ≤ x < 75%	75% ≤ x < 150%	150% ≤ x < 225%	≥225%
Factor 4(c): Fixed charge coverage (x)	10%	≥ 3.0	2.2 ≤ x < 3.0	1.6 ≤ x < 2.2	1.0 ≤ x < 1.6	< 1.0	

All-Requirement Agencies (25% total)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 4(a): Adjusted Days Liquidity on Hand (days)	10%	≥ 250	150 ≤ x < 250	90 ≤ x < 150	30 ≤ x < 90	15 ≤ x < 30	< 15
Factor 4(b): Debt ratio (%)	5%	< 50%	50% ≤ x < 70%	70% ≤ x < 100%	100% ≤ x < 150%	150% ≤ x < 200%	≥200%
Factor 4(c): Fixed charge coverage (x)	10%	≥ 2.0	1.4x ≤ x < 2.0x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	< 1.0

Rating Factor 5: Willingness to Recover Costs with Sound Financial Metrics (All-Requirement Agencies)

Why it Matters

Independent and local rate-setting authority guided by sound bond covenants and governance is a fundamental credit strength and a heavily weighted rating factor. An all-requirement agency's business profile is significantly more dynamic relative to that of a take-or-pay project and faces greater potential need for rate changes similar to G&T cooperatives and public power utilities with generation resulting in the addition of a fifth rating factor. For example, an all-requirement agency's participants could experience resource demand growth that requires the JAA to acquire or build new energy resources.

An all-requirement agency's willingness to recover costs while maintaining a financial buffer to help mitigate the impact of modest credit stress events demonstrates the stability and certainty of cash flows inherent in a JAA's business model. On the other hand, unwillingness or inability to establish sufficient rates to maintain sound financial metrics would be contrary to the cash flow stability expected in a JAA. Generally, the willingness to implement rate increases will, at some point, affect the relative financial performance of the JAA as measured in Factor 4. Without sound rate-setting that is predictable and timely, cash flow to service debt or financial liquidity may be compromised. As such, we believe that this rating factor is often a leading indicator of the direction of future financial performance for a JAA. This highlights that some entities may have a high tolerance for exposure to risks readily anticipated through more conservative management practices and policies.

How We Measure Willingness to Recover Costs for the Grid

We evaluate the governing board's rate-setting process for its transparency and timeliness in setting the rates. A key measure is the demonstrated record of willingness to charge the rates required to recover operating and capital costs, provide a cushion for fixed obligation charge coverage ratio, and maintain sound liquidity. The number of days it takes to implement new rates and collect the additional revenues is also a major consideration.

The longer and more complicated the process, the more pressure the delay in raising rates may put on a JAA's liquidity. In the end, the willingness to establish timely new rates to meet the appropriate cost recovery requirement is weighted heavily in this rating factor. This is of particular importance when considering an all-requirement agency's capital program and whether future rates will be sufficient to manage increased debt service requirements. An all-requirement agency's willingness to enact rates and charges sufficiently and quickly to maintain the associated financial metrics for a JAA's rating category would result in a higher rating assigned to this rating factor. In cases where the management has established planning targets for financial metrics that are lower than the associated financial metrics for a JAA's rating category and the joint action agency has consistently met those targets, we may score the JAA's willingness at a level higher than its financial metrics may indicate.

We may also map Factor 5 higher than the financial metrics may indicate based on the joint action agencies' and participants' demonstrated commitment and ability to maintain financial stability and resiliency. For example, an automatic monthly adjustment at both the JAA and its participants for changes in energy resource costs is an important rating consideration given the fluctuations in energy costs over the past decade. Such adjustment mechanisms serve to narrow the potential drain on the JAA and its participants' liquidity and the resulting impact on credit quality. Another example would be a JAA increasing its liquidity in advance of a construction project to mitigate incremental construction risk.

All-Requirement Agencies (25% total)

Factor	Weight	Aaa	Aa	A	Baa	Ba	B
Factor 5: Willingness to Recover Costs with Sound Financial Metrics	25%	Strong rate setting record. Rates set to maintain financial metrics in the 'Aaa' category.	Above average rate setting record. Rates set to maintain financial metrics in the 'Aa' category.	Adequate rate setting records. Rates set to maintain financial metrics in the 'A' category.	Below average rate setting records. Rates set to maintain financial metrics in the 'Baa' category.	Below average rate setting records. Rates set to maintain financial metrics in the 'Ba' category.	Record of insufficient rate relief and history of under recovery.

Limitations of the Grid and Other Rating Considerations

This section discusses limitations in the use of the grid to map against actual ratings and additional factors that are not included in the grid that can be important in determining ratings.

The purpose of the rating grid is to provide a reference tool that can be used to approximate credit profiles within this sector. The grid provides summarized guidance for the factors that are generally most important in assigning ratings to these issuers and represents a decision to favor simplicity that enhances transparency and to avoid greater complexity that might enable the grid to map more closely to actual ratings. Accordingly, the four to five rating factors in the grid do not constitute the exhaustive treatment of all the considerations that are important for ratings in the JAA sector. The data we apply for purposes of grid analysis are primarily historical but our ratings are forward looking and may involve forward looking forecasts. In some cases, our expectations for future performance may be informed by confidential information that we cannot publish or otherwise disclose. In other cases, we estimate future results based upon past performance, industry trends, demand and price outlooks, peer actions, and other factors. As a result, the grid indicated rating is not expected to match the actual rating of each issuer in each case.

In choosing the factors for this rating methodology grid, we did not include certain important factors that are common to assessing an issuer's credit quality, such as the quality and experience of management, assessments of governance, and the quality of financial reporting and information disclosure. The assessment of these factors can be highly subjective and variable over time. Therefore, ranking these factors by rating category in the grid would in some cases suggest too much precision in the relative ranking of particular issuers against all other issuers that are rated in various industry sectors. We note, however, that these excluded factors do affect those that are included in the grid (such as management's experience affecting an issuer's revenue performance over time)

Ratings may include additional factors that are difficult to quantify or that only have a meaningful effect in differentiating credit quality in some cases. Such factors include environmental compliance, nuclear decommissioning trust obligations, and financial controls. While these are important considerations, it is not possible to precisely express these in the rating methodology grid without making the grid excessively complex and significantly less transparent.

Actual ratings assigned may also reflect circumstances in which the weighting of a particular factor will be different from the weighting suggested by the grid. For example, there may be instances where a JAA's competitiveness will be given greater consideration in the assigned rating than what is indicated by the weighting in the grid.

This variation in weighting rating considerations can also apply to factors that we choose not to represent in the grid. For example, management quality is a consideration frequently critical to ratings though it may not, in other circumstances, have a substantial impact in discriminating between two issuers with a similar credit profile. As an example of the limitations, ratings can be heavily affected by conservative management that reduces business risk and thus reduces default risk but two identical companies might be rated the same if their only differentiating feature is that one has a conservative management while the other has an extremely conservative management.

Other Rating Considerations

We consider other factors in addition to those discussed in this report, but in most cases understanding the framework presented herein will enable a good approximation of our view on the credit quality of companies in the JAA sector. We consider additional factors, including future operating and financial performance that may deviate from historic performance, the quality of the management, financial controls, event risk and seasonality. The analysis of these factors remains an integral part of our rating process.

Management Quality

The quality of management is an important factor supporting an issuer's credit strength. We normally meet with senior executives to assess management's business strategies, policies, and philosophies and evaluates management's performance relative to performance of competitors and our projections. Once established, a record of consistency provides us with insight into management's likely future performance in stressed situations and can be an indicator of management's tendency to depart significantly from its current business philosophy.

Financial Controls

We rely on the accuracy of audited financial statements to assign and monitor ratings. Such accuracy is only possible when companies have sufficient internal controls, including centralized operations and the proper tone at the top, and consistency in accounting policies and procedures.

Weakness in the overall financial reporting processes, financial statement restatements or delays in reporting filings can be indications of a potential breakdown in internal controls.

Event Risk

We also recognize the possibility that an unexpected event could cause a sudden and sharp decline in an issuer's fundamental creditworthiness. Typical special events include capital restructuring programs, litigations, outages, and extreme weather, among others.

Notching Conventions

While the factors and sub-factors within the grid are designed to include the key rating drivers reflecting the fundamental risks of JAAs, the grid alone cannot capture some of the wide-ranging factors that may impact the credit rating.

The notching factors are designed to adjust, either upwards or downwards, a JAA's indicated rating based on other considerations not adequately addressed in the rating grid. Our analysts may or may not assign a

notch upwards or downwards to a rating as this is a case by case assessment determined by a rating committee. Unless specifically provided for in this methodology (e.g. diversity), the extent of notching by a rating committee may exceed more than one notch since these considerations (e.g. contractual structure) can potentially encompass a wide deviation from the assumptions incorporated in this methodology.

Contractual Structure and Legal Environment

JAAs that have unusually strong or weak offtake contract terms, legal structures, or inherent legal environments could be notched higher or lower. For example, a court validated offtake contract that incorporates a general obligation pledge of the municipal city in addition to the municipal utility's revenues would be considered exceptionally strong resulting in up to a 1-notch lift. Additionally, an all-requirement contract with exceptionally strong provisions, such as take-or-pay features, could benefit from a positive adjustment up to 1 notch.

On the other hand, a downward notching adjustment could be made for weak contractual features such as a lack of a participant step-up provision or similar feature in a multi-party contract. The importance of the step-up provision was highlighted when Massachusetts Municipal Wholesalers Electric Company's Project No 6's (MMWEC) participants in Vermont successfully challenged their take-or-pay contracts. In this case, MMWEC had to exercise the step up provision resulting in the Massachusetts participants taking the Vermont participants' share and assuming the associated costs. Another weak contractual feature is a limitation in the offtake contract. An example is a project that has an inflation indexed annual payment cap, which can be a requirement under state law. This limitation is unusual compared to a typical take-or-pay project and this feature reduces the effectiveness of a cost pass-through mechanism under its contract.

For take-or-pay projects, the flexibility to add assets by increasing leverage or partially or fully commingle funds with other businesses could be viewed as a downward notching consideration.

Concerns regarding the legal structure such as a JAA's undivided ownership interest in a project with co-owners that are of significantly weaker credit quality could result in a downward notching adjustment.

Participant Diversity and Concentration

In conjunction with a significant step-up provision, a diverse participant pool is a source of credit enhancement and could result in an upward adjustment by up to one notch to the grid-indicated rating. A diverse participant pool with low participant concentration serves to mitigate the potential risk of one or more of a JAA's participants defaulting since the non-defaulting participants would be required to step up their respective share to cover the defaulted member's share. The larger group of participants with low concentration would allow a greater number of participants to default. That said, the diversity benefit is limited to no more than one notch since regional and sector concentration results in meaningful correlation among participants. Additionally, a lack of a step-up provision is likely to result in no upward notching for diversity while a step up provision for less than 25% could result in lower notching than indicated.

Participant diversity is measured by three equally weighted factors: (1) total number of participants, (2) aggregate share of small participants (participants with less than 1% share of the JAA) and (3) aggregate share of the five largest participants. A joint action agency that has diversity measures all or mostly in the 'strong' category would benefit from a 1-notch lift while those that average in the 'medium' category would benefit from a 0.5 notch lift.

Weight	Participant Diversity and Concentration	Strong	Medium	Low
1/3	Total number of participants	More than 30	20 to 30	Less than 20
1/3	Aggregate share of small participants (participants with less than 1% share of a JAA)	Greater than 10%	5% to 10%	Less than 5%
1/3	Aggregate share of the five largest participants	Less than 40%	40% to 50%	More than 50%

Construction Risk

We assess each JAA's construction risks and may adjust the grid-indicated rating if there is unmitigated or insufficiently mitigated risk. Construction delays and cost overruns were major drivers of energy related municipal debt defaults Washington Public Power Supply System's (WPPSS) Projects 4 and 5, which defaulted on approximately $2.25 billion of debt in 1983, is the most notable example of massive construction delays and cost overruns that precipitated the largest municipal bond payment default in history at that time.

In our evaluation of construction risk, we look to third-party consulting engineers to provide an assessment of the risks associated with a particular project. The review of a well-defined project feasibility study or independent engineer's report is often a critical component of our evaluation. Factors such as the contractor's experience and financial strength, previous experience by the joint action agency in managing construction projects, and raw construction risk are key drivers of our overall construction risk assessment. Raw construction risk can vary from projects using small, simple cycle turbines to large, complex nuclear projects. The greater the raw construction risk, the higher the probability of construction delays and cost overruns. Inclusion of first-of-kind engineering is viewed as an additional risk contributor.

Our assessment will also consider typical construction risk mitigants such as an engineering, procurement and construction (EPC) contract that is fixed price, date certain, and lump price payment with liquidated damages provisions. Performance and payment bonds or letter of credit backing a contractor's obligations can be a key credit consideration depending on the contractor's credit quality. A joint action agency that has extensive and recent experience in managing comparable construction projects is also considered a strength.

Debt Service Reserve, Debt Structure and Financial Engineering

While a typical JAA benefits from a debt service reserve sized to one year of maximum annual debt service, some JAAs have no reserves or reserves with less than one year of debt service. We believe that fully funded maximum annual debt service reserve funds are an important part of revenue bondholder security, particularly given multiple party contractual arrangements and asset concentration in a typical joint action agency. The lack of a debt service reserve fund could result in a grid-indicated rating being adjusted downward. The grid-indicated rating may be adjusted down by one notch for JAAs with less than six months of debt service reserve fund while a half notch downward adjustment is made for joint action agencies with at least a 6 month debt service reserve but less than a full year. Debt service reserves backed by low rated or unrated financial guarantors are assumed to have no value.

As an alternative to notching, we will consider subtracting the difference between a fully funded annual debt service reserve and the actual debt service reserve funding level maintained by the JAA from adjusted days liquidity on hand in cases where the JAA maintains unrestricted liquidity beyond normal working capital requirements. If the pre-notched scorecard output is not affected by the revised adjusted days liquidity on hand, no notching adjustment might be applied for lack of a one- year debt service reserve. For example, a notching adjustment for lack of a debt service reserve might not be made if an all-requirement

agency's liquidity drops from 400 adjusted days liquidity on hand to 260 adjusted days liquidity on hand after netting a full year of debt service.

We will also evaluate the existing and projected debt structure and may adjust the grid-indicated rating if unmitigated risks are identified. We will look at the bond covenanted legal protections (e.g. rate covenant), the debt amortization schedule, and the exposure to variable rate debt and interest rate swap agreements. We will evaluate debt management and interest rate swap policies, board oversight of interest rate swaps, and a JAA's disclosure of the risks and exposures associated with its debt.

We evaluate exposure to unhedged variable rate instruments in relation to the JAA's liquidity and its debt management record, including the absolute level of variable rate debt. We also closely evaluate the potential for financial stress related to a change in short-term interest rates, credit market volatility, and/or a tightening of available internal and external liquidity. We assess the joint action agency's interest rate swap derivatives and the circumstances under which the JAA will be required to post collateral and the right of the joint action agency's swap counterparty to terminate the swap should certain events occur, such as a downgrade of the JAA below a certain rating level.

We will also review the JAA's bond security provisions and if they are weak against the typical and standard provisions, this may affect the credit rating. For example, rate covenants that do not contain at least a sum sufficient provision will be viewed as a major credit negative.

Unmitigated Exposure to Wholesale Power Markets

JAAs that have excess energy resource supply or were established to supply the energy resource on a wholesale basis have potential additional credit risks should the JAA's financial operations not include mitigation factors to limit the impact of wholesale market price volatility. Wholesale exposure for a take-or-pay project is highly unusual though it could have wholesale exposure indirectly through its participants. On the other hand, an all-requirement agency could have varying degrees of wholesale exposure depending on expected customer needs and supply arrangements. Some power all- requirement agencies have used margins from selling excess power into wholesale energy markets to limit participant rates. Reliance on significant wholesale margins exposes the JAA to significant cash flow volatility and ultimately contributes to participant rate volatility and could present challenges to a JAA's willingness to raise rates on a timely basis. Exposure to the wholesale power market may result in an adjustment to the grid-indicated rating unless it is mitigated by wholesale power contracts with sound counterparties, strong available liquidity that could withstand a period of lower wholesale energy margins, and a timely and transparent rate-setting process.

Evaluating Unrated Participants in JAAs

Most JAAs include both rated and unrated participants. If the participant is not rated but the general obligation of the municipality that owns the utility is rated, we will also consider the municipality's rating and make a notching adjustment to determine the utility's credit quality based on the utility's operational and financial performance. For unrated entities that have at least a 5% share of a JAA and are not owned by a rated municipality, we will apply non-public, internal ratings on the unrated municipal utility.

If information is insufficient to assign a non-public, internal rating on the municipal utility as described above or for unrated participants with less than 5% share in the JAA, we will apply the Quantitative Ratings Estimator (QRATE) to assess the municipality's credit quality and make at least one notch downward adjustment to reflect the limited information utilized in the QRATE model and enterprise risk. In cases where the QRATE model is used and the participants share is at least 3% or greater, we will take a two notch downward adjustment on the QRATE.

Appendix A: Take-or-Pay Projects Factor Grid

Factor	Sub-Factor / Description	Weight	Aaa	Aa	A	Baa	Ba	B
1. Participant Credit Quality and Cost Recovery Framework	-Participant credit quality -Cost recovery structure and governance	45%	Participant credit quality at cap is at 'Aaa'. JAA & participant rates are unregulated.	Participant credit quality at cap is 'Aa'. JAA & participant rates are unregulated.	Participant credit quality at cap is 'A'. JAA & participant rates are unregulated.	Participant credit quality at cap is 'Baa'. OR JAA or majority of participant rates are regulated.	Participant credit quality at cap is 'Ba'. OR Below average governance or cost recovery.	Participant credit quality at cap is 'B'. OR Consistent record of poor governance or cost recovery.
2. Asset Quality	-Asset diversity, complexity and history	15%	Diversified portfolio of simple, proven assets and minimal reinvestment requirement.	Simple, proven asset and minimal reinvestment requirement.	Diverse portfolio of proven assets across technologies.	Standard, commercially proven asset(s).	Asset(s) with some operating challenges.	Largely unproven technology or poorly performing asset(s).
3. Competitiveness	-Cost competitiveness relative to market	15%	Extremely competitive asset through market cycle.Rates more than 50% below market. OR Very strong monopoly position with no alternative.	Very competitive asset through market cycle. Rates 30% to 50% below market. OR Strong monopoly position with very unlikely alternatives over the long term.	Competitive asset through market cycle.Rates 0% to 30% below market. OR Quasi monopoly with plausible alternatives over the medium to long term.	Competitive asset during average market. Rates up to 50% above market lows.	Competitive asset during market highs.Rates could be 100% above market lows.	Uncompetitive asset in nearly all price environments.Rates more than 100% above market lows.
4. Financial Strength and Liquidity	4(a) Adjusted days liquidity on hand(days)	10%	$\geq$250	175 $\leq$ x < 250	100 $\leq$ x < 175	30 $\leq$ x < 100	15 $\leq$ x < 30	< 15
	4(b) Debt ratio (%)	5%	< 25%	25% $\leq$ x < 50%	50% $\leq$ x < 75%	75% $\leq$ x < 150%	150% $\leq$ x < 225%	$\geq$225%
	4(c) Fixed obligation charge coverage ratio (x)	10%	$\geq$3.0	2.2 $\leq$ x < 3.0	1.6 $\leq$ x < 2.2	1.0 $\leq$ x < 1.6		<1.0

Appendix B: All-Requirement Agencies Factor Grid

Factor	Sub-Factor / Description	Weight	Aaa	Aa	A	Baa	Ba	B
1. Participant Credit Quality and Cost Recovery Framework	-Weighted average participant credit quality-Unregulated rate setting including participants - Cost recovery structure and governance	25%	Avg. 'Aaa' participant credit quality. JAA & participant rates unregulated.	Avg 'Aa' participant credit quality. JAA & participant rates unregulated.	Avg 'A' participant credit quality. JAA & participant rates unregulated.	Avg 'Baa' participant credit quality.OR JAA or majority of participant rates are regulated.	Avg 'Ba' participant credit quality. OR Below average governance or cost recovery.	Avg 'B' participant credit quality. OR Consistent record of poor governance or cost recovery.
2. Resource Risk Management	-Resource diversity -Asset quality and complexity-Resource supply contract terms and counterparty credit quality-Wholesale market purchase exposure	10%	Exceptional energy resource risk management. Less than 10% market purchases. OR Diverse, proven portfolio. Single asset or fuel less than 20% of supply.ORLong-term, competitive supply contract with Aaa rated supplier	Very strong energy resource risk management.10-20% from market purchases. OR Diverse, proven assets. Single asset or fuel comprises 20 - 40% of the energy resource mix.ORLong-term, competitive supply contract with Aa rated supplier	Strong energy resource risk management.20-30% from market purchases.OR Proven assets. Single asset or fuel comprises 41- 55% of the energy resource mix. OR Well managed portfolio of supply contracts with 'A' rated suppliers.	Average energy resource risk management.30-40% from market purchases. OR Single asset or fuel provides 56 - 75% of the energy resource mix.OR Adequately managed supply portfolio with 'Baa' rated suppliers	Below average energy resource risk management.40- 60% from market purchases. OR Single asset or fuel provides over 76 - 100% of the energy resource mix.OR Adequately managed supply portfolio with 'Ba' or lower rated suppliers.	Poor energy resource risk management.More than 60% from market purchases. OR Assets with unproven technology or history of problems OR Poorly managed supply portfolio with 'Ba' or lower rated suppliers.
3. Competitiveness	-Cost competitiveness relative to regional peers	15%	Rates more than 25% below average	Rates below average by more than 10% to 25%	Rates 10% below average to less than 5% above average	Rates above average by 5% to less than 25%	Rates above average by 25% but not more than 50%	Rates at least 50% above average
4. Financial Strength and Liquidity	4(a) Adjusted days liquidity on hand(days)	10%	$\geq$ 250	150 $\leq$ x < 250	90 $\leq$ x < 150	30 $\leq$ x < 90	15 $\leq$ x < 30	< 15
	4(b) Debt ratio (%)	5%	< 50%	50% $\leq$ x < 70%	70% $\leq$ x < 100%	100% $\leq$ x < 150%	150% $\leq$ x < 200%	$\geq$ 200%
	4(c) Fixed obligation charge coverage ratio (x)	10%	$\geq$ 2.0x	1.4x $\leq$ x < 2.0x	1.2x $\leq$ x < 1.4x	1.1x $\leq$ x < 1.2x	1.0x $\leq$ x < 1.1x	<1.0x
	-Rate setting record-Timeliness of rate recovery - Stability and strength of financial metrics	25%	Strong rate setting record.Rates set to maintain financial metrics in the 'Aaa' category.	Above average rate setting record. Rates set to maintain financial metrics in the 'Aa' category.	Adequate rate setting records. Rates set to maintain financial metrics in the 'A' category.	Below average rate setting records. Rates set to maintain financial metrics in the 'Baa' category.	Below average rate setting records. Rates set to maintain financial metrics in the 'Ba' category.	Record of insufficient rate relief and history of under recovery.

Appendix C: Definition of Ratios

Liquidity: Adjusted Days Liquidity on Hand (days)

((Available unrestricted cash and investments) + (eligible unused bank line)) x 365 days / (JAA's annual operating and maintenance expenses)

Leverage: Debt Ratio (%)

(Gross debt –debt service funds –interest payable and debt service reserve funds) / (Gross fixed plant assets –accumulated depreciated on plant plus net working capital (net current liquid assets unrelated to debt – net current liabilities unrelated to debt))

Financial Operating Resiliency: Fixed Obligation Charge Coverage Ratio (x)

(Annual recurring revenues plus interest income)-(recurring annual operating expenses-depreciation expense and adjusted for other non-cash items – debt service portion of payments to take-or-pay project) / (aggregate annual debt service plus debt service portion of payments to take-or-pay project).

Moody's Related Research

The credit ratings assigned in this sector are primarily determined by this credit rating methodology. Certain broad methodological considerations (described in one or more secondary or cross-sector credit rating methodologies) may also be relevant to the determination of credit ratings of issuers and instruments in this sector. Potentially related secondary and cross-sector credit rating methodologies can be found here.

For data summarizing the historical robustness and predictive power of credit ratings assigned using this credit rating methodology, see link.

Please refer to Moody's Rating Symbols & Definitions, which is available here, for further information.

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

» contacts continued from page 1

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MOODY'S
INVESTORS SERVICE

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 4

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 4:	**Recommend Approval of Fiscal Year 2019-20 Operating Budget and Resolution Amending the Positions Chart, Job Classifications, and Salary Schedule**
Date:	9/3/2019

RECOMMENDATION

Staff recommends that the Finance and Administration Committee recommend the Board approve the recommended Fiscal Year 2019-20 Operating Budget and Resolution 2019-14 amending the positions chart, job classifications, and salary schedule.

BACKGROUND

The recommended Operating Budget includes updated information that results in minimal change to the projections from the Proposed Budget presented at the August 14, 2019 Board meeting. Updates primarily impacted power supply and professional services line items. The projected balance available for reserves is $50.6 million with an expectation that Silicon Valley Clean Energy (SVCE) will achieve its cash reserve targets by the end of FY 2019-20.

ANALYSIS & DISCUSSION

Follow-Up to Questions and Comments from Board Directors

The Board provided feedback to staff at the August 14th meeting when presented with the FY 2019-20 Proposed Operating Budget including:

- The Board requested clarity on funding for strategic marketing: The Recommended Budget includes funding in various accounts to support this function including:
  - Outreach – Events, sponsorships, and Commercial & Industrial workshops
  - Awareness – Newsletter, market surveys, and advertising
  - Program Support – Commercial and Industrial price offerings, Electric Vehicle Infrastructure, Building Electrification Pilots, Data Management and Ongoing Customer Support
  - Customer Notifications
- The Board recommended staff consider the purchase of a facility – The Recommended Budget does not include additional capital investment but this option will be considered with other leasing options as a recommendation on a facility change will be presented to the Board later in the year.
- The Board inquired on funding for staffing with a focus on human relations: The Recommended Budget includes funding for enhanced human resource support including having access to an on-site human resource professional. In response, additional funding has been allocated to the professional services line item to support the creating and sustaining of a strong organizational culture. Additionally, the approved Administrative Services Manager position will also have certain HR responsibilities. Staff will evaluate the need for additional HR functions after further discussions with the Board and develop follow-up recommendations as part of a budget adjustment, if necessary.
- The Board commented that a response should be formulated regarding cash reserves above target as staff expects cash reserves to be at or slightly above target by end of the fiscal year – Staff will be approaching this topic with the Board in 2020.

- The Board inquired on operating margins by customer class – The Board approved a pricing policy in response to Direct Access. To maintain competitiveness, it is staff's recommendation to not provide this information in a public meeting.

The Recommended FY 2019-20 Operating Budget is balanced and presents SVCE in stable financial condition. The projected balance available for reserves of $50.6 million is $21.1 million or 71.4% increase compared to the FY 2018-19 Mid-Year Budget (see Attachment 1).

Energy revenues are projected at $318.2 million which is $35.6 million or 12.6% increase. The primary driver is a full year impact of the rate changes that became effective August 1, 2019.

Energy and operating expenses are projected at $262.3 million which is $14.4 million or 5.8% increase. The primary drivers include increases to power supply based on current market prices, professional services to fund various agency initiatives in response to the business climate and employment expenses with the addition of two (2) new positions.

<u>Energy Revenues</u>
The recommended operating budget shows an increase of $35.6 million or 12.6% compared to the FY 2018-19 Mid-Year Budget.

- Energy sales projects to increase by $35.3 million or 12.5%. The Mid-Year Budget did not include rate increases to Pacific Gas & Electric (PG&E) customer generation rates that occurred in 2019. The Power Charge Indifference Adjustment (PCIA) increased in 2019 but better than expected. SVCE adjusted rates to achieve a 4% discount to PG&E customer generation rates in August 2019 which resulted in an increase to SVCE's customer generation rates. The impacts of those rate changes are budgeted for a full fiscal year. Future rate changes are not expected until Spring 2020 with the financial impact of those rate changes reviewed through the Mid-Year Budget process.
    - The revenue budget assumes no changes to load or customer participation. Any impact to revenue from Direct Access will not be realized until 2021.
- GreenPrime revenues are projected to increase by $0.3 million based on the current customer participation rate of 3%.
- Other income includes wholesale activity such as the sale of excess capacity.

<u>Operating Expenses</u>
The recommended operating budget shows an increase of $14.4 million or 5.8% compared to the FY 2018-19 Mid-Year Budget.

- Power supply expenses projected to increase by $11.0 million or 4.7%. The primary drivers include:
    - Higher market prices when filling open positions for the fiscal year including energy, environmental products and resource adequacy. Partially mitigating those increases includes procuring approximately 10% of SVCE's renewable energy needs with less expensive Portfolio Content Category 2 (PCC2) with an expected savings of $5 million per year. The Board of Directors approved the strategy at the June 2019 meeting.
    - Power supply is well hedged for the fiscal year.
    - The proposed budget includes 3% contingency.
- Data Management expenses projects minimal change.
- PG&E Billing Services expenses projected to increase by $0.2 million due to current costs per meter.
- Employment expenses projected to increase by $1.2 million. The primary drivers include:
    - The addition of 2 new positions to the Organizational Chart resulting in a total Full-Time Equivalent (FTE) count of 27 positions (see Attachment 3).
        - One additional Analyst position in the Decarbonization and Grid Innovations Programs Department to support the implementation of the Programs Roadmap.
        - One Rates Manager position in the Finance and Administration Department to support the monitoring and forecasting of rates, propose strategic action on rate issues and

develop innovative rates for demand response, behind-the-meter resource adequacy and for customer-specific needs in response to Direct Access.
    - A conservative approach was used in developing the budget including funding all positions based on a full year.
    - Salary tables including the minimum and maximum pay ranges per job title was adjusted upward by 4% based on the latest Consumer Price Index (CPI) for the San Francisco Bay Area comparing the year-to-date 2019 prices to the same period in 2018 (See Attachment 2)
- Professional Services expenses projects to increase by $1.4 million. Drivers include:
    - Increased investment in cybersecurity to protect customer data.
    - Funding the process of obtaining a credit rating.
    - Funding to attract and retain personnel by providing staff access to an on-site human resource professional, create and sustain a strong organizational culture, improved payroll system and conduct a compensation and benefits study.
    - Funding to support negotiations of upcoming long-term power purchase agreements (PPAs) and the monitoring the PPAs that were executed November 2018.
    - Support of the Integrated Resource Plan (IRP) process with eventual submittal to the California Public Utilities Commission (CPUC) in the summer of 2020.
    - Support of a pro-active approach to legislative and regulatory issues including the funding of lobbyists and representation in the PG&E general rate case.
    - Funding to continue to monitor the PG&E bankruptcy proceeding and expertise to recommend action when necessary.
    - Support for Programs initiatives through data analytics platforms.
- Marketing & Promotions expenses projects to increase by $0.1 million to fund increased customer awareness and to explore long-term strategies for data management.
- Notifications expenses projects to remain flat.
- Building Lease expenses projects a $0.3 million increase to fund facility improvements including a larger work area through a new lease agreement.
- General & Administrative expenses projects to increase by $0.3 million primarily to fund software enhancements for Programs.

Non-Operating Revenues and Expenses

The recommended operating budget shows an increase of $0.8 million compared to the FY 2018-19 Mid-Year Budget.

- Interest income projects to increase by $0.6 million due to larger reserves and higher expected yields.
- Grant income includes projected receipts from the Bay Area Air Quality Management District (BAAQMD) related to the Heat Pump Water Heater Program.
- Financing expenses include the funding for the renewal of the line of credit and includes letters of credit outstanding with PG&E and the California Independent System Operator (CAISO).

Capital Expenditures, Interfund Transfers and Other

The recommended operating budget shows an increase of $0.9 million or 15.6% compared to the FY 2018-19 Mid-Year Budget.

- Capital expenses projected to increase by $0.2 million primarily due to investment in improvements to SVCE's facility, including consideration of a new location.
- Other Cash Inflows/Outflows projected to remain flat. The CPUC issued a decision in 2018 to establish reentry fees and financial security requirements for Community Choice Aggregators (CCAs). No action was directed by the CPUC during FY 2018-19.
- Transfer to the Programs Fund projected to increase by $0.7 million due to higher energy revenues. The transfer to the Programs Fund is formula based on 2% of annual energy revenues.

Table of Organization

The recommended table of organization includes broadbanding. More positions are presented than are funded to allow flexibility of movement of staff both vertically within a department and horizontally across the agency.

The recommended budget funds twenty-seven (27) full-time equivalent positions and five (5) part-time positions. The positions chart (see Attachment 3) presents new positions in yellow.

Uncertainty

The recommended FY 2019-20 Operating Budget includes risk to projections including:

- Changes to rates are expected in the Spring of 2020 but it is unclear what the impact will be to projected revenues.
- Impact to revenues from unfavorable changes to the PCIA.
- Although the power supply budget is highly hedged, there is uncertainty in load forecast and in prices for unhedged power.
- Legislative and Regulatory issues.

STRATEGIC PLAN

The mission and goals of the strategic plan are the primary drivers in the development of the recommended budget.

ALTERNATIVE

This report is being provided to inform the Committee of the activities associated with the development of the FY 2019-20 Operating Budget. Consideration of alternatives are requested by staff, the Finance Committee and the Board of Directors in developing a final budget recommendation.

FISCAL IMPACT

The recommended FY 2019-20 Operating Budget includes total revenues of $319.7 million and total expenses of $262.3 million projecting a surplus of $50.6 million.

ATTACHMENTS

1. Recommended FY 2019-20 Operating Budget
2. Resolution 2019-14 – Amendment of the Positions Chart, Job Classifications, and Salary Schedule
3. Positions Chart and Job Descriptions for New Positions: Rates Manager, Senior Community Outreach Specialist, Senior Communications Specialist, and Senior Rates Analyst

SILICON VALLEY CLEAN ENERGY

SILICON VALLEY CLEAN ENERGY
FY 2019-20 RECOMMENDED OPERATING BUDGET
($ in thousands)

Line	DESCRIPTION	FY 2017-18 ACTUALS	FY 2018-19 BUDGET AS ADOPTED MIDYEAR	FY 2019-20 RECOMMENDED BUDGET	VARIANCE $	VARIANCE %
	ENERGY REVENUES					
1	Energy Sales	249,204	281,890	317,230	35,340	12.5%
2	Green Prime Premium	730	630	940	310	49.2%
3	Other Income	14	100	50	(50)	-50.0%
4	**TOTAL ENERGY REVENUES**	**$249,948**	**$282,620**	**$318,220**	**$35,600**	**12.6%**
	ENERGY EXPENSES					
5	Power Supply	189,906	234,332	245,340	11,008	4.7%
6	**OPERATING MARGIN**	**$60,042**	**$48,288**	**$72,880**	**$24,592**	**50.9%**
	OPERATING EXPENSES					
7	Data Management	3,431	3,560	3,530	30	-0.8%
8	PG&E Fees	1,161	1,120	1,350	230	20.5%
9	Employment Expenses	2,627	4,330	5,490	1,160	26.8%
10	Professional Services	1,143	2,290	3,710	1,420	62.0%
11	Marketing & Promotions	385	908	960	53	5.8%
12	Notifications	236	160	160	0	0.0%
13	Lease	320	330	600	270	81.8%
14	General & Administrative	615	836	1,150	314	37.5%
15	**TOTAL OPERATING EXPENSES**	**$9,918**	**$13,533**	**$16,950**	**$3,417**	**25.2%**
16	**OPERATING INCOME (LOSS)**	**$50,124**	**$34,755**	**$55,930**	**$21,175**	**60.9%**
	NON-OPERATING REVENUES					
17	Interest Income	154	850	1,470	620	72.9%
18	Grant Income	0	0	160	160	
19	**TOTAL NON-OPERATING REVENUES**	**$154**	**$850**	**$1,630**	**$780**	**91.8%**
	NON-OPERATING EXPENSES					
20	Financing	0	210	180	30	-14.3%
21	Interest	16	0	0	0	
22	**TOTAL NON-OPERATING EXPENSES**	**$16**	**$210**	**$180**	**$30**	**-14.3%**
23	**TOTAL NON-OPERATING INCOME (EXPENSES)**	**$138**	**$640**	**$1,450**	**$810**	**126.6%**
			$0	$319,670		
24	**CHANGE IN NET POSITION**	**$50,262**	**$35,395**	**$57,380**	**$21,985**	**62.1%**
	CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER					
25	Capital Outlay	50	200	400	200	100.0%
26	Refund of Bond (Cash Inflow)	0	100	100	0	0.0%
27	Financial Services Requirement	0	147	147	0	0.0%
28	Transfer to Programs Fund	104	5,640	6,360	720	12.8%
					0	
29	**TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER**	**$154**	**$5,887**	**$6,807**	**$920**	**15.6%**
30	**BALANCE AVAILABLE FOR RESERVES**	**$50,108**	**$29,508**	**$50,573**	**$21,065**	**71.4%**

RESOLUTION NO. 2019-14

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY AMENDING THE APPROVED POSITIONS CHART, JOB CLASSIFICATIONS AND SALARY SCHEDULE

WHEREAS, the Silicon Valley Clean Energy Authority ("Authority") was formed on March 31, 2016 pursuant to a Joint Powers Agreement to study, promote, develop, conduct, operate, and manage energy programs in Santa Clara County; and

WHEREAS, under Section 2.5.2 of the Joint Powers Agreement creating the Authority, the Authority has the power to employ agents and employees; and

WHEREAS, the Board of Directors adopted Resolution No. 2016-06 on August 10, 2016 establishing an Organization Chart for the Authority and salary ranges for the established positions; and

WHEREAS, the Board of Directors adopted Resolution No. 2017-07 on June 14, 2017 amending the adopted Organization Chart to delete one Community Outreach Specialist and add one additional Account Services Representative; and

WHEREAS, the Board of Directors adopted Resolution No. 2017-10 on December 13, 2017 amending the adopted Organization Chart to add the position of Manager of Regulatory & Legislative Affairs, remove the position of Regulatory/Legislative Analyst, and modify the salary ranges for all positions; and

WHEREAS, the Board of Directors adopted Resolution No. 2018-06 on April 11, 2018 amending the adopted Organization Chart to add the positions and salary ranges of Associate Legislative Analyst, Director of Decarbonization and Grid Innovation Programs, and Senior Regulatory Analyst; to modify the position titles of the Director of Administration and Finance, Director of Marketing and Public Affairs, Manager of Regulatory and Legislative Affairs, one Power Resource Planning and Programs Analyst, and one Administrative Analyst; and to eliminate the positions of Finance Manager, General Counsel and Director of Government Affairs, and one Power Resource Planning and Programs Analyst; and to modify the salary ranges for all positions; and

WHEREAS, the Board of Directors adopted Resolution No. 2018-10 on September 12, 2018 amending the adopted Organization Chart to add the positions and salary ranges of Administrative Services Manager, Analyst, Associate Analyst, Associate Data Analyst, Communications Specialist, Data Analyst, Energy Associate, Energy Consultant, Management Analyst, Manager of Decarbonization and Grid Innovation Programs, Power Resources Planner, Senior Analyst, Senior Data Analyst, and Senior Energy Consultant; to modify the position titles of the Community Outreach Manager, Director of Customer Care, Manager of Regulatory and Legislative Effectiveness, and Power Contracts and Compliance Manager; and to eliminate the positions of Account Representative I/II, one Community Outreach Specialist, and IT Specialist; and to modify the salary ranges for all positions;

WHEREAS, the Board of Directors adopted Resolution No. 2019-04 on March 13, 2019 renaming the Organization Chart as the Positions Chart and amending the adopted Positions Chart to modify the position title of the Energy Associate; and to modify the salary ranges for the positions of Senior Analyst and Senior Energy Consultant.

WHEREAS, to meet the needs of the Authority and to better represent the work being performed, the Chief Executive Officer has recommended that the Board amend the existing schedule of job classification titles and salary ranges.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1. The Authority's schedule of job classification titles and salary ranges is amended to add the positions of Rates Manager, Senior Rates Analyst, Senior Communications Specialist, and Senior Community Outreach Specialist, and to modify the salary ranges for all positions, as shown below. The following schedule of job classification titles and salary ranges shall replace and supersede the schedule shown in Resolution 2019-04:

Title	Minimum Salary (Annual $)	Maximum Salary (Annual $)
Account Services Manager	111,648	175,447
Administrative Services Manager	120,952	190,067
Administrative Analyst	83,737	143,428
Administrative Assistant	55,824	88,601
Analyst	83,737	131,585
Associate Analyst	69,780	109,654
Associate Data Analyst	82,684	122,559
Associate Energy Consultant	69,780	109,654
Associate Legislative Analyst	72,106	113,310
Board Clerk / Executive Assistant	102,344	165,651
Communications Manager	111,648	175,447
Communications Specialist	60,476	98,835
Community Outreach Specialist	60,476	98,835
Data Analyst	96,641	144,489
Director of Account Services and Community Relations	148,865	233,929
Director of Decarbonization and Grid Innovation Programs	132,056	203,831
Director of Finance & Administration	148,865	259,662
Director of Power Resources	176,776	277,791
Energy Consultant	83,737	131,585

Title	Minimum Salary (Annual $)	Maximum Salary (Annual $)
Management Analyst	102,344	160,827
Manager of Decarbonization and Grid Innovation Programs	120,952	190,067
Manager of Regulatory & Legislative Affairs	124,552	188,351
Power Resources Manager	139,561	219,309
Power Resources Planner	120,952	190,067
Power Settlements & Compliance Analyst	102,344	160,827
Rates Manager	133,432	202,547
Senior Analyst	97,692	145,542
Senior Communications Specialist	72,956	110,835
Senior Community Outreach Specialist	72,956	110,835
Senior Data Analyst	110,597	158,446
Senior Energy Consultant	97,692	145,542
Senior Rates Analyst	110,172	165,996
Senior Regulatory Analyst	97,692	153,516

Section 2. The organization of positions shall be as shown in Attachment 1: SVCE Approved Positions Chart. This new Approved Positions Chart shall replace and supersede the Organization Chart adopted by Resolution 2019-14.

Section 3. The Chief Executive Officer shall create and maintain as needed job descriptions for each classification.

Section 4. The Chief Executive Officer is authorized to initiate recruitments and hire for all new positions.

ADOPTED AND APPROVED this 11th day of September, 2019 by the following vote:

JURISDICTION	NAME	AYE	NO	ABSTAIN	ABSENT
City of Campbell	Director Gibbons				
City of Cupertino	Director Sinks				
City of Gilroy	Director Tovar				
City of Los Altos	Director Bruins				
Town of Los Altos Hills	Director Corrigan				
Town of Los Gatos	Director Sayoc				
City of Milpitas	Director Nuñez				
City of Monte Sereno	Director Ellahie				

City of Morgan Hill	Director Martinez-Beltran				
City of Mountain View	Director Abe-Koga				
County of Santa Clara	Director Ellenberg				
City of Saratoga	Director Miller				
City of Sunnyvale	Director Smith				

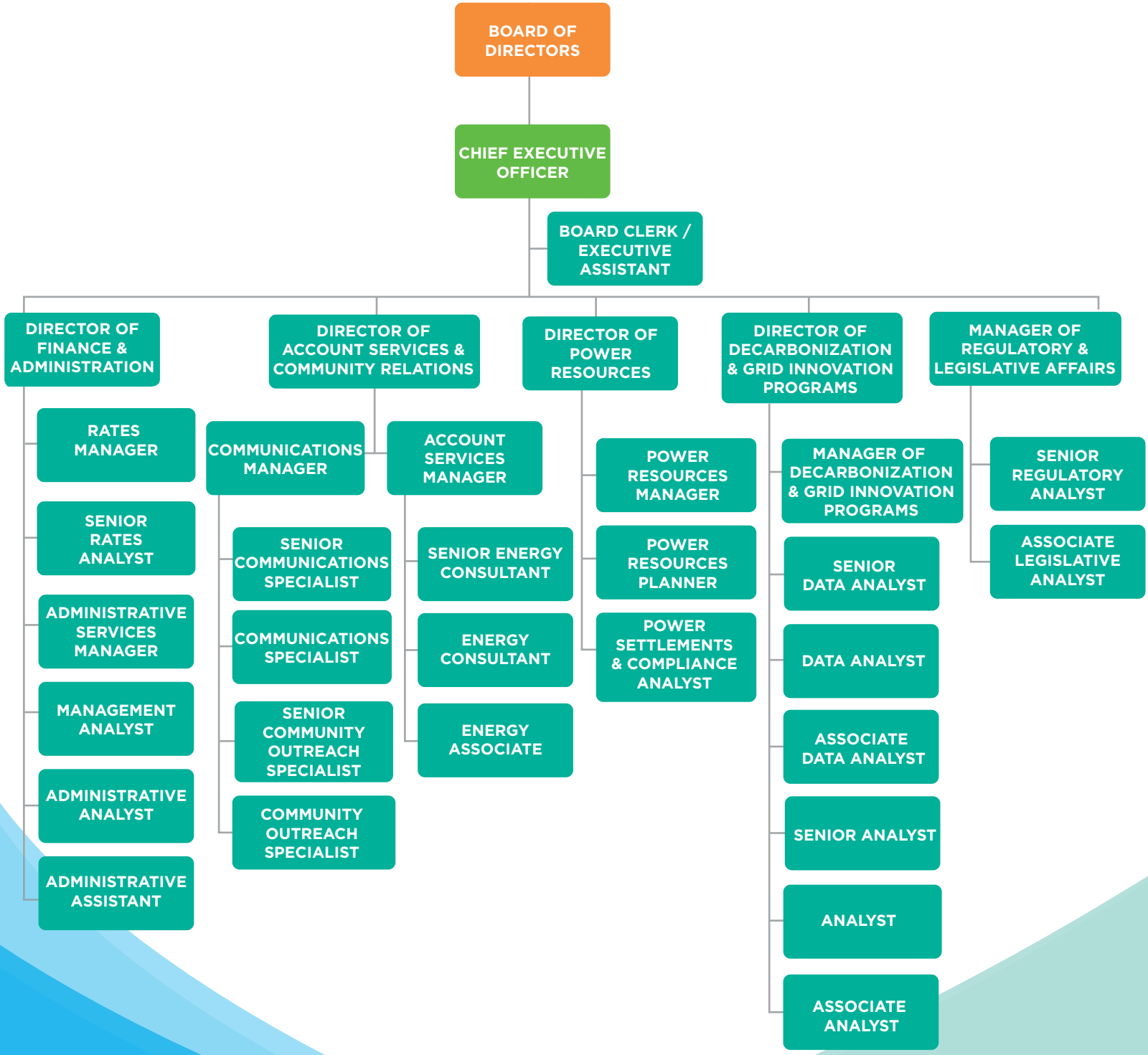
_____
Chair

ATTEST:

_____
Clerk

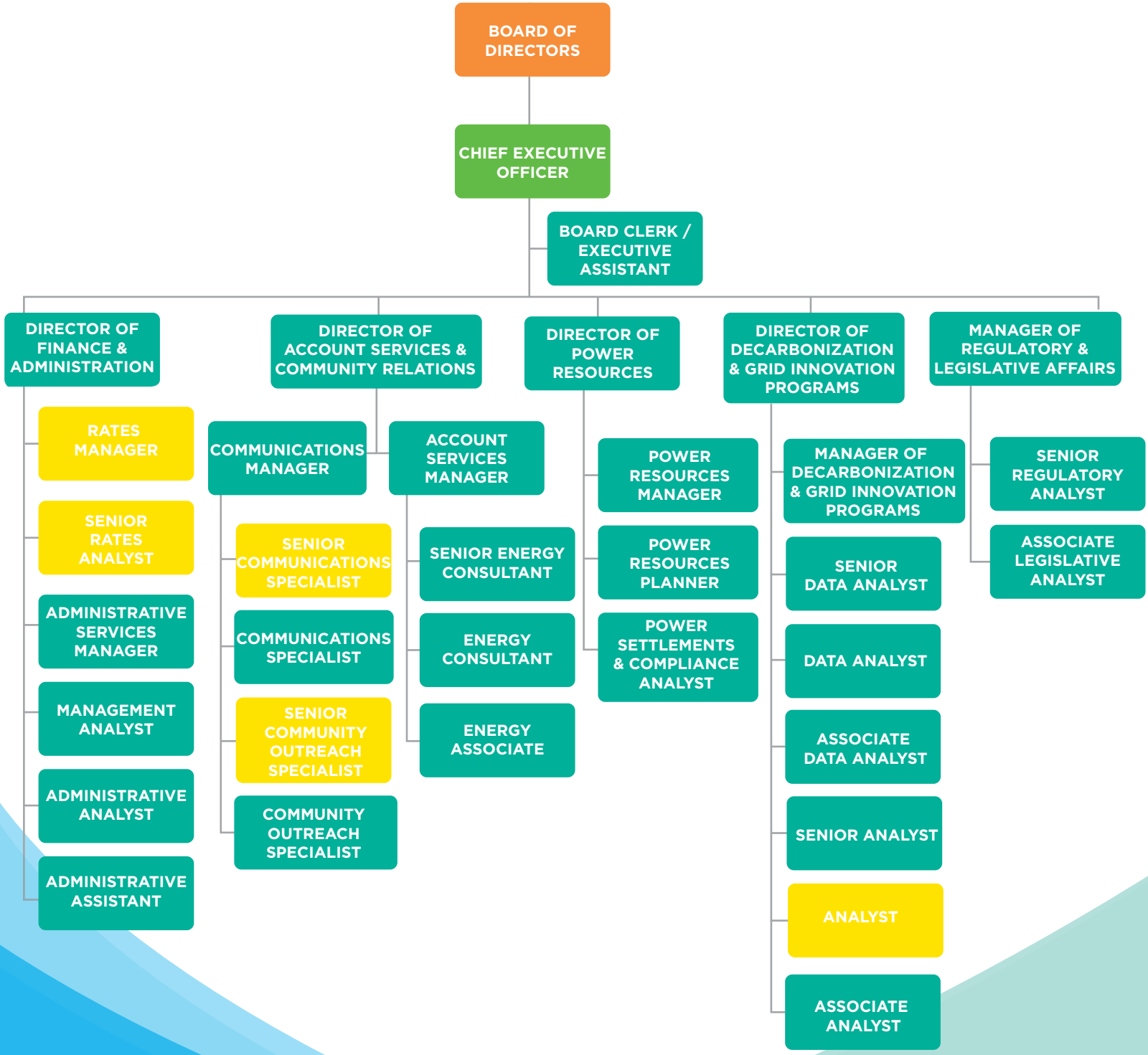
Attachment 1: SVCE Approved Positions Chart

POSITIONS CHART



SILICON VALLEY CLEAN ENERGY

POSITIONS CHART



HIGHLIGHTED SQUARES ARE ADDED POSITIONS

SILICON VALLEY CLEAN ENERGY

SILICON VALLEY CLEAN ENERGY

RATES MANAGER

SALARY RANGE: $133,432 - $202,547

SUMMARY DESCRIPTION

The Rates Manager works under the direction of the Director of Finance and Administration and will be primarily responsible for designing electric rates for all customer classes, presenting and defending rate proposals before the Board of Directors, and ensuring rates are implemented once approved.

The Manager leads the development of financial and economic related analysis, including impact analysis of pending utility, regulatory, and/or legislative policies, technical analysis on rate-setting and structure, and will make informed, data-driven and strategic recommendations to the management team on the initiatives that have financial impacts to the organization.

The position requires knowledge of energy program design and ratemaking, strong technical analytical skills, deep understanding of energy products, familiarity with billing and rate structures associated with Net Energy Metering, Time-of-Use, AMI data driven cost analysis, an understanding of utility rules, familiarity with California Public Utilities Commission documents and procedures, strong written and oral communication skills, and experience working with a public not-for-profit energy provider in the utility industry.

SUPERVISION RECEIVED AND EXERCISED

The Rates Manager reports to the Director of Finance and Administration and the position does not include supervisory and/or team leader responsibilities.

ESSENTIAL FUNCTIONS

- Lead policy development of rate design for SVCE's 267,000 customer accounts
- Develop and update special rates (Commercial Pricing, TOU, PDP, etc.)
- Analyze the effects of modifying various residential and commercial rate designs
- Lead the Time-of-Use (TOU) rate reform process within SVCE; participate in regulatory meetings, collaborative processes, development of SVCE's position, analysis of customer and fiscal impacts, and provide actionable summary information to SVCE teams
- Lead and support SVCE's NEM program; provide summaries and fiscal forecasts;

recommend tailored rate structure and/or rate level adjustments; lead the execution of the annual NEM cash-outs; coordinate efforts with accounting and account services teams

- Provide technical expertise and recommendations on key SVCE program initiatives related to rate design, PG&E billing operations, and PG&E billing rules
- Provide analysis for and participate in meetings with key customers, handling complex inquiries related to rates and tariffs
- Create and maintain modeling to support rate design scenarios, customer impact analysis, and programmatic initiatives
- Create and maintain financial models to evaluate recourse and non-recourse financing structures, project financings, and generation project ownership cost/benefit analysis
- Coordinate and interface with internal and external SVCE system operating models to ensure consistency and accuracy of budgeting and strategic planning initiatives across the organization
- As assigned, participate in regulatory proceedings on behalf of SVCE and evaluate proposed regulatory policies at the California Public Utilities Commission (CPUC) and other state agencies to assess the impact to SVCE; develop technical analysis, written reports, and presentation materials to support SVCE's positions
- As assigned, review and draft comments, proposals, and testimony as needed; provide technical and/or analytic input on regulatory matters; provide input into regulatory and legislative policy at the state and local levels
- As assigned, represent SVCE before the CPUC and other regulatory agencies in ratemaking or rulemaking proceedings, including as a witness and/or key technical advisor
- Write and present staff reports and presentations for Board and Committee meetings
- Perform related duties and responsibilities as required

KNOWLEDGE, SKILLS AND ABILITIES

Knowledge of:

- Public agency processes both for internal and external engagement purposes
- Subject matter expertise in wholesale electricity markets, retail electricity markets, retail rate design, energy resources and procurement.
- Principles, methods and practices of municipal finance and budgeting, including long-range financial forecasting.
- Statistical and analytical methods, techniques and procedures.
- Computer applications, including advanced proficiency with spreadsheet, database, word processing and presentation software.
- Utility billing structures, bill presentment, and program operations.
- Community Choice Aggregation (CCA) programs and the services SVCE offers.
- The interaction between CCAs and investor-owned utilities.
- Diverse communities and customer types in the SVCE service area.

Ability to:

- Develop complex rate structures with multiple rate classes, tiers and billing components.
- Develop data models related to rate structures, rate design scenarios, and fiscal impact modeling
- Take initiative in identifying opportunities to improve existing policies and create new ones
- Manage multiple priorities and quickly adapt to changing priorities in a fast paced, dynamic environment.
- Take responsibility and work independently, as well as coordinate or participate in team efforts.
- Establish and maintain effective working relationships with supervisors, co-workers, customers, local community groups and organizations and SVCE Board members.
- Exercise sound judgment in applying appropriate policies and procedures.
- Demonstrate creative problem solving and commercial awareness.
- Communicate effectively both verbally (by phone and in-person) and in written form.
- Represent SVCE in an effective, strategic, and beneficial way to internal and external stakeholders
- Be self-motivated with a strong drive to resolve issues quickly and effectively.
- Work accurately and swiftly under pressure.
- Demonstrate patience, tact and courtesy.

REQUIRED QUALIFICATIONS

Experience and Training Guidelines: *Any combination of experience and training that would likely provide the required knowledge and abilities is qualifying. A typical way to obtain the knowledge and abilities would be:*

EDUCATION: Preferred accounting designation (CPA), Masters in Finance, or MBA; or Bachelor's Degree in Finance and Accounting and seven years experience; or an equivalent combination of education and experience sufficient to successfully perform the essential duties of the position.

EXPERIENCE: A minimum of seven (7) years performing utility rate design and analysis required at an electric utility, public agency/municipality or in a closely related field.

LICENSE: Possession of a valid Class C California driver's license and a satisfactory driving record at the time of hire.

PHYSCIAL AND WORKING CONDITIONS

The physical and mental demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential job functions.

ENVIRONMENT: Work is performed in a typical office setting with exposure to computer screens and at public events (fairs, meeting rooms, farmers' markets, etc.) with moderate noise and will require some evening and weekend work. The noise level in the work environment is usually typical of an office environment and public events.

PHYSICAL: While performing the duties of this class, employees are regularly required to sit, walk, and stand; talk or hear, in person and by telephone; reach with hands and arms. Employees are occasionally required to walk, and stand for prolonged periods; stoop, bend, kneel and twist; and may lift up to 20 pounds. Employees must be able to communicate in person, in writing, and by telephone with Board members, management, co-workers, vendors, consultants, and with the public in face-to-face, one-on-one, and group settings.

VISION: See in the normal visual range with or without correction; vision sufficient to read computer screens and printed documents; and, operate assigned equipment.

HEARING: Hear in the normal audio range with or without correction.

-----SVCE IS AN EQUAL OPPORTUNITY EMPLOYER-----

SENIOR COMMUNITY OUTREACH SPECIALIST

SALARY RANGE: $72,956 - $110,835

SUMMARY DESCRIPTION

The Senior Community Outreach Specialist works under the direction of the Communications Manager on a wide range of marketing and communications activities that support the ongoing development and execution of the Silicon Valley Clean Energy (SVCE) communications plan. The Senior Community Outreach Specialist will interface with a wide range of community, stakeholder, and customer groups to advance SVCE programs and goals.

The Senior Community Outreach Specialist will work closely with multiple departments to assess the ongoing stakeholder engagement needs that will advance the agency's goals and increase public awareness of the agency and our mission.

The Senior Community Outreach Specialist is responsible for cultivating and developing relationships with key stakeholder groups, and for communicating SVCE's central messages consistently to target audiences via professional networking, printed literature, web-based material, electronic correspondence, public presentations and verbal interactions. The Senior Community Outreach Specialist also participates in community events, conducts outreach to local government representatives, and responds to inquiries from potential customers via email, telephone and in-person dialogue.

The Senior Community Outreach Specialist position is differentiated from the Community Outreach Specialist position based upon the degree of responsibility for handling more complex tasks, depth of industry and energy or sustainability-related expertise, customer service experience, program management and supervisory experience.

SUPERVISION RECEIVED AND EXERCISED

This position reports directly to the Communications Manager. The role will require some management of fellows, interns, consultants and contractors.

ESSENTIAL FUNCTIONS

- Plans, organizes and implements community outreach efforts to enhance marketing of SVCE services to customers and all stakeholders.
- Initiates and develops collaborative relationships with community members, local business owners, municipal staff, public officials, and other key stakeholders.
- Cultivates partnerships and mobilizes public support to expand public awareness of and increase enrollments in SVCE programs via attending or sponsoring public events, advertising, e-mailing, and cold calling.
- Emphasizes product and service features and benefits.
- Delivers presentations to various community groups and local representatives.
- Participates in events to distribute information about SVCE and interact with members

of the public.
- Acts as a liaison to local groups, civic institutions, and community-based organizations and continuously builds new community relationships.
- Manages SVCE's annual sponsorship budget allocations and other community funding opportunities.
- Coordinates events and finds new opportunities to leverage partnerships with community and industry stakeholders to advance SVCE's mission and programs.

KNOWLEDGE, SKILLS AND ABILITIES

Knowledge of:

- SVCE electric service options and customer programs.
- The SVCE service territory.
- The mission and goals of SVCE.
- Environmental policy, public administration, and energy regulation.
- Microsoft Office Suite including Excel, Word and PowerPoint.
- Adobe Illustrator, Adobe InDesign, Adobe Photoshop, and Adobe Acrobat as well as web development tools such as WordPress and/or HTML.
- Diverse communities and cultures.

Ability to:

- Take responsibility and work independently, as well as participate in team efforts.
- Utilize strong interpersonal and phone etiquette skills, verbal communications, grammatical and professional business skill sets to promote and explain SVCE programs.
- Establish and maintain effective working relationships with persons encountered in the performance of duties.
- Enhance own development by taking responsibility for staying informed and up to date with industry knowledge.
- Exercise sound judgment in applying appropriate policies and procedures.
- Demonstrate creative problem solving and commercial awareness.
- Communicate effectively both verbally (by phone and in-person) and in written form.
- Manage projects and time efficiently.
- Effectively track customer interactions using customer relations management or similar system.
- Represent SVCE and promote its services with confidence and enthusiasm.
- Coordinate work with community groups.
- Manage multiple priorities and quickly adapt to changing priorities in a fast paced, dynamic environment.
- Develop or contribute to high-quality writing, research and communication work products.
- Work accurately and swiftly under pressure.
- Demonstrate patience, tact, and courtesy at all times.
- Read, write and speak Spanish or Mandarin is desirable

Willingness to:

- Work occasional overtime or on weekends and evenings

REQUIRED QUALIFICATIONS

Experience and Training Guidelines: *Any combination of experience and training that would likely provide the required knowledge and abilities is qualifying. A typical way to obtain the knowledge and abilities would be:*

EDUCATION. A Bachelor's Degree from an accredited university or college in communications, public relations, environmental science/studies, political science, public policy or a related field.

EXPERIENCE. Four (4) years of progressively responsible experience in marketing, communications, public relations or community outreach at a public agency, private marketing firm, electric utility, regulatory agency, or legislative office with emphasis on environmental issues and sustainability.

LICENSE. Possession of a valid Class C California driver's license and a satisfactory driving record at the time of hire.

PHYSICAL AND WORKING CONDITIONS

The physical and mental demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential job functions.

ENVIRONMENT. Work is performed in a typical office setting with exposure to computer screens and at public events (fairs, meeting rooms, farmers' markets, etc.) with moderate noise and will require some evening and weekend work. The noise level in the work environment is usually typical of an office environment and public events.

PHYSICAL. While performing the duties of this class, employees are regularly required to sit, walk, and stand; talk or hear, in person and by telephone; reach with hands and arms. Employees are occasionally required to walk, and stand for prolonged periods; stoop, bend, kneel and twist; and may lift up to 20 pounds. Employees must be able to communicate in person, in writing, and by telephone with Board members, management, co-workers, vendors, consultants, and with the public in face-to-face, one-on-one, and group settings.

VISION. See in the normal visual range with or without correction; vision sufficient to read computer screens and printed documents; and, operate assigned equipment.

HEARING. Hear in the normal audio range with or without correction.

-----SVCE IS AN EQUAL OPPORTUNITY EMPLOYER-----

SENIOR COMMUNICATIONS SPECIALIST

SALARY RANGE: $72,956 - $110,835

SUMMARY DESCRIPTION

The Senior Communications Specialist will work under the direction of the Communications Manager on a wide range of marketing and communications activities that support the ongoing development and execution of the Silicon Valley Clean Energy (SVCE) communications plan. The position is focused on strategic messaging and content development to tell stories that will help all stakeholders understand and embrace the values that SVCE brings to our community.

The Senior Communications Specialist will work closely with multiple departments and stakeholders to assess the ongoing marketing and communications needs that will advance the agency's goals and increase public awareness of the agency and our mission.

The Senior Communications Specialist will also lead campaign development for general awareness and SVCE programs, to both educate and drive interest in SVCE offerings. A Senior Communications Specialist will self-identify and/or be assigned with tasks related to the development, implementation, and/or maintenance of various SVCE customer programs and public relations campaigns.

The Senior Communications Specialist position is differentiated from the Communications Specialist position based upon the degree of responsibility for handling more complex tasks, depth of industry and energy or sustainability-related expertise, customer service experience, program management and supervisory experience.

SUPERVISION RECEIVED AND EXERCISED

This position reports directly to the Communications Manager. The role will require some management of fellows, interns, consultants and contractors.

ESSENTIAL FUNCTIONS

- Creates original content that engages all customer segments about SVCE
- Grows our online audience and subscribers with email newsletters
- Contributes to a robust and strategic social media plan
- Develops messaging targeted to customer personas
- Conducts or manages market research such as customer surveys and focus groups
- Develop and execute advertising campaigns
- Assists with developing resources for customers such as online and printed guides, videos and other materials
- Writes and leads award entries
- Assists with developing marketing materials and communications strategies for programs
- Writes press releases and supports media relations functions

- Updates website as needed

KNOWLEDGE, SKILLS AND ABILITIES

Knowledge of:

- The mission and goals of SVCE
- Marketing campaign development, execution and measurement
- Use of Google Analytics and other measurement tools to evaluate campaign effectiveness and reach
- Microsoft Office Suite including Excel, Word, and PowerPoint
- E-mail marketing tools such as MailChimp and social media platforms
- Adobe Illustrator, Adobe InDesign, Adobe Photoshop, and Adobe Acrobat as well as web development tools such as WordPress and/or HTML

Ability to:

- Manage multiple priorities and quickly adapt to changing priorities in a fast-paced dynamic environment
- Take responsibility and work independently, as well as coordinate team efforts within SVCE and the greater CCA community
- Utilize strong interpersonal and phone etiquette skills, verbal communications, grammatical and professional business skill sets to promote and explain SVCE programs
- Establish and maintain effective working relationships with persons encountered in the performance of duties
- Superior writing skills, especially related to marketing materials (e.g. newsletters, social media, collateral, press releases)
- Enhance own development by taking responsibility for staying informed and up to date with industry knowledge
- Demonstrate creative problem solving and commercial awareness
- Orally communicate complex topics in easy-to-understand presentations before the Board, staff, stakeholders and other audiences
- Exercise sound judgment in applying appropriate policies and procedures
- Manage projects and time efficiently
- Be thorough and detail-oriented
- Work accurately and swiftly under pressure
- Demonstrate patience, tact, and courtesy at all times
- Read, write and speak Spanish or Mandarin is desirable

Willingness to:

- Work occasional overtime or on weekends and evenings

REQUIRED QUALIFICATIONS

Experience and Training Guidelines: *Any combination of experience and training that would likely provide the required knowledge and abilities is qualifying. A typical way to obtain the knowledge and abilities would be:*

EDUCATION. A Bachelor's Degree from an accredited university or college in communications, public relations, environmental science/studies, political science, public policy or a related field.

EXPERIENCE. Four (4) years of progressively responsible experience in marketing, communications, public relations or community outreach at a public agency, private marketing firm, electric utility, regulatory agency, or legislative office with emphasis on environmental issues and sustainability.

LICENSE. Possession of a valid Class C California driver's license and a satisfactory driving record at the time of hire.

PHYSICAL AND WORKING CONDITIONS

The physical and mental demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential job functions.

ENVIRONMENT. Work is performed in a typical office setting with exposure to computer screens and at public events (fairs, meeting rooms, farmers' markets, etc.) with moderate noise and will require some evening and weekend work. The noise level in the work environment is usually typical of an office environment and public events.

PHYSICAL. While performing the duties of this class, employees are regularly required to sit, walk, and stand; talk or hear, in person and by telephone; reach with hands and arms. Employees are occasionally required to walk, and stand for prolonged periods; stoop, bend, kneel and twist; and may lift up to 20 pounds. Employees must be able to communicate in person, in writing, and by telephone with Board members, management, co-workers, vendors, consultants, and with the public in face-to-face, one-on-one, and group settings.

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HEARING. Hear in the normal audio range with or without correction.

-----SVCE IS AN EQUAL OPPORTUNITY EMPLOYER-----

SENIOR RATES ANALYST

SALARY RANGE: $110,172 - $165,996

SUMMARY DESCRIPTION

The Senior Rates Analyst works under the direction of the Director of Finance and Administration and will be primarily responsible for supporting the electric rate design process for all customer classes and providing technical expertise to both internal and external stakeholders.

The Analyst supports the development of financial and economic related analysis, including impact analysis of pending utility, regulatory, and/or legislative policies, technical analysis on rate-setting and structure, and will make informed, data-driven and strategic recommendations to the management team on the initiatives that have financial impacts to the organization.

The position requires knowledge of utility ratemaking, strong technical analytical skills, familiarity with billing and rate structures associated with Net Energy Metering, Time-of-Use, AMI data driven cost analysis, an understanding of utility rules, familiarity with California Public Utilities Commission documents and procedures, strong written and oral communication skills, and experience working with a public not-for-profit energy provider in the utility industry.

SUPERVISION RECEIVED AND EXERCISED

The Senior Rates Analyst reports to the Director of Finance and Administration and the position does not include supervisory and/or team leader responsibilities.

ESSENTIAL FUNCTIONS

- Support policy development of rate design for SVCE's 267,000 customer accounts
- Assist in the development of special rates (Commercial Pricing, TOU, PDP, etc.)
- Analyze the effects of modifying various residential and commercial rate designs
- Support the Time-of-Use (TOU) rate reform process within SVCE
- Support the execution of the annual NEM cash-outs; coordinate efforts with accounting and account services teams
- Provide technical expertise and recommendations on key SVCE program initiatives related to rate design, PG&E billing operations, and PG&E billing rules

- Provide analysis for and participate in meetings with key customers, handling complex inquiries related to rates and tariffs
- Create and maintain modeling to support rate design scenarios, customer impact analysis, and programmatic initiatives
- Create and maintain financial models to evaluate recourse and non-recourse financing structures, project financings, and generation project ownership cost/benefit analysis
- Coordinate and interface with internal and external SVCE system operating models to ensure consistency and accuracy of budgeting and strategic planning initiatives across the organization
- Write and present staff reports and presentations for Board and Committee meetings
- Perform related duties and responsibilities as required

KNOWLEDGE, SKILLS AND ABILITIES

Knowledge of:

- Public agency processes both for internal and external engagement purposes.
- Subject matter expertise in wholesale electricity markets, retail electricity markets, retail rate design, energy resources and procurement.
- Principles, methods and practices of municipal finance and budgeting, including long-range financial forecasting.
- Statistical and analytical methods, techniques and procedures.
- Computer applications, including advanced proficiency with spreadsheet, database, word processing and presentation software.
- Utility billing structures, bill presentment, and program operations.
- Community Choice Aggregation (CCA) programs and the services SVCE offers.
- The interaction between CCAs and investor-owned utilities.
- Diverse communities and customer types in the SVCE service area.

Ability to:

- Develop data models related to rate structures, rate design scenarios, and fiscal impact modeling
- Take initiative in identifying opportunities to improve existing policies and create new ones
- Manage multiple priorities and quickly adapt to changing priorities in a fast paced, dynamic environment.
- Take responsibility and work independently, as well as coordinate or participate in team efforts.
- Establish and maintain effective working relationships with supervisors, co-workers, customers, local community groups and organizations and SVCE Board

members.

- Exercise sound judgment in applying appropriate policies and procedures.
- Demonstrate creative problem solving and commercial awareness.
- Communicate effectively both verbally (by phone and in-person) and in written form.
- Represent SVCE in an effective, strategic, and beneficial way to internal and external stakeholders
- Be self-motivated with a strong drive to resolve issues quickly and effectively.
- Work accurately and swiftly under pressure.
- Demonstrate patience, tact and courtesy.

REQUIRED QUALIFICATIONS

Experience and Training Guidelines: *Any combination of experience and training that would likely provide the required knowledge and abilities is qualifying. A typical way to obtain the knowledge and abilities would be:*

EDUCATION: A Bachelor's Degree from an accredited university or college in business, accounting, finance, economics or a related field or equivalent work experience.

EXPERIENCE: A minimum of three (3) years performing utility rate design and analysis required at an electric utility, public agency/municipality or in a closely related field.

LICENSE: Possession of a valid Class C California driver's license and a satisfactory driving record at the time of hire.

PHYSCIAL AND WORKING CONDITIONS

The physical and mental demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential job functions.

ENVIRONMENT: Work is performed in a typical office setting with exposure to computer screens and at public events (fairs, meeting rooms, farmers' markets, etc.) with moderate noise and will require some evening and weekend work. The noise level in the work environment is usually typical of an office environment and public events.

PHYSICAL: While performing the duties of this class, employees are regularly required to sit, walk, and stand; talk or hear, in person and by telephone; reach with hands and arms.

Employees are occasionally required to walk, and stand for prolonged periods; stoop, bend, kneel and twist; and may lift up to 20 pounds. Employees must be able to communicate in person, in writing, and by telephone with Board members, management, co-workers, vendors, consultants, and with the public in face-to-face, one-on-one, and group settings.

VISION: See in the normal visual range with or without correction; vision sufficient to read computer screens and printed documents; and, operate assigned equipment.

HEARING: Hear in the normal audio range with or without correction.

-----SVCE IS AN EQUAL OPPORTUNITY EMPLOYER-----

SILICON VALLEY CLEAN ENERGY

Staff Report – Item 5

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 5:	**Approve Recommendation to Renew $35 million Line of Credit with River City Bank**
Date:	9/3/2019

RECOMMENDATION

Staff recommends that the Finance and Administration Committee recommend the Board approve Silicon Valley Clean Energy (SVCE) to renew the $35 million line of credit for two years with River City Bank (RCB).

BACKGROUND

The Board approved the establishment of a $20 million line of credit with RCB in September 2019. In response to Pacific Gas & Electric's (PG&E) bankruptcy announcement, the Board approved expansion of the current line of credit to $35 million. The current credit agreement will expire on October 20, 2020.

ANALYSIS & DISCUSSION

Having access to external liquidity to supplement SVCE's balance sheet will provide time for SVCE to react with its locally controlled rate setting and to implement other mitigation strategies. The line of credit will be advantageous for future negotiations of power supply and may help avoid SVCE having to post collateral to suppliers that are not agreeable to the lockbox credit structure due to the PG&E bankruptcy.

A line of credit is viewed positively by the credit rating agencies with SVCE pursuing a credit rating in Fiscal Year 2019-20.

Highlights of the credit agreement include:

- Duration of 2 years with an expiration date of October 21,2021.
- Minimum Tangible Net Position Covenant of $100,000,000 (current agreement is $75,000,000).
- Total Liabilities to Total Net Position Covenant of 2:1.
- Financial reports sent to RCB quarterly (current agreement is monthly).
- Draws against the line of credit is a fixed bank fee plus LIBOR (same as current agreement).

STRATEGIC PLAN

The recommendation supports the Fiscal and Power Procurement goals of the strategic plan.

ALTERNATIVE

Staff is open to suggestions from the committee regarding the renewal of a line of credit.

FISCAL IMPACT

An annual fee of $87,500 and a Non-Utilization fee of 0.15% to be assessed annual on the unused portion of the line of credit (maximum of $52,500).

ATTACHMENTS

1. Term Sheet from River City Bank

August 27, 2019

Silicon Valley Clean Energy Authority

Don Eckert, Director of Finance & Administration

Re: Renewal of existing Revolving Line of Credit ("RLOC")

Dear Don:

Further to our discussions, River City Bank ("Bank") is pleased to provide Silicon Valley Clean Energy Authority ("SVCE" or "Borrower") with this letter to confirm that your request for a renewal of the existing RLOC has been approved by our Loan Committee on 8/22/19.

The following summarizes the changes to the existing facility to be incorporated in the renewal (in bold):

- Loan Maturity extended from one year to **two years** (i.e. 10/21/2021)
- Minimum Tangible Unrestricted Net Position covenant:
  - **a. $100,000,000 minimum limit, measured quarterly.**
- Update to Total Liabilities to Tangible Unrestricted Net Position Covenant:
  - a. 2.00:1.00 maximum limit, **measured quarterly.**
- Borrower Prepared Financial Statements Reporting Covenant:
  - a. Borrower prepared financial statements **due quarterly, to be delivered to Bank within 45 days of fiscal quarter end.**

For reference, there will be no change the loan fees, only the assessment dates:

- Loan Fee: $87,500 (0.25% on total $35,000,000). **To be assessed annually, payable at closing and again on 10/21/2020.**
- Non-Utilization fee: 0.15% of the average unused RLOC amount per annum. **To be assessed annually in arrears (payable on 10/21/2020 and again at maturity).**

All other terms and covenants currently in place for the existing RLOC are expected to remain unchanged. SVCE will receive a draft loan agreement for its review during the week of September 1st, 2019.

Sincerely,

Rosa H. Cucicea
VP/Clean Energy Division Manager

Dan Jennejohn
AVP/Relationship Manager

Staff Report – Item 6

To:	Silicon Valley Clean Energy Finance and Administration Committee
From:	Girish Balachandran, CEO
Item 6:	**CEO Update**
Date:	9/3/2019

This item will be addressed in the form of an oral report to the Finance and Administration Committee.