

Notice of Special Meeting

The DCE Chair has called a special meeting of the Board for Wednesday, July 7, 2021 at 10:00 a.m. for the purpose of addressing only those items listed on the agenda below. Board members will receive a unique panelist link to participate.



DESERT COMMUNITY ENERGY BOARD SPECIAL MEETING AGENDA

**Wednesday, July 7, 2021
10:00 a.m.**

Pursuant to Governor Newsom's Executive Order N-29-20 (March 18, 2020), this meeting will only be conducted via video/teleconferencing.

INSTRUCTIONS FOR PUBLIC PARTICIPATION

Online:

<https://us02web.zoom.us/j/83529539624?pwd=WWtuR29MK3MzejJ2YzlkVVZGeTIUZz09>

Passcode: 530325

One tap mobile:

US: +16699009128,,83529539624#

By Phone:

Dial In #: +1 669 900 9128

Webinar ID: 835 2953 9624

Passcode: 530325

This will provide listening access and ability to address the DCE Board when called upon.
IF YOU ARE UNABLE TO CONNECT VIA DIAL IN OPTION, PLEASE CALL 760-346-1127

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

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

1. CALL TO ORDER

2. ROLL CALL

A. Member Roster

[P3](#)

3. PUBLIC COMMENTS ON AGENDA ITEMS

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

4. BOARD MEMBER / DIRECTOR COMMENTS

5. DISCUSSION / ACTION

A. Allocation of Costs within DCE's Budget – Katie Barrows

[P4](#)

Recommendation: Discuss and provide direction to staff on how costs are allocated within the budget

B. Total Rate Premium for DCE's Carbon Free Product – Jaclyn Harr, The Energy Authority

[P6](#)

Recommendation: Adopt Resolution 2021-04 approving up to a four-percentage point increase to Desert Community Energy's current Carbon Free rate premium to be effective as of July 15, 2021

6. INFORMATION

A. Attendance Record

[P9](#)

7. ANNOUNCEMENTS

The next DCE meeting will be held July 19, 2021 at 2:30 p.m. either via Zoom webinar or in-person.

8. ADJOURNMENT

Item 2A

Desert Community Energy Board Member Roster	
Voting Members	Representative
City of Palm Desert	Councilmember Sabby Jonathan, Vice Chair <i>Alternate: Mayor Kathleen Kelly</i>
City of Palm Springs	Councilmember Geoff Kors, Chair <i>Alternate: Mayor Pro Tem Lisa Middleton</i>
DCE Staff	
Tom Kirk, Executive Director	
Katie Barrows, Director of Energy & Environmental Resources	
Benjamin Druyon, Management Analyst	
Valdemar Galeana, Accounting Manager	
Trisha Stull, Program Assistant II	

ITEM 5A

Desert Community Energy Board July 7, 2021



STAFF REPORT

Subject: Allocation of Costs within DCE's Budget

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

Recommendation: Discuss and provide direction to staff on how costs are allocated within the budget

Background: The DCE Board adopted the Fiscal Year 2021/2022 budget at the June 21, 2021 meeting. During the discussion, a question was asked about how the allocation of costs and revenues were identified in the budget. This staff report provides additional background as well as options the Board can consider if there are changes made to this allocation. With this item, staff is seeking direction from the Board and would return at a later meeting with any proposed changes for further discussion and approval.

DCE was formed as a joint powers authority on October 30, 2017 by the cities of Cathedral City, Palm Desert and Palm Springs for purposes of establishing and implementing community choice aggregation programs within each city's jurisdiction. The original intent anticipated that the member agencies would launch a CCA program in their respective cities simultaneously. However, the City of Palm Springs is the only city to have launched its CCA program to date. Cathedral City withdrew from DCE effective July 1, 2021. The City of Palm Desert remains a DCE member, but the Council is still considering when to launch its CCA program. Thus, only one member currently has an active CCA program.

In September 2019 meeting, following the decision by Palm Springs to start serving customers in early 2020, the Board approved Amendment No. 2 to the DCE Joint Powers Agreement. This amendment was done to address concerns regarding accrual of revenues and expenses when program launch dates vary. That amendment included the addition of Section 5.3.5 which reads as follows:

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

Following the approval of Amendment No. 2, a cost allocation between DCE and Palm Springs was developed, presented to the Board, and ultimately incorporated in the Fiscal Year 2019/2020 budget. With this approach, revenues and/or expenses specific to the Palm Springs CCA operations have been allocated solely to Palm Springs. The costs for other efforts that benefit both Palm Springs and DCE – including community engagement on energy saving programs –

have been allocated as shared costs. Administrative and general costs associated with running DCE are also allocated as shared costs, as they benefit both members that have launched and those that may start serving customers in the future. Some of this staff time has involved DCE staff coordinating with the City of Palm Desert as the Council considers a future launch date.

The Fiscal Year 2021/2022 Budget identified a cost allocation that attributed 99.37% of the total operating costs to Palm Springs and 0.63% share to DCE as a whole; for FY 2021/2022 this amounts to \$274,356. The costs allocated to DCE include primarily administrative and general costs, and do not include power costs and associated consultant costs. If power procurement and related costs are removed, the share of administrative costs allocated to DCE as a whole in the FY 2021/2022 budget is 28.5%. In FY 2020/2021 this amount was 15% of non-power costs. Staff compared this to audited financial statements for 2017 to 2019, before any launch of service to customers. That showed total operating costs related to non-power procurement or wholesale services, amounted to 0.69% of total costs. Based on these figures the percentage of total expenditures that are allocated to general DCE expenses would be around 0.6%-0.7%, which is consistent with allocation in the FY 2021/2022 budget approved by the Board at the June meeting.

Staff is recommending that the Board discuss the cost allocation and provide direction on whether a change is needed. If a change in the allocation of costs is desired, the Board can consider several options. Given the relatively small share of costs allocated to DCE, the Board could continue to allocate some share of the costs to DCE as a whole, including expenses associated with keeping the JPA functional and supporting Palm Desert as they consider a future launch date. The Board could also direct staff to evaluate increasing or decreasing the allocation to DCE. The Board could also consider allocating all costs to Palm Springs CCA program until such time as Palm Desert chooses to launch and begin serving customers. While staff is not providing a recommended direction, staff would note that allocating all costs to Palm Springs may signal to the community that DCE is providing no benefit to non-active members of DCE – an implication that does not recognize the current engagement with the City of Palm Desert.

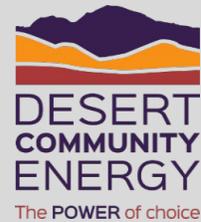
Under Section 5.3.5 of the JPA, DCE's revenues will be treated as one and tracked accordingly once all members launch service. Staff does not anticipate any JPA changes should the Board provide a change on the cost allocation. However, DCE staff will be recommending additional clarity to the JPA agreement to address the withdrawal of Cathedral City, including clarity to the JPA voting language given that DCE has only two members. Changes to the DCE Joint Powers Agreement requires that a notice of proposed changes be circulated to the members 30 days prior to the meeting where changes will be considered for approval. Staff anticipates bringing an item to the Board at the next regular meeting to discuss potential changes so that the Board can provide input and direction.

Fiscal Analysis: The Fiscal Year 2021/2022 Budget identified a cost allocation that attributed 99.37% of the total operating costs to Palm Springs and 0.63% share to DCE as a whole; for FY 2021/2022 this amounts to \$274,356.

If the Board directs staff to change the cost allocation, a fiscal analysis will be presented as part of a future staff report.

ITEM 5B

Desert Community Energy Board July 7, 2021



STAFF REPORT

Subject: Total Rate Premium for DCE's Carbon Free Product

Contact: Jaclyn Harr, The Energy Authority

Recommendation: Adopt Resolution 2021-04 approving up to a four-percentage point increase to Desert Community Energy's current Carbon Free rate premium to be effective as of July 15, 2021

Background: The DCE Board approved its Fiscal Year 2021-2022 Budget at the June 21, 2021 Board meeting. The Budget and associated staff report identified multiple areas of cost uncertainty that might require adjustment of revenue levels during Fiscal Year 2021-2022. Specifically, the staff report stated: *"Due to market volatility, recent significant increases in energy prices, and DCE's energy costs, combined with uncertainty about the potential for a summer heat wave, it is anticipated that rates considered in the budget may need to be revised at any point, in order to maintain a sound financial position. Staff and TEA are closely watching the current market conditions and will submit any proposed changes to the Board for approval with enough advance to implement these changes."*

Unfortunately, summer 2021 forward prices for power are up two to three times last year's levels. Recent west coast heat storms coupled with below average California hydro power conditions have put further upward pressure on near-term wholesale prices. There is also uncertainty about how the market will respond if excessive temperatures and heat storms occur later this summer. DCE's hedging policies and practices have tempered the majority of the impact from the significant increase in summer 2021 forward prices, but some exposure to the market and potential heat events remains. Overall, DCE's strategy of procuring fixed price energy on a forward basis over time means that the majority of DCE's power for summer 2021 is expected to cost less than the prevailing market price. For perspective, as of today, the value of DCE's forward hedges for all of 2021 are over \$6 million in the money.

The DCE Board has already taken steps to ensure DCE can timely adjust to changing conditions. In November 2020, the Board adopted a Rate Stabilization Schedule (RSS) that enables DCE to adjust retail rates based on Board-approved financial policies and procedures. Board-approved DCE financial objectives include recovery of all power supply and operating costs, as well as building adequate reserves. The RSS prescribes utilization of a 12-month contiguous average rate comparison period, which may start up to six months prior to the month in which a rate adjustment is implemented to allow for potential recovery of unanticipated costs, such as higher or lower wholesale purchased power costs which may vary under changing weather and market conditions.

In order to assure revenue sufficiency to cover power costs, DCE staff is recommending additional pricing flexibility in DCE's Carbon Free product total bill premium be incorporated into the RSS. Implementation of any needed revenue adjustments will be effective July 15, 2021. No changes

are being recommended for the Desert Saver rates, which provides customers a cost savings over Southern California Edison's base rate. Staff and TEA will continue to monitor market conditions and keep the Board informed. If market conditions improve, rates could be adjusted downward. Any proposed changes will be presented to the Board for approval.

Fiscal Analysis: This total retail bill comparison adjustment is designed to assure full recovery of all power supply and operating costs, build financial reserves, address cash flow requirements, and ensure that DCE maintains fiscal health. Full implementation of a four-percentage point increase in DCE's Carbon Free total bill premium from the prescribed premium in effect as of June 1, 2021 would increase a \$100 electricity bill by about \$3-\$4.

Attachment:

1. Resolution No. 2021-04

RESOLUTION NO. 2021-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
DESERT COMMUNITY ENERGY
ADOPTING CARBON FREE RATE PREMIUM ADJUSTMENT**

THE BOARD OF DIRECTORS OF DESERT COMMUNITY ENERGY DOES HEREBY FIND, RESOLVE, AND ORDER AS FOLLOWS:

WHEREAS, Desert Community Energy ("DCE") is a joint powers authority established on October 30, 2017 for the purpose of implementing community choice aggregation programs under Public Utilities Code Section 366.2.0; and

WHEREAS, pursuant to Section 5.3.1 of the DCE Joint Powers Agreement the Board of Directors approved its Fiscal Year July 1, 2021, through June 30, 2022, at its June 2021 Board meeting; and

WHEREAS, the budget and associated Staff Report included forecast cost uncertainties associated with COVID-19 delinquent payments; past, current and projected increases in wholesale power costs due to market volatility and heat storm weather conditions; below average California hydroelectric energy availability; and building adequate reserves, all of which require adjusting the total Carbon Free rate premium to maintain adequate revenue levels; and

WHEREAS, increasing DCE's current Carbon Free total rate premium by up to four percentage points will augment revenue and cashflow sufficiency to assure prudent business cost recovery; and

WHEREAS, the Carbon Free total rate premium adjustment is to be implemented and applied pursuant to DCE's Rate Stabilization Schedule; and

NOW THEREFORE, the Board of Directors ("Board") of Desert Community Energy does hereby resolve, determine, and order as follows:

1. The Board of Directors hereby adopts, approves and makes effective as of July 15, 2021 adjusting upward the Carbon Free total rate premium by up to four percentage points from the current total Carbon Free rate premium, as implemented and applied pursuant to DCE's Rate Stabilization Schedule.

ADOPTED AND APPROVED by the Board of Directors of Desert Community Energy on this 7th day of July 2021 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Geoff Kors
Chair, Desert Community Energy

Attest:

Tom Kirk
Secretary, Desert Community Energy

ITEM 7A

**DESERT COMMUNITY ENERGY BOARD
FY2020-2021 ATTENDANCE RECORD**

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

Absent 
No Meeting *