



Redwood Coast Energy Authority
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BOARD OF DIRECTORS REGULAR MEETING AGENDA

NEW MEETING LOCATION

**Wharfinger Building, downstairs Bay Room
1 Marina Way, Eureka, CA 95501**

**October 26, 2023
Thursday, 3:30 p.m.**

Any member of the public needing special accommodation to participate in this meeting or access the meeting materials should email LTaketa@redwoodenergy.org or call (707) 269-1700 at least 3 business days before the meeting. Assistive listening devices are available.

Pursuant to Government Code section 54957.5, all writings or documents relating to any item on this agenda which have been provided to a majority of the Board, including those received less than 72 hours prior to the Committee's meeting, will be made available to the public at www.RedwoodEnergy.org.

NOTE: Speakers wishing to distribute materials to the Board at the meeting, please provide 13 copies to the Board Clerk.

THIS IS A HYBRID IN-PERSON AND VIRTUAL MEETING.

The Board of Directors has returned to in-person hybrid meetings. When attending Board meetings, please socially distance as much as possible and be courteous to those who choose to wear a mask.

To participate in the meeting online, go to <https://us02web.zoom.us/j/81972368051>. **To participate by phone**, call (669) 900-6833 or (253) 215-8782. Enter webinar ID: 819 7236 8051.

To make a comment during the public comment periods, raise your hand in the online Zoom webinar, or press star (*) 9 on your phone to raise your hand. You will continue to hear the meeting while you wait. When it is your turn to speak, a staff member will unmute your phone or computer. You will have 3 minutes to speak.

You may submit written public comment by email to PublicComment@redwoodenergy.org. Please identify the agenda item number in the subject line. Comments will be included in the meeting record but not read aloud during the meeting.

While downloading the Zoom application may provide a better meeting experience, Zoom does not need to be installed on your computer to participate. After clicking the webinar link above, click "start from your browser."

OPEN SESSION Call to Order

1. ROLL CALL - REMOTE DIRECTOR PARTICIPATION

- 1.1. Approve teleconference participation request for this meeting by Director pursuant to Brown Act revisions of AB 2449 due to an emergency circumstance to be briefly described.

2. REPORTS FROM MEMBER ENTITIES

3. ORAL COMMUNICATIONS

This time is provided for people to address the Board or submit written communications on matters not on the agenda. At the conclusion of all oral communications, the Board may respond to statements. Any request that requires Board action will be set by the Board for a future agenda or referred to staff.

4. CONSENT CALENDAR

All matters on the Consent Calendar are considered to be routine by the Board and are enacted in one motion. There is no separate discussion of any of these items. If discussion is required, that item is removed from the Consent Calendar and considered separately. At the end of the reading of the Consent Calendar, Board members or members of the public can request that an item be removed for separate discussion.

- 4.1 Approve Minutes of September 28, 2023, Board Meeting.
- 4.2 Approve Disbursements Report.
- 4.3 Accept Financial Reports.
- 4.4 Approve Conflict of Interest Waiver with Braun Blaising & Wynne for representation in contract negotiations with Sonoma Clean Power Authority.

5. REMOVED FROM CONSENT CALENDAR ITEMS

Items removed from the Consent Calendar will be heard under this section.

6. OLD BUSINESS

- 6.1. 2018-2019 Financial Audit Report and Presentation by Auditor Baker Tilly US.

Accept and Approve Redwood Coast Energy Authority Financial Statements June 30, 2019 and 2018 and Associated Independent Auditors' Report By Baker Tilly US, LLP.

COMMUNITY CHOICE ENERGY (CCE) BUSINESS (Confirm CCE Quorum)

Items under this section of the agenda relate to CCE-specific business matters that fall under RCEA's CCE voting provisions, with only CCE-participating jurisdictions voting on these matters with weighted voting as established in the RCEA joint powers agreement.

7. OLD CCE BUSINESS

- 7.1. Proposed RCEA Net Billing Tariff Adoption

Adopt Resolution No. 2023-9, Approving the RCEA Net Billing Tariff.

8. NEW CCE BUSINESS

- 8.1. Energy Risk Management Quarterly Report – Information only

END OF COMMUNITY CHOICE ENERGY (CCE) BUSINESS

9. NEW BUSINESS - None

10. STAFF REPORTS

- 10.1 Executive Director's Report

11. FUTURE AGENDA ITEMS

Any request that requires Board action will be set by the Board for a future agenda or referred to staff.

12. CLOSED SESSION

- 12.1. Public Employee Performance Evaluation, pursuant to Government Code Section 54957(b)(1): Executive Director.

13. RECONVENE TO OPEN SESSION

14. CLOSED SESSION REPORT

15. ADJOURNMENT

NEXT REGULAR MEETING

Thursday, November 16, 2023, 3:30 p.m.

Wharfinger Building downstairs Bay Room, 1 Marina Way, Eureka, CA 95501.

Online and phone participation will also be possible via Zoom.

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STAFF REPORT
Agenda Item # 1.1

AGENDA DATE:	October 26, 2023
TO:	RCEA Board of Directors
FROM:	Eileen Verbeck, Deputy Executive Director
SUBJECT:	Member Teleconference Participation

BACKGROUND

Since emergency Brown Act meeting law changes went into effect in 2020 due to the COVID-19 public health emergency, the RCEA Board of Directors, Community Advisory Committee and the subcommittees of those bodies met online with no physical, public meeting location. Governor Newsom signed AB 361 into law in September 2021, which allowed these bodies to continue meeting completely virtually without publishing each member's participation location while the COVID state of emergency continued and state or local officials recommended social distancing measures or the RCEA Board determined that meeting in person posed health and safety risks.

The COVID-19 State of Emergency ended on February 28, 2023, and RCEA Board and CAC meetings returned to meeting in-person at a physical location, with allowances under existing Brown Act rules or new AB 2449 Brown Act rules should a Board or CAC member need to participate from a remote location for certain reasons. If another state of emergency is declared, these bodies may be able to return to completely remote meetings.

SUMMARY

RCEA Board Directors may attend up to two meetings per year from a remote location without making the location accessible to the public for the following reasons:

1. "Just cause"
 - a. To provide childcare or caregiving need to a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner;
 - b. Due to a contagious illness that prevents the member from attending in-person;
 - c. Due to a need related to a physical or mental disability as defined in Government Code sections 12926 and 12926.1 not otherwise accommodated; and
 - d. Due to travel while on official business of the legislative body or another state or local agency.
2. "Emergency circumstance" due to a physical or family medical emergency that prevents the member from attending in person.

If a Board Director would like to attend the meeting remotely due to an emergency circumstance, the Board will take action by majority vote to approve the Director's remote participation. A vote is not necessary for a request to attend remotely for just cause. A brief

description, protecting the Director's (or Director's family member's) medical privacy, needs to be provided in both cases.

The remotely participating Board Director needs to publicly disclose at the meeting before any action (vote) is taken, whether anyone 18 years of age or older is present in the room at the remote location with the Director, and the general nature of the individual's relationship with the Director.

If the Board Director anticipates needing to participate remotely for more than 2 meetings per year, staff recommends arranging for a publicly and ADA accessible space with visual and audio meeting capabilities from which to participate.

Staff asks to be notified one-week in advance, if possible, of remote meeting attendance so the Director's publicly and ADA accessible remote meeting address can be published in the agenda, if required per Brown Act open meeting laws.

Current Remote Participation Requests

As of the writing of this staff report, there are no requests for "just cause" or "emergency circumstances" remote director participation.

RECOMMENDED ACTION (if needed)

Approve teleconference participation request for this meeting by Director pursuant to Brown Act revisions of AB 2449 due to an emergency circumstance to be briefly described.



BOARD OF DIRECTORS DRAFT MEETING MINUTES

**Jefferson Community Center Auditorium
1000 B Street, Eureka, CA 95501**

**September 28, 2023
Thursday, 3:30 p.m.**

Chair Sheri Woo called a regular meeting of the Board of Directors of the Redwood Coast Energy Authority to order on the above date at 3:31 p.m. Notice of this meeting was posted on September 25, 2023.

PRESENT: Natalie Arroyo, Alternate Director Jana Ganion, Kris Mobley, Frankie Myers (participated from Weitchpec Yurok Tribe Office from 4:05 to 5:01 p.m.), Elise Scafani, Vice Chair Sarah Schaefer, Jack Tuttle, Frank Wilson, Chair Sheri Woo. ABSENT: Scott Bauer, Skip Jorgensen, Jason Ramos.

STAFF AND OTHERS PRESENT: Business Planning and Finance Director Lori Biondini, Finance Specialist Ronnie Chausse, General Counsel Nancy Diamond, Power Resources Director Richard Engel, Senior Power Resources Manager Jocelyn Gwynn, Executive Director Matthew Marshall, Account Services Manager Sally Regli, Humboldt County Health Officer Dr. Candy Stockton, Board Clerk Lori Taketa, Deputy Executive Director Eileen Verbeck.

REPORTS FROM MEMBER ENTITIES

Director Arroyo praised Executive Director Marshall's and a Biomass Technical Advisory Group member's participation in the Redwood Region Economic Development Conference.

Chair Woo reported that PG&E says it will repair the Ruth Lake 2 MW hydroelectric plant grid interconnection by the end of 2023. The Humboldt Bay Municipal Water District has lost electricity sales revenue for 2023, a copious rainfall year, which would have benefited ratepayers. Staff noted the complaint and will discuss next steps with Water District staff.

ORAL COMMUNICATIONS

Members of the public Bob Rhode and Jesse Noell submitted written comment opposing biomass energy production and supporting distributed solar energy generation, respectively. Chair Woo closed the non-agenda item public comment period.

CONSENT CALENDAR

- 4.1** Approve Minutes of August 24, 2023, Board Meeting.
- 4.2** Approve Disbursements Report.
- 4.3** Accept Financial Reports.
- 4.4** Approve Resolution 2023-8, Approving and Attesting to the Veracity of the 2022 Power Source Disclosure Report and Power Content Label.
- 4.5** Approve the Attached Update to the Executive Director Salary Range Based on a Midpoint of \$267,000 Effective July 1, 2023.

Chair Woo requested item 4.1 be removed and Business Planning and Finance Director Biondini requested 4.5 be removed from the consent calendar. No member of the public requested removal of consent calendar items.

M/S: Arroyo, Schaefer: Approve Consent Calendar items 4.2, 4.3 and 4.4.

The motion passed with a unanimous vote. Ayes: Arroyo, Ganion, Mobley, Scafani, Schaefer, Tuttle, Wilson, Woo. Noes: None. Absent: Bauer, Jorgensen, Myers. Abstain: None.

Chair Woo requested the words “Power Resources” be removed from the first paragraph of section 8.2 on page 4 of the August 24, 2023, RCEA Board minutes.

Business Planning and Finance Director Biondini submitted written comment, expressed concern over the process used to calculate the Executive Director salary midpoint increase and suggested alternative actions.

The directors discussed:

- Higher Executive Director salaries at other Community Choice Aggregators and the anticipated difficulties of recruiting an experienced replacement.
- Changing workplace norms, including remote executive work options.
- Different methods of adjusting the Executive Director’s salary.
- The importance of equitable methods in adjusting salary schedules.
- Appropriate roles for staff and the Board in re-evaluating salary schedule development methods.

M/S: Mobley, Tuttle: Approve Consent Calendar items 4.1 and 4.5.

The motion passed. Ayes: Ganion, Mobley, Scafani, Tuttle, Wilson, Woo. Noes: Arroyo, Myers, Schaefer. Absent: Bauer, Jorgensen. Abstain: None.

CCE BUSINESS - Chair Woo confirmed there was a CCE Business quorum present.

OLD CCE BUSINESS

6.1 Presentation on Public Health Impacts of Biomass Energy Plants on Nearby Populations, by Dr. Candy Stockton, Health Officer, Humboldt County Department of Health and Human Services. (Information only)

Dr. Stockton shared data on short-term respiratory impacts on populations near biomass energy plants based on a New York state study which she deemed most comparable to Humboldt County’s demographics and health care structure. Using the study’s findings, Humboldt County could expect roughly 7-8 emergency room lower respiratory disease visits per month, which is significant in the context of Humboldt County’s small population and limited medical resources. Dr. Stockton discussed socioeconomic and other factors that may contribute to nearby residents not seeking medical care during a respiratory emergency and absenteeism impacts on school-age children and working adults. Dr. Stockton stressed that she was not advocating for one energy source or another but providing context for energy procurement decision-making.

The Directors discussed:

- How Scotia's geography and weather patterns do not significantly change the New York study findings' applicability to Scotia.
- The need for careful air quality study design and measurement to assure usable results for assessing regulation compliance, and the need for CalPoly Humboldt involvement in an air quality study. Staff offered RCEA funding for this effort if needed.
- The need to consider costs to the community and inequitable distribution of impacts when making any energy procurement decision.
- The possibility of gathering relevant air pollutant data as part of the County's Live Well Humboldt Community Health Improvement Plan research.

Member of the public Walt Paniak submitted an article on air pollution's effect on antibiotic effectiveness and pointed to Humboldt Sawmill Company's PM 2.5 particle emission levels. Chair Woo closed the public comment period.

6.2 Biannual RCEA Strategic Plan Update (Information only)

Executive Director Marshall reported on agency work on strategic plan goals. Recent work was highlighted:

- Rural Regional Energy Network statewide energy efficiency funding and program development,
- The upcoming 2022 Power Content Label energy source postcard,
- Current status of the delayed Sandrini solar project, which will provide 40% of RCEA's customer electricity load when completed, and
- The pending launch of RCEA's second electric bike rebate program.

The directors discussed:

- The possibility of the program purchasing e-bikes in bulk to reduce cost, the cost of electric bikes at local stores, and challenges of ordering inexpensive e-bikes online.
- E-bike rebate outreach efforts, RCEA's e-bike rebate webpage and the expectation that the state's and RCEA's rebates will go quickly.
- The need to engage now to advocate for offshore wind energy transmission routes that meet multiple Humboldt County objectives, including Tribal Nation energy reliability and regional infrastructure investment needs at problem areas such as Willow Creek and Southern Humboldt.
- The need to pursue funding for Schatz Energy Research Center to continue research on offshore wind energy transmission.

There were no comments from the public and Chair Woo closed the comment period.

OLD BUSINESS

8.1 Foster Clean Power A Renewable America Solar Project Contract Amendment

Senior Power Resources Manager Gwynn reported on this project whose conditional use permit has already been granted by the County. The contract's amendments, negotiated so both RCEA and the developer shoulder industry cost increases, were described. The contract price changes improve the project's viability after wet weather delays and financing challenges. There were no comments from the public and Chair Woo closed the comment period.

M/S: Arroyo, Schaefer: Approve Amendment 1 to the Foster Clean Power A LLC Power Purchase Agreement and authorize the Executive Director to execute all applicable documents.

The motion passed with a unanimous vote. Ayes: Arroyo, Ganion, Mobley, Scafani, Schaefer, Tuttle, Wilson, Woo. Noes: None. Absent: Bauer, Jorgensen, Myers. Abstain: None.

8.2 Electric Vehicle Charging Hub Project Design Contract

Executive Director Marshall described this project to install 10 electric vehicle charging sites across the county, and the current step of hiring the electrical engineering designers. There were no comments from the public and Chair Woo closed the comment period.

M/S: Mobley, Tuttle: Authorize the Executive Director to execute all applicable documents for Professional Electrical Design and Engineering Services associated with the North Coast Plug-In Electric Vehicle Charging Network Phase 2 Project with Whitchurch Engineering, Inc. for a not to exceed value of \$99,088, subject to RCEA General Counsel review.

The motion passed with a unanimous vote. Ayes: Arroyo, Ganion, Mobley, Scafani, Schaefer, Tuttle, Wilson, Woo. Noes: None. Absent: Bauer, Jorgensen, Myers. Abstain: None.

NEW BUSINESS

9.1 RCEA Office Building Property Purchase and Development

Deputy Executive Director Verbeck described RCEA's current and projected office space needs, previous efforts to locate a suitable building, and plans for staff, public meeting and educational space in a new office location. The proposed cash purchase of a vacant Old Town lot on which to build an office building was described. The ad hoc Building Relocation Subcommittee scope of work was extended through the property development process. There were no comments from the public and Chair Woo closed the comment period.

M/S: Schaefer, Arroyo:

Approve Resolution No 2023-07, Accepting Real Property Interests in Assessor's Parcel Number 001-131-007, 805 3rd Street, Eureka CA.

Approve the expenditure of \$285,000 plus closing fees and costs estimated to be less than \$5,000 for the acquisition of real property at 805 3rd Street, Eureka, CA, APN 001-131-007.

The motion passed with a unanimous vote. Ayes: Arroyo, Ganion, Mobley, Scafani, Schaefer, Tuttle, Wilson, Woo. Noes: None. Absent: Bauer, Jorgensen, Myers. Abstain: None.

STAFF REPORTS

10.1 Executive Director's Report

Executive Director Marshall reported from the CalCCA strategic planning sessions that other CCAs were facing similar procurement challenges as RCEA and are discussing measures to address current market constraints. Regulatory and Legislative Policy Manager Faith Yakovleva was introduced. Staff added that Board meetings will move to the Wharfinger Building's downstairs Bay Room for easier ADA accessibility and sound starting next month and announced a morning open house to inform contractors and vendors of rebates and other RCEA efficiency programs. There were no public comments on this agenda item.

FUTURE AGENDA ITEMS

Directors requested staff reports on RCEA's role and work on offshore wind electricity distribution and transmission issues, and a discussion on the salary schedule structure and potential changes. There were no public comments on this agenda item.

Chair Woo adjourned the meeting at 5:42 p.m.

Lori Taketa
Clerk of the Board

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Redwood Coast Energy Authority
Disbursements Report
As of August 31, 2023

Type	Date	Num	Name	Memo	Amount
Liability Check	08/04/2023	ACH	EDD	Taxes, Paydate 8/4/23	-7,234.83
Liability Check	08/04/2023	ACH	Internal Revenue Service	Taxes, Paydate 8/4/23	-32,957.12
Liability Check	08/04/2023	ACH	Newport Group	Deferred compensation, Paydate 8/4/23	-13,444.38
Bill Pmt -Check	08/04/2023	ACH	Viridity Energy Solutions, Inc.	Tierra Buena RA-July 2023	-16,900.00
Liability Check	08/04/2023	16191	HealthEquity Inc	Health Savings Account, Paydate 8/4/23	-72.07
Check	08/04/2023	16192	CCE Customer	VOID: Ck 16192 \$228.57 and reissue on 8/4/23 Ck 16234	0.00
Check	08/04/2023	16193	Justin Ly	CCE Equipment Rebate - Res #DS-R-230719-1481	-150.00
Check	08/04/2023	16194	CCE Customer	CCE Equipment Rebate - Res #DS-R-230706-1460	-100.00
Check	08/04/2023	16195	CCE Customer	PA Equipment Rebate - Res #DS-R-230703-1454	-150.00
Check	08/04/2023	16196	CCE Customer	Heat Pump Rebate #DS-R-230622-1413	-1,450.00
Check	08/04/2023	16197	CCE Customer	Heat Pump Rebate #DS-R-230608-1387	-1,550.00
Check	08/04/2023	16198	CCE Customer	Heat Pump Rebate #DS-R-230703-1455	-1,400.00
Check	08/04/2023	16199	CCE Customer	Heat Pump Rebate #DS-R-230627-1425	-725.00
Check	08/04/2023	16200	CCE Customer	CCE Heat Pump Rebate #DS-R-230714-1472	-1,200.00
Check	08/04/2023	16201	CCE Customer	Heat Pump Rebate #DS-R-230703-1451	-1,450.00
Check	08/04/2023	16202	SacTown Contractor's Corp.	PA Direct Install Non-RES Humboldt Petroleum-21 sites	-21,351.81
Bill Pmt -Check	08/04/2023	16203	Advanced Display & Signs	Qty 40 Blackout Decals	-122.99
Bill Pmt -Check	08/04/2023	16204	AT&T	Back up internet: 06/19 - 07/18	-163.00
Bill Pmt -Check	08/04/2023	16205	Bitthell, M.	July 2023 Mileage Reimb #2	-41.92
Bill Pmt -Check	08/04/2023	16206	Boudreau, D.	Mileage Reimbursement July 2023	-104.80
Bill Pmt -Check	08/04/2023	16207	Braun Blaising & Wynne	Legal Services - Regulatory -June 2023	-739.89
Bill Pmt -Check	08/04/2023	16208	Colonial Life	Insurance Premiums July 2023	-2,256.20
Bill Pmt -Check	08/04/2023	16209	Developed Employment Services, LLC.	Facilities maintenance work-Yard Work 633 3rd St.	-64.23
Bill Pmt -Check	08/04/2023	16210	Donald Dame	Professional Services July 2023	-350.00
Bill Pmt -Check	08/04/2023	16211	HSU - Sponsored Programs Foundation	MD/HD ZEV Services - 6/1/23-6/30/23	-1,331.28
Bill Pmt -Check	08/04/2023	16212	Humboldt Bay Coffee Co.	August 2023 Office Coffee	-77.85
Bill Pmt -Check	08/04/2023	16213	Humboldt Transit Authority	Bus Rides for RCEA Staff Apr-Jun 2023	-98.70
Bill Pmt -Check	08/04/2023	16214	Law Office of David Pepper	June 2023 - RuralREN regulatory and legal support	-11,222.00
Bill Pmt -Check	08/04/2023	16215	Liebert Cassidy Whitmore	June 2023 Legal Opinion/Personnel Rule Review	-6,981.89
Bill Pmt -Check	08/04/2023	16216	Los Bagels Co., Inc.	E-Bike Workshop Refreshments	-247.26
Bill Pmt -Check	08/04/2023	16217	Mission Uniform & Linen	August 2023 janitorial services	-97.80
Bill Pmt -Check	08/04/2023	16218	Newport Group	Participant Fees for Retirement Plan - Q3	-942.66
Bill Pmt -Check	08/04/2023	16219	Nicklas, Alida M	Mileage reimbursement - July 2023-2	-44.27
Bill Pmt -Check	08/04/2023	16220	North Coast Cleaning	July 2023 janitorial services	-970.00
Bill Pmt -Check	08/04/2023	16221	North Country Fair	North Country Fair 2023 Booth Fees & License	-220.00
Bill Pmt -Check	08/04/2023	16222	PG&E Engineering	Engineering advance for EVSE at Orleans VFD site	-3,500.00
Bill Pmt -Check	08/04/2023	16223	PG&E EV Account	EV stations 06/14/2023-07/16/2023	-1,228.25
Bill Pmt -Check	08/04/2023	16224	PG&E Office Utility	06/14-07/16/23 utilities for 633 3rd Street	-1,093.35
Bill Pmt -Check	08/04/2023	16225	Pierson Building Center	633 3rd St: supplies to fix toilet	-5.45
Bill Pmt -Check	08/04/2023	16226	Premier Financial Group	Advisory Fee for Q2 2023	-4,842.46
Bill Pmt -Check	08/04/2023	16227	Recology	633 3rd St: July 2023 garbage service	-105.52
Bill Pmt -Check	08/04/2023	16228	Security Lock & Alarm	July and August 2023 invoices	-527.73
Bill Pmt -Check	08/04/2023	16229	Times Printing Company	August 2023 Move-in mailers	-1,494.22
Bill Pmt -Check	08/04/2023	16230	Verbeck, E.	July 2023 Facility purchase reimbursement	-318.96
Bill Pmt -Check	08/04/2023	16231	Visual Concepts	Metal Frame for Custom Tent Top for Outreach	-400.00
Bill Pmt -Check	08/04/2023	16232	Weiser, N.	July 2023 Mileage Reimbursement	-12.25
Bill Pmt -Check	08/04/2023	16233	WREGIS	Retired REC's - Qty 302,366	-1,209.46
Check	08/04/2023	16234	CCE Customer	Res EVSE rebate #REVSE32	-228.97
Paycheck	08/04/2023	ACH	Employees	Payroll	-79,782.75
Check	08/07/2023	16235	VISA	July 2023 Statement 06/22/2023 - 07/20/2023	-10,458.28
Bill Pmt -Check	08/11/2023	16236	Boone, J.	CalCCA Meeting Per Diem Meals	-140.00
Bill Pmt -Check	08/11/2023	16237	Engel, R.	CalCCA Meeting Per Diem Meals	-140.00
Bill Pmt -Check	08/11/2023	16238	Regli, S	CalCCA Meeting Per Diem Meals	-140.00
Bill Pmt -Check	08/18/2023	ACH	Humboldt Sawmill Co.	July 2023 Electricity Generation	-450,907.41
Bill Pmt -Check	08/18/2023	ACH	Keenan	Anthem Medical Insurance August 2023	-29,637.95
Bill Pmt -Check	08/18/2023	ACH	Leapfrog Energy	July 2023 RA	-36,740.00
Bill Pmt -Check	08/18/2023	ACH	Snow Mountain Hydro, LLC	July 2023 Electricity Generation	-3,986.17
Liability Check	08/18/2023	ACH	CICCS Coalition for Controlling Insurance	EAP plan premiums 2023-8	-63.24

Redwood Coast Energy Authority
Disbursements Report
As of August 31, 2023

Type	Date	Num	Name	Memo	Amount
Liability Check	08/18/2023	ACH	EDD	Taxes, paydate 08/18/23	-7,439.46
Liability Check	08/18/2023	ACH	Internal Revenue Service	Taxes, paydate 08/18/23	-33,700.86
Liability Check	08/18/2023	ACH	Newport Group	Deferred compensation, paydate 08/18/23	-13,313.51
Bill Pmt -Check	08/18/2023	ACH	CalPine Corporation	Calpine July 2023 Costs	-63,217.20
Check	08/18/2023	16239	CCE Customer	CCE Equipment Rebate - Res #DS-R-230703-1459	-100.00
Check	08/18/2023	16240	CCE Customer	Heat Pump Rebate #DS-R-230703-1453	-800.00
Check	08/18/2023	16241	CCE Customer	Heat Pump Rebate #DS-R-230627-1435	-1,525.00
Check	08/18/2023	16242	CCE Customer	Heat Pump Rebate #DS-R-230627-1432	-725.00
Check	08/18/2023	16243	CCE Customer	Heat Pump Rebate #DS-R-230710-1463	-1,000.00
Check	08/18/2023	16244	CCE Customer	PA install -DI-NR-220929-0593	-85.15
Check	08/18/2023	16245	American Energy Partners	PA install -Mad River Brewery- DI-NR-220520-0283	-478.46
Check	08/18/2023	16246	American Energy Partners	PA install -Humboldt Petroleum-9 projects	-4,784.60
Check	08/18/2023	16247-59	NEM Customers	NEM Account Close Out	-1,343.25
Bill Pmt -Check	08/18/2023	16260	Aiqueous, LLC	Stage 6 Next 90 & Stage 7 Jan-Dec 2023	-3,351.00
Bill Pmt -Check	08/18/2023	16261	AM Conservation	July and August 2023 invoices	-2,372.10
Bill Pmt -Check	08/18/2023	16262	Amazon.com	Monthly billing - July 2023	-2,463.55
Bill Pmt -Check	08/18/2023	16263	Ameritas - Dental	Insurance premiums - September 2023	-2,199.64
Bill Pmt -Check	08/18/2023	16264	Ameritas - Vision	Insurance premiums - September 2023	-452.96
Bill Pmt -Check	08/18/2023	16265	AT&T	RCAM router charges: 07/29 - 08/28/2023	-768.52
Bill Pmt -Check	08/18/2023	16266	AT&T Long Distance	Toll-free charges 07/25/2023 - 08/24/2023	-165.34
Bill Pmt -Check	08/18/2023	16267	Baker Tilly US, LLP	Audit services - period ending 7/28/23	-18,785.51
Bill Pmt -Check	08/18/2023	16268	Boudreau, D.	Mileage & Employee Reimb related to RCAM site	-83.27
Bill Pmt -Check	08/18/2023	16269	Carter Properties, LLC	917 3rd Street Office Lease -September 2023	-2,300.00
Bill Pmt -Check	08/18/2023	16270	City Clerks Association of California	2023 Membership Dues for Lori Taketa	-250.00
Bill Pmt -Check	08/18/2023	16271	City of Arcata	July 2023 Utility User Tax #6310	-13,348.71
Bill Pmt -Check	08/18/2023	16272	City of Arcata	July 2023 Excessive Energy Use Tax #6315	-2,107.93
Bill Pmt -Check	08/18/2023	16273	City of Eureka-Water	917 & 633 3rd water bills	-426.47
Bill Pmt -Check	08/18/2023	16274	David L. Moonie & Co., LLP	April & July 2023 accounting services	-554.00
Bill Pmt -Check	08/18/2023	16275	Diamond, Nancy	July 2023 legal services	-9,044.20
Bill Pmt -Check	08/18/2023	16276	HireRight	Background Check: two new hires	-277.97
Bill Pmt -Check	08/18/2023	16277	HSU - Sponsored Programs Foundation	TO2 RCAM Operations Support June 2023	-4,961.56
Bill Pmt -Check	08/18/2023	16278	Humboldt Fence Co.	Porch fence and gate at 917 3rd Street	-7,375.00
Bill Pmt -Check	08/18/2023	16279	Liebert Cassidy Whitmore	July 2023 HR legal services	-6,799.50
Bill Pmt -Check	08/18/2023	16280	Local Worm Guy	Compost pickup - July 2023 917 & 633 3rd	-60.00
Bill Pmt -Check	08/18/2023	16281	Mission Uniform & Linen	August 2023 janitorial services	-152.49
Bill Pmt -Check	08/18/2023	16282	NYLEX.net, Inc.	Network support services - September 2023	-3,620.00
Bill Pmt -Check	08/18/2023	16283	O&M Industries	633 3rd St: HVAC annual inspection	-216.00
Bill Pmt -Check	08/18/2023	16284	Optimum Business-633	633 3rd St: Phone & Internet - 07/28 - 08/27/2023	-1,100.51
Bill Pmt -Check	08/18/2023	16285	Petty Cash	Replenish petty cash for 07.01.23-07.31.23	-23.34
Bill Pmt -Check	08/18/2023	16286	PG&E Office Utility	07/07-08/06/23 utilities for 917 3rd Street	-251.89
Bill Pmt -Check	08/18/2023	16287	Times Printing Company	August 2023 mailers	-545.42
Bill Pmt -Check	08/18/2023	16288	Ubeo Business Services	633 3rd St Printer Charges: 07/06-08/05/23	-172.45
Bill Pmt -Check	08/18/2023	16289	Verizon Wireless	Tablet/cell service - 06/29 - 07/28/2023	-1,956.86
Bill Pmt -Check	08/18/2023	16290	Winzler, John	Office Lease - 633 3rd Street September 2023	-7,752.50
Liability Check	08/18/2023	16291	HealthEquity Inc	Health Savings Account, paydate 8/18/23	-72.07
Check	08/18/2023	16292	CCE Customer	CCE Equipment Rebate - Res #DS-R-230815-1514	-50.00
Bill Pmt -Check	08/18/2023	16293	Scraper's Edge	Certificate frames	-67.37
Paycheck	08/18/2023	ACH	Employees	Payroll	-81,275.77
Check	08/20/2023	Debit	Umpqua	Service Charge	-159.90
Bill Pmt -Check	08/21/2023	ACH	PG&E Voluntary Allocation	Apr 2023 Forecast Price- RPS	-48,132.93
Bill Pmt -Check	08/21/2023	16294	Alber's Tractor and Ag Work	Mowing services for RCAM 8/3,8/10 & 8/11	-1,500.00
Bill Pmt -Check	08/21/2023	16295	Humboldt Land Title	805 3rd Street, Earnest Deposit for Escrow	-20,000.00
Bill Pmt -Check	08/21/2023	16296	PG&E CCA	July 2023 CCE Charges	-21,892.08
Bill Pmt -Check	08/21/2023	16297	Sloan, J.	CalCCA Meeting Per Diem Meals	-140.00
Bill Pmt -Check	08/31/2023	ACH	Viridity Energy Solutions, Inc.	Tierra Buena RA-August 2023	-16,900.00
TOTAL					<u>-1,165,815.67</u>

Redwood Coast Energy Authority
Profit & Loss Budget vs. Actual
July through August 2023

	Jul - Aug 23	Budget	% of Budget
Ordinary Income/Expense			
Income			
Total 4 GRANTS AND DONATIONS	250.00	0.00	100.0%
5 REVENUE EARNED			
Total 5000 · Revenue - government agencies	20,562.32	10,641,170.00	0.19%
Total 5100 · Revenue - program related	499,193.45	35,000.00	1,426.27%
Total 5400 · Revenue-nongovernment agencies	44,588.35	400,000.00	11.15%
Total 5500 · Revenue - Electricity Sales	13,761,949.10	98,822,720.00	13.93%
Total 5 REVENUE EARNED	14,326,293.22	109,898,890.00	13.04%
Total Income	14,326,543.22	109,898,890.00	13.04%
Gross Profit	14,326,543.22	109,898,890.00	13.04%
Expense			
Total 6 WHOLESALE POWER SUPPLY	11,601,657.46	77,731,548.00	14.93%
Total 7 PERSONNEL EXPENSES	495,071.93	5,434,518.00	9.11%
Total 8.1 FACILITIES AND OPERATIONS	116,104.42	1,754,484.00	6.62%
Total 8.2 COMMUNICATIONS AND OUTREACH	19,928.37	622,590.00	3.2%
8.4 PROFESSIONAL & PROGRAM SRVS			
8400 · Regulatory	27,650.28	205,000.00	13.49%
8410 · Contracts - Program Related Ser	20,242.50	8,080,900.00	0.25%
8420 · Accounting	41,602.51	191,000.00	21.78%
8430 · Legal	27,907.50	195,000.00	14.31%
8450 · Wholesale Services - TEA	136,187.38	766,853.00	17.76%
8460 · Procurement Credit - TEA	29,273.86	635,821.00	4.6%
8470 · Data Management - Calpine	125,596.56	887,187.00	14.16%
Total 8.4 PROFESSIONAL & PROGRAM SRVS	408,460.59	10,961,761.00	3.73%
Total 8.5 PROGRAM EXPENSES	78,772.81	290,014.00	27.16%
Total 8.6 INCENTIVES & REBATES	41,226.51	591,500.00	6.97%
Total 9 NON OPERATING COSTS	365.17	304,500.00	0.12%
Total Expense	12,761,587.26	97,690,915.00	13.06%
Net Ordinary Income	1,564,955.96	12,207,975.00	12.82%
Net Income	1,564,955.96	12,207,975.00	12.82%

Redwood Coast Energy Authority
Balance Sheet
As of August 31, 2023

	<u>Aug 31, 23</u>
ASSETS	
Current Assets	
Checking/Savings	
1010 · Petty Cash	300.00
1060 · Umpqua Checking Acct 0560	190,183.21
1071 · Umpqua Deposit Cntrol Acct 8215	14,054,583.91
1075 · Umpqua Reserve Account 2300	1,700,000.00
1076 · First Republic Bank - 4999	62,263.94
Total Checking/Savings	16,007,331.06
Total Accounts Receivable	85,047.62
Other Current Assets	
1101 · Allowance for Doubtful Accounts	-5,247,571.35
1103 · Accounts Receivable-Other	18,498,374.19
1120 · Inventory Asset	35,452.21
1205 · Prepaid Insurance	17,900.62
1210 · Retentions Receivable	6,609.18
1499 · Undeposited Funds	26.00
Total Other Current Assets	13,310,790.85
Total Current Assets	29,403,169.53
Total Fixed Assets	9,049,261.14
Other Assets	
1700 · Security Deposits	4,153,623.26
Total Other Assets	4,153,623.26
TOTAL ASSETS	<u>42,606,053.93</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Total Accounts Payable	4,840,950.35
Total Credit Cards	21,575.90
Other Current Liabilities	
2002 · Deposits Refundable	1,521,045.01
2011 · NEM Escrow Liability	145,802.73
2013 · Unearned Revenue - PA 2020-2023	136,075.28
Total 2100 · Payroll Liabilities	157,950.14
2200 · Accrued Expenses	
2221 · Electrical Energy Surcharge	26,739.69
Total 2200 · Accrued Expenses	26,739.69
Total Other Current Liabilities	1,987,612.85
Total Current Liabilities	6,850,139.10
Total Long Term Liabilities	6,218,497.58
Total Liabilities	13,068,636.68
Equity	
2320 · Investment in Capital Assets	153,263.67
3900 · Fund Balance	27,795,831.91
Net Income	1,564,955.96
Total Equity	29,514,051.54
TOTAL LIABILITIES & EQUITY	<u>42,582,688.22</u>



REDWOOD COAST Energy Authority

STAFF REPORT Agenda Item # 4.4

AGENDA DATE:	October 26, 2023
TO:	Board of Directors
PREPARED BY:	Jocelyn Gwynn, Senior Power Resources Manager
SUBJECT:	BB&W Conflict of Interest Waiver for SCPA Negotiations

SUMMARY

Staff are negotiating a resource adequacy (RA) agreement with Sonoma Clean Power Authority (SCPA) to procure a portion of their capacity for RCEA's compliance with the California Public Utilities Commission's (CPUC) Mid-Term Reliability (MTR) procurement requirements, in addition to general RA procurement requirements. While RCEA's procurement efforts to secure capacity for the 2024 MTR tranche through competitive solicitations were successful, due to delays in those projects coming online RCEA currently has a need to secure additional 2024 capacity, so is seeking compliance through a bilateral transaction with SCPA.

Braun Blaising and Wynne (BB&W) typically represents RCEA in negotiations of power contracts, in addition to RCEA General Counsel. BB&W also provides legal and regulatory support services to many other CCAs. BB&W provides regulatory services to SCPA but does not represent SCPA in contract negotiations. Staff request the Board approve a waiver of this conflict of interest so staff can proceed with BB&W representing RCEA in the negotiations with SCPA. The waiver has been reviewed and approved by RCEA General Counsel.

ALIGNMENT WITH [RCEA'S STRATEGIC PLAN](#)

Not applicable.

EQUITY IMPACTS

Not applicable.

FINANCIAL IMPACT

None, the waiver is simply to proceed with negotiations.

STAFF RECOMMENDATION

Approve Conflict of Interest Waiver with Braun Blaising &Wynne for representation in contract negotiations with Sonoma Clean Power Authority.

ATTACHMENTS

Conflict of Interest Waiver with BB&W

Braun Blaising & Wynne, P.C.

Attorneys at Law

October 18, 2023

Sheri Woo
Board Chair
Redwood Coast Energy Authority
633 3rd Street
Eureka, CA 95501
(707) 269-1700

RE: Conflict of Interest Waiver

Dear Ms. Woo:

Braun Blaising & Wynne, P.C. (“Firm”) has an existing attorney-client relationship with the Redwood Coast Energy Authority (“RCEA”). The Firm provides RCEA with regulatory and transactional support, including assisting in the negotiation of power purchase agreements and resource adequacy agreements. The Firm also represents the Sonoma Clean Power Authority (“SCPA”). RCEA and SCPA have entered into negotiations for RCEA to purchase a resource adequacy product from SCPA. RCEA has asked the Firm to assist in the review and negotiation of a proposed contract for these transactions. Although our firm does not represent or otherwise provide support to SCPA in the negotiation of contracts, nevertheless we believe there is the potential for a conflict.

The Firm provides support to SCPA in relation to various regulatory proceedings at the California Public Utilities Commission (“CPUC”). Additionally, the Firm serves as general counsel to California Community Power (“CC Power”), which is a joint powers authority comprised of Community Choice Aggregators (“CCAs”), including both SCPA and RCEA.

It is my understanding that the scope of the Firm’s role in supporting RCEA in the review and negotiation of the resource adequacy agreement between RCEA and SCPA does not include an evaluation of the commercial terms of the contract, such as price or quantity. Further, the Firm is prohibited from disclosing any confidential information of SCPA that it may possess by California Business and Professions Code § 6068(e) and Rule 1.6 of the California Rules of Professional Conduct.

RULES OF PROFESSIONAL CONDUCT

Rule 1.7 of the California Rules of Professional Conduct provides in pertinent part:

(a) A lawyer shall not, without informed written consent from each client and compliance with paragraph (d), represent a client if the representation is directly adverse to another client in the same or a separate matter.

(b) A lawyer shall not, without informed written consent from each affected client and compliance with paragraph (d), represent a client if there is a significant risk the lawyer's representation of the client will be materially limited by the lawyer's responsibilities to or relationships with another client, a former client or a third person, or by the lawyer's own interests.

...

(d) Representation is permitted under this rule only if the lawyer complies with paragraphs (a), (b), and (c), and:

(1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;

(2) the representation is not prohibited by law; and

(3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal.

Our representation of RCEA in the review of the proposed resource adequacy agreement implicates Rule 1.7(b).

OUR REPRESENTATION

Our Firm has no role in the review or negotiation of power purchase agreements or resource adequacy agreements for SCPA. However, this fact does not obviate the actual conflict that exists if our Firm represents SCPA in other capacities. As such, California law requires that we obtain written informed consent from each client before continuing representation.

ADVERSE CONSEQUENCES

We cannot predict every negative impact for you which may occur as a result of giving consent as requested here, however the reasonably foreseeable adverse consequences that could arise are the following:

- We may be tempted to favor the interests of one client over the other.
- Our exercise of independent judgment relating to RCEA matters may be impaired or

clouded by our relationship with SCPA.

- We may be restricted from forcefully advocating a client's position for fear of alienating the other client.
- We may impair the position, claims or defenses of one client because of an adverse position we take for another client.
- We may be forced to withdraw from representing either or both clients because of disputes or further conflicts of interest, which could increase either or both clients' attorney's fees and costs.
- There may be an appearance of impropriety in our representation of the clients simultaneously.

YOUR CONSENT

This letter sets forth the factual background in this matter. However, if you believe that there is any other information that you need before consent can be granted, please let me know immediately.

In the event that circumstances change or we become aware of new information that requires a new consent from the parties, you will be promptly notified of that fact, and continued representation will be subject to the informed written consent of involved parties.

You are entitled to and should consider obtaining an independent legal opinion regarding the advisability of signing this consent form.

Your execution of this consent form will constitute an acknowledgment of full disclosure in compliance with the requirements of Section 1.7 of the California Rules of Professional Conduct previously quoted in this letter, and that you knowingly and voluntarily consent to representation by the Firm despite actual conflicts of interest. Such signature will acknowledge your consent to the Firm's representation of RCEA as described above, and shall apply to all work performed on or after October 18, 2023.

Thank you for your expeditious consideration of this matter. If you have any questions, please do not hesitate to contact me.

Sincerely,

Justin Wynne
Braun Blaising & Wynne, P.C.

AGREED AND ACCEPTED:

Redwood Coast Energy Authority

By: _____

Sheri Woo
Board Chair
Redwood Coast Energy Authority

Dated: _____



REDWOOD COAST EnergyAuthority

STAFF REPORT Agenda Item # 6.1

AGENDA DATE:	October 26, 2023
TO:	Board of Directors
PREPARED BY:	Lori Biondini, Director of Business Planning and Finance
SUBJECT:	Financial Audit Report and Presentation

BACKGROUND

On January 26, 2023, the Board approved engaging with Baker Tilly US, LLP for independent accounting services, including auditing of RCEA's financial statements for the years ended June 30, 2018 through 2022.

As noted in the staff report for the above-referenced January agenda item, RCEA ended its previous engagement with Pisenti & Brinker in 2022 upon mutual agreement that it was in the best interest of both parties to terminate. Shortly after, RCEA identified Baker Tilly US, LLP as a qualified accounting firm to provide required financial auditing services.

SUMMARY

Baker Tilly US, LLP has finished auditing RCEA's financial statements for the years ended June 30, 2018 and 2019, and provided their Independent Auditors' Report and summary of their audit process, attached. A representative from Baker Tilly will be available at the Board meeting to provide an overview of the report and answer questions.

STAFF RECOMMENDATION

Accept and Approve Redwood Coast Energy Authority Financial Statements June 30, 2019 and 2018 and Associated Independent Auditors' Report By Baker Tilly US, LLP.

ATTACHMENTS

1. Redwood Coast Energy Authority Financial Statements June 30, 2019 and 2018
2. Reporting and insights from 2019 and 2018 audit: Redwood Coast Energy Authority June 20, 2019 and 2018

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Redwood Coast Energy Authority

Financial Statements

June 30, 2019 and 2018

Redwood Coast Energy Authority

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June 30, 2019 and 2018

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Statements of Cash Flows	8
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Independent Auditors' Report

To the Board of Directors of
Redwood Coast Energy Authority

We have audited the accompanying financial statements of Redwood Coast Energy Authority, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Redwood Coast Energy Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Redwood Coast Energy Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Redwood Coast Energy Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Coast Energy Authority as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Redwood Coast Energy Authority as of June 30, 2017, prior to restatement, were audited by other auditors whose report dated December 7, 2018, expressed an unmodified opinion on those statements.

As part of the audit of the June 30, 2018 financial statements, we also audited the adjustments described in Note 8 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Redwood Coast Energy Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
October 16, 2023

Management's Discussion and Analysis, Years Ended June 30, 2018, and 2019

The Management's Discussion and Analysis provides an overview of Redwood Coast Energy Authority's financial activities as of and for the years ended June 30, 2018, and 2019. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The Redwood Coast Energy Authority (RCEA) was formed in 2003 as a Joint Powers Authority (JPA) of the seven incorporated cities of Humboldt County, California, and the County of Humboldt, with the subsequent addition of Humboldt Bay Municipal Water District. The mission of RCEA is to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient, and renewable resources available in the region.

As a JPA, RCEA is governed by a board of appointed directors from each member agency. RCEA further amended the JPA in 2016 to operate as a Community Choice Aggregator (CCA) providing electric power and related benefits within RCEA's service area.

Financial reporting

RCEA presents its financial statements as an enterprise fund under the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

RCEA's basic financial statements are comprised of four components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows and 4) Notes to the basic financial statements.

The Statements of Net Position include all RCEA's assets and liabilities with the difference reported as net position and provides information about the nature and amounts of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses, and Changes in Net Position report all RCEA's revenue and expenses for the years shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other sources and uses, such as debt financing and capital activities.

Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

FINANCIAL HIGHLIGHTS

The following table is a summary of RCEA's assets, liabilities, and net position and a discussion of significant changes for the years ending June 30:

	2019	2018	Restated 2017
Current assets	\$11,419,561	\$9,475,941	\$8,167,669
Noncurrent assets	982,040	157,633	151,725
Total assets	12,401,601	9,633,547	8,319,394
Current liabilities	3,784,458	3,184,472	6,804,598
Noncurrent liabilities	40,293	92,519	775,095
Total liabilities	3,824,751	3,276,991	7,579,693
Net position			
Investment in capital assets	981,245	154,930	147,112
Unrestricted	7,595,605	6,201,653	592,589
Total net position	\$8,576,850	\$6,356,583	\$739,701

2017 has been restated to correct errors recorded related to accounts receivable and electric sales revenue. See Note 8 for more details.

Current assets

Current assets were approximately \$11,420,000 at the end of 2019 and were primarily comprised of cash of \$4,018,000, accounts receivable of \$4,719,000, and accrued revenue of \$2,247,000. Cash and accrued revenue increased from 2018 to 2019 due to slightly higher generation rates. Accounts receivable increased due to the continued accumulation of uncollected revenues.

Capital assets

Capital assets are presented net of depreciation. Capital assets held by RCEA in 2018 include leasehold improvements, office furniture and equipment, and electric vehicle charging equipment. In 2019 capital assets also included construction in progress of a solar power generation plant and battery storage system.

Current and noncurrent liabilities

The largest component of current liabilities is the accrued cost of electricity which increased from 2018 to 2019 due to an increase of power procurement costs. Current and noncurrent portions of notes payable decreased from 2018 to 2019 due to principal payments made during the year.

The following table is a summary of RCEA's results of operations and a discussion of significant changes for years ending June 30:

	2019	2018	Restated 2017
Operating Revenues	\$47,278,809	\$45,161,224	12,699,346
Operating Expenses	45,904,882	39,501,243	12,760,703
Operating Income (Loss)	1,373,927	5,659,981	(61,357)
Nonoperating Revenues (Expenses)	(14,010)	(43,099)	(4,975)
Capital Contributions	860,350	-	-
Change in net position	\$2,220,267	\$5,616,882	\$(66,332)

2017 has been restated to correct errors recorded related to accounts receivable and electric sales revenue. See Note 8 for more details.

Operating revenues

Operating revenues increased from 2018 to 2019 primarily from small rate increases and territory expansion to include the City of Ferndale mid-way through the 2018 fiscal year. RCEA also receives revenues from sources other than retail electricity sales. These sources include State grants and contracts to provide energy efficiency services and other customer programs.

Operating expenses

Operating expenses increased from 2018 to 2019 due to the rising cost of energy and energy products in the market. RCEA procures energy from a variety of sources and uses long-term contracts as well as short-term hedging to minimize this risk and maintain a balanced power portfolio.

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK

RCEA enters into various purchase agreements to meet regulatory and voluntary renewable portfolio standard (RPS) and greenhouse gas (GHG) free targets, as well as to meet its goals of providing local renewable energy at a competitive retail rate while managing exposure to changing market prices. The purchase commitments are aligned with expected demand for electricity and by procuring power from diverse technologies and geographic locations. Expected obligations under power purchase agreements totaled \$46,020,248 as of June 30, 2019.

For the year ended June 30, 2020, the following factors affect RCEA's finances:

- The continued operation of RCEA's Community Choice Aggregation program,
- The continued implementation of the grant and contract-funded energy efficiency and other customer programs,
- Continuing activities related to promoting electric vehicles including planning for and construction of charging infrastructure funded partially by State incentives and grants,
- The continued construction of a solar powered generating and storage microgrid facility funded partially by grant funds from the California Energy Commission.

REQUEST FOR INFORMATION

This financial report is designed to provide RCEA's board members, stakeholders, customers, and creditors with a general overview of the RCEA's finances and to demonstrate RCEA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the Redwood Coast Energy Authority, Attn: Director of Business Planning and Finance, 633 3rd Street, Eureka, CA 95501.

Redwood Coast Energy Authority

Statements of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,017,737	\$ 2,867,462
Accounts receivable, net of allowance	4,719,212	3,914,425
Unbilled revenue	2,247,311	1,864,085
Other receivable	294,037	699,203
Prepaid expenses	1,712	-
Inventory	35,452	26,666
Deposits	104,100	104,100
Total current assets	11,419,561	9,475,941
Noncurrent Assets		
Plant in service	299,318	291,177
Accumulated depreciation	(177,628)	(133,544)
Construction work in progress	860,350	-
Total noncurrent assets	982,040	157,633
Total assets	\$ 12,401,601	\$ 9,633,574
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 345,229	\$ 321,422
Accrued cost of electricity	3,017,854	2,149,404
Accrued wages	142,351	148,927
Accrued compensation	76,798	70,690
Security deposits	150,000	-
Retentions payable	-	3,994
Current portion of notes payable	52,226	490,035
Total current liabilities	3,784,458	3,184,472
Noncurrent Liabilities		
Note payable	40,293	92,519
Total noncurrent liabilities	40,293	92,519
Total liabilities	3,824,751	3,276,991
Net Position		
Net investment in capital assets	981,245	154,930
Unrestricted	7,595,605	6,201,653
Total net position	8,576,850	6,356,583
Total liabilities and net position	\$ 12,401,601	\$ 9,633,574

See notes to financial statements

Redwood Coast Energy Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
Charges for service	\$ 45,919,955	\$ 43,234,841
Grant revenue	1,357,477	1,926,383
Other revenue	1,377	-
Total operating revenues	<u>47,278,809</u>	<u>45,161,224</u>
Operating Expenses		
Purchased power	39,517,984	32,750,101
Operation and maintenance	6,342,814	6,702,563
Depreciation	44,084	48,579
Total operating expenses	<u>45,904,882</u>	<u>39,501,243</u>
Operating income	<u>1,373,927</u>	<u>5,659,981</u>
Nonoperating Revenues (Expenses)		
Investment income	275	5,527
Interest expense	(14,285)	(48,626)
Nonoperating revenues	<u>(14,010)</u>	<u>(43,099)</u>
Income before contributions	1,359,917	5,616,882
Capital Contributions	<u>860,350</u>	<u>-</u>
Change in net position	2,220,267	5,616,882
Net Position, Beginning (as restated)	<u>6,356,583</u>	<u>739,701</u>
Net Position, Ending	<u><u>\$ 8,576,850</u></u>	<u><u>\$ 6,356,583</u></u>

See notes to financial statements

Redwood Coast Energy Authority

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Received from customers	\$ 45,284,491	\$ 41,837,516
Received from grants	1,357,477	1,926,383
Paid to suppliers for goods and services	(42,730,572)	(41,028,116)
Paid to employees for operating payroll	<u>(2,248,935)</u>	<u>(2,209,539)</u>
Net cash flows from operating activities	<u>1,662,461</u>	<u>526,244</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(868,491)	(54,487)
Capital contributions received	860,350	-
Debt retired	<u>(1,908)</u>	<u>(1,908)</u>
Net cash flows from capital and related financing activities	<u>(10,049)</u>	<u>(56,395)</u>
Cash Flows From Noncapital and Related Financing Activities		
Interest paid	(14,285)	(48,626)
Debt retired	<u>(488,127)</u>	<u>(596,583)</u>
Net cash flows from non-capital and related financing activities	(502,412)	(645,209)
Cash Flows From Investing Activities		
Interest income	<u>275</u>	<u>5,527</u>
Net cash flows from investing activities	<u>275</u>	<u>5,527</u>
Net change in cash and cash equivalents	1,150,275	(169,833)
Cash and Cash Equivalents, Beginning	<u>2,867,462</u>	<u>3,037,295</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 4,017,737</u></u>	<u><u>\$ 2,867,462</u></u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 1,373,927	\$ 5,659,981
Nonoperating revenue (expense)		
Noncash items in operating income:		
Depreciation	44,084	48,579
Changes in assets and liabilities:		
Accounts receivable	(804,787)	(963,545)
Unbilled revenue	(383,226)	(177,717)
Other receivables	405,166	(258,921)
Inventory	(8,786)	(4,951)
Deposits	-	(100,000)
Prepaid expenses	(1,712)	-
Accounts payable	23,807	(284,622)
Accrued cost of electricity	857,880	(3,404,172)
Accrued compensation	6,108	11,612
Security deposits	<u>150,000</u>	<u>-</u>
Net cash flows from operating activities	<u><u>\$ 1,662,461</u></u>	<u><u>\$ 526,244</u></u>

See notes to financial statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Redwood Coast Energy Authority (RCEA) is a joint powers authority formed in 2003 under California Government Code Section 6500 to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency and advance the use of clean, efficient and renewable resources available in the Humboldt County region of California. The member agencies of RCEA are the County of Humboldt, the Humboldt Bay Municipal Water District, the cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad. RCEA is governed by a Board of Directors comprised of representatives of the member agencies.

RCEA began the delivery of electricity in May 2017. RCEA provides electric service to retail customers as a Community Choice Aggregation Program (CCA) under the California Public Utilities Code Section 366.2. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by the California Independent System Operator and PG&E.

Basis of Accounting

RCEA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

RCEA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories - investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is RCEA's policy to use restricted resources first, then unrestricted resources as they are needed.

In March 2018, the GASB issued Statement No. 88 - *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. RCEA adopted this statement effective July 1, 2018.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, RCEA has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less.

Redwood Coast Energy Authority

Notes to Financial Statements

June 30, 2019 and 2018

Accounts Receivable

Accounts receivable represent program revenues which have been earned for which the related cash has not been received. Accounts receivable were as follows:

	2019	2018
Accounts receivable from customers	\$ 6,099,772	\$ 5,251,021
Allowance for uncollectible accounts	(1,380,560)	(1,336,596)
Total	\$ 4,719,212	\$ 3,914,425

The majority of account collections occur within the first few months following customer invoicing. RCEA estimates that a portion of the billed amounts will not be collected. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

Inventory

Inventory is generally used for construction, operation and maintenance work, not for resale. Inventory is valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

Deposits

Various energy contracts entered into by RCEA require RCEA to provide a supplier with a security deposit. These deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent depending on the length of the time the deposits are expected to be held.

Capital Assets and Depreciation

Capital assets are generally defined by RCEA as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Capital assets of RCEA are recorded at cost or the estimated acquisition value at the time of contribution to RCEA. Major outlays for capital assets are capitalized as projects are constructed. Depreciation is computed according to the straight-line method over estimated useful lives of five to ten years for equipment. Leasehold improvements are depreciated over the shorter of 1) the useful life of the leasehold improvement or 2) the remaining years of the lease.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

Accrued Compensation

RCEA pays employees bi-weekly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. RCEA is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. RCEA provides compensated time off, and the related liability is recorded in these financial statements.

Security Deposits

Various energy contracts entered into by RCEA require the supplier to provide RCEA with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

Net Position

Net position is presented in the following components:

Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and is reduced by outstanding borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - This component of net position consists of net assets subject to external constraints on their use imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "investment in capital assets" or "restricted".

Revenue and Expenses

RCEA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with RCEA's principal ongoing operations. The principal operating revenues of RCEA include revenues derived from the provision of electricity to retail customers. Electricity sales are reported net of changes to the allowance for uncollectable accounts. Operating expenses for RCEA include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

RCEA recognizes revenue on an accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded. RCEA's methodology used to calculate the allowance for doubtful accounts considers the impacts of the recession and the suspension of customer electricity disconnections.

Grant Revenue

The California Public Utilities Commission (CPUC) and the Local Government Commission (LGC), a California not-for-profit membership organization, have undertaken a pilot project to encourage the formation of regional organizations such as RCEA to promote energy efficiency, conservation and increased local self-reliance. The CPUC has made funds available to the LGC to help local governments establish and operate agencies such as RCEA. Funds are collected from rate payers by Pacific Gas and Electric (PG&E) and distributed to RCEA in accordance with the objectives of this project.

Capital Contributions

Cash and capital assets are contributed to the RCEA from customers or external parties. The value of property contributed to the RCEA are reported as revenue on the statements of revenues, expenses and changes in net position.

Electrical Power Purchased

During the normal course of business, RCEA purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as wholesale sales and generation credits, and load and other charges arising from RCEA's participation in the CAISO's centralized market. The cost of electricity and capacity is recognized as "Purchased Power" in the Statements of Revenues, Expenses and Changes in Net Position.

Income Taxes

RCEA is a joint powers authority under the provisions of the California Government Code and is not subject to federal or state income or franchise taxes.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

GASB has approved GASB Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error corrections - An Amendment of GASB Statement No. 62* and GASB Statement No. 101, *Compensated Absences When they become effective*, the application of these standards may result in restating of these financial statements. Management is evaluating the effects of these new pronouncements.

2. Cash and Cash Equivalents

As of June 30, 2019 and 2018, RCEA maintains its cash in both interest-earning and noninterest-earning bank accounts with Umpqua Bank.

California Government Code Section 16521 requires banks to collateralize amounts of public funds in excess of the FDIC limit of \$250,000 in an amount equal to 110% of deposit balances.

As of June 30, 2019 and 2018, RCEA maintains \$20,955 and \$20,681 of its cash in the Humboldt County Treasury, respectively. The County pools these funds with those of other governmental entities in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The Humboldt County Treasury had no investments in derivatives. RCEA does not have a specific policy which relates to interest rate risk.

Redwood Coast Energy Authority

Notes to Financial Statements

June 30, 2019 and 2018

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, RCEA deposits may not be returned to RCEA. RCEA's policy for deposits is that they be insured by the FDIC. RCEA maintains cash in bank accounts, which at times may exceed federally insured limits. RCEA is not exposed to custodial credit risk.

Investment Policy

No formal investment policy has been adopted by RCEA.

3. Capital Assets

A summary of changes in capital assets for 2019 follows:

	Balances 7/1/2018	Increases	Decreases	Balances 6/30/2019
Construction work in progress	\$ -	\$ 860,350	\$ -	\$ 860,350
Capital assets being depreciated:				
Leasehold improvements	41,994	3,978	-	45,972
Equipment	249,183	4,163	-	253,346
Total capital assets being depreciated	291,177	8,141	-	299,318
Less accumulated depreciation:				
Leasehold improvements	(8,155)	(3,174)	-	(11,329)
Equipment	(125,389)	(40,910)	-	(166,299)
Total accumulated depreciation	(133,544)	(44,084)	-	(177,628)
Capital assets being depreciated, net	\$ 157,633	\$ 35,943	\$ -	\$ 121,690

Redwood Coast Energy Authority

Notes to Financial Statements
June 30, 2019 and 2018

A summary of changes in capital assets for 2018 follows:

	Balances 7/1/2017	Increases	Decreases	Balances 6/30/2018
Capital assets being depreciated:				
Leasehold improvements	\$ 41,994	\$ -	\$ -	\$ 41,994
Equipment	194,696	54,487	-	249,183
Total capital assets being depreciated	236,690	54,487	-	291,177
Less accumulated depreciation:				
Leasehold improvements	(6,055)	(2,100)	-	(8,155)
Equipment	(78,910)	(46,479)	-	(125,389)
Total accumulated depreciation	(84,965)	(48,579)	-	(133,544)
Capital assets being depreciated, net	\$ 151,725	\$ 5,908	\$ -	\$ 157,633

4. Notes Payable

RCEA obtained a loan with PG&E in January 2014 for energy upgrades in the amount of \$10,974 at 0% interest for 69 months.

In January 2017, RCEA also obtained a nonrevolving line of credit from the County of Humboldt (County), Headwaters Fund and Redwood Region Economic Development Commission (RREDC) for working capital in the amount of \$700,000 at 5% interest for 72 months. RCEA will pay interest only payments for 12 months and following the first 12 months the draw period will close and the borrowed amount will become a fully paid loan with principal and interest payments after 60 months with a maturity date of January 31, 2023. However, RCEA paid off the remaining principal balance prior to maturity and the outstanding balance is \$0 as of June 30, 2019.

Beginning in July 2016, RCEA incurred startup costs associated with the CCA program with The Energy Authority, (TEA), for Phase I and Phase II of the project totaling \$187,197 prior to the launch of the program in May 2017. Payment for these costs was deferred until Phase III of the project and will be amortized over 48 months at 5%.

Beginning in October 2016, RCEA executed an agreement with Local Energy Aggregation Network (LEAN) associated with the CCA program totaling \$289,235. Payment for these costs were deferred until RCEA began generating revenue and payment began in August 2017. The payments will be paid over 12 months at 5%.

All of the aforementioned debt is directly placed with a third party.

Redwood Coast Energy Authority

Notes to Financial Statements

June 30, 2019 and 2018

The outstanding balances as of June 30, 2019 and 2018 are as follows:

<u>Loan Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>2019</u>	<u>2018</u>
PG&E	11/30/2019	0.00%	\$ 795	\$ 2,704
County of Humboldt	4/30/2019	5.00%	-	414,541
TEA Loan	3/31/2021	5.00%	91,724	140,651
LEAN Loan	7/1/2018	5.00%	-	24,658
Total			<u>\$ 92,519</u>	<u>\$ 582,554</u>

Future payments obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2020	\$ 52,226	\$ 3,418	\$ 55,644
2021	<u>40,293</u>	<u>844</u>	<u>41,137</u>
Total	<u>\$ 92,519</u>	<u>\$ 4,262</u>	<u>\$ 96,781</u>

In the event of a default by RCEA under the Loan Documents, RREDC shall initiate default collection procedures and all necessary recovery procedures as provided in the Loan Documents. These procedures include sending to RCEA 30, 60 and 90-day delinquency notices and the preparation of a Notice of Default to be executed by the RREDC. Upon notice of default and after the 90-day delinquency notice, all materials in RREDC's possession related to the Loan Documents and this agreement shall be made available by RREDC to the County. RREDC may upon the express written approval of County, initiate litigation to collect on the Loan. Under no circumstances shall RREDC initiate litigation to collect the loan without the express written approval of the County.

Long-Term Obligation Summary

Long-term obligation activity for the year ended June 30, 2019 is as follows:

	<u>7/1/2018 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2019 Balance</u>	<u>Due Within One Year</u>
Notes Payable	582,554	-	490,035	92,519	52,226

Long-term obligation activity for the year ended June 30, 2018 is as follows:

	<u>7/1/2017 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2018 Balance</u>	<u>Due Within One Year</u>
Notes Payable	1,181,045	-	598,491	582,554	490,035

5. Retirement Plan

RCEA has established a Savings Incentive Match Plan for employees (a Simple IRA) where RCEA and employees make contributions to individual retirement accounts (IRAs). Under the Simple IRA, RCEA must make contributions matching participating employee contributions, up to a maximum of 3% of an employee's gross salary per year. Employees may contribute up to the maximum federally allowed amount. All regular employees of RCEA are eligible to participate in the Simple IRA plan. Plan contributions by RCEA for the years ended June 30, 2019 and 2018 were \$42,289 and \$39,547, respectively.

6. Risk Management

RCEA is covered for general business, liability, automobile and errors and omissions through the Special Districts Risk Management Authority (SDRMA), a public entity risk pool. As a member of a public entity risk pool, RCEA is responsible for appointing an employee as a liaison between RCEA and SDRMA, implementing all policies of the SDRMA and promptly paying all contributions. SDRMA is responsible for providing insurance coverage as agreed upon, assisting RCEA with implementation, providing claims adjusting and defending any civil action brought against an officer of RCEA.

RCEA is exposed to various insurable risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions. During the year, RCEA purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions and property damage. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

On July 12, 2018, RCEA's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes RCEA's Energy Risk Program and applies it to all power procurements and related business activities that may impact the risk profile of RCEA. The ERMP documents the framework by which RCEA staff and consultants will identify and quantify risk, develop and execute procurement strategies, develop controls and oversight and monitor and measure and report on the effectiveness of the ERMP. Risks covered by the ERMP include market price risk, credit risk, volumetric risk, operational risk, opt-out risk, legislative and regulatory risk and other risks arising from operating as a Community Choice Aggregation and participating in California energy markets. The Board approved updates to the ERMP in July 2019, July 2020 and July 2021.

RCEA maintains other risk management policies, procedures and systems that help mitigate and manage credit, liquidity, financial, regulatory and other risks not covered by the ERMP.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, RCEA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

Redwood Coast Energy Authority

Notes to Financial Statements

June 30, 2019 and 2018

7. Purchase Commitments

Power and Electric Capacity

In the ordinary course of business, RCEA enters into various power purchase and energy storage agreements in order to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind and hydro-electric facilities.

RCEA enters into power purchase and energy storage agreements in order to comply with state law and elective targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customer.

The following table represents the expected, undiscounted, contractual commitments for energy storage, power and electric capacity outstanding as of June 30, 2019:

Years ending June 30:	
2020	\$ 14,553,460
2021	11,385,548
2022	7,482,715
2023	6,968,790
2024	5,226,593
2025 - 2026	<u>403,142</u>
Total	<u>\$ 46,020,248</u>

8. Restatement of Net Position

Net Position as of July 1, 2017 has been restated to correct errors recorded in fiscal year 2017 related to accounts receivable and electric sales revenue. In May and June of 2017 customer payments were mistakenly recorded as revenue rather than a reduction of accounts receivable. In addition, an error occurred in the calculation of the monthly unbilled revenue calculation.

Net position, July 1, 2017	\$ 1,128,352
Customer payments recorded as revenue	(854,293)
Error in unbilled revenue	<u>465,642</u>
Net position, restated	<u>\$ 739,701</u>

Net income of the year ended June 30, 2017 would have decreased by \$388,651 from the amount previously reported.

Redwood Coast Energy Authority

Notes to Financial Statements
June 30, 2019 and 2018

9. Subsequent Events

RCEA evaluated subsequent events through the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

USDA Loan

On June 1, 2021, RCEA secured a guaranteed loan to finance construction of electric generation facilities through the U.S. Department of Agriculture (USDA) Rural Utilities Service program totaling \$6,600,000 with an effective interest rate of 1.79%. RCEA completed two loan draws totaling \$6,287,592 subsequent to June 30, 2019 as the project continues.

Debt Issue

On February 8, 2022, RCEA entered into a \$2,000,000 unsecured loan agreement with Blue Lake Rancheria. The obligation is payable over 7 months and bears an interest rate of 8.00%.

Reporting and insights from 2019 and 2018 audit:

**Redwood Coast Energy
Authority**

June 30, 2019 and 2018

Executive summary

October 16, 2023

To the Board of Directors
Redwood Coast Energy Authority
633 3rd Street
Eureka, CA 95501

We have completed our audits of the financial statements of Redwood Coast Energy Authority (the Authority) for the year ended June 30, 2019 and 2018 and have issued our report thereon dated October 16, 2023. This letter presents communications required by our professional standards.

Your audits should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Authority's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audits.

Additionally, we have included information on key risk areas Redwood Coast Energy Authority should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Bethany Ryers, Partner: Bethany.Ryers@bakertilly.com or +1 (608) 240 2382
- Ryan Theiler, Manager: Ryan.Theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP



Bethany Ryers, CPA
Partner

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Authority's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or the Board of Directors of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Directors, including:

- Internal control matters
- Qualitative aspects of the Authority's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Authority and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Authority's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Long-term debt	Financial reporting and required disclosures
Capital assets including infrastructure	Net position calculations	

Internal control matters

We considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified the following deficiencies as material weaknesses:

- **Financial statement close process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, journal entry approval, account reconciliations, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, we recommend the Authority set up a process and control to ensure account reconciliations are performed and around the approval of journal entries.

- **User entity controls over utility billing**

Auditing standards require that we perform procedures to obtain an understanding of RCEA and their internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of RCEA's year-end financial reporting process and preparation of financial statements.

RCEA uses a third-party service provider, Calpine Energy Services, LLC (Calpine), to perform their billing function. Calpine received a System and Organization Controls (SOC 1) Report to provide comfort to their customers that controls around the processing of customer information is appropriately designed and operating effectively.

Included in the SOC 1 report is a list of complementary user entity controls that RCEA should have in order to achieve the control objectives listed in the report. One of the listed user entity controls is, "User entities are responsible for validating the completeness and accuracy of information received from Calpine Energy Solutions and for notifying Calpine Energy Solutions in a timely manner of erroneous information or information not received." Currently, RCEA does not have a process in place to reconcile information received from Calpine including a monthly reconciliation of expected load and energy to reported actual, review of new community enrollments, and verification new rates are applied correctly. We recommend RCEA continue to work toward gaining additional controls and processes to validate the information received from Calpine by:

- Spot checking individual invoices.
- Performing a high-level analysis to ensure that total consumption amounts per each rate classification has a reasonable change from historical amounts.

Other comments and recommendations

Investment policy

During our testing, it was noted that RCEA does not have a formal investment policy. We recommend that RCEA develop and formally approve an investment policy. The policy should list:

- 1) Which institutions are authorized for RCEA.
- 2) What types of investments you will use at those institutions (CD, checking, money market, repurchase agreements, other).
- 3) What is the maximum you will invest at any institution without obtaining collateral.

Once this policy is implemented, RCEA should complete an ongoing review of the investments within the portfolio to ensure investments remain in compliance with your investment policy and state statutes. This policy becomes your strategy for maximizing interest earnings while maintaining security for the investments. It takes on increased importance with your increased investment balances.

Policy for allowance of doubtful accounts

During our testing, it was noted that RCEA does not have a formal policy for their allowance for doubtful accounts. RCEA's informal policy was to write off 0.30% of electricity sales. However, upon inquiry with management, it was determined that 3% of sales is a more accurate estimate for uncollectible accounts. As RCEA collects more historical data for the collectability of customers, we recommend that RCEA implements a policy that allows the utility to systematically write off an estimated percentage of outstanding accounts receivables deemed uncollectible on an annual basis. This policy should be reviewed periodically to ensure it aligns with the actual collectability from customers.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1, the Authority changed accounting policies related to debt disclosures by adopting GASB Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements* in 2019. We noted no transactions entered into by the Authority during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- **Restatement:** As described in Note 8, net Position as of July 1, 2017 has been restated to correct errors recorded in fiscal year 2017 related to accounts receivable and electric sales revenue. In May and June of 2017, customer payments were mistakenly recorded as revenue rather than a reduction of accounts receivable. In addition, an error occurred in the calculation of the monthly unbilled revenue.
- **Accounting estimates:** Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Unbilled revenue	Evaluate the July Calpine monthly usage report and calculation of the estimated portion for June	Reasonable in relation to the financial statements as a whole
Allowance for Doubtful Accounts	Estimated at 3% of electricity sales	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- **Financial statement disclosures:** The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audits, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the financial statements. The schedule within the Appendix summarizes the material corrected misstatements, that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. During the periods audited, the Authority consulted with miscellaneous accounting firms for bookkeeping services.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Authority's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the Authority that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Authority's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Accounting assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/page/audit-committee-resource-center>.

Management representation letter



REDWOOD COAST Energy Authority

Blue Lake Rancheria • Yurok Tribe • County of Humboldt • Arcata • Blue Lake • Eureka • Ferndale • Fortuna • Rio Dell • Trinidad • Humboldt Bay Municipal Water District

October 16, 2023

Baker Tilly US, LLP
4807 Innovation Lane
P.O. Box 7398
Madison, WI 53711

Dear Baker Tilly US, LLP:

We are providing this letter in conjunction with your audit of the financial statements of Redwood Coast Energy Authority (RCEA) as of June 30, 2019 and 2018 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of RCEA and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing, and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 19, 2023.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds and other financial information of RCEA required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.
- 9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which RCEA is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of RCEA or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provision of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

Other

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting.
- 18) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit. We have a process to track the status of audit findings and recommendations.

- 19) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 20) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 21) There are no:
 - a. Violations or possible violations of budget ordinances, federal, state and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
- 22) Redwood Coast Energy Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 23) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
 - a. Financial statement preparation
 - b. Adjusting journal entries
 - c. Accounting assistance

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

- 24) Redwood Coast Energy Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 25) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 26) Redwood Coast Energy Authority has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 27) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 28) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 29) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 30) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 31) We have appropriately disclosed RCEAs policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposed for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

- 32) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 33) We agree with the restatement presented in the current year's financial statements.
- 34) We have implemented GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and believe that all direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed in the financial statements in compliance with the Standard.
- 35) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 36) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.
- 37) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

Sincerely,

Redwood Coast Energy Authority

Signed: 

Lori Biondini, Director of Business Development and Finance

Signed: 

Matthew Marshall, Executive Director

Material corrected misstatements

Redwood Coast Energy Authority

Year End: June 30, 2019

Normal adjusting journal entries

Date: 7/1/2016 To 6/30/2019

Account No: 17A01 To 19A10

310

Associate	Sr. Associate	Manager
Partner Review	IR/CDR	RT18036 8/15/2023
BR10327 9/12/2023		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
17A01	6/30/2017	Accounts Receivable-Other	1103	C.103		474,935.14	
17A01	6/30/2017	Electricity Sales	5510	C.103			474,935.14
To record the variance between the AR accrual actually made and the amount summarized on the monthly 'RCEA Energy Revenue' spreadsheets.							
18A01	6/30/2018	Investment in Capital Assets	2320	KK.101		1,908.48	
18A01	6/30/2018	LTD - TEA Phase I & II	3203	KK.101		54,849.00	
18A01	6/30/2018	Repayment of Debt	9180	KK.101			1,908.48
18A01	6/30/2018	Repayment of Long Term Debt	9190	KK.101			54,849.00
To move the debt payments out of net position and out of income statement accounts.							
18A02	6/30/2018	Investment in Capital Assets	2320	GL			4,410.38
18A02	6/30/2018	Depreciation expense	8139	GL		4,410.38	
To reverse depreciation expense booked to equity.							
18A03	6/30/2018	Retained Deposits	1700	GL		100,000.00	
18A03	6/30/2018	Performance Bond	8510	GL			100,000.00
To account for the deposit with CPUC as an asset account rather than running it through an expense in 2018.							
18A04	6/30/2018	TEA Phase I & II	2703	KK.101			8,302.78
18A04	6/30/2018	Interest Expense	9100	KK.101		8,302.78	
To split the interest portion of the TEA Phase I & II debt payment from the principal.							
18A05	6/30/2018	Accounts Receivable-Other	1103	C.102.1		2,855,635.33	
18A05	6/30/2018	Electricity Sales	5510	C.102.1			2,855,635.33
To reverse the June, 2017 accounts receivable accrual that was incorrectly reversed on 7/1/2017 (FY2018).							
18A06	6/30/2018	Accounts Receivable-Other	1103	C.103		82,249.96	
18A06	6/30/2018	Electricity Sales	5510	C.103			82,249.96
To record the variance between the AR accrual actually made and the amount summarized on the monthly 'RCEA Energy Revenue' spreadsheets							
18A07	6/30/2018	Fixed Asset	1500	U.101		54,487.00	
18A07	6/30/2018	Furniture & Equipment	8102	U.101			7,078.00
18A07	6/30/2018	Office Repairs	8114	U.101			
18A07	6/30/2018	Hardware & equipment	8103.1	U.101			32,453.00
18A07	6/30/2018	Software	8103.2	U.101			7,179.00
18A07	6/30/2018	Telecommunications	8104.2	U.101			7,777.00
To move capital expenditures from their expense accounts to the fixed asset account							
18A08	6/30/2018	Accumulated depreciation	1600	U.101			29,858.37
18A08	6/30/2018	Accumulated depreciation	1600	U.101			14,309.90
18A08	6/30/2018	Depreciation expense	8139	U.101		29,858.37	
18A08	6/30/2018	Depreciation expense	8139	U.101		14,309.90	
To move true-up depreciation							

Redwood Coast Energy Authority

Year End: June 30, 2019

Normal adjusting journal entries

Date: 7/1/2016 To 6/30/2019

Account No: 17A01 To 19A10

310-1

Associate	Sr. Associate	Manager
Partner Review	IR/CDR	RT18036 8/15/2023
BR10327 9/12/2023		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
expense per the capital asset depreciation schedule.							
18A09	6/30/2018	Allowance for Doubtful Accounts	1101	C.910			1,177,988.22
18A09	6/30/2018	Allowance for Doubtful Accounts	1101	C.910			
18A09	6/30/2018	Accounts Receivable-Other	1103	C.910			
18A09	6/30/2018	Uncollectable Accounts	5580	C.910		1,177,988.22	
To accrue for the allowance of undoubtful accounts with 3% estimate rather than 0.30% of electricity sales.							
18A10	6/30/2018	LEAN Debt	2704	KK.102			289,235.37
18A10	6/30/2018	LEAN Debt	2704	KK.102		264,577.40	
18A10	6/30/2018	LEAN Energy	8412	KK.102		289,235.37	
18A10	6/30/2018	Data Management - Calpine	8470	KK.102			272,470.57
18A10	6/30/2018	Interest Expense	9100	KK.102		7,893.17	
To record the LEAN debt as a liability and record the payments on the debt to reduce the liability rather than as an expense.							
18A11	6/30/2018	Inventory Asset	1120	D.101		4,951.12	
18A11	6/30/2018	EV Station Equip-Svcs-Supplies	8132	D.101			4,951.12
To true up the inventory amount to be consistent with the listing at year-end							
19A01	6/30/2019	Investment in Capital Assets	2320	KK.101		1,908.48	
19A01	6/30/2019	LTD - TEA Phase I & II	3203	KK.101		54,849.00	
19A01	6/30/2019	Repayment of Debt	9180	KK.101			1,908.48
19A01	6/30/2019	Repayment of Long Term Debt	9190	KK.101			54,849.00
To move the debt payments out of net position and out of income statement accounts.							
19A02	6/30/2019	Investment in Capital Assets	2320	GL			35,270.00
19A02	6/30/2019	Depreciation expense	8139	GL		35,270.00	
To reverse depreciation expense booked to equity.							
19A03	6/30/2019	TEA Phase I & II	2703	KK.101			5,921.43
19A03	6/30/2019	Interest Expense	9100	KK.101		5,921.43	
To split the interest portion of the TEA Phase I & II debt payment from the principal.							
19A04	6/30/2019	Fixed Asset	1500			8,141.00	
19A04	6/30/2019	Furniture & Equipment	8102				
19A04	6/30/2019	Office Repairs	8114				3,978.00
19A04	6/30/2019	Hardware & equipment	8103.1				4,163.00
19A04	6/30/2019	Software	8103.2				
19A04	6/30/2019	Telecommunications	8104.2				
To move capital expenditures from their expense accounts to the fixed asset account							
19A05	6/30/2019	Accumulated depreciation	1600	U.101			8,813.94
19A05	6/30/2019	Depreciation expense	8139	U.101		8,813.94	
To move true-up depreciation expense per the capital asset depreciation schedule.							

Redwood Coast Energy Authority

Year End: June 30, 2019

Normal adjusting journal entries

Date: 7/1/2016 To 6/30/2019

Account No: 17A01 To 19A10

310-2

Associate	Sr. Associate	Manager
Partner Review	IR/CDR	RT18036 8/15/2023
BR10327 9/12/2023		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
19A06	6/30/2019	Allowance for Doubtful Accounts	1101	C.910		94,087.25	
19A06	6/30/2019	Allowance for Doubtful Accounts	1101	C.910			
19A06	6/30/2019	Accounts Receivable-Other	1103	C.910			
19A06	6/30/2019	Uncollectable Accounts	5580	C.910			94,087.25
To accrue for the allowance of undoubtful accounts with 3% estimate rather than 0.30% of electricity sales.							
19A07	6/30/2019	Accounts Receivable-Other	1103	C.102		145,802.73	
19A07	6/30/2019	NEM Escrow Liability	2011	C.102			145,802.73
To accrue for the NEM Escrow Liability that is summarized on the RCE AR Aging report.							
19A08	6/30/2019	LEAN Debt	2704	KK.102		24,657.97	
19A08	6/30/2019	Data Management - Calpine	8470	KK.102			24,760.71
19A08	6/30/2019	Interest Expense	9100	KK.102		102.74	
To record the payment of LEAN debt as a reduction to a liability rather than an expense.							
19A09	6/30/2019	Inventory Asset	1120	D.100		8,786.09	
19A09	6/30/2019	EV Station Equip-Svcs-Supplies	8132	D.100			8,786.09
To true up the inventory amount to be consistent with the listing at year-end.							
						5,813,932.25	5,813,932.25
Net Income (Loss)			(968,571.57)				

Client service team



**Bethany Ryers, CPA
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Accounting changes relevant to Redwood Coast Energy Authority

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	6/30/2022
89	Accounting for Interest Incurred before the End of a Construction Period		6/30/2022
90	Majority Equity Interests		6/30/2021
91	Conduit Debt		6/30/2023
92	Omnibus 2020	✓	6/30/2022
93	Replacement of Interbank Offered Rates		6/30/2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	6/30/2023
96	Subscription-Based Information Technology Arrangements	✓	6/30/2024
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans	✓	6/30/2022
98	The Annual Comprehensive Financial Report		6/30/2022
99	Omnibus 2022	✓	6/30/2024
100	Accounting Changes and Error Corrections		6/30/2025
101	Compensated Absences	✓	6/30/2025

Further information on upcoming [GASB pronouncements](#).

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective soon. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend RCEA review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, RCEA should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about [GASB 87](#).

Public-Private and Public-Public Partnerships

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

RCEA should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services. Once these contracts or agreements are identified they will need to be analyzed using the criteria in GASB No. 94.

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The RCEA will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The RCEA should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that RCEA will receive an unmodified opinion on its financial statements based on historical results and our discussions with management noting no anticipated significant changes in financial reporting.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?

- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of April- June, and sometimes early in July. Our final financial fieldwork is scheduled during the summer to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.



Redwood Coast Energy Authority

2019 & 2018 Financial Statement Audit

Auditor's Report to Governing Body

October 26, 2023



AGENDA

- **Audit Results**
- **Required Communication to Governing Body**
- **Impact of Future Standards**
- **Discussion**

Our responsibilities

- As your independent auditor, our responsibilities include:
 - Planning and performing the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
 - Assessing the risks of material misstatement of the basic financial statements, whether due to fraud or error. Included in that assessment is a consideration of RCEA's internal control over financial reporting.
 - Performing appropriate procedures based upon our risk assessment.
 - Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
 - Forming and expressing an opinion based on our audit about whether the basic financial statements prepared by management, with the oversight of the Board of Directors:
 - Are free from material misstatement
 - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America
 - Our audit of the basic financial statements does not relieve management or the Board of Directors of their responsibilities.

Planned scope and timing

- Audit focus
- Based on our understanding of RCEA and the environment in which you operate, we focused our audit on the following key areas:
 - Key transaction cycles
 - Areas with significant estimates
 - Implementation of new accounting standards including GASB 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about RCEA's current year results.

Key areas of focus and significant findings

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Net position calculations	Financial reporting and required disclosures



Audit approach and results

Audit performed in accordance with *Generally Accepted Auditing Standards*

Audit objective – reasonable assurance that financial statements are free from material misstatement

Financial statements of RCEA received an *Unmodified Opinion*

There were two material weaknesses related to the financial statement close process and utility billing

Auditor communication to those charged with governance

**Auditor
responsibility &
independence**

**Board
responsibility**

**Accounting
policies and
estimates**

**Baker Tilly agrees with RCEA's
accounting policies and disclosures**

**Audit adjustments
and restatement**

No other audit findings or concerns

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	6/30/2022
89	Accounting for Interest Incurred before the End of a Construction Period		6/30/2022
90	Majority Equity Interests		6/30/2021
91	Conduit Debt		6/30/2023
92	Omnibus 2020	✓	6/30/2022
93	Replacement of Interbank Offered Rates		6/30/2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	6/30/2023
96	Subscription-Based Information Technology Arrangements	✓	6/30/2024
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans	✓	6/30/2022
98	The Annual Comprehensive Financial Report		6/30/2022
99	Omnibus 2022	✓	6/30/2024
100	Accounting Changes and Error Corrections		6/30/2025
101	Compensated Absences	✓	6/30/2025



Discussion...



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STAFF REPORT
Agenda Item # 7.1

AGENDA DATE:	October 26, 2023
TO:	Board of Directors
PREPARED BY:	Sally Regli, Account Services Manager
SUBJECT:	RCEA Net Billing Tariff

BACKGROUND

The state's utilities are transitioning customers with behind-the-meter solar and other generation from Net Energy Metering (NEM) 2.0 to Net Billing Tariff (NBT). A presentation on implementation of the RCEA NBT was given to the Board in August 2023. The Board directed staff to develop the RCEA NBT that mirrored the Pacific Gas and Electric (PG&E) NBT methodology. The Board also stipulated that staff come back to the Board in Spring 2024 and report on the impacts experienced since the program's effective date, along with potential revisions to the tariff and an energy storage incentive.

NEM customers currently represent 6% of RCEA's total account base, with 78% of those NEM accounts being residential customers, and approximately 16% being customers enrolled in the California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs.

SUMMARY

Staff have designed the RCEA NBT to be effective on December 15, 2023, which is the effective date of PG&E's NBT. The framework of the RCEA NBT mirrors the PG&E NBT methodology with enhancement of the Energy Export Credit (EEC) and a Net Surplus Compensation commensurate with our current NEM program. Customer bill presentation has not been finalized and RCEA is monitoring PG&E and Calpine's continued efforts to finalize this phase of implementation. The following are key features of the proposed RCEA NBT that apply to customers' generation charges and credits:

- The use of the Electric Home rate plan (E-ELEC) for residential customers and the use of otherwise applicable rate for non-residential customers.
- Customers' energy exports (energy exported to the grid, in excess of energy used on-site) will be valued utilizing the same methodology and the same hourly Avoided Cost Calculator (ACC) rates as PG&E bundled customers. There will be no additional Energy Export Credit for CARE/FERA customers. Similar to the RCEA NEM schedule a generation bonus of \$0.01/kWh will be applied to net generation for all customers.
- Customers will be trued-up annually in the Spring at Net Surplus Compensation rates for net energy exports in excess of energy imports over the course of the year. To benefit the RCEA customer, there will be no modification of the final credit formula with the adjustment for duplication.

- Customers who are already receiving service on RCEA NEM prior to April 15, 2023, will not be affected by the NBT for the duration of their 20-year NEM legacy period.

Along with the RCEA NBT, staff are including the amended RCEA Net Energy Metering (NEM) Tariff that establishes a sunset date of December 14, 2023, after which new customer enrollments in NEM will cease. Existing NEM customers who received Permission to Operate from PG&E prior to April 15, 2023, will remain on the NEM schedule until their 20-year legacy period expires. Interim NEM customers who received Permission to Operate between April 15, 2023, and December 14, 2023, will be transitioned to the RCEA NBT on April 1, 2024, following our annual NEM cash-out process.

Until PG&E and RCEA billing systems are fully operational, customers on the RCEA NBT will be billed under the RCEA NEM schedule. These NBT transitional customers will be switched to NBT billing on their next billing cycle after April 1, 2024.

PG&E's proposed NBT implementation schedule is pending approval by the CPUC. Staff may bring amendments to the Board for approval at a future date to align provisions with the finalized and approved PG&E NBT.

ALIGNMENT WITH RCEA'S STRATEGIC PLAN AND POLICIES

Adoption of the NBT and potentially a subsequent energy storage incentive to be brought back to the Board in Spring 2024 aligns with Strategic Plan goals including supporting installation of customer solar photovoltaic energy systems ([Appendices A and B](#)), providing a NEM program that encourages more distributed local generation and more equitably compensates such generation (strategy [4.3.2](#)), providing education on all electric rate schedule options (strategy [4.3.6](#)), and providing information on all available rate schedules including NEM.

EQUITY IMPACTS

In the next 6 months, staff will develop a potential energy storage incentive to bring back to the Board for consideration in Spring 2024 that will encourage pairing storage with solar systems to improve solar adoption. Staff will consider incorporating income qualification criteria for customers to be eligible for the proposed storage incentives or a portion thereof.

FINANCIAL IMPACTS

Estimated annual impacts to RCEA with the Net Billing Tariff will vary depending on customer adoption rates over time, battery optimization, and energy market prices that determine the ACC rates.

Using an assumption of 10 account enrollments in 2023 and growing at 10 accounts per month and based on historical average monthly RCEA NEM system data, estimated two-year impact indicates an increase in revenue of \$280,000 with implementation of the proposed RCEA NBT as compared to continuing to place the same number of new solar customers on the existing RCEA NEM schedule. This is due to the lower Avoided Cost Calculator rates paid for generation. These savings could be reinvested back into the community via programs, such as the incentive program to encourage pairing battery energy storage systems with solar installations, which staff will bring to the Board in Spring 2024.

The CCE program's financial model has not yet been updated to include the NBT implementation, pending the Board's RCEA NBT approval.

RECOMMENDED ACTION

Adopt Resolution 2023- 9 Approving the RCEA Net Billing Tariff.

ATTACHMENTS

Resolution 2023-9, A Resolution of the Board of Directors of the Redwood Coast Energy Authority Approving the RCEA Net Billing Tariff.

RESOLUTION NO. 2023-9

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE REDWOOD COAST ENERGY AUTHORITY
APPROVING THE RCEA NET BILLING TARIFF**

WHEREAS, Senate Bill (SB) 656 (Alquist, Stats. 1995, ch. 369), codified in Section 2827 of the Public Utilities Code, established net energy metering (NEM) in California. The statute directed every electric utility in California to develop a standard contract or tariff to allow eligible customer-generators to receive a financial credit on their electric bills for energy fed back to the utility's grid; and

WHEREAS, California Public Utilities Commission Decision 22-12-056 ordered the Investor Owned Utilities including Pacific Gas and Electric Company (PG&E) to create the Electric Schedule Net Billing Tariff (NBT), which is the successor to Schedule Net Energy Metering (NEM); and

WHEREAS, Redwood Coast Energy Authority (RCEA) is a retail supplier of electricity and has developed an NBT consistent with most of the key features of the PG&E NBT, to be effective December 15, 2023; and

WHEREAS, RCEA has amended the NEM Tariff to reflect a sunset date of December 14, 2023; and

WHEREAS, RCEA's NBT is provided hereto as Exhibit I and amended NEM Tariff is provided hereto as Exhibit II.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Board:

1. Approve the RCEA Net Billing Tariff; and
2. Approve the amended RCEA Net Energy Metering Tariff.

Adopted this 26th day of October 2023.

ATTEST:

Sheri Woo, RCEA Board Chair

Lori Taketa, Clerk of the Board

Date: _____

Date: _____

CLERK'S CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of Resolution 2023-9 passed and adopted at a regular meeting of the Redwood Coast Energy Authority, County of Humboldt, State of California, held on the 26th day of October 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

Clerk of the Board, Redwood Coast Energy Authority



RCEA Net Billing Tariff

APPLICABILITY: Redwood Coast Energy Authority's Net Billing Tariff ("RCEA NBT") shall be effective on December 15, 2023, and shall apply to (1) RCEA customers served under Pacific Gas & Electric's Net Billing Tariff Rate Schedule¹ ("PG&E NBT"), and (2) RCEA customers who are automatically transitioned to the PG&E NBT following the termination of their 20-year PG&E Net Energy Metering tariff ("PG&E NEM") legacy period². RCEA rates and tariffs may be amended or replaced by RCEA from time to time. The RCEA NBT may be amended or replaced by RCEA's Board of Directors ("Board") at a duly noticed public meeting of the Board.

To be eligible for the RCEA NBT, customers shall use a Renewable Electrical Generation Facility ("Generation Facility"), as defined in the PG&E NBT, within the capacity limits described in the PG&E NBT, that is located on the customer's owned, leased, or rented premises, interconnected to, and operating in parallel with PG&E's transmission and distribution systems, and is intended primarily to offset the customer's own electrical requirements. The PG&E NBT is referred to as the "Solar Billing Plan" in PG&E's customer-facing communications.

Residential customers taking service on the RCEA NBT must take service on the electric home rate ("E-ELEC") as their otherwise-applicable RCEA rate schedule ("OAS"). Non-residential customers may take service on any open, applicable time-of-use rate schedule. The RCEA NBT does not allow customers to aggregate load from multiple meters.

Eligible RCEA customers with a permission to operate ("PTO") date on or after April 15, 2023, are automatically enrolled in the RCEA NBT on the effective date of the RCEA NBT. Prior to the effective date of the RCEA NBT, customers who begin service on the RCEA NBT will be initially served under the RCEA NEM on an interim basis and will be transitioned to the RCEA NBT on their next billing cycle after April 1, 2024.

CHARGES, CREDITS AND BILLING: RCEA's charges and credits for energy in kilowatt-hours or kWh are calculated as described below.

A) Energy Charges:

As determined in each billing period, Energy Charges are calculated by multiplying the customer's energy consumption (electricity imported from the grid, as recorded on the import channel of the customer's PG&E meter) in kWh by the applicable energy rate components (\$/kWh) in the residential E-ELEC or non-residential OAS tariff.

B) Energy Credits:

As determined in each billing period, Energy Credits are calculated by multiplying the customer's hourly electricity exported to the grid, as recorded on the export channel of the customer's PG&E meter, in kWh by the applicable hourly Energy Export Credit (EEC) Rate, which is the generation

¹ PG&E's proposed NBT Schedule was submitted to the California Public Utilities Commission in Advice Letter 6848-E, available at www.pge.com/tariffs/advice-letters.page

² NBT Legacy Provisions are as stated in the PG&E NBT, Special Conditions Section 6.

component of the associated hourly EEC Rate from the applicable California Public Utilities Commission's Avoided Cost Calculator ("CPUC ACC"), for each hour of the billing period as further described below. Energy Credits are calculated monthly and offset RCEA charges incurred during the billing period, as described in Section C.

For RCEA NBT customers with a PTO date on or after April 15, 2023, and before December 31, 2027, EEC Rates³ will be a "locked-in," nine-year schedule of values for each hour from the most recent CPUC ACC adopted as of January 1 of the calendar year applicable to the customer's PTO date. After the nine-year lock-in period, measured from the PTO date, the EEC Rates will be based on averaged hourly avoided cost values from the most recent CPUC ACC, adopted as of January 1 of each calendar year. Customers that enroll in RCEA NBT after its initial five years of availability will not receive a locked-in, nine-year schedule and will be compensated from the most recent CPUC ACC.

For Customers enrolled in the California Alternate Rates for Energy ("CARE") and Family Electric Rates Assistance ("FERA"), the CARE and FERA discount shall not be applied to the EEC Rate.

C) Monthly Settlement of RCEA Energy Charges and Credits:

Each customer will receive a statement as part of their monthly PG&E bill indicating accrued RCEA Energy Charges for electric energy imported and RCEA Energy Credits for energy exported during the applicable monthly billing cycle. When a customer's RCEA Energy Credits exceed their RCEA Energy Charges during the monthly billing cycle, resulting in an accrued credit balance, the balance shall be noted on the customer's bill and carried over as a bill credit for use in subsequent billing cycles. Credits accrued during previous billing cycles will offset subsequent RCEA charges, reducing these otherwise applicable charges by an equivalent amount to such credits until either (1) the credit balance is exhausted, (2) an annual account true-up is performed, or 3) the customer ceases RCEA service. If an RCEA NBT customer opts-out of the RCEA program and returns to bundled service, that customer will receive a direct payment, described in Section E, for any credits that remain on the account.

If the eligible customer-generator is a "Net Generator," as determined by production exceeding usage during a discrete billing cycle, the net energy production shall be valued at the EEC rate plus a NBT production premium of \$0.01/kWh. The value of all new energy production during the billing cycle shall be credited to RCEA customers as described above.

D) RCEA Annual NBT True-Up Process:

- i) Each year in April, RCEA will perform a true-up of the most recent twelve (12) monthly billing cycles, or the amount of billing cycles the customer has been enrolled in NBT if less than 12 months (the "Relevant Period") for all active customers ("NBT Annual True-Up"). For customers who receive PTO on or after April 15, 2023, and before December 15, 2023, RCEA will complete a NEM Annual Cash-Out process in April 2024, after which the customer will begin their RCEA NBT Relevant Period. For these customers, their first NBT Annual True-Up will take place in April 2025.

- a. Net Surplus Compensation ("NSC") will be calculated on the amount of generation

³ Energy Export Compensation Rates are posted at: <https://www.pge.com/energyexportcredit>

that exceeds total customer energy usage during the Relevant Period, as measured in kWh ("Net Surplus Energy"). RCEA will determine at the time of the NBT Annual True-Up whether each customer has produced Net Surplus Energy over the course of the Relevant Period. If a customer has produced Net Surplus Energy, then RCEA shall credit such customer an amount not to exceed \$5,000, that is equal to the current PG&E NSC rate per kWh, as defined in the PG&E NSC Rate Schedule, multiplied by the quantity of Net Surplus Energy produced by the customer during the Relevant Period, consistent with RCEA's Annual Cash-Out practice described in Section E. The NSC Rate information can be found in the PG&E NBT Section 5(b).

- b. NSC Renewable Attribute Adder: RCEA will include a Renewable Attribute Adder ("RAA") with the NSC rate if the eligible customer or their designee provides a completed and executed Form 79-1155-02⁴ verifying that the customer has completed all of the following: (a) registered their generating facility in the Western Renewable Energy Generation Information System ("WREGIS"); (b) obtained Renewables Portfolio Standard ("RPS") certification from the California Energy Commission ("CEC") for the customer's Generation Facility and provides this certification to RCEA; and (c) transferred ownership of the Renewable Energy Credits (RECs) associated with the customer's Net Surplus Energy to RCEA's WREGIS account. For details on the CEC and WREGIS certification process, refer to the CEC's RPS Eligibility Guidebook.⁵

RCEA will use the RAA values calculated by PG&E using the most recent Western Electricity Coordinating Council ("WECC") average renewable premium, based on United States Department of Energy ("DOE") published data. The RAA will only be paid to those customers eligible for NSC who provide RECs to RCEA.

Value of RECs = Net Surplus kWh x RAA.

The RAA is updated annually by PG&E and is available at: <https://www.pge.com/>.

At the conclusion of each Relevant Period, the eligible customer must notify RCEA that the RECs associated with the Net Surplus Energy have been transferred to RCEA's WREGIS account.

E) RCEA NBT Cash Out Process:

Any current customer who has a combined EEC and NSC value of \$100 or more that exceeds any outstanding RCEA charges, will be sent a payment by check via U.S. Mail to the customer's U.S. mailing address on file at the time of mailing for the credit balance on their account, as determined through RCEA's Annual NBT True-Up process as specified in section D. Customers receiving direct payment will have an equivalent amount removed from their RCEA NBT account balance at the time of check issuance. In the event that customers do not have a combined EEC and NSC value exceeding \$100, such credit balance will be carried forward to offset future RCEA charges. All cashed-out RCEA NBT accounts will be reset to zero kilowatt-hours of Net Surplus Energy, annually, and the only RCEA NBT credits carried forward on the customer's account will be the

⁴ [pge.com/tariffs/assets/pdf/tariff_book/ELEC_FORMS_79-1155-02](https://www.pge.com/tariffs/assets/pdf/tariff_book/ELEC_FORMS_79-1155-02)

⁵ <https://www.energy.ca.gov/programs-and-topics/programs/renewables-portfolio-standard>

combined and/or standalone EEC and/or NSC credit balances less than \$100.

- i) RCEA Cash-Out for Terminations: Customers who close their electric account through PG&E, opt-out of RCEA and return to PG&E bundled service, or move outside of the RCEA service area shall be true'd up according to RCEA's NBT Annual True-Up Process. If applicable, the customer shall receive a refund payment by check via U.S. Mail to the customer's U.S. mailing address on file at the time of mailing for any Energy Credits on their account that exceeds outstanding RCEA charges at the time of true-up, up to the total amount of RCEA charges paid by the customer during the Relevant Period. If determined to have produced Net Surplus Energy during the Relevant Period, the customer shall also receive a check via U.S. Mail to the customer's mailing address on file at the time of the Annual NBT True-Up, up to a maximum of \$5,000.

F) RCEA NBT Program:

Customers are subject to all applicable terms and conditions and billing procedures of PG&E for PG&E charges as described in PG&E's NBT (with the exception of RCEA OAS generation charges, which are described in RCEA's generation rate schedule). RCEA may amend this tariff to align with the PG&E NBT following CPUC approval of the PG&E NBT and any future amendments to the PG&E NBT. RCEA calculates and applies generation charges and credits on a monthly basis. PG&E will continue to calculate and apply charges and credits for delivery, transmission, and other services as detailed in PG&E's NBT, and RCEA credits cannot be applied to any PG&E charges.

Please review the PG&E NBT⁶ for more information.

G) Return to PG&E Bundled Service:

RCEA customers participating in the RCEA NBT may opt out and enroll in PG&E's bundled service, subject to any applicable restrictions imposed by PG&E. Customers who opt out of RCEA service are subject to the PG&E NBT.

If a customer opts out RCEA will perform an Annual NBT True-Up of their account, as specified in Section E, at the time of enrollment in PG&E bundled service.

For details concerning opting out of RCEA service, please contact RCEA Customer Service at info@redwoodenergy.org.

⁶ <https://www.pge.com/tariffs/index.page>



ELECTRIC SCHEDULE NEM – NET ENERGY METERING

APPLICABILITY: Redwood Coast Energy Authority (RCEA) This Net Energy Metering schedule (RCEA NEM Tariff) schedule is applicable to a RCEA customer (hereinafter “eligible customer-generator” or “customer”), who uses an eligible Renewable Electrical Generation Facility, as defined in PG&E’s Electric Schedule NEM (<http://www.pge.com/tariffs/ERS.SHTML#ERS>), within the capacity limits described in PG&E’s Electric Schedule NEM that is located on the customer’s owned, leased, or rented premises, is interconnected and operates in parallel with PG&E’s transmission and distribution systems, and is intended primarily to offset part of all of the customer’s own electrical requirements. This schedule is also applicable to customers who meet the following conditions: (hereinafter “eligible customer-generator” or “customer”).

- 1) Customer is enrolled under one of the PG&E net energy metering rate schedules named in this paragraph (“PG&E NEM Schedules”). This rate schedule is available on a first-come, first-served basis, subject to participatory limit(s) established in PG&E Electric Schedules NEM (the “participatory limit”), to customers that satisfy all necessary application, interconnection, and inspection requirements (as described in PG&E Electric Schedules NEM). This NEM schedule also applies to customers served under NEM2, NEMV (Virtual Net Energy Metering), NEMVMASH (Virtual Net Energy Metering for Multifamily Affordable Housing), NEMA (NEM Aggregation) and Multiple Tariff facilities as described by PG&E Electric Schedule NEM. Once the participatory limit has been reached, this NEM schedule will be closed to new customers.
- 2) This Schedule is closed to new customers as of December 15, 2023, unless the customer is applying for Load Aggregation (NEM2A), as detailed in PG&E Electric Schedule NEM2 Special Condition 6. Notwithstanding the foregoing, customers beginning service on or after April 15, 2023, but before the PG&E Net Billing Tariff (NBT) adopted by that decision is approved, will temporarily be subject to the RCEA NEM schedule, then transitioned to NBT once the NBT billing systems are implemented by PG&E and RCEA. Customers applying before April 15, 2023, are subject to the application requirements specified in PG&E NEM2 Special Condition 3 (Interconnection) to maintain eligibility on RCEA NEM.

The RCEA NEM Tariff may be amended from time to time or replaced by RCEA’s Board of Directors (“Board”) at a duly noticed public meeting of the Board¹.

Eligible RCEA customers who meet the requirements for a PG&E NEM Schedule will be automatically enrolled in the RCEA NEM Tariff at the time of initially enrolling with PG&E or at the time PG&E accepts them into PG&E’s NEM Program.

Customers enrolled in or eligible for the RCEA NEM Tariff may voluntarily elect to be served instead under the RCEA Net Billing Tariff (“RCEA NBT Tariff”).² Customers who voluntarily switch from the RCEA NEM Tariff to the RCEA NBT Tariff or who are automatically transitioned to the RCEA NBT Tariff following the termination of their NEM legacy period are not eligible to return to service under the RCEA NEM Tariff. This rate schedule is available on a first-come, first-served basis, subject to participatory limit(s) established in PG&E Electric Schedules NEM (the “participatory limit”), to customers that satisfy all necessary application, interconnection and inspection requirements (as described in PG&E Electric Schedules NEM). This NEM schedule also applies to customers served under NEM2, NEMV (virtual Net Energy Metering), NEMVMASH (Virtual Net Energy Metering for Multifamily Affordable Housing), NEMA (NEM Aggregation) and Multiple Tariff facilities as described by PG&E Electric Schedule NEM. Once the participatory limit has been reached, this NEM schedule will be closed to new customers.

¹ Board agendas are available at: <https://redwoodenergy.org/board-of-directors>

² Information about the RCEA NBT Program is available at: <https://redwoodenergy.org/>

TERRITORY: The entire Redwood Coast Energy Authority ~~(RCEA) Community Choice Energy~~ program service area of Humboldt County.

RATES: All rates charged under this NEM schedule will be in accordance with the eligible customer-generator's otherwise-applicable RCEA rate schedule (OAS). An eligible customer-generator serviced under this schedule is responsible for all charges from its OAS including monthly minimum charges, customer charges, meter charges, facilities charges, demand charges and surcharges, and all other charges owed to RCEA or PG&E – any applicable PG&E charges will be addressed in a corresponding tariff. Charges for energy (kWh) supplied by RCEA will be based on the net metered usage in accordance with this NEM schedule.

BILLING: Customers with NEM service will be billed by RCEA as follows:

a) For a customer with Non-Time of Use Rates:

The cost or credit associated with any net usage or production during the customer's normal billing cycle shall be determined as follows:

If the eligible customer-generator is a "Net Consumer" as determined by usage exceeding production during a discrete billing cycle, the eligible customer-generator will be billed in accordance with the eligible customer-generator's OAS.

If the eligible customer-generator is a "Net Generator" as determined by production exceeding usage during a discrete billing cycle, the net energy production shall be valued at the OAS plus a NEM production premium of \$0.01/kWh. The value of all net energy production during the billing cycle shall be credited to RCEA customers as described in Section (c).

b) For a customer with TOU Rates:

If the eligible customer-generator is a Net Consumer (as defined above) during any discrete TOU period, the net kWh consumed during such period shall be billed in accordance with the eligible customer-generator's OAS.

If the eligible customer-generator is a Net Generator (as defined above) during any discrete TOU period, net energy production during each TOU period shall be valued in consideration of the eligible customer-generator's OAS plus a NEM production premium of \$0.01/kWh, applying OAS rates to the quantity of energy produced within each TOU period. The value of all net energy production during the billing cycle shall be credited to RCEA customers as described in Section (c).

c) Monthly Settlement of RCEA Charges/Credits:

NEM customers will receive a statement in their monthly PG&E bills indicating any accrued charges for their usage during the billing cycle. Customers who have accrued credits during previous billing cycles will see these credits applied against current RCEA generation charges. Any remaining balance will be due and must be paid in consideration of the due date and remittance advice reflected on each PG&E bill.

When a customer's net energy production results in a net bill credit during any billing cycle, the value of any net energy production during the billing cycle shall be noted on the customer's bill and carried over as a bill credit for use in subsequent billing periods.

d) RCEA Annual Cash-Out:

During the May billing cycle of each year, all current eligible RCEA NEM customers with a credit balance of more than \$100 will be automatically sent a direct payment as compensation for the accrued credit balance – this payment will be made by check issued from RCEA to the customer sent to the billing address on file with PG&E; any credit balance will be determined as of the customer's April billing cycle. Customers who are eligible for the RCEA Cash-Out process will have

an equivalent credit removed from their NEM account balance at the time of check issuance. The maximum amount for direct payments is \$5,000. In the event that a customer has accrued more than \$5,000 in credit, a check will be issued to the customer for \$5,000 and the remaining balance will be carried over to the next month. Aggregated NEM customers are not eligible for the Cash-Out process.

Customers who close their electric account through PG&E or move outside of RCEA service area prior to the May cash-out will be sent a check to their billing address on file with PG&E for the balance of their NEM credit.

e) Return to PG&E Bundled Service:

RCEA customers with NEM service may opt out and return to PG&E bundled service at any time. Customers should be advised that PG&E will perform a true-up of their account at the time such customers return to PG&E bundled service. As described in PG&E Electric Rule 23

(https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_RULES_23.pdf

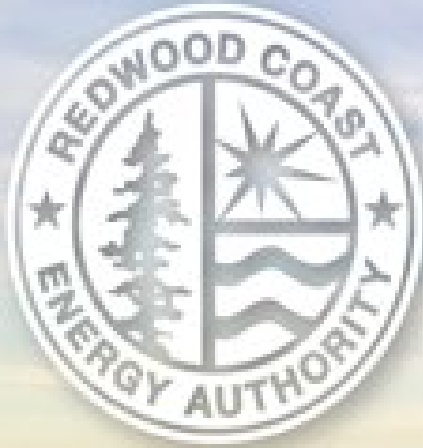
(<http://www.pge.com/tariffs/ER.SHTML#ER>), certain RCEA customers returning to PG&E service may receive Transitional Bundled Service (TBS) for a limited period of time; TBS will expose such customers to various market price risks – please review PG&E’s applicable electric rules and tariffs for additional information.

If an RCEA NEM customer opts-out of the RCEA program and returns to bundled service, that customer will receive a direct payment, described above in Section (d), for any generation credits that remain on the account.

f) PG&E NEM Services:

RCEA NEM customers are subject to PG&E’s terms, conditions and billing procedures for any non-generation services, as described in PG&E’s Electric Schedule NEM, NEM2 and related PG&E tariff options addressing NEM service. Customers should be advised that while RCEA reconciles payment/credit balances for generation on a monthly basis, PG&E will continue to assess charges for delivery, transmission and other services. Most NEM customers will receive an annual true-up from PG&E for these non-generation services.

Customers are encouraged to review PG&E’s most up-to-date NEM tariffs, which are available on PG&E’s website: <http://www.pge.com/tariffs/ERS.SHTML#ERS>.



REDWOOD COAST Energy Authority

Presentation to the RCEA Board of Directors

October 26, 2023

Outline:

- Net Billing Tariff Development Considerations
- Key Features of the RCEA Net Billing Tariff
- Next Steps





NBT Development Considerations

Align with PG&E NBT methodology.

Align with billing system constraints.

Consideration for anticipated NBT customer base.

Compatibility with Net Energy Metering (NEM)
account processes.

Ability to provide pricing work products billing

RCEA NBT Key Features

- **Rate:** PG&E and RCEA both require residential customers to switch to the Home Electric Rate (E-ELEC).
- **Value of Energy Exports:** PG&E and RCEA both use same Energy Export Credit and Net Surplus Compensation Rates.
- **Net Generation Bonus:** PG&E has an EEC adder for CARE/FERA customers; RCEA NBT has a \$0.01/kWh adder for all customers.



RCEA NBT Key Features cont.

- **Annual True-Up:** PG&E and RCEA NBT
 - PG&E True-Up based on Permission to Operate date & Relevant Period.
 - RCEA NBT True-Up based on April yearly process that aligns with the NEM Cash-Out.
- **Renewable Certificates:** RCEA and PG&E include a Renewable Attribute Adder for eligible commercial customers.



RCEA NBT Key Features cont.

- **Interim Billing:** Until PG&E and RCEA billing systems are fully operational, customers on RCEA NBT will be billed under the RCEA NEM schedule.



Next Steps

- **Track** implementation costs and impacts.
- **Develop** solar plus storage incentive program and bring to Board in Spring 2024.
- **Monitor** approval of PG&E's proposed NBT by the CPUC. RCEA staff may bring amendments to the Board to align with the final approved PG&E NBT.





Questions

Thank you



REDWOOD COAST EnergyAuthority

STAFF REPORT Agenda Item # 8.1

AGENDA DATE:	October 26, 2023
TO:	Board of Directors
PREPARED BY:	Jaclyn Harr, TEA Client Services Manager Jocelyn Gwynn, Acting Director of Power Resources
SUBJECT:	Energy Risk Management Quarterly Report

BACKGROUND

The RCEA Board of Directors adopted an [Energy Risk Management Policy \(RCEA-ERMP-Approved-Dec-2022.pdf \(redwoodenergy.org\)\)](#) in December 2016 and most recently revised in December 2022, to establish functions and procedures to manage the risks associated with the Community Choice Energy program's power procurement activities. In accordance with this policy, a quarterly update on activities and projected financial performance is presented to the Board during regularly scheduled meetings.

SUMMARY

The Energy Authority (TEA) Client Services Manager Jaclyn Harr and RCEA staff will provide an energy risk management quarterly update.

ALIGNMENT WITH [RCEA'S STRATEGIC PLAN](#)

Not applicable.

EQUITY IMPACTS

Not applicable.

RECOMMENDED ACTION

Accept Energy Risk Management Quarterly Report.

ATTACHMENTS

Energy Risk Management Quarterly Report slides will be presented at the meeting.

RCEA Energy Risk Management Quarterly Report

October 2023 Board Meeting



Topics

- General Financial Update
- Renewable Energy Credit (REC) Discussion
- Long-Term Procurement Update (verbal discussion)
- Capacity Markets & Regionalization Update (verbal discussion)

General Financial Update

Overview of Financial Drivers

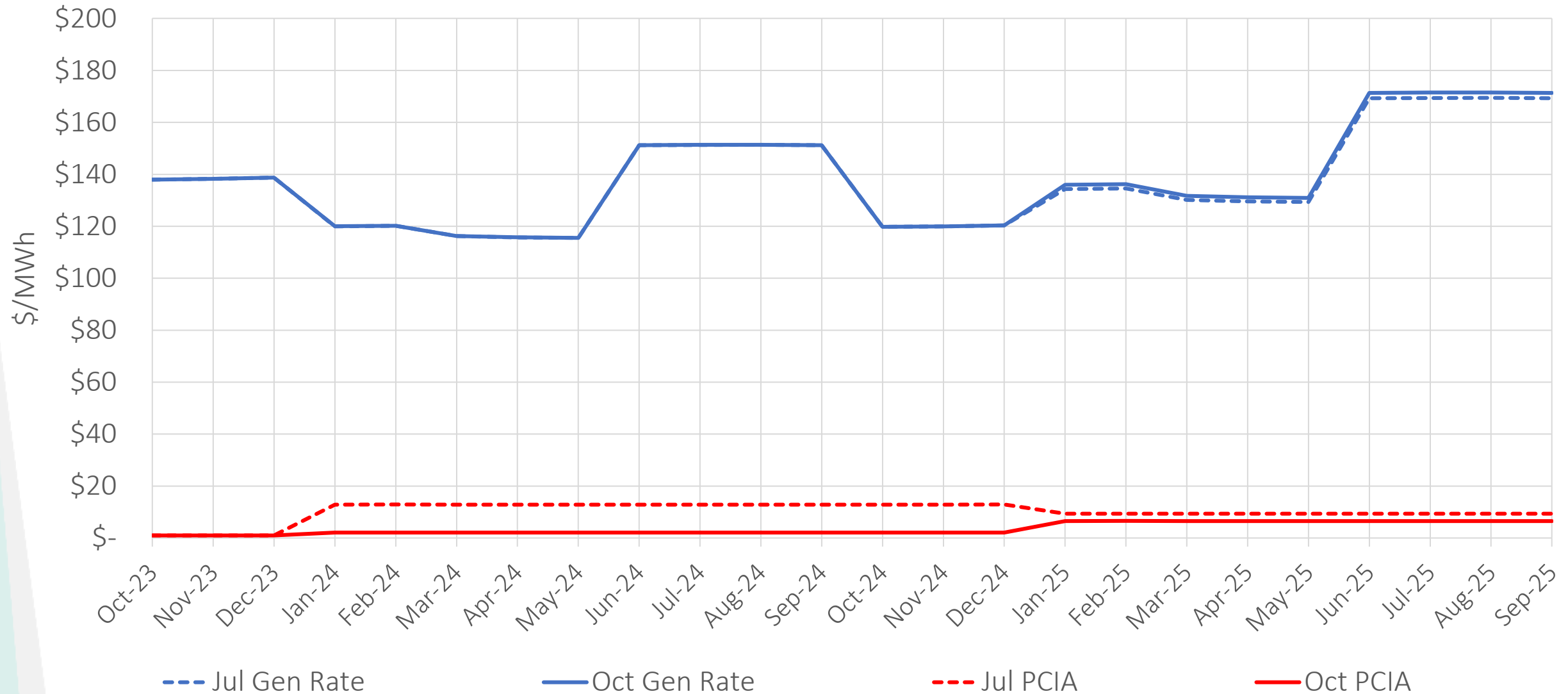
Revenues:

- Updated forecast of PG&E rates for 2024 onward increased
 - +\$6.2M impact in 2024
 - +\$2.6M impact in 2025

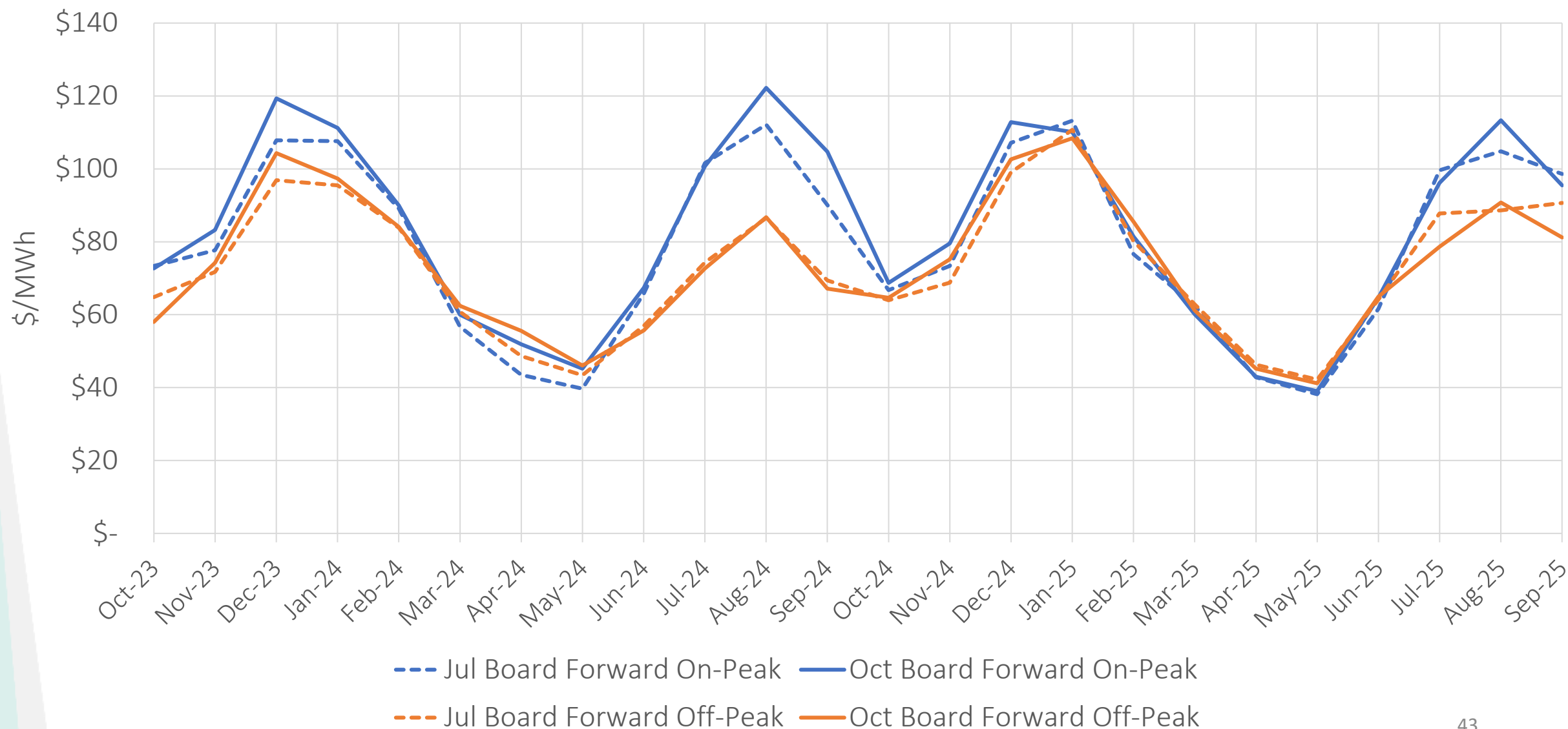
Net Power Costs:

- Forward energy prices increased over forecast horizon
 - Calendar Year 2024 up 6% (average hedged: ~70%)
 - Calendar Year 2025 up 1% (average hedged: ~65%)
- Increased prices for environmental products (RECs & Carbon-Free) and capacity products (System & Flex RA)

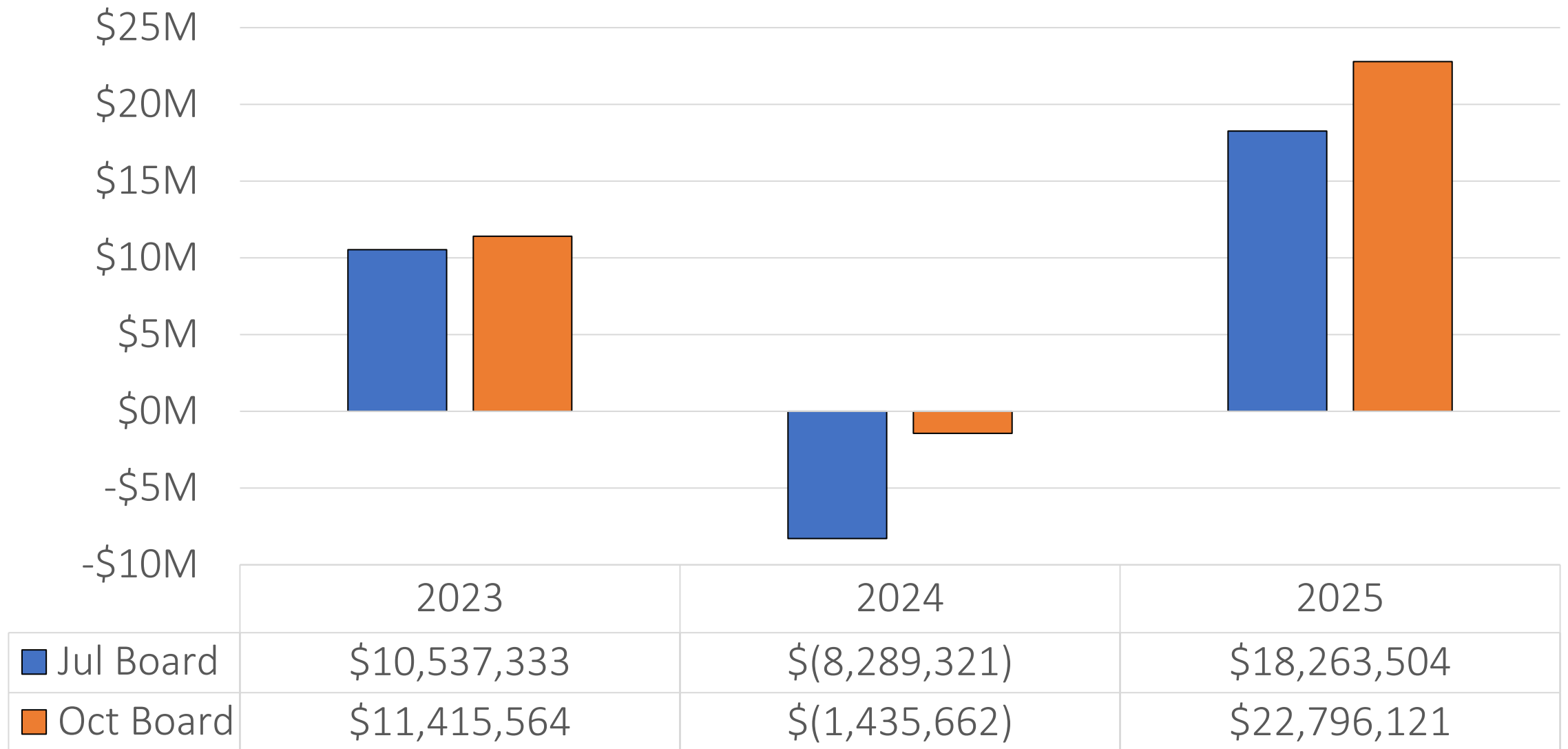
Forecasted PG&E Generation Rate & PCIA



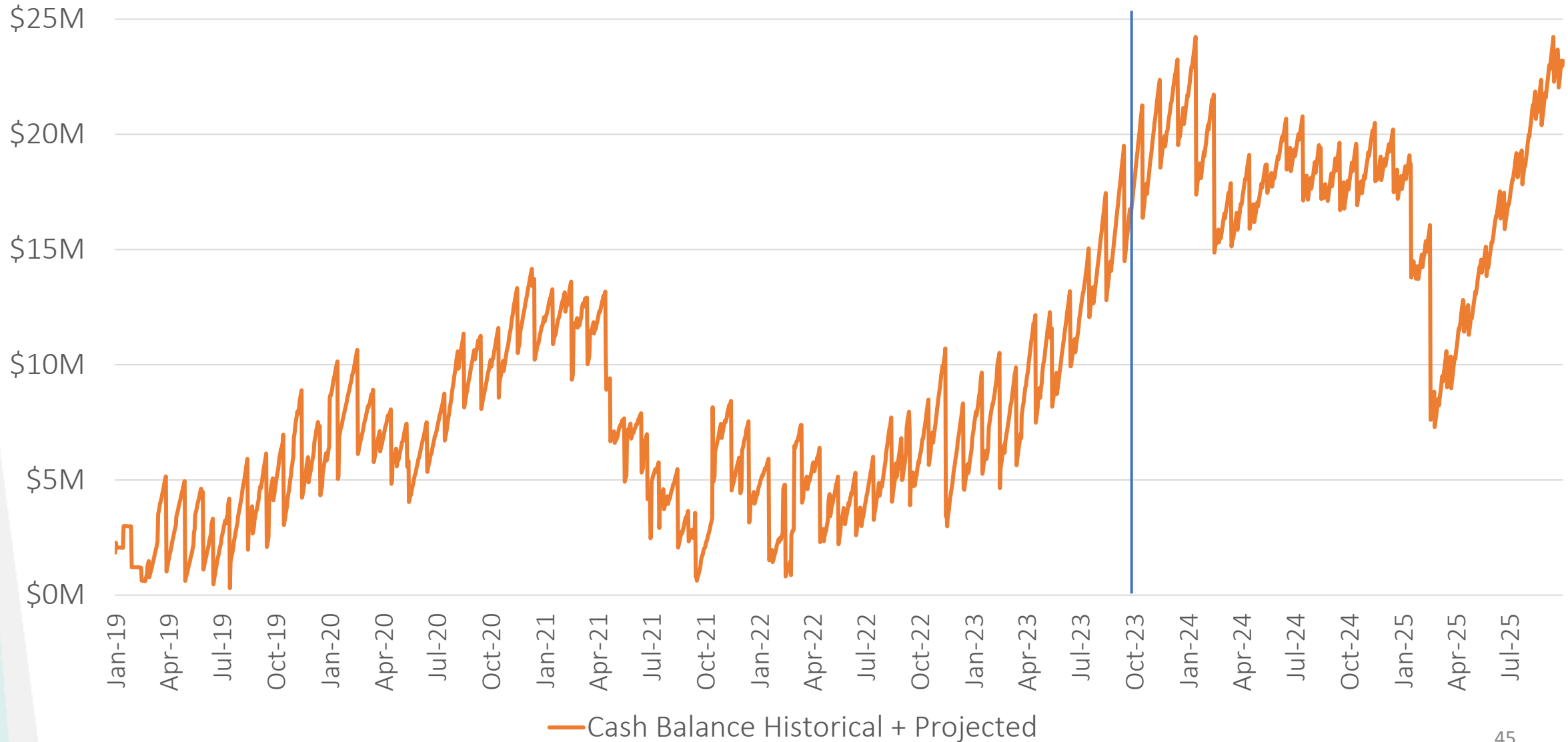
Forward Energy Prices for RCEA



Annual Net Revenue Forecast

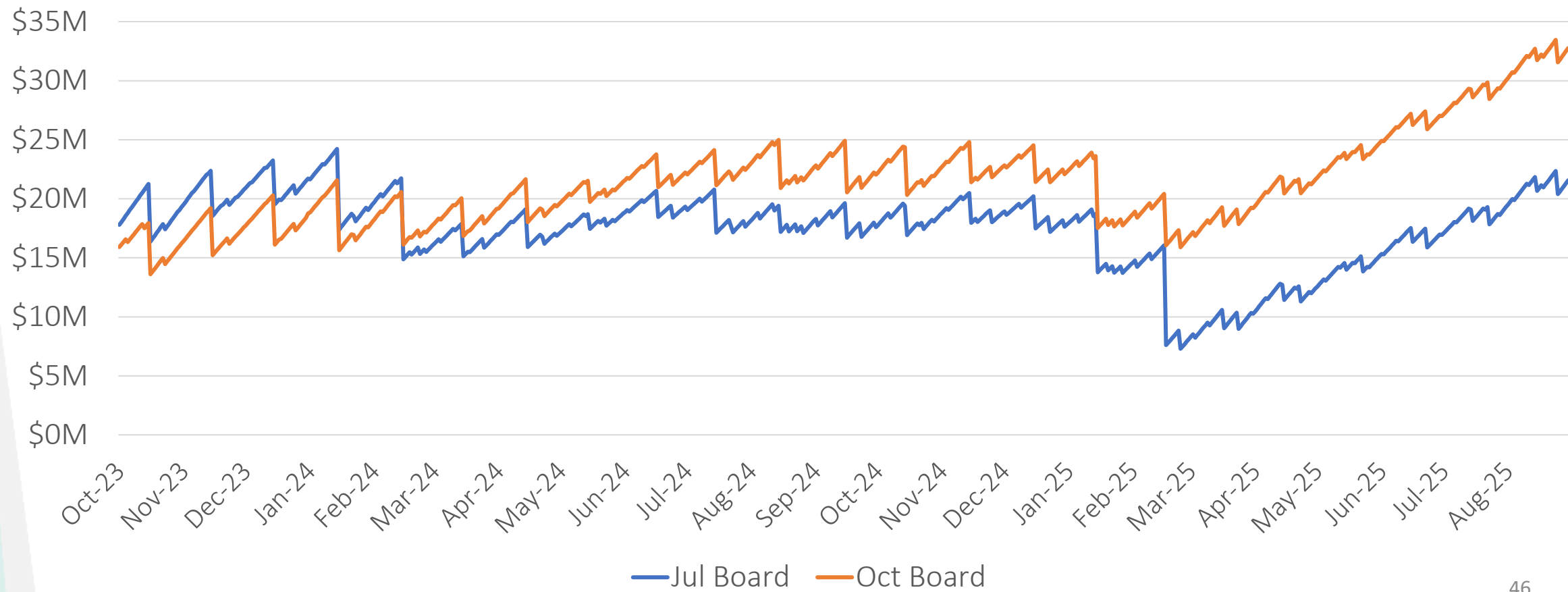


Cash Balance History & Projection



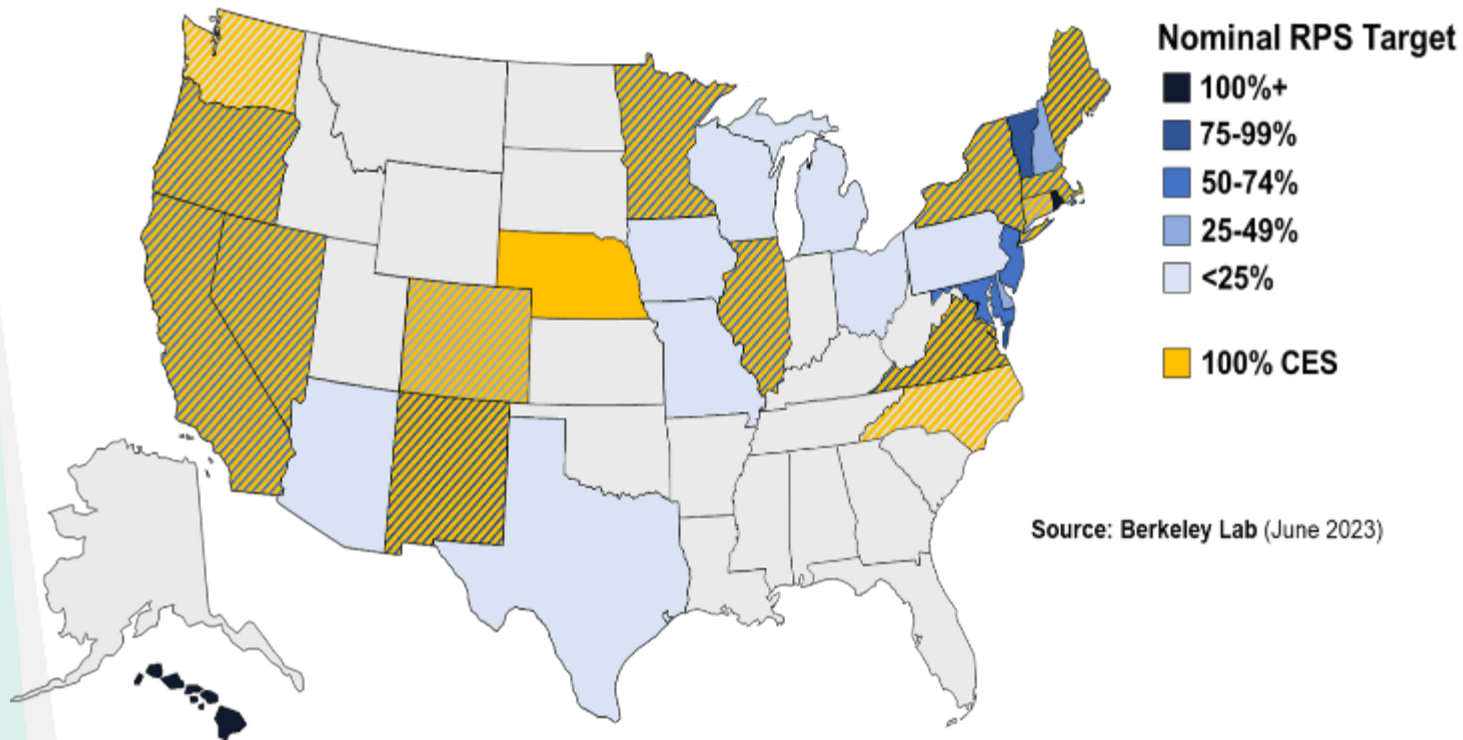
Two-Year Cash Projection

	Oct - Dec 2023			CY 2024			Jan - Sep 2025		
	Min	Avg	Ending	Min	Avg	Ending	Min	Avg	Ending
July Board	\$16.4M	\$20.1M	\$21.7M	\$14.9M	\$18.4M	\$17.8M	\$7.3M	\$15.9M	\$23.2M
Oct Board	\$13.6M	\$17.0M	\$18.8M	\$15.6M	\$21.1M	\$22.3M	\$15.9M	\$24.8M	\$35.3M



Renewable Energy Credit (REC) Discussion

Various Renewable Procurement Standards

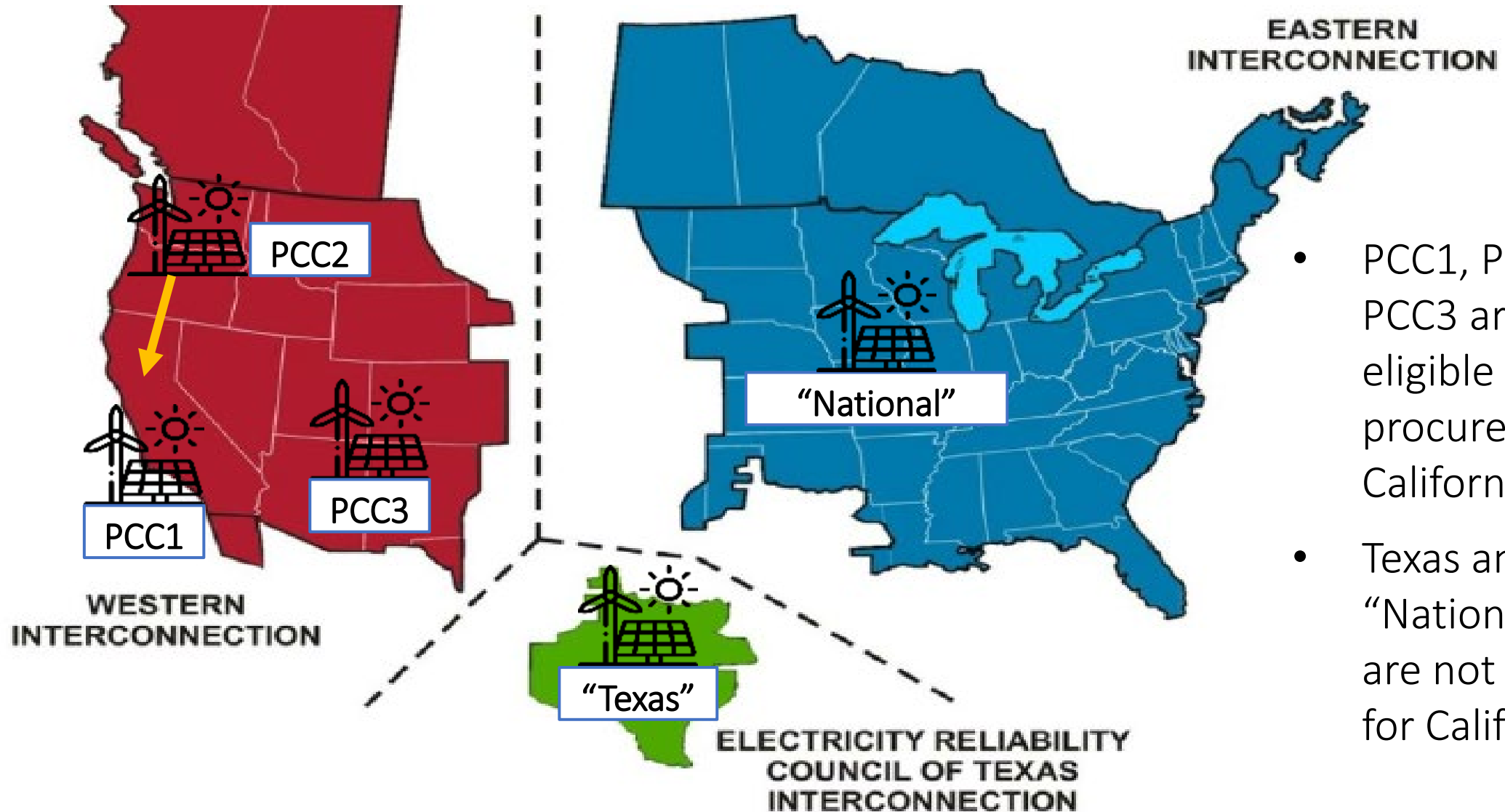


Each state with an RPS program writes the rules a little different from each other

California state law has three
“Product Content Categories”
(PCC) of RECs:

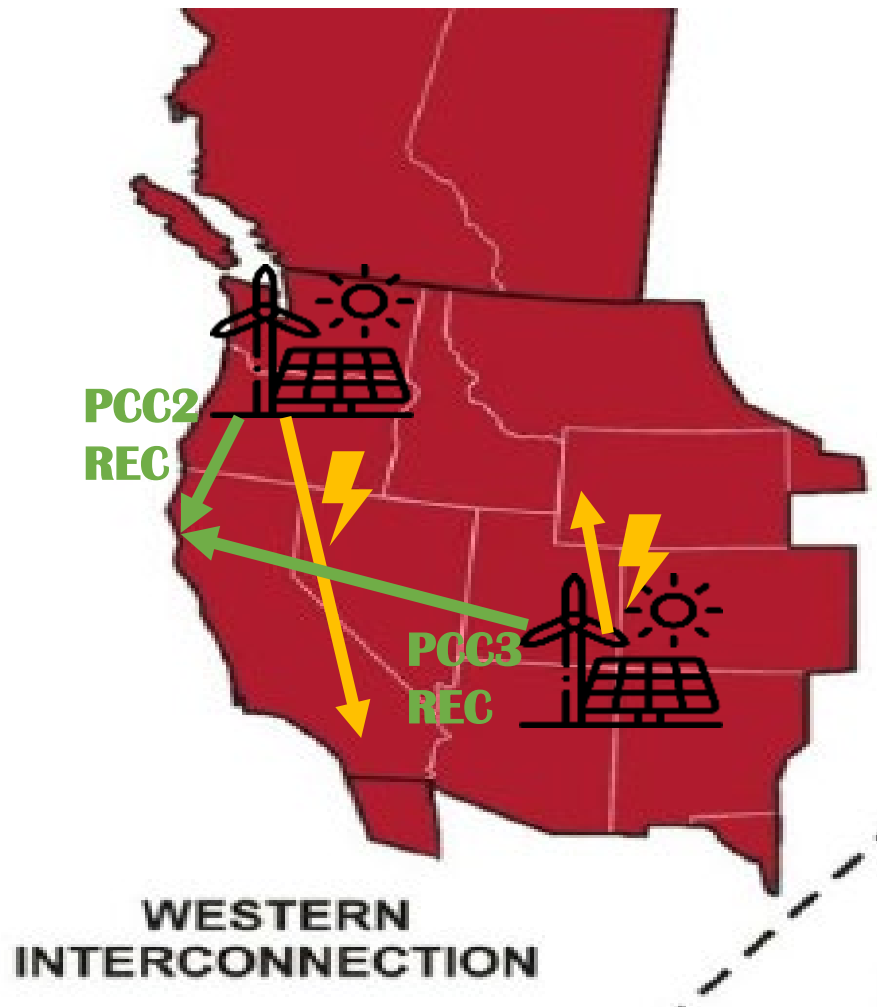
- **PCC1:** Eligible renewable resources directly connected to California's grid
- **PCC2:** Out-of-state eligible renewable resources with energy imported into California's grid
- **PCC3:** Eligible renewable resources but energy is not brought to California's grid (REC Only)

REC Procurement Options for RCEA

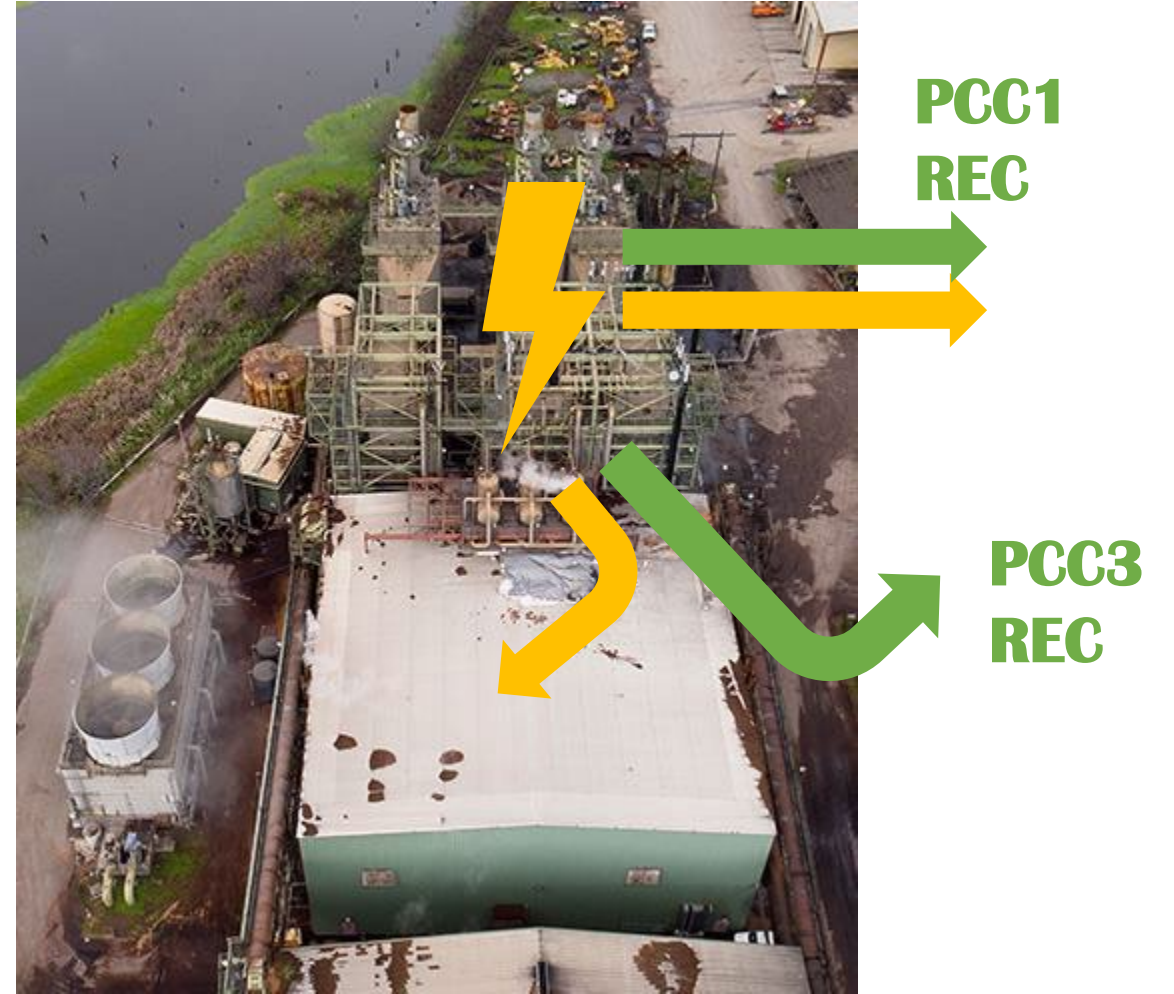


- PCC1, PCC2, and PCC3 are all eligible for procurement for California RPS
- Texas and "National" RECs are not eligible for California RPS

PCC3 REC Scenario Examples



Scenario 1



Scenario 2

Verbal updates on:

- Long-Term Procurement
- Capacity Markets & Regionalization

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STAFF REPORT
Agenda Item # 10.1

AGENDA DATE:	October 26, 2023
TO:	Board of Directors
FROM:	Matthew Marshall, Executive Director
SUBJECT:	Executive Director's Report

SUMMARY

Executive Director Matthew Marshall will provide updates on topics as needed.

RECOMMENDED ACTION

None. (Information only.)

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